

**GREATER AUBURN-GRESHAM
DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #32**

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(With Independent Auditors' Report on
Compliance with City Requirements)**

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #32

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**Independent Auditors' Report on Compliance with
City Requirements for the Special Service Area #32**

The Commissioners of Special Service Area #32 of
Greater Auburn-Gresham Development Corporation

We have audited the balance sheets of Special Service Area #32 of Greater Auburn-Gresham Development Corporation ("GAGDC") as of December 31, 2011 and 2010 and, the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Special Service Area #32 of GAGDC's management. 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 of material misstatement. Our audits includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Special Service Area #32 of GAGDC's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements were presented to present the operation of Special Service Area #32 of GAGDC as described in Note 1, and are not intended to present the financial position and change in net asset of GAGDC.

In our opinion, financial statements referred to above present fairly, in all material respects, the financial position of Special Service Area #32 of GAGDC as of December 31, 2011 and 2010, and 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Special Service Area #32 of GAGDC taken as a whole. The accompanying statement of revenues and expenditures with budget comparisons for the year ended December 31, 2011 is presented for the purpose of additional analysis and is not a required part of the basic 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 the relation to the financial statements as a whole. The accompanying summary schedule of findings has not been audited by us and, accordingly, we express no opinion on it.

Alexander Mannix & Company, P.C.

April 16, 2012

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #32

BALANCE SHEETS

AS OF DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 82,857	\$ 102,893
Levy receivable	<u>78,025</u>	<u>115,441</u>
Total Assets	<u>\$ 160,882</u>	<u>\$ 218,334</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 7,734	\$ 33,120
Due to affiliate - GAGDC	<u>34,717</u>	<u>26,807</u>
Total Liabilities	42,451	59,927
Net Assets:		
Unrestricted	<u>118,431</u>	<u>158,407</u>
Total Liabilities and Net Assets	<u>\$ 160,882</u>	<u>\$ 218,334</u>

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

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #32

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Revenue:		
Tax levy revenue	\$ 282,335	\$ 283,335
Interest earned	<u>38</u>	<u>80</u>
Total Revenue	282,373	283,415
Expenses:		
Advertising and promotion services		
Display ads	14,932	15,000
Print materials	3,986	1,864
Public media relations services	9,000	8,200
Special events	37,003	26,973
Service provider direct services	<u>5,500</u>	<u>5,500</u>
Total Advertising and promotion services	<u>70,421</u>	<u>57,537</u>
Public way maintenance services		
Sidewalk cleaning	60,000	60,000
Service provider direct services	5,000	5,000
Other/litter free zone	<u>9,860</u>	<u>8,992</u>
Total public way maintenance services	<u>74,860</u>	<u>73,992</u>
Public way aesthetic services		
Holiday decorations/other	10,054	8,228
Landscaping	8,029	6,581
Service provider direct services	<u>4,000</u>	<u>4,000</u>
Total public way aesthetic services	<u>22,083</u>	<u>18,809</u>
Tenant retention/attraction		
Site marketing materials	29,000	15,000
Technical assistance to businesses	4,000	4,000
Services provider direct services	5,000	5,000
Other/business license and support program	<u>3,848</u>	<u>1,475</u>
Total tenant retention/attraction	<u>41,848</u>	<u>25,475</u>
Façade development services		
Façade enhancement program	25,000	14,195
Services provider direct services	<u>2,000</u>	<u>2,000</u>
Total façade development services	<u>27,000</u>	<u>16,195</u>
Safety programs		
Security service for SSA events	-	3,220
Juvenile/adult court CAPS community service	3,000	-
Services provider direct services	<u>4,000</u>	<u>-</u>
Total safety programs	<u>7,000</u>	<u>3,220</u>

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

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #32

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
(Continued))

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
District planning services		
District market study, impact analysis	8,000	-
District master plan, corridor plans, streetscape plan, etc.	<u>-</u>	<u>5,000</u>
Total district planning services	<u>8,000</u>	<u>5,000</u>
Management and general		
Audit/bookkeeping	10,500	7,030
Meeting	2,000	2,000
Office equipment lease/maintenance	3,000	2,000
Rent	7,500	7,500
Office supplies	2,000	2,000
Office utilities/telephone	2,000	2,000
Postage	1,000	1,000
Office printing	2,000	2,000
Services provider direct services	26,637	26,637
Subscriptions/dues	<u>-</u>	<u>1,000</u>
Total management and general	<u>56,637</u>	<u>53,167</u>
Loss Collection		
Loss collection	<u>14,500</u>	<u>14,500</u>
Total loss collections	<u>14,500</u>	<u>14,500</u>
Total Expenses	<u>322,349</u>	<u>267,895</u>
Change in net assets	(39,976)	15,520
Net assets at beginning of year	<u>158,407</u>	<u>142,887</u>
Net assets at end of year	<u>\$ 118,431</u>	<u>\$ 158,407</u>

