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May 23, 2018

Board of Directors
Friends of the Hammond Legal Aid Clinic
1402 - 173rd Street
Hammond, IN 46324

We have reviewed the report prepared by Friends of the Hammond Legal Aid Clinic and opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period January 1, 2016 to December 31, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Friends of the Hammond Legal Aid Clinic as of December 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, CliftonLarsonAllen LLP prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The 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, 2017 AND 2016

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
 FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
 Notes to Financial Statements	 8

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, 2017 and 2016, 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, 2017 and 2016, 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 22, 2018

**FRIENDS OF THE HAMMOND LEGAL AID CLINIC
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016**

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 81,555	\$ 89,436
Grant receivable	25,125	-
Prepaid insurance	<u>6,410</u>	<u>7,138</u>
Total current assets	113,090	96,574
 PROPERTY AND EQUIPMENT, NET	 <u>2,189</u>	 <u>3,807</u>
 TOTAL ASSETS	 <u>\$ 115,279</u>	 <u>\$ 100,381</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 425	\$ -
Accrued expenses	<u>4,780</u>	<u>3,836</u>
Total current liabilities	5,205	3,836
 UNRESTRICTED NET ASSETS	 <u>110,074</u>	 <u>96,545</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 115,279</u>	 <u>\$ 100,381</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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
Support and Losses:		
Government grants	\$ 340,125	\$ 337,500
Loss on disposal of equipment	<u> -</u>	<u>(2,873)</u>
Total support and losses	<u>340,125</u>	<u>334,627</u>
Expenses:		
Legal services and educational seminars	231,354	225,409
Management and general	<u>95,242</u>	<u>97,806</u>
Total expenses	<u>326,596</u>	<u>323,215</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 13,529	 11,412
 UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	 <u>96,545</u>	 <u>85,133</u>
 UNRESTRICTED NET ASSETS, END OF YEAR	 <u>\$ 110,074</u>	 <u>\$ 96,545</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, 2017**

	Legal Services and Educational Seminars	Management and General	Total Functional Expenses
Salaries and contractual labor	\$ 179,114	\$ 63,415	\$ 242,529
Health insurance	31,609	9,982	41,591
Accounting fees	-	3,223	3,223
Supplies	3,312	368	3,680
Printing and publications	2,304	256	2,560
Telephone	3,698	411	4,109
Occupancy	760	10,090	10,850
Insurance	-	2,976	2,976
Subscriptions	5,712	-	5,712
Depreciation	-	1,618	1,618
Technology fees	451	1,804	2,255
Miscellaneous Services	<u>4,394</u>	<u>1,099</u>	<u>5,493</u>
 TOTAL FUNCTIONAL EXPENSES	 <u>\$ 231,354</u>	 <u>\$ 95,242</u>	 <u>\$ 326,596</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, 2016**

	Legal Services and Educational Seminars	Management and General	Total Functional Expenses
	<u> </u>	<u> </u>	<u> </u>
Salaries and contractual labor	\$ 173,926	\$ 59,281	\$ 233,207
Health insurance	32,172	10,159	42,331
Accounting fees	-	12,735	12,735
Supplies	3,282	365	3,647
Printing and publications	2,632	292	2,924
Telephone	3,865	429	4,294
Occupancy	476	6,324	6,800
Insurance	-	2,976	2,976
Subscriptions	4,117	-	4,117
Depreciation	-	2,707	2,707
Technology fees	348	1,390	1,738
Miscellaneous	<u>4,591</u>	<u>1,148</u>	<u>5,739</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 225,409</u>	<u>\$ 97,806</u>	<u>\$ 323,215</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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 13,529	\$ 11,412
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,618	2,707
Loss on disposal of equipment	-	2,873
Effects of changes in operating assets and liabilities:		
Grants receivable	(25,125)	-
Accounts payable	425	(4,050)
Accrued expenses	944	3,836
Prepaid expenses and other assets	<u>728</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>(7,881)</u>	<u>16,778</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (7,881)	 16,778
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>89,436</u>	 <u>72,658</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 81,555</u>	 <u>\$ 89,436</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, 2017 and 2016

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, 2017 and 2016, the Organization had no temporarily or permanently restricted net assets.

FRIENDS OF THE HAMMOND LEGAL AID CLINIC
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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 \$10,000 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, 2017 and 2016.

