

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)

FINANCIAL STATEMENTS

DECEMBER 31, 2018 and 2017

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)

As of December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To Commissioners of Special Service Area # 1-2015
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Special Service Area # 1-2015 (a taxing district authorized by the City of Chicago) which comprise the statements of net position and governmental funds balance sheets as of December 31, 2018 and 2017, and the related statements of activities and governmental funds, revenues, expenditures and changes in fund balance, and revenues and expenditures-budget and actual 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 the 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 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 unqualified audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Service Area # 1-2015 as of December 31, 2018 and 2017 and the changes in financial position and budgetary comparison for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

The A.C.T. Group LLC

The A.C.T. Group, LLC
Certified Public Accountants
April 25, 2019

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
Statements of Net Position and Governmental Funds Balance Sheets
December 31, 2018 and 2017

	2018			2017		
	Governmental Funds	Adjustments	Statement of Net Position	Governmental Funds	Adjustments	Statement of Net Position
ASSETS						
<u>Current Assets</u>						
Cash and Cash Equivalents	\$ 319,496	\$ -	\$ 319,496	\$ 417,357	\$ -	\$ 417,357
Property Tax Receivable, net of allowance for uncollectable taxes of \$114,932 and \$104,705	2,758,368	-	2,758,368	2,512,924	-	2,512,924
TOTAL ASSETS	\$ 3,077,864	\$ -	\$ 3,077,864	\$ 2,930,281	\$ -	\$ 2,930,281
LIABILITIES						
<u>Current Liabilities</u>						
Accounts Payable and Accrued Expenses	\$ 215,650	\$ -	\$ 215,650	\$ 239,637	\$ -	\$ 239,637
TOTAL LIABILITIES	215,650	-	215,650	239,637	-	239,637
DEFERRED INFLOWS						
Deferred Property Tax Revenue	2,758,368	(2,758,368)	-	2,512,924	(2,512,924)	-
TOTAL DEFERRED INFLOWS	2,758,368	(2,758,368)	-	2,512,924	(2,512,924)	-
FUND BALANCES / NET POSITION						
<u>Unassigned</u>	103,846	(103,846)	-	177,720	(177,720)	-
TOTAL FUND BALANCE	103,846	(103,846)	-	177,720	(177,720)	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 3,077,864			\$ 2,930,281		
<u>Net Position</u>						
Unrestricted		\$ (2,862,214)	\$ 2,862,214		\$ (2,690,644)	\$ 2,690,644

Amounts reported for governmental activities in the statements of net position are different because:

Total fund balance - governmental funds	\$ 103,846	\$ 177,720
Property tax revenue is recognized in the period for which levied rather than when "available." A portion of the property tax is deferred as it is not available in the governmental funds.	2,758,368	2,512,924
Total net position - governmental activities	\$ 2,862,214	\$ 2,690,644

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
Statements of Activities and Governmental Funds, Revenues,
Expenditures and Changes in Fund Balances
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Governmental Funds	Adjustments	Statement of Activities	Governmental Funds	Adjustments	Statement of Activities
REVENUES:						
Property Taxes	\$ 2,572,477	\$ 245,444	\$ 2,817,921	\$ 2,580,912	\$ 36,940	\$ 2,617,852
TOTAL REVENUE	<u>2,572,477</u>	<u>245,444</u>	<u>2,817,921</u>	<u>2,580,912</u>	<u>36,940</u>	<u>2,617,852</u>
EXPENDITURES:						
Services:						
Customer Attraction	469,597	-	469,597	534,398	-	534,398
Public Way Aesthetics	1,073,357	-	1,073,357	1,108,248	-	1,108,248
Economic/Business Development	50,672	-	50,672	88,600	-	88,600
Safety Programs	<u>357,526</u>	<u>-</u>	<u>357,526</u>	<u>244,564</u>	<u>-</u>	<u>244,564</u>
Total Services Expenditures	<u>1,951,152</u>	<u>-</u>	<u>1,951,152</u>	<u>1,975,810</u>	<u>-</u>	<u>1,975,810</u>
Administration:						
Personnel	567,184	-	567,184	522,840	-	522,840
Admin - nonpersonnel	<u>128,015</u>	<u>-</u>	<u>128,015</u>	<u>130,725</u>	<u>-</u>	<u>130,725</u>
Total Administration Expenditures	<u>695,199</u>	<u>-</u>	<u>695,199</u>	<u>653,565</u>	<u>-</u>	<u>653,565</u>
TOTAL EXPENDITURES	<u>2,646,351</u>	<u>-</u>	<u>2,646,351</u>	<u>2,629,375</u>	<u>-</u>	<u>2,629,375</u>
Excess of revenues over (under) expenditures	(73,874)	73,874		(48,463)	48,463	
Change in Net Position		171,570	171,570		(11,523)	(11,523)
FUND BALANCE/NET POSITION						
Beginning of the Year	<u>177,720</u>	<u>2,512,924</u>	<u>2,690,644</u>	<u>226,183</u>	<u>2,475,984</u>	<u>2,702,167</u>
End of the Year	<u>\$ 103,846</u>	<u>\$ 2,758,368</u>	<u>\$ 2,862,214</u>	<u>\$ 177,720</u>	<u>\$ 2,512,924</u>	<u>\$ 2,690,644</u>

