

CHICAGO LOOP ALLIANCE AND SPECIAL SERVICE AREA #1
(An Illinois Not-for-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

CHICAGO LOOP ALLIANCE AND SPECIAL SERVICE AREA #1
(An Illinois Not-for-Profit Corporation)

As of December 31, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of Chicago Loop Alliance and
Commissioners of Special Service Area #1
Chicago, Illinois

We have audited the accompanying statements of financial position of Chicago Loop Alliance and Special Service Area #1 (a taxing district authorized by the City of Chicago) as of December 31, 2011 and 2010, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the organization'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 present fairly, in all material respects, the financial position of Chicago Loop Alliance and Special Service Area #1 as of December 31, 2011 and 2010, 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.


The A.C.T. Group, Ltd.
Certified Public Accountants
March 19, 2012

CHICAGO LOOP ALLIANCE / SSA 1
 (An Illinois Not-for-Profit Corporation)
 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2011 AND 2010

	2011	2010
Assets:		
Current Assets		
Cash and cash equivalents	\$ 1,388,251	\$ 1,203,081
Accounts receivable - net	158,264	232,392
Total Current Assets	1,546,515	1,435,473
Property & equipment - net	8,476	6,499
Total Assets	\$ 1,554,991	\$ 1,441,972
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 580,958	\$ 73,048
Due to City of Chicago	3,348	179,329
Deferred revenue	185,424	167,368
Total Current Liabilities	769,730	419,745
Net Assets		
Unrestricted	785,261	1,022,227
Total Liabilities and Net Assets	\$ 1,554,991	\$ 1,441,972

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

CHICAGO LOOP ALLIANCE / SSA #1
 (An Illinois Not-for-Profit Corporation)
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Revenues:		
Membership dues	\$ 205,294	\$ 185,902
Cook county collection - SSA #1	3,076,430	3,101,260
Annual meeting	28,035	10,365
Government grants	80,999	58,428
Sponsorships	123,087	137,000
CLA foundation management fee	42,618	77,938
Networking events	10,984	8,980
Other income	160	9,374
Total Revenue	3,567,607	3,589,247
Expenses:		
Program Services		
Marketing & events	85,768	107,141
Marketing to business	30,951	8,731
SSA #1 expenses	3,346,827	2,322,749
	3,463,546	2,438,621
General & Administrative Expenses	341,027	309,764
Total Expenses	3,804,573	2,748,385
(Decrease) Increase in Net Assets	(236,966)	840,862
Beginning of Year		
Unrestricted Net Assets	1,022,227	181,365
End of Year		
Unrestricted Net Assets	\$ 785,261	\$ 1,022,227

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

CHICAGO LOOP ALLIANCE / SSA #1
 (An Illinois Not-for-Profit Corporation)
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash Flows from Operating Activities		
Change in Net Assets	(\$236,966)	\$840,862
Adjustments to reconcile net surplus to net cash (used) provided by operating activities:		
Accounts receivable - net	74,128	(93,474)
Depreciation	2,386	3,478
Due to City of Chicago	(175,981)	179,329
Accounts payable	507,911	(141,769)
Deferred revenue	18,056	13,311
Other assets	-	15
Net cash provided by operating activities	189,534	801,752
INVESTING ACTIVITIES		
Purchase of office equipment	(4,364)	(5,979)
Net cash (used) by Investing Activities	(4,364)	(5,979)
Net cash increase for period	185,170	795,773
Cash at beginning of year	1,203,081	407,308
Cash at end of year	\$1,388,251	\$1,203,081

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

CHICAGO LOOP ALLIANCE
 (An Illinois Not-for-Profit Corporation)
 FUNCTIONAL EXPENSES
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Supporting Services Expenses		
Salaries & payroll taxes	\$ 180,724	\$ 166,439
Membership billed, not renewed	35,921	26,393
Employee benefits	39,811	40,562
Office general	32,114	27,812
Rent	11,114	11,114
Miscellaneous	414	1,398
Bank & credit card fees	5,808	3,922
Meals and entertainment	9,551	9,297
Sponsorships	5,000	-
Insurance	3,566	1,230
Equipment	3,383	9,092
Postage	4,571	3,137
Depreciation	2,386	3,478
Telephone	3,369	2,882
Dues and subscriptions	1,992	1,680
Accounting	817	932
Utilities	486	396
	<u>\$ 341,027</u>	<u>\$ 309,764</u>

