

**WESTERN AVENUE SPECIAL
SERVICE AREA NUMBER 20
(Morgan Park - Beverly Hills Business
Association, Contractor)**

**FINANCIAL STATEMENT AND
SUPPLEMENTARY INFORMATION**

**For the Years Ended
December 31, 2012 and 2011 and 2011**

**Western Avenue Special Service Area Number 20
(Morgan Park - Beverly Hills Business
Association, Contractor)**

Table of Contents

Independent Auditor's Report.....	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6 - 8
Supplementary Information	
Schedule of Expenditures with Budget Variances.....	9 - 10
Schedule of Findings.....	11 - 12



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors
Western Avenue Special Service Area Number 20
Morgan Park - Beverly Hills Business Association, Contractor
Chicago, IL

We have audited the accompanying financial statements of Western Avenue Special Service Area Number 20 (a taxing district authorized by the City of Chicago), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities, and cash flows for the year 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 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 unmodified opinion for the year ending December 31, 2012 and 2011 and on our qualified audit opinion for the year ending December 31, 2011.

Basis for Qualified Opinion

We were unable to form an opinion regarding the Organization's expenses recorded in the Statement of Activities and Schedule of Expenditures with Budget Variances in the 2011 financial statements because of the incompleteness of supporting accounting records and unavailable supporting documentation. Due to the incompleteness of supporting accounting records, we were unable to obtain sufficient audit evidence about the appropriateness of the Organization's expenses by other auditing procedures.

Unmodified Opinion on 2012 and Qualified Opinion on 2011

In our opinion, except for the possible effects on the 2011 financial statements of the matter discussed in the Basis on Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Western Avenue Special Service Area Number 20 as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the 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 relation to the financial statements as a whole.

Desmond & Ahern, Ltd

May 29, 2013
Chicago, IL

**WESTERN AVENUE SPECIAL SERVICE AREA NUMBER 20
(MORGAN PARK-BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR)
STATEMENT OF FINANCIAL POSITION
As of December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 42,813	\$ 60,386
Reimbursement receivable (Note 2)	-	7,050
Due from Morgan Park/Beverly Hills Business Association	<u>25,687</u>	<u>-</u>
Total Assets	<u><u>\$ 68,500</u></u>	<u><u>\$ 67,436</u></u>
 <u>Liabilities and Nets Assets</u>		
Current Liabilities		
Accounts payable	\$ 6,567	\$ 10,270
Due to Morgan Park/Beverly Hills Business Association	-	13,073
Refundable advances	<u>59,949</u>	<u>42,109</u>
Total current liabilities	66,516	65,452
 Net assets, unrestricted	 <u>1,984</u>	 <u>1,984</u>
Total Liabilities and Net Assets	<u><u>\$ 68,500</u></u>	<u><u>\$ 67,436</u></u>

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

WESTERN AVENUE SPECIAL SERVICE AREA NUMBER 20
(MORGAN PARK-BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012 and 2011

	2012			2011		
	Actual	Budget	Over (Under) Variance	Actual	Budget	Over (Under) Variance
Changes in Unrestricted Net Assets						
Revenues						
Tax levy revenue - current period	\$ 150,225	\$ 178,130	\$ (27,905)	\$ 143,799	\$ 178,130	\$ (34,331)
Total revenues	<u>150,225</u>	<u>178,130</u>	<u>(27,905)</u>	<u>143,799</u>	<u>178,130</u>	<u>(34,331)</u>
Expenses						
Program Costs						
1.00 Advertising and promotion	2,175	12,330	(10,155)	3,900	7,500	(2,600)
2.00 Public way maintenance	57,697	61,000	(3,303)	57,577	64,500	(6,923)
3.00 Public way aesthetics	55,619	57,000	(1,381)	54,016	61,000	(984)
4.00 Tenant retention/attraction	-	2,000	(2,000)	3,275	3,855	(580)
Total program expense	<u>115,491</u>	<u>132,330</u>	<u>(16,839)</u>	<u>118,768</u>	<u>136,855</u>	<u>(11,087)</u>
Administration						
8.00 District planning	-	1,000	(1,000)	7,354	7,400	(46)
10.00 Operational and administrative support	25,855	25,855	-	17,677	18,875	(1,198)
11.00 Admin non-personnel	8,879	14,550	(5,671)			
Total administration expense	<u>34,734</u>	<u>41,405</u>	<u>(6,671)</u>	<u>25,031</u>	<u>26,275</u>	<u>(1,244)</u>
Total Expenses	<u>150,225</u>	<u>\$ 173,735</u>	<u>\$ (23,510)</u>	<u>143,799</u>	<u>\$ 163,130</u>	<u>\$ (12,331)</u>
Change in Net Assets	-			-		
Unrestricted Net Assets						
Beginning of year	<u>1,984</u>			<u>1,984</u>		
End of year	<u>\$ 1,984</u>			<u>\$ 1,984</u>		