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

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #32

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (39,976)	\$ 15,520
Changes in assets and liabilities:		
Decrease (increase) in levy receivable	37,416	(22,247)
(Decrease) increase in accounts payable	(25,386)	15,996
Increase in due to affiliate - GAGDC	<u>7,910</u>	<u>6,807</u>
Net cash provided by operating activities	<u>(20,036)</u>	<u>16,076</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment to GAGDC line of credit	<u>-</u>	<u>(25,000)</u>
Net cash used by by financing activities	<u>-</u>	<u>(25,000)</u>
Net decrease in cash	(20,036)	(8,924)
CASH AND CAH EQUILVALENTS AT BEGINNING OF YEAR	<u>102,893</u>	<u>111,817</u>
CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$ 82,857</u>	<u>\$ 102,893</u>

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

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #32

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

1. Nature of Business:

The Greater Auburn-Gresham Development Corporation (“GAGDC”) was created in 2000 to provide community services, in addition to those provided by the City of Chicago to the Greater Auburn-Gresham Development Corporation which is the industrial area bounded by the north line of 79th Street to the north; the Dan Ryan Expressway to the east; the south line of 79th Street to the north; and Marshfield Avenue to the west. On December 7, 2005, the City Council of the City of Chicago enacted an ordinance, which established an area known and designated as City of Chicago Special Service Area #32 and authorized the levy of an annual tax not to exceed an annual rate of two percent (2%) of the equalized assessed value of the taxable property therein to provide by and to the City of Chicago generally. The area designated as Special Service Area #32 included the identical boundaries defined by the Greater Auburn-Gresham Development Corporation when it was created in 2000.

The special services authorized in the establishment ordinance include but are not limited to maintenance and beautification activities, coordinated marketing and promotional activities, parking and transit programs, area strategic planning, business retention/recruitment initiatives, building façade improvements, security services and technical assistance activities to promote community and economic development. The Commissioner of the City of Chicago’s Department Community Development was authorized to enter into an agreement to appoint Greater Auburn-Gresham Development Corporation as the Service Provider for the Special Service Area #32. All activities of the Special Service Area #32 are carried out by the Greater Auburn-Gresham Development Corporation.

The Agreement with the City of Chicago requires an annual independent audit of Special Service Area #32’s operations. Accordingly, the accompanying financial statements were prepared to present the operations of Special Service Area #32 and are not intended to present the financial position and change in net assets of Greater Auburn-Gresham Development Corporation.

2. Significant Accounting Policies:

a) **Basic Financial Statements**

Generally accepted reporting standards for nonprofit organizations state that the basic financial statements include a statement of financial position, a statement of activities, and a statement of cash flows.

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #32

NOTES TO FINANCIAL STATEMENTS
(Continued)

YEARS ENDED DECEMBER 31, 2011 AND 2010

2. **Significant Accounting Policies (Continued):**

(a) **Basic Financial Statements (Continued):**

In order to accommodate the standard requirements and the requirements of the Department of Planning and Development, the statements included with the Independent Auditors' Report are a statement of financial position re-titled to Balance Sheet, a Statement of Activity and Changes in Net Assets, and a Statement of Cash Flows. A Statement of Revenue and Expenditures with budget comparisons is also included.

(b) **Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates.

(c) **Revenue**

Special Service Area #32 of GAGDC provided for the authorization of a levy of an annual tax not to exceed an annual rate of two percent (2%) of the equalized assessed value of the taxable property therein to cover the cost of special services provided for in the ordinance.

(d) **Income Tax Status**

GAGDC is a nonprofit Illinois corporation and exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Therefore, the operations of Special Service Area #32 are exempt from income taxes.

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #32

NOTES TO FINANCIAL STATEMENTS
(Continued)

YEARS ENDED DECEMBER 31, 2011 AND 2010

3. Levy Receivable:

Levy receivable consist of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
2010 Levy	\$ 33,385	\$ -
2009 Levy	10,777	84,365
2008-2006 Levy	<u>33,863</u>	<u>31,076</u>
 Total Levy Receivable	 <u>\$ 78,025</u>	 <u>\$ 115,441</u>

Levy receivable are deem collectible within the next calendar year.

4. Due to GAGDC:

Due to affiliate-GAGDC consist of the following:

GAGDC has a \$282,000 line of credit with Harris N.A. The line bears an interest rate 3.25% with annual yield of 1.75%. At December 31, 2009, GAGDC loaned a portion of the line of credit proceeds to Special Service Area#32 of GAGDC and the outstanding balance of the loan was \$45,000. As of December 31, 2011 and 2010, Special Service Area #32 GAGDC outstanding year-end balance of this loan was \$15,000 and 20,000, respectively

As of December 31, 2011 and 2010, GAGDC incurred reimbursable expense of \$19,717 and \$6,807 on behalf of the Special Service Area #32 of GAGDC.

