Center on Halsted

Financial Report
June 30, 2013

Contents

McGladrey

Independent Auditor's Report

To the Board of Directors
Center on Halsted
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Center on Halsted (the Center) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, 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. 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 the Center on Halsted as of June 30, 2013, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Center on Halsted's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGladrey LLP

Chicago, Illinois
December 18, 2013

Statement of Financial Position
June 30, 2013 (With Comparative Totals for 2012)

	2013	2012
Assets		
Cash	$ 14,038	$ 150,230
Investments	2,043,486	1,881,260
Grants and other receivables	441,017	681,310
Pledges receivable, net	1,574,980	1,678,965
Prepaid expenses and deposits	203,280	254,111
Property and equipment, net	19,500,850	19,977,004
Other assets	477,296	480,229
	$ 24,254,947	$ 25,103,109
Liabilities and Net Assets		
Accounts payable	$ 261,597	$ 344,861
Accrued expenses	53,571	52,025
Line of credit	690,000	445,000
Deferred revenue	36,135	48,474
Advances on tenant contract	3,800,000	4,000,000
Long-term debt	1,730,907	1,730,907
	6,572,210	6,621,267
Net Assets		
Unrestricted		
Board designated	2,043,486	1,881,260
Undesignated	13,819,093	14,691,617
Total unrestricted	15,862,579	16,572,877
Temporarily restricted	1,695,158	1,783,965
Permanently restricted	125,000	125,000
	17,682,737	18,481,842
	$ 24,254,947	$ 25,103,109

See Notes to Financial Statements.

Center on Halsted

Statement of Activities
Year Ended June 30, 2013 (With Comparative Totals for 2012)

	Unrestricted						
	Operating	Property and Equipment	Total	Temporarily Restricted	Permanently Restricted	**2013**	2012
Revenue:							
Individual contributions, net	$ 558,437	$ -	$ 558,437	$ -	$ -	**$ 558,437**	$ 615,402
Foundation and corporate contributions, net	748,438	-	748,438	45,000	-	**793,438**	794,919
Government grants	1,992,850	-	1,992,850	-	-	**1,992,850**	2,075,473
Program service fees	189,962	-	189,962	-	-	**189,962**	177,156
Investment income designated for current operations:							
Interest and dividends	63,298	-	63,298	-	-	**63,298**	58,073
Unrealized gain	1,377	-	1,377	-	-	**1,377**	-
Special events, net of direct expenses of $372,580 and $413,967 for 2013 and 2012, respectively	231,472	-	231,472	-	-	**231,472**	325,645
In-kind revenue, donated	-	-	-	-	-	-	32,851
Rental income	518,057	-	518,057	-	-	**518,057**	497,221
Other income	45,000	-	45,000	-	-	**45,000**	4,321
Net assets released from restrictions	133,807	-	133,807	(133,807)	-	-	-
	4,482,698	-	4,482,698	(88,807)	-	**4,393,891**	4,581,061
Expenses:							
Program services	3,961,789	349,884	4,311,673	-	-	**4,311,673**	3,985,396
Management and general	520,598	181,277	701,875	-	-	**701,875**	799,422
Development	339,368	10,288	349,656	-	-	**349,656**	294,070
	4,821,755	541,449	5,363,204	-	-	**5,363,204**	5,078,888
Decrease in net assets before unrealized gain (loss) on investments	(339,057)	(541,449)	(880,506)	(88,807)	-	**(969,313)**	(497,827)
Unrealized gain (loss) on investments	170,208	-	170,208	-	-	**170,208**	(73,627)
Decrease in net assets	(168,849)	(541,449)	(710,298)	(88,807)	-	**(799,105)**	(571,454)
Net assets:							
Beginning of year	17,170,427	(597,550)	16,572,877	1,783,965	125,000	**18,481,842**	19,053,296
End of year	$ 17,001,578	$ (1,138,999)	$ 15,862,579	$ 1,695,158	$ 125,000	**$ 17,682,737**	$ 18,481,842

See Notes to Financial Statements.

