



HAWTHORNE SOCIAL SERVICE ASSOCIATION, INC

FINANCIAL REPORT

December 31, 2010



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hawthorne Social Service Association, Inc.
Indianapolis, Indiana

We have audited the accompanying balance sheets of Hawthorne Social Service Association, Inc. as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Hawthorne Social Service Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hawthorne Social Service Association, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

RJPile, LLC

Indianapolis, Indiana
April 14, 2011

HAWTHORNE SOCIAL SERVICE ASSOCIATION, INC

BALANCE SHEETS

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 58,215	\$ 181,907
Accounts receivable (less allowance for doubtful accounts of \$2,976 and \$1,660 in 2010 and 2009)	4,839	4,769
Grant receivables	217,461	145,361
Contract receivables	61,496	62,858
Prepaid expense	4,778	10,062
TOTAL CURRENT ASSETS	346,789	404,957
<u>PROPERTY AND EQUIPMENT</u>		
Land	2,500	2,500
Building	512,492	512,492
Building improvements	1,036,406	1,022,365
Furniture and fixtures	57,100	42,397
Autos/trucks	80,786	80,786
Other equipment	40,196	42,457
Equipment under capital lease	38,515	-
Houses held for future use	5,303	-
Construction in progress	21,500	5,000
	1,794,798	1,707,997
Less accumulated depreciation	1,187,131	1,130,367
TOTAL PROPERTY AND EQUIPMENT	607,667	577,630
TOTAL ASSETS	\$ 954,456	\$ 982,587
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 31,503	\$ 17,305
Accrued expenses	40,309	30,068
Capital lease obligations, current	6,375	-
TOTAL CURRENT LIABILITIES	78,187	47,373
<u>LONG-TERM LIABILITIES</u>		
Capital lease obligations, net of current portion	30,066	-
<u>NET ASSETS</u>		
Unrestricted	577,339	639,251
Temporarily restricted	268,864	295,963
TOTAL NET ASSETS	846,203	935,214
TOTAL LIABILITIES AND NET ASSETS	\$ 954,456	\$ 982,587

See Notes to Financial Statements.

HAWTHORNE SOCIAL SERVICE ASSOCIATION, INC

STATEMENTS OF ACTIVITIES

Years ended December 31, 2010 and 2009

	2010		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Direct public support:			
Contributions	\$ 31,482	\$ -	\$ 31,482
Grants and awards	-	356,112	356,112
Fundraising-special events	3,127	-	3,127
Gift-in-kind contributions	39,339	-	39,339
	<u>73,948</u>	<u>356,112</u>	<u>430,060</u>
Indirect public support:			
United Way Community Funding	137,112	137,111	274,223
	<u>137,112</u>	<u>137,111</u>	<u>274,223</u>
Fees from contracts	285,405	219,785	505,190
Program service fees	129,868	-	129,868
Interest income	276	-	276
Other revenue	10,738	-	10,738
	<u>426,287</u>	<u>219,785</u>	<u>646,072</u>
SUPPORT AND REVENUE BEFORE RELEASE FROM RESTRICTIONS	637,347	713,008	1,350,355
<u>RELEASE FROM RESTRICTIONS</u>			
Satisfaction of restrictions	740,107	(740,107)	-
	<u>740,107</u>	<u>(740,107)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	1,377,454	(27,099)	1,350,355
<u>EXPENSES</u>			
Program services	1,371,480	-	1,371,480
Supporting activities	67,886	-	67,886
	<u>1,439,366</u>	<u>-</u>	<u>1,439,366</u>
TOTAL EXPENSES	1,439,366	-	1,439,366
CHANGE IN NET ASSETS FROM OPERATIONS	(61,912)	(27,099)	(89,011)
GAIN FROM REVERSAL OF CONTINGENCY DUE TO CCI	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(61,912)	(27,099)	(89,011)
<u>NET ASSETS</u>			
Beginning of year	639,251	295,963	935,214
	<u>639,251</u>	<u>295,963</u>	<u>935,214</u>
End of year	\$ 577,339	\$ 268,864	\$ 846,203
	<u>\$ 577,339</u>	<u>\$ 268,864</u>	<u>\$ 846,203</u>