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

SPECIAL SERVICE AREA #1
(a taxing district authorized by the City of Chicago)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	BUDGET 2011	ACTUAL 2011	VARIANCE \$	BUDGET 2010	ACTUAL 2010	VARIANCE \$
Revenues:						
Contract-SSA	\$ 3,750,914	\$ 3,080,909	\$ (670,005)	\$ 2,759,855	\$ 3,210,257	\$ 450,402
TIF Rebate	-	179,329	179,329	-	-	-
Less loss collection expense	(137,993)	(183,808)	(45,815)	(275,985)	(108,997)	166,988
Total Revenue	3,612,921	3,076,430	(536,491)	2,483,870	3,101,260	617,390
Expenses:						
Services:						
Advertising & promotion	482,777	485,518	2,741	568,434	532,158	(36,276)
Public way maintenance	700,625	557,046	(143,579)	640,085	563,091	(76,994)
Public way aesthetics	2,113,184	2,032,843	(80,341)	1,011,015	959,122	(51,893)
Tenant retention/attraction	40,000	28,874	(11,126)	31,836	29,097	(2,739)
Safety programs	4,170	3,585	(585)	-	11,980	11,980
District planning	104,935	87,791	(17,144)	106,500	91,567	(14,933)
Other Technical Assistance	9,000	9,796	796	-	-	-
Total Services Expense	3,454,691	3,205,453	(249,238)	2,357,870	2,187,015	(170,855)
Administration:						
Audit / bookkeeping	10,250	5,955	(4,295)	11,000	5,797	(5,203)
Office equipment	10,500	10,225	(275)	10,500	10,218	(282)
Office rent	45,000	33,341	(11,659)	45,000	33,341	(11,659)
Insurance D&O/gen. liability	12,000	10,697	(1,303)	12,000	11,998	(2)
Office utilities / telephone	7,500	7,104	(396)	7,500	4,842	(2,658)
Service provider / admin. support	72,980	74,052	1,072	40,000	69,538	29,538
Total Administration Expense	158,230	141,374	(16,856)	126,000	135,734	9,734
Total Expenses	3,612,921	3,346,827	(266,094)	2,483,870	2,322,749	(161,121)
Net Surplus/(Deficit)	\$ -	\$ (270,397)	\$ (270,397)	\$ -	778,511	\$ 778,511
BEGINNING OF YEAR						
Carryover		811,730			33,219	
END OF YEAR						
Carryover		\$ 541,333			\$ 811,730	

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

CHICAGO LOOP ALLIANCE / SSA 1
(An Illinois Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

NOTE A - ORGANIZATION

The Chicago Loop Alliance (CLA) is a not-for-profit organization founded in 1929 to promote economic prosperity within Chicago's central business district. The mission of CLA is to strengthen the commercial center of downtown, also known as the Loop, Chicago's competitive position as a mixed use retail core; build on its existing hospitality, real estate, residential, cultural and institutional resources; and contribute to Chicago's standing as a world-class city and tourist attraction. More specifically, CLA, through membership advocacy, functions to protect and promote, in social and cooperative ways, the interests of the property owners' merchants, financial institutions, hotels, real estate and residential, cultural and educational entities and others doing business in the central business district. CLA serves as a chief coordinator and catalyst, uniting member organizations through leadership in all matters of mutual concern.

Special Service Area #1 (the Taxing District) is a taxing district authorized by the City of Chicago located in Chicago, Illinois. It is managed by CLA. Its scope of services is to coordinate and supervise various activities with regard to State Street. These services include coordinating marketing and promotional activities, sidewalk maintenance, beautification activities, and other technical assistance activities to promote commercial and economic development in the area. The Taxing District is supported through property taxes levied on neighborhood commercial properties which are collected by the City of Chicago.

NOTE B -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting. Revenues and expenses are recognized when incurred.

Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHICAGO LOOP ALLIANCE / SSA 1
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis as to administrative, programming and fundraising. Expenses that can be identified with a specific program are allocated according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various formulas.

Contributions and Membership Dues

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as expenses or net assets released from restrictions.

Membership dues are invoiced in December for the following year and included in Accounts Receivable. Deferred Revenue consists of membership receivables not yet collected. An allowance for non-renewing membership dues of \$35,821 and \$35,643 are recorded in the financial statements in 2011 and 2010, respectively, based on estimated dues that are at risk for collection.

Subsequent Events

Subsequent events have been evaluated through March 19, 2012, which is the date the financial statements were available to be issued.

NOTE C – RELATED PARTY TRANSACTIONS

CLA is the sole provider of services to the SSA 1. CLA allocated joint expenses between the two Organizations.

