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December 5, 2019

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

We have reviewed the audit report of Hammond Development Corporation which was opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Hammond Development Corporation 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 the audit report in accordance with 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, CPA
State Examiner

HAMMOND DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017



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INDEPENDENT AUDITORS' 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, 2017, and the related statements of activities, functional expenses, and cash flows 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Schererville, Indiana
March 6, 2019

**HAMMOND DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 367,311
HIC and HUB accounts receivable	1,395
Prepaid expenses	4,254
Business Builders loans, current	<u>201,078</u>
Total current assets	<u>574,038</u>

PROPERTY AND EQUIPMENT

Office equipment	52,480
Building improvement	23,051
Downtown development rental properties	<u>1,689,893</u>
Total, at cost	1,765,424
Less accumulated depreciation	<u>(657,324)</u>
Total property and equipment	<u>1,108,100</u>

OTHER ASSETS

Note receivable - Lakeshore Chamber of Commerce, net of allowance of \$18,207	5,303
Business Builders loans, net of allowance of \$135,847	637,535
Note receivable - Indiana Building, LLC	65,092
Property held-for-resale	79,600
Investment in Indiana Building, LLC	<u>676,603</u>
Total other assets	<u>1,464,133</u>

TOTAL ASSETS \$ 3,146,271

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 26,107
Accrued expenses	19,785
Current portion of note payable	<u>102,496</u>
Total current liabilities	<u>148,388</u>

NOTE PAYABLE, NET OF CURRENT PORTION 516,143

Total liabilities 664,531

NET ASSETS

Unrestricted	2,451,796
Temporarily restricted	<u>29,944</u>
Total net assets	<u>2,481,740</u>

TOTAL LIABILITIES AND NET ASSETS \$ 3,146,271

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

HAMMOND DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, GAINS AND LOSSES			
Contributions	\$ 89,600	\$ -	\$ 89,600
Donated rent	21,445	-	21,445
Towle Theater	10,329	-	10,329
Hammond Innovation Center and HUB rental income	79,511	-	79,511
Interest income	34,781	-	34,781
Urban Enterprise Association administration fee	275,019	-	275,019
Miscellaneous income	24,415	-	24,415
Pass-through loss from Indiana Building, LLC	(41,305)	-	(41,305)
Loss on sale of building	(43,750)	-	(43,750)
Net assets released from restrictions	4,807	(4,807)	-
Total support, revenue, gains and losses	454,852	(4,807)	450,045
 EXPENSES			
Downtown development	107,147	-	107,147
Towle Theater	36,630	-	36,630
HUB of Innovation	128,497	-	128,497
Management and general	247,750	-	247,750
Total expenses	520,024	-	520,024
 CHANGE IN NET ASSETS	(65,172)	(4,807)	(69,979)
 NET ASSETS, BEGINNING OF YEAR	2,516,968	34,751	2,551,719
 NET ASSETS, END OF YEAR	\$ 2,451,796	\$ 29,944	\$ 2,481,740

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

HAMMOND DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>				
	<u>Downtown Development</u>	<u>Towle Theater</u>	<u>HUB of Innovation</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ -	\$ -	\$ -	\$ 75,243	\$ 75,243
Payroll taxes	-	-	-	6,288	6,288
Retirement plan	-	-	-	2,340	2,340
Insurance	-	-	-	32,235	32,235
Donated rent expense	21,445	-	-	-	21,445
Rent expense	-	-	-	15,511	15,511
Legal fees	13,259	-	-	6,770	20,029
Consulting fees	800	-	4,400	33,416	38,616
Accounting and audit	-	-	-	37,683	37,683
Marketing	-	-	469	1,721	2,190
Dues and subscriptions	-	-	-	1,521	1,521
Bad debt	14,444	-	13,157	-	27,601
Utilities	20,365	-	22,042	4,215	46,622
Lease and maintenance	9,197	1,911	13,376	6,573	31,057
Depreciation	1,996	-	47,961	1,898	51,855
Home security rebates	-	-	-	3,000	3,000
Supplies	631	-	9,852	3,074	13,557
Office	2,888	224	5,287	2,620	11,019
Internet	-	-	11,953	3,088	15,041
Interest	8,354	-	-	-	8,354
Telephone	12,971	-	-	932	13,903
Travel and entertainment	-	-	-	8,153	8,153
Grants Issued	-	34,495	-	-	34,495
Miscellaneous	797	-	-	1,469	2,266
TOTAL EXPENSES	<u>\$ 107,147</u>	<u>\$ 36,630</u>	<u>\$ 128,497</u>	<u>\$ 247,750</u>	<u>\$ 520,024</u>

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

**HAMMOND DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (69,979)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	51,855
Provision for bad debts	27,601
Pass-through loss on Indiana Building, LLC investment	41,305
Donated property held for sale	(79,600)
Loss on sale of real estate	43,750
Effects of changes in operating assets and liabilities:	
Prepaid expenses and other assets	8,309
Accounts receivable	8,289
Accounts payable	17,513
Accrued expenses and other liabilities	<u>(51,485)</u>
Net cash used by operating activities	<u>(2,442)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(9,423)
Funding of Business Builders loans	(455,000)
Payments received on Business Builders loans	251,237
Note receivable - Lakeshore Chamber of Commerce	(40,092)
Additional investment in Indiana Building, LLC	<u>(26,265)</u>
Net cash used by investing activities	<u>(279,543)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long-term debt	450,000
Payments on long-term debt	<u>(65,271)</u>
Net cash provided by financing activities	<u>384,729</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 102,744

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 264,567

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 367,311

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

**HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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.

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 \$39,904 that are included in the statement of activities within the Towle Theater program include a \$30,000 grant issued for general operations. 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.

HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2017, the HDC recognized \$79,600 in donated property held for sale within contributions and \$21,445 in donated rent on the Statement of Activities. The portion relating to donated expense is appropriately reflected on the Statement of Functional Expenses.

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.

HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

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.

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, 2017, 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.

HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017.

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, 2017.

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

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.

HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Nonprofit Financial Statements (Continued)

- 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.

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.

Clarifying Scope and the Accounting Guidance for Contributions

In June 2018, the FASB issued amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This amended guidance distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, Not-for-Profit Entities—Revenue Recognition, should be followed. For exchange transactions, Topic 606, Revenue from Contracts with Customers, should be followed. In addition, once a transaction is deemed to be a contribution, this amended guidance assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor-restricted for a limited purpose or timing. The guidance should be applied on a modified prospective basis. As a resource recipient, the guidance will be effective for the HDC for year ending June 30, 2020. Early adoption is permitted.

**HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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.

NOTE 2 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of assets available for equipment purchases of \$6,944 and a commercial kitchen of \$23,000. As of December 31, 2017, \$4,807 was released from restrictions and \$29,944 remains available for qualifying 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, 2017. 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, 2017.

NOTE 4 - BUSINESS BUILDERS LOANS

HDC has established a revolving loan fund as part of the Business Builders program. Loans outstanding totaled \$974,460 at December 31, 2017. The installment loans are granted to minority and women business enterprises that qualify under the program. The loans bear interest between 1.60% and 6.25% and are payable in 60 or 120 monthly installments. The loans are secured by real estate and financing agreements.

HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 - BUSINESS BUILDERS LOANS (CONTINUED)

Future maturities of the loans are as follows:

Year Ending December 31,

2018	\$ 234,756
2019	216,383
2020	203,011
2021	210,516
Thereafter	<u>276,813</u>
Total loan payments receivable	1,141,479
Less amount representing interest	167,019
Less allowance for doubtful accounts	<u>135,847</u>
Total	<u>\$ 838,613</u>

NOTE 5 - UEA NOTE PAYABLE

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, 2017 is \$198,801.

On April 20, 2017, the HDC executed a promissory note agreement with UEA for \$450,000 with an interest rate of 2% per annum. The agreement called for monthly principal and interest installment payments of \$5,076 beginning June 1, 2017. The note expires on May 31, 2025. The amount outstanding at December 31, 2017 is \$419,838.

Future maturities of the loans are as follows:

Year Ending December 31,

2018	\$ 102,496
2019	104,313
2020	106,163
2021	99,371
Thereafter	<u>206,296</u>
Total	<u>\$ 618,639</u>

HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017, HDC contributed an additional \$26,266 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 \$676,603 and note payable to the HDC of \$65,092 including \$28,063 of advanced rent at December 31, 2017.

Condensed financial information on a cash basis for the LLC is as follows at December 31, 2017:

Current assets	\$ 39,704
Other assets	2,685
Property and equipment	987,507
Current liabilities	82,048
Long-term liabilities	25,000
Members' capital	922,848
Rental and other income	106,868
Operating expenses	189,479
Net loss	(82,611)

NOTE 7 - 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 \$2,340 for 2017.

NOTE 8 - 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, two customers represented approximately 74% of gross loan receivables. Furthermore, 89% of HDC's contribution and grant revenue originated from one donor.

NOTE 9 - RELATED PARTY TRANSACTIONS

HDC provides administrative services to Urban Enterprise Association of Hammond, IN (UEA). In 2017, the amount received for the administrative services rendered was \$275,019 and reflected on the Statement of Activities. Additional disclosures are reflected in Note 5 for the note payable due to the UEA.

HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 10 - OTHER MATTERS

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 \$43,750 as reflected on the Statement on Activities.

NOTE 11 - CONTINGENCIES

During the year ended December 31, 2017, 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 2017, no amounts were recorded for awarded judgments issued.

NOTE 12 - SUBSEQUENT EVENTS

HDC evaluated subsequent events through March 6, 2019, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2017, but prior to March 6, 2019, 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.

In 2018, the Hammond Port Authority and the City of Hammond issued a grant each providing \$400,000 to help pay for visual and performing musical and entertainment acts and associated costs at the Wolf Lake Pavilion for 2018 and years to come with the intention that revenue from said shows and entertainment will replenish said activities going forward. The role of the HDC will be to manage the applicable concerts held at the venue. The nature of the agreement is such that the HDC has entered into various contracts and agreements in 2018, relating to future meetings, including various artist contracts. The HDC would be obligated for certain charges in the event a cancellation occurred. The amount of charges would vary depending on the date of cancellation and terms of contract.

In May 2018, the HDC issued a line of credit with a \$35,000 maximum to an unrelated third party. All principal, interest and fees are due in April 2019 with the right to renew the agreement on or before May 1, 2019. The line of credit is secured by the guaranty of the owner of the entity and a first security interest in property held.

In June 2018, the HDC issued a promissory note to an unrelated third party for \$29,226 with an annual interest rate of 4.5%. The note is to be repaid with 60 monthly installments of principal and interest of \$545 beginning July 1, 2018 through June 30, 2023 at which point the remaining principal and interest will be paid in full. The HDC has a security interest in the mortgage associated with this promissory note.

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. | CliftonLarsonAllen LLP