See Notes to Financial Statements

2009

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 35,096	\$ -	\$ 35,096
-	382,672	382,672
3,969	-	3,969
<u>18,395</u>	<u>-</u>	<u>18,395</u>
<u>57,460</u>	<u>382,672</u>	<u>440,132</u>
<u>137,102</u>	<u>137,111</u>	<u>274,213</u>
333,029	11,260	344,289
146,634	-	146,634
797	-	797
<u>11,376</u>	<u>-</u>	<u>11,376</u>
<u>491,836</u>	<u>11,260</u>	<u>503,096</u>
686,398	531,043	1,217,441
<u>599,185</u>	<u>(599,185)</u>	<u>-</u>
<u>1,285,583</u>	<u>(68,142)</u>	<u>1,217,441</u>
1,205,627	-	1,205,627
<u>51,043</u>	<u>-</u>	<u>51,043</u>
<u>1,256,670</u>	<u>-</u>	<u>1,256,670</u>
28,913	(68,142)	(39,229)
<u>115,698</u>	<u>-</u>	<u>115,698</u>
144,611	(68,142)	76,469
<u>494,640</u>	<u>364,105</u>	<u>858,745</u>
<u>\$ 639,251</u>	<u>\$ 295,963</u>	<u>\$ 935,214</u>

HAWTHORNE SOCIAL SERVICE ASSOCIATION, INC

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2010

	<u>Program Services</u>			
	<u>School Age</u>	<u>Homeless</u>	<u>Youth</u>	
	<u>Child Care</u>	<u>Prevention</u>	<u>General</u>	
	<u>Child Care</u>	<u>Services</u>	<u>Social Dev-</u>	<u>Early</u>
	<u>Child Care</u>	<u>Services</u>	<u>elopment</u>	<u>Childhood</u>
Salaries and wages	\$ 162,361	\$ 199,801	\$ 77,272	\$ 80,559
Employee benefits	7,919	11,456	1,794	801
Payroll taxes	13,205	16,166	5,494	6,749
Legal and professional	4,087	3,609	11,459	4,087
Office supplies	23,005	2,660	6,547	5,863
Telephone	1,674	1,673	1,409	1,673
Postage and shipping	-	546	-	-
Occupancy-rental, utilities	14,168	6,710	5,272	9,593
Occupancy-routine upkeep	1,735	947	1,293	2,328
Occupancy-repairs	1,759	1,524	879	1,840
Conferences and meetings	2,397	2,901	594	450
Printing and publications	39	78	-	-
Travel and transportation	5,143	375	4,330	1,073
Contributions, dues, and awards	2,012	350	214	-
Rental/maintenance	4,979	3,161	3,506	6,537
Activity fees and charges	6,373	-	1,394	444
Interest expense	308	182	294	224
Other insurance	946	748	649	979
Specific assistance	4,830	280,078	12	3,437
Other expenses	28,491	157	552	1,154
Depreciation and amortization	<u>21,057</u>	<u>4,813</u>	<u>12,634</u>	<u>9,626</u>
	<u>\$ 306,488</u>	<u>\$ 537,935</u>	<u>\$ 135,598</u>	<u>\$ 137,417</u>

See Notes to Financial Statements

Supporting Activities

<u>Senior Citizens Services</u>	<u>Neighbor- hood Support</u>	<u>Total Program</u>	<u>Mgmt and General</u>	<u>Fund- Raising</u>	<u>Total Supporting</u>	<u>Total</u>
\$ 52,693	\$ 64,511	\$ 637,197	\$ 4,000	\$ 6,477	\$ 10,477	\$ 647,674
7,206	4,849	34,025	(159)	-	(159)	33,866
4,442	5,311	51,367	278	522	800	52,167
3,459	15,351	42,052	4,221	15,000	19,221	61,273
10,946	612	49,633	459	6,340	6,799	56,432
1,673	176	8,278	528	-	528	8,806
88	86	720	346	-	346	1,066
8,518	-	44,261	8,621	-	8,621	52,882
1,865	14	8,182	1,295	-	1,295	9,477
1,433	48	7,483	1,116	-	1,116	8,599
-	49,747	56,089	2,141	-	2,141	58,230
-	78	195	215	-	215	410
5,304	1,306	17,531	150	-	150	17,681
-	160	2,736	505	-	505	3,241
5,628	857	24,668	5,780	-	5,780	30,448
50	224	8,485	-	-	-	8,485
154	56	1,218	182	-	182	1,400
880	-	4,202	883	-	883	5,085
540	-	288,897	19	-	19	288,916
50	(289)	30,115	2,951	-	2,951	33,066
<u>6,016</u>	<u>-</u>	<u>54,146</u>	<u>6,016</u>	<u>-</u>	<u>6,016</u>	<u>60,162</u>
<u>\$ 110,945</u>	<u>\$ 143,097</u>	<u>\$ 1,371,480</u>	<u>\$ 39,547</u>	<u>\$ 28,339</u>	<u>\$ 67,886</u>	<u>\$1,439,366</u>

