

**FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)**

**SPECIAL SERVICE AREA #45
CHICAGO, ILLINOIS**

FINANCIAL AND COMPLIANCE AUDIT REPORT

YEARS ENDED DECEMBER 31, 2014 and 2013

**FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)**

SPECIAL SERVICE AREA #45

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Ragland & Associates, LLC

Certified Public Accountants and Management Consultants

15525 South Park / Suite 111 / South Holland, Illinois 60473 / 708-333-0634 / FAX 708-333-6680

INDEPENDENT AUDITORS' REPORT

Board of Directors
Special Service Area #45
Far South CDC - Contractor
Chicago, Illinois

We have audited the accompanying financial statements of Far South Community Development, Corp. (Far South CDC) (a contractor for) Special Service Area # 45 (a taxing district authorized by the City of Chicago), which comprise the statement of financial position as of December 31, 2014, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Far South CDC (a contractor for) Special Service Area # 45 as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information


Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of revenues and expenditures with budget variances on pages 20 and 21, is presented for purposes of additional analysis that are required by the City of Chicago Special Service Area Commission and are not a required part of the basic 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2015, on our consideration of Far South CDC (a contractor for) Special Service Area # 45's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Far South CDC (a contractor for) Special Service Area # 45's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Far South Community Development, Corp. (Far South CDC) (a contractor for) Special Service Area # 45's 2013 financial statements, and our report dated April 30, 2014, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.



RAGLAND & ASSOCIATES, LLC
Certified Public Accountants

South Holland, Illinois
May 1, 2015

**FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)**

SPECIAL SERVICE AREA #45

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and Cash Equivalents (Note A-3)	\$ 35,272	\$ 27,425
SSA Receivable (Note A-9)	<u>31,890</u>	<u>25,487</u>
Total Current Assets	67,162	52,912
Other Assets:		
Due From Far South CDC (Note A-8)	<u>-</u>	<u>-</u>
Total Other Assets	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 67,162</u></u>	<u><u>\$ 52,912</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 19,115	\$ 3,162
Payroll Liabilities	2,226	1,212
Accrued Expenses	<u>3,000</u>	<u>2,400</u>
Total Current Liabilities	24,341	6,774
Other Current Liabilities:		
Line of Credit (Note B-1)	<u>-</u>	<u>-</u>
Total Other Current Liabilities	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	24,341	6,774
NET ASSETS		
Unrestricted (Deficit) (Note A-2)	<u>42,821</u>	<u>46,138</u>
Total Net Assets	<u>42,821</u>	<u>46,138</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 67,162</u></u>	<u><u>\$ 52,912</u></u>

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

**FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)**

SPECIAL SERVICE AREA #45

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2014

(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2013)

CHANGES IN NET ASSETS:	SPECIAL SERVICE AREA #45	2014	2013
PUBLIC SUPPORT (Note A-6)			
Special Service Area #45	\$ 633,878	\$ 633,878	\$ 590,787
Total Public Support	<u>633,878</u>	<u>633,878</u>	<u>590,787</u>
PROGRAM EXPENSES			
1.00 Advertising & Promotion	35,189	35,189	59,547
2.00 Public Way Maintenance	111,214	111,214	78,288
3.00 Public Way Aesthetics	12,635	12,635	18,534
5.00 Façade Improvements	28,313	28,313	20,289
7.00 Safety Programs	<u>286,286</u>	<u>286,286</u>	<u>130,088</u>
Total Program Expenses	473,637	473,637	306,746
MANAGEMENT & GENERAL			
10.00 Personnel Expenses	128,520	128,520	100,982
11.00 Operational & Administrative Support	<u>31,114</u>	<u>31,114</u>	<u>36,243</u>
Total Management & General	<u>159,634</u>	<u>159,634</u>	<u>137,225</u>
Total Expenses	<u>633,271</u>	<u>633,271</u>	<u>443,971</u>
Change In Net Assets (Note A-5)	<u>607</u>	<u>607</u>	<u>146,816</u>
Net Assets, Beginning of Year	46,138	46,138	(4,674)
Adjustments to Net Assets (Note A-7)	<u>(3,924)</u>	<u>(3,924)</u>	<u>(96,004)</u>
Adjusted Beginning Net Assets	<u>42,214</u>	<u>42,214</u>	<u>(100,678)</u>
Net Assets, End of Year (Note A-2)	<u>\$ 42,821</u>	<u>\$ 42,821</u>	<u>\$ 46,138</u>

