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April 19, 2016

Board of Directors
Friends of the Hammond Legal Aid Clinic, Inc.
d/b/a Hammond Legal Aid Clinic
5231 Hohman Avenue
Suite 605
Hammond, IN 46303

We have reviewed the audit report prepared by CliftonLarsonAllen LLP, for the period January 1, 2014 to December 31, 2015. 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 Friends of the Hammond Legal Aid Clinic, Inc. d/b/a Hammond Legal Aid Clinic, as of December 31, 2015, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**FRIENDS OF THE HAMMOND
LEGAL AID CLINIC
Hammond, Indiana**

**FINANCIAL STATEMENTS
December 31, 2015 and 2014**



CliftonLarsonAllen

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CliftonLarsonAllen

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of the Hammond Legal Aid Clinic
Hammond, Indiana

We have audited the accompanying financial statements of Friends of the Hammond Legal Aid Clinic which comprise the statements of financial position as of December 31, 2015 and 2014, 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 audits 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.

Board of Directors
Friends of the Hammond Legal Aid Clinic

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Friends of the Hammond Legal Aid Clinic as of December 31, 2015 and 2014, and 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Schererville, Indiana
February 10, 2016

**FRIENDS OF THE HAMMOND LEGAL AID CLINIC
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014**

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 72,658	\$ 49,320
Prepaid insurance	<u>7,138</u>	<u>6,781</u>
Total current assets	79,796	56,101
 PROPERTY AND EQUIPMENT, NET	 <u>9,387</u>	 <u>10,076</u>
 TOTAL ASSETS	 <u>\$ 89,183</u>	 <u>\$ 66,177</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accrued expenses	\$ <u>4,050</u>	\$ <u>-</u>
Total current liabilities	4,050	-
 UNRESTRICTED NET ASSETS	 <u>85,133</u>	 <u>66,177</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 89,183</u>	 <u>\$ 66,177</u>

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

**FRIENDS OF THE HAMMOND LEGAL AID CLINIC
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
UNRESTRICTED NET ASSETS		
Support:		
Contributions	\$ 100	\$ -
Government grants	<u>337,500</u>	<u>327,500</u>
Total support	<u>337,600</u>	<u>327,500</u>
Expenses:		
Legal services and educational seminars	215,905	211,741
Management and general	<u>102,739</u>	<u>101,676</u>
Total expenses	<u>318,644</u>	<u>313,417</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 18,956	 14,083
 UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	 <u>66,177</u>	 <u>52,094</u>
 UNRESTRICTED NET ASSETS, END OF YEAR	 <u>\$ 85,133</u>	 <u>\$ 66,177</u>

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

FRIENDS OF THE HAMMOND LEGAL AID CLINIC
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	Legal Services and Educational Seminars	Management and General	Total Functional Expenses
Salaries and contractual labor	\$ 169,011	\$ 58,340	\$ 227,351
Health insurance	35,130	12,003	47,133
Accounting fees	-	2,798	2,798
Supplies	3,388	376	3,764
Printing and publications	1,633	181	1,814
Telephone	2,737	304	3,041
Occupancy	1,428	18,972	20,400
Insurance	-	2,976	2,976
Subscriptions	2,578	-	2,578
Depreciation	-	3,264	3,264
Technology fees	-	3,525	3,525
TOTAL FUNCTIONAL EXPENSES	<u>\$ 215,905</u>	<u>\$ 102,739</u>	<u>\$ 318,644</u>

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

**FRIENDS OF THE HAMMOND LEGAL AID CLINIC
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014**

	Legal Services and Educational Seminars	Management and General	Total Functional Expenses
	<u> </u>	<u> </u>	<u> </u>
Contractual labor	\$ 168,695	\$ 54,246	\$ 222,941
Health insurance	30,602	9,664	40,266
Accounting fees	-	11,674	11,674
Supplies	4,837	538	5,375
Printing and publications	1,359	151	1,510
Telephone	2,326	258	2,584
Occupancy	1,412	18,763	20,175
Insurance	-	2,727	2,727
Subscriptions	2,318	-	2,318
Depreciation	-	2,262	2,262
Technology fees	-	1,345	1,345
Miscellaneous	192	48	240
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 211,741</u>	<u>\$ 101,676</u>	<u>\$ 313,417</u>

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

FRIENDS OF THE HAMMOND LEGAL AID CLINIC
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 18,956	\$ 14,083
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,264	2,262
Effects of changes in operating assets and liabilities:		
Accounts payable	-	(269)
Accrued expenses	4,050	-
Prepaid expenses and other assets	<u>(357)</u>	<u>(3,346)</u>
Net cash provided by operating activities	<u>25,913</u>	<u>12,730</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(2,575)</u>	<u>(5,819)</u>
Net cash used in operating activities	<u>(2,575)</u>	<u>(5,819)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 23,338	 6,911
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>49,320</u>	 <u>42,409</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 72,658</u>	 <u>\$ 49,320</u>

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

**FRIENDS OF THE HAMMOND LEGAL AID CLINIC
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Friends of the Hammond Legal Aid Clinic (the "Organization") was incorporated in 2005 under the Indiana Not-For-Profit Corporation Act and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization provides community-based legal services and education to the underserved and disadvantaged residents in Hammond, Indiana.

