

GREATER HAMMOND COMMUNITY  
SERVICES, INC.

AUDITED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED  
JUNE 30, 2018 AND 2017

GREATER HAMMOND COMMUNITY SERVICES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Greater Hammond Community Services, Inc.  
Hammond, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Hammond Community Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Hammond Community Services, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

  
McMahon and Associates Certified Public Accountants, P.C.  
Munster, IN

September 19, 2018

GREATER HAMMOND COMMUNITY SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 3,231	\$ 8,642
Grants receivable	76,930	73,552
Prepaid expenses	8,779	1,557
Total current assets	<u>88,940</u>	<u>83,751</u>
 <u>FIXED ASSETS - (NET)</u>	 <u>240,428</u>	 <u>252,621</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 329,368</u>	 <u>\$ 336,372</u>

<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Line of credit	\$ 34,575	\$ 104,992
Current portion of long-term debt	6,614	5,938
Loan from donor	0	10,000
Accounts payable	16,334	21,770
Accrued audit fee	8,900	8,300
Accrued payroll and payroll taxes	5,316	4,952
Deferred revenue	4,350	0
Total current liabilities	<u>76,089</u>	<u>155,952</u>
 <u>LONG-TERM LIABILITIES - Long-term debt</u>	 <u>150,900</u>	 <u>52,631</u>
Total liabilities	<u>226,989</u>	<u>208,583</u>
 <u>NET ASSETS - Unrestricted</u>	 <u>102,379</u>	 <u>127,789</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 329,368</u>	 <u>\$ 336,372</u>

GREATER HAMMOND COMMUNITY SERVICES, INC.

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
<u>REVENUE, GAINS, AND OTHER SUPPORT:</u>			
Lake Area United Way	\$ 80,550	\$ 169,149	\$ (88,599)
City of Hammond	28,274	35,598	(7,324)
City of Hammond Grants - CDBG	37,307	30,447	6,860
Federal Emergency Mgmt Agency - FEMA	150,976	5,927	145,049
NWICA reimbursement grants	145,056	144,071	985
Contributions	113,627	88,143	25,484
In-kind contributions	275,473	321,777	(46,304)
McKinney Grant	67,715	142,789	(75,074)
PRJCI project income	19,809	16,893	2,916
Miscellaneous income	1,870	0	1,870
Total revenue and support	<u>920,657</u>	<u>954,794</u>	<u>(34,137)</u>
<u>EXPENSES:</u>			
Food Pantry and other direct services	560,654	447,484	113,170
Congregate Meals Program	80,415	74,680	5,735
Handyman Chore Person	20,989	23,155	(2,166)
Rapid Re-housing	100,015	158,324	(58,309)
Section 8 Housing	65,494	55,081	10,413
PRJCI Services	22,066	17,586	4,480
Energy Assistance Program	47,790	45,474	2,316
United for Families	18,445	73,907	(55,462)
Management and administrative	29,199	50,703	(21,504)
Fundraising	1,000	1,000	0
Total expenses	<u>946,067</u>	<u>947,394</u>	<u>(1,327)</u>
CHANGE IN NET ASSETS	(25,410)	7,400	<u>\$ (32,810)</u>
NET ASSETS - BEGINNING OF YEAR	<u>127,789</u>	<u>120,389</u>	
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 102,379</u>	<u>\$ 127,789</u>	

GREATER HAMMOND COMMUNITY SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	Food Pantry and Other Direct Services	Congregate Meals Program	Handyman Chore Person	Rapid Re-housing	Section 8 Housing	PRJCI Meal Program	Energy Assistance Program	United For Families	Management and Administrative Expense	Fundraising	Total
<b>EXPENSES:</b>											
Personnel costs	\$ 59,109	\$ 10,313	\$ 0	\$ 41,889	\$ 57,443	\$ 16,241	\$ 32,567	\$ 16,760	\$ 26	\$ 0	\$ 234,348
Professional services	12,825	1,214	0	4,163	1,262	924	10,162	0	2,573	0	33,123
Space costs	6,326	77	0	1,580	613	713	454	0	0	0	9,763
Utility costs	7,960	945	0	3,443	1,287	988	1,286	300	1,263	0	17,472
Vehicle costs	6,665	0	0	0	0	0	0	0	9,433	0	16,098
Small equipment	2,445	441	0	971	414	(232)	554	0	8,176	0	12,769
Beneficiary:											
Purchased	170,630	65,962	20,829	42,413	0	1,713	0	400	1,863	0	303,810
In-kind	275,477	0	0	0	0	0	0	0	0	0	275,477
Insurance	6,960	953	0	3,071	1,101	734	1,102	83	0	0	14,004
Supplies	8,487	300	160	866	2,798	308	1,089	181	1,544	0	15,733
Travel	0	0	0	0	0	0	0	306	0	0	306
Interest expense	3,615	210	0	1,619	576	677	576	0	4,584	0	11,857
Miscellaneous	155	0	0	0	0	0	0	415	(263)	1,000	1,307
<b>TOTAL EXPENSES</b>	<b>\$ 560,654</b>	<b>\$ 80,415</b>	<b>\$ 20,989</b>	<b>\$ 100,015</b>	<b>\$ 65,494</b>	<b>\$ 22,066</b>	<b>\$ 47,790</b>	<b>\$ 18,445</b>	<b>\$ 29,199</b>	<b>\$ 1,000</b>	<b>\$ 946,067</b>