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

**FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)**

SPECIAL SERVICE AREA #45

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets (Note A-5)	\$ 607	\$ 146,816
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	-
(Increase) decrease in current assets:		
Receivables	(6,403)	82,085
Other assets	-	9,537
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	17,567	(22,473)
Other adjustments (Note A-7)	<u>(3,924)</u>	<u>(96,004)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,847	119,961
 CASH FLOWS FROM FINANCING ACTIVITIES		
(Payments) made from line of credit (Note B-2)	<u>-</u>	<u>(160,000)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	-	(160,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,847	(40,039)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>27,425</u>	<u>67,464</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Note A-3)	<u><u>\$ 35,272</u></u>	<u><u>\$ 27,425</u></u>
 SUPPLEMENTAL INFORMATION:		
Interest Expense	<u><u>\$ 939</u></u>	<u><u>\$ 11,631</u></u>

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

**FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)**

SPECIAL SERVICE AREA #45

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

ORGANIZATION

Far South CDC (FSCDC), (a contractor for) Special Service Area #45 is a not-for-profit Illinois corporation exempt from income tax under Section 501(c) (3) of the U. S. Internal Revenue Code. The Organization which is located within the boundaries of the City of Chicago serves as coordinator and executor of comprehensive plans designed to improve the community business district outlined for the SSA through programs which improve the economic development, aesthetics, marketing and special events for the business district.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. BASIS OF ACCOUNTING

The financial statements of Far South CDC (FSCDC), (a contractor for) Special Service Area #45 have been prepared on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

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 disclosure 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.

2. FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. Under the terms of that Statement, Special Service Area #45 is required to report information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization's expenses are reported as general operating expenses disclosed in the Statements of Activities and Changes in Net Assets. The Organization had unrestricted net assets in the amount of \$42,821 and \$46,138 for the years ended December 31, 2014 and 2013, respectively.

Date of Management's Review

Management has evaluated subsequent events through May 1, 2015, the date which the financial statements were available to be issued.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient data to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

3. CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, the Organization considers all cash in bank checking accounts highly liquid with maturities of three months or less to be cash equivalents. The Organization has no investments as of December 31, 2014 and 2013.

4. DONATED GOODS AND SERVICES

In accordance with the requirements of Statement of Financial Accounting Standards (SFAS) Accounting for Contributions Received and Contributions Made, donated goods or facilities are reflected as contributions in the financial statements at fair value.

5. INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. During fiscal year 2012, there was no unrelated business income. Accordingly, no provision for income taxes has been made. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Uncertainty Income Tax Position

While there is no unrelated business income for the current year and related income taxes, the term "tax position" as used in the FASB interpretation refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods. The term "tax position" also encompasses, but is not limited to:

- A decision not to file a tax return
- An allocation or a shift of income between jurisdictions
- The characterization of income or a decision to exclude reporting taxable income in a tax return
- A decision to classify a transaction, entity, or other position in a tax return as tax-exempt

While this disclosure may not have immediate applicability to the Organization's assets, it is required for full disclosure for any tax uncertainty that may arise from possible income tax transactions.

6. PUBLIC SUPPORT AND REVENUE

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, as applicable, depending on the nature of the restriction. When a restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net asset released from restrictions. Federal grant awards (direct and pass-through) are classified as refundable grant advances payable until expended for the purposes of grants since they are conditional promises to give.

7. ADJUSTMENTS, TRANSFERS, AND OTHER INCREASES (DECREASES) IN NET ASSETS

Decreases in net assets for the year ended December 31, 2014 resulted from changes in the current assets and liabilities due to not overstatements/understatements in the prior year, netting (\$3,924).

Other decreases in net assets for the year ended December 31, 2013 resulted from changes in the other assets and liabilities due to overstatements/understatements in the prior year, netting (\$96,004).