Amounts reported for governmental activities in the statements of activities are different because:

Net change in Fund balance - governmental funds	\$ (73,874)	\$ (48,463)
Property tax revenue is recognized in the year it is levied rather than when it is available for governmental funds	<u>245,444</u>	<u>36,940</u>
Change in net position	<u>\$ 171,570</u>	<u>\$ (11,523)</u>

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
Statements of Revenues and Expenditures - Budget and Actual
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	BUDGET 2018	ACTUAL 2018	VARIANCE \$	BUDGET 2017	ACTUAL 2017	VARIANCE \$
REVENUES:						
Property Taxes	\$ 2,617,254	\$ 2,599,000	\$ 18,254	\$ 2,579,150	\$ 2,580,955	\$ (1,805)
Late Collections and Interest Income Thereon	34,960	(26,619)	61,579	-	(148)	148
Interest Income	-	96	(96)	-	105	(105)
Loss Collection	34,960	-	34,960	38,479	-	38,479
TOTAL REVENUE	2,687,174	2,572,477	114,697	2,617,629	2,580,912	36,717
EXPENSES:						
Customer Attraction						
Website	57,750	57,503	247	111,500	64,556	46,944
Special Events	20,000	14,328	5,672	25,000	15,883	9,117
Social Media Outreach	15,000	10,117	4,883	10,000	8,892	1,108
Decorative Banners	85,000	84,424	576	85,000	80,978	4,022
Holiday Decorations	75,000	68,678	6,322	70,000	70,138	(138)
Printed Materials	55,000	41,830	13,170	55,000	55,253	(253)
Display Advertising	65,000	61,125	3,875	55,000	62,441	(7,441)
PR/Media Relations	11,000	8,715	2,285	52,000	51,289	711
Placemaking	76,000	75,604	396	115,000	98,496	16,504
Additional Insurance	13,000	11,829	1,171	15,000	11,310	3,690
Activation of CTA Kiosks	40,500	35,444	5,056	15,000	15,162	(162)
Total Customer Attraction	513,250	469,597	43,653	608,500	534,398	74,102
Public Way Aesthetics						
Landscaping	219,000	218,587	413	220,000	221,525	(1,525)
Way Finding/Signage	20,000	19,740	260	20,000	22,755	(2,755)
Streetscape Elements	40,000	21,361	18,639	70,000	26,555	43,445
Sidewalk Maintenance	215,960	202,205	13,755	249,000	242,210	6,790
Sidewalk Cleaning & Snow Removal	350,000	336,214	13,786	330,183	329,345	838
Sidewalk Power Washing	281,000	275,250	5,750	313,479	265,858	47,621
Total Public Way Aesthetics	1,125,960	1,073,357	52,603	1,202,662	1,108,248	94,414
Economic/Business Development						
Economic Impact Study	-	-	-	36,000	37,728	(1,728)
Strategic Planning	17,335	-	17,335	-	-	-
Springboard Pedestrian Counters	51,000	50,672	328	51,000	50,872	128
Total Econ./Bus. Development	68,335	50,672	17,663	87,000	88,600	(1,600)
Safety Programs						
Police Engagement	112,500	108,250	4,250	-	-	-
Ambassador - Public Safety Program	344,710	247,276	97,434	265,000	244,564	20,436
Homeless Outreach Program	10,000	2,000	8,000	5,000	-	5,000
Total Safety Programs	467,210	357,526	109,684	270,000	244,564	25,436
SSA Mgt./Admin . Non-Personnel						
Annual Report	2,500	2,500	-	9,750	9,442	308
Audit	4,500	4,305	195	4,500	4,100	400
Bookkeeping	3,563	3,393	170	4,500	3,780	720
Office Rent	55,500	54,728	772	56,250	48,762	7,488
Office Utilities	6,750	6,106	644	9,000	6,662	2,338
Office Equip Lease/Maint	18,000	17,175	825	21,000	21,988	(988)
D&O / General Liability Insurance	21,000	20,581	419	15,000	16,414	(1,414)
Conferences & Training	9,000	7,939	1,061	7,500	4,450	3,050
IT Monitoring Services	11,831	11,288	543	9,000	15,127	(6,127)
Total Admin. Non-Personnel	132,644	128,015	4,629	136,500	130,725	5,775
Personnel	569,775	567,184	2,591	539,150	522,840	16,310
TOTAL EXPENSES	2,877,174	2,646,351	230,823	2,843,812	2,629,375	214,437
Excess of Revenue Over (Under) Expenditures	\$ (190,000)	\$ (73,874)	\$ (116,126)	\$ (226,183)	\$ (48,463)	\$ (177,720)
CARRYOVER	190,000	-	190,000	226,183	-	226,183
Net expenditures in excess of revenues	\$ -	\$ (73,874)	\$ 73,874	\$ -	\$ (48,463)	\$ 48,463