Center on Halsted

Statement of Functional Expenses
Year Ended June 30, 2013 (With Comparative Totals for 2012)

	Program Services								
	HIV Services	Mental Health Services	Youth Services	Education & Victim Advocacy	Culinary Arts Services	Community Programming Services	Volunteer Services	Senior Services	Total Programs
Salaries and wages	$ 899,101	$ 229,193	$ 580,378	$ 223,085	$ 190,065	$ 171,248	$ 17,411	$ 175,829	$ 2,486,310
Payroll taxes and fringe benefits	206,726	41,063	133,037	52,407	45,109	36,129	3,134	36,557	554,162
	1,105,827	270,256	713,415	275,492	235,174	207,377	20,545	212,386	3,040,472
Professional fees	156,373	45,621	166,391	2,090	29,066	27,995	2,207	19,726	449,469
Supplies	42,846	1,185	14,652	260	9,398	574	517	2,455	71,887
Food	39	2,867	7,264	-	9,561	141	2,094	1,248	23,214
Occupancy	13,166	11,860	44,162	3,891	9,781	49,972	3,998	35,394	172,224
Telephone	1,103	679	3,157	1,937	560	2,860	229	2,026	12,551
Postage	152	355	82	4	29	18	3	110	753
Printing and copying	2,994	-	1,612	54	38	256	-	830	5,784
Insurance	2,150	1,936	7,210	635	1,597	8,159	653	5,778	28,118
Advertising and promotional	8,441	-	-	-	-	250	-	-	8,691
Dues and subscriptions	2,500	589	518	-	4,756	141	400	1,053	9,957
Conferences, meetings, and travel	16,676	3,393	14,165	2,118	5,772	150	-	1,832	44,106
Software and equipment rental	3,766	-	13,358	1,113	2,798	14,295	1,144	10,595	47,069
Bad debt	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Program events	3,723	-	-	-	-	18,131	-	-	21,854
Repairs and maintenance	1,960	1,766	6,575	579	1,456	7,440	595	5,269	25,640
Depreciation	26,748	24,094	89,718	7,905	19,871	101,522	8,122	71,904	349,884
	$ 1,388,464	$ 364,601	$ 1,082,279	$ 296,078	$ 329,857	$ 439,281	$ 40,507	$ 370,606	$ 4,311,673

See Notes to Financial Statements.

Center on Halsted

Statement of Functional Expenses (Continued)
Year Ended June 30, 2013 (With Comparative Totals for 2013)

	Total Programs	Supporting Services: Management and General	Supporting Services: Development	Supporting Services: Total Supporting Services	**2013 Total**	2012 Total
Salaries and wages	$ 2,486,310	$ 130,851	$ 176,679	$ 307,530	**$ 2,793,840**	$ 2,629,011
Payroll taxes and fringe benefits	554,162	15,394	39,362	54,756	**608,918**	552,204
	3,040,472	146,245	216,041	362,286	**3,402,758**	3,181,215
Professional fees	449,469	47,924	53,324	101,248	**550,717**	402,577
Supplies	71,887	44,423	8,357	52,780	**124,667**	63,949
Food	23,214	9,073	37,728	46,801	**70,015**	73,091
Occupancy	172,224	89,230	5,064	94,294	**266,518**	284,530
Telephone	12,551	5,107	290	5,397	**17,948**	17,294
Postage	753	7,085	4,236	11,321	**12,074**	10,693
Printing and copying	5,784	35,546	7,926	43,472	**49,256**	22,493
Insurance	28,118	14,568	827	15,395	**43,513**	43,974
Advertising and promotional	8,691	10,459	-	10,459	**19,150**	25,079
Dues and subscriptions	9,957	16,823	2,251	19,074	**29,031**	23,092
Conferences, meetings, and travel	44,106	9,282	786	10,068	**54,174**	57,551
Software and equipment rental	47,069	25,525	1,784	27,309	**74,378**	54,913
Bad debt	-	27,500	-	27,500	**27,500**	141,570
Interest	-	18,524	-	18,524	**18,524**	8,990
Program events	21,854	-	-	-	**21,854**	14,378
Repairs and maintenance	25,640	13,284	754	14,038	**39,678**	55,949
Depreciation	349,884	181,277	10,288	191,565	**541,449**	597,550
	$ 4,311,673	$ 701,875	$ 349,656	$ 1,051,531	**$ 5,363,204**	$ 5,078,888

See Notes to Financial Statements.

