

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

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

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

As of December 31, 2013 and 2012

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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

Report on the Financial Statements

We have audited the accompanying financial statements of Chicago Loop Alliance and Special Service Area #1 (a taxing district authorized by the City of Chicago), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, cash flows and functional expenses 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 the 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 of 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 unqualified audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Loop Alliance and Special Service Area #1 as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The A.C.T. Group, Ltd.
Certified Public Accountants
Chicago, Illinois
April 14, 2014

CHICAGO LOOP ALLIANCE / SSA #1
(An Illinois Not-for-Profit Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 650,386	\$ 423,389
Accounts receivable - net	43,417	54,148
Total Current Assets	<u>693,803</u>	<u>477,537</u>
Property & equipment - net	<u>4,339</u>	<u>6,408</u>
Total Assets	<u><u>698,142</u></u>	<u><u>\$ 483,945</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 33,890	\$ 64,147
Due to City of Chicago	1,728	40,327
Deferred revenue	250	42,272
Accrued expenses	19,500	-
Total Current Liabilities	<u>55,368</u>	<u>146,746</u>
Net Assets		
Unrestricted - SSA #1	389,311	67,348
Unrestricted - Chicago Loop Alliance	253,463	269,851
Total Net Assets	<u>642,774</u>	<u>337,199</u>
Total Liabilities and Net Assets	<u><u>\$ 698,142</u></u>	<u><u>\$ 483,945</u></u>

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, 2013 AND 2012

	2013	2012
Revenues:		
Membership dues	\$ 180,621	\$ 212,214
Cook County collection - SSA #1	2,341,003	2,410,247
Annual meeting	-	18,880
Government grants	-	48,623
Sponsorships	12,750	64,000
CLA foundation management fee	43,337	54,148
Networking events	3,761	-
Other income	2,604	-
Interest income	2,130	-
Total Revenue	2,586,206	2,808,112
Expenses:		
Program Services		
Marketing & events	8,442	26,466
Marketing to business	23,573	23,979
Streetscape programs	-	37,826
SSA #1 expenses	2,019,040	2,884,232
	2,051,055	2,972,503
Supporting Services Expenses	229,576	283,671
Total Expenses	2,280,631	3,256,174
Increase (Decrease) in Net Assets	305,575	(448,062)
Beginning of Year		
Unrestricted Net Assets	337,199	785,261
End of Year		
Unrestricted Net Assets	\$ 642,774	\$ 337,199

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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 305,575	\$ (448,062)
Adjustments to reconcile net surplus to net cash (used in) provided by operating activities:		
Accounts receivable - net	10,731	(29,810)
Depreciation	2,069	2,069
Due to City of Chicago	(38,599)	36,979
Accounts payable	(30,257)	(516,811)
Deferred revenue	(42,022)	(9,227)
Accrued expenses	19,500	-
Net cash provided by (used in) operating activities	<u>226,997</u>	<u>(964,862)</u>
Net cash increase (decrease) for period	<u>226,997</u>	<u>(964,862)</u>
Cash and cash equivalents - beginning of year	<u>423,389</u>	<u>1,388,251</u>
Cash and cash equivalents - end of year	<u>\$ 650,386</u>	<u>\$ 423,389</u>

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

CHICAGO LOOP ALLIANCE
 (An Illinois Not-for-Profit Corporation)
 STATEMENTS OF SUPPORTING SERVICES EXPENSES
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Supporting Services Expenses	<u>2013</u>	<u>2012</u>
Salaries & payroll taxes	\$ 129,790	\$ 134,061
Membership billed, not renewed	-	23,675
Employee benefits	37,564	44,968
Office and general	14,833	19,176
Rent	11,114	11,114
Professional services	-	10,191
Outside services	2,180	7,059
Miscellaneous	141	355
Bank & credit card fees	5,751	5,222
Meals and entertainment	9,673	7,479
Sponsorships	1,000	-
Insurance	3,557	3,589
Equipment	5,028	5,515
Postage	1,154	2,494
Depreciation	2,069	2,069
Telephone	4,180	4,015
Dues and subscriptions	187	1,519
Accounting	1,033	815
Utilities	322	355
Total	<u>\$ 229,576</u>	<u>\$ 283,671</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, 2013 AND 2012

