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October 18, 2013

Board of Directors  
United Neighborhoods, Inc. UNI  
5209 Hohman Ave., Suite 203/204  
Hammond, IN 46320

We have reviewed the audit report prepared by Clifton Gunderson, LLP, Independent Public Accountants, for the period January 1, 2009 to December 31, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the United Neighborhoods, Inc. UNI, as of December 31, 2009, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS



**UNITED NEIGHBORHOODS, INC. UNI**  
Hammond, Indiana

**FINANCIAL STATEMENTS**  
December 31, 2009



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## Independent Auditor's Report

Board of Directors  
United Neighborhoods, Inc. UNI  
Hammond, Indiana

We have audited the accompanying statement of financial position of United Neighborhoods, Inc. UNI (a non-profit organization) as of December 31, 2009, and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of United Neighborhoods, Inc. UNI. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Neighborhoods, Inc. UNI as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Clifton Gunderson LLP*

Schererville, Indiana  
December 15, 2010

**UNITED NEIGHBORHOODS, INC. UNI  
STATEMENT OF FINANCIAL POSITION  
December 31, 2009**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	238,568
Prepaid expenses and other assets		7,246
CHDO restricted funds		<u>66,106</u>

Total current assets		<u>311,920</u>
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**EQUIPMENT, NET**

Equipment		31,667
Less accumulated depreciation		<u>(29,801)</u>

Total property and equipment		<u>1,866</u>
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**PROPERTY HELD FOR SALE**

644,596

**TOTAL ASSETS**

\$ 958,382

**LIABILITIES AND UNRESTRICTED NET ASSETS**

**CURRENT LIABILITIES**

Line of credit	\$	8,768
Accounts payable		9,942
Accrued expenses and other liabilities		7,916
Agency funds		<u>66,106</u>

Total current liabilities		92,732
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**UNRESTRICTED NET ASSETS**

865,650

**TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS**

\$ 958,382

The accompanying notes are an integral part of the financial statements.

**UNITED NEIGHBORHOODS, INC. UNI  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2009**

**UNRESTRICTED REVENUES, LOSSES AND PUBLIC SUPPORT**

City of Hammond - CHDO grants	\$ 139,691
City of Hammond General Assistance grant	192,000
Other grants and contributions	12,875
Donated property	65,000
Other income	17,465
Interest income	89
Loss on sale of properties	<u>(49,311)</u>

Total unrestricted revenues, losses, and public support	<u>377,809</u>
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**EXPENSES**

Program services	158,899
Management and general	<u>77,445</u>

Total expenses	<u>236,344</u>
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<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	141,465
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<b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>	<u>724,185</u>
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<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	<u>\$ 865,650</u>
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The accompanying notes are an integrated part of the financial statements.

**UNITED NEIGHBORHOODS, INC. UNI**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2009**

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
<b>EXPENSES</b>			
Advertising	\$ 16,580	\$ -	\$ 16,580
Construction and rehab costs	4,860	-	4,860
Closing assistance program	6,230	-	6,230
Depreciation and amortization	3,980	-	3,980
Equipment maintenance and repairs	3,947	-	3,947
Insurance	-	5,003	5,003
Interest expense	-	361	361
Meetings and conferences	5,341	-	5,341
Membership dues and subscriptions	-	101	101
Miscellaneous	4,389	-	4,389
Payroll taxes and fringe benefits	10,942	7,294	18,236
Postage and delivery	-	952	952
Professional fees and contract services	29,087	20,525	49,612
Rent	-	796	796
Salaries	51,625	33,990	85,615
Service charges	-	16	16
Supplies	-	4,885	4,885
Property taxes	16,923	-	16,923
Telephone	-	3,522	3,522
Workshops	4,995	-	4,995
	<u>4,995</u>	<u>-</u>	<u>4,995</u>
 <b>TOTAL EXPENSES</b>	 <u>\$ 158,899</u>	 <u>\$ 77,445</u>	 <u>\$ 236,344</u>

The accompanying notes are an integral part of the financial statements.

**UNITED NEIGHBORHOODS, INC. UNI  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 141,465
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	3,980
Loss on sale of real estate	49,311
Donated property held for sale	(65,000)
Effects of changes in operating assets and liabilities:	
Prepaid expenses and other assets	(7,246)
Accounts payable	(68,240)
Accrued expenses and other liabilities	<u>(5,700)</u>
Net cash provided by operating activities	<u>48,570</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property held for sale	(179,859)
Proceeds from sale of property held for sale	<u>177,000</u>
Net cash used in investing activities	<u>(2,859)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Net borrowing on line of credit	<u>(442)</u>
Net cash used in financing activities	<u>(442)</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 45,269

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 193,299

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 238,568

**SUPPLEMENTAL DATA - INTEREST PAID** \$ 361

The accompanying notes are an integral part of the financial statements.

**UNITED NEIGHBORHOODS, INC. UNI**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

United Neighborhoods, Inc. UNI (“UNI”), an Indiana not-for-profit organization was formed to purchase single-family homes for construction or rehabilitation, within the City of Hammond, and later sells the homes to low to moderate-income or Section 8 clients of the Housing Authority of the City of Hammond, Indiana (“Hammond Housing Authority”). UNI strives to improve the community by removing vacant and rundown buildings from the neighborhood and assisting families in acquiring affordable, decent and sanitary housing by placing them into a home ownership program. The proceeds received from the sale of the homes are used to purchase more buildings for rehabilitation. United Neighborhoods, Inc. UNI changed its name from Hammond 2000+, Inc. on July 9, 2004.

