

CHATHAM COTTAGE GROVE
SPECIAL SERVICE AREA NUMBER 51
FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION
For the Year Ended
December 31, 2012

**CHATHAM COTTAGE GROVE
SPECIAL SERVICE AREA NUMBER 51**

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CARY J. HALL
& ASSOCIATES, LLC
Certified Public Accountants and Consultants

Board of Directors
Chatham Cottage Grove Special Service Area Number 51
Chicago, Illinois

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying statement of financial position of the **CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51** (a nonprofit organization) as of December 31, 2012 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatement of the consolidated 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 presentations of the financial statements in order to design audit procedures that are appropriated in the circumstances, but nor 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51** as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Cary J. Hall & associates, LLC

June 24, 2013
Chicago, Illinois

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51

Statement of Financial Position

December 31, 2012

ASSETS

Cash and cash equivalents (Note 2)	\$ 432,653
Real estate taxes receivable, less allowance for uncollectible taxes of \$183,667	1,149,868
	<hr/>
Total Assets	<u>\$ 1,582,521</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 31,029
Deferred real estate tax income	1,029,500
	<hr/>
Total Liabilities	<u>1,060,529</u>

NET ASSETS

Unrestricted funds	<u>521,992</u>
Total Liabilities and Net Assets	<u>\$ 1,582,521</u>

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

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51

Statement of Activities

For the Year Ended December 31, 2012

REVENUES, LOSSES, AND OTHER SUPPORT

Real estate taxes - current period	\$ 726,842
Real estate taxes - prior period	256,030
Interest and other income	67
Loss collection on real estate revenue	<u>(63,667)</u>
Total Revenues, Losses and Other Support	<u>919,272</u>

EXPENSES

Program Services:

Advertising and Promotion	144,690
Public Way Maintenance	132,318
Public Way Aesthetics	28,123
Tenant Retention / Attraction	6,853
Façade Improvements	10,000
Parking/ Transit / Accessibility	-
Other Technical Assistance	25,146
Safety Programs	24,449
District Planning	-
Operational Program Support	313,295

Supporting Services:

Management and General	<u>77,671</u>
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Total Expenses	<u>762,545</u>
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CHANGE IN NET ASSETS	156,727
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NET ASSETS -

Beginning of Year	<u>365,265</u>
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End of year	<u>\$ 521,992</u>
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The accompanying notes are an integral part of the financial statements.

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51

Statement of Cash Flows

For the Year Ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 156,727
Adjustments to reconcile change in net assets to net cash provided by operating activities - (Increase) decrease in:	
Real estate taxes receivable	(67,269)
Prepaid expenses	7,202
Increase (decrease) in:	
Accounts payable	31,029
Deferred tax revenue	33,500

Net Cash Provided by Operating Activities

161,189

NET INCREASE IN CASH AND CASH EQUIVALENTS

161,189

CASH AND CASH EQUIVALENTS

Beginning of year

271,464

End of year

\$ 432,653

SUPPLEMENTAL DISCLOSURE

Cash paid for:

Interest

\$ -

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

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51

Notes to Financial Statements

December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - In an agreement made effective for calendar year January 1, 2011 the City Council of the City of Chicago passed on ordinance authorizing the establishment of Special Service Area ("SSA") Number 51. The City authorizes a Special Service Area Commission (the Commissioners) to preside over SSA approved annual activities. The annual activities are funded with a tax levy upon taxable properties within a designated area of the Chatham community.

The tax levy is in addition to all other property taxes. Tax levied are billed, collected, and remitted by the City to the Special Service Area. Any unused tax levy for approved activities can be used by the Special Service Area in the succeeding year with City Approval. The tax levy order is for 10 years beginning with tax year 2010. These funds are temporarily restricted for approved annual activities.

SSA #51 is administered by Chatham Business Association Small Business Development, Inc., and currently provides funds for Maintenance and Beautification, Debris and Snow Removal; Façade Enhancement; Economic Development; Marketing and Safety and will afford the opportunity for various promotional events in Chatham and its surrounding communities.

Financial Statement Presentation -The City of Chicago requires a schedule of activities and a summary schedule of findings. The statement of activities is required to reflect budget, actual and variance amounts . The schedules are presented as additional information in the financial statements.

