Center on Halsted

Financial Report
June 30, 2017

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
Center on Halsted

Report on the Financial Statements
We have audited the accompanying financial statements of the Center on Halsted which comprise the statement of financial position as of June 30, 2017, 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 from 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Center on Halsted's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
December 18, 2017

Center on Halsted

Statement of Financial Position
June 30, 2017 (With Comparative Totals for 2016)

	2017	2016
Assets		
Cash	**$ 19,204**	$ 14,378
Investments	**3,475,581**	3,237,652
Grants and other receivables	**796,106**	808,577
Pledges and bequest receivable, net	**2,064,954**	2,377,394
Prepaid expenses and deposits	**176,028**	142,744
Property and equipment, net	**19,182,005**	19,656,759
Other assets	**465,564**	468,497
	$ 26,179,442	$ 26,706,001
Liabilities and Net Assets		
Accounts payable	**$ 223,206**	$ 151,213
Accrued expenses	**70,088**	56,898
Line of credit	**1,300,000**	950,000
Note payable	**1,730,907**	1,730,907
Deferred revenue	**43,562**	54,447
Deferred rent liability	**55,848**	37,273
Advances on tenant contract	**3,000,000**	3,200,000
	6,423,611	6,180,738
Net assets:		
Unrestricted:		
Undesignated	**14,035,476**	14,630,397
Board designated	**3,475,581**	3,237,652
Total unrestricted	**17,511,057**	17,868,049
Temporarily restricted	**2,119,774**	2,532,214
Permanently restricted	**125,000**	125,000
	19,755,831	20,525,263
	$ 26,179,442	$ 26,706,001

See notes to financial statements.

Center on Halsted

Statement of Activities
Year Ended June 30, 2017 (With Comparative Totals for 2016)

	Unrestricted						
	Operating	Property and Equipment	Total	Temporarily Restricted	Permanently Restricted	**2017**	2016
Revenue:							
Individual contributions, net	$ 419,438	$ -	$ 419,438	$ 80,300	$ -	**$ 499,738**	$ 1,273,485
Foundation and corporate contributions, net	1,198,940	-	1,198,940	55,000	-	**1,253,940**	1,184,257
Government grants	1,707,385	-	1,707,385	-	-	**1,707,385**	1,716,633
Program service fees	384,922	-	384,922	-	-	**384,922**	221,391
Investment income designated for current operations	93,901	-	93,901	-	-	**93,901**	88,200
Special events, net of direct expenses of $478,419 and $304,059 for 2017 and 2016, respectively	687,347	-	687,347	-	-	**687,347**	331,663
Rental income	579,527	-	579,527	-	-	**579,527**	586,243
Other income	55,706	-	55,706	-	-	**55,706**	48,926
Net contributions released from restrictions	547,740	-	547,740	(547,740)	-	**-**	-
	5,674,906	-	5,674,906	(412,440)	-	**5,262,466**	5,450,798
Expenses:							
Program services	4,754,210	369,114	5,123,324	-	-	**5,123,324**	4,763,444
Management and general	788,820	137,088	925,908	-	-	**925,908**	796,795
Development	232,889	11,652	244,541	-	-	**244,541**	294,776
	5,775,919	517,854	6,293,773	-	-	**6,293,773**	5,855,015
Decrease in net assets before investment gain (loss)	(101,013)	(517,854)	(618,867)	(412,440)	-	**(1,031,307)**	(404,217)
Investment gain (loss), net	261,875	-	261,875	-	-	**261,875**	(99,058)
Increase (decrease) in net assets	160,862	(517,854)	(356,992)	(412,440)	-	**(769,432)**	(503,275)
Net assets:							
Beginning of year	19,236,134	(1,368,085)	17,868,049	2,532,214	125,000	**20,525,263**	21,028,538
End of year	$ 19,396,996	$ (1,885,939)	$ 17,511,057	$ 2,119,774	$ 125,000	**$ 19,755,831**	$ 20,525,263

See notes to financial statements.

