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June 28, 2018

Board of Directors
Hammond Development Corporation
5246 Hohman Ave.
Hammond, IN 46320

We have reviewed the report prepared by Hammond Development Corporation and opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Hammond Development Corporation as of December 31, 2016 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

HAMMOND DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hammond Development Corporation
Hammond, Indiana

We have audited the accompanying financial statements of Hammond Development Corporation (an Indiana corporation), which comprise the statement of financial position, as of December 31, 2016, and the related statements of activities, cash flows, and functional expenses for the year 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.

Board of Directors
Hammond Development Corporation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hammond Development Corporation as of December 31, 2016, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Schererville, Indiana
December 13, 2017

HAMMOND DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 264,567
HIC and HUB accounts receivable	9,684
Business Builders loans, current	285,514
Prepaid expenses	12,563
Total current assets	572,328
PROPERTY AND EQUIPMENT	
Office equipment	42,807
Building improvement	23,051
Downtown development rental properties	1,689,893
Total, at cost	1,755,751
Less accumulated depreciation	(605,469)
Total property and equipment	1,150,282
OTHER ASSETS	
Note receivable - Lakeshore Chamber of Commerce, net of allowance of $18,207	5,303
Business Builders loans, net of allowance of $121,913	376,937
Note receivable - Indiana Building, LLC	25,000
Property held-for-resale	44,000
Investment in Indiana Building, LLC	691,643
Total other assets	1,142,883
TOTAL ASSETS	$ 2,865,493

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$	8,594
Accrued expenses		71,270
Current portion of note payable		48,755
Total current liabilities		128,619
NOTE PAYABLE, NET OF CURRENT PORTION		185,155
Total liabilities		313,774
NET ASSETS		
Unrestricted		2,516,968
Temporarily restricted		34,751
Total net assets		2,551,719
TOTAL LIABILITIES AND NET ASSETS	$	2,865,493

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

HAMMOND DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, GAINS AND LOSSES			
Contributions	$ 82,872	$ 23,000	$ 105,872
Towle Theater	82,350	-	82,350
Hammond Innovation Center and HUB rental income	67,529	-	67,529
Pass-through loss from Indiana Building, LLC	(43,382)		(43,382)
Interest income	22,914	-	22,914
Urban Enterprise Association administration fee	250,038	-	250,038
Donated rent	163,826		163,826
Miscellaneous income	38,135	-	38,135
Gain on sale of building	2,378	-	2,378
Impairment loss	(90,881)	-	(90,881)
Net assets released from restrictions	7,829	(7,829)	-
Total support, revenue, gains and losses	583,608	15,171	598,779
EXPENSES			
Downtown development	265,698		265,698
Towle Theater	272,691	-	272,691
HUB of Innovation	73,257	-	73,257
Management and general	245,543	-	245,543
Total expenses	857,189	-	857,189
CHANGE IN NET ASSETS	(273,581)	15,171	(258,410)
NET ASSETS, BEGINNING OF YEAR	2,790,549	19,580	2,810,129
NET ASSETS, END OF YEAR	$ 2,516,968	$ 34,751	$ 2,551,719

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

HAMMOND DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (258,410)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	49,355
Provision for bad debts	21,362
Pass-through loss on Indiana Building, LLC investment	43,382
Gain on sale of real estate	(2,378)
Impairment loss	90,881
Effects of changes in operating assets and liabilities:	
Prepaid expenses and other assets	(10,406)
Accounts receivable	68,911
Accounts payable	(665)
Accrued expenses and other liabilities	(34,852)
Net cash used by operating activities	(32,820)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(15,430)
Proceeds from sale of real estate	40,000
Funding of Business Builders loans	(490,000)
Payments received on Business Builders loans	471,592
Redemption of certificates of deposit	100,039
Additional investment in Indiana Building, LLC	(47,744)
Net cash provided by investing activities	58,457
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from long-term debt	250,000
Payments on long-term debt	(184,507)
Net cash provided by financing activities	65,493
NET INCREASE IN CASH AND CASH EQUIVALENTS	91,130
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	173,437
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 264,567

