

**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, 2013 and 2012**

**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 - 7
Supplementary Information	
Schedule of Expenditures with Budget Variances	8 - 9
Schedule of Findings	10 - 11



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, 2013 and 2012, and the related statements of activities, and cash flows for the years 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 opinions for the years ending December 31, 2013 and 2012.

Unmodified Opinion

In our opinion, 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, 2013 and 2012, 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.

April 30, 2014
Chicago, IL

**WESTERN AVENUE SPECIAL SERVICE AREA NUMBER 20
(MORGAN PARK-BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR)
STATEMENT OF FINANCIAL POSITION
As of December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 101,443	\$ 42,813
Tax revenue due from City of Chicago	5,094	-
Due from Morgan Park/Beverly Hills Business Association	<u>5,696</u>	<u>25,687</u>
Total Assets	<u><u>\$ 112,233</u></u>	<u><u>\$ 68,500</u></u>
 <u>Liabilities and Nets Assets</u>		
Current Liabilities		
Accounts payable	\$ 54,449	\$ 6,567
Total current liabilities	<u>54,449</u>	<u>6,567</u>
Net assets, unrestricted	<u>57,784</u>	<u>61,933</u>
Total Liabilities and Net Assets	<u><u>\$ 112,233</u></u>	<u><u>\$ 68,500</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 Years Ended December 31, 2013 and 2012

	2013			2012		
	Actual	Budget	Over (Under) Variance	Actual	Budget	Over (Under) Variance
Revenues						
Tax levy revenue - current period	\$ 160,385	\$ 172,905	\$ (12,520)	\$ 168,065	\$ 178,130	(10,065)
Tax levy revenue - prior period	8,314	14,607	(6,293)	-	-	-
Tax levy revenue - interest	6	-	6	-	-	-
Total revenues	<u>168,705</u>	<u>187,512</u>	<u>(18,807)</u>	<u>168,065</u>	<u>178,130</u>	<u>(10,065)</u>
Expenses						
Program Costs						
1.00 Advertising and promotion	5,083	12,900	(7,817)	2,175	12,330	(10,155)
2.00 Public way maintenance	49,269	61,100	(11,831)	57,697	61,000	(3,303)
3.00 Public way aesthetics	61,127	57,000	4,127	55,619	57,000	(1,381)
4.00 Tenant retention/attraction	-	2,500	(2,500)	-	2,000	(2,000)
Total program expense	<u>115,479</u>	<u>133,500</u>	<u>(18,021)</u>	<u>115,491</u>	<u>132,330</u>	<u>(16,839)</u>
Administration						
8.00 District planning	21,076	500	20,576	-	1,000	(1,000)
10.00 Operational and administrative support	25,855	25,855	-	25,855	25,855	-
11.00 Admin non-personnel	10,444	15,050	(4,606)	8,879	14,550	(5,671)
12.00 Loss collections	-	4,000	(4,000)	-	4,395	(4,395)
13.00 Late collections and interest	-	8,607	(8,607)	-	-	-
Total administration expense	<u>57,375</u>	<u>54,012</u>	<u>3,363</u>	<u>34,734</u>	<u>45,800</u>	<u>(11,066)</u>
Total Expenses	<u>172,854</u>	<u>\$ 187,512</u>	<u>\$ (14,658)</u>	<u>150,225</u>	<u>\$ 178,130</u>	<u>\$ (27,905)</u>
Change in Net Assets	(4,149)			17,840		
Unrestricted Net Assets						
Beginning of year	<u>61,933</u>			<u>44,093</u>		
End of year	<u>\$ 57,784</u>			<u>\$ 61,933</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 Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<u>Cash Flows from Operating Activities</u>		
Change in unrestricted net assets	\$ (4,149)	\$ 17,840
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Increase in accounts receivable	14,897	(18,637)
Increase in accounts payable	47,882	(16,776)
	<u>58,630</u>	<u>(17,573)</u>
 Cash and cash equivalents		
Beginning of year	<u>42,813</u>	<u>60,386</u>
End of year	<u>\$ 101,443</u>	<u>\$ 42,813</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, 2013 and 2012**

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, 2013 and 2012.

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 Beverly Bank & Trust 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 monitored for compliance by 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 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. At December 31, 2013 and 2012, the Organization is owed \$5,696 and \$25,687 from the Association, respectively.