Center on Halsted

Statement of Cash Flows
Year Ended June 30, 2013 (With Comparative Totals for 2012)

		2013		2012
Cash Flows from Operating Activities				
Decrease in net assets	$	(799,105)	$	(571,454)
Amortization of advances on tenant contract		(200,000)		(200,000)
Depreciation		541,449		597,550
Increase (decrease) in allowance for doubtful accounts		(134,577)		136,720
Unrealized (gain) loss on investments		(171,585)		73,627
Legal fee amortization		2,933		2,933
Changes in:				
Grants and other receivables		240,293		(6,856)
Pledges receivable		238,563		(9,716)
Prepaid expenses and deposits		50,831		(85,536)
Accounts payable		(83,264)		215,101
Accrued expenses		1,546		85
Deferred revenue		(12,339)		(47,954)
Net cash (used in) provided by operating activities		(325,255)		104,500
Cash Flows from Investing Activities				
Additions to property and equipment		(65,295)		(364,509)
Proceeds from sale of investments		82,006		404,499
Purchases of investments		(72,648)		(452,061)
Net cash used in investing activities		(55,937)		(412,071)
Cash Flows from Financing Activities				
Net borrowings under line of credit		245,000		445,000
(Decrease) increase in cash		(136,192)		137,429
Cash:				
Beginning of year		150,230		12,801
End of year	$	14,038	$	150,230
Supplemental Disclosure of Cash Flow Information				
Interest paid	$	18,524	$	8,990

See Notes to Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Center on Halsted (the Center) is the most comprehensive community center dedicated to advancing the Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) community and securing the health and well-being of LGBTQ people. Located in the heart of Chicago's Lakeview neighborhood, more than 1,000 individuals visit the Center every day. Community members participate in the diverse programs and services offered ranging from cooking classes, volleyball and theatrical performances to HIV testing and group therapy. The 175,000 square foot, silver LEED certified Center first opened its doors in 2007, building on the success of its preceding organization, Horizons Community Services, which was founded in 1973 as a resource for Chicago's growing LGBTQ community. The Center's facility also includes offices and meeting space for community organizations, program specific space for youth and senior adults, gallery space featuring exhibits from local LGBTQ artists, a 161-seat theater, a gymnasium and a rooftop garden along with ground level retail space and related underground parking.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Basis of presentation: The financial statements have been prepared in accordance with accounting principles applicable to nonprofit organizations in conformity with accounting principles generally accepted in the United States of America.

Classification of net assets

Unrestricted net assets: are available for support of the Center's operations and are not subject to donor-imposed restrictions. The Center also has a Board designated endowment fund, which is classified as unrestricted.

Temporarily restricted net assets: are subject to donor-imposed restrictions that may or will be met either by actions of the Center or the passage of time.

Permanently restricted net assets: are amounts for which the principal must remain intact per donor request and the earnings can be used for specified purposes or general operations to the extent of its investment income.

Cash: The Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and management believes the Center is not exposed to any significant credit risk on cash.

Grants and other receivables and revenues: Grants and other receivables consist primarily of reimbursements due from various governmental agencies and client fees due from individuals. These receivables are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Center's historical collection experience. At June 30, 2013, the Center had no allowance for doubtful accounts related to grants and other receivables.

Revenue from government grants is recognized when earned, which is to the extent that the related grant expenses have been incurred.

Program service fees: Revenues from services charged for the Center's various programs are recognized when earned.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions: Contributions, including unconditional promises to give, are recognized as revenue in the period received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases this net asset class. If satisfaction of temporary restrictions occurs in the same year as revenue recognition, contributions are then recorded as unrestricted revenue. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional pledges are recorded net of a present value discount for any installments to be received at a date more than one year in the future. The allowance for uncollectible contributions is based upon management's analysis of various factors including prior collection history, type of contribution, and nature of fundraising activities. At June 30, 2013, the Center had an allowance for uncollectible contributions of $28,873.

In-kind contributions: The financial statements reflect amounts for in-kind contributions and donated services for which an objective basis is available to measure their value. The Center does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted income. There were no in-kind contributions recorded for the year ended June 30, 2013.

Rental income: The Center recognizes revenue from the rental of certain meeting and conference rooms as the revenue is earned. The Center also recognizes revenue from a long-term rental contract with a tenant ratably over the life of the lease.

Deferred revenue: Cash received for the rental of meeting space and future events at the Center and grants are recorded as deferred revenue. The Center had deferred revenue at June 30, 2013 of $36,135.

Investments: Investments are presented in the financial statements at fair value in accordance with accounting principles generally accepted in the United States of America. The fair value of investments is generally determined based on quoted market price or estimated fair value.