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

**WESTERN AVENUE SPECIAL SERVICE AREA NUMBER 20
(MORGAN PARK-BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR)
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<u>Cash Flows from Operating Activities</u>		
Change in unrestricted net assets	\$ -	\$ -
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Increase in accounts receivable	(18,637)	(3,583)
Increase in accounts payable	(16,776)	3,898
Refundable Advance	17,840	42,109
Net cash flows from (used by) operating activities	<u>(17,573)</u>	<u>42,424</u>
 Cash and cash equivalents		
Beginning of year	<u>60,386</u>	<u>17,962</u>
End of year	<u>\$ 42,813</u>	<u>\$ 60,386</u>
 <u>Supplemental Disclosures</u>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

**WESTERN AVENUE SPECIAL SERVICE AREA NUMBER 20
(MORGAN PARK/BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR)
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011 and 2011**

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

Organization

Morgan Park - Beverly Hills Business Association (the Association), Contractor for Western Avenue Special Service Area Number 20 (Organization) is a not-for-profit corporation organized under the laws of the State of Illinois. The Organization was formed to revitalize the Morgan Park – Beverly Hills business district. The organization is located within the boundaries of the City of Chicago.

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). The Organization has no restricted net assets as of December 31, 2012 and 2011 and 2011.

Cash and Cash Equivalents

Cash and cash equivalents is defined as short-term liquid investments such as cash in banks, money markets and other financial instruments that can be reduced to cash in thirty days or less. 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 Charter One Bank in Chicago, Illinois and all tax revenue funds are automatically deposited into this checking account.

Revenue Recognition

The Organization's financial statements are presented on the accrual basis of accounting. Revenues are recognized when the amount can be readily estimated or committed, and the payment is reasonably certain. Expenses are recorded when incurred.

Income Taxes

For tax filings, the Organization is included with the Morgan Park – Beverly Hills Business Association, which is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and is not classified by the Internal Revenue Service as a private foundation.

Related Party Transactions

Western Avenue Special Service Area Number 20 shares office space, equipment and employees through its affiliation with Morgan Park – Beverly Hills Business Association. Western Avenue Special Service Area Number 20 has no employees of its own, but reimburses the Association for

**WESTERN AVENUE SPECIAL SERVICE AREA NUMBER 20
(MORGAN PARK - BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR)
NOTES TO FINANCIAL STATEMENT
December 31, 2012 and 2011 and 2011**

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

payroll and related costs of the individuals who may work on the program. It also reimburses the Association for a portion of its applicable operating expenses when incurred. The Organization owed \$13,073 to the Association as of December 31, 2011. At December 31, 2012, the Organization is owed \$25,687 from the Association.

Also at December 31, 2011 the Organization determined that the Association owed them \$7,050 in unsubstantiated disbursements (see Note 2). This asset is recorded as a receivable in the Statement of Financial Position.

Use of Accounting 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Special Service Area Agreement

The Organization has entered into an annual agreement with the City of Chicago, whereby the City has established a special service area known and designated as “Western Avenue Special Service Area Number 20” to provide special services in addition to those services generally provided by the City. The Association has been designated as “Contractor” under terms of the agreement. The City has authorized a levy not to exceed 1.0% of the equalized assessed value of all property within the area to produce sufficient revenues to provide those special services.

The maximum amount to be paid to the Organization is the lesser of \$178,130 or the amount of service tax funds collected during 2012 and 2011. For each subsequent period of the agreement, the maximum amount to be paid is the lesser of the budget for that year or the amount of service tax funds actually collected for the preceding tax year.