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

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

1. Summary of Significant Accounting Policies

(a) Reporting Entity: Special Service Area #1-2015 is a taxing district authorized by the City of Chicago located in Chicago, Illinois. Its scope of services is to fund various activities to improve and enhance the State Street commercial district. The SSA is funded by property taxes levied on properties within the SSA boundaries, which are collected by the Cook County Treasurer, and then distributed by the City of Chicago to the SSA.

Special Service Area #1-2015 is governed by a Commission whose members are appointed by the Mayor of Chicago. The City of Chicago contracted with Chicago Loop Alliance (CLA) to perform administrative duties as the service provider for this SSA during the reporting period. CLA is an Illinois not-for-profit corporation that is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code.

(b) Government-Wide and Fund Financial Statements: The financial statements of the SSA #1-2015 have been prepared in conformity with the accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body for the establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

The SSA #1-2015 accounts for its activities in one fund, its general fund.

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation: The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year they are levied.

The governmental fund financial statements are prepared on the modified accrual basis of accounting with only current assets and liabilities included on the balance sheet. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available to finance expenditures of the current period. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes are susceptible to accrual and recognized as a receivable in the year levied. Revenue recognition is deferred unless the taxes are received within 60 days subsequent to year-end. Expenditures are recorded when the liability is incurred.

The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America 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 expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
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FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

(d) Assets, Liabilities, and Net Position:

Cash, Cash equivalents and investments: The SSA #1-2015's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables: All property tax receivables are shown net of allowances. As of December 31, 2018 and 2017, the allowance is estimated to be 4% of the outstanding property taxes.

Prepaid items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Fund Equity/Net Position: Government fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by enabling legislation or an outside party. Committed fund balance is a limitation imposed by the SSA #1-2015's boards through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the SSA #1-2015's boards. Unassigned fund balance is a net resource in excess of what can be properly classified in one of the above four categories.

When both restricted and unrestricted fund balances are available for use, it is the SSA #1-2015's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balance is reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

For the government-wide financial statement, net position is reported as invested in capital assets net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt, if applicable, is comprised of the net capital asset balance less any related debt. Restricted net position is when restrictions are placed on net assets from 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. The remaining net position is classified as unrestricted.

2. Cash and Cash Equivalents

The SSA #1-2015 maintains its cash in a bank checking account, which, at times, may exceed federally insured limits. The SSA #1-2015 had not experienced any losses in such accounts. The SSA #1-2015 believes it is not exposed to any significant credit risk in cash.

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

3. Property Taxes

Property taxes become an enforceable lien on real property on January 1 of the year it is levied. Taxes are payable in two installments in the subsequent year. The first installment is an estimate based on the prior year billed levy (55%) and is due in March. The second installment is due on August 1, or 30 days from the mailing of the tax bills if issued later than July 1. The second installment is based on the remaining amount of the levy on file with the County. Bills are issued and collected by Cook County who remits the SSA #1-2015's share to the City who then remits the monies to the SSA #1-2015.

4. Related Party Transactions

The SSA #1-2015 is affiliated with Chicago Loop Alliance (CLA), which provides certain administrative services for the SSA #1-2015. As of December 31, 2018 and 2017, \$215,650 and \$239,637, respectively, were payable for services provided and outstanding vendor bills. The balances resulted from the time lag that 1) goods and services are being provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments are being made.

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

SUMMARY SCHEDULE OF FINDINGS

As part of our audit and request by the Special Service Area Annual Audited Financial Statement Guidelines prepared by the City of Chicago Department of Planning Development issued in 2017, we have read the requirements contained in the Agreement for Special Service Area #1-2015 between the City of Chicago and Chicago Loop Alliance (CLA).

