

**South Shore/Exchange
Special Service Area Number 49
(South Shore Chamber Inc., Contractor)**

Financial Statements

Year Ended December 31, 2011

Bravos & Associates

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Shore/Exchange
(South Shore Chamber Inc., Contractor)
Chicago, Illinois

We have audited the accompanying statement of financial position of South Shore/Exchange Special Service Area Number 49 (South Shore Chamber, Inc., Contractor) (a nonprofit organization) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Shore/Exchange Special Service Area number 49 (South Shore Chamber, Inc., Contractor), as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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.

Bravos & Associates

April 27, 2012
Bloomington, Illinois

South Shore/Exchange
Special Service Area Number 49
(South Shore Chamber Inc., Contractor)
Statement of Financial Position
December 31, 2011

	<u>2011</u>
<u>Assets</u>	
<u>Current Assets</u>	
Accounts receivable	\$ 475,923
Total Assets	<u>..... 475,923</u>
<u>Liabilities and Net Assets</u>	
<u>Current Liabilities</u>	
Accounts payable	<u>..... 45,553</u>
Total Current Liabilities 45,553
Net assets, unrestricted (deficit)	<u>..... 430,370</u>
Total Liabilities and Net Assets	<u>\$ 475,923</u>

South Shore/Exchange
Special Service Area Number 49
(South Shore Chamber Inc., Contractor)
Statement of Activities
For the Years Ended December 31, 2011

	2011		Over (Under)
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<u>Changes in Unrestricted Net Assets:</u>			
<u>Revenues:</u>			
Tax Levy Revenue & Interest Income	\$ 488,523	\$ 553,307	\$ (64,784)
 <u>Expenses:</u>			
<u>Program costs:</u>			
1.00 Advertising & Promotion	-	1,500	(1,500)
2.00 Public Way Maintenance	-	200,600	(200,600)
3.00 Public Way Aesthetics	-	115,000	(115,000)
7.00 Safety Programs	-	108,544	(108,544)
8.00 District Planning	58,153	45,000	13,153
<u>Total Program Expense</u>	<u>58,153</u>	<u>470,644</u>	<u>(412,491)</u>
 <u>Administration</u>			
10.00 Operational & Administrative Support	-	36,293	(36,293)
11.00 Tax Levy Loss Collection	-	46,370	(100,000)
<u>Total Administration expenses</u>	<u>-</u>	<u>82,663</u>	<u>(136,293)</u>
 <u>Total Expenses</u>	 <u>58,153</u>	 <u>553,307</u>	 <u>(548,784)</u>
 Increase (Decrease) in Net Assets	 430,370		
 <u>Unrestricted Net Assets: (Deficit)</u>			
Beginning of Year	-		
 End of Year	 <u>\$ 430,370</u>		

South Shore/Exchange
Special Service Area Number 49
(South Shore Chamber Inc., Contractor)
Statement of Cash Flows
For the Years Ended December 31, 2011

	<u>2011</u>
Cash Flows from operating activities:	
Increase (decrease) in unrestricted net assets	\$ 430,370
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
(Increase) Decrease in:	
Accounts receivable (475,923)
(Decrease) increase in:	
Accounts payable and accrued expenses	<u>45,553</u>
Net cash flows from operating activities:	\$ -
Cash and Cash Equivalents	
Beginning of the year	<u>..... -</u>
End of the year	<u>\$ -</u>
Supplemental disclosures:	
Interest Paid	<u>\$ -</u>
Taxes Paid	<u>\$ -</u>

South Shore/Exchange
Special Service Area Number 49
(South Shore Chamber Inc., Contractor)
Notes to Financial Statements
December 31, 2011

Summary of Accounting Policies

Nature of Organization

South Shore Chamber, Inc. (Organization) is a not-for-profit corporation organized under the laws of the State of Illinois. The Organization was formed to revitalize the South Shore business districts.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets temporarily restricted net assets and permanently restricted net assets. At December 31, 2011, the Organization had no temporarily or permanently restricted net assets.

Special Service Area Agreement

The Organization entered into an agreement with the City of Chicago, whereby the City has establish a special service area (SSA) known and designated as "South Shore/Exchange Special Service Area Number 49" to provide special services in addition to those services generally provided by the City. South Shore Chamber Inc. has been designated as "Contractor" under terms of the agreement, dated January 23, 2012. The City has authorized a levy not to exceed 1% of the equalized assessed value of all property within the area to produce sufficient revenues to provide those special services. Previous Chambers were involved as contractors for the year 2011 were South East Chicago Chamber of Commerce from the inception of SSA Number 49 until July 11, 2011 and the Chicago Lake Shore Chamber of Commerce from July 12, 2011 until November 18, 2011. During the interim period of November 9 and ending December 31, 2011 the SSA entered into an agreement with Carlos Maxwell, an independent contractor, for project Management Services, and to review the 2011 programs. A new agreement with Carlos Maxwell, an independent contractor, was entered into. This agreement was effective January 1, though April 20, 2012, with the South Shore Chamber, the City of Chicago approved and assigned the SSA to the South Shore Chamber Inc. effective April 20, 2012. The funds which were originally transferred to the Chicago Lake Shore Chamber of Commerce, from the city were returned and are currently being held by the City of Chicago. The city indicated that starting May 2012 the city will return the impounded funds along with the current property tax revenue to the South Shore Chamber, Inc.

The maximum amount to be paid to the Organization is the lesser of \$ 553,307 or the amount of service tax funds collected for the years to 2011. For each subsequent year 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. The agreement is renewable annually.

