

**QUAD COMMUNITIES
DEVELOPMENT CORPORATION**

SPECIAL SERVICE AREA #47

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(With Independent Auditors' Report on
Compliance with City Requirements)**

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

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Alexander Mannie &
Company, P.C.

License No.: 060.009842/065.019648

4749 Lincoln Mall Dr. Ste 415
Matteson, IL 60443-3800
(708) 856-0324 (Office)
(708) 203-7418 (Cell)
(708) 856-0379 (Fax)
reginald@amcpccpa.comcastbiz.net
alexandermannie.com

**Independent Auditors' Report on Compliance with
City Requirements for the Special Service Area #47**

The Commissioners of Special Service Area #47 of
Quad Communities Development Corporation

We have audited the accompanying financial statements of Special Service Area #47 of Quad Communities Development Corporation ("QCDC"), which comprise the balance sheets as of December 31, 2012 and 2011, 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

The Special Service Area # 47 of QCDC's management is responsible for the presentation 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 from 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 auditors' 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 audit opinion.

The accompany financial statements were presented to present the operation of Special Service Area #47 of QCDC as described in Note 1, and are not intended to present the financial position and change in net assets of Quad Communities Development Corporation.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Service Area #47 of Quad Communities Development Corporation as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of revenues and expenditure -budget and actual are presented for the purpose of additional analysis and are 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 the relation to the financial statements as a whole. The accompanying summary schedules of findings have not been audited by us and, accordingly, we express no opinion on them.

Alexander Mammis & Company, P.C.

Matteson, Illinois

April 24, 2013

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

BALANCE SHEETS

AS OF DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash	\$ 110,405	\$ 217,192
Tax levy receivable	15,239	21,006
Prepaid expense	<u>-</u>	<u>48,300</u>
Total Assets	<u>\$ 125,644</u>	<u>\$ 286,498</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 22,681	\$ 11,841
Due to affiliate - QCDC	<u>27,207</u>	<u>2,566</u>
Total Liabilities	49,888	14,407
<u>NET ASSETS</u>		
Unrestricted	<u>75,756</u>	<u>272,091</u>
Total Liabilities and Net Assets	<u>\$ 125,644</u>	<u>\$ 286,498</u>

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

QUAD COMMUNITIES DEVELOPMENT CORPORATION

SPECIAL AREA AREA #47
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
REVENUE:		
Tax levy revenue	\$ 219,637	\$ 248,660
Other income	125	-
Interest income	<u>8</u>	<u>46</u>
Total Revenue	<u>219,770</u>	<u>248,706</u>
EXPENDITURES:		
Advertising & Promotion		
Website and social media	3,069	-
Public and/or media relations	2,360	570
Special events	23,258	24,039
Display advertising	7,742	-
Print materials	5,322	11,871
Other: shoppers rebate, value added program	8,050	-
Other: marketing and program intern	<u>51</u>	<u>-</u>
Total Advertising & Promotion	49,852	36,480
Public Way Maintenance		
Sidewalk cleaning	<u>95,623</u>	<u>95,568</u>
Total Public Way Maintenance	95,623	95,568
Public Way Aesthetics		
Streetscape elements (trash receptacles planters, benches, etc.)	56,767	20,224
Decorative banner and /or holiday decorations	18,259	50,298
Landscaping (plants, watering, etc.)	18,946	14,143
Other:CDOT pilot project PeoplePlace	<u>46,534</u>	<u>-</u>
Total Public Way Aesthetics	140,506	84,665
Façade Improvements		
Awning rebate program	<u>-</u>	<u>12,800</u>
Total Façade Improvement	-	12,800
SSA District Planning		
Other: SSA consultant	<u>7,375</u>	<u>-</u>
Total SSA District Planning	7,375	-

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

QUAD COMMUNITIES DEVELOPMENT CORPORATION

SPECIAL AREA AREA #47
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Personnel		
Personnel cost	78,137	61,060
Total Personnel	<u>78,137</u>	<u>61,060</u>
Admin. Non-Personnel		
SSA annual report		
Audit	4,775	4,250
Bookkeeping	2,903	2,500
Office rent	17,576	4,800
Office utilities	4,651	2,500
Office supplies	4,386	1,500
Office equipment lease/maintenance	2,170	3,300
Office printing	158	2,000
Postage	950	1,000
Meeting Expense	652	597
Subscriptions/dues	171	-
Professional development	2,196	-
Bank charge	30	10
Total Operation & Administration Support	<u>40,618</u>	<u>22,457</u>
Loss collection	<u>3,994</u>	<u>-</u>
Total Expenditure	<u>416,105</u>	<u>313,030</u>
Change in net assets	(196,335)	(64,324)
NET ASSETS AT BEGINNING OF YEAR	<u>272,091</u>	<u>336,415</u>
NET ASSETS AT END OF YEAR	<u>\$ 75,756</u>	<u>\$ 272,091</u>