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

HAMMOND DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services				
	Downtown Development	Towle Theater	HUB of Innovation	Management and General	Total
Salaries and wages	$ -	$ 94,804	$ -	$ 51,672	$ 146,476
Payroll taxes	-	8,455	-	4,042	12,497
Retirement plan	-	2,737	-	1,650	4,387
Insurance	-	23,892	-	21,900	45,792
Donated rent expense	163,826	-	-	-	163,826
Real estate taxes	-	14,539	-	12,994	27,533
Legal fees	2,410	30	-	4,802	7,242
Consulting fees	4,034	-	-	59,872	63,906
Accounting and audit	1,500	-	-	37,851	39,351
Marketing	-	10,957	23	8,638	19,618
Dues and subscriptions	935	433		2,354	3,722
Bad debt	21,362	-	-	-	21,362
Utilities	17,501	15,759	22,373	4,906	60,539
Lease and maintenance	11,613	5,587	29,334	6,419	52,953
Depreciation	1,996	43,330	2,278	1,751	49,355
Home security rebates	-	-	-	3,453	3,453
Supplies	10,755	3,017	7,933	5,597	27,302
Office	15,750	3,107	3,999	704	23,560
Internet	-	-	6,488	9,898	16,386
Interest	1,220	-	-	-	1,220
Telephone	11,232	-	-	633	11,865
Productions	-	41,188	-	-	41,188
Travel and entertainment	24	1,102	-	3,888	5,014
Miscellaneous	1,540	3,754	829	2,519	8,642
TOTAL EXPENSES	$ 265,698	$ 272,691	$ 73,257	$ 245,543	$ 857,189

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hammond Development Corporation (HDC), an Indiana nonprofit organization, was formed to provide broad based charitable support for the development and redevelopment of the city of Hammond, including the stimulation of historical renovation, general business development, increase in commerce and trade, and general stimulation of the revitalization of the city of Hammond.

Business Builders Program

On July 1, 1997, HDC created its Business Builders program to support the city of Hammond's "Incubator Plan". The purpose of the Incubator Plan is to assist Hammond-based women and minority owned business enterprises. The program includes a revolving loan arrangement and educational programs and activities.

Downtown Hammond Rehab and Rental Properties

HDC expanded its small business Incubator Plan by acquiring abandoned and vacant buildings in the downtown Hammond area through grants from the city of Hammond and contributions from area businesses. HDC rehabilitated certain buildings to make useable business space available through rental agreements and outright sales to fledgling businesses that are not able to afford such space at current market prices, nor would the businesses be able to afford to renovate the abandoned spaces to make them business ready. One of HDC's main initiatives has been to attract new high-tech internet start-up firms to downtown Hammond to replace and supplement the rust belt industries that once and still dominate the local economy.

Hammond Innovation Center

On October 1, 2010, HDC took over the Hammond Innovation Center (HIC) from Purdue University Calumet to support the city of Hammond's main initiative of attracting new high-tech start-up firms to downtown Hammond. The program includes providing competitively priced office space including a built-in infrastructure of services as well as the necessary business resources to assist in the successful operation of start-up businesses.

Towle Theater

Towle Theater is a performing arts center located in downtown Hammond owned and operated by HDC. Since their establishment in 1981, both entities have assisted the city of Hammond in developing a flourishing, prosperous community in which business owners and residents can take pride.

The HUB of Innovation

The Hub of Innovation is an extension of the Hammond Innovation Center but is a new avenue for cultivating business and job creation through internship opportunities. This site focuses on introducing university interns to business tenants and contract partnerships.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The HDC prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of HDC and changes therein are classified and reported as follows:

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 HDC's board of directors.

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

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

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support, depending on the nature of the restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, HDC reports the support as unrestricted.

Contributions of noncash assets are recorded at their estimated fair values at the date contributed. For the year ended December 31, 2016, the HDC recognized $163,826 in donated rent and expense on the Statement of Activities.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. Certain account balances were estimated. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

HDC considers all liquid investments, including amounts invested in money market instruments, with an original maturity of three months or less to be cash equivalents.

At times, HDC's cash balances may exceed federally insured limits; however, the HDC 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

HDC is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly classified by the State of Indiana. However, HDC would be liable for income taxes on any unrelated business income. For the year ended December 31, 2016, HDC does not anticipate taxable income.

Property and Equipment

All acquisitions and improvements of $1,000 or more of property and equipment are capitalized and stated at cost. Contributed property and equipment are stated at fair market value at the date contributed.

HDC provides for depreciation using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years.

Impairment of Long-Lived Assets

The HDC 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 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 the carrying amount or the fair value less costs to sell.

Real Estate Properties

Real estate properties, including rental properties, properties held for resale, and rehab properties in progress are carried at cost, including cost of improvements and amenities incurred subsequent to acquisition. Costs relating to development and improvement of property are capitalized, whereas costs relating to holding property are expensed. The portion of interest costs relating to development of real estate is capitalized.