HAWTHORNE SOCIAL SERVICE ASSOCIATION, INC

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2009

	<u>Program Services</u>			
	<u>School Age</u>	<u>Homeless</u>	<u>Youth</u>	
	<u>Child Care</u>	<u>Prevention</u>	<u>General</u>	
		<u>Services</u>	<u>Social Dev-</u>	<u>Early</u>
			<u>elopment</u>	<u>Childhood</u>
Salaries and wages	\$ 192,291	\$ 167,654	\$ 79,194	\$ 78,288
Employee benefits	12,659	7,091	1,714	416
Payroll taxes	16,141	11,881	6,771	6,559
Legal and professional	3,842	3,374	3,414	3,840
Office supplies	22,513	4,632	10,524	6,242
Telephone	1,887	2,106	1,181	1,402
Postage and shipping	18	-	3	-
Occupancy-rental, utilities	11,016	6,951	5,537	12,572
Occupancy-routine upkeep	2,110	737	965	2,026
Occupancy-repairs	1,913	1,659	1,338	2,665
Conferences and meetings	494	1,242	1,423	-
Printing and publications	31	218	28	31
Travel and transportation	4,661	144	2,773	385
Contributions, dues, and awards	1,801	325	-	-
Rental/maintenance	3,765	3,071	3,672	5,262
Activity fees and charges	6,939	-	110	188
Interest expense	-	-	-	-
Other insurance	807	807	807	807
Specific assistance	-	156,134	-	-
Other contractual agreements	300	-	11,150	-
Other expenses	6,079	2,800	4,170	3,795
Depreciation and amortization	18,814	4,300	11,289	8,601
	<u>\$ 308,081</u>	<u>\$ 375,126</u>	<u>\$ 146,063</u>	<u>\$ 133,079</u>

See Notes to Financial Statements

Supporting Activities

<u>Senior Citizens Services</u>	<u>Neighbor- hood Support</u>	<u>Total Program</u>	<u>Mgmt and General</u>	<u>Fund- Raising</u>	<u>Total Supporting</u>	<u>Total</u>
\$ 54,838	\$ 62,187	\$ 634,452	\$ 2,693	\$ 6,436	\$ 9,129	\$ 643,581
7,483	4,402	33,765	440	346	786	34,551
4,699	4,900	50,951	131	516	647	51,598
3,414	3,670	21,554	4,086	-	4,086	25,640
14,507	13,472	71,890	5,131	1,230	6,361	78,251
1,402	147	8,125	443	-	443	8,568
-	712	733	664	410	1,074	1,807
8,115	776	44,967	7,096	-	7,096	52,063
1,046	-	6,884	1,819	-	1,819	8,703
1,855	-	9,430	2,096	-	2,096	11,526
119	27,469	30,747	36	-	36	30,783
28	3,460	3,796	223	-	223	4,019
4,210	-	12,173	116	-	116	12,289
-	80	2,206	520	-	520	2,726
4,149	4,448	24,367	5,682	-	5,682	30,049
13	-	7,250	-	-	-	7,250
-	-	-	-	-	-	-
807	-	4,035	968	-	968	5,003
152	-	156,286	-	-	-	156,286
-	1,500	12,950	-	-	-	12,950
2,902	940	20,686	4,494	-	4,494	25,180
5,376	-	48,380	5,467	-	5,467	53,847
<u>\$ 115,115</u>	<u>\$ 128,163</u>	<u>\$ 1,205,627</u>	<u>\$ 42,105</u>	<u>\$ 8,938</u>	<u>\$ 51,043</u>	<u>\$1,256,670</u>

