

SPECIAL SERVICE AREA NUMBER 39

FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

For the Year Ended

December 31, 2012



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, 2012, 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, 2012, 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 23, 2013
Chicago, Illinois

SPECIAL SERVICE AREA NUMBER 39

Statement of Financial Position

December 31, 2012

ASSETS

Cash and cash equivalents (Note 2)	\$ 316,598
Receivable from affiliate (Note 3)	308,284
Real estate taxes receivable, less allowance for uncollectible taxes of \$185,000	<u>926,219</u>
Total Assets	<u>\$ 1,551,101</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 32,506
Deferred real estate tax income	886,885
Notes payable - Line of credit	296,769
Payable to affiliate (Note 3)	<u>55,000</u>
Total Liabilities	<u>1,271,160</u>

NET ASSETS

Unrestricted funds	<u>279,941</u>
Total Liabilities and Net Assets	<u>\$ 1,551,101</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, 2012

REVENUES, LOSSES, AND OTHER SUPPORT

Real estate taxes - current period	\$ 1,001,282
Real estate taxes - prior period	15,604
Interest and other income	38
Loss collection on real estate revenue	<u>(75,000)</u>
Total Support and Revenues	<u>941,924</u>

EXPENSES

Program Services:

Advertising and Promotion	114,553
Public Way Maintenance	105,836
Public Way Aesthetics	31,678
Tenant Retention / Attraction	-
Façade Improvements	53,322
Parking/ Transit / Accessibility	29,752
District Planning	24,804
Operational program support	406,835

Supporting Services:

Management and General	<u>169,419</u>
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Total Expenses	<u>936,199</u>
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INCREASE IN NET ASSETS 5,725

NET ASSETS -

Beginning of Year	<u>274,216</u>
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End of year	<u><u>\$ 279,941</u></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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 5,725
Adjustments to reconcile change in net assets to net cash used in operating activities - (Increase) decrease in:	
Real estate taxes receivable	(64,827)
Due from affiliate	2,201
Increase (decrease) in:	
Accounts payable	7,926
Deferred tax revenue	-
	<hr/>
Net Cash Used by Operating Activities	(48,975)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds on line of payment	-
Payments on line of credit	(2,201)
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Net Cash Used by Financing Activities	(2,201)

NET DECREASE IN CASH AND CASH EQUIVALENTS (51,176)

CASH AND CASH EQUIVALENTS

Beginning of year	<hr/> 367,774
End of year	<hr/> <hr/> \$ 316,598

SUPPLEMENTAL DISCLOSURE

Cash paid for:	
Interest	<hr/> <hr/> \$ 36,994

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

SPECIAL SERVICE AREA NUMBER 39

Notes to Financial Statements

December 31, 2012

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, 2012, 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, 2012

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 23, 2013, 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, 2012

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, 2011	\$ 295,485	\$ 15,000	\$ (55,000)	\$ 240,485
Allocated expenses	(607,583)	-	-	(607,583)
Payments - Line of Credit	(2,201)	-	-	(2,201)
Cash disbursements to affiliates	<u>607,583</u>	<u>-</u>	<u>-</u>	<u>607,583</u>
Balance due (to) from at December 31, 2012	<u>\$ 293,284</u>	<u>\$ 15,000</u>	<u>\$ (55,000)</u>	<u>\$ 238,284</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 8.25% at year end. Interest payments are due monthly. At December 31, 2012, the balance was \$296,769.



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, 2012, and have issued our report thereon dated April 23, 2013 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 23, 2013
Chicago, Illinois

ADDITIONAL INFORMATION

SPECIAL SERVICE AREA NUMBER 39

Comparison Schedules of Actual Revenues and Expenses to Budget

For the Years Ended December 31, 2012 and 2011

	2012			2011		
	2012	2012	2011	2011	2011	2011
	Actual	Budget	Variance	Actual	Budget	Variance
SUPPORT AND REVENUES						
Real estate taxes - current period	\$ 1,001,282	\$ 961,685	\$ 39,597	\$ 849,563	\$ 886,685	\$ (37,122)
Real estate taxes - prior period	15,604	-	15,604	53,586	37,875	15,711
Real estate taxes - carryover		274,216	(274,216)		1,061,396	(1,061,396)
Interest and other income	38	-	38	148	-	148
Total Support and Revenues	1,016,924	1,235,901	(218,977)	903,297	1,985,956	(1,082,659)
EXPENSES						
Program Services:						
Advertising and Promotion						
Display ads	64,305	65,000	(695)	46,003	132,606	(86,603)
Holiday / Seasonal	-	-	-	3,361	28,370	(25,009)
Print materials	14,974	15,000	(26)	18,201	18,871	(670)
Special events	30,501	25,000	5,501	218	45,000	(44,782)
Website/Technology	4,773	3,500	1,273	8,893	11,188	(2,295)
Service provider direct services	-	-	-	1,600	80,102	(78,502)
Other: Workman's comp insurance	-	-	-	-	1,308	(1,308)
Total Advertising and Promotion	114,553	108,500	6,053	78,276	317,445	(239,169)
Public Way Maintenance						
Equipment purchase and maintenance	2,454	4,000	(1,546)	1,801	21,202	(19,401)
Acid etching removal and/or prevention	56,095	70,000	(13,905)	12,160	122,492	(110,332)
Liability /Property Insurance	-	-	-	3,748	-	3,748
Sidewalk power washing	23,500	25,000	(1,500)	-	88,434	(88,434)
Storage rental	2,400	2,300	100	519	2,500	(1,981)

