

SOUTH SHORE CHAMBER, INC
Financial Statements
Years Ended December 31, 2009 and 2008

Independent Auditor's Report

SOUTH SHORE CHAMBER, INC

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INDEPENDENT AUDITOR'S REPORT

To the:
Board of Directors of South Shore Chamber, Inc and
Special Service Area Commissioners

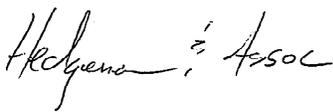
We have audited the accompanying statement of financial position of South Shore Chamber, Inc (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Chamber's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 the South Shore Chamber, Inc as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The summary schedule of findings, as explained in note 1 of the *Notes to Financial Statements*, is presented for purposes of additional reporting and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed, additionally in Note 1, *Accounting Change*, the Chamber has changed the way it accounts for tax levy assessed. In prior years, the Chamber reported an asset for tax levy assessed with its offsetting effect ultimately flowing to temporarily restricted net assets. Effective January 1, 2009, the Chamber no longer accounts for tax levy assessed as an asset as explained in Note 1. The Chamber has made the appropriate adjustment to net assets for the current year.



Chicago, Illinois 60615
April 23, 2010

SOUTH SHORE CHAMBER, INC
Statement of Financial Position
December 31, 2009 and 2008

	2009	2008
Assets		
Current assets (notes 2 and 3):		
Cash	118,969	80,961
Tax levy due	51,236	11,152
Tax levy assessed	-	367,106
Grant funds receivable	-	18,192
Other assets	140	-
Total current assets/total assets	170,345	477,411
 Liabilities and Net Assets		
Current liabilities (notes 3 through 6)		
Accounts payable and accrued liabilities	15,587	8,575
Carryover disallowed	62,680	-
Taxes payable	26,045	26,045
Note payable	-	10,000
Total current liabilities/total liabilities	104,312	44,620
Net assets:		
Unrestricted net assets (note 12)	(57,746)	(43,274)
Temporarily restricted net assets (note 1 and 7)	123,779	476,065
Total net assets	66,033	432,791
Total liabilities and net assets	170,345	477,411

See accompanying notes to financial statements

SOUTH SHORE CHAMBER, INC
Statement of Activities
Years Ended December 31, 2009 and 2008