	BUDGET 2013	ACTUAL 2013	VARIANCE \$	BUDGET 2012	ACTUAL 2012	VARIANCE \$
Revenues:						
Contract-SSA	\$ 2,634,205	\$ 2,593,541	\$ (40,664)	\$ 3,439,181	\$ 2,646,612	\$ (792,569)
Late Collections & Interest Income	(137,993)	7,251	145,244	(137,993)	-	137,993
Less loss collection expense	(250,749)	(259,789)	(9,040)	(452,972)	(236,365)	216,607
Total Revenue	<u>2,245,463</u>	<u>2,341,003</u>	<u>95,540</u>	<u>2,848,216</u>	<u>2,410,247</u>	<u>(437,969)</u>
Expenses:						
Services:						
Advertising & promotion	286,000	272,647	(13,353)	215,251	262,149	46,898
Public way maintenance	630,000	544,487	(85,513)	545,556	563,126	17,570
Public way aesthetics	680,000	630,062	(49,938)	1,568,596	1,591,768	23,172
District planning	88,000	84,499	(3,501)	-	-	-
Other Technical Assistance	11,000	7,743	(3,257)	9,000	6,754	(2,246)
Total Services Expense	<u>1,695,000</u>	<u>1,539,438</u>	<u>(155,562)</u>	<u>2,338,403</u>	<u>2,423,797</u>	<u>85,394</u>
Administration:						
Personnel	455,588	395,912	(59,676)	421,563	380,894	(40,669)
Non-personnel						
Audit / bookkeeping	9,000	6,505	(2,495)	8,000	5,694	(2,306)
Annual report	9,375	9,335	(40)	7,500	7,350	(150)
Office equipment	18,000	15,083	(2,917)	18,000	16,545	(1,455)
Office rent	33,750	33,341	(409)	33,750	33,341	(409)
Insurance D&O/gen. liability	12,000	10,671	(1,329)	12,000	10,766	(1,234)
Other - Conference/Training	5,250	2,431	(2,819)	-	-	-
Office utilities / telephone	7,500	6,324	(1,176)	9,000	5,845	(3,155)
Total Admin - non-personnel	<u>94,875</u>	<u>83,690</u>	<u>(11,185)</u>	<u>88,250</u>	<u>79,541</u>	<u>(8,709)</u>
Total Administration	<u>550,463</u>	<u>479,602</u>	<u>(70,861)</u>	<u>509,813</u>	<u>460,435</u>	<u>(49,378)</u>
Total Expenses	<u>2,245,463</u>	<u>2,019,040</u>	<u>(226,423)</u>	<u>2,848,216</u>	<u>2,884,232</u>	<u>36,016</u>
Net Surplus/(Deficit)	<u>\$ -</u>	<u>\$ 321,963</u>	<u>\$ 321,963</u>	<u>\$ -</u>	<u>\$ (473,985)</u>	<u>\$ (473,985)</u>
BEGINNING OF YEAR						
Carryover		<u>67,348</u>			<u>541,333</u>	
END OF YEAR						
Carryover		<u>\$ 389,311</u>			<u>\$ 67,348</u>	

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, 2013 AND 2012

NOTE A - ORGANIZATION

Founded in 2005, Chicago Loop Alliance (CLA) is a not-for-profit organization whose mission is to create, manage and promote high-performing urban experiences, attracting people and investment to the Loop. This mission is accomplished through four program areas, including beautification and enhanced services, planning and advocacy, placemaking and management, and economic development. CLA focuses its efforts within an area bounded by the Chicago River on the north and west, Congress Parkway on the south, and Michigan Avenue on the east, with a few blocks extending northeast to Columbus Drive in an area north of Millennium Park called Lakeview East. CLA's members consist of more than 250 businesses located within the Loop and downtown Chicago.

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, 2013 AND 2012

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 recorded as revenue in the year they are due. Deferred Revenue consists of membership cash collected in the current year for next year's dues.

Prior Year Reclassifications – For comparability, the prior year's financial statements reflect reclassifications where appropriate to conform to the financial statement presentation used this year.

