

**GREATER SOUTHWEST
DEVELOPMENT
CORPORATION – SPECIAL
SERVICE AREA #3**

**Financial Statements and
Auditor's Report**

December 31, 2011

**MANNING SILVERMAN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
(847) 459-8850**

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
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INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Greater Southwest Development Corporation – Special Service Area #3
Chicago, Illinois

We have audited the accompanying statement of assets, liabilities and net assets of Greater Southwest Development Corporation - Special Service Area #3 as of December 31, 2011 and the related statements of revenues and expenses and change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

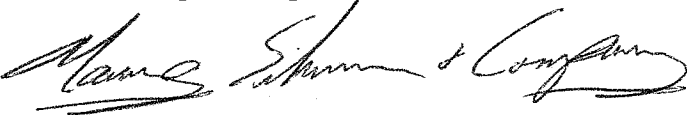
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The above-noted financial statements are intended to present the operations of Special Service Area #3 in the manner and according to the accounting requirements outlined by the City of Chicago, as described in Note 2 to the financial statements.

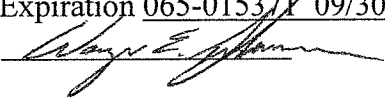
In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Greater Southwest Development Corporation - Special Service Area #3 as of December 31, 2011 and the revenues, expenses and changes in net assets and cash flows for the year then ended in conformity with accounting requirements outlined by the City of Chicago, as described in Note 2 to the financial statements.

The accompanying Schedule of Expenses – Budget to Actual is presented for purposes of additional analysis, as required by the City of Chicago. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors and management of Greater Southwest Development Corporation and the Commissioners of Special Service Area #3 of the City of Chicago and is not intended to be and should not be used by anyone other than these specified parties.



Manning Silverman & Company
Certified Public Accountants

Name: Wayne E. Silverman
IL Lic. No/Expiration 065-015371 09/30/12
Signature: 

April 16, 2012

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
DECEMBER 31, 2011**

ASSETS

Cash and Cash Equivalents	\$ 1,118,457
Due from Greater Southwest Development Corporation	155,953
Accounts Receivable	<u>22,883</u>
Total Assets	<u>\$ 1,297,293</u>

LIABILITIES AND NET ASSETS

Accounts Payable	\$ 1,820
Unrestricted Net Assets	<u>1,295,473</u>
Total Liabilities and Net Assets	<u>\$ 1,297,293</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
STATEMENT OF REVENUES AND EXPENSES AND CHANGE IN NET ASSETS
YEAR ENDED DECEMBER 31, 2011**

	<u>Budget</u>	<u>Actual</u>
Revenues		
Tax Collections from the City of Chicago	\$ 1,621,626	\$ 1,461,354
Interest Earned	<u> -</u>	<u> 1,864</u>
Total Revenues	<u>1,621,626</u>	<u>1,463,218</u>
Expenses (Schedule Attached)		
Advertising and Promotion	263,000	301,676
Public Way Maintenance	336,217	195,620
Public Way Aesthetics	285,000	238,499
Tenant Retention/Attraction	98,215	54,129
Façade Improvements	84,000	66,748
Safety Programs	38,816	240,216
District Planning	61,200	24,885
Other Technical Assistance	124,585	29,697
Administration	180,593	116,120
Loss Collection	<u>150,000</u>	<u> -</u>
Total Expenses	<u>1,621,626</u>	<u>1,267,590</u>
Excess of Revenues over Expenses and Change in Net Assets	<u>\$ -</u>	<u> 195,628</u>
Net Assets, Beginning of Year, as Previously Reported		658,896
Prior Period Adjustment		<u> 440,949</u>
Net Assets, Beginning of Year, as Adjusted		<u>1,099,845</u>
Net Assets, End of Year		<u>\$ 1,295,473</u>

