

Commercial Avenue Commission

SSA #5

Financial Statements

Years ended December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)



COMMERCIAL AVENUE COMMISSION

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Independent Auditors' Report

The Board of Directors
South Chicago Chamber of Commerce and SSA #5:

We have audited the accompanying financial statements of the Commercial Avenue Commission SSA #5 (the Commission), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of revenues and expenditures-budget to actual, and cash flows 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 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 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 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 Commercial Avenue Commission SSA #5 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 2013 and 2012 budget amounts, which were arrived at by the Special Service Area are shown in the statement of revenue, expenditures and changes in net assets, are presented for comparison purposes only. We have not performed any auditing procedures on the budget amounts and therefore, express no opinion on them.

DRAFT

Benford Brown & Associates, LLC
Chicago, IL
September 16, 2014

COMMERCIAL AVENUE COMMISSION

Statements of Assets, Liabilities, and Net Assets

December 31, 2013 and 2012

Assets	2013	2012
Current assets:		
Cash (note 7)	\$ 69,020	\$ 123,620
Levy receivables (note 4)	192,044	173,229
Due from Chamber	7,004	7,564
Prepaid expenses (note 5)	23,349	27,281
Total current assets	291,417	331,694
Noncurrent assets:		
Equipment (note 8)	82,931	82,931
Accumulated depreciation - equipment	(9,829)	-
Total noncurrent assets	73,102	82,931
Total assets	\$ 364,519	\$ 414,626
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 7,240	\$ 25,159
Total liabilities	7,240	25,159
Net assets:		
Unrestricted	357,279	389,467
Total net assets	357,279	389,467
Total liabilities and net assets	\$ 364,519	\$ 414,626