Center on Halsted

Statement of Functional Expenses
Year Ended June 30, 2017 (With Comparative Totals for 2016)

	Program Services									
	HIV Services	Behavioral Health Services	Youth Services	Youth Housing Initiative	Education & Victim Advocacy	Culinary Arts Services	Community Programming Services	Senior Services	Volunteer Services	Total Programs
Salaries and wages	$ 777,677	$ 393,787	$ 549,778	$ 218,429	$ 224,327	$ 181,092	$ 281,673	$ 361,762	$ 42,042	$ 3,030,567
Payroll taxes and fringe benefits	161,624	73,732	121,201	47,837	38,462	36,868	51,687	65,739	7,568	604,718
	939,301	467,519	670,979	266,266	262,789	217,960	333,360	427,501	49,610	3,635,285
Professional fees	8,822	84,553	79,585	3,650	2,378	14,825	37,500	2,981	1,319	235,613
Supplies	4,806	3,216	15,952	6,130	-	3,594	2,281	4,348	1,527	41,854
Food	68	6,393	8,495	8,294	88	11,084	1,606	7,177	3,464	46,669
Occupancy	16,596	23,465	76,871	6,941	4,693	17,067	73,593	31,080	2,602	252,908
Rent	-	-	500	88,922	-	-	-	117,104	-	206,526
Telephone	1,796	1,355	5,705	382	271	983	4,248	273	150	15,163
Postage	205	311	1,001	79	64	221	892	117	31	2,921
Printing and copying	2,675	2,103	369	18	809	56	82	62	-	6,174
Insurance	1,986	2,808	9,181	791	562	2,037	8,808	3,490	311	29,974
Advertising and promotional	18,681	1,588	7,186	-	-	465	-	-	-	27,920
Dues and subscriptions	-	839	3,365	500	200	3,354	747	3,190	-	12,195
Conferences, meetings, and travel	2,728	81,761	17,075	15,208	1,785	11,418	1,130	3,330	-	134,435
Software and equipment rental	2,032	2,873	9,502	3,096	575	2,084	9,123	6,575	319	36,179
Bad debt	-	-	-	-	-	-	-	-	-	-
Interest	1,341	1,472	4,513	415	294	1,068	4,618	297	163	14,181
Program events	-	-	-	-	-	-	6,240	824	-	7,064
Repairs and maintenance	3,290	4,651	15,399	1,928	930	6,492	14,588	1,355	516	49,149
Depreciation and amortization	20,145	28,482	93,110	8,027	5,696	20,662	89,330	100,503	3,159	369,114
	$ 1,024,472	$ 713,389	$ 1,018,788	$ 410,647	$ 281,134	$ 313,370	$ 588,146	$ 710,207	$ 63,171	$ 5,123,324

See notes to financial statements.

Center on Halsted

Statement of Functional Expenses (Continued)
Year Ended June 30, 2017 (With Comparative Totals for 2016)

		Supporting Services				
	Total Programs	Management and General	Development	Total Supporting Services	**2017 Total**	2016 Total
Salaries and wages	$ 3,030,567	$ 232,703	$ 121,582	$ 354,285	**$ 3,384,852**	$ 3,126,986
Payroll taxes and fringe benefits	604,718	13,369	15,959	29,328	**634,046**	583,138
	3,635,285	246,072	137,541	383,613	**4,018,898**	3,710,124
Professional fees	235,613	96,774	45,505	142,279	**377,892**	495,093
Supplies	41,854	49,084	1,143	50,227	**92,081**	119,599
Food	46,669	875	1,217	2,092	**48,761**	86,838
Occupancy	252,908	191,001	9,599	200,600	**453,508**	372,116
Rent	206,526	-	-	-	**206,526**	125,665
Telephone	15,163	11,026	554	11,580	**26,743**	27,968
Postage	2,921	2,270	2,328	4,598	**7,519**	4,571
Printing and copying	6,174	3,165	606	3,771	**9,945**	16,697
Insurance	29,974	22,860	1,149	24,009	**53,983**	55,425
Advertising and promotional	27,920	24,070	129	24,199	**52,119**	59,830
Dues and subscriptions	12,195	22,277	84	22,361	**34,556**	29,360
Conferences, meetings, and travel	134,435	34,849	1,162	36,011	**170,446**	68,700
Software and equipment rental	36,179	23,386	2,019	25,405	**61,584**	99,213
Bad debt	-	11,265	-	11,265	**11,265**	10,800
Interest	14,181	11,985	602	12,587	**26,768**	12,232
Program events	7,064	-	27,208	27,208	**34,272**	15,465
Repairs and maintenance	49,149	37,861	2,043	39,904	**89,053**	26,497
Depreciation and amortization	369,114	137,088	11,652	148,740	**517,854**	518,822
	$ 5,123,324	$ 925,908	$ 244,541	$ 1,170,449	**$ 6,293,773**	$ 5,855,015