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

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (196,335)	\$ (64,324)
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Changes in assets and liabilities:		
Decrease in tax levy receivable	5,767	17,203
Decrease in due from affiliate - QCDC		8,711
Decrease (increase) in prepaid expense	48,300	(38,300)
Increase (decrease) in accounts payable	10,840	(2,572)
Increase in due to affiliate - QCDC	<u>24,641</u>	<u>2,566</u>
Net cash used by operating activities	<u>(106,787)</u>	<u>(76,716)</u>
Net decrease in cash	(106,787)	(76,716)
CASH AT BEGINNING OF YEAR	<u>217,192</u>	<u>293,908</u>
CASH AT END OF YEAR	<u>\$ 110,405</u>	<u>\$ 217,192</u>

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

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

1. Nature of Business:

The Quad Communities Development Corporation (“QCDC”) was created in 2003 to provide community services, in addition to those provided by the City of Chicago to the Quad Communities Development Corporation which is the industrial area bounded by Cottage Grove Avenue from 40th Street on the north to 51st Street on the south and along 47th Street from Lake Park Avenue on the east to St. Lawrence Avenue on the west. On September 8, 2008, the City Council of the City of Chicago enacted an ordinance, which established an area known and designated as City of Chicago Special Service Area Number 47 and authorized the levy of an annual tax not to exceed an annual rate of three percent (3%) of the equalized assessed value of the taxable property therein to provide certain special services in and for the area in addition to the services provided by and to the City of Chicago generally. The area designated as Special Service Area #47 included the identical boundaries defined by the Quad Communities Development Corporation when it was created in 2003.

The special services authorized in the Ordinance included but not limited to maintenance and beautification activities; new construction; coordinated marketing and promotional activities; parking and transit programs; area strategic planning; business retention/recruitment initiatives; building façade improvements; security services; social services; and other technical assistance activities to promote community and economic development which was commensurate with the services provided by Quad Communities Development Corporation. The Commissioner of the City of Chicago’s Department of Planning and Development was authorized to enter into an agreement to appoint Quad Communities Development Corporation as the Service Provider for the Special Service Area #47. All activities of the Special Service Area #47 are carried out by the Quad Communities Development Corporation.

The Agreement with the City of Chicago requires an annual independent audit of Special Service Area #47’s operations. Accordingly, the accompanying financial statements were prepared to present the operations of Quad Communities Development Corporation’s Special Service Area and are not intended to present the financial position and change in net assets of Quad Communities Development Corporation.

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

NOTES TO FINANCIAL STATEMENTS
(Continued)

YEARS ENDED DECEMBER 31, 2012 AND 2011

2. **Significant Accounting Policies (Continued):**

(a) **Basic Financial Statements**

Generally accepted reporting standards for nonprofit organizations state that the basic financial statements include a statement of financial position, a statement of activities, and a statement of cash flows.

In order to accommodate the standard requirements and the requirements of the Department of Housing and Economic Development, the statements included with the Independent Auditor's Report are a statement of financial position re-titled to Balance Sheet, a Statement of Activity and Changes in Net Assets, and a Statement of Cash Flows. A Statement of Revenue and Expenditures- Budget and Actual is also included in the report on supplementary information.

(b) **Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates.

(c) **Revenue**

Special Service Area #47 of QCDC provided for the authorization of a levy of an annual tax not to exceed an annual rate of three percent (3%) of the equalized assessed value of the taxable property therein to cover the cost of special services provided for in the ordinance.

(d) **Income Tax Status**

QCDC is a nonprofit Illinois corporation and exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Therefore, the operations of Special Service Area #47 are exempt from income taxes.

(e) **Reclassification**

Certain prior year balances have been reclassified to conform to the current year presentation.

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

NOTES TO FINANCIAL STATEMENTS
(Continued)

YEARS ENDED DECEMBER 31, 2012 AND 2011

3. Tax Levy Receivable:

Tax levy receivable consist of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
2011 Tax Levy	\$ 9,549	\$ -
2010 Tax Levy	(962)	13,076
2009 Tax Levy	<u>6,652</u>	<u>7,930</u>
 Total Tax Levy Receivable	 <u>\$ 15,239</u>	 <u>\$ 21,006</u>

Tax levy receivable are deem collectible within the next calendar year.

4. Related Party Transactions:

The Due to Affiliate- QCDC for both years represents expenditures incurred by QCDC on behalf of Special Service Area #47.