Basis of Presentation - Financial statement presentation follows the requirements under *FASB ASC 958 (formerly SFAS No. 117, Financial Statements of Not-for-Profit Organizations)*. Under *FASB ASC 958*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2012, the Organization had no permanently restricted net assets.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents - For purposes of the Statement of Cash Flow, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51

Notes to Financial Statements

December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Date of Management's Review - Management has evaluated subsequent events through June 24, 2013, the date on which the financial statements were available to be issued.

Income Tax Status - The Organization is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code.

Donated Services - No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various committee assignments.

Tax Levies / Revenue Recognition - Property taxes are levied pursuant to law in September and an enforceable legal claim attaches to the properties. The taxes are payable in two installments in the following year. The first installment is an estimate based on prior year's tax and is due in March. The second installment, adjusted to reflect any increase or decrease from the previous year, is due approximately in August. Cook County bills and collects all property taxes and remits them to the City of Chicago, which remits them to the Organization. On December 31, an estimated receivable and deferred revenue amount is recognized as an estimate of the actual amounts to be received in the subsequent year.

Revenue from property taxes levied is recognized in the statement of activities in the year that it becomes available.

Annually, an estimate for doubtful receivables based on uncollected taxes from prior years is determined. Management determines the allowance based on historical experience. Accounts receivable are written off when deemed uncollectible (generally, after two years).

NOTE 2 - RELATED PARTY TRANSACTIONS

The Organization is an affiliate of the Chatham Business Association Small Business Development, Inc. The Organization contracts with the Chatham Business Association as sole service provider in order to administer and provide direct services on behalf of the Organization.

Total expenses charged to the Organization for service related fees totaled \$629,178 for the year ended December 31, 2012.

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51

Notes to Financial Statements

December 31, 2012

NOTE 3 - CONCENTRATIONS

The Organization maintains its cash balances at a high quality financial institution. Balances at times may exceed federally insured credit limits.

The Special Service Area receives 100% of its operating support from revenues collected from taxes levied or imposed upon property within the area.

ADDITIONAL INFORMATION



CARY J. HALL
& ASSOCIATES, LLC
Certified Public Accountants and Consultants

The Board of Directors of
Chatham Cottage Grove Special Service Area Number 51
Chicago, Illinois

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

We have audited the financial statements of **CHATHAM COTTAGE GROVE SERVICE AREA NUMBER 51** as of and for the year ended December 31, 2012, and have issued our report thereon dated June 24, 2013 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of actual revenues and expenses to budget and summary schedule of findings is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cary J. Hall & associates, LLC

June 24, 2013
Chicago, Illinois

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51

Comparison Schedules of Actual Revenues and Expenses to Budget

For the Year Ended December 31, 2012

	2012		Variance
	2012 Actual	2012 Budget	
SUPPORT AND REVENUES			
Real estate taxes - current period	\$ 726,842	\$ 1,029,500	\$ (302,658)
Real estate taxes - prior period	256,030	-	256,030
Real estate taxes - carryover		455,000	(455,000)
Interest and other income	67	-	67
Total Support and Revenues	982,939	1,484,500	(501,561)
EXPENSES			
Program Services:			
Advertising and Promotion			
Website / Social Media	7,521	5,000	2,521
Public and/or media relations	-	28,000	(28,000)
Special events	118,997	85,000	33,997
Display advertising	18,172	25,000	(6,828)
Print materials	-	15,000	(15,000)
Total Advertising and Promotion	144,690	158,000	(13,310)
Public Way Maintenance			
Sidewalk cleaning	52,824	30,000	22,824
Sidewalk snow plowing	5,000	85,000	(80,000)
Sidewalk power washing	34,479	20,000	14,479
Equipment purchase and maintenance	18,915	10,000	8,915
Supplies	3,569	5,000	(1,431)
Storage fees	2,531	2,500	31
Window washing	15,000	10,000	5,000
Trash removal service	-	8,000	(8,000)
Total Public Way Maintenance	132,318	170,500	(38,182)
Public Way Aesthetics			
Streetscape elements purchase	-	40,000	(40,000)
Decorative banners and / or holiday decorations	13,328	30,000	(16,672)
Way finding / Signage	-	5,000	(5,000)
Public art	-	20,000	(20,000)
Landscaping	14,795	70,000	(55,205)
Total Public Way Aesthetics	28,123	165,000	(136,877)

See independent auditor's report on additional information.