Subsequent Events

Subsequent events have been evaluated through April 4, 2014, 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 \$43,337 and \$54,148 in management/administrative fees in 2013 and 2012, respectively, and the Foundation owes CLA \$42,362 and \$54,148 as of December 31, 2013 and 2012, respectively.

CHICAGO LOOP ALLIANCE / SSA #1
 (An Illinois Not-for-Profit Corporation)
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

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.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Furniture and fixtures	\$ 7,924	\$ 7,924
Office equipment	61,532	61,532
Leasehold improvements	<u>1,498</u>	<u>1,498</u>
	70,954	70,954
Less accumulated depreciation	<u>(66,615)</u>	<u>(64,546)</u>
Net fixed assets	<u>\$ 4,339</u>	<u>\$ 6,408</u>

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

CHICAGO LOOP ALLIANCE / SSA #1
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

NOTE G – DUE TO CITY OF CHICAGO

The balance 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 \$2,305,065 in 2013 and \$2,447,226 in 2012.

NOTE H – UNCERTAIN LIABILITY WITH THE CITY OF CHICAGO

SSA #1 was informed in late 2012 that there was a negative cash balance of \$513,979 with the City of Chicago. This was incurred before SSA #1 was established. The commissioners and the City of Chicago are in the process of determining how, or if, to resolve this negative balance. Therefore, no liability has been established.

In addition, the City of Chicago has reduced the amount paid to SSA #1 by \$68,029 during 2013 leaving a potential balance due of \$445,950.

NOTE I – LINE OF CREDIT

Chicago Loop Alliance entered into a one year line of credit agreement with a local bank in December, 2012 in the amount of \$400,000 at a variable interest rate of prime plus .5%. Chicago Loop Alliance did not use this credit line during 2013. This line of credit was renewed in December, 2013 at same amount and rate.

NOTE J – ACCOUNTS RECEIVABLE

Accounts Receivable as of December 31, 2013 consists of management and administrative fees due from Chicago Loop Alliance Foundation in the amount of \$43,362 in addition to \$80 of other receivables.

Accounts Receivable as of December 31, 2012 consists of management and administrative fees due from Chicago Loop Alliance Foundation in the amount of \$54,148. There is \$24,750 of member receivables due for the 2012 calendar year but there is a reserve for bad debts to cover the entire amount.

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

CHICAGO LOOP ALLIANCE / SSA #1
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

NOTE K – 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.

CHICAGO LOOP ALLIANCE / SSA #1
(An Illinois Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

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, Chicago, IL 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.

RESPONSE

SSA #1 bank account is currently a depository bank account. All bills are paid through the Chicago Loop Alliance (CLA) bank account and monies are transferred out of the SSA #1 account to the CLA account for the exact amount of funds spent for SSA #1. SSA #1 funds are not commingled with other CLA sources per *Section 5.03, Method of Payment*:

Section 5.03, Method of Payment, also states that pursuant to a schedule to be determined by the Commissioners, after the performance of services pursuant to the terms of the agreement, CLA may submit invoices to the City to request reimbursement for such expenses. CLA must provide, along with the invoices, such additional documentation as the Commissioners request to substantiate the services. Upon the

CHICAGO LOOP ALLIANCE / SSA #1
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

Commissioners' determination that the invoices are accurate, the City will process payment of the invoices.

Abiding to the Special Service Area Financial and Accounting Guidelines, SSA #1 Commissioners do not sign checks or other financial documents, but their approval in writing is needed for financial transactions pertaining to SSA #1 finances. CLA will include a Commissioner or Commissioners elected by the State Street Commission to review a summary of accounts payable batch approval scheduled for payment. The elected Commissioner's signature will serve as authorization of the accounts payable scheduled for payment before disbursements are made. The elected Commissioner will also be invited to sit at CLA's Finance Committee meeting to ensure compliance with the Special Service Area (SSA) Audit Guidelines and appropriate management of SSA #1 fund.

The Department of Planning and Development found this Corrective Action Plan satisfactory to ensure compliance with the requirements established in Special Service Area (SSA) Audit Guidelines in a letter addressed to Chicago Loop Alliance (CLA) on July 19, 2012.