**WESTERN AVENUE SPECIAL SERVICE AREA NUMBER 20
(MORGAN PARK - BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR)
NOTES TO FINANCIAL STATEMENT
December 31, 2013 and 2012**

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

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 City of Chicago 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 \$187,512 and \$178,130 or the amount of service tax funds collected during 2013 and 2012, respectively. 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 – Subsequent Events

For the fiscal years ended December 31, 2013 and 2012, the Organization has evaluated subsequent events through April 30, 2014, 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 Years Ended December 31, 2013 and 2012**

	2013			2012		
	Actual	Budget	Over (Under) Variance	Actual	Budget	Over (Under) Variance
Expenses						
Programs						
1.00 Advertising and Promotion						
1.01 Website and/or social media	\$ 2,000	\$ 2,000	\$ -	\$ 65	\$ 2,000	\$ (1,935)
1.03 Special events	-	5,000	(5,000)	-	5,000	(5,000)
1.04 Display ads	682	1,400	(718)	1,928	1,330	598
1.05 Print materials	1,720	2,500	(780)	-	2,500	(2,500)
1.06 Holiday/seasonal promotions	681	2,000	(1,319)	182	1,500	(1,318)
Total	5,083	12,900	(7,817)	2,175	12,330	(10,155)
2.00 Public Way Maintenance						
2.01 Sidewalk cleaning	42,980	56,000	(13,020)	56,000	56,000	-
2.02 Sidewalk snow plowing	5,355	3,600	1,755	500	3,600	(3,100)
2.08 Liability/property insurance	934	1,500	(566)	1,197	1,400	(203)
Total	49,269	61,100	(11,831)	57,697	61,000	(3,303)
3.00 Public Way Aesthetics						
3.01 Streetscape elements (trash receptacles, planters, benches, etc.)	6,000	6,000	-	4,668	6,000	(1,332)
3.02 Holiday decorations	40,600	36,000	4,600	36,000	36,000	-
3.05 Landscaping	14,527	15,000	(473)	14,951	15,000	(49)
Total	61,127	57,000	4,127	55,619	57,000	(1,381)
4.00 Tenant Retention/Attraction						
4.01 Data collection	-	500	(500)	-	500	(500)
4.02 Site marketing materials	-	2,000	(2,000)	-	1,500	(1,500)
Total	-	2,500	(2,500)	-	2,000	(2,000)
8.00 District Planning						
8.03 Strategic planning	1,615	-	1,615	-	500	(500)
8.04 Master planning	18,961	-	18,961	-	500	(500)
8.05 District market study, impace analysis, etc.	500	500	-	-	-	-
Total	21,076	500	20,576	-	1,000	(1,000)
10.00 Personnel						
10.01 Executive director	25,855	25,855	-	25,855	25,855	-
Total	25,855	25,855	-	25,855	25,855	-

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 Years Ended December 31, 2013 and 2012**

	2013			2012		
	Actual	Budget	Over (Under) Variance	Actual	Budget	Over (Under) Variance
Administration						
11.00 Operational and Administrative Support						
11.02 SSA audit	\$ 3,200	\$ 3,200	\$ -	\$ 3,575	\$ 3,200	\$ 375
11.03 Bookkeeping	1,600	1,600	-	733	1,600	(867)
11.05 Office utilities/telephone	1,706	3,000	(1,294)	1,226	3,500	(2,274)
11.06 Office supplies	2,452	3,500	(1,048)	1,393	3,000	(1,607)
11.07 Office equipment lease/maintenance	-	500	(500)	297	500	(203)
11.09 Postage	222	800	(578)	12	800	(788)
11.10 Meeting expense	470	1,500	(1,030)	336	1,000	(664)
11.11 Subscriptions/dues	216	250	(34)	10	250	(240)
11.12 Other: Bank Fees	578	700	(122)	1,297	700	597
Total	10,444	15,050	(4,606)	8,879	14,550	(5,671)
12.00 Loss Collection						
12.01 Loss collection	-	4,000	(4,000)	-	4,395	(4,395)
Total	-	4,000	(4,000)	-	4,395	(4,395)
13.00 Late Collections and Interest						
13.01 Late collections and interest - other	-	8,607	(8,607)	-	-	-
Total	-	8,607	(8,607)	-	-	-
Total	\$ 172,854	\$ 187,512	\$ (14,658)	\$ 150,225	\$ 178,130	\$ (27,905)

See independent auditor's report.

**WESTERN AVENUE SPECIAL SERVICE AREA #20
(MORGAN PARK/BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR)
SCHEDULE OF FINDINGS
December 31, 2013 and 2012**

Findings

We have read and understand the necessary audit requirements contained in the Service Provider Agreement. Accordingly, based on our audits, the following exception was noted during the year ending December 31, 2013 and 2012 audits.

Finding 2013-1 and 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.

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 subcontractors' agreements and will incorporate required provisions in future proposal requests per requirements in the Service Provider Agreement.

**WESTERN AVENUE SPECIAL SERVICE AREA #20
(MORGAN PARK/BEVERLY HILLS BUSINESS ASSOCIATION, CONTRACTOR)
SCHEDULE OF FINDINGS
December 31, 2013 and 2012**

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.

Current Status

Management implemented an accounting system that maintains concurrent financial records and prepares monthly reconciliation of accounts.