GREATER HAMMOND COMMUNITY SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017

	Food Pantry and Other Direct Services	Congregate Meals Program	Handyman Chore Person	Rapid Re-housing	Section 8 Housing	PRJCI Meal Program	Energy Assistance Program	United For Families	Management and Administrative Expense	Fundraising	Total
EXPENSES:											
Personnel costs	\$ 56,398	\$ 4,464	\$ 0	\$ 45,334	\$ 45,696	\$ 12,766	\$ 26,649	\$ 69,840	\$ 158	\$ 0	\$ 261,305
Professional services	6,955	1,739	0	1,739	1,839	0	10,039	0	2,482	0	24,793
Space costs	4,658	468	0	692	692	223	2,643	0	0	0	9,376
Utility costs	8,179	1,825	0	2,417	1,728	735	1,764	763	987	0	18,398
Vehicle costs	7,055	0	0	0	0	0	(190)	0	15,235	0	22,100
Small equipment	6,145	2,232	0	869	869	605	869	1,517	8,229	0	21,335
Beneficiary:											
Purchased	23,428	62,458	23,155	104,560	0	1,808	0	0	16,796	0	232,205
In-kind	321,780	0	0	0	0	0	0	0	0	0	321,780
Insurance	7,114	1,110	0	1,789	1,789	679	1,789	227	0	0	14,497
Supplies	3,566	120	0	421	1,965	351	1,408	1,142	1,118	0	10,091
Travel	0	0	0	0	0	0	0	347	0	0	347
Interest expense	2,045	264	0	503	503	239	503	31	5,495	0	9,583
Miscellaneous	161	0	0	0	0	180	0	40	203	1,000	1,584
TOTAL EXPENSES	\$ 447,484	\$ 74,680	\$ 23,155	\$ 158,324	\$ 55,081	\$ 17,586	\$ 45,474	\$ 73,907	\$ 50,703	\$ 1,000	\$ 947,394



GREATER HAMMOND COMMUNITY SERVICES, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from grant revenue	\$ 529,687	\$ 544,874
Cash received from contributions	113,627	88,143
Cash paid for interest	(11,857)	(9,583)
Cash paid for expenses	(655,397)	(615,449)
Net cash provided (used) by operating activities	<u>(23,940)</u>	<u>7,985</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Increase in line of credit	177,264	49,680
Repayment of line of credit	(142,699)	(60,872)
Loan proceeds	0	10,000
Loan payments	(16,036)	(12,218)
Net cash provided (used) by financing activities	<u>18,529</u>	<u>(13,410)</u>
NET DECREASE IN CASH	(5,411)	(5,425)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>8,642</u>	<u>14,067</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 3,231</u>	<u>\$ 8,642</u>
<u>RECONCILIATION OF CHANGES IN NET ASSETS TO NET</u>		
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Change in net assets	\$ (25,410)	\$ 7,400
Add (deduct) non-cash items:		
Depreciation	12,192	14,156
Decrease (increase) in assets:		
Grants receivable	(3,378)	(16,868)
Prepaid expenses	(7,222)	1,458
Increase (decrease) in liabilities:		
Accounts payable	(5,436)	(227)
Accrued audit fee	600	500
Accrued payroll and payroll taxes	364	1,566
Deferred revenue	4,350	0
<u>NET CASH PROVIDED (USED)</u> <u>BY OPERATING ACTIVITIES</u>	<u>\$ (23,940)</u>	<u>\$ 7,985</u>
SUPPLEMENTAL DISCLOSURES OF CASH		
FLOWS INFORMATION:		
Non-cash investing and financing activities - Refinancing debt	<u>\$ 160,594</u>	<u>\$ 0</u>

GREATER HAMMOND COMMUNITY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Greater Hammond Community Services, Inc. (the Organization) provides basic needs such as food, shelter, energy assistance, and handyman services to the elderly and others in need in Northwest Indiana. The Organization operates a food pantry for the needy and congregate meals programs for the elderly. They also provide the information and referral services necessary to operate an energy assistance program and provide financial assistance to the needy for rental units for shelter. Northwest Indiana Community Action Corp. (NWICA) and the City of Hammond, through funding provided by the Federal government, and Lake Area United Way are the principal cash funding source of the Organization. The Organization also receives a large amount of donated food and household supplies to operate the food pantry.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting, which is used for both income tax and financial reporting purposes.