HAWTHORNE SOCIAL SERVICE ASSOCIATION, INC

STATEMENTS OF CASH FLOWS

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (89,011)	\$ 76,469
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	60,162	53,847
Gifts in kind - equipment	(11,578)	
(Gain) loss on disposal of fixed assets	124	302
(Gain) from reversal of contingency due to CCI	-	(115,698)
Changes in:		
Grants and contracts receivable	(70,738)	52,210
Accounts receivable	(70)	(195)
Prepaid expenses	5,284	1,190
Accounts payable	14,198	(3,267)
Accrued payroll and taxes	10,241	2,712
Net cash provided by (used in) operating activities	<u>(81,388)</u>	<u>67,570</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	<u>(40,230)</u>	<u>(21,692)</u>
Net cash provided by (used in) investing activities	<u>(40,230)</u>	<u>(21,692)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principle payments on capital lease obligations	<u>(2,074)</u>	-
Net cash provided by (used in) financing activities	<u>(2,074)</u>	-
Increase (decrease) in cash and cash equivalents	(123,692)	45,878
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	<u>181,907</u>	<u>136,029</u>
End of year	<u>\$ 58,215</u>	<u>\$ 181,907</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Gift-in-kind contributions	<u>\$ 39,339</u>	<u>\$ 18,395</u>
Cash payments for interest	<u>\$ 1,400</u>	<u>\$ -</u>
<u>SUPPLEMENTAL SCHEDULES OF NON-CASH FINANCING ACTIVITIES</u>		
Equipment acquired through capital leases	<u>\$ 38,515</u>	<u>\$ -</u>

See Notes to Financial Statements.

HAWTHORNE SOCIAL SERVICE ASSOCIATION, INC

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Hawthorne Social Service Association (HSSA) was incorporated as a not-for-profit organization on July 26, 1923 under the laws of the state of Indiana. HSSA is also known in the community as Hawthorne Community Center.

HSSA's mission is to provide or facilitate services and programs that meet the economic, educational, and recreational needs of the entire Hawthorne Community. The HSSA's vision is to be headquartered in a state of the art facility easily accessible to the entire community. Within its walls, the caring, highly motivated staff welcomes a multicultural community of all ages. Programs and services for the very young to our most senior citizens are designed from the needs indicated by the people we serve. The programs evolve as the needs arise, from a community with changing demographics.

HSSA communicates, cooperates, and interacts with all service providers and funders that share the mission of providing high quality programs and services with HSSA's service community. HSSA serves residents in the near-west side of Indianapolis, Indiana. HSSA offers a variety of social service programs for its neighborhood youth including preschool programs and activities, before and after school programs, summer day camp, organized sports, dance, tumbling and other educational and cultural activities. HSSA uniquely relies on its clients as potential resources for other clients. For example, teens assist in supporting activities for senior citizens and older children, and educate younger school-aged children about the dangers of drugs and alcohol. In support of the growing Hispanic population, HSSA publishes a bi-lingual newsletter and teaches preschool lessons in English and Spanish.

School age child care: Providing day care, before and after school care, and day camp.

Homeless prevention services: Providing family support, self-sufficiency, and emergency assistance services.

Youth general social development: A program that fosters youth development through activities that promote appropriate peer and adult relationships through activities and events.

Early childhood: Providing day care, classes, and other services for preschool children.

Senior citizens services: Providing transportation, case management, activities, and other services to seniors over the age of 55.

Neighborhood support: Providing neighborhood support through street fairs, community awareness, and basic adult education.

HAWTHORNE SOCIAL SERVICE ASSOCIATION, INC

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

Significant Accounting Policies

The accompanying financial statements are presented on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

A. Classes of Net Assets

The financial statements have been prepared in accordance with FASB ASC 958. FASB ASC 958 requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted, and permanently restricted. The Organization maintains the following classifications of its net assets:

Unrestricted net assets represent general assets and liabilities of HSSA, which may be used at the discretion of management to support HSSA's purposes and operations, and those assets invested in property and equipment.

Temporarily restricted net assets consist of assets related to gifts with explicit donor-imposed restrictions that have not been met as to a specified purpose, to later periods of time, or after specified dates. Donor restricted promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

B. Cash and Cash Equivalents

HSSA's cash and cash equivalents consist of checking and money market savings accounts. HSSA maintains checking and savings balances at commercial banks. The balances, at times, may exceed federally insured limits.

C. Accounts Receivable

HSSA follows the allowance method for accounting for uncollectible accounts. Management established an allowance for bad debts for the years ended December 31, 2010 and 2009 in the amount of \$2,976 and \$1,660, respectively.

HSSA's policy for determining when receivables are past due is on a case-by-case basis. Uncollectible accounts are reported in accordance with the policy described above when it is determined the amounts will become uncollectible. Amounts are considered uncollectible at the time management believes satisfactory payment arrangements cannot be made.