Investment income, realized gains (losses), and change in unrealized gains (losses) are reflected in the statement of activities. Investments received as contributions are recorded at fair value at the date of receipt. The Center's investment portfolio is subject to various risks, such as interest rate, credit and overall market volatility. Because of these risks, it is possible that changes in the fair value of investments may occur and that such changes could materially affect the Center's financial statements.

Property and equipment: Property and equipment are stated at cost, except for donated assets, which are recorded at fair value at the time of receipt. The Center capitalizes additions and improvements to existing property and equipment over $2,500 and having a useful life of more than one year. General maintenance and repairs are charged to expense. Depreciation is being provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are:

Buildings	40 years
Furniture and fixtures	7 years
Computer equipment	5 years
Computer software	3 years

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Other assets: Included in other assets are all contributions of works of art and other similar non-depreciable items that have been recognized at their estimated fair value at the date of receipt based upon appraisals or similar valuations. The amount reported for these assets at June 30, 2013 is $204,535. In addition, the Center previously incurred legal costs in conjunction with a tenant contract agreement. The Center has capitalized these costs and began amortizing them over the term of the lease beginning July 2007. The unamortized balance at June 30, 2013 is $272,761, which is net of accumulated amortization of $17,598.

Functional allocation of expenses: The costs of providing the program and other activities have been presented on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that are common to program services, development and general administration are allocated based on management's determination.

Use of estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative data: The financial statements include certain prior year summarized comparative information in total but not in the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Income taxes: The Center, an Illinois nonprofit corporation, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any.

The accounting standard on uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Center may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Center and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities during the year.

The Center files Forms 990 in the U.S. federal jurisdiction and the State of Illinois. The Center is generally no longer subject to examination by the Internal Revenue Service for years before fiscal 2010.

Subsequent events: The Center has evaluated subsequent events for potential recognition and/or disclosure through December 18, 2013, the date the financial statements were available to be issued.

Note 2. Pledges Receivable

Pledges receivable as of June 30, 2013, net of respective allowances, consist of:

	Annual	Capital	Total
Up to one year	$ 197,377	$ 48,746	$ 246,123
Two years	8,215	17,000	25,215
More than two years	27,973	1,312,101	1,340,074
	233,565	1,377,847	1,611,412
Present value discount (approximately 0.18 to 0.45%)	(185)	(7,374)	(7,559)
Allowance for uncollectible contributions	(673)	(28,200)	(28,873)
	$ 232,707	$ 1,342,273	$ 1,574,980

The present value discount rates are comparable to the Treasury's risk-free rate over similar time horizons.

Note 3. Fair Value Measurements

The accounting standard on fair value measurements provides a framework for measuring fair value under generally accepted accounting principles. The accounting standard defines fair value, establishes a framework for measuring fair value, sets out a fair value hierarchy and expands disclosures about fair value measurements. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the accounting standard as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the accounting standard are described below:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note 3. Fair Value Measurements (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. During the year ended June 30, 2013, there were no transfers between levels of investments.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2013.

Equity and fixed income mutual funds: Valued at the closing price reported on the active market on which the funds are traded.

Money market funds, public real estate investment trust, and commodity mutual funds: Valued at the net asset value (NAV) of shares held at year-end.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All financial instruments detailed in Note 4 to the financial statements are considered Level 1.

Note 4. Investments

Investments at June 30, 2013 consist of:

Money market funds	$ 65,205
Equity mutual funds	1,437,902
Fixed income mutual funds	369,630
Public real estate investment trust	92,868
Commodity mutual funds	77,881
	$ 2,043,486

Investment income and unrealized gain on investments for the year ended June 30, 2013 is $63,298 and $171,585, respectively.

Note 5. Property and Equipment

Property and equipment at June 30, 2013 consist of:

Land	$ 6,762,611
Building	14,715,905
Furniture and fixtures	1,138,243
Computer equipment	442,634
Computer software	86,085
	23,145,478
Accumulated depreciation	(3,644,628)
	$ 19,500,850

Depreciation expense for the year ended June 30, 2013 totaled $541,449.

