

DEVON AVENUE SPECIAL SERVICE AREA #43

FINANCIAL STATEMENTS

DECEMBER 31, 2012

DEVON AVENUE SPECIAL SERVICE AREA #43

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

DECEMBER 31, 2012

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REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners of
Devon Avenue Special Service Area #43

We have audited the accompanying statements of financial position of Devon Avenue Special Service Area #43 which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities 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 the 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 Devon Avenue Special Service Area #43 as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Summary Schedule of Findings that appears on page 8 is presented for 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.

The budgetary information in the Statement of Activities on page 4 has not been subjected to the auditing procedures applied in the audits of the basic financial statements. Accordingly, we express no opinion on it.

Calibre CPA Group, PLLC

Chicago, Illinois
April 19, 2013

DEVON AVENUE SPECIAL SERVICE AREA #43

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash	\$ 2,155	\$ 6,567
Service tax receivable, net of allowance for uncollectible accounts	<u>10,604</u>	<u>16,982</u>
Property and equipment	97,033	97,033
Less: accumulated depreciation	<u>(63,317)</u>	<u>(43,910)</u>
Net property and equipment	<u>33,716</u>	<u>53,123</u>
TOTAL ASSETS	<u>\$ 46,475</u>	<u>\$ 76,672</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ -	\$ 18,547
Line of credit	<u>-</u>	<u>15,156</u>
Total liabilities	-	33,703
NET ASSETS - UNRESTRICTED	<u>46,475</u>	<u>42,969</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 46,475</u>	<u>\$ 76,672</u>

See accompanying notes to financial statements.

DEVON AVENUE SPECIAL SERVICE AREA #43

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011

	2012			2011		
	Budget (Unaudited)	Actual	Variance	Budget	Actual	Variance
REVENUE						
Services tax	\$ 184,750	\$ 184,583	\$ 167	\$ 183,800	\$ 181,161	\$ 2,639
Interest income	-	8	(8)	-	20	(20)
Total revenue	<u>184,750</u>	<u>184,591</u>	<u>159</u>	<u>183,800</u>	<u>181,181</u>	<u>2,619</u>
EXPENSES						
Program services						
Public Way Maintenance	113,861	102,863	10,998	126,750	104,961	21,789
Public Way Aesthetics	1,900	29,390	(27,490)	30,656	54,117	(23,461)
Façade Improvements	6,571	7,706	(1,135)	-	-	-
Management and general expenses						
Operational and administrative support	39,950	40,950	(1,000)	16,394	17,912	(1,518)
Loss collection	22,468	176	22,292	10,000	986	9,014
Total expenses	<u>184,750</u>	<u>181,085</u>	<u>3,665</u>	<u>183,800</u>	<u>177,976</u>	<u>5,824</u>
CHANGE IN NET ASSETS	-	3,506	(3,506)	-	3,205	(3,205)
NET ASSETS - UNRESTRICTED						
Beginning of year	-	42,969	(42,969)	-	39,764	(39,764)
End of year	<u>\$ -</u>	<u>\$ 46,475</u>	<u>\$ (46,475)</u>	<u>\$ -</u>	<u>\$ 42,969</u>	<u>\$ (42,969)</u>

See accompanying notes to financial statements.

DEVON AVENUE SPECIAL SERVICE AREA #43

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,506	\$ 3,205
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	19,407	19,407
Change in allowance for doubtful accounts	176	986
Changes in assets and liabilities		
Receivables	6,202	22,924
Accounts payable and accrued expenses	<u>(18,547)</u>	<u>6,761</u>
Net cash provided by operating activities	<u>10,744</u>	<u>53,283</u>
 CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment	<u>-</u>	<u>-</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	20,229	31,156
Payment on line of credit	<u>(35,385)</u>	<u>(82,000)</u>
Net cash used in financing activities	<u>(15,156)</u>	<u>(50,844)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,412)	2,439
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>6,567</u>	<u>4,128</u>
End of year	<u>\$ 2,155</u>	<u>\$ 6,567</u>
 SUPPLEMENTAL DISCLOSURE		
Interest paid during year	<u>\$ 1,473</u>	<u>\$ 1,832</u>

See accompanying notes to financial statements.

