

SPECIAL SERVICE AREA NUMBER 39

FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

For the Year Ended

December 31, 2013

SPECIAL SERVICE AREA NUMBER 39

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

To the Board of Directors - Commissioners of
Special Service Area Number 39

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of **SPECIAL SERVICE AREA NUMBER 39** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities 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 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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **SPECIAL SERVICE AREA NUMBER 39** as of December 31, 2013, and the changes in its net asset 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

April 29, 2014
Chicago, Illinois

SPECIAL SERVICE AREA NUMBER 39

Statement of Financial Position

December 31, 2013

ASSETS

Cash and cash equivalents (Note 2)	\$ 117,151
Receivable from affiliate (Note 3)	279,140
Real estate taxes receivable, less allowance for uncollectible taxes of \$197,000	<u>820,135</u>
Total Assets	<u><u>\$ 1,216,426</u></u>

LIABILITIES

Accounts payable and accrued expenses	\$ 17,942
Deferred real estate tax income	886,885
Notes payable - Line of credit (Note 4)	292,457
Payable to affiliate (Note 3)	<u>55,000</u>
Total Liabilities	<u>1,252,284</u>

NET ASSETS (DEFICIT)

Unrestricted funds	<u>(35,858)</u>
Total Liabilities and Net Assets	<u><u>\$ 1,216,426</u></u>

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

SPECIAL SERVICE AREA NUMBER 39

Statement of Activities

For the Year Ended December 31, 2013

REVENUES, LOSSES, AND OTHER SUPPORT

Real estate taxes - current period	\$ 736,340
Real estate taxes - prior period	-
Interest and other income	-
Loss collection on real estate revenue	(12,000)
Total Support and Revenues	<u>724,340</u>

EXPENSES

Program Services:

Advertising and Promotion	107,718
Public Way Maintenance	81,953
Public Way Aesthetics	100,666
Tenant Retention / Attraction	23,697
Façade Improvements	103,402
Parking/ Transit / Accessibility	31,126
District Planning	14,505
Operational program support	490,011

Supporting Services:

Management and General	<u>62,438</u>
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Total Expenses	<u>1,015,516</u>
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Interest and Finance Charges (Note 4)	24,623
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DECREASE IN NET ASSETS (315,799)

NET ASSETS (DEFICIT) -

Beginning of Year	<u>279,941</u>
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End of year	<u>\$ (35,858)</u>
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The accompanying notes are an integral part of the financial statements.

SPECIAL SERVICE AREA NUMBER 39

Statement of Cash Flows

For the Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (315,799)
Adjustments to reconcile change in net assets to net cash used in operating activities - (Increase) decrease in:	
Real estate taxes receivable	106,084
Due from affiliate	29,144
Increase (decrease) in:	
Accounts payable	<u>(14,564)</u>
Net Cash Used in Operating Activities	<u>(195,135)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on line of credit	<u>(4,312)</u>
Net Cash Used in Financing Activities	<u>(4,312)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (199,447)

CASH AND CASH EQUIVALENTS

Beginning of year	<u>316,598</u>
End of year	<u>\$ 117,151</u>

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

SPECIAL SERVICE AREA NUMBER 39

Notes to Financial Statements

December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - On November 14, 2006 the City Council of the City of Chicago passed an ordinance authorizing the re-establishment of Special Service Area ("SSA") Number 39. 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 Archer/Brighton Park Retail District.

The service programs include but not limited to maintenance and beautification, new construction, coordinated marketing and promotional activities, parking and transit programs, area strategic planning, business retention and recruitments, building facade improvements, security services and other technical assistance activities to promote community and economic development.

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.

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, 2013, 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.

SPECIAL SERVICE AREA NUMBER 39

Notes to Financial Statements

December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Date of Management's Review - Management has evaluated subsequent events through April 29, 2014, the date on which the financial statements were available to be issued.

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.

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

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 - CONCENTRATIONS

The Organization maintains its cash balances at a high credit 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.

SPECIAL SERVICE AREA NUMBER 39

Notes to Financial Statements

December 31, 2013

NOTE 3 - RELATED PARTY TRANSACTIONS

The Organization is an affiliate of the Back of the Yards Business Association, Special Service Area Numbers 13, 10, 7 and Back of the Yards Neighborhood Council. The Organization contracts with the Back of the Yards Neighborhood Council as sole service provider in order to administer and provide direct services on behalf of the Organization, which has no employees.

The transactions and balances due (to) from each of the affiliates are summarized below.