See notes to financial statements.

Center on Halsted

Statement of Cash Flows
Year Ended June 30, 2017 (With Comparative Totals for 2016)

	2017	2016
Cash flows from operating activities:		
Decrease in net assets	$ (769,432)	$ (503,275)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Amortization of advances on tenant contract	(200,000)	(200,000)
Depreciation and amortization	517,854	518,822
Decrease in allowance for doubtful accounts	(7,692)	(1,012)
Investment (gains) losses	(261,875)	99,107
Legal fee amortization	2,933	2,933
Changes in:		
Grants and other receivables	12,471	(112,904)
Pledges receivable	320,132	(428,742)
Prepaid expenses and deposits	(33,284)	7,597
Accounts payable	71,993	1,424
Accrued expenses	13,190	(21,181)
Deferred revenue and deferred rent liability	7,690	(44,089)
Net cash used in operating activities	(326,020)	(681,320)
Cash flows from investing activities:		
Additions to property and equipment	(43,100)	(184,728)
Proceeds from sale of investments	744,152	650,869
Purchases of investments	(720,206)	(628,038)
Net cash used in investing activities	(19,154)	(161,897)
Cash flows from financing activities:		
Net borrowings under line of credit	350,000	650,000
Increase (decrease) in cash	4,826	(193,217)
Cash:		
Beginning of year	14,378	207,595
End of year	$ 19,204	$ 14,378
Supplemental disclosure of cash flow information:		
Interest paid	$ 26,768	$ 12,232

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Center on Halsted (the Center) is the Midwest's 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, Illinois' 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, behavioral 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, an Illinois nonprofit corporation, is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any.

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 (U.S. GAAP).

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 has a Board designated endowment fund, which is classified as unrestricted. Also included in unrestricted net assets is a property and equipment fund, which includes contributions and grants for capital purchases as well as annual depreciation and amortization expense on property and equipment.

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. At June 30, 2017, cash balances are lower than normal due to delayed payments from the State of Illinois.

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, 2017, 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.

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

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

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 is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net contributions released from restrictions.

The Center recognizes revenues from bequests when the Center has an irrevocable right to the gift, such as when the bequest has been through probate and declared valid.

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.

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

Deferred revenue: Cash received in advance for the rental of meeting space and future events at the Center and grants is recorded as deferred revenue.

Investments: Investments are presented in the financial statements at fair value in accordance with U.S. GAAP. 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.

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

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 $1,200 and having a useful life of more than one year. General maintenance and repairs are charged to expense. Leasehold improvements are amortized over the shorter of estimated useful life or lease period. 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
Leasehold improvements	15 years

Other assets: Included in other assets are 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. In addition, the Center previously incurred legal costs in conjunction with a long-term rental contract with the tenant. The Center capitalized these costs and began amortizing them over the term of the lease beginning July 2007.