DEVON AVENUE SPECIAL SERVICE AREA #43

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 1. ORGANIZATION

Devon North Town Business and Professional Association (Association) d/b/a West Ridge Chamber of Commerce is an Illinois not-for-profit corporation and is exempt from federal taxes under Section 505(c)(6) of the Internal Revenue Code. The Devon Avenue Special Service Area (SSA) #43 was created as a result of the City of Chicago's Department of Planning and Developments acceptance of the Association's application. The SSA program through the City of Chicago provides communities with the financial means to create, maintain and manage clean, attractive and competitive commercial districts. The SSA raises funds through a small assessment placed on each taxpaying property within a certain boundary. SSA's are governed by the State of Illinois statute, authorized by the City of Chicago ordinance and administered locally with oversight by a local Board of Commissioners.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Service Tax Receivable - Service tax due and unpaid at year end are recorded as service tax receivable. Allowance for uncollectible accounts at December 31, 2012 and 2011 was \$2,959 and \$2,783, respectively.

Statement of Cash Flows - For purposes of this statement, SSA #43 considers deposits in banks to be cash equivalents.

Use of Estimates - The preparation of the statement requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Basis of Accounting - SSA #43 reports on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board which require SSA #43 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 and 2011, SSA #43 did not have any temporarily or permanently restricted net assets.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property & Equipment - Property and equipment is carried at cost. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently.

Depreciation is computed on the straight-line method with an estimated useful life of 5 years.

Subsequent Events - Management has evaluated subsequent events through April 19, 2013, the date which the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

NOTE 3. RELATED PARTY

The West Ridge Chamber of Commerce's Executive Director provides certain direct services in addition to the Chamber providing administrative support to SSA #43. Total reimbursement to the West Ridge Chamber of Commerce for the years ended December 31, 2012 and 2011 was \$33,450 and \$31,958, respectively.

NOTE 4. LINE OF CREDIT

The Devon North Town Business and Professional Association d/b/a West Ridge Chamber of Commerce maintains a promissory note on behalf of SSA #43, which was due January 23, 2013. The total available line of credit was \$75,000 with a variable interest rate based on the Wall Street Journal Prime Rate with a minimum of 6.5%. As of December 31, 2012, there was no balance due on the line. As of December 31, 2011, the outstanding balance on the line was \$15,156. Interest was paid on a monthly basis by the West Ridge Chamber of Commerce and SSA #43 reimbursed the Chamber.

NOTE 5. TAX STATUS

The SSA is exempt from federal income taxes under section 510(c)(6) of the Internal Revenue Code. The SSA's latest determination letter is dated June 30, 1995 in which the Internal Revenue Service stated that the SSA was designed in accordance with the applicable sections of the Internal Revenue Code.

ADDITIONAL INFORMATION

DEVON AVENUE SPECIAL SERVICE AREA #43

SUMMARY SCHEDULE OF FINDINGS

DECEMBER 31, 2012

Segregation of Duties

The City of Chicago Department of Law – Internal Audit Special Service Area Financial and Accounting Guide (the Guide) recommends that the monthly bank reconciliations be performed by someone who does not have check signing authority. In addition, it recommends that the Executive Director review the unopened monthly bank statement.

SSA #43's checking account requires two signatures on all checks. The Executive Director and the Chairman of the Board of Commissioners are authorized signors on the account. The Executive Director is the only employee of the Chamber and the SSA. The Executive Director prepares the bank reconciliation and forwards a copy to the Chairman. However, the Executive Director was the only authorized signor on the account for a majority of the year. Thus, there were not two authorized signors approving and authorizing checks until October 2012.

We recommend that at least one Commissioner is an authorized signor on the account and that all checks contain two signatures.