HAWTHORNE SOCIAL SERVICE ASSOCIATION, INC

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

D. Grants and Contracts Receivable

Grants and contracts receivable include reimbursements and unconditional promises to give, and are reported as net realizable value. All amounts are expected to be collected within one year, and none are considered uncollectible as of the years ended December 31, 2010 and 2009.

E. Property, Equipment, Depreciation, and Improvements

Property, equipment, depreciation, and improvements which substantially increase the useful lives of existing assets, are capitalized at cost, and expenditures for normal maintenance and repairs are expenses as incurred. Purchased assets in excess of \$500 are reported at cost. Donated items are reported at their fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, ranging from 3 to 40 years.

Building and building improvements	5 - 40 years
Office equipment, furnishings, and software	3 - 10 years
Vehicles	5 years

Depreciation in the amount of \$60,162 and \$53,847 has been allocated to program services and supporting activities in the statements of activities for the years ended December 31, 2010 and 2009, respectively.

F. Support and Revenues

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to HSSA. Revenue funded by contracts, which represents revenue from exchange transactions, is recognized as HSSA performs the contracted services. Support funded by grants is recognized when the contributions are made. Grant expenditures are subject to audit and acceptance by the granting agency, and adjustments could be required as a result of such audit.

HSSA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

HSSA reports gifts of property and equipment as unrestricted support unless explicitly donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specifying how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, HSSA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

HAWTHORNE SOCIAL SERVICE ASSOCIATION, INC

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

G. Gift-in-Kind Contributions

In addition to receiving cash contributions, HSSA received in-kind contributions totaling \$39,339 and \$18,395 for the years ending December 31, 2010 and 2009, respectively, which are reported as contributions in the statements of activities.

H. Functional Expenses

Expenses are reported when incurred. In the statements of functional expenses, costs not specifically related to program services are allocated in accordance with management's estimates of program support requirements. Salaries and related expenses are charged to program services based upon estimated time spent by personnel on the related programs. Direct expenses are charged to the various programs. Occupancy expenses are allocated based upon actual utilization of space.

I. Reclassifications

Certain amounts from the prior year have been reclassified to conform with the current year presentation.

J. Tax Status

HSSA is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (code), and contributions to it are tax deductible within the limitations prescribed by the code. HSSA is not considered a private foundation as defined in Section 509(a)(1) of the code.

The Organization files the required federal and state information returns. Whenever tax returns are filed, the filing organization must evaluate the merits of its tax positions and determine if they will be ultimately sustained. Those tax positions for the Organization include maintaining their tax-exempt status and the taxability of any unrelated business income. The Organization believes these positions are sustainable.

K. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

L. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through April 14, 2011, which is the date the financial statements were available to be issued.

HAWTHORNE SOCIAL SERVICE ASSOCIATION, INC

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 2 GRANTS RECEIVABLE

Unconditional grants receivable expected to be collected within one year are reported at net realizable value. Those expected in more than one year are reported at the present value of their estimated future cash flows using a discount rate of four percent. Amortization of the discount is included in grant revenue. There was no allowance for uncollectible grants as of December 31, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Grants:		
Due within one year	\$ 217,461	\$ 145,361
Due in one to five years	-	-
Total grants receivable	\$ 217,461	\$ 145,361

NOTE 3 LINE-OF-CREDIT

HSSA has a \$100,000 revolving line of credit with a bank that is due on demand at the discretion of the financial institution. The revolving line of credit has no maturity date. For both years ending December 31, 2010 and 2009, the outstanding balance on the line of credit was \$0. Interest is payable monthly at the bank's prime lending rate 3.25% as of December 31, 2010 and 2009, respectively. Borrowings under this agreement are collateralized by real estate in Indianapolis, Indiana.

NOTE 4 CAPITAL LEASES

The net book value of leased property as of December 31, 2010 and 2009 is classified as follows:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 38,515	\$ -
Less accumulated depreciation	(3,852)	-
	\$ 34,663	\$ -

Future minimum lease payments for the next five years, and the present value of net minimum lease payments, are as follows:

<u>Year ending</u>	
<u>December 31</u>	
2011	\$ 10,008
2012	10,008
2013	10,008
2014	10,008
2015	6,534
Total minimum lease payments	46,566
Less amounts representing interest	(10,125)
	\$ 36,441