5. Loss Collection

Special Service Area #32 of GAGDC uses the direct write-off method for uncollectible levy receivable. As of December 31, 2011 and 2010, loss collection consists of \$14,500 for both years

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #32

NOTES TO FINANCIAL STATEMENTS
(Continued)

YEARS ENDED DECEMBER 31, 2011 AND 2010

6. Subsequent Events:

Special Service Area #32 of GAGDC has evaluated events through April 16, 2012, the date of the issuance of the financial statements were available, and has determined that there were no subsequent events to be recognized in these financial statements.

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION

SPECIAL AREA AREA #32
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenue:			
Tax levy revenue	\$ 282,335	\$ 282,335	\$ -
Carryover	86,500		(86,500)
Interest earned	-	38	38
Total revenue	<u>368,835</u>	<u>282,373</u>	<u>(86,462)</u>
Expenses:			
Advertising and promotion services			
Display ads	15,000	14,932	68
Print Materials	4,000	3,986	14
Public /media relations services	9,000	9,000	-
Special events	37,000	37,003	(3)
Service provider direct services	5,500	5,500	-
Total advertising and promotion services	<u>70,500</u>	<u>70,421</u>	<u>79</u>
Public way maintenance services			
Sidewalk cleaning	60,000	60,000	-
Service provider direct services	5,000	5,000	-
Other/Litter free zone	11,000	9,860	1,140
Total public way maintenance services	<u>76,000</u>	<u>74,860</u>	<u>1,140</u>
Public way aesthetic services			
Holiday decorations/other	10,000	10,054	(54)
Landscaping	8,000	8,029	(29)
Service provider direct services	4,000	4,000	-
Total public way aesthetic services	<u>22,000</u>	<u>22,083</u>	<u>(83)</u>
Tenant retention/attraction			
Site marketing materials	39,000	29,000	10,000
Technical assistance to businesses	4,000	4,000	-
Services provider direct services	5,000	5,000	-
Other: business license and support program	4,000	3,848	152
Total tenant retention/attraction	<u>52,000</u>	<u>41,848</u>	<u>10,152</u>
Façade development services			
Facade enhancement program	45,000	25,000	20,000
Services provider direct services	2,000	2,000	-
Total facade development services	<u>47,000</u>	<u>27,000</u>	<u>20,000</u>
Safety programs			
Juvenile/adult court and CAPS community service	3,698	3,000	698
Services provider direct services	4,000	4,000	-
Total safety programs	<u>7,698</u>	<u>7,000</u>	<u>698</u>

See independent auditors' report on supplemental information.

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION

SPECIAL AREA AREA #32
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(Continued)

YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
District planning			
District marketing study, impact analysis, etc	8,000	8,000	-
Total district planning	<u>8,000</u>	<u>8,000</u>	<u>-</u>
Management and general			
Audit	12,000	4,500	7,500
Bookkeeping	6,000	6,000	-
Meeting	5,000	2,000	3,000
Office equipment lease/maintenance	7,000	3,000	4,000
Office rent	7,500	7,500	-
Office supplies	2,000	2,000	-
Utilities/telephone	2,000	2,000	-
Postage	1,000	1,000	-
Office printing	2,000	2,000	-
Services provider direct services	26,637	26,637	-
Total management and general	<u>71,137</u>	<u>56,637</u>	<u>14,500</u>
Loss Collection			
Loss Collection	14,500	14,500	-
Total loss collection	<u>14,500</u>	<u>14,500</u>	<u>-</u>
Total expenses	<u>368,835</u>	<u>322,349</u>	<u>46,486</u>
Change in net assets	-	(39,976)	39,976
Net assets at beginning of year	<u>-</u>	<u>158,407</u>	<u>(158,407)</u>
Net assets at end of year	<u>\$ -</u>	<u>\$ 118,431</u>	<u>\$ (118,431)</u>

See independent auditors' report on supplemental information.

GREATER AUBURN-GRESHAM DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #32

SUMMARY SCHEDULE OF FINDINGS
(Unaudited)

YEAR ENDED DECEMBER 31, 2011

We have read the requirements of the Service Provider Agreement between Greater Auburn-Gresham Development Corporation, Contractor, and the City of Chicago.

Based on our understanding of the agreement and the facts surrounding the performance under the agreement, we noted no exceptions. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters of which we had no knowledge.

The total revenues used during the year ended December 31, 2011, were made available from the budgeted sources in amounts specified in the budget.

Finding-1

Budget allowances were available for all line items for which expenditures were made. The actual spending for all items, except for thirteen (13) items was equal to the budgeted allowance.

Response

We concurred with the finding. Management will monitor expenditures more closely to ensure the utilization of all funds in accordance to budgeted line.

Finding-2

Special Service Area #32 of GAGDC for the year ending December 31, 2011 unexpended balance of \$118,431 does not equal to 2012 Budget Carryover of \$22,000.

Response

We concurred with the finding. Management will adjust carryover for 2012 to ensure that carryovers are expended during the year.