5. Subsequent Events:

Special Service Area #47 of QCDC has evaluated events through April 24, 2013, the date of the issuance of the financial statements were available, and has determined that there were no subsequent events to be recognized in these financial statements.

QUAD COMMUNITIES DEVELOPMENT CORPORATION

SPECIAL AREA AREA #47
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2012

	Budget	Actual	Favorable (Unfavorable)
REVENUE:			
Tax levy revenue	\$ 219,637	\$ 219,637	\$ -
Carryover Funds	223,791	-	(223,791)
Other Income	-	125	125
Interest Income	-	8	8
	<u>443,428</u>	<u>219,770</u>	<u>(223,658)</u>
EXPENDITURES:			
Advertising & Promotion			
Website and social media	1,000	3,069	(2,069)
Public and/or media relations	4,000	2,360	1,640
Special events	25,000	23,258	1,742
Display advertising	7,000	7,742	(742)
Print materials	11,676	5,322	6,354
Other: shoppers rebate, value added program	8,000	8,050	(50)
Other: marketing and program intern	5,000	51	4,949
	<u>61,676</u>	<u>49,852</u>	<u>11,824</u>
Public Way Maintenance			
Sidewalk cleaning	95,000	95,623	(623)
Total Public Way Maintenance	<u>95,000</u>	<u>95,623</u>	<u>(623)</u>
Public Way Aesthetics			
Streetscape elements (trash receptacles planters, benches, etc.)	17,525	56,767	(39,242)
Decorative banner and /or holiday decorations	23,000	18,259	4,741
Wayfinding/signage	15,000	-	15,000
Public art	20,000	-	20,000
Landscaping (plants, watering, etc.)	23,000	18,946	4,054
Storage fees	1,000	-	1,000
Other:CDOT pilot project PeoplePlace	50,000	46,534	3,466
Total Public Way Aesthetics	<u>149,525</u>	<u>140,506</u>	<u>9,019</u>
Tenant Retention/Attraction			
Other: tenant attraction incentive program	1,000	-	1,000
Total Tenant Retention/Attraction	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Façade Improvements			
Façade enhancement program-rebates	1,850	-	1,850
Awning rebate program	2,850	-	2,850
Total Façade Improvements	<u>4,700</u>	<u>-</u>	<u>4,700</u>
SSA District Planning			
Other: SSA consultant	5,000	7,375	(2,375)
Total SSA District Planning	<u>5,000</u>	<u>7,375</u>	<u>(2,375)</u>

See independent auditors' report on supplemental information.

QUAD COMMUNITIES DEVELOPMENT CORPORATION

SPECIAL AREA AREA #47
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2012

	Budget	Actual	Favorable (Unfavorable)
Personnel			
Personnel cost	74,890	78,137	(3,247)
Total Personnel	74,890	78,137	(3,247)
Admin. Non-Personnel			
SSA annual report	500	-	500
Audit	7,500	4,775	2,725
Bookkeeping	2,903	2,903	-
Office rent	17,576	17,576	-
Office utilities	4,651	4,651	-
Office supplies	4,386	4,386	-
Office equipment lease/maintenance	2,170	2,170	-
Office printing	158	158	-
Postage	950	950	-
Meeting Expense	600	652	(52)
Subscriptions/dues	250	171	79
Professional development	4,493	2,196	2,297
Bank charge	-	30	(30)
Total Operation & Administration Support	46,137	40,618	5,519
Loss collection	5,500	3,994	1,506
	5,500	3,994	1,506
Total Expenditure	443,428	416,105	27,323
Change in net assets	-	(196,335)	(196,335)
NET ASSETS AT BEGINNING OF YEAR	-	272,091	272,091
NET ASSETS AT BEGINNING OF YEAR, Restated	-	272,091	272,091
NET ASSETS AT END OF YEAR	\$ -	\$ 75,756	\$ 75,756

See independent auditors' report on supplemental information.

