

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

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

FINANCIAL AND COMPLIANCE AUDIT REPORT

YEARS ENDED DECEMBER 31, 2012 and 2011

FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)

SPECIAL SERVICE AREA #45

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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, 2012, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2012, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying schedules of expenditures with budget variances on page 18, 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.

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 2011 financial statements, and our report dated April 27, 2012, 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, 2011, 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
June 14, 2013

FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)

SPECIAL SERVICE AREA #45

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 and 2011

| <u>ASSETS</u> | <u>2012</u> | <u>2011</u> |
|---|--------------------------|--------------------------|
| Current Assets: | | |
| Cash and Cash Equivalents (Note A-3) | \$ 67,464 | \$ 185,437 |
| SSA Receivable (Note A-9) | <u>107,572</u> | <u>-</u> |
| Total Current Assets | 175,036 | 185,437 |
| Other Assets: | | |
| Due From Far South CDC (Note A-8) | <u>9,537</u> | <u>15,808</u> |
| Total Other Assets | <u>9,537</u> | <u>15,808</u> |
| TOTAL ASSETS | <u><u>\$ 184,573</u></u> | <u><u>\$ 201,245</u></u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 19,875 | \$ 3,735 |
| Payroll Liabilities | 3,372 | - |
| Accrued Expenses | <u>6,000</u> | <u>15,750</u> |
| Total Current Liabilities | 29,247 | 19,485 |
| Other Current Liabilities: | | |
| Refundable Advances (Note B-1) | - | 179,469 |
| Line of Credit (Note B-2) | <u>160,000</u> | <u>-</u> |
| Total Other Current Liabilities | <u>160,000</u> | <u>179,469</u> |
| TOTAL LIABILITIES | 189,247 | 198,954 |
| NET ASSETS | | |
| Unrestricted (Deficit) (Note A-2) | <u>(4,674)</u> | <u>2,291</u> |
| Total Net Assets | <u>(4,674)</u> | <u>2,291</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 184,573</u></u> | <u><u>\$ 201,245</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, 2012

(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2011)

| CHANGES IN NET ASSETS: | SPECIAL SERVICE AREA #45 | 2012 | 2011 |
|--|---|-------------------|-----------------|
| PUBLIC SUPPORT (Note A-6) | | | |
| Special Service Area #45 | \$ 486,540 | \$ 486,540 | \$ 593,570 |
| Special Service Area #46 | - | - | 47,006 |
| Total Public Support | <u>486,540</u> | <u>486,540</u> | <u>640,576</u> |
| PROGRAM EXPENSES | | | |
| 1.00 Advertising & Promotion | 6,150 | 6,150 | 22,226 |
| 2.00 Public Way Maintenance | 96,000 | 96,000 | 103,415 |
| 3.00 Public Way Aesthetics | 546 | 546 | 91,326 |
| 5.00 Façade Improvements | 15,800 | 15,800 | - |
| 7.00 Safety Programs | 265,145 | 265,145 | 322,901 |
| Total Program Expenses | <u>383,641</u> | <u>383,641</u> | <u>539,868</u> |
| MANAGEMENT & GENERAL | | | |
| 10.00 Personnel Expenses | 64,447 | 64,447 | - |
| 11.00 Operational & Administrative Support | 38,452 | 38,452 | 102,957 |
| Total Management & General | <u>102,899</u> | <u>102,899</u> | <u>102,957</u> |
| Total Expenses | <u>486,540</u> | <u>486,540</u> | <u>642,825</u> |
| Change In Net Assets (Note A-5) | <u>-</u> | <u>-</u> | <u>(2,249)</u> |
| Net Assets, Beginning of Year | 2,291 | 2,291 | - |
| Adjustments to Net Assets (Note A-7) | <u>(6,965)</u> | <u>(6,965)</u> | <u>4,540</u> |
| Adjusted Beginning Net Assets | <u>(4,674)</u> | <u>(4,674)</u> | <u>4,540</u> |
| Net Assets, End of Year (Note A-2) | <u>\$ (4,674)</u> | <u>\$ (4,674)</u> | <u>\$ 2,291</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, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Decrease in net assets (Note A-5) | \$ - | \$ (2,249) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | - | - |
| (Increase)/decrease in current assets: | | |
| Receivables | (107,572) | - |
| Other assets | 6,271 | 26,396 |
| Increase/(decrease) in current liabilities: | | |
| Accounts payable and accrued expenses | 9,762 | (30,626) |
| Refundable Advances | (179,469) | (86,501) |
| Other adjustments (Note A-7) | <u>(6,965)</u> | <u>4,540</u> |
| NET CASH USED IN OPERATING ACTIVITIES | (277,973) | (88,440) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Borrowings from line of credit (Note B-2) | <u>160,000</u> | <u>-</u> |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 160,000 | - |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (117,973) | (88,440) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>185,437</u> | <u>273,877</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR (Note A-3) | <u>67,464</u> | <u>\$ 185,437</u> |
| SUPPLEMENTAL INFORMATION: | | |
| Interest Expense | <u>\$ 2,781</u> | <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, 2012 and 2011