Note 2 – Reimbursement Receivable

The Organization’s accounting records were incomplete for the year ended December 31, 2011. This lack of documentation available to support certain expenditures was not in accordance with the Agreement for Special Service Area Number 20 (SSA) between the City of Chicago and the Contractor, Morgan Park – Beverly Hills Business Association. As such, unsupported expenditures could not be charged to the SSA and are the responsibility of the Contractor.

For the year ended December 31, 2011, the Organization had determined that its Contractor, Morgan Park – Beverly Hills Business Association, was responsible for \$7,050 in unsubstantiated disbursements

**WESTERN AVENUE SPECIAL SERVICE AREA #20
(MORGAN PARK/BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR)
SCHEDULE OF FINDINGS
December 31, 2012 and 2011 and 2011**

Note 3 – Subsequent Event

For the fiscal year ended December 31, 2012 and 2011, the Organization has evaluated subsequent events through May 29, 2013, 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.

**WESTERN AVENUE SPECIAL SERVICE AREA NUMBER 20
(MORGAN PARK-BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR)
SCHEDULE OF EXPENDITURES WITH BUDGET VARIANCES
For the Year Ended December 31, 2012 and 2011**

	2012			2011		
	Actual	Budget	Over (Under) Variance	Actual	Budget	Over (Under) Variance
Expenses						
Programs						
1.00 Advertising and Promotion						
1.01 Website and/or social media	\$ 65	\$ 2,000	\$ (1,935)	\$ -	\$ -	\$ -
1.03 Special events	-	5,000	(5,000)	-	1,000	(1,000)
1.04 Display ads	1,928	1,330	598	447	1,000	(553)
1.05 Print materials	-	2,500	(2,500)	-	1,500	(1,500)
1.06 Holiday/seasonal promotions	182	1,500	(1,318)	-	1,000	(1,000)
1.07 Service provider direct services	-	-	-	3,453	3,000	453
Total	<u>2,175</u>	<u>12,330</u>	<u>(10,155)</u>	<u>3,900</u>	<u>6,500</u>	<u>(2,600)</u>
2.00 Public Way Maintenance						
2.01 Sidewalk cleaning	56,000	56,000	-	47,597	56,000	(8,403)
2.02 Sidewalk snow plowing	500	3,600	(3,100)	3,750	2,500	1,250
2.08 Liability/property insurance	1,197	1,400	(203)	934	1,400	(466)
2.14 Service provider direct services	-	-	-	5,296	4,600	696
Total	<u>57,697</u>	<u>61,000</u>	<u>(3,303)</u>	<u>57,577</u>	<u>64,500</u>	<u>(6,923)</u>
3.00 Public Way Aesthetics						
3.01 Streetscape elements (trash receptacles, planters, benches, etc.)	4,668	6,000	(1,332)	-	6,000	(6,000)
3.02 Holiday decorations	36,000	36,000	-	36,240	36,000	240
3.05 Landscaping	14,951	15,000	(49)	14,323	16,000	(1,677)
3.07 Service provider direct services	-	-	-	3,453	3,000	453
Total	<u>55,619</u>	<u>57,000</u>	<u>(1,381)</u>	<u>54,016</u>	<u>55,000</u>	<u>(984)</u>
4.00 Tenant Retention/Attraction						
4.01 Data collection	-	500	(500)	-	-	-
4.02 Site marketing materials	-	1,500	(1,500)	-	1,000	(1,000)
4.06 Service provider direct services	-	-	-	3,275	2,855	420
Total	<u>-</u>	<u>2,000</u>	<u>(2,000)</u>	<u>3,275</u>	<u>3,855</u>	<u>(580)</u>
8.00 District Planning						
8.01 SSA work plans, visioning, etc.	-	-	-	-	500	(500)
8.03 Strategic planning	-	500	(500)	-	-	-
8.04 Master planning	-	500	(500)	-	-	-
8.05 District market study, impact analysis, etc.	-	-	-	-	500	(500)
8.07 Service provider direct services	-	-	-	7,354	6,400	954
Total	<u>-</u>	<u>1,000</u>	<u>(1,000)</u>	<u>7,354</u>	<u>7,400</u>	<u>(46)</u>

See independent auditor's report.

