

**CHATHAM BUSINESS ASSOCIATION
SMALL BUSINESS DEVELOPMENT, INC**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

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WILLIAM A. HUGHES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Chatham Business Association –
Small Business Development, Inc.
Chicago, Illinois

We have audited the accompanying statement of financial position of CBA – Small Business Development, Inc. (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 CBA – Small Business Development, Inc as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2012 on our consideration of Trinity Higher Education Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance.

William A. Hughes, LLC

April 25, 2012

CBA - SMALL BUSINESS DEVELOPMENT, INC.

(An Illinois Not-For-Profit Corporation)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

ASSETS

	<u>2011</u>
Current Assets:	
Cash	\$ 267,004
Accounts Receivable	7,582
Prepaid Expenses	36,915
Total Current Assets	<u>311,501</u>
Property and Equipment:	
Office Furniture and Equipment	25,709
Less Accumulated Depreciation	<u>(25,709)</u>
Total Property and Equipment	-
Total Assets	\$ 311,501 <u>=====</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable	\$ -
Deferred Revenue	34,179
Loans from Officers	19,700
Due To Related Party	22,516
Notes Payable	30,000
Total Current Liabilities	<u>106,395</u>
Net Assets:	
Restricted	365,234
Unrestricted	(160,169)
Temporarily Restricted	
Total Net Assets	<u>205,065</u>
Total Liabilities and Net Assets	\$ 311,460 <u>=====</u>

The accompanying notes are integral to these financial statements.

CBA - SMALL BUSINESS DEVELOPMENT, INC.
(An Illinois Not-For-Profit Corporation)

STATEMENT OF ACTIVITIES
Budget Versus Actual

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Government Contracts - SSA Program			
SSA Tax Revenue	\$ 996,000	\$ 768,719	\$ 227,281
SSA Interest Income		41	
<u>SSA Program Expenses:</u>			
Advertising & Promotion	\$ 132,000	\$ 83,851	\$ 48,149
Public Way Maintenance	305,000	55,715	249,285
Public Way Aesthetics	76,000	75,883	117
Tenant Retention/Attraction	27,500	13,250	14,250
Façade Improvements	70,000	5,000	65,000
Safety Programs	172,000	49,885	122,115
District Planning	90,000	71,793	18,207
Total Services	<u>872,500</u>	<u>355,377</u>	<u>517,123</u>
Administration	63,500	48,108	15,392
Loss Collection	60,000	-	60,000
Total SSA Expenses	<u>\$ 996,000</u>	<u>403,485</u>	<u>592,515</u>
Restricted Increase(Decrease) In Net Assets	-	365,234	\$ <u>(365,234)</u>
Beginning Net Assets - Restricted	-		-
Ending Net Assets - Restricted		<u>365,234</u>	
Government Grants - CDBG Program			
CDBG Grant Revenue	\$ 40,720	40,720	\$ -
<u>CDBG Program Expenses:</u>			
Personnel	34,000	34,000	-
Fringe Benefits	2,601	2,601	-
Operating/Technical	4,119	4,119	-
Total CDBG Expenses	<u>\$ 40,720</u>	<u>40,720</u>	<u>\$ -</u>

The accompanying notes are integral to these financial statements.

CBA - SMALL BUSINESS DEVELOPMENT, INC.
 (An Illinois Not-For-Profit Corporation)

STATEMENT OF ACTIVITIES
 Budget Versus Actual

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Other Support & Expenses			
<u>Revenue:</u>			
Membership Dues		43,464	
Services		174,409	
Grants		9,000	
Fund Raising		2,400	
Other		1,754	
Interest Income		2	
Total Public Support & Revenue		<u>231,029</u>	
<u>Expenses:</u>			
Personnel		157,351	
Professional Fees		83,232	
Occupancy Costs		31,996	
Interest Expense		1,949	
General & Administrative		51,689	
Total Other Expenses		<u>326,217</u>	
Unrestricted Increase(Decrease)			
In Net Assets		<u>(95,188)</u>	
Beginning Net Assets - Unrestricted		<u>(64,981)</u>	
Ending Net Assets - Unrestricted		<u>\$ (160,169)</u>	

The accompanying notes are integral to these financial statements.

CBA - SMALL BUSINESS DEVELOPMENT, INC.
(An Illinois Not-For-Profit Corporation)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011
CASH FLOW FROM OPERATING ACTIVITIES:	
Government Program	\$ 768,719
Grants	34,928
Public Support & Other Revenue	265,206
Interest	2
Government Program and Grant Expenses	(444,205)
Suppliers and Program Expenses	(363,132)
	261,518
Net Cash Provided by Operating Activities	
CASH FLOWS FROM INVESTING ACTIVITIES:	
	-
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from Notes Payable	15,109
Repayment of Loans from Officers	(13,600)
Repayment of Loans from Related Party	(1,817)
	(308)
Net Cash Used In Financing Activities	
Net Increase in Cash	261,210
Cash at Beginning of Year	5,753
Cash at End of Year	\$ 266,963
	270,046
CASH FLOW FROM OPERATING ACTIVITIES:	
Increase (Decrease) in Net Assets	\$ 270,046
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	-
(Increase) Decrease in:	
Accounts Receivable	(5,792)
Prepaid Expenses	(36,915)
Increase (Decrease) in:	
Deferred Revenue	34,179
Net Cash Provided by (Used in) Operating Activities	\$ 261,518
	261,518

The accompanying notes are integral to these financial statements.