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 (\$4,674) and \$2,291 for the years ended December 31, 2012 and 2011, respectively.

Date of Management's Review

Management has evaluated subsequent events through June 14, 2013, 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, 2011, from which the summarized information was derived.

3. CASH AND CASH EQUIVALENTS

For purposes of the Statement 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, 2012 and 2011.

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

Other decreases in net assets for the year ended December 31, 2012 resulted from changes in the other assets and liabilities due to overstatements/understatements in the prior year, netting (\$6,965).

In the ended December 31, 2011, other increases resulted from changes in the other assets and accounts receivable accounts due to overstatement/understatement in prior year(s), netting \$4,540.

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, 2012 and 2011 is \$9,537 and \$15,808, respectively. On June 19, 2013 Far South CDC wrote a check for the \$9,537 to pay off these amounts owed from the SSA fund.

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. In the year ended, December 31, 2012, Far South CDC had a receivable due from the City of Chicago SSA of \$107,572.

NOTE B - COMMITMENTS AND CONTINGENCIES

1. REFUNDABLE ADVANCE

As of December 31, 2012, Far South CDC (a contractor for) Special Service Area # 45 had expended the balance of the refundable advance, totaling \$179,469, leaving a balance of \$0.

As of December 31, 2011, Far South CDC (FSCDC) (a contractor for) Special Service Area #45 has not expended the entire amount advanced by the City of Chicago in the amount of \$179,469. Funds not expended by the end of the contract year are required to be refunded to the City of Chicago.

2. 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. The line of credit was not used in the year ended December 31, 2011 because of the advances made by the City of Chicago SSA.

FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)

SPECIAL SERVICE AREA #45

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2012

FINDING 2011-01

Far South CDC (a contractor for) Special Service Area # 45– Contractor withdrew funds from Special Service Area #45's checking account based upon the budget plan but prior to expenditures actually being incurred for Special Service Area #45. This resulted in a \$42,204 receivable due to Special Service Area #45 from the contractor at December 31, 2010.

2012 STATUS (See Finding 2012-1)

Far South CDC (a contractor for) Special Service Area # 45– Contractor is not in compliance with Section 5.03, (Method of Payment) of the "Agreement for Special Service Area #45". The repeat infringement by the Contractor resulted in a \$9,537 "Due From Far South CDC" at December 31, 2012

FINDING 2011-02 – CONTROL DEFICIENCY

Far South CDC (a contractor for) Special Service Area # 45 – Contractor did not account for and report financial data consistent with assertions of management and internal accounting controls over line of credit.

2012 STATUS

Far South CDC (a contractor for) Special Service Area # 45– Contractor has recorded interest expense and interest payable for line of credit as of December 31, 2012. **Not repeated, deficiency corrected.**



Ragland & Associates, LLC

Certified Public Accountants and Management Consultants 16625 South Park / Suite 111 / South Holland, Illinois 60473 / 708-333-0634 / FAX 708-333-6680

INDEPENDENT AUDITORS' 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

Board of Directors
Special Service Area #45
Far South CDC - Contractor
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 Corp. (a contractor for) Special Service Area # 45, which comprise the statement of financial position as of December 31, 2012, 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 June 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Far South Community Development Corp. (a contractor for) Special Service Area # 45'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Far South Community Development Corp. (a contractor for) Special Service Area # 45's internal control. Accordingly, we do not express an opinion on the effectiveness of Far South Community Development Corp. (a contractor for) Special Service Area # 45'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.

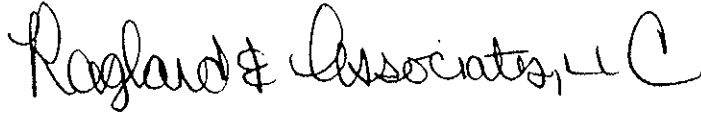
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control over financial reporting that we consider to be control and significant deficiencies, as defined above and described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Far South Community Development Corp. (a contractor for) Special Service Area # 45'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*.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Ragland & Associates, LLC". The signature is written in a cursive, flowing style.