HAWTHORNE SOCIAL SERVICE ASSOCIATION, INC

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 5 OPERATING LEASES

HSSA has a lease commitment for telephone services under a noncancelable operating lease arrangement. During the year HSSA also had lease commitments for copiers under noncancelable operating lease arrangements. These leases were terminated prior to year end. Lease payments for the years ending December 31, 2010 and 2009 totaled \$13,820 and \$26,282, respectively. Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2010 are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 3,000
2012	3,000
2013	500
2014	-
2015	-
2016 and thereafter	-
	<u>\$ 6,500</u>

NOTE 6 NET ASSETS

Net assets consist of:

	<u>2010</u>	<u>2009</u>
Unrestricted:		
Undesignated	\$ (30,328)	\$ 61,621
Net investment in property and equipment:		
Property and equipment	<u>607,667</u>	<u>577,630</u>
Total unrestricted	<u>\$ 577,339</u>	<u>\$ 639,251</u>
Temporarily restricted:		
Purpose restrictions:		
Senior citizens program	\$ 15,000	\$ -
Early educational programming	5,000	25,000
Homeless prevention services	40,500	25,000
Neighborhood outreach	33,325	67,500
Time restrictions:		
United Way operating grant	137,111	137,111
United Way Lilly grant	-	35,000
United Way HPRP	22,928	4,602
United Way Emergency Repair	-	1,750
United Way Campaign Feasibility Study	<u>15,000</u>	<u>-</u>
Total temporarily restricted	<u>\$ 268,864</u>	<u>\$ 295,963</u>

HAWTHORNE SOCIAL SERVICE ASSOCIATION, INC

NOTES TO FINANCIAL STATEMENTS

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NOTE 7 CONCENTRATIONS

Approximately 20% and 23% of HSSA's total revenue was from the United Way for general operating support in 2010 and 2009, respectively. In addition to operating support, the United Way also provides other support for various HSSA programs. Refer to Note 9 for the detail of United Way operating support.

NOTE 8 EMPLOYEE BENEFITS

Tax Sheltered Annuity

HSSA has established a 403(b)(7) plan for its employees. Employees can make pretax contributions in addition to any discretionary payments made by HSSA. For the years ended December 31, 2010 and 2009, HSSA made no contributions to the plan.

NOTE 9 FUNCTIONAL ALLOCATION OF UNITED WAY SUPPORT

Operating support from United Way for years ended December 31, 2010 and 2009, was allocated to the following program services and supporting activities:

	<u>2010</u>	<u>2009</u>
Indirect public support from United Way:		
Community Impact Fund	\$ 274,223	\$ 274,213
Program Allocation:		
Program services:		
School age child care	\$ 58,391	\$ 67,224
Homeless prevention services	102,486	81,855
Youth general social development	25,834	31,872
Early Childhood	26,180	29,039
Senior citizens services	21,137	25,119
Neighborhood support	27,262	27,966
Support activities:		
Management and general	7,534	9,188
Fundraising	5,399	1,950
	<u>\$ 274,223</u>	<u>\$ 274,213</u>

HAWTHORNE SOCIAL SERVICE ASSOCIATION, INC

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 10 COMMITMENTS AND CONTINGENCIES

Prior to 2004, HSSA was a member agency of Community Centers of Indianapolis, Inc. (CCI), a not-for-profit organization incorporated for the purpose of coordinating the efforts of local multi-service and community centers. CCI and member agencies followed FASB ASC 810, formerly Statement of Financial Accounting Standards No. 94, Consolidation of All Majority-Owned Subsidiaries, therefore, including all member agencies accounts in CCI's consolidated financial statements through December 31, 2003.

On February 7, 2004, the member agencies of CCI voted to voluntarily dissolve CCI. Though CCI had been dissolved, the inter-agency accounts and the remaining debt had not been resolved. A CCI line of credit from a local bank was collateralized by the receivables of CCI, who has defaulted on the loan. These receivables include all alleged inter-agency receivables due to CCI from the member agencies. At December 31, 2004, CCI reported an inter-agency receivable from HSSA of \$115,698.

In the 2005 calendar year a notice of intent to collect through litigation on a defaulted bank debt issued to CCI was received. Since 2005 no further communication has been received. HSSA believes the bank was attempting to collect an unsubstantiated inter-agency amount owed to CCI. The liability was accrued several years ago, and remained accrued as of December 31, 2008. In 2009, after five years with no communication from the bank regarding the debt, the Organization decided to remove the liability from the books and recognize a gain from reversal of contingency due to CCI.