

**SPECIAL SERVICE AREA
NUMBER 45
(Far South CDC, Contractor)**

Financial Statements

Year Ended December 31, 2010

**SPECIAL SERVICE AREA NUMBER 45
(Far South CDC, Contractor)**

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors
Special Service Area Number 45
Far South CDC, Contractor
Chicago, IL

We have audited the accompanying statement of financial position of Special Service Area Number 45 (a taxing district authorized by the City of Chicago) as of December 31, 2010 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 misstatements. 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 Special Service Area Number 45 as of December 31, 2010, 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.

Desmond & Ahern, Ltd.

May 20, 2011
Chicago, IL

**SPECIAL SERVICE AREA #45
(FAR SOUTH CDC, CONTRACTOR)
STATEMENT OF FINANCIAL POSITION
As of December 31, 2010**

Assets

Current Assets

Cash	\$ 273,877
Advances to FSCDC (see Note 3)	42,204

Total Current Assets \$ 316,081

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 37,607
Accrued expenses	12,504
Refundable advances	265,970
Total Current Liabilities	316,081

Net assets - unrestricted -

Total Liabilities and Net Assets \$ 316,081

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

**SPECIAL SERVICE AREA #45
(FAR SOUTH CDC, CONTRACTOR)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Variance</u>
Changes in Unrestricted Net Assets			
Revenues			
Tax levy revenue - current period	\$ 207,820	\$ 690,037	\$ (482,217)
Total revenues	<u>207,820</u>	<u>690,037</u>	<u>(482,217)</u>
Expenses			
Program Costs			
1.00 Advertising and promotion	803	18,000	(17,197)
2.00 Public way maintenance	48,467	65,000	(16,533)
3.00 Public way aesthetics	2,876	107,000	(104,124)
7.00 Safety programs	49,973	300,000	(250,027)
8.00 District planning	60,000	66,000	(6,000)
Total program expense	<u>162,119</u>	<u>556,000</u>	<u>(393,881)</u>
Administration			
10.00 Operational and administrative support	45,701	88,137	(42,436)
11.00 Tax levy loss collection	-	45,900	(45,900)
Total administration expense	<u>45,701</u>	<u>134,037</u>	<u>(88,336)</u>
Total expenses	<u>207,820</u>	<u>\$ 690,037</u>	<u>\$ (482,217)</u>
Increase in Net Assets	-		
Unrestricted Net Assets			
Beginning of year	<u>-</u>		
End of year	<u>\$ -</u>		

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

**SPECIAL SERVICE AREA #45
(FAR SOUTH CDC, CONTRACTOR)
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010**

Cash Flows from Operating Activities

Increase in unrestricted net assets	\$ -
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Increase in	
Advances to FSCDC	(42,204)
Accounts payable	37,607
Accrued expenses	12,504
Refundable advance	<u>265,970</u>
Net cash flows from operating activities	<u>273,877</u>

Cash	
Beginning of year	<u>-</u>
End of year	<u><u>\$ 273,877</u></u>

Supplemental Disclosures

Interest paid	<u><u>\$ -</u></u>
Taxes paid	<u><u>\$ -</u></u>

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

**SPECIAL SERVICE AREA NUMBER 45
(FAR SOUTH CDC, CONTRACTOR)
NOTES TO FINANCIAL STATEMENT
December 31, 2010**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Organization

Far South CDC (FSCDC), Contractor for Special Service Area (SSA) Number 45 (Organization) is a not-for-profit corporation organized under the laws of the State of Illinois. This not-for-profit organization serves as coordinator and executor of comprehensive plans designed to improve the community business district outlined for the SSA through programs which improve the economic development, aesthetics, marketing, and special events for the Business District. The Organization is located within the boundaries of the City of Chicago.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, payable, and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, as required by Generally Accepted Accounting Principles (GAAP).

Use of Estimates

The preparation of financial statements in conformity with 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 at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

The Organization maintains its cash in bank accounts, which, at times, may exceed the federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The Organization has established a separate checking account at Harris Bank in Chicago, Illinois and all tax revenue funds are automatically deposited into this checking account. The Contractor did not commingle Service Tax funds with funds from any other source.

Income Taxes

The Organization's activities are reported as part of the Far South CDC (FSCDC), which is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified by the Internal Revenue Service as a private foundation. The FSCDC continues to operate in compliance with its tax exempt purpose. The FSCDC's annual information and income tax returns filed with the federal and state governments are subject to examination for the statutory period.

**SPECIAL SERVICE AREA NUMBER 45
(FAR SOUTH CDC, CONTRACTOR)
NOTES TO FINANCIAL STATEMENT
December 31, 2010**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Special Service Area Agreement

The Organization entered into an agreement with the City of Chicago for 2010, whereby the City established a special service area known and designated as “Special Service Area Number 45” to provide special services in addition to those services generally provided by the City. FSCDC has been designated as “Contractor” under terms of the agreement. The City has authorized a levy not to exceed 3% of the equalized assessed value of all property within the area to produce sufficient revenues to provide those special services.

On December 28, 2010 the City passed an ordinance to approve the 2011 budget of \$648,637 and service provider agreement for this Special Service Area Number 45.