	2009			2008		
	Actual	Budget	Variance	Actual	Budget	Variance
Government Contracts - SSA Program						
Tax levy due and collected	429,786	429,786	-	379,976	379,976	-
Tax levy assessed - change	-	-	-	(12,369)	-	(12,369)
Total government contract revenue	<u>429,786</u>	<u>429,786</u>	<u>-</u>	<u>367,607</u>	<u>379,976</u>	<u>(12,369)</u>
SSA Program Expenses:						
Advertising and promotion	26,742	33,800	7,058	21,539	27,660	6,121
Public way maintenance	106,181	141,856	35,675	107,400	139,638	32,238
Public way aesthetics	32,553	78,909	46,356	44,138	67,469	23,331
Safety programs	120,062	122,600	2,538	114,917	117,160	2,243
District planning	13,100	18,600	5,500	7,160	15,160	8,000
Total services	<u>298,638</u>	<u>395,765</u>	<u>97,127</u>	<u>295,154</u>	<u>367,087</u>	<u>71,933</u>
Administration	53,648	58,300	4,652	56,995	49,899	(7,096)
Loss collection	-	22,000	22,000	22,000	22,000	-
Total SSA expenses	<u>352,286</u>	<u>476,065</u>	<u>123,779</u>	<u>374,149</u>	<u>438,986</u>	<u>64,837</u>
Restricted - increase (decrease) in net assets	77,500	(46,279)	123,779	(6,542)	(59,010)	52,468
Restricted - net assets beginning	476,065			482,607		
Adjust - accounting change (note 1)	(429,786)			-		
Restricted - net assets ending	<u>123,779</u>			<u>476,065</u>		
Government Grants - CDBG Program						
CDBG program - total government grant	24,290	31,763	(7,473)	31,700	33,600	(1,900)
CDBG program expenses:						
Personnel	21,527	29,000	7,473	25,300	26,400	1,100
Fringe benefits	-	-	-	2,400	2,400	-
Operating and technical	2,295	2,000	(295)	3,000	3,000	-
Professional and technical	-	-	-	-	800	800
Materials and supplies	469	763	295	1,000	1,000	-
Total CDBG expenses	<u>24,290</u>	<u>31,763</u>	<u>7,473</u>	<u>31,700</u>	<u>33,600</u>	<u>1,900</u>
Unrestricted - increase in net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Support & Expenses						
Membership dues	1,600	-	1,600	2,345	-	2,345
Other	13,955	-	13,955	897	-	897
Total public support and revenues	<u>15,555</u>	<u>-</u>	<u>15,555</u>	<u>3,242</u>	<u>-</u>	<u>3,242</u>
Other expenses:						
Personnel	666	-	(666)	15,000	-	(15,000)
General & Miscellaneous (Note 12)	0	-	(0)	1,048	-	(1,048)
Total other expenses	<u>666</u>	<u>-</u>	<u>(666)</u>	<u>16,049</u>	<u>-</u>	<u>(16,049)</u>
Unrestricted - decrease in net assets	<u>14,889</u>	<u>-</u>	<u>14,889</u>	<u>(12,806)</u>	<u>-</u>	<u>(12,806)</u>
Unrestricted - total increase (decrease) in net assets before extraordinary item						
net assets before extraordinary item	14,889			(12,806)		
Extraordinary item (Note 13)	<u>(29,362)</u>			<u>(36,804)</u>		
Unrestricted - total decrease in net assets	<u>(14,473)</u>			<u>(49,611)</u>		
Unrestricted - net assets beginning	<u>(43,274)</u>			<u>6,337</u>		
Unrestricted - net assets ending	<u>(57,746)</u>			<u>(43,274)</u>		
Increase (Decrease) in total net assets	<u><u>63,027</u></u>			<u><u>(56,153)</u></u>		

See accompanying notes to financial statements

SOUTH SHORE CHAMBER, INC
Statement of Cash Flows
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating activities		
Increase (Decrease) in net assets	63,027	(56,153)
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
(Increase) Decrease in tax levy due and assessed receivable	(18,084)	46,297
Decrease (Increase) in grant fund receivable	18,192	(10,697)
(Decrease) Increase in allowance for doubtful accounts	(22,000)	(2,538)
(Decrease) Increase in accounts payable and accrued liabilities	7,012	(18,199)
Increase in taxes payable	-	26,045
(Increase) in other assets	(140)	-
Net cash (used in) provided by operating activities	<u>48,008</u>	<u>(15,245)</u>
Financing activities		
Advances from line of credit	-	25,114
Interest on line of credit	-	57
Repay line of credit	-	(25,171)
Repay note payable, net (note 6)	(10,000)	(5,000)
Net cash used in financing activities	<u>(10,000)</u>	<u>(5,000)</u>
Net (decrease) increase in cash	38,008	(20,245)
Cash as of beginning of year	<u>80,961</u>	<u>101,206</u>
Cash as of end of year	<u><u>118,969</u></u>	<u><u>80,961</u></u>

See accompanying notes to financial statements

SOUTH SHORE CHAMBER, INC
Summary Schedule of Findings
Year Ended December 31, 2009

This report has been inserted at the request of the City, see note 1 in "Notes to Financial Statements" for further details.

At the request of the City, the auditors have read the Agreement between the City and the SSA and have performed certain compliance testing for SSA activity. The following exceptions from the agreement have been noted:

Finding #1

Section 3.02 Standard of Performance. The Chamber has no periodic evaluation procedures in place to ensure "standards of performance" for subcontractors as required by this section.

Finding #2

Section 3.04 Nondiscrimination. There was no acknowledgement in the contractual agreement, with major vendor "Cleanslate", to comply with this section. The vendor is responsible for Public Way services.

Finding #3

Section 3.05 Insurance. There were no insurance records on file for major vendor "Cleanslate". The vendor is responsible for Public Way services.