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

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011**

Cash Flows from Operating Activities:	
Increase in Net Assets	\$ 195,628
Decrease in Accounts Receivable	189,133
(Decrease) in Accounts Payable	(5,925)
(Increase) in Due from Greater Southwest Development Corporation	<u>(38,284)</u>
Net Cash Provided by Operating Activities	<u>340,552</u>
Cash and Cash Equivalents, Beginning of Year	<u>777,905</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,118,457</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

Note 1 – Organization and Nature of Operations

Greater Southwest Development Corporation (“GSDC”) is the catalyst for creating and maintaining a vital greater Southwest Chicago community by empowering, building and sustaining development to raise the quality of life for its neighborhood residents, businesses and industries.

Special Service Area #3 (SSA) was established by the City of Chicago and is administered by GSDC. It represents a specified geographic area within the city from which a portion of the property tax collections are allocated thereto. The defined territory in whole or in part is encompassed by the following: on West 63rd Street from South Bell Avenue to South Cicero Avenue; on South Kedzie Avenue from West 62nd Street to West 64th Street; on South Pulaski Road from West 56th Place to West 71st Street; on South Western Avenue from West 61st Street to West 64th Street; and on the east side of South Cicero Avenue from the alley north of West 63rd Street to West 71st Street.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

SSA uses the accrual method of accounting; its financial statements reflect only assets, liabilities, revenues and expenses specifically allocated to the activities of SSA. No other assets, liabilities, revenues or expenses of GSDC are reported herein.

Presentation of these financial statements is governed by the requirements of the City of Chicago, whereby actual and budgeted expenses are reported in conformity with the classification criteria developed by it. Under United States Generally Accepted Accounting Principles (GAAP), assets that would be reported in the financial statements as capital assets or prepaid expenses and then depreciated or amortized, are charged directly to their respective allocated budget accounts. Accordingly, these financial statements are not in conformity with GAAP.

Further, all assets of SSA, whether reflected in the financial statements or not, are owned by the City of Chicago on behalf of the property owners within the specified geographic area outlined above and may be claimed and/or withdrawn from use by the city at its discretion.

Cash and Cash Equivalents

All certificates of deposit purchased with a maturity of three to twelve months are considered to be cash equivalents and are recorded at cost. These investments should be reflected at their market values, along with any unrealized gains or losses. However, the effect of using the cost method of valuation is not materially different from the results that would have been obtained under the market valuation method.

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2011**

Concentrations of Credit Risk

Financial instruments, which potentially subject the entity to concentrations of credit risk, consist principally of cash. SSA maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. SSA has not experienced any losses in such accounts.

Income Taxes

SSA is exempt from federal, state and local income taxation as it is a non-taxpaying entity created by the City of Chicago, established solely for the purpose of the development of the community; it receives funding directly from local property tax collections.

Use of Estimates

The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 – Concentrations of Revenues and Accounts Receivable

All revenues (except interest on short-term investments) are received from the City of Chicago and are to be used for rehabilitating, advertising, promoting and maintaining the defined area. The allocated tax collections during 2011 were \$1,461,354, of which \$22,883 was in transit from the city at December 31, 2011. Future operations could be affected by changes in the economic or other conditions in that geographical area and/or by changes in the availability of city funding.

Note 4 – Litigation, Risks and Contingencies

In the normal course of business, GSDC (including SSA) may be named as a defendant in various legal actions. As of April 16, 2012, GSDC is not aware of any pending litigation or other loss contingencies that would require recognition or disclosure of any contingent liabilities in SSA financial statements at December 31, 2011.

In 2011, the City of Chicago allocated Tax Increment Financing (TIF) rebates to SSA. Receipt of these funds, \$170,733, is contingent on City Council action and an amendment to the SSA contract; occurrence and timing of both actions is unknown and uncertain. Accordingly, this amount has not been reflected in the financial statements of SSA for the year ended December 31, 2011.

