

SPECIAL SERVICE AREA NUMBER 39

FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

For the Year Ended

December 31, 2011

SPECIAL SERVICE AREA NUMBER 39

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

Board of Directors
Special Service Area Number 39

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of **SPECIAL SERVICE AREA NUMBER 39** (a nonprofit organization) as of December 31, 2011, and the related statements of activities and cash flows for the year 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 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 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 audit provides 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 **SPECIAL SERVICE AREA NUMBER 39** as of December 31, 2011, 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 26, 2012
Chicago, Illinois

SPECIAL SERVICE AREA NUMBER 39

Statement of Financial Position

December 31, 2011

ASSETS

Cash and cash equivalents (Note 2)	\$ 367,774
Receivable from affiliate (Note 3)	310,485
Real estate taxes receivable, less allowance for uncollectible taxes of \$236,000	<u>861,392</u>
Total Assets	<u>\$ 1,539,651</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 24,580
Deferred real estate tax income	886,885
Notes payable - Line of credit	298,970
Payable to affiliate (Note 3)	<u>55,000</u>
Total Liabilities	<u>1,265,435</u>

NET ASSETS

Unrestricted funds	<u>274,216</u>
Total Liabilities and Net Assets	<u>\$ 1,539,651</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, 2011

SUPPORT AND REVENUES

Real estate taxes - current period	\$ 849,563
Real estate taxes - prior period	53,586
Interest and other income	148
Total Support and Revenues	<u>903,297</u>

EXPENSES

Program Services:

Advertising and Promotion

Display ads	46,003
Holiday / Seasonal	3,361
Print materials	18,201
Special events	218
Website/Technology	8,893
Service provider direct services	1,600
Total Advertising and Promotion	<u>78,276</u>

Public Way Maintenance

Equipment purchase and maintenance	1,801
Graffiti removal	12,160
Insurance	3,748
Storage rental	519
Supplies	215
Trash removal service	2,530
Service provider direct services	173,156
Other: Truck and sweeper lease	9,000
Other: Maintenance and repairs	1,475
Other: Fuel	2,990
Total Public Way Maintenance	<u>207,594</u>

Public Way Aesthetics

Banner maintenance	22,057
Landscaping	67,302
Service provider direct services	31,676
Total Public Way Aesthetics	<u>121,035</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, 2011

Tenant Retention / Attraction	
Service provider direct services	30,101
Site marketing materials	2,000
Total Tenant Retention / Attraction	32,101
Façade Improvements	
Awning rebate program	29,000
Façade enhancement program	12,000
Service provider direct services	11,846
Total Façade Improvements	52,846
Parking/ Transit / Accessibility	
Service provider direct services	94,881
Parking/way finding/signage	-
Other: Bus lease	18,000
Other: Fuel	11,954
Other: Repairs and maintenance	1,667
Other: Radio time	1,074
Total Parking / Transit / Accessibility	127,576
District Planning	
District branding	48,034
District master plan / market study	985
Total District Planning	49,019
Supporting Services:	
Operational & Administrative Support	
Audit/ Bookkeeping	2,500
Office Equipment Lease / Maintenance	4,000
Office rent	6,660

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, 2011

Operational & Administrative Support

Office supplies	5,870
Office Utilities / Telephone	3,500
Postage	1,250
Office printing	1,750
Service provider administrative support	71,612
Other: Liability insurance	4,000
Other: Workman's comp insurance	5,400

Total Operational & Administrative Support 106,542

Loss Collection 37,875

Total Expenses 812,864

INCREASE IN NET ASSETS 90,433

Beginning of year 183,783

End of year \$ 274,216

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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$	90,433
Adjustments to reconcile change in net assets to net cash provided by operating activities - (Increase) decrease in:		
Real estate taxes receivable		130,700
Due from affiliate		(175,970)
Increase (decrease) in:		
Accounts payable		12,063
Deferred tax revenue		(29,087)
		<hr/>
Net Cash Provided by Operating Activities		28,139

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds on line of payment		202,000
Payments on line of credit		(26,344)
		<hr/>
Net Cash Provided by Financing Activities		175,656

NET INCREASE IN CASH AND CASH EQUIVALENTS

203,795

CASH AND CASH EQUIVALENTS

Beginning of year		<hr/>
		163,979
End of year	\$	<hr/> <hr/>
		367,774

SUPPLEMENTAL DISCLOSURE

Cash paid for:		
Interest	\$	<hr/> <hr/>
		-

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

SPECIAL SERVICE AREA NUMBER 39

Notes to Financial Statements

December 31, 2011

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 imposition of the 2006 tax levy, the approval of the 2007 budget and the execution of a service provider agreement for Special Service Area Number 39. The agreement for services took effect as of January 1, 2007.

The SSA is established in the City of Chicago within a defined geographic area of the Back of the Yards Neighborhood. 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.

