

# **Center on Halsted**

Financial Report  
June 30, 2010

## Contents

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Independent Auditor's Report	1
<hr/>	
Financial Statements	
Statement of financial position	2
Statement of activities	3
Statement of functional expenses	4 – 5
Statement of cash flows	6
Notes to financial statements	7 – 13

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## Independent Auditor's Report

To the Board of Directors  
Center on Halsted  
Chicago, Illinois

We have audited the accompanying statement of financial position of the Center on Halsted (Center) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's 2009 financial statements and, in our report dated November 16, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of the Center on Halsted as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Chicago, Illinois  
February 15, 2011

Center on Halsted

Statement of Financial Position  
June 30, 2010 (With Comparative Totals for 2009)

	2010	2009
<b>Assets</b>		
Cash	\$ 39,169	\$ 317,927
Investments	1,419,746	1,053,449
Grants and other receivables	829,974	892,161
Pledges receivable	1,989,435	1,998,611
Prepaid expenses and deposits	174,540	192,019
Property and equipment, net	20,780,423	21,354,542
Other assets	486,095	489,028
	<u>\$ 25,719,382</u>	<u>\$ 26,297,737</u>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 109,138	\$ 158,851
Accrued expenses	48,123	73,669
Line of credit	275,000	180,000
Deferred revenue	10,995	22,989
Advances on tenant contract	4,400,000	4,600,000
Long-term debt	1,730,907	1,730,907
	<u>6,574,163</u>	<u>6,766,416</u>
<b>Net Assets</b>		
Unrestricted		
Board designated	1,419,746	-
Undesignated	15,349,857	16,997,455
Total unrestricted	<u>16,769,603</u>	<u>16,997,455</u>
Temporarily restricted	2,375,616	2,533,866
	<u>19,145,219</u>	<u>19,531,321</u>
	<u>\$ 25,719,382</u>	<u>\$ 26,297,737</u>

See Notes to Financial Statements.

**Center on Halsted**

**Statement of Activities**

**Year Ended June 30, 2010 (With Comparative Totals for 2009)**

	Unrestricted	Temporarily Restricted	2010	2009
<b>Revenue:</b>				
Individual contributions, net	\$ 544,358	\$ 100,000	\$ 644,358	\$ 766,417
Foundation and corporate grants, net	574,960	40,000	614,960	522,536
Government grants	1,376,811	-	1,376,811	1,407,512
Program service fees	175,311	-	175,311	205,336
Investment income	21,812	-	21,812	11,124
Special events, net of direct expenses of \$301,855 and \$230,709 for 2010 and 2009, respectively	194,695	-	194,695	258,440
In-kind revenue, donated	35,726	-	35,726	94,664
Other income	488,647	-	488,647	546,610
Net assets released from restrictions	298,250	(298,250)	-	-
	<u>3,710,570</u>	<u>(158,250)</u>	<u>3,552,320</u>	<u>3,812,639</u>
<b>Expenses:</b>				
Program services	3,086,892	-	3,086,892	3,450,085
Management and general	578,885	-	578,885	723,502
Development	263,304	-	263,304	380,405
	<u>3,929,081</u>	<u>-</u>	<u>3,929,081</u>	<u>4,553,992</u>
<b>Increase (decrease) in net assets before unrealized loss on investments</b>	(218,511)	(158,250)	(376,761)	(741,353)
Unrealized loss on investments	(9,341)	-	(9,341)	(4,123)
<b>Increase (decrease) in net assets</b>	(227,852)	(158,250)	(386,102)	(745,476)
<b>Net assets:</b>				
Beginning of year	16,997,455	2,533,866	19,531,321	20,276,797
End of year	<u>\$ 16,769,603</u>	<u>\$ 2,375,616</u>	<u>\$ 19,145,219</u>	<u>\$ 19,531,321</u>

See Notes to Financial Statements.