Bad Debts

HDC maintains an allowance for doubtful accounts for estimated losses related to the Business Builders program.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bad Debts (continued)

The allowance is an amount that HDC believes will be adequate to absorb estimated losses relating to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio, based on an evaluation of the collectability of existing loans and prior loss experience. This evaluation takes into consideration such factors as changes in the nature and volume of the loan portfolio, overall quality, review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay. This evaluation does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions. While HDC uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

The allowance totaled $121,913 at December 31, 2016.

Allowances on Notes Receivable

An allowance for uncollectible receivables is recorded by management if it is probable that receivables recorded at the financial statement date will not be collected and the uncollectible amount can be reasonably estimated.

The allowance on notes receivable totaled $18,207 at December 31, 2016.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Recent Accounting Pronouncements

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 HDC 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

Leases

In February 2016, the 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 HDC'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.

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.
- 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 HDC for annual periods beginning after December 15, 2017. Early adoption is permitted.

NOTE 2 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of assets available for equipment purchases of $19,580 and a commercial kitchen of $23,000. As of December 31, 2016, $7,829 was released from restrictions and $34,751 remains available for qualifying purchases. The balance remaining includes $11,751 of temporarily restricted net assets received in 2015 for equipment purchases.

NOTE 3 - NOTE RECEIVABLE - LAKESHORE CHAMBER OF COMMERCE

HDC holds an unsecured note receivable from the Lakeshore Chamber of Commerce. The note bears no interest and is payable upon demand. The balance of the note was $23,510 at December 31, 2016. The unsecured note receivable is recorded net of estimated uncollectible amounts, determined based on historical experience and a consideration of past due amounts; accordingly, the HDC has an allowance of $18,207 at December 31, 2016.

NOTE 4 - BUSINESS BUILDERS LOANS

HDC has established a revolving loan fund as part of the Business Builders program. Loans outstanding totaled $784,364 at December 31, 2016. The installment loans are granted to minority and women business enterprises that qualify under the program. The loans bear interest between 1.50% and 5.25% and are payable in 60 or 120 monthly installments. The loans are secured by real estate and financing agreements.

Future maturities of the loans are as follows:

Year Ending December 31,	
2017	$ 285,514
2018	143,094
2019	137,594
2020	138,925
Thereafter	251,823
Total loan payments receivable	956,950
Less amount representing interest	172,586
Less allowance for doubtful accounts	121,913
Total	$ 662,451

NOTE 5 - UEA NOTE PAYABLE

In 2014, the HDC executed a promissory note agreement with affiliate Urban Enterprise Associations of Hammond, Indiana, Inc. (UEA) for $215,000 with an original maturity date of November 30, 2019. The agreement called for monthly principal installment payments of $3,583 beginning December 1, 2014 and bore no interest. On June 30, 2016, the HDC paid off their loan with affiliate UEA for the total outstanding of $150,500.

On August 9, 2016, the HDC executed a promissory note agreement with UEA for $250,000 with an interest rate of 1.5% per annum. The agreement called for monthly principal and interest installment payments of $4,327 beginning September 1, 2016. The note expires on August 31, 2021. The amount outstanding at December 31, 2016 is $233,910.

Future maturities of the loans are as follows:

Year Ending December 31,	
2017	$ 48,755
2018	49,492
2019	50,329
2020	50,998
2021	34,336
Total	$ 233,910

NOTE 6 - INVESTMENT IN INDIANA BUILDING, LLC

HDC's 50% interest is accounted for using the equity method of accounting under which HDC's share of the net income (or net loss) of Indiana Building, LLC (the LLC) is recognized in HDC's Statement of Activities and added to (or subtracted from) the investment account. During the year ended December 31, 2016, HDC contributed an additional $47,744 to the LLC. The intent of the equity contribution was to create equity balances more parallel to each entity's ownership interest. The transaction did not change HDC's 50% interest in the investment. The investment had a carrying value of $691,643 and note payable to the HDC of $25,000 at December 31, 2016.

Condensed financial information on a cash basis for the LLC is as follows at December 31, 2016:

Current assets	$ 48,495
Property and equipment	1,010,551
Current liabilities	54,854
Long-term liabilities	25,000
Members' capital	979,192
Rental and other income	102,785
Operating expenses	194,375
Net loss	(91,590)

NOTE 7 - LEVERAGED LEASE

During 2002, HDC entered into a 20-year leveraged lease agreement with the Purdue Research Foundation (Foundation). HDC agreed to purchase a building with the proceeds of a mortgage and the Foundation agreed to lease it for an amount approximately equaling the debt service for the term of the mortgage. The Foundation is responsible for all costs and improvements related to the operation of the building for the entire term of the lease. The lease agreement contains a purchase option that allows the Foundation to buy the building for the amount outstanding on the mortgage at any time during the lease. The monthly lease payment is $4,099 and the monthly payment on the mortgage is $3,816. The annual difference between the lease payments and the mortgage payments is recognized as income in the accompanying Statement of Activities. The net investment in a leveraged lease, if any, to be reported in the Statement of Financial Position consists of rentals receivable, net of the portion applicable to principal and interest on the mortgage. The amount of income realized on this lease during 2016 was $2,824.

