Center on Halsted

Financial Report
June 30, 2022

Contents

Independent Auditor's Report

Board of Directors
Center on Halsted

Opinion

We have audited the financial statements of Center on Halsted (the Center), which comprise the statement of financial position as of June 30, 2022, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Center's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
March 29, 2023

Center on Halsted

Statement of Financial Position
June 30, 2022 (With Comparative Totals for 2021)

	2022	2021
Assets		
Cash	$ 275,018	$ 402,630
Investments	5,167,231	6,146,206
Grants and other receivables	1,089,225	713,341
Pledges receivable, net	64,696	199,561
Prepaid expenses and deposits	50,457	105,932
Property and equipment, net	17,465,223	17,567,965
Cash held for Brave Space Alliance	-	126,982
Other assets	450,900	453,833
	$ 24,562,750	$ 25,716,450
Liabilities and Net Assets		
Accounts payable	$ 277,560	$ 32,264
Accrued expenses	117,330	118,997
Line of credit	-	780,000
Cash held for Brave Space Alliance	-	126,982
Deferred revenue	105,322	73,792
Deferred rent liability	103,876	100,653
Advances on tenant contract	2,000,000	2,200,000
Long-term debt	1,730,907	1,730,907
	4,334,995	5,163,595
Net assets:		
Without donor restrictions:		
Undesignated	14,416,883	13,905,302
Board designated	5,070,715	6,043,899
Total without donor restrictions	19,487,598	19,949,201
With donor restrictions	740,157	603,654
	20,227,755	20,552,855
	$ 24,562,750	$ 25,716,450

See notes to financial statements.

Center on Halsted

Statement of Activities
Year Ended June 30, 2022 (With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Revenue:				
Individual contributions, net	**$ 1,311,653**	**$ 70**	**$ 1,311,723**	$ 1,020,360
Foundation and corporate contributions, net	**1,186,611**	**483,750**	**1,670,361**	1,082,421
Government grants	**2,559,624**	**-**	**2,559,624**	2,383,622
Program service fees	**259,212**	**-**	**259,212**	245,743
Investment income designated for current operations	**110,325**	**-**	**110,325**	-
Special events, net of direct expenses of $324,625 and $40,953 for 2022 and 2021, respectively	**593,874**	**-**	**593,874**	322,409
Rental income	**528,987**	**-**	**528,987**	466,222
Other income	**87,333**	**-**	**87,333**	40,190
Net contributions released from restrictions	**301,668**	**(301,668)**	**-**	-
	6,939,287	**182,152**	**7,121,439**	5,560,967
Expenses:				
Program services	**4,924,733**	**-**	**4,924,733**	4,260,311
Management and general	**756,862**	**-**	**756,862**	700,709
Development	**169,549**	**-**	**169,549**	198,877
	5,851,144	**-**	**5,851,144**	5,159,897
Increase in net assets before other items	**1,088,143**	**182,152**	**1,270,295**	401,070
Other items:				
Depreciation and amortization	**(577,266)**	**-**	**(577,266)**	(569,443)
Investment (loss) return, net of investment expense of $40,767 and $37,402 for 2022 and 2021, respectively	**(973,183)**	**(30,791)**	**(1,003,974)**	1,473,667
Gain on extinguishment of Paycheck Protection Program loan	**-**	**-**	**-**	730,923
Employee Retention Tax Credit	**-**	**-**	**-**	511,468
Loss on pledges	**703**	**(14,858)**	**(14,155)**	(71,543)
	(1,549,746)	**(45,649)**	**(1,595,395)**	2,075,072
(Decrease) increase in net assets	**(461,603)**	**136,503**	**(325,100)**	2,476,142
Net assets:				
Beginning of year	**19,949,201**	**603,654**	**20,552,855**	18,076,713
End of year	**$ 19,487,598**	**$ 740,157**	**$ 20,227,755**	$ 20,552,855

See notes to financial statements.

Center on Halsted

Statement of Functional Expenses
Year Ended June 30, 2022 (With Comparative Totals for 2021)

