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QUAD COMMUNITIES DEVELOPMENT CORPORATION

SPECIAL SERVICE AREA NO. 47

Financial Statements

Years ended December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)



Quad Communities Development Corporation

September 21, 2018

Board of Directors:

Chairman
Shirley Newsome

Vice-Chairman
Craig Jeffrey

Treasurer
Fred Bonner

Assistant Secretary
Marla Blair-Hohenkirk

Members:

Gerald Beechum
Jacqueline Callery
Kimberly du Buclet
Kenneth Grant
Lamont Robinson
Anthony Rogers

Board Advisors:

Toni Preckwinkle
Thurman Smith
Ina Wilson
Sandra Young
Rebecca Holbrook

Executive Director

Rhonda McFarland

To Whom It May Concern:

Quad Communities Development Corporation (QCDC) is here in providing a copy of the final 2017 audited financial statement for **Special Service Area No. 47 (SSA47)**.

This report represents an "independent auditors' report" for the periods ending December 31, 2017 and 2016, and includes the following language on page 1:

"We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and major fund of the Quad Communities Development Corporation - Special Service Area No. 47 as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America."

If there are any questions, please contact our offices for assistance.

Sincerely,

Quad Communities Development Corporation, as service provider for SSA 47

Rhonda R. McFarland,
Executive Director

**QUAD COMMUNITIES DEVELOPMENT CORPORATION –
SPECIAL SERVICE AREA NO. 47**

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Independent Auditors' Report

The Board of Directors of
Quad Communities Development Corporation - Special Service Area No. 47:

We have audited the accompanying financial statements of Quad Communities Development Corporation – Special Service Area No. 47 (SSA #47) (a taxing district authorized by the City of Chicago), which comprise the statements of net position and governmental funds balance sheets as of December 31, 2017 and 2016; the related statements of activities and governmental funds, revenues, expenditures 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 auditor's 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 SSA #47'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 SSA #47'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 opinions.

Unmodified Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and major fund of the Quad Communities Development Corporation - Special Service Area No. 47 as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of SSA #47 are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and major fund of the Quad Communities Development Corporation that is attributable to the transactions of SSA #47. They do not purport to, and do not present fairly the financial position of the Quad Communities Development Corporation as of December 31, 2017, the changes in its activities, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the statement of revenues and expenditures - budget and actual on pages 9 and 10 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient to evidence to express an opinion or provide any assurance.

Other Information

The summary schedule of findings has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Benford Brown & Associates, LLC
Chicago, IL
July 30, 2018

QUAD COMMUNITIES DEVELOPMENT CORPORATION - SPECIAL SERVICE AREA NO. 47

Statement of Net Position and Governmental Funds Balance Sheet

December 31, 2017 and 2016

Assets	2017			2016		
	Governmental funds	Adjustments	Statement of net position	Governmental funds	Adjustments	Statement of net position
Current assets:						
Cash	\$ 61,450	\$ -	\$ 61,450	\$ 69,006	\$ -	\$ 69,006
Property tax receivables, net allowance	325,772	-	325,772	307,007	-	307,007
Total assets	\$ 387,222	\$ -	\$ 387,222	\$ 376,013	\$ -	\$ 376,013
Liabilities and Net Assets						
Current liabilities:						
Accounts payable	\$ 49,409	\$ -	\$ 49,409	\$ 3,082	\$ -	\$ 3,082
Due to affiliate-QCDC (note 5)	722	-	722	28,246	-	28,246
Total liabilities	50,131	-	50,131	31,328	-	31,328
Deferred inflows of resources:						
Deferred property tax revenue (note 4)	257,364	(257,364)	-	253,863	(253,863)	-
Fund balance/net position:						
Unassigned	79,727	(79,727)	-	90,822	(90,822)	-
Total fund balance	79,727	(79,727)	-	90,822	(90,822)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 387,222			\$ 376,013		
Net position:						
Unassigned		\$ 337,091	\$ 337,091		\$ 344,685	\$ 344,685
Amount reported for governmental activities in the statement of net position are different because:						
Total fund balance - governmental funds			\$ 79,727			\$ 90,822
Property tax revenue is recognized in the period for which levied rather than when "available". A portion of the property tax is deferred as it is not available in the government fund.			257,364			253,863
Total net position - governmental activities			\$ 337,091			\$ 344,685