**Center on Halsted**

**Statement of Functional Expenses  
Year Ended June 30, 2010 (With Comparative Totals for 2009)**

	Program Services							
	HIV Services	Mental Health Services	Youth Services	Anti- Violence Project	Community Programming Services	Ancillary Services	Volunteer Services	SAGE Services
Salaries and wages	\$ 477,247	\$ 213,771	\$ 442,359	\$ 106,554	\$ 219,206	\$ -	\$ 76,293	\$ 165,374
Payroll taxes and fringe benefits	94,057	36,403	84,393	20,993	41,580	-	11,851	27,837
	<u>571,304</u>	<u>250,174</u>	<u>526,752</u>	<u>127,547</u>	<u>260,786</u>	<u>-</u>	<u>88,144</u>	<u>193,211</u>
Professional fees	2,883	50,053	58,160	322	805	245	190	476
Supplies	2,985	345	14,304	441	1,400	-	58	4,956
Food	478	-	12,109	52	540	1,317	-	5,486
Occupancy	4,761	20,259	54,731	8,808	60,395	18,404	2,381	35,709
Telephone	761	3,238	7,611	3,678	9,745	2,942	382	5,708
Postage	256	433	85	60	1	-	176	39
Printing and copying	2,026	112	237	259	43	-	-	43
Insurance	944	4,015	9,436	1,746	11,970	3,648	472	7,077
Advertising and promotional	23,608	-	-	15,000	794	-	-	-
Dues and subscriptions	360	200	-	-	225	-	-	220
Conferences, meetings, and travel	6,220	1,993	14,575	1,350	53	-	111	3,598
Software and equipment rental	104	-	66	-	-	-	-	-
Bad debt	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Program events	-	-	-	-	14,682	-	-	-
Repairs and maintenance	1,061	4,513	10,606	1,962	13,454	4,100	530	7,954
Depreciation	12,038	51,221	120,378	22,270	152,699	46,531	6,019	90,283
	<u>\$ 629,789</u>	<u>\$ 386,556</u>	<u>\$ 829,050</u>	<u>\$ 183,495</u>	<u>\$ 527,592</u>	<u>\$ 77,187</u>	<u>\$ 98,463</u>	<u>\$ 354,760</u>

See Notes to Financial Statements.

Center on Halsted

Statement of Functional Expenses (Continued)  
 Year Ended June 30, 2010 (With Comparative Totals for 2009)

	Total Programs	Supporting Services			2010 Total	2009 Total
		Management and General	Development	Total Supporting Services		
Salaries and wages	\$ 1,700,804	\$ 160,258	\$ 193,306	\$ 353,564	\$ 2,054,368	\$ 2,179,248
Payroll taxes and fringe benefits	317,114	20,507	34,021	54,528	371,642	408,660
	<u>2,017,918</u>	<u>180,765</u>	<u>227,327</u>	<u>408,092</u>	<u>2,426,010</u>	<u>2,587,908</u>
Professional fees	113,134	100,808	1,763	102,571	215,705	379,154
Supplies	24,489	15,747	3,401	19,148	43,637	60,489
Food	19,982	6,582	3,039	9,621	29,603	73,789
Occupancy	205,448	33,778	4,761	38,539	243,987	314,951
Telephone	34,065	5,398	761	6,159	40,224	44,328
Postage	1,050	5,384	3,536	8,920	9,970	8,459
Printing and copying	2,720	20,508	432	20,940	23,660	54,400
Insurance	39,308	6,695	944	7,639	46,947	62,298
Advertising and promotional	39,402	-	-	-	39,402	19,920
Dues and subscriptions	1,005	8,182	2,709	10,891	11,896	10,043
Conferences, meetings, and travel	27,900	15,178	1,501	16,679	44,579	91,888
Software and equipment rental	170	33,574	22	33,596	33,766	38,558
Bad debt	-	36,983	-	36,983	36,983	112,146
Interest	-	13,376	-	13,376	13,376	22,317
Program events	14,682	-	-	-	14,682	15,805
Repairs and maintenance	44,180	7,524	1,061	8,585	52,765	55,058
Depreciation	501,439	88,403	12,047	100,450	601,889	602,481
	<u>\$ 3,086,892</u>	<u>\$ 578,885</u>	<u>\$ 263,304</u>	<u>\$ 842,189</u>	<u>\$ 3,929,081</u>	<u>\$ 4,553,992</u>

See Notes to Financial Statements.