8. RELATED PARTY TRANSACTIONS

Special Service Area # 45 shares office space, equipment and staff through its affiliation with the Far South CDC. Special Service Area # 45 advanced FSCDC funds to satisfy financial obligations and/or further the objectives of its mission. The amount *Due From Far South CDC* as of December 31, 2014 and 2013 is \$0 and \$0, respectively.

9. SSA RECEIVABLE

SSA Program revenue is recognized when expenses are incurred. Far South CDC receives advances from SSA # 45 to spend on various program expenses. For the years ended, December 31, 2014 and 2013, Far South CDC had a receivable due from the City of Chicago SSA of \$31,890 and \$25,487, respectively.

NOTE B - COMMITMENTS AND CONTINGENCIES

1. LINE OF CREDIT

Far South CDC (a contractor for) Special Service Area # 45, has a \$175,000 Line of Credit with Harris Bank. It is a revolving line of credit at an interest rate of 6%. It is guaranteed by the City of Chicago and with all of Far South CDC's assets as collateral. It is to be used in conjunction with SSA # 45. The \$160,000 was used on the line of credit for the year ended, December 31, 2012. As of December 31, 2014 and 2013, the total line of credit became mature and was paid off by SSA #45 for a balance due of \$0 and \$0, respectively.

2. LEASE COMMITMENT

The Organization entered into a lease agreement with Halsted Renaissance Properties, Inc. on June 1, 2011 to lease approximately 2,000 square feet of commercial space located at 9929 South Halsted Street, Chicago, Illinois. Far South CDC leases the office space for \$1,600 per month during the first year with a rental adjustment occurring each year thereafter. For the term June 1, 2012 to May 31, 2013, the lease was increased by \$200 per month for a revised monthly rent of \$1,800. For the term June 1, 2013 to May 31, 2014, the lease was increased by another \$200 per month for a revised monthly rent of \$2,000. The lease term is for a three (3) year period beginning on June 1, 2011 and ending on May 31, 2014. In May 2014, the Organization signed a one year extension, with a monthly rent of \$2,200. Future minimum lease payments in full at December 31, 2014 are as follows:

<u>Years Ended December 31</u>	<u>Amount</u>
2014	\$ 25,400
2015	<u>11,000</u>
Total Future Minimum Payments	<u>\$ 36,400</u>

Lease expenses for the years ended December 31, 2014 and 2013 was \$27,200 and \$21,000, respectively. Allocated 50% to SSA # 45 and 50% to Management and General.

**FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)**

SPECIAL SERVICE AREA #45

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2014

FIINDING 2013-01

Far South CDC (a contractor for) Special Service Area # 45– Contractor did not follow cash disbursement policies and procedures by stamping invoices and/or receipts “paid.”

2014 STATUS

Far South CDC (a contractor for) Special Service Area # 45– Contractor is now in compliance with the cash disbursement policies and procedures. **Not repeated, deficiency corrected.**



Ragland & Associates, LLC

Certified Public Accountants and Management Consultants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
Far South Community Development Corporation
Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Far South Community Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Far South Community Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Far South Community Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See Finding #s 2014-01 and 2014-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Far South Community Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Far South Community Development Corporation's Response to Findings

Far South Community Development Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Far South Community Development Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RAGLAND & ASSOCIATES, LLC
Certified Public Accountants

South Holland, Illinois
May 1, 2015

SUPPLEMENTAL INFORMATION

**FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)**

SPECIAL SERVICE AREA #45

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2014

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes _____ **X** no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ **X** yes _____ none reported

Noncompliance material to financial statements noted? _____ yes _____ **X** no

Auditors' Statement

We (Ragland & Associates, LLC) have read and understand the necessary audit requirements contained in the Service Provider Agreement. Accordingly, based on our audit, the following exceptions (Findings 2014-1 and 2014-2) were noted during the year ended December 31, 2014 audit.

SECTION II – FINANCIAL STATEMENT FINDINGS

FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION (A CONTRACTOR FOR) SPECIAL SERVICE AREA # 45

BASIC FINANCIAL STATEMENT FINDING RECONCILIATION OF CHECKING ACCOUNTS YEAR ENDED DECEMBER 31, 2014

FINDING 2014-01 – SIGNIFICANT DEFICIENCY

Far South CDC (a contractor for) Special Service Area # 45 did not follow reconciliation of checking accounts policies and procedures.