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, 2011, 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.

Date of Management's Review - Management has evaluated subsequent events through April 26, 2012, the date on which the financial statements were available to be issued.

SPECIAL SERVICE AREA NUMBER 39

Notes to Financial Statements

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 OF CREDIT RISK

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

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.

SPECIAL SERVICE AREA NUMBER 39

Notes to Financial Statements

December 31, 2011

NOTE 3 - RELATED PARTY TRANSACTIONS - CONTINUED

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

	Neighborhood Council	SSA # 7	SSA # 10	Total
Balance due (to) from at December 31, 2010	\$ 134,515	\$ -	\$ (55,000)	\$ 79,515
Allocated expenses	(587,545)	-	-	(587,545)
Advance - Line of Credit Cash disbursements to affiliates	160,970	15,000		160,970
	<u>587,545</u>	<u>-</u>	<u>-</u>	<u>587,545</u>
Balance due (to) from at December 31, 2011	<u>\$ 295,485</u>	<u>\$ 15,000</u>	<u>\$ (55,000)</u>	<u>\$ 240,485</u>

NOTE 5 - 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 9.25% at year end. Interest payments are due monthly. At December 31, 2011, the balance was \$298,970.

SPECIAL SERVICE AREA NUMBER 39

Notes to Financial Statements

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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SPECIAL SERVICE AREA NUMBER 39

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Balance due (to) from at December 31, 2011	<u>\$ 295,485</u>	<u>\$ 15,000</u>	<u>\$ (55,000)</u>	<u>\$ 255,485</u>

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

The Board of Directors of
Speicail 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, 2011, and have issued our report thereon dated April 26, 2012 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 26, 2012
Chicago, Illinois

SPECIAL SERVICE AREA NUMBER 39
 Comparison Schedules of Actual Revenues and Expenses to Budget
 For the Years Ended December 31, 2011 and 2010

	2011			2010		
	2011	2011	2010	2010	2010	2010
	Actual	Budget	Variance	Actual	Budget	Variance
SUPPORT AND REVENUES						
Real estate taxes - current period	\$ 849,563	\$ 886,685	\$ (37,122)	\$ 737,348	\$ 845,972	\$ (108,624)
Real estate taxes - prior period	53,586	37,875	15,711	67,907	70,000	(2,093)
Real estate taxes - carryover		1,061,396	(1,061,396)	-	-	-
Interest and other income	148	-	148	73	-	73
Total Support and Revenues	903,297	1,985,956	(1,082,659)	805,328	915,972	(110,644)
EXPENSES						
Program Services:						
Advertising and Promotion						
Display ads	46,003	132,606	(86,603)	13,920	50,000	(36,080)
Holiday / Seasonal	3,361	28,370	(25,009)	25,936	10,000	15,936
Print materials	18,201	18,871	(670)	3,644	5,000	(1,356)
Special events	218	45,000	(44,782)	44,183	20,000	24,183
Website/Technology	8,893	11,188	(2,295)	3,509	4,000	(491)
Service provider direct services	1,600	80,102	(78,502)	32,304	32,304	-
Other: Workman's comp insurance	-	1,308	(1,308)	-	-	-
Total Advertising and Promotion	78,276	317,445	(239,169)	123,496	121,304	2,192
Public Way Maintenance						
Equipment purchase and maintenance	1,801	21,202	(19,401)	1,597	1,500	97
Graffiti removal	12,160	122,492	(110,332)	22,462	64,906	(42,444)
Liability /Property Insurance	3,748	-	3,748	3,748	-	3,748
Sidewalk power washing	-	88,434	(88,434)	-	-	-
Storage rental	519	2,500	(1,981)	2,233	1,000	1,233

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, 2011 and 2010

	2011		2010		Variance	2010 Budget	Variance
	Actual	Budget	Actual	Budget			
Public Way Maintenance -Continued							
Supplies	215	10,100	2,985	2,000	(9,885)	2,000	985
Trash removal service	2,530	4,035	9,528	4,500	(1,505)	4,500	5,028
Service provider direct services	173,156	174,708	185,146	172,255	(1,552)	172,255	12,891
Other: Truck and sweeper lease	9,000	9,197	9,000	6,584	(197)	6,584	2,416
Other: Maintenance & repairs	1,475	8,164	3,023	-	(6,689)	-	3,023
Other: Fuel	2,990	10,800	6,148	4,000	(7,810)	4,000	2,148
Total Public Way Maintenance	207,594	451,632	245,870	256,745	(244,038)	256,745	(10,875)
Public Way Aesthetics							
Banner maintenance	22,057	88,461	11,405	19,000	(66,404)	19,000	(7,595)
Holiday decoration	-	34,730	15,470	15,000	(34,730)	15,000	470
Landscaping	67,302	120,020	34,980	20,000	(52,718)	20,000	14,980
Streetscape elements purchase	-	146,882	36,118	20,000	(146,882)	20,000	16,118
Service provider direct services	31,676	31,676	20,111	20,111	-	20,111	-
Other: Workman's comp insurance	-	2,097	-	-	(2,097)	-	-
Total Public Way Aesthetics	121,035	423,866	118,084	94,111	(302,831)	94,111	23,973
Tenant Retention / Attraction							
Site marketing materials	2,000	22,000	2,000	3,000	(20,000)	3,000	(1,000)
Service provider direct services	30,101	48,352	30,101	30,101	(18,251)	30,101	-
Technical assistance	-	10,000	-	-	(10,000)	-	-
Other: Workman's comp insurance	-	641	-	-	(641)	-	-
Total Tenant Retention / Attraction	32,101	80,993	32,101	33,101	(48,892)	33,101	(1,000)