Financial Statement Presentation - The Organization has adopted Financial Accounting Standards Board's Accounting Standards Codification (ASC) 958-205 which provides guidance to reporting on not-for-profit organizations. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions whose restrictions are met in the same period as the recognition of the contribution are considered unrestricted for reporting purposes. There were no permanently or temporarily restricted net assets at June 30, 2018 and 2017. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Use of Estimates in Preparation of Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates of revenues and expenses during the reporting period.

Income Taxes - Greater Hammond Community Services, Inc. is a not-for-profit corporation organized under the laws of the State of Indiana. The Internal Revenue Service has given the Organization a favorable determination under Section 501 (c) (3) of the Internal Revenue Code, exempting the Organization from taxation.

Cash and Cash Equivalents - Cash, as presented on the accompanying statements of financial position and statements of cash flows, includes cash on hand and deposits in interest bearing and non-interest bearing accounts in financial institutions. Cash equivalents consist of highly liquid accounts with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over 90 days are classified as short-term investments and stated at cost, which approximates market value.

GREATER HAMMOND COMMUNITY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Grants Receivable - The Organization records bad debts on the direct write-off method when, in management's opinion, an account becomes uncollectible. The direct write-off method is a departure from generally accepted accounting principles. Bad debt expenses calculated using the direct write-off method do not differ materially from those calculated using generally accepted methods.

Inventory - Most of the food pantry items on hand are donated and none of the inventory is sold for profit. In order to match the contribution income with the beneficiary expense, the Organization expenses all donated and purchased food pantry inventory upon date of receipt.

Fixed Assets - Fixed assets are carried at cost, if purchased. The fair market value of donated fixed assets is also capitalized. The Organization's policy is to capitalize fixed asset purchases of \$5,000 or greater. Depreciation expense is computed using straight-line methods over the estimated useful life of the fixed assets. When fixed assets are retired or otherwise disposed of, the costs of related accumulated depreciation are removed from the accounts and any gain or loss resulting from the transactions is recognized as income for the period. The cost of repairs and maintenance is charged to income as incurred; significant renewals and betterments are capitalized.

Deferred Revenue - The Organization receives grants to be used for a particular purpose. The amount of revenue received, but not used by year end for the required purpose is recorded as deferred revenue. At June 30, 2018 the deferred revenue of \$4,350 is the remaining portion of Arcelor Mittal grant yet to be used for the purchase of food for the food pantry.

Contributed (In-Kind) Services, and Materials - Certain contributed food and household supplies are recorded support and expenses at fair market value when determinable, otherwise at values indicated by the donor. Volunteer services neither create nor enhance non-financial assets and do not require specialized skills, and thus are not recognized as support in the accompanying statements of activities. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organization's program services. At volunteer minimum wage rates for Indiana, the Organization has approximately 3,318 and 2,867 volunteer hours amounting to \$24,056 and \$20,784, of unrecorded time for the years ended June 30, 2018 and 2017, respectively.

The Organization received a majority of its food pantry items from local grocers. One grocer provided approximately 65% of all contributed items for the year ended June 30, 2018 and 61% for the year ended June 30, 2017. During the years ended June 30, 2018 and 2017, respectively, the Organization recorded \$275,477 and \$321,780 of contributed food stuffs and household goods.

Reclassification - Certain balances for the year ended June 30, 2017 have been reclassified to conform to the current year presentation.

GREATER HAMMOND COMMUNITY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Subsequent Events - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 19, 2018 the date the financial statements were available to be issued.

NOTE 2 - FIXED ASSETS

Depreciation expense was \$12,192 and \$14,156 for the years ended June 30, 2018 and 2017, respectively. Depreciation expense is recorded on the statements of functional expenses in space costs, small equipment, and vehicle costs.

