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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 McMahon & Associates, Independent Public Accountants, for the period January 1, 2010 to December 31, 2010. 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, 2010, 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.  
AUDITED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2010 AND 2009

UNITED NEIGHBORHOODS, INC.

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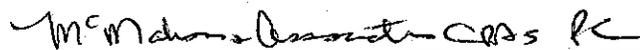
INDEPENDENT AUDITORS' REPORT

Board of Directors  
United Neighborhoods, Inc.  
Hammond, Indiana

We have audited the accompanying statement of financial position of United Neighborhoods, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of United Neighborhoods, Inc. as of December 31, 2009, were audited by other auditors whose report dated December 15, 2010, expressed an unqualified opinion on those statements.

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 2010 financial statements referred to above present fairly, in all material respects, the financial position of United Neighborhoods, Inc., as of December 31, 2010, 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.



McMahon & Associates Certified Public Accountants, P.C.  
Munster, Indiana

August 6, 2011



UNITED NEIGHBORHOODS, INC.

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 61,396	\$ 238,568
Prepaid expenses and other assets	4,133	7,246
CHDO restricted funds	54,954	66,106
Total current assets	<u>120,483</u>	<u>311,920</u>
 <u>FIXED ASSETS (NET)</u>	 <u>1,078</u>	 <u>1,866</u>
 <u>PROPERTY HELD FOR SALE</u>	 <u>813,160</u>	 <u>644,596</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 934,721</u>	 <u>\$ 958,382</u>
 <u>LIABILITIES AND NET ASSETS</u>		
 <u>CURRENT LIABILITIES:</u>		
Line of credit	\$ 0	\$ 8,768
Accounts payable	11,736	9,942
Accrued expenses and other liabilities	22,342	7,916
Agency funds	54,954	66,106
Total current liabilities	<u>89,032</u>	<u>92,732</u>
 <u>NET ASSETS:</u>		
Unrestricted net assets	844,132	865,650
Temporarily restricted net assets	1,557	0
Total net assets	<u>845,689</u>	<u>865,650</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 934,721</u>	 <u>\$ 958,382</u>

UNITED NEIGHBORHOODS, INC.STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
<u>REVENUE, GAINS, AND OTHER SUPPORT:</u>				
City of Hammond - CHDO grants	\$ 57,950	\$ 0	\$ 57,950	\$ 139,691
City of Hammond General Assistance grant	160,000	0	160,000	192,000
Other grants and contributions	0	2,500	2,500	12,875
Donated property	0	0	0	65,000
Other income	4,539	0	4,539	17,465
Interest income	15	0	15	89
Loss on sale of properties	0	0	0	(49,311)
Net assets released from restrictions	943	(943)	0	0
Total revenue and support	<u>223,447</u>	<u>1,557</u>	<u>225,004</u>	<u>377,809</u>
<u>EXPENSES:</u>				
Program services	140,178	0	140,178	158,899
Management and general services	104,787	0	104,787	77,445
Total expenses	<u>244,965</u>	<u>0</u>	<u>244,965</u>	<u>236,344</u>
INCREASE (DECREASE) IN NET ASSETS	(21,518)	1,557	(19,961)	141,465
NET ASSETS - BEGINNING OF YEAR	<u>865,650</u>	<u>0</u>	<u>865,650</u>	<u>724,185</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 844,132</u>	<u>\$ 1,557</u>	<u>\$ 845,689</u>	<u>\$ 865,650</u>

UNITED NEIGHBORHOODS, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
<u>EXPENSES:</u>			
Advertising	\$ 11,010	\$ 0	\$ 11,010
Construction and rehab costs	5,473	0	5,473
Closing assistance program	4,130	0	4,130
Depreciation and amortization	789	0	789
Equipment maintenance and repairs	4,567	0	4,567
Insurance	0	5,174	5,174
Interest expense	0	391	391
Meetings and conferences	592	0	592
Membership dues and subscriptions	0	83	83
Miscellaneous	1,035	0	1,035
Payroll taxes and fringe benefits	12,971	8,647	21,618
Postage and delivery	0	868	868
Professional fees and contract services	32,517	33,096	65,613
Property tax expense	10,905	0	10,905
Rent	0	9,581	9,581
Salaries	54,218	36,145	90,363
Service charges	0	177	177
Supplies	0	6,989	6,989
Telephone	0	3,636	3,636
Workshops	1,971	0	1,971
	<u>140,178</u>	<u>104,787</u>	<u>244,965</u>
TOTAL EXPENSES	\$ <u>140,178</u>	\$ <u>104,787</u>	\$ <u>244,965</u>