South Shore/Exchange
Special Service Area Number 49
(South Shore Chamber, Inc., Contractor)
Notes to Financial Statements
December 31, 2011

Summary of Accounting Policies – Continued

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.

Concentration of Credit Risk

The Organization maintains its cash balances at a financial institution in the Chicago metropolitan area, which is federally insured up to prescribed limits.

Income Tax Status

The Organization is exempt from Federal Income tax under Section 501(c) (3) of the Internal Revenue Code.

Revenue Recognition

Revenue from property taxes levied is recognized in the year that it becomes available.

Related Party Transactions

South Shore/Exchange Special Service Area Number 49 shares office space, equipment and employees through its affiliation with South Shore Chamber, Inc., the contractor.

South Shore/Exchange Special Service Area Number 49 has no employees of its own, but reimburses the contractor for the payroll and related costs of the individuals working on the programs. In addition, the contractor also receives reimbursements for a portion of its operating expenses, and use of office equipment and supplies. No funds have been transferred to the South Shore Chamber, Inc. for payment of expenses or service provider fees nor have any funds been transferred or paid to Carlos Maxwell under the management agreement.

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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors
South Shore/Exchange Special Services Area Number 49
(South Shore Chamber Inc., Contractor)
Chicago, Illinois

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information which follows is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Bravos & Associates

April 27, 2012
Bloomington, Illinois

South Shore/Exchange
Special Service Area Number 49
(South Shore Chamber Inc., Contractor)
Schedule of Expenses with Budget Variances
December 31, 2011

<u>Expenses:</u> <u>Programs:</u>	2011		Over (Under) <u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	
<u>1.00 Advertising & Promotion</u>			
1.03 Print Materials	\$ -	\$ 500	\$ (500)
1.07 Service Provider Direct Services	-	1,000	(1,000)
Total	-	1,500	(1,500)
<u>2.00 Public Way Maintenance</u>			
2.05 Sidewalk Cleaning	-	115,200	(115,200)
2.06 Sidewalk Power Washing	-	70,400	(70,400)
2.14 Service Provider Direct Services	-	15,000	(15,000)
Total	-	200,600	(200,600)
<u>3.00 Public Way Aesthetics</u>			
3.03 Landscaping	-	100,000	(100,000)
3.07 Service Provider Direct Services	-	15,000	(15,000)
Total	-	115,000	(115,000)
<u>7.00 Safety Programs</u>			
7.07 Security Subcontractor	-	97,820	(97,820)
7.09 Service Provider Direct Services	-	10,724	(10,724)
Total	-	108,544	(108,544)
<u>8.00 District Planning</u>			
8.06 SSA Start-Up or Reconstitution Costs	58,153	45,000	13,153
Total	58,153	45,000	13,153

South Shore/Exchange
Special Service Area Number 49
(South Shore Chamber Inc., Contractor)
Schedule of Expenses with Budget Variances
December 31, 2011

<u>Expenses:</u> <u>Programs:</u>	2011		Over (Under)
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<u>10.00 Operational & Administrative Support</u>			
10.01 Audit	-	3,000	(3,000)
10.02 Bookkeeping	-	2,000	(2,000)
10.03 Meeting Expense	-	2,500	(2,500)
10.04 Office Equipment Lease/Maintenance	-	1,500	(1,500)
10.05 Office Rent	-	4,000	(4,000)
10.06 Office Supplies	-	1,500	(1,500)
10.07 Office Utilities/Telephone	-	1,000	(1,000)
10.08 Postage	-	2,000	(2,000)
10.09 Office Printing	-	1,500	(1,500)
10.10 Service Provider Administrative Support	-	15,000	(15,000)
10.11 Subscriptions/dues	-	500	(500)
10.12 Other: Training and Staff Development	-	1,793	(1,793)
Total	-	36,293	(36,293)

South Shore/Exchange
Special Service Area Number 49
(South Shore Chamber Inc., Contractor)
Schedule of Tax Levy Revenue and Interest Income
December 31, 2011

Tax Levy Revenue and Interest Income received from the City of Chicago

	<u>2011</u>
	Income (Returned to City)
Tax Levy Revenue	
Tax Year 2004	\$ -
Tax Year 2005	-
Tax Year 2006	-
Tax Year 2007	-
Tax Year 2008	-
Tax Year 2009	-
Tax Year 2010	<u>488,505</u>
Total received during year - Cash Basis	488,505
Accrual adjustments - Accounts Receivable	
Beginning of year	-
End of year	<u>-</u>
Total tax levy revenue - Accrual Basis	<u>488,505</u>
Interest Income	
Interest earned - Bank Accounts	-
Interest paid by City of Chicago	<u>18</u>
Total Interest Income	<u>18</u>
<u>Total Tax Levy and Interest Income</u>	<u>\$ 488,523</u>

South Shore/Exchange
Special Service Area Number 549
(South Shore Chamber Inc., Contractor)
Schedule of Findings
Year ended December 31, 2011

Finding # 1

We have reviewed the Agreement for Special Service Area Number 49 between the City of Chicago and the Contractor for the year ended December 31, 2011.

We noted the following exceptions:

- Setup costs and invoices for supplies, service provider fees and other costs, for managing the SSA under the South East Chamber of Commerce, Inc. appeared to excessive and was settled with the chamber for approximately 50% of the amount originally submitted, based upon detailed documentation (such as proof of payment to contractors and other disbursements) received. In addition no original books and records were prepared.
- No original books and records were prepared when the SSA was under control of the Chicago Lake Shore Chamber of Commerce, but the City of Chicago approved and disbursed \$ 12,600 for services rendered during the period the chamber was managing the SSA.