GSDC is pursuing, on behalf of SSA, a legal matter in which a service provider did not fulfill its contractual obligations. The amount being sought by GSDC for the breach of contract is approximately \$90,000 and has not been recorded in the accompanying financial statements.

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2011**

Note 5 – Administrative Services

Certain expenses incurred by SSA are paid to GSDC as reimbursement of overhead. For 2011 the total of such expenses, including payroll, was \$402,333.

Note 6 – Prior Period Adjustments and Corrections of Errors

Early in 2011, new management of GSDC discovered misclassifications and bookkeeping errors reflecting charges for overhead expense reimbursements paid to GSDC. Management engaged an independent accounting firm to investigate this matter, the result of which was a determination that the total GSDC unsupported charges to SSA during the years 2008-2010 amounted to \$190,949. GSDC management will transfer these funds to SSA in 2012.

Previously reported SSA net assets as of January 1, 2011 were also understated by \$250,000 due to misclassification of certain cash balances maintained by GSDC.

Both adjustments, totaling an increase in previously reported net assets of \$440,949 have been reflected in the accompanying financial statements at December 31, 2011.

Note 7 – Subsequent Events

GSDC has evaluated the December 31, 2011 financial statements of SSA for subsequent events affecting SSA through April 16, 2012, the date the financial statements were available to be issued. GSDC entity is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

SUPPLEMENTAL INFORMATION

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
SCHEDULE OF EXPENSES – BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2011**

	<u>Budget</u>	<u>Actual</u>
Advertising and Promotions		
1.01 Display Ads	\$ 30,000	\$ 63,776
1.02 Promotions	50,000	71,178
1.03 Print Materials	35,000	28,629
1.05 Special Events	100,000	97,078
1.06 Website/Technology	8,000	5,731
1.07 Direct Services	<u>40,000</u>	<u>35,284</u>
 Total Advertising and Promotions	 <u>\$ 263,000</u>	 <u>\$ 301,676</u>
 Public Way Maintenance		
2.01 Equipment Purchase and Maintenance	\$ 200,000	\$ 31,747
2.03 Graffiti Removal Program	17,000	5,458
2.04 Liability/ Property Insurance	8,000	5,293
2.08 Wages/Fringe Benefits	86,217	97,853
2.10 Supplies	15,000	19,828
2.14 Service Provider Direct Service	<u>10,000</u>	<u>35,441</u>
 Total Public Way Maintenance	 <u>\$ 336,217</u>	 <u>\$ 195,620</u>
 Public Way Aesthetics		
3.01 Banners/Install/Maintenance	\$ 75,000	\$ 74,701
3.02 Holiday Decorations	50,000	54,542
3.03 Landscaping	100,000	85,949
3.05 Streetscape Elements	20,000	722
3.07 Direct Services	20,000	6,195
3.08 Other: Community Pride Campaign	<u>20,000</u>	<u>16,390</u>
 Total Public Way Aesthetics	 <u>\$ 285,000</u>	 <u>\$ 238,499</u>
 Tenant Retention/Attraction		
4.02 Pre-Development	\$ 25,000	\$ 25,000
4.04 Technical Assistance to Businesses	20,000	23,439
4.06 Direct Services	23,215	5,330
4.07 Other: Consult	<u>30,000</u>	<u>360</u>
 Total Tenant Retention/Attraction	 <u>\$ 98,215</u>	 <u>\$ 54,129</u>

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**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
SCHEDULE OF EXPENSES – BUDGET TO ACTUAL (Continued)
YEAR ENDED DECEMBER 31, 2011**