UNITED NEIGHBORHOODS, INC.STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
<u>EXPENSES:</u>			
Advertising	\$ 16,580	\$ 0	\$ 16,580
Construction and rehab costs	4,860	0	4,860
Closing assistance program	6,230	0	6,230
Depreciation and amortization	3,980	0	3,980
Equipment maintenance and repairs	3,947	0	3,947
Insurance	0	5,003	5,003
Interest expense	0	361	361
Meetings and conferences	5,341	0	5,341
Membership dues and subscriptions	0	101	101
Miscellaneous	4,389	0	4,389
Payroll taxes and fringe benefits	10,942	7,294	18,236
Postage and delivery	0	952	952
Professional fees and contract services	29,087	20,525	49,612
Rent	0	796	796
Salaries	51,625	33,990	85,615
Service charges	0	16	16
Supplies	0	4,885	4,885
Property taxes	16,923	0	16,923
Telephone	0	3,522	3,522
Workshops	4,995	0	4,995
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL EXPENSES	\$ 158,899	\$ 77,445	\$ 236,344

UNITED NEIGHBORHOODS, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (decrease) in net assets	\$ (19,961)	\$ 141,465
<u>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Depreciation and amortization	789	3,980
Loss on sale of real estate	0	49,311
Donated property held for sale	0	(65,000)
(Increase) decrease in assets:		
Prepaid expenses and other assets	3,113	(7,246)
Increase (decrease) in liabilities:		
Accounts payable	1,794	(68,240)
Accrued expenses and other liabilities	14,426	(5,700)
Net cash provided by operating activities	<u>161</u>	<u>48,570</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of property held for sale	(168,564)	(179,859)
Proceeds from sale of property held for sale	0	177,000
Net cash used by investing activities	<u>(168,564)</u>	<u>(2,859)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Increase in line of credit	5,919	0
Repayment of line of credit	(14,688)	(442)
Net cash used by investing activities	<u>(8,769)</u>	<u>(442)</u>
NET INCREASE (DECREASE) IN CASH	(177,172)	45,269
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>238,568</u>	<u>193,299</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 61,396</u>	<u>\$ 238,568</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION</u> <u>CASH PAID DURING THE YEAR FOR:</u>		
Interest	<u>\$ 391</u>	<u>\$ 361</u>

UNITED NEIGHBORHOODS, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - United Neighborhoods, Inc. UNI ("UNI"), is a non-profit organization 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.

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

Financial Statement Presentation - UNI has adopted Financial Accounting Standards Board's Accounting Standards Codification (ASC) 958, which provided guidance to reporting on not-for-profit organizations. Under ASC 958, 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. 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 restricted net assets at December 31, 2010 and 2009. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When temporarily restricted net assets have been used for the purpose of the donated funds, the assets are shown as released from restrictions on the statements of activities.

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.

Cash and Cash Equivalents - Cash and cash equivalents 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.

UNITED NEIGHBORHOODS, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

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

Restricted Funds – United Neighborhoods, Inc. (UNI) receives funds through the HOME Investment Partnership Program from the U.S. Department of Housing and Urban Development. These funds are restricted for assistance to low to moderate income home buyers. These funds are recorded on the statement of financial position as restricted cash with a corresponding current liability named agency funds.

Fixed Assets - Fixed assets are carried at cost. Depreciation expense is computed using straight-line methods over the estimated useful life of the assets. When assets are retired or otherwise disposed of, the cost 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.

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 has been impaired and 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 exceed 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.