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. When equipment are retired or otherwise disposed of, the related costs of accumulated depreciation are removed from the respective accounts and any gain or loss is recognized.

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, 2017 and 2016

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, 2017 and 2016.

Grant Receivable

Grant receivable represents government contract revenues that have been billed but not collected as of the date of the accompanying financial statements. As of December 31, 2017, management believes that all grants receivable would be fully collectible within one year. Therefore, no allowance for doubtful accounts is recorded in the accompanying financial statements.

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.

The Organization has evaluated its tax positions and determined it has no uncertain tax positions at December 31, 2017 and 2016.

Recent Accounting Pronouncements

Nonprofit Financial Statements

In August 2016, the Financial Accounting Standards Board (FASB) issued amended guidance to improve the current net asset classification requirements and the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The main provisions of the update are:

- Present on the face of the statement of financial position amounts for two classes of net assets at the end of the year, rather than the current three classes.

FRIENDS OF THE HAMMOND LEGAL AID CLINIC
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

- Present on the face of the statement of activities the amount of the change in each of the two classes of net assets.
- Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting. However, no longer require the presentation or disclosure of the indirect method reconciliation, if using the direct method.
- Enhanced disclosures in the following areas:
 - Board designated net assets
 - Donor restricted net assets
 - Qualitative and quantitative information on liquidity
 - Amounts of expenses by both their natural and functional classification
 - Methods used to allocate costs among program and supporting functions
 - Underwater endowments
- Report investment return net of external and direct internal investment expenses and no longer require disclosures of those netted expenses.

The amendments should be applied on a retrospective basis in the year that the pronouncement is first applied. The standard will be effective for the Organization for annual periods beginning after December 15, 2017. Early adoption is permitted.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization for annual periods beginning after December 15, 2018. Early adoption is permitted beginning for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period.

FRIENDS OF THE HAMMOND LEGAL AID CLINIC
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

In February 2016, FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted.

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.

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, 2017 consisted of the following:

Equipment	\$ 14,443
Less accumulated depreciation	<u>(12,254)</u>
Total property and equipment	<u>\$ 2,189</u>

FRIENDS OF THE HAMMOND LEGAL AID CLINIC
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 3 - PROPERTY AND EQUIPMENT (CONTINUED)

Investment in property and equipment at December 31, 2016 consisted of the following:

Equipment	\$ 14,443
Less accumulated depreciation	<u>(10,636)</u>
Total property and equipment	<u>\$ 3,807</u>

NOTE 4 - OPERATING LEASE

The Organization entered into an agreement for office space under an operating lease beginning on May 1, 2014. The lease had a term of 36 months with monthly rental payments of \$1,550 over the lease term, which expired on April 30, 2017. The lessor terminated the lease arrangement during 2016 and the Organization was in a temporary space for a portion of the year.

The Organization entered into a new agreement for office space under an operating lease beginning on July 1, 2017. The lease has a term of 24 months with monthly rental payments of \$1,550 over the lease term, which expires on June 30, 2019. The Organization is also responsible for maintenance and repairs.

Minimum annual commitments under this lease as of December 31, 2017 are as follows:

2018	\$ 18,600
2019	<u>9,300</u>
Total	<u>\$ 27,900</u>

Rental expense for the years ended December 31, 2017 and 2016 was \$10,850 and \$6,200, respectively.

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 2017 and 2016, the Organization's total revenue provided by grants from the city of Hammond was approximately 100%. In 2017, the Organization's grant receivable was provided by a grant from the city of Hammond.

FRIENDS OF THE HAMMOND LEGAL AID CLINIC
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 6 - COMMITMENTS

The Organization entered into individual contracts with two consultants including a board member to provide legal and certain administrative services on behalf of and for the Organization in 2017 and 2016. Each contract is for a one-year term. For the years ended December 31, 2017 and 2016, the Organization paid the board member \$4,200 and \$4,080, respectively, for bookkeeping services.

NOTE 7 - SUBSEQUENT EVENTS

Management evaluated subsequent events through February 22, 2018, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2017, but prior to February 22, 2018, that provided additional evidence about conditions that existed at December 31, 2017, have been recognized in the financial statements for the year ended December 31, 2017. Events or transactions that provided evidence about conditions that did not exist at December 31, 2017, 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, 2017.

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



Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.