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

COMMERCIAL AVENUE COMMISSION

Statements of Revenue and Expenditures-Budget to Actual

Years ended December 31, 2013 and 2012

	2013			2012		
	Actual	Budget	Variance	Actual	Budget	Variance
Revenues:						
Tax levy revenue (note 3)	\$ 355,606	355,606	0	\$ 407,132	406,956	176
Miscellaneous revenue	116	-	116	4,264	-	4,264
Total revenue	355,723	355,606	117	411,396	406,956	4,440
Expenditures:						
Advertising and promotion services						
Promotions/marketing	1,957	500	1,457	-	-	-
Holiday/seasonal promotions	-	-	-	-	-	-
Special events	2,997	15,000	(12,003)	558	9,500	(8,942)
Display advertising	681	1,000	(319)	1,000	1,000	-
Print materials	1,908	3,000	(1,093)	120	1,000	(880)
Website technology	-	13,500	(13,500)	900	600	300
Service provider direct services	-	-	-	-	-	-
Total advertising and promotion services	7,543	33,000	(25,457)	2,578	12,100	(9,522)
Public way maintenance services						
Equipment purchase and maintenance	-	15,000	(15,000)	1,088	-	1,088
Gate/fence maintenance	-	-	-	-	-	-
Liability/property insurance	-	-	-	-	-	-
Sidewalk cleaning	36,260	42,500	(6,240)	42,640	51,000	(8,360)
Sidewalk repair	-	-	-	-	-	-
Snow removal	3,860	9,300	(5,440)	-	6,800	(6,800)
Supplies	-	-	-	-	-	-
Parking lot maintenance	350	-	350	-	-	-
Other: recycling program	-	-	-	-	-	-
Service provider direct services	-	-	-	-	-	-
Total public way maintenance services	40,470	66,800	(26,330)	43,728	57,800	(14,072)
Public way aesthetic services						
Decorative banners	3,101	8,750	(5,649)	2,860	9,000	(6,140)
Landscaping	15,976	27,000	(11,024)	22,997	25,000	(2,003)
Holiday decorations/other	1,066	8,750	(7,684)	8,910	5,000	3,910
Streetscape elements purchase	-	2,700	(2,700)	130	2,500	(2,370)
Wayfinding/signage	-	2,000	(2,000)	-	15,500	(15,500)
Public art	450	7,500	(7,050)	200	2,000	(1,800)
Other: emergency board up	-	-	-	-	-	-
Service provider direct services	-	-	-	-	-	-
Total public aesthetic services	20,593	56,700	(36,107)	35,097	59,000	(23,904)
Tenant retention/attraction						
Data collection	-	6,000	(6,000)	-	500	(500)
Site marketing materials	-	2,500	(2,500)	-	500	(500)
Technical assistance to businesses	-	12,000	(12,000)	-	-	-
Technical assistance to residents	-	-	-	-	-	-
Service provider direct services	-	-	-	-	-	-
Total tenant retention/attraction	-	20,500	(20,500)	-	1,000	(1,000)
Parking/transit/accessibility services						
Parking facility enhancement program	700	2,500	(1,800)	-	2,500	(2,500)
Supplemental Transit (shuttle, trolley, etc.)	28,764	2,500	26,264	48,091	43,000	5,091
Equipment purchase/maintenance	13,534	-	13,534	13,841	-	13,841
Parking transit enhancement	-	-	-	-	-	-
Storage fees	500	-	500	2,900	-	2,900
Fuel	5,352	-	5,352	22,513	-	22,513
Interest expense	95	-	95	428	-	428
Liability/property insurance	-	-	-	2,212	-	2,212
Parking fee subsidy	-	-	-	-	-	-
Other	563	-	563	-	-	-
Service provider direct services	-	-	-	-	-	-
Total parking/transit/accessibility services	49,507	5,000	38,560	89,985	45,500	16,432
District planning services						
Service provider direct services	19,154.76	5,000.00	14,154.76	-	500.00	(500.00)
Total district planning services	19,154.76	5,000.00	14,154.76	-	500.00	(500.00)
Safety programs						
Public way surveillance cameras/maintenance	4,792	28,500	(23,708)	14,287	20,000	(5,713)
Security rebate program	-	-	-	-	-	-
Security subcontractor	94,615	90,000	4,615	85,555	94,000	(8,445)
Service provider direct services	-	-	-	-	-	-
Total safety programs	99,407	118,500	(19,093)	99,842	114,000	(14,158)
Façade development services						
Signage	-	-	-	-	-	-
Façade enhancement program - rebates	8,400	14,000	(5,600)	8,150	25,350	(17,200)
Service provider direct services	-	-	-	-	-	-
Total façade development services	8,400	14,000	(5,600)	8,150	25,350	(17,200)
Management and general						
Audit/bookkeeping	9,581	11,000	(1,419)	14,513	10,000	4,513
Meeting	424	600	(176)	493	600	(107)
Legal	-	-	-	(100.00)	-	(100)
Operations	6,917	-	6,917	-	-	-
Rent	9,050	8,640	410	8,640	8,600	40
Office equipment lease/maintenance	1,676	720	956	-	714	(714)
Office supplies	893	720	173	814	714	100
Utilities	3,017	6,480	(3,463)	3,646	6,500	(2,854)
Bank fees	694	220	474	917	720	197
Postage	41	720	(679)	171	714	(543)
Printing, books, subscriptions	12	1,500	(1,488)	62	1,500	(1,438)
Other	8,013	1,602	6,411	4,421	-	4,421
Loss collection (note 6)	36,535	-	36,535	88,427	15,229	73,198
Service provider administrative support	65,984	75,515	(9,531)	52,643	75,515	(22,872)
Total management and general	142,835	107,717	35,118	174,647	120,806	53,841
Total expenses	\$ 387,911	427,217	(45,254)	\$ 454,026	436,056	(10,083)
Excess of Expenditures over Revenue	(32,188)	-	45,370	(42,631)	-	14,523

