



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B53886

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa


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, 2018 to December 31, 2018. 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, 2018 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
YEARS ENDED DECEMBER 31, 2018 AND 2017



CLAconnect.com

WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING

**HAMMOND DEVELOPMENT CORPORATION
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



CliftonLarsonAllen LLP
CLAconnect.com

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 statements of financial position as of December 31, 2018 and 2017, 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 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 Hammond Development Corporation as of December 31, 2018 and 2017, 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.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, in 2018, Hammond Development Corporation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Schererville, Indiana
September 10, 2019

HAMMOND DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 648,885	\$ 367,311
HIC, HDC, and HUB Accounts Receivable	6,400	1,395
Prepaid Expenses	45,512	4,254
Business Builders Loans, Current	204,581	201,078
Total Current Assets	905,378	574,038
PROPERTY AND EQUIPMENT		
Office Equipment	51,613	52,480
Building Improvement	44,047	23,051
Downtown Development Rental Properties	1,689,893	1,689,893
Total Property and Equipment	1,785,553	1,765,424
Less: Accumulated Depreciation	(709,437)	(657,324)
Property and Equipment, Net	1,076,116	1,108,100
OTHER ASSETS		
Note Receivable - Lakeshore Chamber of Commerce, Net of Allowance of \$18,207 in 2018 and 2017	5,325	5,303
Business Builders Loans, Net of Allowance of \$121,847 and \$135,847 in 2018 and 2017, Respectively	518,895	637,535
Note Receivable - Indiana Building, LLC	47,029	65,092
Property Held-for-Resale	79,600	79,600
Investment in Indiana Building, LLC	694,263	676,603
Total Other Assets	1,345,112	1,464,133
 Total Assets	 \$ 3,326,606	 \$ 3,146,271
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 13,202	\$ 26,107
Accrued Expenses	14,619	19,785
Current Portion of Notes Payable	104,063	102,496
Total Current Liabilities	131,884	148,388
NOTES PAYABLE, NET OF CURRENT PORTION	424,341	516,143
Total Liabilities	556,225	664,531
NET ASSETS		
Without Donor Restrictions	2,444,596	2,451,796
With Donor Restrictions	325,785	29,944
Total Net Assets	2,770,381	2,481,740
 Total Liabilities and Net Assets	 \$ 3,326,606	 \$ 3,146,271

See accompanying Notes to Financial Statements.

HAMMOND DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, GAINS, AND LOSSES			
Contributions	\$ 35,594	\$ 800,000	\$ 835,594
Donated Rent	21,445	-	21,445
Hammond Innovation Center and HUB Rental Income	93,708	-	93,708
HDC Entertainment	-	429,960	429,960
Interest Income	41,359	4,002	45,361
Urban Enterprise Association Administration Fee	300,000	-	300,000
Miscellaneous Income	24,212	-	24,212
Pass-Through Loss from Indiana Building, LLC	(41,866)	-	(41,866)
Net Assets Released from Restrictions	938,121	(938,121)	-
Total Support, Revenue, Gains, and Losses	1,412,573	295,841	1,708,414
EXPENSES			
Downtown Development	87,764	-	87,764
Towle Theater	54,472	-	54,472
HUB of Innovation	116,896	-	116,896
HDC Entertainment	942,022	-	942,022
Management and General	218,619	-	218,619
Total Expenses	1,419,773	-	1,419,773
CHANGE IN NET ASSETS	(7,200)	295,841	288,641
Net Assets - Beginning of Year	2,451,796	29,944	2,481,740
NET ASSETS - END OF YEAR	\$ 2,444,596	\$ 325,785	\$ 2,770,381

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	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

See accompanying Notes to Financial Statements.

HAMMOND DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services				Management and General	2018
	Downtown Development	Towle Theater	HUB of Innovation	HDC Entertainment		
Salaries and Wages	\$ -	\$ -	\$ 19,125	\$ 20,511	\$ 70,710	\$ 110,346
Payroll Taxes	-	-	1,610	1,726	5,951	9,287
Retirement Plan	-	-	570	611	2,108	3,289
Health Insurance	-	-	5,756	6,173	21,281	33,210
Insurance	-	5,895	-	33,397	11,659	50,951
Contract Labor	-	-	4,700	-	12,701	17,401
Donated Rent	21,445	-	-	-	-	21,445
Occupancy	252	-	4,717	-	15,167	20,136
Legal Fees	13,244	-	-	1,065	9,982	24,291
Consulting Fees	125	-	4,000	19,546	-	23,671
Accounting and Audit	-	-	-	-	24,406	24,406
Marketing	-	-	-	41,651	-	41,651
Security	-	-	150	59,424	-	59,574
Artist and Agents	-	-	-	638,861	-	638,861
Dues and Subscriptions	-	-	-	-	1,184	1,184
Event	-	-	1,106	26,653	411	28,170
Meetings and Conferences	-	-	-	241	821	1,062
Production	-	-	-	91,821	-	91,821
Bad Debt	175	-	4,888	-	-	5,063
Utilities	19,625	-	28,148	-	2,610	50,383
Maintenance	7,697	5,273	13,445	-	6,883	33,298
Depreciation	1,996	43,304	5,658	-	1,861	52,819
Home Security Rebates	-	-	-	-	1,600	1,600
Supplies	-	-	-	-	2,110	2,110
Office	686	-	12,659	167	10,023	23,535
Internet	-	-	10,143	-	6,560	16,703
Interest	10,319	-	25	175	30	10,549
Telephone	11,853	-	-	-	867	12,720
Travel and Entertainment	-	-	41	-	5,312	5,353
Grants	-	-	-	-	3,000	3,000
Miscellaneous	347	-	155	-	1,382	1,884
Total Expenses	\$ 87,764	\$ 54,472	\$ 116,896	\$ 942,022	\$ 218,619	\$ 1,419,773