RAGLAND & ASSOCIATES, LLC
Certified Public Accountants

South Holland, Illinois
June 14, 2013

SUPPLEMENTAL INFORMATION

FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)

SPECIAL SERVICE AREA #45

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2012

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's 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

Auditor 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 2012-1 and 2012-2) were noted during the year ended December 31, 2012 audit.

SECTION II – FINANCIAL STATEMENT FINDINGS

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

BASIC FINANCIAL STATEMENT FINDINGS
CASH ADVANCES TO CONTRACTOR, FAR SOUTH CDC
YEAR ENDED DECEMBER 31, 2012

FINDING 2012-01 – CONTROL DEFICIENCY

Far South CDC (a contractor for) Special Service Area # 45 is in violation of Section 5.03, *Method of Payment* provision of the City of Chicago contract.

Condition

During our testing, we noted that the Organization did not adhere to the SSA # 45 Service Provider Agreement Contract, Section 5.03, Method of Payment, which caused Far South CDC to have a Due to SSA # 45 balance of \$9,537 as of December 31, 2012, from 2010 SSA # 45 funds used without the expenses being incurred.

Cause

The Organization received a large Refundable Advance from SSA # 45 at the beginning of the fourth quarter 2010. The Organization expended these funds according to the budget and not based on incurred expenses.

Criteria

SSA # 45 Contract, Section 5.03, Method of Payment, states that the Contractor shall establish a separate checking account and that SSA funds shall not be commingled with other sources.

Effect

Funds were advanced from the SSA # 45 checking account in 2010 to the Contractor based on the budget plan, but prior to expenses being incurred for SSA # 45. Money has been drawn down in 2012, for a balance as of December 31, 2012, Due to SSA # 45 of \$9,537.

Recommendation

We recommend that the Contractor keep drawing down this money and adhere to the Service Provider Agreement, Section 5.03, Method of Payment whereby only actual expenses incurred by the Contractor are reimbursed.

Subsequent Auditee Action

On June 19, 2013 Far South CDC wrote a check to the SSA program for \$9,537, paying off the due to SSA # 45 funds balance at December 31, 2012.

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

**BASIC FINANCIAL STATEMENT FINDINGS
OMISSION OF YEAR END ACCRUALS
YEAR ENDED DECEMBER 31, 2012**

FINDING 2012-02 – 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 2012 Security Services and Comcast utilities expenses. This in turn, led to the organization failing to record additional SSA receivables and revenue for the year ended December 31, 2012.

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

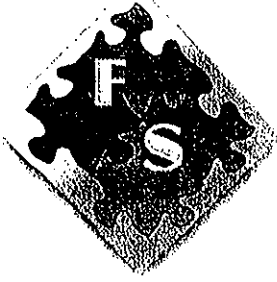
Sufficient internal accounting controls should be in place and operating effectively to enable management to account and report accurate financial data, consistent with assertions of management, in a timely manner and in accordance with GAAP.

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).



THE FAR SOUTH CDC

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Corrective Action

Far South Community Development Corporation
Financial Statement Findings – Auditee Response
Year Ended December 31, 2012

The Far South Community Development Corporation concurs with the findings listed in the audit report 2012-01 and 2012-02.

Finding 2012-01

The organization did not adhere to the SSA#45 Service Provider Agreement Contract, Section 5.03, Method of Payment, which caused Far South CDC to have a Due to SSA#45 balance of \$9,537 as of December 31, 2012, from 2010 SSA#45 funds used without expenses being incurred.

The Far South CDC was delinquent in paying the Due to SSA#45 balance of \$9,537 as of December 31, 2012. As of June 19, 2013, the Far South CDC have written a check to SSA#45 in the amount of \$9,537 to bring the Due to SSA#45 balance to \$0.

Finding 2012-02

- (1) The organization failed to properly record accruals for the month of December 2012 Security Services and Comcast utilities expenses. This in turn led to the organization failing to record additional SSA receivables and revenue for the year ended December 31, 2012.*
- (2) The organization also failed to properly record receivables for both: the City of Chicago Delegate Agency-CSS Program for the month of December 2012, understating revenue and receivables by \$6,774 and failed to properly record receivables for the LISC MMRP grant for the month of December, understating revenue and receivables by \$1,969.*

The organization will adhere to the auditor's suggestion and monitor compliance 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. As of December 31st 2012, the organization replaced our previous accountants, Desmond & Ahern, with Hall & Associates. The organization has developed a new Accounting Procedures Manual and will be voted on and approved by July 31st 2013. To increase transparency and oversight, the CDC has instituted online financial software that will enable viewing of financial statements such as budgets, income, schedules, time-sheets, and balance sheets by the accountant and treasurers of the CDC and Special Service Area (SSA) #45.