Fixed assets consist of the following at June 30, 2018 and 2017:

<u>2018</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 49,750	\$ 0	\$ 49,750
Building and improvements	312,659	125,519	187,140
Furniture and equipment	58,107	58,107	0
Computer hardware	3,565	3,565	0
Computer software	1,449	1,449	0
Vehicles	37,293	33,755	3,538
Total fixed assets - net	<u>\$ 462,823</u>	<u>\$ 222,395</u>	<u>\$ 240,428</u>

  

<u>2017</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 49,750	\$ 0	\$ 49,750
Building and improvements	312,659	117,369	195,290
Furniture and equipment	58,107	58,107	0
Computer hardware	3,565	3,565	0
Computer software	1,449	1,449	0
Vehicles	37,293	29,712	7,581
Total fixed assets - net	<u>\$ 462,823</u>	<u>\$ 210,202</u>	<u>\$ 252,621</u>

NOTE 3 - SIGNIFICANT FUNDING SOURCES

The Organization received 49% and 39% of its cash funding from government funded programs run by NWICA, FEMA and City of Hammond during the years ended June 30, 2018 and 2017, respectively. These funding sources also account for 100% of grants receivable for the years ended June 30, 2018 and 2017. The Organization also received 9% and 18% of its cash funding from Lake Area United Way during the years ended June 30, 2018 and 2017, respectively. Reduction or loss of this funding could severely limit the Organization's ability to continue operations.

GREATER HAMMOND COMMUNITY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

NOTE 4 - LOAN FROM DONOR

The Organization borrowed \$10,000 from one of its main donors in June 2017. The loan had an interest rate of 5% per annum. The loan was paid by the Organization in full in July 2017.

NOTE 5 - LINE OF CREDIT

The Organization had an available line of credit for \$120,000 with First Financial Bank. The line of credit was used for operating expenses. At year ended June 30, 2018 and 2017 the outstanding balance was \$0 and \$104,992, respectively. The line of credit was refinanced in December 2017 into a term loan. See Note 6.

The Organization opened a new line of credit in December of 2017 with available funds of \$50,000. The line is secured by the mortgage and business assets and has an interest rate of 6.75%. At June 30, 2018, and 2017, the outstanding balance was \$34,575 and \$0. The line of credit matures in December 2018.

NOTE 6 - LONG TERM DEBT

The Organization had the following debt outstanding at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
A note payable with a balance of \$55,613 and a line of credit with a balance of \$104,981 (see Note 5) were refinanced into a new term loan of \$160,594 with First Financial Bank dated December 19, 2017, secured by the building, with an interest rate of 7% and monthly principal and interest payments of \$1,453 beginning January 19, 2018 with a balloon payment on due December 19, 2022.	\$ 157,514	\$ 0
The Organization had a note payable of \$70,000 with First Financial Bank dated May 15, 2015, secured by the mortgage, maturing May 15, 2020, with an interest rate of 5.75%, and monthly principal and interest payments of \$771 beginning June 15, 2015 with a balloon payment due on May 15, 2020. The loan was refinanced in December 2017; see above.	<u>0</u>	<u>58,569</u>
Total	157,514	58,569
Less: current maturities	6,614	5,938
Total long term debt	<u>\$ 150,900</u>	<u>\$ 52,631</u>

GREATER HAMMOND COMMUNITY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

NOTE 6 - LONG TERM DEBT - (Continued)

The following is a schedule of the long-term debt payments:

2019	\$	6,614
2020		7,097
2021		7,610
2022		8,161
2023		<u>128,032</u>
Total	\$	<u>157,514</u>

NOTE 7 - OPERATING LEASE

The Organization leases two copiers for 39 months beginning June 2016 and ending August 2019 at \$394 per month. The Organization also has an immaterial month to month lease for phone equipment. Rental expense amounted to \$7,368 and \$5,478 for the years ended June 30, 2018 and 2017, respectively. This is included on the statement of functional expenses in small equipment.

The future minimum rental payments required under this lease are approximately as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 4,728
2020	<u>788</u>
Total	<u>\$ 5,516</u>

NOTE 8 - ALLOCATION OF FUNCTIONAL EXPENSES

The Organization has allocated their expenses by function based on the time spent on management and program activities.

NOTE 9 - INCOME TAX UNCERTAINTIES

The Organization has adopted the provisions of ASC 740-10-25, which requires an organization to disclose any income tax uncertainties, including tax positions for which it is reasonably possible that the unrecognized tax benefit will significantly change in the next 12 months. The Organization believes that all income tax positions are reasonable and that the total amounts of unrecognized tax benefits will not significantly increase or decrease within 12 months of the reporting date. As a non-profit organization, the entity is exempt from income taxes. The Organization did not recognize any income tax interest or penalties during the fiscal years ended June 30, 2018 and 2017. In general, the Organization is no longer subject to examination for the years prior to 2016.