Income Taxes - UNI is a nonprofit corporation organized under the laws of the State of Indiana. The Internal Revenue Service has given UNI a favorable determination under Section 501 (c) (3) of the Internal Revenue Code, exempting UNI from taxation.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of UNI.

Advertising - UNI expenses advertising costs as they occur. For the years ended December 31, 2010 and 2009 advertising expense was \$11,010 and \$16,580, respectively.

Subsequent Events - In preparing these financial statements, UNI has evaluated events and transactions for potential recognition or disclosure through August 6, 2011, the date the financial statements were available to be issued.

UNITED NEIGHBORHOODS, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 2 - LINE OF CREDIT

UNI has a \$25,000 revolving line of credit, of which \$25,000 and \$16,232 was unused at December 31, 2010 and 2009, respectively. Bank advances on the line of credit are payable on demand and carry an interest rate of Wall Street Journal Prime plus 1.50% (5.00% at December 31, 2010, and 2009). The credit line is secured by UNI's assets. The line of credit matures on January 17, 2011. At December 31, 2010 and 2009 UNI had a balance of \$0 and \$8,768 outstanding on their line of credit, respectively.

NOTE 3 - FIXED ASSETS

Investment in fixed assets at December 31, 2010, consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 4,268	\$ 3,190	\$ 1,078
Vehicles	<u>27,399</u>	<u>27,399</u>	<u>0</u>
Total fixed assets - net	<u>\$ 31,667</u>	<u>\$ 30,589</u>	<u>\$ 1,078</u>

Depreciation expense for the year ended December 31, 2010 was \$789.

Investment in fixed assets at December 31, 2009, consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 4,268	\$ 2,402	\$ 1,866
Vehicles	<u>27,399</u>	<u>27,399</u>	<u>0</u>
Total fixed assets - net	<u>\$ 31,667</u>	<u>\$ 29,801</u>	<u>\$ 1,866</u>

Depreciation expense for the year ended December 31, 2009 was \$3,980.

NOTE 4 - PROPERTY HELD FOR SALE

UNI owns lots in Parrish View that are available for sale with a basis of \$375,904 on December 31, 2010 and 2009.

During 2010 UNI also acquired property on Northcote Ave. for \$28,131. Additional improvements to the property were done to the property in 2010. The basis of the property at December 31, 2010 is \$86,085.

At December 31, 2009 the Organization owned property with a basis of \$268,692 in various stages of rehabilitation. Additional rehabilitation costs were incurred on these properties in 2010. At December 31, 2010 the total basis for the additional properties is \$351,171. In total the Organization has \$813,160 in basis in properties held for sale.

UNITED NEIGHBORHOODS, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 5 - SIGNIFICANT CONCENTRATIONS

UNI received approximately 72% and 50% of its revenue from the City of Hammond and approximately 26% and 40% of its revenue from the U.S. Department of Housing and Urban Development for the years ended December 31, 2010 and 2009, respectively.

NOTE 6 - OPERATING LEASES

UNI leases office space in Hammond under a one year renewable lease. UNI renewed the lease in November 2010 through November 2011. Lease expense for the years ended December 31, 2010 and 2009 was \$9,581 and \$796, respectively. Lease expense for 2011 is \$861 per month, or \$9,471 for the remaining term of the lease. UNI has the option to renew the lease through 2018.

NOTE 7 - INCOME TAX UNCERTAINTIES

UNI 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. UNI 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. UNI did not recognize any income tax interest or penalties during the fiscal years ended December 31, 2010 or 2009. In general, UNI is no longer subject to examination for the years prior to 2008.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

UNI has received a grant from Centier Bank in 2010 for the restricted purpose of providing home buyer workshops to the residents of Hammond. As of December 31, 2010 and 2009 UNI had \$1,557 and \$0 remaining in unspent funds, respectively. These unspent funds are shown as temporarily restricted net asset on the Statements of Financial Position and Statements of Activities.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

UNI owns properties in Hammond, Indiana that currently have been assessed by the local county treasurer for property taxes. UNI has filed for property tax exemptions for the year 2008 forward, but the exemptions have not yet been granted. The Organization believes it is reasonably possibly that the exemption will be granted and that these overdue property taxes will be abated.