See accompanying Notes to Financial Statements.

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

	Program Services			Management and General	Total
	Downtown Development	Towle Theater	HUB of Innovation		
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	\$ 107,147	\$ 36,630	\$ 128,497	\$ 247,750	\$ 520,024

See accompanying Notes to Financial Statements.

HAMMOND DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 288,641	\$ (69,979)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	52,819	51,855
Gain on Sale of Property and Equipment	(706)	-
Provision for Bad Debts	5,063	27,601
Pass-Through Loss on Indiana Building, LLC Investment	41,866	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	(41,258)	8,309
Accounts Receivable	(5,005)	8,289
Accounts Payable	(12,905)	17,513
Accrued Expenses and Other Liabilities	(5,166)	(51,485)
Net Cash Provided (Used) by Operating Activities	323,349	(2,442)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(23,136)	(9,423)
Proceeds from Sale of Equipment	3,007	-
Funding of Business Builders Loans	(74,242)	(455,000)
Payments Received on Business Builders Loans	184,316	251,237
Note Receivable - Lakeshore Chamber of Commerce	18,041	(40,092)
Additional Investment in Indiana Building, LLC	(59,526)	(26,265)
Net Cash Provided (Used) by Investing Activities	48,460	(279,543)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	-	450,000
Payments on Long-Term Debt	(90,235)	(65,271)
Net Cash Provided (Used) by Financing Activities	(90,235)	384,729
NET INCREASE IN CASH AND CASH EQUIVALENTS	281,574	102,744
Cash and Cash Equivalents - Beginning of Year	367,311	264,567
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 648,885	\$ 367,311
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 10,500	\$ 8,368

See accompanying Notes to Financial Statements.

**HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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.

Program Services and Activities

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.

**HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services and Activities (Continued)

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 Towle Theater applied for and received their separate 501(c) 3 designation by the state of Indiana. 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. Total costs incurred relating to the transition were \$10,329 for the years ending December 31, 2018 and 2017. 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.

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.

HDC Entertainment

The HDC manages certain visual and performing musical and entertainment acts at the Wolf Lake Pavilion in Hammond, IN. This program encourages tourism with the provision of free concert events.

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 HDC to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions defined as follows:

Net Assets Without Donor Restrictions

Those resources over which the board of directors (board) has discretionary control.

Net Assets With Donor Restrictions

Those resources subject to donor-imposed restrictions which will be satisfied by actions of HDC, the passage of time, or those resources subject to donor-imposed stipulations that they be maintained permanently. When a donor or time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as Net Assets Released from Restrictions. As of December 31, 2018 and 2017, HDC has no net assets subject to permanent donor restrictions.

**HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized when the donor makes a promise to give to HDC that is, in substance, unconditional. Contributions restricted by donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met.

Contributions of noncash assets are recorded at their estimated fair values at the date contributed. For the years ended December 31, 2018 and 2017, HDC recognized \$0 and \$79,600, respectively, in donated property held for sale within contributions and \$21,445 in donated rent on the statement of activities for both years. Donated rent expense of the same amount is reflected on the statements 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.

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 years ended December 31, 2018 and 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.

HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$121,847 and \$135,847 at December 31, 2018 and 2017, respectively.

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 both December 31, 2018 and 2017.

HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The expenses that are allocated include salaries and benefits, which are allocated based on estimates of time and effort.

Adoption of New Accounting Standard

In 2018, HDC adopted Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes to the financial statements about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional expenses. Adoption of the standard resulted in no changes to the total previously reported net assets.

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.

HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

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 December 31, 2019.