	<u>Neighborhood Council</u>	<u>SSA # 7</u>	<u>SSA # 10</u>	<u>Total</u>
Balance due (to) from at December 31, 2012	\$ 293,284	\$ 15,000	\$ (55,000)	\$ 238,284
Allocated expenses	(591,873)	-	-	(591,873)
Payments - Line of Credit Cash disbursements to affiliates	(29,144) 591,873	- -	- -	(29,144) 591,873
Balance due (to) from at December 31, 2013	<u>\$ 264,140</u>	<u>\$ 15,000</u>	<u>\$ (55,000)</u>	<u>\$ 209,140</u>

NOTE 4 - NOTE PAYABLE

The Organization has available a line of credit with a local bank. The unpaid principal balance under the loan is secured by future tax revenue and bears interest at 8.25% at year end. Interest payments are due monthly. At December 31, 2013, the balance was \$292,457.

Principal and interest were paid by the Back of the Yards Neighborhood Council on the line of credit totaling \$29,144, of which \$24,623 was interest expense.



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

To the Board of Directors - Commissioners of
Special Service Area Number 39

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

We have audited the financial statements of **SERVICE AREA NUMBER 39** as of and for the year ended December 31, 2013, and have issued our report thereon dated April 29, 2014 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

April 29, 2014
Chicago, Illinois

ADDITIONAL INFORMATION

SPECIAL SERVICE AREA NUMBER 39

Comparison Schedules of Actual Revenues and Expenses to Budget
For the Years Ended December 31, 2013 and 2012

	2013			2012		
	2013 Actual	2013 Budget	Variance	2012 Actual	2012 Budget	Variance
SUPPORT AND REVENUES						
Real estate taxes - current period	\$ 736,340	\$ 885,320	\$ (148,980)	\$ 1,001,282	\$ 961,685	\$ 39,597
Real estate taxes - prior period	-	-	-	15,604	-	15,604
Real estate taxes - carryover	-	343,476	(343,476)	-	274,216	(274,216)
Interest and other income	-	-	-	38	-	38
Total Support and Revenues	736,340	1,228,796	(492,456)	1,016,924	1,235,901	(218,977)
EXPENSES						
Program Services:						
Advertising and Promotion						
Display ads	45,971	50,000	(4,029)	64,305	65,000	(695)
Holiday / Seasonal	38,326	15,000	23,326	-	-	-
Print materials	1,315	15,000	(13,685)	14,974	15,000	(26)
Special events	20,273	40,000	(19,727)	30,501	25,000	5,501
Website/Technology	1,833	15,000	(13,167)	4,773	3,500	1,273
Total Advertising and Promotion	107,718	135,000	(27,282)	114,553	108,500	6,053
Public Way Maintenance						
Equipment purchase and maintenance	1,460	5,000	(3,540)	2,454	4,000	(1,546)
Acid etching removal and/or prevention	54,675	75,000	(20,325)	56,095	70,000	(13,905)
Sidewalk power washing	-	-	-	23,500	25,000	(1,500)
Storage rental	2,200	2,400	(200)	2,400	2,300	100
Supplies	1,668	5,000	(3,332)	2,227	2,000	227
Trash removal service	3,457	3,000	457	3,464	4,500	(1,036)

See independent auditor's report on additional information.

SPECIAL SERVICE AREA NUMBER 39

Comparison Schedules of Actual Revenues and Expenses to Budget

For the Years Ended December 31, 2013 and 2012

	2013		2013		2012		2012	
	Actual	Budget	Variance	Budget	Actual	Budget	Variance	
Public Way Maintenance -Continued								
Other: Truck and sweeper lease	12,000	12,000	-		9,000	9,000	-	
Other: Radio airtime	988	1,000	(12)		-	-	-	
Other: Fuel	5,505	5,000	505		6,696	4,500	2,196	
Total Public Way Maintenance	81,953	108,400	(26,447)		105,836	121,300	(15,464)	
Public Way Aesthetics								
Banner maintenance	27,886	10,000	17,886		11,393	15,000	(3,607)	
Landscaping	61,243	25,000	36,243		18,595	51,050	(32,455)	
Streetscape elements purchase	11,537	145,000	(133,463)		1,690	79,716	(78,026)	
Total Public Way Aesthetics	100,666	180,000	(79,334)		31,678	145,766	(114,088)	
Tenant Retention / Attraction								
Site marketing materials	-	-	-		-	5,000	(5,000)	
Data collection	23,697	20,000	3,697		-	-	-	
Total Tenant Retention / Attraction	23,697	20,000	3,697		-	5,000	(5,000)	
Façade Improvements								
Signage Removal Program - rebates	-	13,000	(13,000)		-	-	-	
Façade enhancement program	103,402	120,000	(16,598)		53,322	50,779	2,543	
Total Façade Improvements	103,402	133,000	(29,598)		53,322	50,779	2,543	

See independent auditor's report on additional information.