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

QUAD COMMUNITIES DEVELOPMENT CORPORATION - SPECIAL SERVICE AREA NO. 47

Statement of Activities and Governmental Funds, Revenues, Expenditures and Changes in Fund Balance

For the years ended December 31, 2017 and 2016

	2017			2016		
	Governmental funds	Adjustments	Statement of activities	Governmental funds	Adjustments	Statement of activities
Revenue:						
Property tax revenue	\$ 313,647	\$ 3,501	\$ 317,148	\$ 302,851	\$ 3,531	\$ 306,382
TIF rebate	5,648	-	5,648	6,064	-	6,064
Late collections	-	-	-	1,351	-	1,351
Interest income	34	-	34	5	-	5
Total revenue and other support	319,329	3,501	322,830	310,271	3,531	313,802
Expenditures:						
Customer Attraction	75,666	-	75,666	83,890	-	83,890
Public Way Aesthetics	125,732	-	125,732	118,562	-	118,562
Sustainability and Public Places	-	-	-	-	-	-
Economic/Business Development	38,808	-	38,808	8,571	-	8,571
Safety Programs	950	-	950	750	-	750
SSA Management	21,583	-	21,583	34,463	-	34,463
Personnel	67,542	-	67,542	77,602	-	77,602
Loss Collection	143	-	143	-	-	-
Total expenditures	330,424	-	330,424	323,838	-	323,838
Excess of revenue over expenditures	(11,095)	11,095	-	(13,567)	13,567	-
Increase/(decrease) in net position	330,424	(7,594)	(7,594)	323,838	(10,036)	(10,036)
Fund balance/net position as of January 1, 2017 and 2016	90,822	253,863	344,685	104,389	250,332	354,721
Fund balance/net position as of December 31, 2017 and 2016	\$ 79,727	\$ 257,364	\$ 337,091	\$ 90,822	\$ 253,863	\$ 344,685

Amounts reported for governmental activities in the statement of activities are different because:

Decrease in fund balance - governmental funds	<u>\$ (11,095)</u>	<u>\$ (13,567)</u>
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	<u>3,501</u>	<u>3,531</u>
Net change in net position - governmental activities	<u>\$ (7,594)</u>	<u>\$ (10,036)</u>

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

QUAD COMMUNITIES DEVELOPMENT CORPORATION – SPECIAL SERVICE AREA NO. 47

Notes to the Financial Statements

Year ended December 31, 2017

(1) Organization Description

Quad Communities Development Corporation (QCDC) – Special Service Area No. 47 (SSA #47) was created by ordinance of the Chicago City Council and is funded annually by a special tax assessment. SSA #47 was established to provide various services including but not limited to: public way maintenance and beautification; district marketing and advertising; business retention/attraction, special events and promotional activities; auto and bike transit; security; façade improvements; and other commercial and economic development initiatives for the south lakefront communities of North Kenwood, Oakland, Douglas and Grand Boulevard. QCDC is funded annually by a special tax assessment. SSA #47 is exempt from federal income tax under Section 501(c)(3) of the internal revenue code.

The purpose of QCDC is to provide special services within the City of Chicago (City) SSA #47 in addition to services provided by and to the City. SSA #47's operations are overseen by the Quad Communities Development Corporation.

(2) Summary of Significant Accounting Policies

Government-Wide and Fund Financial Statements

The financial statements of SSA #47 have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as U.S. GAAP. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

Government-wide financial statements (statement of net position and statement of activities) are prepared using the economic resources measurement focus and accrued basis of accounting for all of SSA #47's activities. The Fund Financial Statements, which focus on SSA #47's governmental funds current financial resources measurement focus, are prepared on the modified accrual basis. SSA #47 accounts for its activities in one fund, its general fund.

Measurement Focus, Basic of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied.

The governmental fund financial statements are prepared on the modified accrual basis of accounting with only current assets and liabilities included on the balance sheet. Under the

**QUAD COMMUNITIES DEVELOPMENT CORPORATION –
SPECIAL SERVICE AREA NO. 47**

Notes to the Financial Statements

Year ended December 31, 2017

modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available to finance expenditures of the current period. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes are susceptible to accrual and recognized as a receivable in the year levied. Revenue recognition is deferred unless the taxes are received within sixty (60) days subsequent to year-end. Expenditures are recorded when the liability is incurred.