Note 6. Line of Credit

The Center has a revolving line of credit agreement with Bank of America that provides for borrowings up to $1,200,000. The line contains a variable rate of interest equal to the BBA LIBOR Daily floating rate plus 2.75 percentage points. At June 30, 2013, the rate was 2.94 percent. Collateral for the line are certain assets, equipment and receivables, of the Center. At June 30, 2013, the Center had $690,000 outstanding under the line of credit. The line expires on February 28, 2014, at which time management expects to renew the line. The Center has obtained a waiver from its bank for the covenant in the line of credit agreement regarding incurring additional debt. See Note 12.

Note 7. Long-Term Debt

Long-term debt at June 30, 2013 consists of a note payable to the City of Chicago at no interest, originally in the amount of $2,740,000, which was amended on June 28, 2007 to a revised amount due of $1,730,907 due to a soil remediation credit. The note is due and payable in its entirety on August 1, 2018 and collateralized by the Center on Halsted.

Note 8. Advances on Tenant Contract

The Center entered into a lease contract for the retail space, including the parking garage, at the Center for a term of 99 years commencing July 22, 2007 when the Center delivered possession of the premises to the tenant. Per the lease agreement, the tenant has prepaid the first 25 years of the base lease rent. The prepaid rent has been reported as advances on tenant contract on the statement of financial position and is being amortized over the prepayment period. The unamortized amount as of June 30, 2013 was $3,800,000.

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 consist of:

Pledges receivable	$ 1,574,980
Corporate grant receivable	120,178
	$ 1,695,158

Note 10. Permanently Restricted Net Assets

During fiscal year 2012, the Center was awarded $125,000 from the Wallace Foundation. The funds are to be used as an internal line of credit to support expansion of program or delays in payments from external funders. Based on the agreement, the funds used each year are to be repaid by the end of the subsequent fiscal period after borrowing the funds. The amount was reflected as a permanently restricted contribution during the year ended June 30, 2012. At June 30, 2013 the Center had borrowed $120,000, which is required to be repaid by June 30, 2014.

Note 11. Endowment Funds

The Center has a Board-designated endowment fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Center is not subject to the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) since it has no donor-restricted endowment funds. The Center's Board-designated endowment net assets as of June 30, 2013 are $2,043,486, and are classified within unrestricted net assets on the statement of financial position.

The changes in endowment net assets for the Center were as follows for the year ended June 30, 2013:

Endowment net assets, July 1, 2012	$ 1,881,260
Contributions	19,618
Investment income:	
Unrealized gains	171,585
Disbursements	(56,307)
Dividends	43,680
Investment fees	(16,350)
Endowment net assets, June 30, 2013	$ 2,043,486

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include only Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to earn a long-term real return (net of management fees and inflation) of 5% per annum. Actual returns in any given year may vary from this amount.

Note 11. Endowment Funds (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved in accordance with the maximum and minimum range for each asset category described below. The Center targets a diversified asset allocation in accordance with the overall risk and return objectives of the portfolio. The Center also reviews its portfolio and, with the help of asset managers, tries to avoid investments in the securities of companies that actively and directly pursue corporate practices or policies that violate the rights of LGBTQ persons. The asset class and range is as follows:

Asset Class	Minimum	Target	Maximum	
Equity	50%	60%	80%	Large Cap, Mid Cap Stock, Emerging
Fixed Income	18%	28%	38%	Core Fixed Income, High Yield, Foreign
Alternate investments	0%	12%	15%	Real Estate, Alternative Funds

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Center has a policy of providing a cash income stream to the organization of up to 4% of the prior three calendar year's average net asset value of the fund, defined as the value of the fund net of any collateralized debt. This is consistent with the Center's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through contributions and investment returns. During the year ended June 30, 2013, $56,307 was spent from the endowment.

Note 12. Halsted GP, LLC

In April 2013, the Board of Directors entered into an agreement with Heartland Housing, Inc. to form a development partnership to co-develop the "3600 N. Halsted project". The two parties formed Halsted GP, LLC (LLC) with the intent to develop 79 low-income housing apartments for LGBT seniors. The Center holds 25% of member equity in the LLC which will construct the project under the lead of Heartland Housing, Inc. The LLC is consolidated with Heartland Housing, Inc. for financial statement purposes. The Center will offer program services once the building is fully occupied which is anticipated in early 2015.

The Center is a proportionate guarantor, with its co-general partner Heartland Housing, Inc., for an $11 million construction loan, jointly and severally, that is funding the development's construction costs. Construction is proceeding on budget and there is no present expectation that the Center would be required to fund any amount under the guarantee.