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 management and general administration are allocated based on management's determination. Conferences, meetings, and travel expenses significantly increased at June 30, 2017 with the expansion of the annual Sexual Orientation Gender Institute (SOGI) conference in collaboration with Northwestern University. The conference was held off site at the Hyatt in downtown, Chicago. The change in location and increase in cost resulted from the move from a local to a national conference and to accommodate the significant increase in registrants, presenters and conference sessions.

Use of estimates: In preparing financial statements in conformity with U.S. GAAP, 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Center’s financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Income taxes: 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.

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

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 fiscal years before 2014.

Recent accounting pronouncements: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard will be effective for the Center's June 30, 2019 financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for the Center's June 30, 2020 financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard will be effective for the Center's June 30, 2021 financial statements.

The Center is currently evaluating the impact of the adoption of the above standards on its financial statements.

Subsequent events: The Center has evaluated subsequent events for potential recognition and/or disclosure through December 18, 2017, the date the financial statements were available to be issued.

Note 2. Pledges Receivable

Expected collection of pledges receivable as of June 30, 2017, net of discounts and respective allowances, are as follows:

	Horizons/ Annual	Capital	Total
Up to one year	$ 542,051	$ 123,999	$ 666,050
Two years	311,684	14,598	326,282
More than two years	47,240	1,072,400	1,119,640
	900,975	1,210,997	2,111,972
Present value discount	(5,144)	(28,553)	(33,697)
Allowance for uncollectible contributions	(13,321)	-	(13,321)
	$ 882,510	$ 1,182,444	$ 2,064,954

The present value discount uses rates of up to approximately 1.34 percent.

Note 3. Fair Value Measurements

The accounting standard on fair value measurements provides a framework for measuring fair value under U.S. GAAP. 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.

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, 2017, there were no transfers between levels of investments.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

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 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.

The Center’s investments are considered to be Level 1.

Note 4. Investments

Investments at June 30, 2017 consist of:

Money market funds	$ 77,190
Equity mutual funds	2,421,304
Fixed income mutual funds	736,600
Commodity mutual funds	240,487
	$ 3,475,581

Designated investment income and undesignated unrealized gain on investments for the year ended June 30, 2017 was $93,901 and $261,875, respectively.

Note 5. Property and Equipment

Property and equipment at June 30, 2017 consist of:

Land	$ 6,762,611
Building	14,862,665
Leasehold improvements	1,423,772
Furniture and fixtures	1,195,568
Computer equipment	524,675
Computer software	118,668
	24,887,959
Accumulated depreciation and amortization	(5,705,954)
	$ 19,182,005

Leasehold improvements are in connection with program space for senior services at 3600 N. Halsted in Chicago (Note 14).

Depreciation and amortization expense for the year ended June 30, 2017 totaled $517,854, including $94,755 for leasehold improvements.

Note 6. Other assets

Other assets at June 30, 2017 consist of works of art and other non-depreciable items totaling $204,535 and legal costs relating to a long-term rental contract with the tenant. The unamortized balance of the legal costs at June 30, 2017 is $261,029, which is net of accumulated amortization of $29,329.

Note 7. Line of Credit

The Center has a revolving line of credit agreement with Bank of America. The Center is able to borrow up to $1,750,000 which includes $250,000 letter of credit in connection with the tenant contract (Note 8).The line of credit contains a variable rate of interest equal to the BBA LIBOR daily floating rate plus 1.75 percentage points. At June 30, 2017, the rate was 2.92 percent. The line of credit is collateralized by equipment and receivables. At June 30, 2017, the Center had $1,300,000 outstanding under the line of credit. The line expires on April 30, 2018, at which time management expects to renew the line of credit.

Note 8. Note Payable

Long-term debt at June 30, 2017 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 is collateralized by the Center's property. The Center anticipates the note will be forgiven; however, the Center has the option to refinance the note.

Note 9. Advances on Tenant Contract

The Center entered into a lease contract for 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 base rents. 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 amortized amount of $200,000 is recorded in rental income on the statement of activities. The unamortized amount as of June 30, 2017 was $3,000,000.