Finding #4

Section 3.07 Records and Audits. Auditor noted non routine preparation of bank reconciliations, inadequate documenting of transactions entered into financial software, and untimely entry of transactions into the financial software.

Additionally, \$22,000 of restricted SSA funds not budgeted for were used in the Chamber's unrestricted activities. Total funds owed to the SSA activities at December 31, 2009 amounted to \$49,810.

Finding #5

Section 6.01 Ineligible Subcontractors.

Section 6.06 Business Relationships with Elected Officials.

Section 8.13 Prohibition of Certain Contributions.

Auditor found no formal procedures in place to ensure annual compliance with these subsections.

SOUTH SHORE CHAMBER, INC

Notes to Financial Statements
December 31, 2009 and 2008

NOTE 1—NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The South Shore Chamber, Inc (the Chamber) was incorporated on November 17, 1998. The purpose of the Chamber is to carry out charitable activities in areas of business assistance, as well as the promotion of business commerce and community maintenance in the South Shore area.

The Chamber is a not-for-profit corporation in Illinois and is exempt from income tax under section 501(c)(3) of the Internal Revenue Code. Contributions to the Chamber qualify for the charitable contributions deduction to the extent provided by section 170 of the Internal Revenue Code.

The Chamber's fiscal year is calendar year.

Public Support and Revenue Sources

The Chamber receives funds from two major sources (programs):

The Chamber has been designated as Special Service Area Number 42 (SSA) by the City of Chicago (the City) in an agreement made effective for calendar year beginning January 1, 2007. The City authorizes a Special Service Area Commission (the Commissioners) to preside over SSA approved annual activities. The annual activities are funded with a tax levy upon taxable properties within a designated area of the South Shore community; the tax levy is in addition to all other property taxes. Tax levies are billed, collected, and remitted by the City to the Chamber. Any unused tax levy for approved activities can be used by the Chamber in the succeeding year with City approval. The tax levy order is for 10 years beginning with tax year 2006. These funds are temporarily restricted for approved annual activities.

The Chamber also receives grant funds from the Community Develop Block Grant program (CDBG) established by the City's Department of Planning and Development (the Department). To qualify for the grant, the Chamber is required to make annual application by May 31st for the following year's funding. The application process requires a budget to be presented to the Department, once approved funds are disbursed as proof of expenditures are presented and reviewed by the Department. The CDBG program is designed to assist small businesses with technical resources through the use of not-for-profit partners. These funds are reimbursable on budgeted items.

Other funding sources include private donations and membership dues from Chamber members. These funds are unrestricted.

Summary Schedule of Findings

The City has requested certain compliance procedures to be performed in connection with the annual audit of the Chamber. These compliance procedures are limited to the activity of the SSA program. The procedures require testing of the SSA's compliance with requirements contained in the agreement with the City, and a documentation of exceptions found as a result of compliance testing. The statement entitled "Summary Schedule of Findings" has been incorporated with the other required financial statements as a result of compliance testing.

Basis of Presentation

Financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for Profit Organizations*. It requires not-for-profit organizations to provide a statement of financial position, a statement of activities, and a statement of cash flows. It requires classification of an organization's net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It further requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles accepted in the United States, 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

SOUTH SHORE CHAMBER, INC
Notes to Financial Statements
December 31, 2009 and 2008

(Note 1 continued)

Property and Equipment

It is the Chamber's policy to expense property and equipment purchased with SSA funds. Property and equipment purchased with SSA funds and expensed at December 31, 2009 and 2008 totaled \$13,937 and \$1,062, respectively. Their use is restricted to SSA activity. Additionally, \$4,645 of expenditures for property and equipment purchased in 2009 was considered a total loss.

Startup Costs

The Chamber capitalized certain start up costs in 2006 that were fully expensed in 2007 and included in SSA activity. Startup cost expensed in 2007 totaled \$31,438.

Accounting Change – Tax Levy Assessed and Temporarily Restricted Net Assets

As described in Note 1, *Public Support and Revenue Sources*, one of the Chamber's major funding sources is tax revenue received from the City for SSA annual activities. The accounting for these funds differs due to the accounting principles established by each industry's accounting authority.