**Method of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Financial Statement Presentation**

Financial statement presentation follows the recommendations in generally accepted accounting principles (“GAAP”) for not-for-profit organizations. Under GAAP, UNI 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. UNI had no temporarily restricted net assets or permanently restricted net assets as of December 31, 2009.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents, as presented on the Statement of Financial Position and Statement of Cash Flows, includes cash on hand and deposits in interest-bearing and non-interest-bearing accounts in financial institutions with a maturity of three months or less.

**Restricted Funds**

Trust funds consist of HOME Investment Partnership Program Funds from the U.S. Department of Housing and Urban Development. These funds are restricted for assistance to low to moderate income home buyers. Since these funds are merely held by UNI as an agent, a corresponding liability is included in other liabilities on the accompanying Statement of Financial Position.

**UNITED NEIGHBORHOODS, INC. UNI**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Property and Equipment**

Property and equipment is carried at cost. Depreciation expense is computed using straight-line and accelerated methods over the estimated useful life of the assets, which is five years. Major projects initiated but not yet completed are classified as construction in progress and are reclassified to the respective asset category and depreciated when completed and placed in service.

**Impairment of Long-Lived Assets**

UNI reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

**Revenue Recognition**

Contributions are recognized as revenue when the donor makes a promise to give that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

All donor-restricted support and revenue are reported as an increase in temporarily restricted net assets, depending upon the nature of the restriction. When temporary restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**UNITED NEIGHBORHOODS, INC. UNI**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Income Tax Status**

UNI is a tax-exempt organization under 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on income related to its exempt purpose. UNI has been classified as an entity that is not a private foundation within the meaning of Section 509(s) and qualifies as a tax-deductible contribution as provided in Section 170(b)(1)(a)(vi).

**Functional Allocation of Expenses**

The costs of providing for the various programs and other activities have been summarized on a functional basis in the Statement of Activities, and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting service benefited. Expenses are allocated to programs based on the relative time spent on each program and various other bases.

**Recent Accounting Pronouncements**

Effective January 1, 2009, UNI adopted FASB Accounting Standards Codification No. 740-10, *Accounting for Uncertainty in Income Taxes*, (ASC 740-10), for the year ended December 31, 2009, which clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. UNI was not required to record a liability for unrecognized tax benefits as a result of implementing the new requirements.

Effective December 31, 2009, UNI adopted *The FASB Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (the codification standards). The codification standards are the single official source of authoritative U.S. GAAP. The codification standards do not change U.S. GAAP; instead, it introduces a new structure and changes the referencing of financial standards. The adoption of the codification standards did not have a material impact on UNI's financial statements or related footnotes.

Effective December 31, 2009, UNI adopted FASB Accounting Standards Codification No. 855-10, *Subsequent Events* (ASC 855-10), which introduces the concept of financial statements being available to be issued and requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The adoption of the subsequent event standard did not have a material impact on UNI financial statements.

**NOTE 2 - LINE OF CREDIT**

UNI maintains a line of credit at a bank. Borrowings under the line of credit are limited to a maximum of \$25,000. The line of credit bears interest at the bank's prime rate minus .5%. The bank's prime rate at December 31, 2009, was 5%. At December 31, 2009, the line of credit balance was \$8,768. The line of credit is not secured. The line of credit was renewed in 2010.

**UNITED NEIGHBORHOODS, INC. UNI**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 3 - EQUIPMENT**

Investment in property and equipment at December 31, 2009, consisted of the following:

Office equipment	\$ 4,268
Truck	27,399
Accumulated depreciation	<u>(29,801)</u>
<b>Total</b>	<b><u>\$ 1,866</u></b>

**NOTE 4 - PROPERTY HELD FOR SALE**

During 2009, UNI sold two Parrish lots with gross proceeds of \$42,000, which amounted to a \$2,224 loss on sale of the lots, which is included in the loss on sale of properties on the Statement of Activities for 2009. The remaining Parrish lots are available for sale with a basis of \$375,904 as of December 31, 2009.

UNI has also acquired several additional properties for rehabilitation and development. During 2009, UNI was donated property at 1118 Summer Street in Hammond valued at \$65,000 and purchased and rehabilitated a property at 1105 164<sup>th</sup> Place in Hammond for \$143,722. The total basis for all properties amounted to \$268,692 as of December 31, 2009.

UNI also sold property at 1509 175<sup>th</sup> Street in Hammond and received gross proceeds of \$135,000 for the sale. The transaction resulted in a loss of \$47,087, which is included in the loss on sale of properties on the Statement of Activities for 2009.

**NOTE 5 - SIGNIFICANT CONCENTRATIONS**

**Funding Source**

UNI received approximately 40% of its revenue from the U.S. Department of Housing and Urban Development and 50% of its revenue from the City of Hammond.

**NOTE 6 – FUTURE MINIMUM LEASE PAYMENTS**

UNI initiated a one year lease agreement for the property occupied at 200 Russell Street in Hammond. The lease commenced December 1, 2009, and will continue through November 1, 2010. Rent paid for the year ending December 31, 2009, was \$796. Amounts to be paid for 2010 rent total \$8,753.

**UNITED NEIGHBORHOODS, INC. UNI**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 7 - SUBSEQUENT EVENT**

Management evaluated subsequent events through December 15, 2010, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2009, but prior to December 15, 2010, that provided additional evidence about conditions that existed at December 31, 2009, have been recognized in the financial statements for the year ended December 31, 2009. Events or transactions that provided evidence about conditions that did not exist at December 31, 2009, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2009. Management has determined that there were no events or transactions which would require disclosure in the financial statements either individually or in the aggregate for the year ended December 31, 2009.

This information is an integral part of the accompanying financial statements.