During 2014, HDC received a tax-exempt status in regard to all real estate taxes levied. In November 2014 while the tax-exempt status was pending, HDC paid the real estate taxes levied on the building and was subsequently reimbursed by the Foundation. Following the amount being refunded, HDC set up a payable due to the Foundation in the amount of $35,298. The amount was forgiven in 2016 and is included in miscellaneous income on the statement of activities.

On November 1, 2016, the HDC sold the 1267 169th Street Hammond, Indiana property to the Purdue Research Foundation and ended the leveraged lease agreement. The purchase price was $238,878, which represented the fair market value of the mortgage resulting in no gain or loss recognized in the sale.

NOTE 8 - RETIREMENT ARRANGEMENT WITH STAFF EMPLOYEES

HDC offers employees the opportunity to participate in a SIMPLE IRA plan. HDC matches a portion of each employee's contribution. The expense to HDC under this arrangement was $4,387 for 2016.

NOTE 9 - 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 2016, one customer represented approximately 42% of gross loan receivables. Furthermore, 78% of HDC's contribution and grant revenue originated from one donor.

NOTE 10 - RELATED PARTY TRANSACTIONS

HDC provides administrative services to Urban Enterprise Association of Hammond, IN (UEA). In addition, the UEA provides scholarships for internships at the HDC. In 2016, the amount received for the administrative services rendered was $250,038 and reflected on the statement of activities. In 2016, no amounts were paid by the UEA for scholarships for internships. Additional disclosures are reflected in Note 5 for the note payable due to the UEA.

NOTE 11 – OTHER MATTERS

In January 2016, the Columbia property was leveled and the value was written down solely to reflect land value of $44,000 resulting in an impairment loss of $90,881 as reflected on the statement of activities.

In April 2016, the HDC sold the 489 Fayette Rd. Hammond, Indiana property to an unrelated third party. The purchase price was $40,000, which consisted of a $1,000 payment due upon signing and 72 monthly installments of $575 including interest at 2%, with the final balance to be paid on May 31, 2022. The gain on the sale of the building of $2,378 is included on the statement of activities.

NOTE 12 - CONTINGENCIES

During the year ended December 31, 2016, HDC is involved in litigation concerning collection efforts in pursuit of a delinquent Business Builders' loan. Legal counsel has advised a judgment was awarded. However, because of uncertainty surrounding collection, the award will be recorded only as payments are received. During 2016, no amounts were recorded for awarded judgments issued in 2015.

NOTE 13 - SUBSEQUENT EVENTS

HDC evaluated subsequent events through December 13, 2017, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2016, but prior to December 13, 2017, that provided additional evidence about conditions that existed at December 31, 2016, have been recognized in the financial statements for the year ended December 31, 2016. Events or transactions that provided evidence about conditions that did not exist at December 31, 2016, 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, 2016.

During 2016, the Towle Theater applied for and received their separate 501(c) 3 designation by the State of Indiana. As part of the transition, expenses of $26,128 that are included in the statement of activities within the Towle Theater program represent a transfer of funds to the new organization. The transfer of the remaining Theatre assets that were held by the HDC was completed in February 2017 with a transfer of $9,794 and the closing of the Towle checking account. In addition, the HDC entered into a leasing arrangement to rent the building housing the theater to the Towle for $1 annually. The lease term is from January 1, 2017 through December 31, 2019. Furthermore, the HDC issued a $30,000 grant to the Towle Theater to fund general operations.

NOTE 13 - SUBSEQUENT EVENTS (CONTINUED)

On January 10, 2017, the HDC transferred the Columbia property to the Hammond Redevelopment Commission for a purchase price of $10 resulting in a loss on disposal of $43,990.

On April 20, 2017, the HDC secured a loan from the UEA for $450,000 at an interest rate of 2.00% per annum. The agreement calls for 96 monthly installment payments of principal and interest for $5,076.39 beginning June 1, 2017. The note expires on May 31, 2025. The loan was used to provide funding to an unrelated third party for the total amount of $450,000 with an interest rate of 4.50% per annum payable in 96 monthly installments of principal and interest of $5,590.46 beginning May 1, 2017. The note expires on May 1, 2025.

CliftonLarsonAllen

A member of Nexia International