The preparation of financial statements in conformity with U.S. GAAP 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 the reported amounts of revenues and expenditures/expenses during the reporting period. According, actual results could differ from those estimates.

Cash, Cash Equivalents and Investments

SSA #47's cash and cash equivalent are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Presently, SSA #47 does not have any short-term investments.

Cash and cash equivalents are subject to custodial credit risk in the event of a bank failure, the SSA's deposit may not be returned. SSA #47 maintains its cash in bank deposit, at times, may exceed FDIC insured limits. The amount of cash that exceed FDIC insured limits is \$0 as of December 31, 2017 and 2016.

Receivables

All property tax receivables are shown net of allowances. The allowance was estimated to be 2.17% and 0%, respectively, of outstanding property taxes for fiscal years 2017 and 2016.

Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Fund Equity/Net Position

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, or unassigned. Non-spendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by enabling legislation or an outside party. Committed fund balance is a limitation imposed by SSA #47's board through approval of resolutions. Assigned fund balance is a limitation imposed by a

**QUAD COMMUNITIES DEVELOPMENT CORPORATION –
SPECIAL SERVICE AREA NO. 47**

Notes to the Financial Statements

Year ended December 31, 2017

designee of the SSA #47 board. Unassigned fund balance is the net resources in excess of what can be properly classified in one of the above four (4) categories.

When both restricted and unrestricted fund balances are available for use, it is the SSA's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balance is reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

For the government-wide financial statements, net position is reported as invested in capital assets net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt, if applicable, is comprised of the net capital asset balance less any related debt. Restricted net position is when restrictions are placed on net assets from 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. The remaining net position is classified as unrestricted.

(3) Property Taxes

Property taxes become an enforceable lien on the real property on January 1 of the year it is levied. Taxes are payable in two installments in the subsequent year. The first installment is an estimate based on the prior year billed levy (55%) and is due in March. The second installment is due on August 1, or 30 days from the mailing of the tax bills if issued later than July 1. The second installment is based on the remaining amount of the levy on file with the County. Bills are issued and collected by Cook County who remits SSA #47's share to the City. The City then remits the monies collected from Cook County to SSA #47.

(4) Deferred Revenue

A deferred inflow of resources/property tax revenue represents an acquisition of fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

(5) Related Party Transactions

SSA #47 is affiliated with Quad Communities Development Corporation, which provides certain administrative services for SSA #47. As of December 31, 2017, \$722 was payable for services provided. The balance resulted from the time lag that 1) goods and services are being provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments are being made.

**QUAD COMMUNITIES DEVELOPMENT CORPORATION –
SPECIAL SERVICE AREA NO. 47**

Notes to the Financial Statements

Year ended December 31, 2017

(6) Subsequent Events

For the fiscal year ending December 31, 2017, SSA #47's management has evaluated subsequent events through July 30, 2018, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed through that date.

