

TOBACCO ROAD, INC
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2018

BY:

JERALD KNOX & COMPANY, INC.

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YEAR ENDED JUNE 30, 2018

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Knox & Co. Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tobacco Road

We have audited the accompanying financial statements of Tobacco Road, as of June 30, 2018, and the related statement of income, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



Knox & Co. Certified Public Accountants and Consultants

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessments 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tobacco Road, as of June 30, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

 CPA
South Holland, Illinois
September 28, 2018



Knox & Co. Certified Public Accountants and Consultants

**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***

Independent Auditor's Report

Board of Directors
Tobacco Road

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 the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Tobacco Road, as of June 30, 2018, and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise The Tobacco Road's basic financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Tobacco Road'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 The Tobacco Road's internal control. Accordingly, we do not express an opinion on the effectiveness of The Tobacco Road'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.



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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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Tobacco Road'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 results 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.

South Holland, Illinois

September 28, 2018

TOBACCO ROAD, INC
STATEMENT OF FINANCIAL POSITION
YEAR ENDED JUNE 30, 2018

ASSETS

<u>Current Assets</u>	
Cash	\$ 8,789
Grant Receivables	<u>750,000</u>
Total Current Assets	758,789
<u>Property, Plant & Equipment</u>	
Building	11,768,285
Equipment	133,948
Land	108,445
Accumulated Depreciation	<u>(4,448,348)</u>
Total Property, Plant & Equipment	<u>7,562,330</u>
Total Assets	<u>\$ 8,321,119</u>

LIABILITES & NET ASSETS

<u>Current Liabilities</u>	
Accounts Payables	\$ <u>91,489</u>
Total Current Liabilities	91,489
<u>Long-Term Liabilities</u>	
Building Loan	<u>750,000</u>
Total Long-Term Liabilities	<u>750,000</u>
Total Liabilities	
Net Assets	<u>7,479,630</u>
Total Liabilities & Net Assets	<u>\$ 8,321,119</u>

TOBACCO ROAD, INC
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

REVENUE

Program Events	\$ 127,336
Donations	1,450
Grants	9,245
Interest Income	<u>7</u>
Total Revenue	\$ 138,038

EXPENDITURES

Advertising	8,001
Bank Service Charges	871
Insurance	7,500
Maintenance	19,980
Printing	3,875
Professional Fees	36,273
Program Expenses	34,049
Utilities	23,452
Fines	2,240
Professional Development	1,072
Production Supplies	3,214
Equipment Rental	11,762
Travel	9,830
Miscellaneous	539
Depreciation	<u>317,005</u>
Total Expenses	<u>479,663</u>
Increase/(Decrease) in Net Assets	(341,625)
Net Assets, Beginning of the Period	<u>7,821,255</u>
Net Assets, June 30, 2018	<u>\$ 7,479,630</u>

TOBACCO ROAD, INC
NOTES TO THE FINANCIAL STATEMENTS
Period Ending June 30, 2018

NOTES 1. SIGNIFICANT ACCOUNTING POLICIES

Natures of Activities

Tobacco, Road, inc. was established in order to build and manage the Harold Washington Theater and Cultural Center. The facility is used for fundraising events and for educational purposes. The construction of the center was funded primarily through grants from the State of Illinois and the City of Chicago with additional funds being donating by businesses and individuals. All of the organizations funding for the period came from contributions.

Contributed Services

During the period ending June 30, 2018, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. Many individuals volunteer their time in order to coordinate and promote the facility.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

It is the Organizations policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets the unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Financial Statement Presentation

The Organization has adopted Statements 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. In addition, the Organization is required to present a statement of cash flows. As permitted by the statements, the Organization does not use fund accounting.

Contributions

The Organization has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Real Estates Taxes

The Organization was granted an exemption from real estate taxes on March 31, 2005. In order to maintain exempt status, the Organization must file an annual affidavit with the county assessment officer each year. Payments previously made will be refunded.

Investments

The Organization has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organization." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTE 2. GRANTS RECEIVABLES

Tobacco Road, Inc received a grant from the Illinois Department of Commerce, for the period December 1, 2014 through November 30, 2016, totaling \$1,500,000. The funds are restricted to the costs to pay-off its existing debt owed to the City of Chicago related to the building and materials for the building, including HVAC upgrades, sensory systems, air and heating flow repairs and thermostat equipment. The grants receivables balance, as of June 30, 2018 is \$750,000.

NOTE 3. LONG-TERM LIABILITIES

The Tobacco Road, Inc., has loan, currently owned by the City Colleges of Chicago, collateralized by the Harold Washington Cultural Center. The agency has a grant from the Illinois Department of Commerce to satisfy this loan (See Note 2). As of June 30, 2018, the balance for this loan is \$750,000.

NOTE 4. BUILDING

During the fiscal year ending June 30, 2006, most of the expenditures related to the construction of the theater and cultural center had been capitalized as part of the overall costs of the building. The amount allocated to the land portion consists of prior year clearing and demolition costs. As of July 1, 2004, the building was placed in service.

NOTE 5. RESTRICTIONS ON NET ASSETS

There are currently no restrictions on net assets at the end of the period.

On April 1, 1998, the Chicago City Council passed an ordinance authorizing the sale of two vacant lots to the Organization to be used for the construction of the theater and cultural center.

In addition, the City of Chicago granted \$250,000 restricted to use in the Phase I budget. Additional funding was received for Phase II during the fiscal year ended, June 30, 2001 amounting to \$3,011,554 and \$474,247 during the fiscal year ended June 30, 2002. In February of 1999, the State of Illinois, through the Department of Commerce and Community Affairs, granted Tobacco Road \$500,000 to be used for superstructure construction and various professional fees with additional funds of \$480,000 received in February of 2002 and \$150,000 received in March of 2004.

The Organization is subject to period performances reviews and evaluations by the United States Department of Health and Human Services, the Department of Housing and Urban Development, and the City of Chicago.