CHATHAM BUSINESS ASSOCIATION - SMALL BUSINESS DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

A. ORGANIZATION

The Chatham Business Association -Small Business Development, Inc. (SBDI) was incorporated in the State of Illinois as a not-for-profit corporation. The purpose of SBDI is to provide and promote educational charitable services for the general welfare of local business and individuals. SBDI is exempt from income tax under section 501(c)6 of the Internal Revenue Code.

SBDI receives funds from the City of Chicago for two of its major programs.

SBDI has been designated as an administrator of the Special Service Area No. 51 (SSA) by the City of Chicago (the City) in an agreement made effective for calendar year January 1, 2011. 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 Chatham community. The tax levy is in addition to all other property taxes. Tax levies are billed, collected, and remitted by the City to SBDI. Any unused tax levy for approved activities can be used by SBDI in the succeeding year with City approval. The tax levy order is for 10 years beginning with tax year 2010. These funds are temporarily restricted for approved annual activities.

SBDI also receives grant funds from the Community Development Block Grant program (CDBG) established by the City's Department of Planning and Development (the Department). To qualify for the grant, SBDI is required to make annual application by May 31st for the following year's funding. The application process requires a budget to be presented to the Department, once approved funds are disbursed as proof of expenditures are presented and reviewed by the Department. The CDBG program is designed to assist small business with technical resources through the use of not-for-profit partners. These funds are reimbursable on budgeted items.

Other funding sources include membership dues, private donations, and fund raising activities.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned and expenses when obligations are incurred even though cash may not actually be received or disbursed at that time. SBDI follows the requirements to provide statements of financial position, activities and cash flows. SBDI reports the classification of its net assets, revenue, expenses, based on the existence or absence of donor-imposed restrictions by either of three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The City of Chicago requires the statement of activities to reflect budget, actual and the variance amounts.

CHATHAM BUSINESS ASSOCIATION - SMALL BUSINESS DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2011

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The amounts reported in the statement of financial position represent cash in banks

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; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the relevant period. Actual results could differ from estimates.

Allocation of Expenses

Expenses are charged to each contract on a direct basis where possible. Indirect costs are allocated based on the total direct costs.

Property and Equipment

The cost of property and equipment purchased in excess of \$500 is capitalized. Depreciation and amortization are provided in amounts sufficient to amortize the cost of the property and equipment over the estimated useful lives of the assets (currently ranging from five to seven years) on a straight line basis.

Fair Value of Financial Instruments

Due to the short-term nature of cash equivalents, receivables, prepaid expenses and other assets, accounts payable, and prepaid revenue, their fair value approximates carrying value.

Start Up Costs

SBDI capitalized certain costs incurred in 2010 that were fully expensed in 2011 and included in SSA activity. These allowable start up costs expensed in 2011 equaled \$53,409.

C. GOVERNMENT SUPPORT (CONCENTRATIONS)

The Corporation receives a substantial amount of its operating support from either federal, state, or local governments. Any significant reduction in the level of this support could have an effect on The Corporation's programs.

D. NOTE PAYABLE

SBDI has a line of credit with Seaway Bank for a maximum amount of \$30,000 that is used for working capital monthly payments are made depending on cash availability at an interest rate of 8%.

CHATHAM BUSINESS ASSOCIATION - SMALL BUSINESS DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2011

E. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, SBDI paid \$23,927 for rental expense to a foundation for the use of their facilities. A Board member of the foundation is also on the Board of SBDI. Additionally, SBDI rents office space at a different location and paid rent expense in the amount of \$9,215 to another management agency whose owner is on the Board.

F. TAX LEVY AND REVENUE RECOGNITION

The maximum tax levy that SBDI will receive is \$996,000 or the total amount of Service Tax Funds actually collected whichever is less. SBDI will recognize the revenue as it is received.

G. SUBSEQUENT EVENTS

The Corporation evaluated subsequent events through April 25, 2012, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.



**INDEPENDENT AUDITOR'S ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors of
Chatham Business Association –
Small Business Development, Inc
Chicago, Illinois

We have audited the financial statements of Chatham Business Association - Small Business Development, Inc.(SBDI)(a nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated April 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chatham Business Association - Small Business Development, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SBDI Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, some deficiencies and/or weaknesses were reported to management separately.

Compliance & Other Matters

As part of obtaining reasonable assurance about whether Chatham Business Association - Small Business Development, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

William A. Hughes, LLC

April 25, 2012

CHATHAM BUSINESS ASSOCIATION - SMALL BUSINESS DEVELOPMENT, INC
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

At the request of the City of Chicago, the auditors have read the Agreement between the City and Chatham Business Association – Small Business Development, Inc. and during the performance of the audit we did not note any material noncompliance with the agreement by the SSA.

Finding:

With this being SBDI's first year being an SSA administrator, there were some improper classification of costs which this auditor feels improvements will be made with the experience and knowledge they have learned.

Response to Finding

In 2011, CBA SBDI had a turnover in key accounting personnel that accounted for some improper classification of costs errors. CBA SBDI has since obtained and trained accounting personnel who has more technical accounting skills and is familiar with operations of CBA SBDI and its affiliated entities.