The Financial Accounting Standards Board (FASB) establishes generally accepted accounting principles (GAAP) for public, private and non-profit entities, of which the Chamber falls under.

The Governmental Accounting Standards Board (GASB) establishes GAAP for local and state governments, of which the City (SSA funding source) falls under.

Under GASB, tax revenue is recognized when taxes are levied against (billed to) the property. Under FASB tax revenue can justifiably be recognized before the property is levied. In illustration, many taxpayers sale their homes prior to the year of levy but pay a prorated share of the eventual tax upon the property being sold; FASB would recognize this revenue in the year of sale, hence tax levy assessed. However, because GASB seeks to match revenue to the government's budget of a particular period, revenues are recognized when tax levies are billed to property tax owners for that period.

In the past, the Chamber recorded an asset, *Tax Levy assessed* in the current year for taxes to be levied in the following year for budgeting purposes. To more appropriately match tax revenues with approved SSA annual activities (budget), the Chamber will recognize tax revenue when tax levies are made as established by GASB. The change is effective January 1, 2009. The cumulative effect on prior years was charged to 2009 beginning Net Assets, see *Statement of Activities*. It was not practicable to determine the pro forma effect on the financial statements of applying the new change retroactively.

SOUTH SHORE CHAMBER, INC
Notes to Financial Statements
December 31, 2009 and 2008

(Note 1 continued)

Restricted and Unrestricted Statement of Financial Position and Cash Flows – Summarized

Statement of Financial Position at December 31, 2009:

	<u>Restricted</u>	<u>Unrestricted</u>
Cash	\$ 101,001	\$ 17,968
Tax levy due	51,236	-
Other Assets	-	140
Due from unrestricted assets	<u>49,810</u>	<u>-</u>
Total assets	<u>\$ 202,047</u>	<u>\$ 18,108</u>
Accounts payable and accrued liabilities	\$ 15,588	\$ -
Due to restricted assets	-	49,810
Carryover disallowed	62,680	-
Taxes payable	-	26,045
Total liabilities	<u>\$ 78,268</u>	<u>\$ 75,855</u>
Total net assets	<u>\$ 123,779</u>	<u>\$ (57,747)</u>
Total liabilities and net assets	<u>\$ 202,047</u>	<u>\$ 18,108</u>

Statement of Cash Flows for the year ended December 31, 2009:

	<u>Restricted</u>	<u>Unrestricted</u>
Decrease in net assets	\$ 77,500	\$ (14,473)
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
(Increase) in tax levy due and assessed receivable	(18,084)	-
Decrease in grant funds receivable	-	18,192
(Decrease) in allowance for doubtful accounts	(22,000)	-
Increase in accounts payable and accrued liabilities	7,012	-
(Increase) in other assets	-	(140)
Repay note payable, net (note 6)	<u>-</u>	<u>(10,000)</u>
Net increase (decrease) in cash	\$ 44,428	\$ (6,421)
Cash transfers (from restricted) to unrestricted	(21,968)	21,968
Cash as of beginning of year	<u>78,540</u>	<u>2,421</u>
Cash as of end of year	<u>\$ 101,000</u>	<u>\$ 17,968</u>

SOUTH SHORE CHAMBER, INC
Notes to Financial Statements
December 31, 2009 and 2008

NOTE 2—CASH

Cash includes bank accounts, additionally, any interest income from these accounts is recorded as interest when earned. In accordance with the City's requirement, the Chamber is required to hold cash in a separate account for SSA activity.

Available cash balances for the Chamber are as follows at December 31:

	<u>2009</u>	<u>2008</u>
Cash - SSA	\$ 101,001	\$ 78,540
Cash - Other	17,968	2,421
Total	<u>\$ 118,969</u>	<u>\$ 80,961</u>

Bank balances are as follows at December 31:

	<u>2009</u>	<u>2008</u>
Harris bank - SSA	\$ 101,001	\$ 91,138
LaSalle bank	-	698
Shore bank	30,152	13,564
Total	<u>\$ 131,153</u>	<u>\$ 105,400</u>

Bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per account.