SUPPLEMENTARY INFORMATION

QUAD COMMUNITIES DEVELOPMENT CORPORATION - SPECIAL SERVICE AREA NO. 47

Statement of Revenues and Expenditures - Budget and Actual

For the years ended December 31, 2017 and 2016

	2017			2016		
	Actual	Budget	Variance	Actual	Budget	Variance
Revenues:						
Property tax revenue	\$ 313,647	\$ 307,007	\$ 6,640	\$ 302,851	\$ 307,007	\$ (4,156)
TIF rebate	5,648	-	5,648	6,064	6,064	-
Late collections	-	-	-	1,351	5,000	(3,649)
Interest income	34	-	34	5	-	5
Total revenues	319,329	307,007	12,322	310,271	318,071	(7,800)
Expenditures:						
Customer attraction -						
Websites	248	2,000	1,752	827	4,500	3,673
Special events	38,100	9,570	(28,530)	29,635	17,790	(11,845)
Social media outreach	1,855	1,500	(355)	1,514	2,500	986
Decorative banners	-	1,500	1,500	2,270	1,500	(770)
Holiday decorations	5,057	6,393	1,336	21,191	11,013	(10,178)
Print materials	8,426	9,500	1,074	7,646	9,500	1,854
Display advertising	10,310	10,681	371	7,276	11,975	4,699
Public relations	6,660	5,000	(1,660)	12,408	2,500	(9,908)
Marketing	5,010	5,000	(10)	1,123	-	(1,123)
Total customer attraction	75,666	51,144	(24,522)	83,890	61,278	(22,612)
Public way aesthetics -						
Landscaping (plants, watering, etc.)	27,320	28,000	680	15,861	28,806	12,945
Façade enhancement program - rebates	-	1,500	1,500	-	3,000	3,000
Streetscape elements (included capital installation,	92,314	1,500	(90,814)	600	1,500	900
Public art	-	2,000	2,000	-	3,918	3,918
Sidewalk maintenance	-	91,000	91,000	89,933	91,000	1,067
People shots	-	10,800	10,800	11,830	11,600	(230)
City permits	6,098	1,000	(5,098)	338	2,000	1,662
Total public way aesthetics	125,732	135,800	10,068	118,562	141,824	23,262
Sustainability and public places -						
Bike transit enhancements	-	-	-	-	1,000	1,000
Other CDOT Pilot Project People Places	-	1,787	1,787	-	-	-
Total sustainability and public places	-	1,787	1,787	-	1,000	1,000
Economic/Business development -						
Site marketing (materials, services, etc.)	6,371	4,000	(2,371)	5,180	6,000	820
Group purchasing program	-	-	-	-	5,000	5,000
Supplemental transit (shuttle, trolley, etc.)	5,600	-	(5,600)	396	5,500	5,104
Economic impact study	-	500	500	2,995	3,500	505
Commission development	-	-	-	-	1,500	1,500
SSA designation	26,837	13,805	(13,032)	-	15,336	15,336
Total economic and business development	38,808	18,305	(20,503)	8,571	36,836	28,265
Safety programs -						
Safety improvements program-rebate	-	1,000	1,000	750	3,500	2,750
Security patrol services	950	-	(950)	-	5,000	5,000
Total safety programs	950	1,000	50	750	8,500	7,750

QUAD COMMUNITIES DEVELOPMENT CORPORATION - SPECIAL SERVICE AREA NO. 47

Statement of Revenues and Expenditures - Budget and Actual

For the years ended December 31, 2017 and 2016

	2017			2016		
	Actual	Budget	Variance	Actual	Budget	Variance
SSA management -						
Annual report	-	250	250	500	500	-
Audit	3,000	3,000	-	3,000	3,000	-
Bookkeeping	2,904	2,500	(404)	2,993	2,993	-
Office rent	10,260	10,500	240	11,010	11,010	-
Office utilities	2,920	2,500	(420)	4,223	3,090	(1,133)
Office supplies	-	2,628	2,628	4,490	4,490	-
Equipment lease and maintenance	-	2,073	2,073	2,209	2,209	-
Office printing	-	350	350	1,005	1,005	-
Postage and delivery	-	200	200	950	950	-
Meeting expense	53	500	447	461	876	415
Dues and subscriptions	-	585	585	600	600	-
Bank charges	25	450	425	22	464	442
Storage fees	2,421	-	(2,421)	970	2,400	1,430
Property/Liability insurance	-	1,000	1,000	1,030	1,030	-
Professional development	-	1,000	1,000	1,000	3,500	2,500
Total SSA management	21,583	27,536	5,953	34,463	38,117	3,654
Personnel -						
Executive director	8,922	7,929	(993)	-	-	-
Program manager	58,620	55,943	(2,677)	77,602	80,872	3,270
Total personnel	67,542	63,872	(3,670)	77,602	80,872	3,270
Loss collection	143	6,869	6,726	-	1,500	1,500
Total expenditures	330,424	306,313	(24,111)	323,838	369,927	46,089
Excess of revenue over expenditures	\$ (11,095)	\$ 694	\$ (11,789)	\$ (13,567)	\$ (51,856)	\$ 38,289
Carryover	11,095	35,243	24,148	13,567	51,856	38,289
Net revenues in excess of expenditures	\$ -	\$ 35,937	\$ 12,359	\$ -	\$ -	\$ 76,578

SCHEDULE OF FINDINGS AND RESPONSES

**QUAD COMMUNITIES DEVELOPMENT CORPORATION –
SPECIAL SERVICE AREA NO. 47**

Service Provider Agreement Compliance

Summary Schedule of Findings and Responses

Year ended December 31, 2017

We have read and understand the necessary audit requirements contained in the Service Provider Agreement. Accordingly, based on our audit we noted no exceptions during the year ending December 31, 2017.

DRAFT