

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

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

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

As of December 31, 2012 AND 2011

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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 #21 (a taxing district authorized by the City of Chicago), which comprise the statements of financial position as of December 31, 2012 and 2011, 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 #21 as of December 31, 2012 and 2011, 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  
March 25, 2013

CHICAGO LOOP ALLIANCE / SSA 1  
 (An Illinois Not-for-Profit Corporation)  
 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 423,389	\$ 1,388,251
Accounts receivable - net	54,148	24,339
Total Current Assets	<u>477,537</u>	<u>1,412,590</u>
Property & equipment - net	<u>6,408</u>	<u>8,476</u>
Total Assets	<u>\$ 483,945</u>	<u>\$ 1,421,066</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 64,147	\$ 580,958
Due to City of Chicago	40,327	3,348
Deferred revenue	42,272	51,499
Total Current Liabilities	<u>146,746</u>	<u>635,805</u>
Net Assets		
Unrestricted - SSA 1	67,348	541,333
Unrestricted - Chicago Loop Alliance	269,851	243,928
Total Net Assets	<u>337,199</u>	<u>785,261</u>
Total Liabilities and Net Assets	<u>\$ 483,945</u>	<u>\$ 1,421,066</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, 2012 AND 2011

	2012	2011
Revenues:		
Membership dues	\$ 212,214	\$ 205,294
Cook county collection - SSA #1	2,410,247	3,076,430
Annual meeting	18,880	28,035
Government grants	48,623	80,999
Sponsorships	64,000	123,087
CLA foundation management fee	54,148	42,618
Networking events	-	10,984
Other income	-	160
Total Revenue	2,808,112	3,567,607
Expenses:		
Program Services		
Marketing & events	26,466	85,768
Marketing to business	23,979	30,951
Streetscape programs	37,826	-
SSA #1 expenses	2,884,232	3,346,827
	2,972,503	3,463,546
Supporting Services Expenses	283,671	341,027
Total Expenses	3,256,174	3,804,573
(Decrease) in Net Assets	(448,062)	(236,966)
Beginning of Year		
Unrestricted Net Assets	785,261	1,022,227
End of Year		
Unrestricted Net Assets	\$ 337,199	\$ 785,261

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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (448,062)	\$ (236,966)
Adjustments to reconcile net surplus to net cash (used in) provided by operating activities:		
Accounts receivable - net	(29,810)	88,764
Depreciation	2,069	2,386
Due to City of Chicago	36,979	(175,981)
Accounts payable	(516,811)	507,911
Deferred revenue	(9,227)	3,420
Net cash (used in) provided by operating activities	<u>(964,862)</u>	<u>189,534</u>
Net cash (decrease) increase for period	<u>(964,862)</u>	<u>185,170</u>
Cash and cash equivalents - beginning of year	<u>1,388,251</u>	<u>1,203,081</u>
Cash and cash equivalents - end of year	<u>\$ 423,389</u>	<u>\$ 1,388,251</u>

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

CHICAGO LOOP ALLIANCE  
 (An Illinois Not-for-Profit Corporation)  
 SUPPORTING SERVICES EXPENSES  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Supporting Services Expenses		
Salaries & payroll taxes	\$ 134,061	\$ 180,724
Membership billed, not renewed	23,675	35,921
Employee benefits	44,968	39,811
Office and general	19,176	32,114
Rent	11,114	11,114
Professional services	10,191	-
Outside services	7,059	-
Miscellaneous	355	414
Bank & credit card fees	5,222	5,808
Meals and entertainment	7,479	9,551
Sponsorships	-	5,000
Insurance	3,589	3,566
Equipment	5,515	3,383
Postage	2,494	4,571
Depreciation	2,069	2,386
Telephone	4,015	3,369
Dues and subscriptions	1,519	1,992
Accounting	815	817
Utilities	355	486
 Total	 <u>\$ 283,671</u>	 <u>\$ 341,027</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, 2012 AND 2011