**Center on Halsted**

**Statements of Cash Flows**

**Year Ended June 30, 2010 (With Comparative Totals for 2009)**

	2010	2009
Cash Flows from Operating Activities		
Decrease in net assets	\$ (386,102)	\$ (745,476)
Amortization of advances on tenant contract	(200,000)	(200,000)
In-kind contributions of property and equipment and other assets	(24,206)	-
Depreciation	601,889	602,481
Unrealized loss on investments	9,341	4,123
Legal fee amortization	2,933	2,933
Changes in:		
Grants and other receivables	62,187	697,016
Pledges receivable	9,176	457,886
Prepaid expenses and deposits	17,479	(87,817)
Accounts payable	(49,713)	(13,014)
Accrued expenses	(25,546)	14,665
Deferred revenue	(11,994)	22,989
<b>Net cash provided by operating activities</b>	<b>5,444</b>	<b>755,786</b>
Cash Flows from Investing Activities		
Additions to property and equipment	(3,564)	(20,160)
Proceeds from sale of investments	1,053,449	-
Purchases of investments	(1,429,087)	(7,032)
<b>Net cash used in investing activities</b>	<b>(379,202)</b>	<b>(27,192)</b>
Cash Flows from Financing Activities		
Net borrowings (repayments) under line of credit	95,000	(437,016)
<b>Increase (decrease) in cash</b>	<b>(278,758)</b>	<b>291,578</b>
Cash:		
Beginning of year	317,927	26,349
End of year	\$ 39,169	\$ 317,927
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 13,376	\$ 22,317

See Notes to Financial Statements.



## Center on Halsted

### Notes to Financial Statements

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#### **Note 1. Nature of Activities and Significant Accounting Policies**

Center on Halsted (the Center) is a nonprofit organization that since 1973 has been providing education, outreach, advocacy and counseling services to affirm and foster the support of Lesbians, Gay, Bisexual and Transgender (LGBT) in our society. The Center operates out of a 175,000 square feet LEED certified single facility, which opened in June 2007 and is located at 3656 North Halsted Street in Chicago. The Center provides a safe and nurturing environment offering support networks and programs that meet the cultural, emotional, spiritual, social, educational, and recreational needs of lesbian, gay, bisexual and transgender persons: youth, young adults, adults, seniors, and families. The Center's facility includes offices and meeting space for ten community organizations, program specific space for youth and senior adults, gallery space, a 161 seat theater, a gymnasium, and a rooftop garden along with ground level retail space and related underground parking. The Center was financed through various grants and donations received from government, foundations and trusts, corporations, and individuals.

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. The Center currently has no permanently restricted net assets.

**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, foundations, 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, 2010, 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.

Notes to Financial Statements

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

**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. Investments are classified as current or long-term based on intended use.

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

**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, 2010 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, 2010 is \$281,560, which is net of accumulated amortization of \$8,799.

**Deferred revenue:** Cash received for the rental of meeting space and future events at the Center is recorded as deferred revenue. The Center had deferred revenue at June 30, 2010 of \$10,995.

**Contributions:** 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 recognized as revenue in the period in which the pledge is received and are recorded net of a present value discount for any installments to be received at a date more than one year in the future.

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

**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. The Center has recorded in-kind contributions, which included design services, program supplies and services, event services, and landscaping of \$35,726 for the year ended June 30, 2010.

**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. This year, program costs include a new allocation to Services and Advocacy for Gay, lesbian, bisexual and transgender Elders (SAGE). 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 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, 2009, 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.

In fiscal year 2010, the Center adopted the accounting standard on accounting for uncertainty in income taxes, which 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 (UBIT). 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. With few exceptions, the Center is no longer subject to examination by the Internal Revenue Service for years before 2007.