	<u>Budget</u>	<u>Actual</u>
Façade Improvements		
5.01 Façade Enhancement	\$ 30,000	\$ 36,217
5.02 Awning Rebate Program	26,000	25,975
5.04 Service Provider Direct Service	8,000	4,556
5.05 Retail Support Program (Adoption of Oak Park Program)	<u>20,000</u>	<u>-</u>
Total Façade Improvements	<u>\$ 84,000</u>	<u>\$ 66,748</u>
Safety Programs		
7.02 Security Rebate Program	\$ 28,816	\$ 38,411
7.02 Security Subcontractor	-	197,249
7.09 Service Provider	<u>10,000</u>	<u>4,556</u>
Total Safety Programs	<u>\$ 38,816</u>	<u>\$ 240,216</u>
District Planning		
8.02 District Branding, Identity Development	\$ 14,200	\$ 17,026
8.04 District Master Plan, Corridor Plans, Streetscape Plans, etc.	20,000	1,200
8.07 Service Provider Direct Service	<u>27,000</u>	<u>6,659</u>
Total District Planning	<u>\$ 61,200</u>	<u>\$ 24,885</u>
Other Technical Assistance		
9.01 Service Provider Direct Service	\$ 10,000	\$ 26,589
9.02 Other: WiFi Infrastructure	78,785	3,108
9.03 Other: WiFi Connectivity	<u>35,800</u>	<u>-</u>
Total Other Technical Assistance	<u>\$ 124,585</u>	<u>\$ 29,697</u>
Administration		
10.01 Audit/Bookkeeping	\$ 5,460	\$ 22,064
10.03 Meeting Expense	19,780	5,148
10.04 Office Equipment Lease/Maintenance	-	141
10.05 Office Rent	24,000	6,779
10.06 Office Supplies	14,350	2,803
10.07 Office Utilities/Telephone	8,190	13,005
10.08 Postage	2,720	879
10.09 Office Printing	23,125	13,194
10.10 Service Provider Administrative Support	50,288	21,583
10.11 Subscriptions	280	1,214
10.12 Other: Legal Consulting, Travel, Staff Training	14,400	13,068
10.12 Other: Office Cleaning, Internet, Computer Support, etc.	<u>18,000</u>	<u>16,242</u>
Total Administration	<u>\$ 180,593</u>	<u>\$ 116,120</u>
Loss Collection		
11.00 Loss Collection	<u>\$ 150,000</u>	<u>\$ -</u>
Total	<u>\$ 1,621,626</u>	<u>\$ 1,267,590</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**GREATER SOUTHWEST DEVELOPMENT CORPORATION -
SPECIAL SERVICE AREA #3
SUMMARY SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2011**

We have read the agreement between the City of Chicago and Greater Southwest Development Corporation and, after conducting the audit, reported the following findings in the prior year report. There were no current findings to report in 2011.

2010-1 *Employee Turnover*

Management's response indicated that there has been a replacement in the accounting department that has resolved the issue of the accuracy of check numbers and accounting records. Based on our testing, we confirmed that statement.

Corrective Action Plan

Contact Person: Mr. Ghian Foreman

Corrective Actions: Management hired Melinda Lambert as GSDC's Financial Manager in April 4, 2011. Ms. Lambert is still with the organization as of the date of the audit report.

Completion Date: Finding was resolved as of December 31, 2011.

2010-2 *Affiliate Overhead Charges*

Management's response indicated that there was an agreed upon forensic accounting investigation performed in 2011 by Washington, Pittman & McKeever, LLC, an independent accounting firm. The results of the engagement indicated that between 2008 and 2010 there was a total of \$190,949 in charges from GSDC to SSA that did not have proper documentation to support the transactions. There were no transactions noted in the current year that did not have supporting documentation.

Corrective Action Plan

Contact Person: Mr. Ghian Foreman

Corrective Actions: Management engaged Washington, Pittman & McKeever, LLC, to conduct agreed upon forensic accounting procedures related to the investigation of amounts charged by GSDC to SSA for the period from January 1, 2008 to December 31, 2010.

Completion Date: GSDC has not yet transferred these funds to SSA. The amount has been reflected as a receivable from GSDC and as a prior period adjustment to net assets in the accompanying financial statements at December 31, 2011.