Condition

During our testing, we noted that the Organization did not record all checks that were written in 2014, leading to an outstanding check entry that had to be made for \$45,645 of unrecorded expenses for the SSA # 45.

Cause

Far South Community Development, Corp. (Far South CDC) (a contractor for) Special Service Area # 45 did not adhere to existing protocol and system of internal accounting controls (as established by GAAP) as it pertains to accounting, reporting and monitoring of the Organization's cash and checking accounts. No review procedures were implemented to account for checks written in the current month/year that did not clear the bank for the current period.

Criteria

Sufficient internal accounting controls should be in place and operating effectively to enable management to account and report accurate financial data, consistent with assertions of management, in a timely manner and in accordance with GAAP.

Effect

Lack of sufficient internal accounting controls over reconciliation of checking accounts could lead unaccounted expenses and/or duplicate expenses that were not applied to the proper period.

Recommendation

Monitor compliance with internal accounting policies and procedures as it pertains to accounting, financial reporting and monitoring of the reconciliation of the checking accounts. Ensure that your procedures for the timely reconciliation of the checking accounts have a step to review the check stubs or register and to review the check images.

**FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)**

**BASIC FINANCIAL STATEMENT FINDINGS
OMISSION OF YEAR END ACCRUALS
YEAR ENDED DECEMBER 31, 2014**

FINDING 2014-02 – SIGNIFICANT DEFICIENCY

Far South CDC (a contractor for) Special Service Area # 45– did not record several year- end accruals, both on the expense and revenues.

Condition

During our testing, we noted that the Organization did not follow established policies and procedures for the accounting and recording of year end accruals in accordance with Generally Accepted Accounting Principles (GAAP) as follows:

*The organization failed to properly record accruals for the month of December 2014 for Holiday Decorations, Advertising and Bookkeeping expenses. This in turn, led to the organization failing to record additional SSA receivables and revenue for the year ended December 31, 2014.

Cause

Far South Community Development, Corp. (Far South CDC) (a contractor for) Special Service Area # 45 did not adhere to existing protocol and system of internal accounting controls (as established by GAAP) as it pertains to accounting, reporting and monitoring of the Organization’s obligations.

Criteria

Sufficient internal accounting controls should be in place and operating effectively to enable management to account and report accurate financial data, consistent with assertions of management, in a timely manner and in accordance with GAAP.

Effect

The basic financial statements may not properly include and/or classify current assets, liabilities, expenses, and revenue. This also increases the possibility that management will not detect errors or potential fraud in financial reporting in a timely manner that could result in material misstatements of the financial statements.

Recommendation

Monitor compliance with internal accounting policies and procedures as it pertains to accounting, financial reporting and monitoring of the year end accruals. Instead of only using the accounting system on a cash basis, the bills should all be recorded in the accounts payable system to make sure all expenses are properly accounted for in accordance with Generally Accepted Accounting Principles (GAAP).



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Corrective Action

Far South Community Development Corporation
Financial Statement Findings – Auditee Response
Year Ended December 31, 2014

The Far South Community Development Corporation concurs with the findings listed in the audit report 2014-01 and 2014-02.

Finding 2014-01 – Significant Deficiency

Far South CDC (a contractor for) Special Service Area #45 did not follow reconciliation of checking accounts policies and procedures.

Condition

During our testing, we noted that the Organization did not record all checks that were written in 2014, leading to an outstanding check entry that had to be made for \$45,645 of unrecorded expenses for the SSA #45.

Response

The organization will adhere to the auditor's suggestion and monitor with internal financial policies and procedures as it pertains to accounting, reporting, and monitoring of the checks written. The organization recognizes the significance of maintaining proper record documentation of program services and operational expenses.

The organization will meet with current accountant and 2014 auditor to discuss policies and procedures when recording expenses properly. The expenses were cleared in January of 2015; however, the organization will ensure that the cleared checks are reflected in the year-end statements.

The Far South CDC is also training staff on entering and recording receivables and payables to ensure this issue is not repeated.

Finding 2014-02 – Significant Deficiency

Far South CDC (a contractor for) Special Service Area #45 – did not record several year-end accruals, both on the expenses and revenues.