NOTE 3—TAX LEVY AND GRANT FUNDS RECEIVABLE

Tax Levy Due and Assessed – SSA Program

Tax levy due are taxes that have been billed but not yet received, less an allowance for doubtful accounts. The Chamber provides for losses on taxes due using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of the Chamber to collect. Prior year's allowance was reflected in current year's financials as a credit to general expense under other expenses, while the current year's allowance was charged to loss expense under the SSA program expenses. Tax levy due is considered impaired if full principal payments are not received. Additionally, tax levy assessed are tax amounts determined by the City for the current tax year to be billed and collected by the City in the following year.

Net tax levy due at December 31:

	<u>2009</u>	<u>2008</u>
Tax levy due	\$ 51,236	\$ 33,152
Allow for doubtful accounts	-	(22,000)
Total	<u>\$ 51,236</u>	<u>\$ 11,152</u>

Net tax levy assessed consisted of the following at December 31:

	<u>2009</u>	<u>2008</u>
Tax levy assessed	\$ -	\$ 429,786
Carryover funds disallowed - cumulative	-	(62,680)
Total	<u>\$ -</u>	<u>\$ 367,106</u>

SOUTH SHORE CHAMBER, INC
Notes to Financial Statements
December 31, 2009 and 2008

(Note 3 continued)

Grant Funds Receivable – CDBG Program

Grant funds receivable consist of invoices to be reimbursed from grant funds, less an allowance for doubtful accounts. The Chamber provides for losses on grants receivable using the allowance method. The allowance is based on invoices that the Chamber has deemed not reimbursable. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Chambers policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Net grant funds receivable at December 31:

	<u>2009</u>	<u>2008</u>
Grant funds receivable	\$ -	\$ 20,092
Allow for doubtful accounts	-	(1,900)
Total	<u>\$ -</u>	<u>\$ 18,192</u>

NOTE 4—ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at December 31, 2007 are amounts billed by SSA vendors but not yet paid and estimated expenses owed to SSA vendors but not yet billed by the vendors. Accrued Expenses for 2008 consists of estimates owed to the SSA vendors. Accounts payable and accrued expenses consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Accounts payable	\$ 13,928	\$ -
Accrued expenses	1,660	8,576
Total	<u>\$ 15,588</u>	<u>\$ 8,576</u>

NOTE 5—TAXES PAYABLE

See Note 12.

NOTE 6—NOTE PAYABLE

The Chamber received a project initiation loan for \$20,000 in 2006 from Local Initiatives Support Corporation (LISC), a New York not-for-profit corporation. The loan's purpose was to provide financial support for costs related to obtaining the SSA designation. Repayment of the loan or portions of the loan is waived under certain conditions, of which, the Chamber does not currently qualify. The loan is non-interest bearing and non-secured. The loan is repayable in four (4) equal installments of \$5,000 each on or before the following due dates: 12/31/07, 6/30/08, 12/31/08, and 6/30/09. In 2007 the first installment due was made by the Chamber but later canceled in August 2008 due to non receipt by LISC. The loan covenant specifies a 5% interest rate to be applied on any overdue principal amounts. At year end, the 12/31/08 installment was due and later paid in February 2009, applicable interest for overdue principal amounts have been waived.

Note payable balance is as follows at December 31:

	<u>2009</u>	<u>2008</u>
Opening balance	\$ 5,000	\$ 15,000
Payments	(10,000)	(10,000)
Adjustment for canceled payment from prior year	5,000	-
Ending balance	<u>\$ -</u>	<u>\$ 5,000</u>

SOUTH SHORE CHAMBER, INC
Notes to Financial Statements
December 31, 2009 and 2008

NOTE 7—NET ASSETS

Unrestricted assets are as follows at December 31:

	2009	2008
Unrestricted net assets	<u>\$ (57,746)</u>	<u>\$ (43,274)</u>

Temporarily restricted assets are comprised of unused budgeted (program) amounts for the current year and tax levy assessed amounts (collection due in subsequent year). Unused program amounts for 2007 and 2008 are the result of a half year of services for major vendors and under spending, respectively. Additionally, unused (carryover) funds for 2008 have been revised by the City in 2009's budget. Net assets restricted at December 31, are as follows:

	2009	2008
Advertising and promotion	\$ 7,058	\$ 6,140
Public way aesthetics	46,356	11,440
Public way maintenance	35,675	10,219
Safety programs	2,538	5,440
District planning	5,500	3,440
Administration	4,652	9,600
Loss Collection	<u>22,000</u>	<u>429,786</u>
Total	<u>\$ 123,779</u>	<u>\$ 476,065</u>

NOTE 8—FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Chamber in estimating fair value disclosures for financial instruments:

Cash and Note Payable: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

NOTE 9—OPERATING LEASE

In June of 2008, the Chamber exercised its opt-out rights under a prior lease commitment and is currently entered into a new office lease commitment for one (1) year that began in June 2008, with an option to renew for an additional year upon written notice. In 2009, the Chamber exercised its right to renew. In addition to the first month's rent, the Chamber was required to pay a security deposit of \$700 for the performance of the lessee's obligations. Any default in performance authorizes lessor to cure default with security deposit and lessee is required to redeposit an amount appropriate to have the full security deposit on hand. Rent expense for 2009 and 2008 was \$8,400 and \$8,800, respectively.

NOTE 10—RELATED PARTY

The Chamber purchases insurance coverage from a company that is majority-owned by a member of the Chamber's board of directors. Insurance coverage was obtained through a competitive award process and, in the opinion of the Chamber the coverage obtained was the most favorable. Insurance expense for 2009 and 2008 was \$1,318 and \$2,081, respectively.

The Chamber leases office space on an annual basis from a company whose Board Chairperson is also a board member of the Chamber. Rent expense for 2009 and 2008 was \$8,400 and \$8,800, respectively.

Additionally, a board member of the Chamber also serves as a Commissioner for the SSA Program.

SOUTH SHORE CHAMBER, INC
Notes to Financial Statements
December 31, 2009 and 2008

NOTE 11—ALLOCATION OF EXPENSES

Certain costs have been allocated among the programs and supporting services.

NOTE 12—COMMITMENTS AND CONTINGENCIES

Taxes

In 2008, the Internal Revenue Service (the IRS) notified the Chamber of unpaid 941/990 principal and interest tax amounts totaling \$24,629 for tax periods 2004, 2005 and 2007. The balance has since been revised as of June 2009 to reflect unpaid 941/990 principal, interest and penalties totaling \$26,045 for tax periods 2004 and 2005. The Chamber does not agree with the adjustments proposed by the IRS and, in 2008, engaged legal representation ("in a pro-bono capacity") to pursue the matter. The Chamber believes that upon final resolution of the issue, the full balance including any penalties and interest will be reversed.

In 2008, an IRS tax levy of \$5,770 for penalties and interest was attached to the Chamber's South Shore bank account. At 12/31/08, the aforementioned IRS balance as of June 2009 and tax levy have been reported in the Chamber's financials for \$31,815 under other "general and miscellaneous" expenses. Penalties and interest may continue to accrue as a result of the dispute, but have not been estimated beyond the latest notification from the IRS, pending the outcome of the dispute.

Unrestricted Net Assets Uncertainty and Management Plan

The Chamber has experienced decreases in unrestricted net assets for the third consecutive year. These decreases are primarily the effect of portions of personnel expenses not covered by the Chambers grant and contract program; unresolved tax obligations noted above, and a lack of unrestricted revenues to cover the expenses. The Chamber believes that the tax liability will be resolved in its favor, the timing of which cannot be determined. The Chamber is in the process of developing plans to generate more unrestricted revenues from other sources. Unrestricted revenues increased from \$3,242 in 2008 to \$15,555 in 2009. A large portion of the increase was due to a \$10,280 settlement received in 2009 from a phone carrier for previous years' technical difficulties.

NOTE 13—EXTRAORDINARY ITEM

In 2009 the company determined a permanent impairment of capital assets related to program operations. The company has taken measures to ensure its non recurrence in the future. The total loss related to this event approximated \$66,166, of which \$36,804 relates to the prior year. As a result, the Chamber restated prior year's *Statement of Activities* to reflect the impairment.