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, 2012 and 2011

	2012		2011		Variance	2011		Variance
	Actual	Budget	Actual	Budget		Actual	Budget	
Public Way Maintenance -Continued								
Supplies	2,227	2,000	227	227	215	10,100	(9,885)	
Trash removal service	3,464	4,500	(1,036)		2,530	4,035	(1,505)	
Service provider direct services	-	-	-	-	173,156	174,708	(1,552)	
Other: Truck and sweeper lease	9,000	9,000	-	-	9,000	9,197	(197)	
Other: Maintenance & repairs	-	-	-	-	1,475	8,164	(6,689)	
Other: Fuel	6,696	4,500	2,196	2,196	2,990	10,800	(7,810)	
Total Public Way Maintenance	105,836	121,300	(15,464)		207,594	451,632	(244,038)	
Public Way Aesthetics								
Banner maintenance	11,393	15,000	(3,607)		22,057	88,461	(66,404)	
Holiday decoration	-	-	-	-	-	34,730	(34,730)	
Landscaping	18,595	51,050	(32,455)		67,302	120,020	(52,718)	
Streetscape elements purchase	1,690	79,716	(78,026)		-	146,882	(146,882)	
Service provider direct services	-	-	-	-	31,676	31,676	-	
Other: Workman's comp insurance	-	-	-	-	-	2,097	(2,097)	
Total Public Way Aesthetics	31,678	145,766	(114,088)		121,035	423,866	(302,831)	
Tenant Retention / Attraction								
Site marketing materials	-	5,000	(5,000)		2,000	22,000	(20,000)	
Service provider direct services	-	-	-	-	30,101	48,352	(18,251)	
Technical assistance	-	-	-	-	-	10,000	(10,000)	
Other: Workman's comp insurance	-	-	-	-	-	641	(641)	
Total Tenant Retention / Attraction	-	5,000	(5,000)		32,101	80,993	(48,892)	

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, 2012 and 2011

	2012		2012		2011		2011	
	Actual	Budget	Variance	Budget	Actual	Budget	Variance	
Façade Improvements								
Awning rebate program	-	-	-	105,000	29,000	105,000	(76,000)	
Façade enhancement program	53,322	50,779	2,543	12,000	12,000	12,000	-	
Service provider direct services	-	-	-	11,846	11,846	11,846	-	
Other: Workman's comp insurance	-	-	-	189	-	189	(189)	
Total Façade Improvements	53,322	50,779	2,543	129,035	52,846	129,035	(76,189)	
Parking/ Transit / Accessibility								
Service provider direct services	-	-	-	131,654	94,881	131,654	(36,773)	
Parking / wayfinding/signage	500	12,000	(11,500)	40,334	18,000	40,334	(40,334)	
Other: Bus lease	18,000	18,000	-	19,500	11,954	19,500	(1,500)	
Other: Fuel	10,442	9,000	1,442	38,480	11,954	38,480	(26,526)	
Other: Repairs and maintenance	-	-	-	22,750	1,667	22,750	(21,083)	
Other: Radio time	810	800	10	1,000	1,074	1,000	74	
Total Parking / Transit / Accessibility	29,752	39,800	(10,048)	253,718	127,576	253,718	(126,142)	
Safety Programs								
Lighting, tree pruning	-	-	-	59,143	-	59,143	(59,143)	
Security	-	-	-	33,225	-	33,225	(33,225)	
Total Safety Programs	-	-	-	92,368	-	92,368	(92,368)	
District Planning								
Master planning	24,804	46,899	(22,095)	48,034	48,034	47,125	909	
SSA workplans	-	-	-	(11,596)	-	(11,596)	11,596	
District master plan / market study	-	-	-	985	985	-	985	
Service provider direct services	-	-	-	34,656	-	34,656	(34,656)	
Total District Planning	24,804	46,899	(22,095)	49,019	49,019	70,185	(21,166)	

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, 2012 and 2011

	2012	2012	2011	2011	2011
	Actual	Budget	Variance	Actual	Budget
					Variance
Personal					
Program personal cost allocation	406,835	481,371	(74,536)	-	-
	406,835	481,371	(74,536)	-	-
Supporting Services:					
Operational & Administrative Support					
Administrative non-personal cost allocation	74,536	74,536	-	2,500	(5,885)
Audit/ Bookkeeping	3,500	3,500	-	-	(1,123)
Meeting Expense	3,044	1,500	1,544	-	4,285
Office Equipment Lease / Maintenance	2,125	2,125	-	4,000	(285)
Office rent	25,120	25,120	-	6,660	22,780
Office supplies	2,801	2,400	401	5,870	5,870
Office Utilities / Telephone	3,725	3,725	-	3,500	4,650
Postage	6,457	6,448	9	1,250	6,448
Office printing	7,922	7,922	-	1,750	7,997
Service provider administrative support	-	-	-	71,612	71,612
Other: Finance charges and bank fee's	680	500	180	-	600
Other: Liability insurance	21,309	15,510	5,799	4,000	3,625
Other: Workman's comp insurance	18,200	18,200	-	5,400	7,980
Total Operational & Administrative Support	169,419	161,486	7,933	106,542	128,839
Loss Collection					
Total Expenses	75,000	75,000	-	37,875	37,875
Excess of (Expenses) Revenues over Expenses	1,011,199	1,235,901	(150,166)	812,864	1,985,956
	\$ 5,725	\$ -	\$ (68,811)	\$ 90,433	\$ -
					\$ 90,433

See independent auditor's report on additional information.

SPECIAL SERVICE AREA NUMBER 39

Summary Schedule of Findings

For the Year Ended December 31, 2012

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.