Condition

During our testing, we noted that the Organization did not follow established policies and procedures for the accounting and recording of year-end accruals in accordance with Generally Accepted Accounting Principles (GAAP) as follows:

**The organization failed to properly record accruals for the month of December 2014 for Holiday Decorations, Advertising and Bookkeeping expenses. This in turn, led to the organization failing to record additional SSA receivables and revenue for the year-ended December 31, 2014.*

Response

The organization will adhere to the auditor's suggestion and monitor with internal financial policies and procedures as it pertains to accounting, reporting, and monitoring of the year-end accruals. The organization recognizes the significance of maintaining proper record documentation of program services and operational expenses.

The organization will meet with current accountant and 2014 auditor to discuss policies and procedures when recording expenses properly. The expenses were cleared in January of 2015; however, the organization will ensure that the cleared checks are reflected in the year-end statements. The Far South CDC is also training staff on entering and recording receivables and payables to ensure this issue is not repeated.

Contact Person: Abraham D. Lacy, Executive Director
Email: lacy@farsouthcdc.org

FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)

SPECIAL SERVICES AREA #45

**SCHEDULES OF REVENUES AND EXPENDITURES - BUDGET VS. ACTUAL
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	DECEMBER 31, 2014			DECEMBER 31, 2013		
	SPECIAL SERVICE AREA #45 ACTUAL	BUDGET	OVER (UNDER) VARIANCE	SPECIAL SERVICE AREA #45 ACTUAL	BUDGET	OVER (UNDER) VARIANCE
REVENUES:						
Special Service Revenue # 45	\$ 633,878	\$ 706,256	\$ (72,378)	\$ 590,787	\$ 695,052	\$ (104,265)
Total Revenue	\$ 633,878	\$ 706,256	\$ (72,378)	590,787	695,052	(104,265)
EXPENDITURES:						
1.00 Advertising & Promotion						
1.03 Print Materials	27,689	30,000	(2,311)	-	10,000	(10,000)
1.04 Display Advertising	-	30,000	(30,000)	-	-	-
1.06 Website/Technology	7,500	-	7,500	59,547	60,000	(453)
1.07 Service Provider Direct	-	-	-	-	-	-
Total 1.00 - Advertising & Promotion	35,189	60,000	(24,811)	59,547	70,000	(10,453)
2.00 Public Way Maintenance						
2.05 Sidewalk Cleaning	111,214	128,000	(16,786)	78,288	108,000	(29,712)
2.14 Service Provider Direct	-	-	-	-	-	-
Total 2.00 - Public Way Maintenance	111,214	128,000	(16,786)	78,288	108,000	(29,712)
3.00 Public Way Aesthetics						
3.01 Decorative Banners	-	-	-	-	15,000	(15,000)
3.02 Holiday Decorations	12,635	9,500	3,135	18,534	9,000	9,534
3.03 Wayfinding/Signage	-	-	-	-	-	-
3.07 Service Provider Direct	-	-	-	-	-	-
Total 3.00 - Public Way Aesthetics	12,635	9,500	3,135	18,534	24,000	(5,466)
4.00 Tenant Retention/Attraction						
4.02 Site Marketing	-	-	-	-	-	-
Total 4.00 - Tenant Retention/Attraction	-	-	-	-	-	-
5.00 Façade Improvements						
5.01 Façade Enhancement Program	28,313	40,000	(11,687)	20,289	30,000	(9,711)
Total 5.00 - Façade Improvements	28,313	40,000	(11,687)	20,289	30,000	(9,711)
7.00 Safety Programs						
7.01 Public Way Surv. Cameras	-	-	-	-	-	-
7.02 Security Sub-Contractor	286,286	275,000	11,286	130,088	265,000	(134,912)
7.09 Service Provider Direct	-	-	-	-	-	-
Total 7.00 - Safety Programs	286,286	275,000	11,286	130,088	265,000	(134,912)