Contact Person: Abraham David Lacy, Executive Director
E-mail: lacy@farsouthcdc.org

FAR SOUTH COMMUNITY DEVELOPMENT CORPORATION
(A CONTRACTOR FOR)

SPECIAL SERVICES AREA #45

SCHEDULES OF EXPENDITURES - BUDGET VS. ACTUAL
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| | DECEMBER 31, 2012 | | | DECEMBER 31, 2011 | | | |
|--|---------------------------------|-----------|-----------------------|---------------------------------|---------------------------------|--------------|-----------|
| | SPECIAL SERVICE AREA #45 ACTUAL | BUDGET | OVER (UNDER) VARIANCE | SPECIAL SERVICE AREA #45 ACTUAL | SPECIAL SERVICE AREA #45 ACTUAL | TOTAL ACTUAL | BUDGET |
| EXPENDITURES: | | | | | | | |
| 1.00 Advertising & Promotion | \$ 6,150 | \$ 10,000 | \$ (3,850.00) | \$ 13,000 | \$ - | \$ 13,000 | \$ 13,000 |
| 1.03 Print Materials | - | 10,000.00 | (10,000) | - | - | - | - |
| 1.03 Special Events | - | 6,000 | (6,000) | - | - | - | - |
| 1.06 Website/Technology | - | - | - | - | - | - | - |
| 1.07 Service Provider Direct | - | - | - | 8,201 | 1,025 | 9,226 | 8,201 |
| Total 1.00 - Advertising & Promotion | 6,150 | 26,000 | (19,850) | 21,201 | 1,025 | 22,226 | 21,201 |
| 2.00 Public Way Maintenance | 96,000 | 96,000 | - | 95,415 | - | 95,415 | 110,000 |
| 2.05 Sidewalk Cleaning | - | - | - | 8,000 | - | 8,000 | 8,000 |
| 2.14 Service Provider Direct | - | - | - | - | - | - | - |
| Total 2.00 - Public Way Maintenance | 96,000 | 96,000 | - | 103,415 | - | 103,415 | 118,000 |
| 3.00 Public Way Aesthetics | - | 25,000 | (25,000) | 44,591 | - | 44,591 | 50,000 |
| 3.01 Decorative Banners | - | - | - | 37,735 | - | 37,735 | 30,000 |
| 3.02 Holiday Decorations | - | 10,000 | (10,000) | - | - | - | - |
| 3.03 Wayfinding/Signage | - | 10,000 | (10,000) | - | - | - | - |
| 3.04 Public Art | - | 10,000 | (10,000) | - | - | - | - |
| 3.05 Landscaping | 546 | 20,000 | (19,454) | - | - | - | - |
| 3.07 Service Provider Direct | - | - | - | 9,000 | - | 9,000 | 9,000 |
| Total 3.00 - Public Way Aesthetics | 546 | 65,000 | (64,454) | 91,326 | - | 91,326 | 89,000 |
| 4.00 Tenant Retention/Attraction | - | 19,000 | (19,000) | - | - | - | - |
| 4.02 Site Marketing | - | 19,000 | (19,000) | - | - | - | - |
| Total 4.00 - Tenant Retention/Attraction | - | 19,000 | (19,000) | - | - | - | - |
| 5.00 Façade Improvements | 15,800 | 30,000 | (14,200) | - | - | - | - |
| 5.01 Façade Enhancement Program | 15,800 | 30,000 | (14,200) | - | - | - | - |
| Total 5.00 - Façade Improvements | 15,800 | 30,000 | (14,200) | - | - | - | - |
| 7.00 Safety Programs | 265,145 | 48,000 | (48,000) | 276,691 | 20,717 | 297,408 | 15,000 |
| 7.01 Public Way Surv. Cameras | - | 48,000 | (48,000) | - | 20,717 | 20,717 | 15,000 |
| 7.07 Security Sub-Contractor | 265,145 | 240,000 | 25,145 | 276,691 | 15,493 | 292,184 | 300,000 |
| 7.09 Service Provider Direct | - | - | - | 10,000 | - | 10,000 | 10,000 |
| Total 7.00 - Safety Programs | 265,145 | 288,000 | (22,855) | 286,691 | 36,210 | 322,901 | 325,000 |
| 8.00 District Planning | - | 10,000 | (10,000) | - | - | - | - |
| 8.04 Master Planning | - | 10,000 | (10,000) | - | - | - | - |
| 8.07 Service Provider Direct | - | - | - | - | - | - | 6,000 |
| Total 8.00 - District Planning | - | 10,000 | (10,000) | - | - | - | 6,000 |