Current year findings:

CLA does not pay the bills of SSA #1-2015 out of the SSA #1-2015 bank account. All bills are paid through CLA and monies are transferred out of the SSA account to the CLA account for the exact amount of funds spent for the SSA. If a bill is to be allocated between CLA and the SSA, only funds that apply to the SSA portion of the bill are transferred to CLA.

Based on our understanding of the agreement and the facts surrounding the performance under the agreement, we noted no other exceptions. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters of which we had no knowledge.

Management response:

SSA #1-2015 bank account is currently a depository bank account. All bills are paid through the Chicago Loop Alliance (CLA) bank account and monies are transferred out of the SSA #1-2015 account to the CLA account for the exact amount of funds spent for SSA # 1-2015. SSA #1-2015 funds are not commingled with other CLA sources per *Section 5.03, Method of Payment*.

Section 5.03, Method of Payment, also states that pursuant to a schedule to be determined by the Commissioners, after the performance of services pursuant to the terms of the agreement, CLA may submit invoices to the City to request reimbursement for such expenses. CLA must provide, along with the invoices, such additional documentation as the Commissioners request to substantiate the services. Upon the Commissioners' determination that the invoices are accurate, the City will process payment of the invoices.

Abiding to the Special Service Area Financial and Accounting Guidelines, SSA #1-2015 Commissioners do not sign checks or other financial documents, but their approval in writing is needed for financial transactions pertaining to SSA #1-2015 finances. CLA will include a Commissioner or Commissioners elected by the State Street Commission to review a summary of accounts payable batch approval scheduled for payment. The elected Commissioner's signature will serve as authorization of the accounts payable scheduled for payment before disbursements are made. The elected Commissioner will also be invited to sit at CLA's Finance Committee meeting to ensure compliance with the Special Service Area (SSA) Audit Guidelines and appropriate management of SSA #1-2015 fund.

The Department of Planning and Development found this Corrective Action Plan satisfactory to ensure compliance with the requirements established in Special Service Area (SSA) Audit Guidelines in a letter addressed to Chicago Loop Alliance (CLA) on July 19, 2012, which was issued when CLA was the sole service provider to SSA #1. The procedures have not changed when SSA #1-2015 was established.

SPECIAL SERVICE AREA #1-2015
(a taxing district authorized by the City of Chicago)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

Update of prior year findings:

We noted certain expenditures for which actual expenses exceed budgeted amounts.

CLA does not pay the bills of SSA #1-2015 out of the SSA #1-2015 bank account. All bills are paid through CLA and monies are transferred out of the SSA account to the CLA account for the exact amount of funds spent for the SSA. If a bill is to be allocated between CLA and the SSA, only funds that apply to the SSA portion of the bill are transferred to CLA.

Based on our understanding of the agreement and the facts surrounding the performance under the agreement, we noted no other exceptions. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters of which we had no knowledge.

Management response:

Our corrective action plan is for Chicago Loop Alliance to be more careful monitoring expenditures and we will request a budget revision if it is determined that any of the categories will be over budget.

Additionally, SSA #1-2015 bank account is currently a depository bank account. All bills are paid through the Chicago Loop Alliance (CLA) bank account and monies are transferred out of the SSA #1-2015 account to the CLA account for the exact amount of funds spent for SSA # 1-2015. SSA #1-2015 funds are not commingled with other CLA sources per *Section 5.03, Method of Payment*:

Section 5.03, Method of Payment, also states that pursuant to a schedule to be determined by the Commissioners, after the performance of services pursuant to the terms of the agreement, CLA may submit invoices to the City to request reimbursement for such expenses. CLA must provide, along with the invoices, such additional documentation as the Commissioners request to substantiate the services. Upon the Commissioners' determination that the invoices are accurate, the City will process payment of the invoices.

Abiding to the Special Service Area Financial and Accounting Guidelines, SSA #1-2015 Commissioners do not sign checks or other financial documents, but their approval in writing is needed for financial transactions pertaining to SSA #1-2015 finances. CLA will include a Commissioner or Commissioners elected by the State Street Commission to review a summary of accounts payable batch approval scheduled for payment. The elected Commissioner's signature will serve as authorization of the accounts payable scheduled for payment before disbursements are made. The elected Commissioner will also be invited to sit at CLA's Finance Committee meeting to ensure compliance with the Special Service Area (SSA) Audit Guidelines and appropriate management of SSA #1-2015 fund.

The Department of Planning and Development found this Corrective Action Plan satisfactory to ensure compliance with the requirements established in Special Service Area (SSA) Audit Guidelines in a letter addressed to Chicago Loop Alliance (CLA) on July 19, 2012, which was issued when CLA was the sole service provider to SSA #1. The procedures have not changed when SSA #1-2015 was established.

SPECIAL SERVICE AREA #1-2015
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

