

**GREATER SOUTHWEST
DEVELOPMENT
CORPORATION – SPECIAL
SERVICE AREA #3**

**Financial Statements and
Auditor's Report**

December 31, 2010

**MANNING SILVERMAN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
(847) 459-8850**

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
TABLE OF CONTENTS
DECEMBER 31, 2010**

| | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report | 1 - 2 |
| Financial Statements | |
| Statement of Assets, Liabilities and Net Assets | 3 |
| Statement of Revenues and Expenses and Change in Net Assets | 4 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7 - 8 |
| Supplemental Information | |
| Schedule of Expenses – Budget to Actual | 10 - 11 |
| Schedule of Findings | 12 |



*Certified Public Accountants
Management Consultants
Business Advisors*

CPA The CPA. Never underestimate the value.

*175 Olde Half Day Road, Suite 290
Lincolnshire, IL 60069*

phone 847-459-8850 fax 847-537-8954

INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Greater Southwest Development Corporation – Special Service Area #3
Chicago, Illinois

We have audited the accompanying statement of assets, liabilities and net assets of Greater Southwest Development Corporation - Special Service Area #3 as of December 31, 2010 and the related statements of revenues and expenses and change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

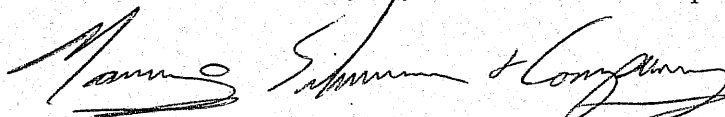
The above-noted financial statements are intended to present only the operations of Special Service Area #3 in the manner and according to the accounting requirements outlined by the City of Chicago, as described in Note 2 to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Greater Southwest Development Corporation - Special Service Area #3 as of December 31, 2010 and the revenues, expenses and changes in its net assets and cash flows for the year then ended in conformity with accounting requirements outlined by the City of Chicago, as described in Note 2 to the financial statements.

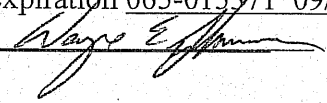
The accompanying Schedule of Expenses – Budget to Actual is presented for purposes of additional analysis, as required by the City of Chicago. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

"Thank you for the opportunity to serve you and for your referrals!"

This report is intended solely for the information and use of the board of directors and management of Greater Southwest Development Corporation, the Commissioners of Special Service Area #3 and the Planning and Development Departments of the City of Chicago and is not intended to be and should not be used by anyone other than these specified parties.



Manning Silverman & Company
Certified Public Accountants
April 21, 2011

Name: Wayne E. Silverman
IL Lic. No/Expiration 065-015371 09/30/12
Signature: 

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
DECEMBER 31, 2010**

ASSETS

| | |
|---------------------------|-------------------|
| Cash and Cash Equivalents | \$ 454,625 |
| Accounts Receivable | <u>212,016</u> |
| Total Assets | <u>\$ 666,641</u> |

LIABILITIES AND NET ASSETS

| | |
|----------------------------------|-------------------|
| Accounts Payable | \$ 7,745 |
| Unrestricted Net Assets | <u>658,896</u> |
| Total Liabilities and Net Assets | <u>\$ 666,641</u> |

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
STATEMENT OF REVENUES AND EXPENSES AND CHANGE IN NET ASSETS
YEAR ENDED DECEMBER 31, 2010**