The Chicago Loop Alliance Foundation is a 501(c)(3) charitable organization managed by CLA. Management/administrative fees are paid to CLA by the Foundation. In addition, the Foundation serves as a fiscal agent to CLA projects that are consistent with the Foundation's mission. CLA billed the Foundation \$42,618 and \$77,938 in management/administrative fees in 2011 and 2010, respectively, and the Foundation owes CLA \$20,716 and \$77,953 as of December 31, 2011 and 2010, respectively.

CHICAGO LOOP ALLIANCE / SSA 1
 (An Illinois Not-for-Profit Corporation)
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

NOTE D – INCOME TAX STATUS

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code.

NOTE E – CASH AND CASH EQUIVALENTS

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization had not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk in cash and cash equivalents.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment are stated at cost for Chicago Loop Alliance. Depreciation is being computed using the straight-line method over the estimated useful lives of the assets.

The following is a summary of fixed assets as of December 31, 2011 and 2010:

Furniture and fixtures	\$ 7,924	\$ 7,924
Office equipment	61,532	57,169
Leasehold improvements	<u>1,498</u>	<u>1,498</u>
	70,954	66,591
Less accumulated depreciation	<u>(62,478)</u>	<u>(60,092)</u>
Net fixed assets	<u>\$ 8,476</u>	<u>\$ 6,499</u>

The SSA has no property and equipment and all items acquired are expensed when purchased.

NOTE G – LINE OF CREDIT

The Organization entered into a new one year line of credit agreement with a local bank in July, 2011 in the amount of \$300,000 at a variable interest rate of prime plus .5%. The Organization did not use this credit line during 2011. A line of credit was entered into in 2009 but expired in 2010 and was not renewed.

CHICAGO LOOP ALLIANCE / SSA 1
(An Illinois Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

NOTE H – DUE TO CITY OF CHICAGO

The balance in 2011 represents funds that will be withheld from subsequent cash receipts from SSA #1 for reimbursements back to property owners. Actual cash received by SSA #1 was \$2,897,101 in 2011.

The 2010 balance represented funds received from the City of Chicago that were to be returned, however, after negotiations with the City of Chicago it was determined that SSA #1 could keep the funds. This is reported on the Statement of Activities for SSA #1,

NOTE I – ACCOUNTS RECEIVABLE

Accounts Receivable as of December 31, 2011 consists of dues from the members for the maintenance and interest of the central business district in the amount of \$173,368 and the Chicago Loop Alliance Foundation in the amount of \$20,716. The allowance for doubtful accounts is \$35,821.

Accounts Receivable as of December 31, 2010 consists of dues from the members for the maintenance and interest of the central business district in the amount of \$119,439, Chicago Loop Alliance Foundation in the amount of \$77,953 and sponsorship receivable in the amount of \$35,000. The allowance for doubtful accounts is \$35,643.

The allowance for doubtful accounts was based on estimated dues that are at risk for collection based on previous year's experience.

NOTE J – SSA 1

The Organization manages Special Service Area 1 (SSA 1) for the City of Chicago. All SSA 1 activity is maintained in the same accounting software as the CLA. Separate bank accounts are maintained and there is a separate set of commissioners that oversee its operations.

NOTE K – SSA #1 Commission Plans

The State Street Commission was advised by Chicago Loop Alliance, sole service provider of SSA #1, that approval be made for a carryover of \$541,333 from 2011 SSA #1 funds be allocated to the second phase of the Lightscape project in 2012's amended SSA #1 Budget. This carryover was then approved unanimously by all voting State Street Commissioners at the State Street Commission meeting held on March 15, 2012.

CHICAGO LOOP ALLIANCE / SSA 1
(An Illinois Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

SUMMARY SCHEDULE OF FINDINGS

As part of our audit and request by the Special Service Area Annual Audited Financial Statement Guidelines prepared by the City of Chicago Department of Housing and Economic Development, we have read the requirements contained in the Agreement for Special Service Area #1 between the City of Chicago and Chicago Loop Alliance.

Per Article 5.03, the Contractor (SSA #1) established a separate checking account at The Private bank and Trust Company during the year. All Service Tax Funds were automatically deposited into this checking account.

The Contractor does not pay the bills of SSA #1 out of the SSA #1 bank account. All bills are paid through CLA and monies are transferred out of the SSA account to the CLA account for the exact amount of funds spent for the SSA. If a bill is to be allocated between CLA and the SSA, only funds that apply the SSA portion of the bill are transferred to CLA.

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