The Organization is primarily supported through grants from the city of Hammond. The fiscal year-end for the Organization is December 31. Significant accounting policies followed by the Organization are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Basis of Accounting

Revenues and expenses are recorded on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows accounting principles generally accepted in the United States of America for nonprofit organizations. Accounting principles generally accepted in the United States of America require the Organization to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets include net assets subject designations that may be imposed or removed at the discretion of the Organization's board of directors.

Temporarily Restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

At December 31, 2015 and 2014, the Organization had no temporarily or permanently restricted net assets.

FRIENDS OF THE HAMMOND LEGAL AID CLINIC
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Organization considers all liquid investments with an original maturity of three months or less at acquisition to be cash equivalents.

At times, the Organization's cash balances may exceed federally insured limits; however, the Organization has not experienced any losses in such accounts and limits its exposure to credit risk by maintaining its cash and cash equivalents in highly reputable financial institutions.

Property and Equipment

The Organization capitalizes all expenditures in excess of \$1,000 for property and equipment at cost. Donations of equipment are recorded as support at their estimated fair value at the date of donation. Management has estimated the fair market value of donated equipment to be \$-0- for both years ended December 31, 2015 and 2014.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful life of equipment is seven years. The cost of maintenance and repairs is charged to expense as incurred.

Impairment of Long-Lived Assets

The Organization 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 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 to be 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.

Restricted and Unrestricted Revenue and Support

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. 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 statements of activities as "Net Assets Released from Restrictions."

**FRIENDS OF THE HAMMOND LEGAL AID CLINIC
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services

The Organization recognizes contributed services at their fair value if the services have value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors.

Management has estimated the fair market value of contributed services to be \$-0- for both years ended December 31, 2015 and 2014.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses are charged to each function based on direct expenditures incurred. Otherwise, expenses are allocated based on management's estimates.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the IRC and is similarly classified by the state of Indiana. However, the Organization would be liable for taxes on any unrelated business net income. For the years ended December 31, 2015 and 2014, taxable income is not expected.

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following program and supporting services are included in the accompanying financial statements:

Legal Services

The Organization provides legal assistance for the residents of the city of Hammond who meet certain economic requirements. Legal services include the areas of law essential to individual well-being and specifically housing, consumer, family law, and entitlements.

Educational Seminars

The Organization conducts free seminars on various aspects of law; educating individuals on their legal rights and responsibilities before problems arise.

FRIENDS OF THE HAMMOND LEGAL AID CLINIC
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (continued)

Management and General

Includes the functions necessary to ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy through the office of executive director; secure proper administrative functioning of the board of directors; and manage the financial and budgetary responsibilities of the Organization.

NOTE 3 - PROPERTY AND EQUIPMENT

Investment in property and equipment at December 31, 2015 consisted of the following:

Equipment	\$ 19,157
Less accumulated depreciation	<u>(9,770)</u>
Total property and equipment	<u>\$ 9,387</u>

Investment in property and equipment at December 31, 2014 consisted of the following:

Equipment	\$ 16,583
Less accumulated depreciation	<u>(6,507)</u>
Total property and equipment	<u>\$ 10,076</u>

NOTE 4 - OPERATING LEASE

The Organization entered into an agreement for office space under an operating lease beginning on June 1, 2011. The lease had a term of 36 months with monthly rental payments of \$1,535 over the lease term, which expired on April 2014. As of March 24, 2014, the Organization renewed the lease agreement beginning on May 1, 2014. The lease has a term of 36 months with monthly rental payments of \$1,550 over the lease term, which expires on April 30, 2017. The Organization is also responsible for maintenance and repairs.

Minimum annual commitments under this lease as of December 31, 2015 are as follows:

2016	\$ 18,600
2017	<u>6,200</u>
Total	<u>\$ 24,800</u>

Rental expense for the years ended December 31, 2015 and 2014 was \$18,600 and \$18,555, respectively.

FRIENDS OF THE HAMMOND LEGAL AID CLINIC
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 5 - SIGNIFICANT CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of information about certain significant estimates and current vulnerabilities due to certain concentrations. In 2015 and 2014, the Organization's total revenue provided by grants from the city of Hammond was approximately 100%.

NOTE 6 - COMMITMENTS

The Organization entered into individual contracts with two and five consultants including a board member to provide legal and certain administrative services on behalf of and for the Organization in 2015 and 2014, respectively. Each contract is for a one-year term. For the years ended December 31, 2015 and 2014, the Organization paid the board member \$4,250 and \$5,958, respectively, for bookkeeping services.

NOTE 7 - SUBSEQUENT EVENTS

Management evaluated subsequent events through February 10, 2016, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2015, but prior to February 10, 2016 that provided additional evidence about conditions that existed at December 31, 2015, have been recognized in the financial statements for the year ended December 31, 2015. Events or transactions that provided evidence about conditions that did not exist at December 31, 2015, 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, 2015.

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