**Subsequent events:** The Center has evaluated subsequent events for potential recognition and/or disclosure through February 15, 2011, the date the financial statements were available to be issued.

**Reclassifications:** Certain 2009 balances were reclassified to conform to the current year presentation, without any effect on total net assets.

## Center on Halsted

### Notes to Financial Statements

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#### Note 2. Pledges Receivable

Pledges receivable as of June 30, 2010, net of respective allowances consist of:

Up to one year	\$ 524,481
Two years	199,747
More than two years	1,428,344
	<hr/> 2,152,572
Present value discount (approximately 1.0 to 4.5 percent)	(28,998)
Allowance for uncollectible contributions	(134,139)
	<hr/> <hr/> \$ 1,989,435

An allowance for uncollectible contributions at June 30, 2010 of \$134,139 has been provided based upon management's analysis of various factors including prior collection history, type of contribution and nature of fundraising activities. 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.

## Center on Halsted

### Notes to Financial Statements

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#### 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.

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, 2010.

*Equity and fixed income securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Money market funds and 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, measured at fair value on a recurring basis based on quoted prices for identical assets in active markets.

#### Note 4. Investments

Investments at June 30, 2010 consist of:

Money market funds	\$ 22,072
Equity securities	983,098
Fixed income securities	343,368
Mutual funds	71,208
	<u>\$ 1,419,746</u>

Investment income and unrealized loss on investments for the year ended June 30, 2010 is \$21,812 and \$(9,341), respectively.

#### Note 5. Property and Equipment

Property and equipment at June 30, 2010 consist of:

Land	\$ 6,762,611
Building	14,409,354
Furniture and fixtures	1,103,914
Computer equipment	353,147
Computer software	55,532
	<u>22,684,558</u>
Accumulated depreciation	<u>(1,904,135)</u>
	<u>\$ 20,780,423</u>

Depreciation expense for the year ended June 30, 2010 totaled \$601,889.

## Center on Halsted

### Notes to Financial Statements

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#### **Note 6. Line of Credit**

During January 2010, the Center entered into a single revolving line of credit agreement with Bank of America for \$1,000,000, replacing their existing lines of credit with the Bank. The line of credit expires April 1, 2011, at which point the Center intends to renew the line, and has a variable rate of interest equal to the BBA LIBOR Daily floating rate plus 3.25 percentage points. At June 30, 2010, the rate was 3.59 percent. Collateral for the line are substantially all assets (equipment, receivables and property) of the Center. At June 30, 2010, the Center had \$275,000 outstanding under the line of credit.

#### **Note 7. Long-Term Debt**

Long-term debt at June 30, 2010 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, 2010 was \$4,400,000.

#### **Note 9. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2010 consist of:

Pledges receivable	\$ 1,989,435
Grants receivable	386,181
	<u>\$ 2,375,616</u>

#### **Note 10. Endowment Funds**

During the fiscal year ended June 30, 2010, the Center established 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. Effective July 1, 2009, the Center adopted the accounting standard related to endowments.

#### *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, 2010 are \$1,419,746, and are classified within unrestricted net assets on the statement of financial position.

## Center on Halsted

### Notes to Financial Statements

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#### Note 10. Endowment Funds (Continued)

The changes in endowment net assets for the Center were as follows for the years ended June 30, 2010:

Endowment net assets, July 1, 2009	\$ -
Establishment of endowment fund	1,251,923
Contributions	167,000
Investment income (loss):	
Unrealized gains	21,812
Unrealized (losses)	(9,341)
Investment fees	(11,648)
	<hr/>
Endowment net assets, June 30, 2010	<u>\$ 1,419,746</u>

#### *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.

#### *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 to avoid investments in the securities of companies that actively and directly pursue corporate practices or policies harmful to or violate the rights of LGBT persons. The asset class and range is as follows:

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>	
Equity	59%	66%	80%	Large Cap, Mid Cap Stock
Fixed Income	19%	26%	35%	Core Fixed Income, High Yield
Alternate investments	0%	8%	15%	Real Estate, Hedge 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 new gifts and investment return.