| | <u>Budget</u> | <u>Actual</u> |
|---|--------------------|-------------------|
| Revenues | | |
| Tax Collections from the City of Chicago | \$ 1,416,156 | \$ 1,345,688 |
| Interest Earned | - | 2,791 |
| | <u>1,416,156</u> | <u>1,348,479</u> |
| Expenses (Schedules Attached) | | |
| Advertising and Promotion | 272,029 | 232,953 |
| Public Way Maintenance | 316,286 | 211,784 |
| Public Way Aesthetics | 285,092 | 184,491 |
| Tenant Retention/Attraction | 36,110 | 5,660 |
| Façade Improvements | 61,554 | 17,698 |
| Safety Programs | 33,528 | 17,298 |
| District Planning | 95,835 | 27,597 |
| Other Technical Assistance | 95,000 | 134,040 |
| Administration | 128,722 | 96,878 |
| Loss Collection | 150,000 | - |
| | <u>1,474,156</u> | <u>928,399</u> |
| Excess of Revenues over Expenses (Expenses over Revenues) and Change in Net Assets | \$ <u>(58,000)</u> | 420,080 |
| Net Assets, Beginning of Year | | <u>238,816</u> |
| Net Assets, End of Year | | <u>\$ 658,896</u> |

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010**

| | |
|--|--------------------------|
| Cash Flows from Operating Activities: | |
| Increase in Net Assets | \$ 420,080 |
| Increase in Accounts Payable | 7,745 |
| (Increase) in Accounts Receivable | <u>(212,016)</u> |
| Net Cash Provided by Operating Activities | <u>215,809</u> |
| Cash Flows from Investing Activities | |
| Disposition of Fixed Assets | <u>32,502</u> |
| Net Cash Provided by Investing Activities | <u>32,502</u> |
| Cash and Cash Equivalents, Beginning of Year | <u>206,314</u> |
| Cash and Cash Equivalents, End of Year | \$ <u><u>454,625</u></u> |

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Note 1 – Organization and Nature of Operations

Greater Southwest Development Corporation (“GSDC”) is the catalyst for creating and maintaining a vital greater Southwest Chicago community by empowering, building and sustaining development to raise the quality of life for its neighborhood residents, businesses and industries.

Special Service Area #3 (SSA) was established by the City of Chicago and is administered by GSDC. It represents a specified geographic area within the City of Chicago from which a portion of the property tax collections are allocated thereto. During 2010 the geographic area was expanded by an amended city ordinance to cover the defined territory in whole or in part encompassed by the following: on West 63rd Street from South Bell Avenue to South Cicero Avenue; on South Kedzie Avenue from West 62nd Street to West 64th Street; on South Pulaski Road from West 56th Place to West 71st Street; on South Western Avenue from West 61st Street to West 64th Street; and on the east side of South Cicero Avenue from the alley north of West 63rd Street to West 71st Street.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The SSA uses the accrual method of accounting and its financial statements reflect only assets, liabilities, revenues and expenses specifically allocated to the activities of SSA. No other assets, liabilities, revenues or expenses of GSDC are reported herein.

Presentation of these financial statements is governed by the requirements of the City of Chicago, whereby actual and budgeted expenses are reported in conformity with the classification criteria developed by it. Assets that would be reported, under United States Generally Accepted Accounting Principles (GAAP), in the financial statements as capital assets or prepaid expenses and then depreciated or amortized, are charged directly to their respective allocated budget accounts. Accordingly, these financial statements are not in conformity with GAAP.

Further, all assets of the SSA, whether reflected in the financial statements or not, are owned by the City of Chicago on behalf of the property owners within the specified geographic area outlined above and may be claimed and/or withdrawn from use by the city at its discretion.

Cash and Cash Equivalents

All certificates of deposit purchased with a maturity of three to twelve months are considered to be cash equivalents and are recorded at cost. These investments should be reflected at their market values, along with any unrealized gains or losses. However, the effect of using the cost method of valuation is not materially different from the results that would have been obtained under the market valuation method.

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2010**

Income Taxes

GSDC is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and it is not considered to be a private foundation. Tax positions reported or expected to be reported in tax returns are required to be recognized or derecognized in the financial statements based on a "more likely than not" threshold. Management does not believe these financial statements include any uncertain tax positions.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 – Concentrations of Revenues

All revenues (except interest on short-term investments) are received from the City of Chicago and are to be used for rehabilitating, advertising, promoting and maintaining the defined area. The allocated tax collections during 2010 were \$1,345,688, of which \$212,016 was in transit from the city at December 31, 2010. Future operations could be affected by changes in the economic or other conditions in that geographical area and/or by changes in the availability of city funding.