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 LIQUIDITY

As part of HDC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Financial assets available to meet cash needs for general expenditures and other commitments within one year include the following:

Financial Assets, as of December 31, 2018:	
Cash and Cash Equivalents	\$ 648,885
Accounts Receivable, Net	6,400
Current Portion of Business Builders Loans	204,581
Less:	
Net Assets with Donor Restrictions	<u>325,785</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures and Other Commitments Within One Year	
	<u>\$ 534,081</u>

**HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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 \$23,532 and \$23,510 at December 31, 2018 and 2017, respectively. 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 for the years ended December 31, 2018 and 2017.

NOTE 4 BUSINESS BUILDERS LOANS

HDC has established a revolving loan fund as part of the Business Builders program. Loans outstanding totaled \$845,323 at December 31, 2018. The installment loans are granted to minority and women business enterprises that qualify under the program. The loans bear interest between 2.65% and 6.25% 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:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 235,860
2020	468,726
2021	149,844
2022	30,509
2023	21,034
Total Loan Payments Receivable	905,973
Less: Amount Representing Interest	60,650
Less: Allowance for Doubtful Accounts	121,847
Total	<u>\$ 723,476</u>

NOTE 5 UEA NOTES PAYABLE

On August 9, 2016, the HDC executed a promissory note agreement with Urban Enterprise Association of Hammond, Indiana (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, 2018 and 2017 is \$152,243 and \$198,801, respectively.

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, 2018 and 2017 is \$376,161 and \$419,838, respectively.

HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 5 UEA NOTES PAYABLE (CONTINUED)

On April 25, 2019, the HDC signed a settlement and release agreement with an existing business builder's loan. The original agreement was signed on April 20, 2017 for \$450,000 and was secured by a mortgage. The balance outstanding relating to this business builder loan was \$368,011 at December 31, 2018. Terms of the settlement include paying the remaining balance of \$358,671 at an annual interest rate of 7.5% with regular installments of \$5,590.46 and a final balloon payment on or before June 30, 2020. Terms of the of the updated settlement repayment have been included in the future maturities as listed below.

Future maturities of the loans are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 104,063
2020	363,504
2021	60,837
Total	<u>\$ 528,404</u>

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 years ended December 31, 2018 and 2017, HDC contributed an additional \$59,526 and \$26,265, respectively, to the LLC. The intent of the equity contributions was to create equity balances more parallel to each entity's ownership interest. The transactions did not change HDC's 50% interest in the investment. At December 31, 2018, the investment had a carrying value of \$694,263 and note payable to the HDC of \$47,029 including \$22,029 of advanced rent. At December 31, 2017, the investment had a carrying value of \$676,603 and note payable to the HDC of \$65,092 including \$28,063 of advanced rent.

Condensed financial information on a cash basis for the LLC as of and for the years ended December 31 is as follows:

	<u>2018</u>	<u>2017</u>
Current Assets	\$ 40,602	\$ 39,704
Other Assets	2,685	2,685
Property and Equipment	945,717	987,507
Current Liabilities	65,363	82,048
Long-Term Liabilities	25,000	25,000
Members' Capital	898,642	922,848
Rental and Other Income	112,165	106,868
Operating Expenses	195,898	189,479
Net Loss	(83,733)	(82,611)

HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 were available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Subject to Expenditure for Specified Purpose:		
Commercial Kitchen and Equipment Purchases	\$ 4,532	\$ 29,944
HDC Entertainment Program	321,253	-
Total Net Assets With Donor Restrictions	<u>\$ 325,785</u>	<u>\$ 29,944</u>

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 \$3,289 and \$2,340 for 2018 and 2017, respectively.

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 2018, two customers represented approximately 70% of gross loan receivables. Furthermore, 98% of HDC's contribution and grant revenue originated from two donors.

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 10 RELATED PARTY TRANSACTIONS

HDC provides administrative services to Urban Enterprise Association of Hammond, Indiana (UEA) which includes administering the daily functions of the program and activities of the UEA, and implementing UEA board policies. The amount received for the administrative services rendered in 2018 and 2017 was \$300,000 and \$275,019, respectively, and is reflected as Urban Enterprise Association Administration Fee on the statements of activities. Additional disclosures are reflected in Note 5 for the note payable due to the UEA.

NOTE 11 CONTINGENCIES

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 2018 and 2017, no amounts were recorded for awarded judgments issued.

HAMMOND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 12 SUBSEQUENT EVENTS

HDC evaluated subsequent events through September 10, 2019, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2018, but prior to September 10, 2019, that provided additional evidence about conditions that existed at December 31, 2018, have been recognized in the financial statements for the year ended December 31, 2018. Events or transactions that provided evidence about conditions that did not exist at December 31, 2018, 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, 2018.

In April 2019, the HDC signed an agreement with an unrelated third party to manage the properties at 5209 and 5233 Hohman Avenue, Hammond, IN, which includes all aspects of operating and managing the property including: acquiring tenants and negotiating leases, performing routine maintenance and repairs, etc. The terms of the agreement are beginning April 1, 2019 through December 31, 2020 with compensation arising from any amounts collected from tenant lease payments.

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