	BUDGET 2012	ACTUAL 2012	VARIANCE \$	BUDGET 2011	ACTUAL 2011	VARIANCE \$
<b>Revenues:</b>						
Contract-SSA	\$ 3,439,181	\$ 2,646,612	\$ (792,569)	\$ 3,750,914	\$ 3,080,909	\$ (670,005)
TIF Rebate	-	-	-	-	179,329	179,329
Late Collections & Interest Income	(137,993)	-	137,993	-	-	-
Less loss collection expense	<u>(452,972)</u>	<u>(236,365)</u>	<u>216,607</u>	<u>(137,993)</u>	<u>(183,808)</u>	<u>(45,815)</u>
Total Revenue	<u>2,848,216</u>	<u>2,410,247</u>	<u>(437,969)</u>	<u>3,612,921</u>	<u>3,076,430</u>	<u>(536,491)</u>
<b>Expenses:</b>						
<b>Services:</b>						
Advertising & promotion	215,251	262,149	46,898	482,777	485,518	2,741
Public way maintenance	545,556	563,126	17,570	700,625	557,046	(143,579)
Public way aesthetics	1,568,596	1,591,768	23,172	2,113,184	2,032,843	(80,341)
Tenant retention/attraction	-	-	-	40,000	28,874	(11,126)
Safety programs	-	-	-	4,170	3,585	(585)
District planning	-	-	-	104,935	87,791	(17,144)
Other Technical Assistance	<u>9,000</u>	<u>6,754</u>	<u>(2,246)</u>	<u>9,000</u>	<u>9,796</u>	<u>796</u>
Total Services Expense	<u>2,338,403</u>	<u>2,423,797</u>	<u>85,394</u>	<u>3,454,691</u>	<u>3,205,453</u>	<u>(249,238)</u>
<b>Administration:</b>						
Personnel	<u>421,563</u>	<u>380,894</u>	<u>(40,669)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Non-personnel</b>						
Audit / bookkeeping	8,000	5,694	(2,306)	10,250	5,955	(4,295)
Annual report	7,500	7,350	(150)	-	-	-
Office equipment	18,000	16,545	(1,455)	10,500	10,225	(275)
Office rent	33,750	33,341	(409)	45,000	33,341	(11,659)
Insurance D&O/gen. liability	12,000	10,766	(1,234)	12,000	10,697	(1,303)
Office utilities / telephone	9,000	5,845	(3,155)	7,500	7,104	(396)
Service provider / admin. support	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,980</u>	<u>74,052</u>	<u>1,072</u>
Total Admin - non-personnel	<u>88,250</u>	<u>79,541</u>	<u>(8,709)</u>	<u>158,230</u>	<u>141,374</u>	<u>(16,856)</u>
Total Administration	<u>509,813</u>	<u>460,435</u>	<u>(49,378)</u>	<u>158,230</u>	<u>141,374</u>	<u>(16,856)</u>
Total Expenses	<u>2,848,216</u>	<u>2,884,232</u>	<u>36,016</u>	<u>3,612,921</u>	<u>3,346,827</u>	<u>(266,094)</u>
Net Surplus/(Deficit)	<u>\$ -</u>	<u>\$ (473,985)</u>	<u>\$ (473,985)</u>	<u>\$ -</u>	<u>(270,397)</u>	<u>\$ (270,397)</u>
<b>BEGINNING OF YEAR</b>						
Carryover		<u>541,333</u>			<u>811,730</u>	
<b>END OF YEAR</b>						
Carryover		<u>\$ 67,348</u>			<u>\$ 541,333</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, 2012 AND 2011

NOTE A - ORGANIZATION

The Chicago Loop Alliance (CLA) is a not-for-profit organization founded in 1929 to promote economic prosperity within Chicago's central business district. The mission of CLA is to strengthen the commercial center of downtown, also known as the Loop, Chicago's competitive position as a mixed use retail core; build on its existing hospitality, real estate, residential, cultural and institutional resources; and contribute to Chicago's standing as a world-class city and tourist attraction. More specifically, CLA, through membership advocacy, functions to protect and promote, in social and cooperative ways, the interests of the property owners' merchants, financial institutions, hotels, real estate and residential, cultural and educational entities and others doing business in the central business district. CLA serves as a chief coordinator and catalyst, uniting member organizations through leadership in all matters of mutual concern.

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, 2012 AND 2011

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.

Subsequent Events

Subsequent events have been evaluated through March 25, 2013, 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 \$54,148 and \$42,618 in management/administrative fees in 2012 and 2011, respectively, and the Foundation owes CLA \$54,148 and \$20,716 as of December 31, 2012 and 2011, respectively.

CHICAGO LOOP ALLIANCE / SSA 1  
 (An Illinois Not-for-Profit Corporation)  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

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.

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, 2012 and 2011:

	<u>2012</u>	<u>2011</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>(64,546)</u>	<u>(62,478)</u>
Net fixed assets	<u>\$ 6,408</u>	<u>\$ 8,476</u>

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

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 \$2,369,920 in 2012 and \$2,897,101 in 2011.

CHICAGO LOOP ALLIANCE / SSA 1  
(An Illinois Not-for-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

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.

NOTE I – LINE OF CREDIT

The Organization entered into a one year line of credit agreement with a local bank in July, 2011 in the amount of \$300,000 at a variable interest rate of prime plus .5%. The Organization did not use this credit line during 2011 or 2012.

The Organization entered into a new 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%. The Organization did not use this credit line during 2012.

NOTE J – ACCOUNTS RECEIVABLE

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.

Accounts Receivable as of December 31, 2011 consists of management and administrative fees due from Chicago Loop Alliance Foundation in the amount of \$20,716 in addition to other minor amounts due for services rendered. There is \$35,821 of member receivables due for the 2011 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.

The Organization has restated its Accounts Receivable and Deferred Revenue as of December 31, 2011 to exclude membership receivables that were not due until January 1, 2012. The restatement results in a decrease in Accounts Receivable and Deferred Revenue of \$133,925 and does not impact the Statement of Activities.

CHICAGO LOOP ALLIANCE / SSA 1  
(An Illinois Not-for-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

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, 2012 AND 2011

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.