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets of $2,119,774 at June 30, 2017 consist of pledges and grants receivable. There are no purpose restrictions on temporarily restricted net assets at June 30, 2017.

Note 11. 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 from unrestricted net assets by the end of the subsequent fiscal period after borrowing the funds. The amount is included in permanently restricted net assets. At June 30, 2017, the Center has used $109,600 to support program expansion.

Note 12. Board-designated Endowment Fund

The Center has a Board-designated endowment fund. As required by U.S. GAAP, 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, 2017 are $3,475,581, and are included in unrestricted net assets on the statement of financial position.

Note 12. Board-designated Endowment Fund (Continued)

The changes in endowment net assets for the Center were as follows for the year ended June 30, 2017:

Endowment net assets, July 1, 2016	$ 3,237,652
Investment purchases	24,853
Investment income:	
Unrealized gains	265,427
Dividends	65,495
Income designated for current operations	(93,901)
Investment fees	(23,945)
Endowment net assets, June 30, 2017	$ 3,475,581

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. 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 percent per annum and provide an income stream to the Center of up to 4 percent per year. 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 by exceeding policy target indexes (listed below) net of fees. The policy target index is designed to indicate the returns that a passive investor would earn by consistently following the asset allocation policy. 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 are harmful to or violate the rights of LGBTQ persons. The asset class and range is as follows:

Asset Class	Minimum	Target	Maximum	
Equity	50%	65%	80%	Large Cap, Mid Cap Stock, Emerging
Fixed income	18%	28%	38%	Core Fixed Income, High Yield, Foreign
Alternative investments	0%	7%	14%	Commodities (Tangible Assets)
Cash	0%	0%	15%	

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 percent of the prior three calendar years' 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, 2017, $93,901 was spent from the endowment.

Note 13. Youth Program Housing Initiative

In February 2016, the Board of Directors agreed to a two-year beta project known as the Youth Program Housing Initiative to address the needs of LGBTQ homeless youth in the Chicagoland area, focusing on Chicago. In April 2016, the Center began the process of housing youth, with a goal of ten individuals, providing them with wraparound services, including case management and behavioral health treatment. These ten units are located on the north side of Chicago with a satellite office to provide services. During the year ended June 30, 2017, the Center incurred $88,922 in rent expense for housing ten youth under various one-year lease agreements. In total, the Center incurred expenses of $410,647 on the new housing initiative for the year ended June 30, 2017.

After the beta program, the Center plans to expand and continue to meet the homeless youth population needs and expand geographic reach.

Note 14. Halsted GP, LLC and Senior Program Space

In April 2013, the Board of Directors entered into an agreement with Heartland Housing, Inc., an unaffiliated nonprofit organization located in Chicago, to form a development partnership to co-develop the “3600 N. Halsted project” and formed Halsted GP, LLC (LLC) with the intent to develop 79 affordable housing apartments for seniors. The Center has a 25 percent interest in the LLC, which is the general partner with a 0.01 percent interest in Halsted Limited Partnership (the Partnership). The LLC is consolidated with Heartland Housing, Inc. for financial statement purposes. The project was completed in August 2014 and opened in September 2014, at which time it was fully leased.

Leasehold improvements of $1,423,772 (Note 5) relate to the newly constructed program space for the senior program developed at 3600 N. Halsted. The Center has entered into a fifteen-year lease with the Partnership for this program space, effective December 2014, with monthly rental payments of $8,050 for 15 years escalating 3 percent each year.

At June 30, 2017, the future minimum payments under the lease are as follows:

2018	$ 101,242
2019	104,280
2020	107,408
2021	110,630
2022	113,949
Thereafter	970,608
Total	$ 1,508,117

The Center also entered into a support services agreement with the Partnership. Per the agreement, the Partnership will pay the Center an annual fee of $15,000 which increases annually by 3 percent each year and expires on December 31, 2018, with two 5-year extensions possible. Payment of the fee is contingent on the Partnership having available cash flow. The Center has not accrued a receivable for the fees due to its contingent nature.