Note 4 – Litigation, Risks and Contingencies

In the normal course of business, GSDC including SSA may be named as a defendant in various legal actions; currently a former employee has made certain allegations against GSDC. After consultation with legal counsel, GSDC intends to defend its position and is of the opinion that the ultimate resolution of this matter will not have a material adverse effect on the financial statements of SSA or GSDC. Accordingly no liability has been recorded in connection with this matter.

SSA maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. SSA has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk related thereto.

Note 5 – Administrative Services

Certain expenses incurred by the SSA are paid to GSDC as reimbursement of overhead. The total of such expenses for 2010 was \$126,591.

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2010**

Note 6 – Contingency

Early in 2011, new management of GSDC discovered, as the result of bookkeeping errors in years prior to 2010, misclassifications of certain cash accounts reflecting potential excess reimbursements of overhead expenses incurred by GSDC totaling approximately \$143,000; this amount may properly belong to SSA#3. Because of the contingent nature of this asset and the possibility that any additional errors found could result in the amount that may be due from GSDC being significantly less than \$143,000, this amount is not reflected in the financial statements for 2010.

SUPPLEMENTAL INFORMATION

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
SCHEDULE OF EXPENSES – BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2010**

| | <u>Budget</u> | <u>Actual</u> |
|---|----------------|----------------|
| Advertising and Promotions | | |
| 1.01 Display Ads | \$ 30,000 | \$ 29,662 |
| 1.02 Promotions | 48,000 | 44,543 |
| 1.03 Print Materials | 35,000 | 32,775 |
| 1.04 Public/Media Relations Services | - | 690 |
| 1.05 Special Events | 94,000 | 87,303 |
| 1.06 Website/Technology | 5,000 | 870 |
| 1.07 Direct Services | 45,029 | 37,110 |
| 1.08 Website Consultant | 15,000 | - |
| | <u>272,029</u> | <u>232,953</u> |
| Total Advertising and Promotions | | |
| Public Way Maintenance | | |
| 2.01 Equipment Purchase and Maintenance | 200,000 | 139,188 |
| 2.03 Graffiti Removal Program | 7,000 | - |
| 2.04 Liability/ Property Insurance | 8,000 | 4,917 |
| 2.05 Sidewalk Cleaning | - | 1,118 |
| 2.08 Wages/Fringe Benefits | 70,732 | 38,618 |
| 2.10 Supplies | 15,000 | 3,477 |
| 2.14 Service Provider Direct Service | 15,554 | 24,466 |
| | <u>316,286</u> | <u>211,784</u> |
| Total Public Way Maintenance | | |
| Public Way Aesthetics | | |
| 3.01 Banners/Install/Maintenance | 75,000 | 72,953 |
| 3.02 Holiday Decorations | 50,000 | 22,356 |
| 3.03 Landscaping | 76,203 | 57,042 |
| 3.05 Streetscape Elements | 20,000 | 16,224 |
| 3.07 Direct Services | 43,889 | 6,865 |
| 3.08 Other: Community Pride Campaign | 20,000 | 9,051 |
| | <u>285,092</u> | <u>184,491</u> |
| Total Public Way Aesthetics | | |
| Tenant Retention/Attraction | | |
| 4.01 Property Owner/Tenant Relations | - | - |
| 4.02 Pre-Development | 25,000 | - |
| 4.03 Site Marketing Materials | - | - |
| 4.04 Technical Assistance to Businesses | - | - |
| 4.06 Direct Services | 11,110 | 5,660 |
| 4.07 Other: Consult | - | - |
| | <u>36,110</u> | <u>5,660</u> |
| Total Tenant Retention/Attraction | | |

See Independent Auditor's Report.