QUAD COMMUNITIES DEVELOPMENT CORPORATION

SPECIAL AREA AREA #47
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2011

	Budget	Actual	Favorable (Unfavorable)
REVENUE:			
Tax levy revenue	\$ 248,660	\$ 248,660	\$ -
Carryover Funds	159,000	-	(159,000)
Interest Income	-	46	46
Total Revenue	407,660	248,706	(158,954)
EXPENDITURES:			
Advertising & Promotion			
Holiday/seasonal promotions	10,000	20,412	(10,412)
Print materials	10,000	11,871	(1,871)
Public/media relations services	15,000	570	14,430
Special events	30,000	24,039	5,961
Website/technology	5,000	-	5,000
Service provider direct services	7,000	7,000	-
Total Advertising & Promotion	77,000	63,892	13,108
Public Way Maintenance			
Trash Removal Service	115,000	95,568	19,432
Service provider direct services	5,000	5,000	-
Total Public Way Maintenance	120,000	100,568	19,432
Public Way Aesthetics			
Decorative banner purchases/installation/maintenance	16,000	29,886	(13,886)
Landscaping (plants, watering, pruning, street medians, etc.)	18,500	14,143	4,357
Streetscape elements purchase/install/maintenance	10,000	20,224	(10,224)
Service provider direct services	6,000	6,000	-
Total Public Way Aesthetics	50,500	70,253	(19,753)
Façade Improvements			
Awning rebate program	20,000	12,800	7,200
Service provider direct services	2,000	2,000	-
Total Façade Improvements	22,000	14,800	7,200
Safety Programs			
Police bicycle purchase	3,000	-	3,000
Service provider direct services	3,000	3,000	-
Total Safety Programs	6,000	3,000	3,000

See independent auditors' report on supplemental information.

QUAD COMMUNITIES DEVELOPMENT CORPORATION

SPECIAL AREA AREA #47
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2011

	Budget	Actual	Favorable (Unfavorable)
District Planning			
SSA work plans, visioning, etc	5,000	-	5,000
District branding, identity development	54,000	-	54,000
Service provider direct services	4,860	4,860	-
Total District Planning	63,860	4,860	59,000
 Operational & Administrative Support			
Audit	5,000	4,250	750
Bookkeeping	2,500	2,500	-
Meeting expense	2,500	597	1,903
Office equipment lease/maintenance	3,300	3,300	-
Office rent	4,800	4,800	-
Office supplies	1,500	1,500	-
Office utilities/telephone	2,500	2,500	-
Postage	1,000	1,000	-
Office printing	2,000	2,000	-
Service provider staff compensation	33,200	33,200	-
Other-bank charges	-	10	(10)
Total Operational & Administrative Support	58,300	55,657	2,643
 Loss collection	10,000	-	10,000
	10,000	-	10,000
 Total Expenditure	407,660	313,030	94,630
 Change in net assets	-	(64,324)	(64,324)
 NET ASSETS AT BEGINNING OF YEAR	-	336,415	336,415
 NET ASSETS AT BEGINNING OF YEAR	-	336,415	336,415
 NET ASSETS AT END OF YEAR	\$ -	\$ 272,091	\$ 272,091

See independent auditors' report on supplemental information.

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

SUMMARY SCHEDULE OF FINDINGS
(Unaudited)

YEAR ENDED DECEMBER 31, 2012

We have read the requirements of the Service Provider Agreement between Quad Communities Development Corporation, Contractor, and the City of Chicago.

Based on our understanding of the agreement and the facts surrounding the performance under the agreement, we noted no exceptions. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters of which we had no knowledge.

The total revenues used during the year ended December 31, 2012, were made available from the budgeted sources in amounts specified in the budget.

Finding-1

Budget allowances were available for all lines items for which expenditures were made. The actual spending for all items, except for twenty-seven (27) items, was equal to the budgeted allowances. Eighteen of the twenty-seven items were favorable to the budgeted allowances and nine of the twenty-seven items were unfavorable to the budgeted allowances.

Response

We concur with the finding and in the process of monitoring our expenditures that actual spending for all items equal the budget allowance.

Finding-2

Special Service Area #47 of QCDC for the year ending December 31, 2012 unexpended balance of \$75,756 does not equal the 2013 Budget Carryover of \$0.

Response

We concurred with the finding. In future, we will continue to increase Budget Carryover to reduce the unexpended balance.

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

SUMMARY SCHEDULE OF FINDINGS
(Unaudited)

YEAR ENDED DECEMBER 31, 2011

We have read the requirements of the Service Provider Agreement between Quad Communities Development Corporation, Contractor, and the City of Chicago.

Based on our understanding of the agreement and the facts surrounding the performance under the agreement, we noted no exceptions. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters of which we had no knowledge.

The total revenues used during the year ended December 31, 2011, were made available from the budgeted sources in amounts specified in the budget.

Finding-1

Budget allowances were available for all line items for which expenditures were made. The actual spending for all items, except for seventeen (17) items was equal to the budgeted allowance. Four of seventeen items noted above when over the budgeted allowance in which no budget revision was made.

Response

We concur with the finding and in the process of monitoring our expenditures that actual spending for all items equal the budget allowance.

Finding-2

Special Service Area #47 of QCDC for the year ending December 31, 2011 unexpended balance of \$272,091 does not equal to 2012 Budget Carryover of \$170,055.

Response

We concurred with the finding. In future, we will continue to increase Budget Carryover to reduce the unexpended balance.