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, 2011 and 2010

	2011		2011		Variance	2010		Variance
	Actual	Budget	Budget	Actual		Budget	Actual	
Façade Improvements								
Awning rebate program	29,000	105,000		-	(76,000)	25,000	(25,000)	
Façade enhancement program	12,000	12,000						
Service provider direct services	11,846	11,846		21,300	-	16,300	5,000	
Other: Workman's comp insurance	-	189		-	(189)	-	-	
Total Façade Improvements	52,846	129,035		21,300	(76,189)	41,300	(20,000)	
Parking/ Transit / Accessibility								
Service provider direct services	94,881	131,654		97,459	(36,773)	87,478	9,981	
Parking / wayfinding/signage		40,334		6,258	(40,334)	-	6,258	
Other: Bus lease	18,000	19,500		18,000	(1,500)	18,000	-	
Other: Fuel	11,954	38,480		12,778	(26,526)	9,000	3,778	
Other: Repairs and maintenance	1,667	22,750		2,440	(21,083)	5,000	(2,560)	
Other: Radio time	1,074	1,000		878	74	800	78	
Total Parking / Transit / Accessibility	127,576	253,718		137,813	(126,142)	120,278	17,535	
Safety Programs								
Lighting, tree pruning	-	59,143		6,819	(59,143)	25,000	(18,181)	
Security	-	33,225		33,501	(33,225)	-	33,501	
Total Safety Programs	-	92,368		40,320	(92,368)	25,000	15,320	
District Planning								
District branding	48,034	47,125		21,507	909	-	21,507	
SSA workplans	-	(11,596)		-	11,596	-	-	
District master plan / market study	985	-		67,844	985	10,000	57,844	
Service provider direct services	-	34,656		14,094	(34,656)	24,094	(10,000)	
Total District Planning	49,019	70,185		103,445	(21,166)	34,094	69,351	

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, 2011 and 2010

	2011		2010		Variance	2010		Variance
	Actual	Budget	Actual	Budget		Actual	Budget	
Supporting Services:								
Operational & Administrative Support								
Audit/ Bookkeeping	2,500	(5,885)	3,962	3,150	8,385	3,150	812	
Meeting Expense	-	(1,123)	5,142	1,500	1,123	1,500	3,642	
Office Equipment Lease / Maintenance	4,000	4,285	2,100	2,000	(285)	2,000	100	
Office rent	6,660	22,780	6,660	6,660	(16,120)	6,660	-	
Office supplies	5,870	5,870	2,432	2,000	-	2,000	432	
Office Utilities / Telephone	3,500	4,650	3,500	3,500	(1,150)	3,500	-	
Postage	1,250	6,448	1,250	1,250	(5,198)	1,250	-	
Office printing	1,750	7,997	1,750	1,750	(6,247)	1,750	-	
Service provider administrative support	71,612	71,612	85,355	87,604	-	87,604	(2,249)	
Other: Finance charges and bank fee's	-	600	2,263	5,000	(600)	5,000	(2,737)	
Other: Liability insurance	4,000	3,625	4,000	4,000	375	4,000	-	
Other: Workman's comp insurance	5,400	7,980	3,750	3,750	(2,580)	3,750	-	
Total Operational & Administrative Support	106,542	128,839	122,164	122,164	(22,297)	122,164	-	
Loss Collection								
Total Expenses	37,875	37,875	68,000	67,875	-	67,875	125	
Total Revenues	812,864	1,985,956	1,012,593	915,972	(1,173,092)	915,972	96,621	
Excess of Revenues over Expenses	\$ 90,433	\$ -	\$ (207,265)	\$ -	\$ 90,433	\$ -	\$ (207,265)	

See independent auditor's report on additional information.

SPECIAL SERVICE AREA NUMBER 39

Summary Schedule of Findings

For the Year Ended December 31, 2011

We confirm that we have read the agreement and after conducting the audit determined that no exceptions were noted.

See independent auditor's report on additional information.