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

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
SCHEDULE OF EXPENSES – BUDGET TO ACTUAL (Continued)
YEAR ENDED DECEMBER 31, 2010**

| | <u>Budget</u> | <u>Actual</u> |
|---|---------------------|-------------------|
| Façade Improvements | | |
| 5.01 Façade Enhancement | 30,000 | 8,304 |
| 5.02 Awning Rebate Program | 26,000 | 3,720 |
| 5.04 Service Provider Direct Service | <u>5,554</u> | <u>5,674</u> |
| Total Façade Improvements | <u>61,554</u> | <u>17,698</u> |
| Safety Programs | | |
| 7.02 Security Rebate | 27,974 | 11,624 |
| 7.09 Service Provider | <u>5,554</u> | <u>5,674</u> |
| Total Safety Programs | <u>33,528</u> | <u>17,298</u> |
| District Planning | | |
| 8.04 District Master Plan, Corridor Plans, Streetscape Plans, etc. | 20,000 | - |
| 8.06 SSA Start-Up or Reconstitution Costs | 40,000 | 20,843 |
| 8.07 Service Provider Direct Service | <u>35,835</u> | <u>6,754</u> |
| Total District Planning | <u>95,835</u> | <u>27,597</u> |
| Other Technical Assistance | | |
| 9.01 Service Providers Direct Service | 5,000 | - |
| 9.02 Other: WiFi Intrastructure | <u>90,000</u> | <u>134,040</u> |
| Total Other Technical Assistance | <u>95,000</u> | <u>134,040</u> |
| Administration | | |
| 10.01 Audit/Bookkeeping | 4,600 | 10,213 |
| 10.03 Meeting Expense | 20,000 | 1,098 |
| 10.04 Office Equipment Lease/Maintenance | - | 1,072 |
| 10.05 Office Rent | 30,855 | 8,956 |
| 10.06 Office Supplies | 3,500 | 10,458 |
| 10.07 Office Utilities/Telephone | 8,378 | 9,434 |
| 10.08 Postage | 1,100 | 1,100 |
| 10.09 Office Printing | 2,000 | 7,036 |
| 10.10 Service Provider Administrative Support | 43,189 | 22,119 |
| 10.11 Subscriptions | 500 | 315 |
| 10.12 Other: Legal, Consultant, Travel, Staff Training, IT Solution | 11,000 | 19,885 |
| 10.12 Other: Office Cleaning, Waste Management, Exterminator | <u>3,600</u> | <u>5,192</u> |
| Total Administration | <u>128,722</u> | <u>96,878</u> |
| Loss Collection | | |
| 11.00 Loss Collection | <u>150,000</u> | <u>-</u> |
| Total | <u>\$ 1,474,156</u> | <u>\$ 928,399</u> |

See Independent Auditor's Report.

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

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
SUMMARY SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2010**

We have read the agreement between the City of Chicago and Greater Southwest Development Corporation and, after conducting the audit, report the following finding.

Finding 2010-1

During the year, and as a consequence of frequent employee turnover in the accounting department, a number of checks were printed by the accounting software that did not follow the numbering sequence pre-printed on them. Accordingly the check numbers reported on the bank statements as the checks cleared were not the same as the check numbers reported in the books of original entry.

When this was discovered by the current controller, new controls over check printing were installed and the anomaly disappeared.

Finding 2010-2

Misclassifications of certain cash accounts in the name of GSDC and amounting to \$143,000 may properly belong to SSA #3. These misclassifications, which occurred in years prior to 2010, may have arisen from incorrect allocations for reimbursement of overhead costs incurred by GSDC on behalf of SSA #3. They were discovered by new management as part of its analysis of SSA #3 operations and bank balances.

Management is continuing its investigation into this matter and expects to resolve it during 2011, with repayment by GSDC to SSA #3 of any amount ultimately determined to be owed.