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

COMMERCIAL AVENUE COMMISSION

Statements of Cash Flows

For the years ended December 31, 2013 and 2012

	2012	2012
Cash flows from operating activities:		
Net decrease in net assets	\$ (32,188)	\$ (42,631)
Adjustments to reconcile increase/(decrease) in net assets to cash used in operating activities:		
Depreciation expense	9,829	-
Decrease in levy receivable	(18,814)	82,183
Increase in due from Chamber	560	(3,268)
Decrease in prepaid expenses	3,932	14,022
Decrease in accounts payable	(17,919)	(1,114)
Net cash provided by/(used in) operating activities	(54,600)	49,192
Cash flows provided by investing activities:	-	-
Cash flows provided by financing activities:		
Purchases of equipment	-	(82,931)
Net cash used in financing activities	-	(82,931)
Net decrease in cash	(54,600)	(33,739)
Cash as of January 1, 2013 and 2012	123,620	157,359
Cash as of December 31, 2013 and 2012	\$ 69,020	\$ 123,620

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

COMMERCIAL AVENUE COMMISSION SSA # 5

Notes to the Financial Statements

Years ended December 31, 2013 and 2012

(1) Organization Description

Commercial Avenue Commission (the Commission) Special Service Area No.5 (SSA #5) was created September 18, 1984 by ordinance of the Chicago City Council. The Commission began financial operations upon receipt of real estate tax assessment revenues in April 1985. The Commission is funded annually by a special tax assessment.

The purpose of the Commission is to provide special services within the City of Chicago (City) SSA #5 in addition to services provided by and to the City. The Commission's operations are overseen by the South Chicago Chamber of Commerce (the Chamber).

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America; revenues are recognized when earned and expenses are recognized when incurred. Tax revenues are accounted for using the accrual basis; revenues are recognized when they are both measurable and available. Available means the current period or soon enough thereafter to pay current liabilities. The Commission considers tax revenue to be available if it is collected within 60 days of the end of the year.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Commission maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements have been prepared to focus on the Commission as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted or unrestricted, as recommended by the Accounting Codification Standards (ACS) No.958-205, "Not-for-Profit Entities Presentation of Financial Statements".

COMMERCIAL AVENUE COMMISSION SSA # 5

Notes to the Financial Statements

Years ended December 31, 2013 and 2012

Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained by the Commission. Generally, the donors to these assets permit the Commission to use all or part of the income earned on related investments for general or specific purposes. The Commission did not maintain any permanently restricted net assets during fiscal years 2013 or 2012.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met by actions of the Commission and/or passage of time. The Commission did not maintain any temporarily restricted net assets during fiscal years 2013 and 2012.

Unrestricted net assets: Net assets not subject to donor-imposed restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Donated Services

Donated services are recognized as contributions in accordance with FASB ACS 958-605 "Not-for-Profit Entities, Revenue Recognition", if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Commission.

Income Tax

The Commission, as a Special Service Area established by the City of Chicago, is excluded from federal income taxes.

Use of Estimates

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

COMMERCIAL AVENUE COMMISSION SSA # 5

Notes to the Financial Statements

Years ended December 31, 2013 and 2012

Net Assets

Unrestricted net assets are \$364,519 and \$389,467 as of December 31, 2013 and 2012, respectively.

(3) Real Estate Tax Revenue

The Organization's principle source of revenue is from real estate taxes levied on certain property located in the boundaries from 87th on the north to 93rd on the south along South Commercial Avenue; 91st frontage, from Exchange Avenue on the west to Houston Avenue on the east; and 92nd frontage, from Exchange Avenue on the west to Harbor on the east. The taxes are assessed and collected by Cook County and paid to the City of Chicago, which then remits to the Organization. Taxes are levied in one year, but paid in two installments the following year by the property owners. The Organization recognizes this revenue in the year in which the funds become available.

(4) Levy Receivable

Levy receivable consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
City of Chicago	<u>\$ 192,044</u>	<u>\$ 173,229</u>

All of the Commission's receivables are due within the next fiscal year.