Note 2 – Line of Credit

The Organization has a \$175,000 revolving line of credit expiring in November 2011. At December 31, 2010 there were no funds borrowed against this line. The line is collateralized by substantially all of the Organization’s assets. Interest varies with the bank’s prime rate plus 2.75%, which was 6% at December 31, 2010.

Note 3 – Related Party Transactions

Special Service Area Number 45 shares office space, equipment and employees through its affiliation with the Far South CDC. Special Service Area Number 45 has no employees of its own, but reimburses FSCDC for payroll and related costs of the individuals and independent contractors who may work on the program. It also reimburses FSCDC for a portion of its applicable operating expenses, including allocation of rent and utilities. During the year ended December 31, 2010, this reimbursement amounted to \$18,746. Furthermore, FSCDC owed Area 45 \$42,204 at December 31, 2010 due to an accumulation of advances consistent with the budget to FSCDC in anticipation of actual expense reimbursements.

Note 4 – Subsequent Event

For the fiscal year ended December 31, 2010, the Organization has evaluated subsequent events through May 20, 2011, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed at that date.



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**Independent Auditor's Report on
Supplementary Information**

To the Board of Directors
Special Service Area Number 45
Far South CDC, Contractor
Chicago, IL

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information which follows is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Desmond & Ahern, Ltd.

May 20, 2011
Chicago, IL

**SPECIAL SERVICE AREA #45
(FAR SOUTH CDC, CONTRACTOR)
SCHEDULE OF EXPENDITURES WITH BUDGET VARIANCES
For the Year Ended December 31, 2010**

Expenses	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Variance</u>
Programs			
1.00 Advertising and Promotion			
1.03 Print Materials	\$ 803	\$ 13,000	\$ (12,197)
1.07 Service provider direct services	-	5,000	(5,000)
Total	<u>803</u>	<u>18,000</u>	<u>(17,197)</u>
2.00 Public Way Maintenance			
2.05 Sidewalk cleaning	48,467	60,000	(11,533)
2.14 Service provider direct services	-	5,000	(5,000)
Total	<u>48,467</u>	<u>65,000</u>	<u>(16,533)</u>
3.00 Public Way Aesthetics			
3.01 Decorative Banners	-	50,000	(50,000)
3.02 Holiday decorations	-	30,000	(30,000)
3.03 Landscaping	2,876	20,000	(17,124)
3.07 Service provider direct services	-	7,000	(7,000)
Total	<u>2,876</u>	<u>107,000</u>	<u>(104,124)</u>
7.00 Safety Programs			
7.01 Public Way Surveillance Cameras	-	240,000	(240,000)
7.07 Security Subcontractor	49,973	50,000	(27)
7.09 Service provider direct services	-	10,000	(10,000)
Total	<u>49,973</u>	<u>300,000</u>	<u>(250,027)</u>
8.00 District Planning			
8.00 SSA start-up costs	60,000	60,000	-
8.07 Service Provider Direct Service	-	6,000	(6,000)
Total	<u>60,000</u>	<u>66,000</u>	<u>(6,000)</u>
10.00 Operational & Administration Support			
10.01 Audit	8,000	8,000	-
10.02 Bookkeeping	4,000	4,000	-
10.03 Meeting Expenses	-	3,000	(3,000)
10.04 Office Equipment Lease/Maint	1,210	5,000	(3,790)
10.05 Office Rent	8,194	9,600	(1,406)
10.06 Office Supplies	451	4,000	(3,549)
10.07 Office Utilities/Telephone	880	2,000	(1,120)
10.08 Postage	-	2,000	(2,000)
10.09 Office Printing	504	2,000	(1,496)
10.10 Service provider administrative support	22,442	43,537	(21,095)
10.12 Other office furniture	20	5,000	(4,980)
Total	<u>45,701</u>	<u>88,137</u>	<u>(42,436)</u>
11.00 Loss Collection			
11.00 Loss collection	-	45,900	(45,900)
Total	<u>-</u>	<u>45,900</u>	<u>(45,900)</u>

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

**SPECIAL SERVICE AREA NUMBER 45
(FAR SOUTH CDC, CONTRACTOR)
SCHEDULE OF FINDINGS
December 31, 2010**

Findings

We have read and understand the necessary audit requirements contained in the Service Provider Agreement. Accordingly, based on our audit, the following exception was noted during the year ending December 31, 2010 audit.

Criteria and Condition

Cash Advances to Contractor, Far South CDC

Section 5.03, *Method of Payment*, states that the Contractor shall establish a separate checking account and that Area funds shall not be commingled with other sources. The Contractor established a separate checking account for special service area number 45 (SSA 45). However, funds were advanced from this account to the Contractor based on budget plan, but prior to expenditures actually being incurred for SSA 45. This resulted in a \$42,204 receivable due to SSA 45 from the contractor at December 31, 2010.

Auditor's Recommendation

We recommend that the Contractor develop policies and procedures to adhere to the Service Provider Agreement, Section 5.03, *Method of Payment*, whereby only actual expenses incurred by the Contractor are reimbursed.

Contractor's Response

Management previously disbursed funds from the SSA checking account to the contractor to reimburse expenditures based upon anticipated budget amounts and not actual incurred. Upon clarification, management now only reimburses to the contractor, expenditures that have actually been incurred by the contractor and are for the benefit and allocable to the SSA.