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 EXPENDITURES - BUDGET VS. ACTUAL-Continued
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| | DECEMBER 31, 2012 | | | DECEMBER 31, 2011 | | | |
|---|---------------------------------|-------------------|-----------------------|---------------------------------|---------------------------------|-------------------|-------------------|
| | SPECIAL SERVICE AREA #45 ACTUAL | BUDGET | OVER (UNDER) VARIANCE | SPECIAL SERVICE AREA #45 ACTUAL | SPECIAL SERVICE AREA #45 ACTUAL | TOTAL ACTUAL | BUDGET |
| EXPENDITURES: | | | | | | | |
| 10.00 Personnel Expenses | | | | | | | |
| 10.01 Personnel Expenses-Executive Director | 10,576 | 13,500 | (2,924) | - | - | - | - |
| 10.02 Personnel Expenses-SSA Program Mgr | 49,861 | 51,185 | (1,324) | - | - | - | - |
| 10.03 Personnel Expenses-Administrative Sup | 4,010 | 10,930 | (6,920) | - | - | - | - |
| Total 10.00 - Personnel Expenses | 64,447 | 75,615 | (11,168) | | | | |
| 11.00 Administration Costs | | | | | | | |
| 11.02-10.01 Audit Fees | 6,000 | 8,000 | (2,000) | 11,750 | - | 11,750 | 6,000 |
| 11.03-10.02 Bookkeeping/Accounting Fees | 4,000 | 4,000 | - | 5,699 | 3,207 | 8,906 | 5,699 |
| 11.04-10.05 Occupancy-Rent & Utilities | 12,300 | 11,600 | 700 | 6,100 | 1,202 | 7,302 | 9,600 |
| 11.06-10.06 Office Supplies | 5,444 | 3,000 | 2,444 | 4,000 | 302 | 4,302 | 4,000 |
| 11.07-10.04 Office Equipment Maint./Lease | 5,711 | 6,000 | (289) | 5,000 | 1,954 | 6,954 | 5,000 |
| 11.08-10.09 Printing and Duplication | - | 3,000 | (3,000) | 2,000 | - | 2,000 | 2,000 |
| 11.09-10.08 Postage | 21 | 1,500 | (1,479) | 2,000 | - | 2,000 | 2,000 |
| 11.10-10.03 Meeting Expenses | 176 | 2,000 | (1,824) | 3,000 | 160 | 3,160 | 3,000 |
| 11.11 Dues & Subscriptions | - | 500 | (500) | - | - | - | - |
| 11.12 Bank Fees & Service Charges | 1,877 | 750 | 1,127 | - | - | - | - |
| 11.13 Monitoring/Compliance | - | 1,500 | (1,500) | - | - | - | - |
| 10.07 Telephone | 142 | - | 142 | - | - | - | - |
| 10.10 Service Provider Admin. Support | - | - | - | 2,000 | - | 2,000 | 2,000 |
| 10.12 Other Equipment/Depreciation | - | - | - | 46,637 | 2,946 | 49,583 | 40,637 |
| 10.13 Miscellaneous | - | - | - | 5,000 | - | 5,000 | 5,000 |
| Interest Expenses | 2,781 | - | 2,781 | - | - | - | - |
| Total 11.00 - Administration Costs | 38,452 | 41,850 | (3,398) | 93,186 | 9,771 | 102,957 | 84,936 |
| 12.00 Loss Collection | | | | | | | |
| 12.00 Loss Collection | - | 4,700 | (4,700) | - | - | - | 4,500 |
| Total 12.00 - Loss Collection | - | 4,700 | (4,700) | - | - | - | 4,500 |
| TOTAL EXPENDITURES | \$ 486,540 | \$ 656,165 | \$ (169,625) | \$ 595,819 | \$ 47,006 | \$ 642,825 | \$ 648,637 |

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, 2012

An exit conference was held on June 19, 2013 and this report was discussed with Organization personnel. Those in attendance were:

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

Names
Abraham Lacy
Allen Hall

Title
Executive Director
Outside Accountant

Ragland & Associates, LLC

Names
Kymberly Buchanan, CPA

Title
Audit Manager