(5) Prepaid Expenses

Prepaid expenses comprise of the following at December 31:

	<u>2013</u>	<u>2012</u>
Prepaid insurance	\$ 2,599	\$ 1,251
Prepaid trolley cars	<u>20,750</u>	<u>26,030</u>
Total prepaid expenses	<u>\$ 23,349</u>	<u>\$ 27,281</u>

(6) Loss Collection

The Commission uses the allowance for doubtful account for uncollectible accounts receivable. Accounts receivable are presented net of an allowance for doubtful accounts in the financial statements. At December 31, 2013 and 2012, the Commission had loss collections included in the

COMMERCIAL AVENUE COMMISSION SSA # 5

Notes to the Financial Statements

Years ended December 31, 2013 and 2012

budget in the amounts of \$17,780 and \$15,229 respectively. As of December 31, 2013 and 2012, the Commission deemed \$36,535 and \$88,427 to be uncollectible for each year, respectively.

(7) Fair Value of Financial Instruments

In determining fair value, the Commission uses various valuation approaches within the Financial Accounting Standards Board (FASB) Accounting Standards Code (ASC) 820-10 "Fair Value Measurements and Disclosures" fair value measurement network. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

FASB ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820-10 defines the levels within the hierarchy base on the reliability of inputs as follows:

Level 1 – Valuations based on adjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets.

Level 3 – Valuations derived from valuation techniques in which one or more of significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2013 are as follows:

	<u>Fair value</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant other unobservable inputs (Level 3)</u>
Certificate of deposit \$	20,225			
Money market - MB	5,610			
Money market - Royal	46,428	-	-	-
Totals	<u>\$ 72,263</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>

COMMERCIAL AVENUE COMMISSION SSA # 5

Notes to the Financial Statements

Years ended December 31, 2013 and 2012

Fair value for Level 1 assets is determined by reference to quoted market transactions

(8) Equipment

The Commission purchased equipment for the installation and upgrading of the closed circuit television (CCTV) wireless network as a special service authorized in the establishment ordinance for security purposes. Depreciation will not be computed until fiscal year 2013 due to date of installation.

Equipment consists of the following at December 31:

	<u>2013</u>	<u>2012</u>
CCTV Wireless Network	<u>\$ 82,931</u>	<u>\$ 82,931</u>

COMMERCIAL AVENUE COMMISSION SSA # 5

Service Provider Agreement Compliance

Summary Schedule of Audit Findings

Year ended December 31, 2013

Finding 13-1 Improperly Recorded Financial Transactions

We noted that several financial transactions were improperly recorded. The prior bookkeeper recorded several transactions incorrectly and the new CPA did not adjust any entries prior to providing them for the audit. The accounting records should be maintained on the accrual basis of accounting and all adjusting entries should be prepared prior to closing the books and turning them over to the auditor for the audit. As a result of these improperly recorded transactions, the audit was severely delayed and there were a total of adjusting entries for fiscal year 2013 of \$172,187.37.

We recommend that CAC utilized the new CPA to prepare the financial statements according to the accrual basis of accounting and all adjusting entries be prepared prior to closing the books for the audit.

COMMERCIAL AVENUE COMMISSION SSA # 5

Service Provider Agreement Compliance

Summary Schedule of Prior Audit Findings

Year ended December 31, 2013

Finding 12-1 Improperly Recorded Financial Transactions

We noted that several revenue and receivable transactions were improperly recorded. The bookkeeper recorded revenue when received rather than earned. The accounting records should be maintained on the accrual basis of accounting which dictates that revenue is recorded when earned. As a result of these improperly recorded transactions, the current year tax levy revenue was understated by \$87,593.

We recommend that CAC utilized the new bookkeeper to prepare the financial statements according to the accrual basis of accounting.

Resolution: Although the revenue was recorded properly for 2013, the receivable was not recorded correctly. Therefore, we find this comment to be unresolved. See finding 13-1.