	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	$ 1,054,648	$ 342,997	$ 308,012	$ 231,481	$ 272,725	$ 202,328	$ 214,677	$ 332,699	$ 36,214	$ 2,995,781
Payroll taxes and fringe benefits	244,913	65,654	67,747	51,812	58,333	37,452	45,293	71,994	5,950	649,148
	1,299,561	408,651	375,759	283,293	331,058	239,780	259,970	404,693	42,164	3,644,929
Professional fees	37,513	63,537	64,291	1,770	11,919	8,910	92,794	12,078	708	293,520
Grants to other organizations	250,000	-	-	-	-	-	-	-	-	250,000
Supplies	4,740	8,837	16,536	611	3,297	1,781	706	2,394	-	38,902
Food	-	259	9,604	397	-	3,749	60	5,165	10,189	29,423
Occupancy	24,794	14,377	69,009	6,806	9,858	10,269	107,622	27,085	822	270,642
Rent	5,550	-	-	12,000	400	-	-	117,120	-	135,070
Telephone	6,589	971	4,660	139	1,160	693	7,267	361	55	21,895
Postage	295	8,021	839	25	120	125	1,308	114	10	10,857
Printing and copying	13,199	21	-	60	-	-	26	61	-	13,367
Insurance	5,500	3,163	15,183	452	2,169	2,259	23,679	1,175	181	53,761
Advertising and promotional	5,092	6,442	-	-	-	144	11,631	-	-	23,309
Dues and subscriptions	655	820	172	52	-	-	-	2,746	-	4,445
Conferences, meetings and travel	319	2,578	8,670	58	1,832	1,551	-	658	-	15,666
Software and equipment rental	9,098	5,437	17,117	4,022	4,822	2,547	28,311	7,679	204	79,237
Interest	701	416	1,995	59	285	297	3,112	154	24	7,043
Program events	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	4,780	1,732	8,755	247	1,492	1,237	13,682	643	99	32,667
	1,668,386	525,262	592,590	309,991	368,412	273,342	550,168	582,126	54,456	4,924,733
Depreciation and amortization	28,468	16,888	81,062	2,413	11,580	12,063	126,418	101,028	965	380,885
	$ 1,696,854	$ 542,150	$ 673,652	$ 312,404	$ 379,992	$ 285,405	$ 676,586	$ 683,154	$ 55,421	$ 5,305,618

See notes to financial statements.

Center on Halsted

Statement of Functional Expenses (Continued)
Year Ended June 30, 2022 (With Comparative Totals for 2021)

		Supporting Services				
	Total Programs	Management and General	Development	Total Supporting Services	2022 Total	2021 Total
Salaries and wages	$ 2,995,781	$ 234,645	$ 108,836	$ 343,481	$ 3,339,262	$ 3,152,347
Payroll taxes and fringe benefits	649,148	64,429	20,379	84,808	733,956	649,002
	3,644,929	299,074	129,215	428,289	4,073,218	3,801,349
Professional fees	293,520	135,560	8,495	144,055	437,575	424,310
Grants to other organizations	250,000	-	-	-	250,000	-
Supplies	38,902	36,258	2,850	39,108	78,010	51,489
Food	29,423	866	170	1,036	30,459	16,091
Occupancy	270,642	157,325	9,858	167,183	437,825	288,584
Rent	135,070	-	-	-	135,070	129,120
Telephone	21,895	10,623	666	11,289	33,184	28,858
Postage	10,857	1,912	159	2,071	12,928	7,141
Printing and copying	13,367	810	93	903	14,270	4,496
Insurance	53,761	34,622	2,161	36,783	90,544	76,682
Advertising and promotional	23,309	320	125	445	23,754	110,810
Dues and subscriptions	4,445	19,585	204	19,789	24,234	17,614
Conferences, meetings and travel	15,666	(2,618)	45	(2,573)	13,093	10,384
Software and equipment rental	79,237	39,023	4,606	43,629	122,866	105,031
Interest	7,043	4,549	285	4,834	11,877	33,022
Program events	-	-	9,429	9,429	9,429	692
Repairs and maintenance	32,667	18,953	1,188	20,141	52,808	54,224
	4,924,733	756,862	169,549	926,411	5,851,144	5,159,897
Depreciation and amortization	380,885	184,801	11,580	196,381	577,266	569,443
	$ 5,305,618	$ 941,663	$ 181,129	$ 1,122,792	$ 6,428,410	$ 5,729,340

See notes to financial statements.

Center on Halsted

Statement of Cash Flows
Year Ended June 30, 2022 (With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities:		
(Decrease) increase in net assets	**$ (325,100)**	$ 2,476,142
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Amortization of advances on tenant contract	**(200,000)**	(200,000)
Depreciation and amortization	**577,266**	569,443
(Decrease) increase in allowance for doubtful accounts	**(54,340)**	43,893
Realized gain on investments	**(901,604)**	(197,236)
Unrealized loss (gain) on investments	**2,054,125**	(1,208,227)
Legal fee amortization	**2,933**	2,933
Gain on extinguishment of Paycheck Protection Program loan	**-**	(724,882)
Changes in:		
Grants and other receivables	**(375,884)**	(56,766)
Pledges receivable	**189,205**	257,403
Prepaid expenses and deposits	**55,475**	21,517
Accounts payable	**245,296**	(7,882)
Cash held for Brave Space Alliance (see Note 1)	**(126,982)**	(890,987)
Accrued expenses	**(1,667)**	4,563
Deferred revenue and deferred rent liability	**34,753**	52,790
Net cash provided by operating activities	**1,173,476**	142,704
Cash flows from investing activities:		
Additions to property and equipment	**(474,523)**	(182,092)
Proceeds from sale of investments	**5,261,112**	815,389
Purchases of investments	**(5,434,659)**	(908,541)
Net cash used in investing activities	**(648,070)**	(275,244)
Cash flows from financing activities:		
Net repayments under line of credit	**(780,000)**	(820,000)
Net cash used in financing activities	**(780,000)**	(820,000)
Decrease in cash	**(254,594)**	(952,540)
Cash:		
Beginning of year	**529,612**	1,482,152
End of year	**$ 275,018**	$ 529,612
Cash	**$ 275,018**	$ 402,630
Cash held for Brave Space Alliance	**-**	126,982
Total	**$ 275,018**	$ 529,612
Supplemental disclosure of cash flow information:		
Interest paid	**$ 11,877**	$ 33,022
Supplemental disclosure of non-cash financing information:		
Gain on extinguishment of Paycheck Protection Program loan	**$ -**	$ 724,882

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, and 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 also offers a housing program with wraparound services for LGBTQ youth experiencing homelessness in Chicago's Greater Grand Crossing community.