**WESTERN AVENUE SPECIAL SERVICE AREA NUMBER 20
(MORGAN PARK-BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR)
SCHEDULE OF EXPENDITURES WITH BUDGET VARIANCES (CONT.)
For the Year Ended December 31, 2012 and 2011**

	2012			2011		
	Actual	Budget	Over (Under) Variance	Actual	Budget	Over (Under) Variance
Administration						
11.00 Operational and Administrative Support						
11.02 SSA audit	\$ 3,575	\$ 3,200	\$ 375	\$ 3,800	\$ 3,575	\$ 225
11.03 Bookkeeping	733	1,600	(867)	-	-	-
11.05 Office utilities/telephone	1,226	3,500	(2,274)	913	3,500	(2,587)
11.06 Office supplies	1,393	3,000	(1,607)	2,280	2,000	280
11.07 Office equipment lease/maintenance	297	500	(203)	1,713	500	1,213
11.08 Service provider administrative support	-	-	-	6,941	6,000	941
11.09 Postage	12	800	(788)	-	800	(800)
11.10 Meeting expense	336	1,000	(664)	435	1,000	(565)
11.11 Subscriptions/dues	10	250	(240)	-	-	-
11.12 Other: Bank Fees	1,297	700	597	1,583	-	1,583
11.16 Other: Transportation	-	-	-	12	1,500	(1,488)
Total	<u>8,879</u>	<u>14,550</u>	<u>(5,671)</u>	<u>17,677</u>	<u>18,875</u>	<u>(1,198)</u>
12.00 Loss Collection						
12.01 Loss collection	-	4,395	(4,395)	-	15,000	(15,000)
Total	<u>-</u>	<u>4,395</u>	<u>(4,395)</u>	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>
Total	<u>\$ 150,225</u>	<u>\$ 178,130</u>	<u>\$ (27,905)</u>	<u>\$ 143,799</u>	<u>\$ 171,130</u>	<u>\$ (27,331)</u>

See independent auditor's report..

**WESTERN AVENUE SPECIAL SERVICE AREA #20
(MORGAN PARK/BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR)
SCHEDULE OF FINDINGS
December 31, 2012 and 2011**

Findings

We have read and understand the necessary audit requirements contained in the Service Provider Agreement. Accordingly, based on our audits, the following exceptions were noted during the year ending December 31, 2012 and 2011 audit.

Finding 2012-1

Criteria and Condition

Section 3.07 requires contractors to maintain records of actual time devoted and costs incurred. The Contract's audit requirements requires the Contractor to maintain an accounting system in a manner which allows the Contractor's expenditures to be categorized in its Statements of Activities according to the categories listed in the budget approved by the City of Chicago for each area. This was not being done as the records for both the Contractor's and Business Association were being tracked together. Because of the lack in formal accounting procedures, little fiscal oversight was able to be performed by the Commissioners.

Auditor's Recommendation

We Recommend that the Contractor use the accounting software to track each entity separately and develop policies and procedures to adhere to the Service Provider Agreement. The policies and procedures would include maintaining concurrent financial records, preparing monthly reconciliations of accounts, and formal retention of supporting documents.

Contractor's Response

Management did not have a full understanding of contract requirements but will implement an appropriate accounting system which will allow expenditures to be categorized in accordance with budget.

Finding 2012-2

Criteria and Condition

Sub-Contractor agreements entered into by the Contractor, lacked the requirements outlined in the City contract. The Sub-Contractor agreements were missing the following required provisions:

- Section 6.07(b) requires that contractors must include a provision in all subcontractor agreements requiring its subcontractors to pay the Base Wage to Covered Employees.
- Section 3.04 (b) requires contractor must incorporate all of Section 3.04 by reference in all agreements entered into which covers all nondiscrimination laws under Federal, State and City statutes.

**WESTERN AVENUE SPECIAL SERVICE AREA #20
(MORGAN PARK/BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR)
SCHEDULE OF FINDINGS
December 31, 2012 and 2011**

Auditor's Recommendation

We Recommend that the Contractor complete contracts and develop policies and procedures to adhere to the Service Provider Agreement. Contracts should include all required aspects from the Agreement and be signed by both the Contractor and Subcontractor. Additionally, we recommend documenting oversight and progress of all sub-contractors to ensure all work is being performed as contracted.

Contractor's Response

Management will review all subcontractors' agreements and procure new formal Request for Proposals to meet requirements in the Service Provider Agreement. Additionally, management will incorporate monthly reports to the Organization's Commissioners regarding sub-contractor's accomplishments and progress with tasks.