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

FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)
SPECIAL SERVICES AREA #45
SCHEDULES OF REVENUE AND EXPENDITURES - BUDGET VS. ACTUAL-Continued
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	DECEMBER 31, 2014			DECEMBER 31, 2013		
	SPECIAL SERVICE AREA #45 ACTUAL	BUDGET	OVER (UNDER) VARIANCE	SPECIAL SERVICE AREA #45 ACTUAL	BUDGET	OVER (UNDER) VARIANCE
EXPENDITURES:						
8.00 District Planning						
8.03 Strategic Planning	-	9,780	(9,780)	-	-	-
8.04 Master Planning	-	8,334	(8,334)	-	15,000	(15,000)
8.05 Economic Impact Study	-	9,780	(9,780)	-	-	-
Total 8.00 - District Planning	-	27,894	(27,894)	-	15,000	(15,000)
9.00 Other Technical Assistance						
9.01 Wifi District Infrastructure/Maintenance	-	10,000	(10,000)	-	-	-
Total 9.00 - Other Technical Assistance	-	10,000	(10,000)	-	-	-
10.00 Personnel Expenses						
10.01 Personnel Expenses-Executive Director	35,000	35,000	-	21,034	24,000	(2,966)
10.02 Personnel Expenses-SSA Program Mngr	58,675	58,675	-	58,675	58,675	-
10.03 Personnel Expenses-Administrative Sup	22,507	20,000	2,507	12,660	22,159	(9,499)
10.09 Personnel Expenses-Taxes & Fringe Ben	12,338	-	12,338	8,613	-	8,613
Total 10.00 - Personnel Expenses	128,520	113,675	14,845	100,982	104,834	(3,852)
11.00 Administration Costs						
11.02-10.01 Audit Fees	3,000	3,000	-	4,800	5,600	(800)
11.03-10.02 Bookkeeping/Accounting Fees	4,125	4,500	(375)	4,105	4,000	105
11.04-10.05 Occupancy-Rent & Utilities	16,864	12,687	4,177	14,397	19,660	(5,263)
11.06-10.06 Office Supplies	411	-	411	50	4,000	(3,950)
11.07-10.04 Office Equipment Maint./Lease	1,866	7,000	(5,134)	-	6,400	(6,400)
11.08-10.09 Printing and Duplication	-	-	-	-	1,600	(1,600)
11.09-10.08 Postage	-	-	-	-	300	(300)
11.10-10.03 Meeting Expenses	585	-	585	-	600	(600)
11.11 Dues & Subscriptions	60	-	60	141	500	(359)
11.12 Bank Fees & Service Charges	577	500	77	106	750	(644)
11.13 Monitoring/Compliance	-	-	-	-	1,500	(1,500)
10.07 Telephone	1,858	-	1,858	1,013	-	1,013
10.01 Service Provider Admin-Insurance	829	-	829	-	-	-
10.13 Miscellaneous	-	-	-	-	-	-
Total 11.00 - Administration Costs	939	10,000	(9,061)	11,631	44,910	(33,279)
Total 11.00 - Administration Costs	31,114	37,687	(6,573)	36,243	44,910	(8,667)
12.00 Loss Collection						
12.00 Loss Collection	-	4,500	(4,500)	-	4,500	(4,500)
Total 12.00 - Loss Collection	-	4,500	(4,500)	-	4,500	(4,500)
TOTAL EXPENDITURES	633,271	706,256	(72,985)	443,971	666,244	(222,273)
NET EXCESS OF REVENUES OVER (EXPENSES)	\$ 607	\$ -	\$ 607	\$ 146,816	\$ 28,808	\$ 118,008
OTHER EXPENDITURES						
Payment of Line of Credit due to shorting of funding for 2012	-	-	-	-(160,000)	-	-(160,000)
NET EXCESS OF EXPENDITURES OVER REVENUES	\$ 607	\$ -	\$ 607	\$ (13,184)	\$ 28,808	\$ (41,992)

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

**FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)**

SPECIAL SERVICE AREA #45

**EXIT CONFERENCE
YEAR ENDED DECEMBER 31, 2014**

An exit conference was held on May 1, 2015 and this report was discussed with Organization personnel. Those in attendance were:

**Special Service Area #45
(Far South CDC – Contractor)**

Names
Abraham Lacy

Title
Executive Director

Ragland & Associates, LLC

Names
Kymberly Buchanan, CPA

Title
General Manager