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51

Comparison Schedules of Actual Revenues and Expenses to Budget

For the Year Ended December 31, 2012

	2012	2012	
	Actual	Budget	Variance
Tenant Retention / Attraction			
Data collection	6,853	2,000	4,853
Site marketing materials	-	11,000	(11,000)
Total Tenant Retention / Attraction	6,853	13,000	(6,147)
Façade Improvements			
Façade enhancement program - rebates	10,000	75,000	(65,000)
Awning rebate program	-	40,000	(40,000)
Signage removal program - rebates	-	30,000	(30,000)
Total Façade Improvements	10,000	145,000	(135,000)
Parking/ Transit / Accessibility			
Bicycle transit enhancements	-	5,000	(5,000)
Total Parking / Transit / Accessibility	-	5,000	(5,000)
Safety Programs			
Public way surveillance cameras / maintenance	24,449	46,000	(21,551)
Security	-	200,000	(200,000)
Total Safety Programs	24,449	246,000	(221,551)
District Planning			
Commission development		3,500	(3,500)
Master planning	-	31,000	(31,000)
Economic impact study, market, branching		6,000	(6,000)
Parking / transit plan		5,000	(5,000)
Other: green/sustainable training/presentations	-	5,000	(5,000)
Total District Planning	-	50,500	(50,500)
Other Technical Assistance			
Wi-Fi district infrastructure/maintenance	25,146	40,000	(14,854)
Total Other Technical Assistance	25,146	40,000	(14,854)

See independent auditor's report on additional information.

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51

Comparison Schedules of Actual Revenues and Expenses to Budget

For the Year Ended December 31, 2012

	2012 Actual	2012 Budget	Variance
Personal			
Program personal cost allocation	313,295	347,101	(33,806)
	313,295	347,101	(33,806)
Supporting Services:			
Admin Non-Personnel			
SSA annual report	4,582	5,000	(418)
Administrative non-personal cost allocation	-	3,000	(3,000)
Audit/ Bookkeeping	7,559	5,000	2,559
Office rent	10,296	11,232	(936)
Office utilities	4,583	5,000	(417)
Office supplies	3,834	4,000	(166)
Office Equipment Lease / Maintenance	6,417	7,000	(583)
Office printing	3,208	3,500	(292)
Postage	5,578	6,000	(422)
Meeting Expense	2,781	2,000	781
Subscriptions/Dues	1,833	2,000	(167)
Banking fees	6,833	5,000	1,833
Liability insurance	7,333	8,000	(667)
Workman's comp insurance	12,834	14,000	(1,166)
Total Operational & Administrative Support	77,671	80,732	(3,061)
Loss Collection	63,667	63,667	-
Total Expenses	826,212	1,484,500	(658,288)
Excess of Revenues over Expenses	\$ 156,727	\$ -	\$ 156,727

See independent auditor's report on additional information.

CHATHAM COTTAGE GROVE SPECIAL SERVICE AREA NUMBER 51

Summary Schedule of Findings

For the Year Ended December 31, 2012

We have read the requirements of the Service Provider Agreement between The Chatham Business Association Small Business Development, Inc., Contractor, and the City of Chicago.

Based on our understanding of the agreement and the facts surrounding the performance under the agreement, we noted exceptions. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters which we had no knowledge.

The total revenues used during the year ended December 31, 2012, were made available from the budgeted sources in amounts specified in the budget.

Finding-1

Contractor did not submit an annual audited financial statement to the Department and the SSAC within 120 calendar year.

Response

We will engage the auditor immediately after year end and provide the auditor the necessary documents to perform the audit for transmission within the 120 calendar days after year end.

Finding - 2

Contractor accounting program was not separated solely by Special Service Area Operations.

Response

A separate accounting program was acquired to account for the Special Service Area Operations.

See independent auditor's report on additional information.