SPECIAL SERVICE AREA NUMBER 39

Comparison Schedules of Actual Revenues and Expenses to Budget

For the Years Ended December 31, 2013 and 2012

	2013		2013		2012		2012	
	Actual	Budget	Variance	Budget	Actual	Budget	Variance	
Parking/ Transit / Accessibility								
Parking / wayfinding/signage	-	15,000	(15,000)	500	12,000	12,000	(11,500)	
Other: Bus lease	17,997	18,000	(3)	18,000	18,000	18,000	-	
Other: Fuel	13,129	12,000	1,129	10,442	9,000	9,000	1,442	
Other: Repairs and maintenance	-	5,000	(5,000)	-	-	-	-	
Other: Radio time	-	-	-	810	800	800	10	
Total Parking / Transit / Accessibility	31,126	50,000	(18,874)	29,752	39,800	39,800	(10,048)	
Safety Programs								
Security services	-	20,000	(20,000)	-	-	-	-	
Total Safety Programs	-	20,000	(20,000)	-	-	-	-	
District Planning								
Master planning	14,505	15,000	(495)	24,804	46,899	46,899	(22,095)	
Total District Planning	14,505	15,000	(495)	24,804	46,899	46,899	(22,095)	
Personal								
Program personal cost allocation	490,011	490,009	2	406,835	481,371	481,371	(74,536)	
Total Personal cost allocation	490,011	490,009	2	406,835	481,371	481,371	(74,536)	

See independent auditor's report on additional information.

SPECIAL SERVICE AREA NUMBER 39

Comparison Schedules of Actual Revenues and Expenses to Budget

For the Years Ended December 31, 2013 and 2012

	2013	2013	2012	2012	2012	2012
	Actual	Budget	Variance	Actual	Budget	Variance
Supporting Services:						
Operational & Administrative Support						
Administrative non-personal cost allocation	-	-	-	74,536	74,536	-
SSA Annual report	-	4,000				
SSA Audit	2,500	2,500				
Bookkeeping / Payroll	3,759	4,101	(342)	3,500	3,500	-
Meeting Expense	3,076	3,000	76	3,044	1,500	1,544
Office Equipment Lease / Maintenance	4,110	4,110	-	2,125	2,125	-
Office rent	12,000	12,000	-	25,120	25,120	-
Office supplies	2,550	2,550	-	2,801	2,400	401
Office Utilities / Telephone	4,950	4,950	-	3,725	3,725	-
Postage	1,500	1,500	-	6,457	6,448	9
Office printing	3,500	3,500	-	7,922	7,922	-
Other: Finance charges and bank fee's	739	500	239	680	500	180
Other: Liability insurance	22,676	22,676	-	21,309	15,510	5,799
Other: Workman's comp insurance	1,078	-	1,078	18,200	18,200	-
Total Operational & Administrative Support	62,438	65,387	1,051	169,419	161,486	7,933
Loss Collection						
Total Expenses	1,027,516	1,228,796	(197,280)	1,011,199	1,235,901	(224,702)
Excess of (Expenses) Revenues over Expenses	\$ (291,176)	\$ -	\$ (295,176)	\$ 5,725	\$ -	\$ 5,725

See independent auditor's report on additional information.

SPECIAL SERVICE AREA NUMBER 39

Summary Schedule of Findings

For the Year Ended December 31, 2013

We have read the requirements of the Service Provider Agreement between Special Service Area # 39, Contractor, and the City of Chicago. Based on our understanding of the agreement and the facts surrounding the performance under the agreement, we noted no exceptions.

Certain items of emphasis are provided:

The total revenues used during the year ended December 31, 2013, were made available from the budgeted sources in amounts specified in the budget.

Special Service Area 39 commissioners have acknowledged that the line of credit entered into was prior to this commission's seating and was entered into without their knowledge, authority and approval.

The tax levies should not have been used as collateral, and the commissioners are aware that the Back of the Yards Neighborhood Council management is working to resolve this situation by the end of 2014. The Back of the Yards Neighborhood Council has submitted a plan to Park Federal (the lender) to restructure this debt, without any liability or use of Special Service Area #39 tax levies as collateral for the Back of the Yards Neighborhood line of credit.

See independent auditor's report on additional information.