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:

Net assets without donor restrictions 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 included in net assets without donor restrictions.

Net assets with donor restrictions are subject to donor-imposed restrictions that may or will be met either by actions of the Center or the passage of time. This classification also includes amounts for which the principal must remain intact per donor request with the investment income on the principal used for specified purposes or general operations.

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: 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, 2022, the Center had no allowance for doubtful accounts related to grants and other receivables.

Program service fees: Revenues from services charged for the Center's various programs are recognized when earned, which is the date the service is provided to the client.

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

Contributions: Contributions are recognized as revenue in the period an unconditional gift or promise to give is received. Conditional contributions are recognized as revenues when all the conditions on which the contribution depend are met, and any advances received before the conditions are met are treated as unearned advances. 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 support with donor restrictions, which increases this net asset class. If satisfaction of donor restrictions occurs in the same year as revenue recognition, contributions are recorded directly as revenue without donor restrictions. If the donor restriction is met in a subsequent year, net assets with donor restrictions are reclassified to without donor restrictions 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. A loss on pledges or bad debt expense is recorded when pledges with donor restrictions or without donor restrictions, respectively, are reserved for in the allowance.

Government grants: The Center records revenue under government grant agreements based on their respective terms. Government grants are primarily conditional contributions which are recognized when the barriers have been substantially met (generally when qualifying expenses have been incurred and all other grant requirements have been met). The Center has elected the simultaneous release policy for government grants, which allows the Center to recognize restricted, conditional contributions directly in net assets without donor restrictions when the barrier is met. The Center has received conditional commitments, which generally represent unexpended government grants, amounting to $910,559 which have not been recognized, because the Center has not yet met the related barriers. These amounts will be subject to recognition as the Center incurs qualifying expenses and performs its duties under the terms of the grant agreements. The Center receives a substantial amount of its operating support from government grants.

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, 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, net of internal and external investment costs. 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

Cash held for Brave Space Alliance: The Center served as fiscal sponsor for Brave Space Alliance (the Alliance), a nonprofit corporation in Chicago, Illinois that provides programming and services for LGBTQ individuals on the South and West sides of the city. As fiscal sponsor, the Center received money on behalf of the Alliance and issued payment for expenses incurred by the Alliance from those monies. No revenues or expenses are reflected on the statement of activity for these transactions as the Center did not have variance power over the monies received and it did not have control over the Alliance. Accordingly, the amount of cash the Center held for the Alliance is reported as both an asset and a liability on the statement of financial position. The Center received a fee of five percent of donations collected for the Alliance through May 31, 2021, and one percent of collected donations from June 1, 2021, through December 31, 2021. This fee is reported as revenue on the statement of activities. The Alliance received an exemption from income tax under Section 501(c)(3) of the Internal Revenue Code on April 2, 2021, and the fiscal sponsor agreement ended on May 31, 2021. Payout of donations after that date were made through December 31, 2021.

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 program and other activities have been presented herein on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that are common to program services, management and general, and development are allocated based on management's determination.

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

The expenses allocated and methodology include the following:

Expense	Method of Allocation
Salaries, taxes and benefits	Time and effort
Professional fees	Square footage
Occupancy/rent	Square footage
Telephone/postage	Square footage
Insurance	Square footage
Software and equipment rental	Square footage
Interest	Square footage
Repairs and maintenance	Square footage
Depreciation	Square footage

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, 2021, 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.

The Center files Forms 990 in the U.S. federal jurisdiction and the State of Illinois.

Recent accounting pronouncement: In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. Clarifications to this ASU were issued by the FASB in July 2018 under ASU 2018-10, *Codification Improvements to Topic 842, Leases* and ASU 2018-11, *Leases (Topic 842); Targeted Improvements*. The ASU and changes will be effective for the Center's June 30, 2023 financial statements.

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

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

Risks and uncertainties: In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. Direction from state and local governmental authorities did not significantly alter activities at the Center for the year ended June 30, 2022. Management continues to evaluate the potential impact that the resulting economic uncertainties will have on the Center's activities.

Subsequent events: The Center has evaluated subsequent events for potential recognition and/or disclosure through March 29, 2023, the date the financial statements were available to be issued.

Note 2. Pledges Receivable

Expected collection of pledges receivable (net of present value discount) as of June 30, 2022, are as follows:

	Horizons/Annual	Capital	Total
Up to one year	$ 63,548	$ 858	$ 64,406
One to two years	-	470	470
More than two years	-	3,478	3,478
	63,548	4,806	68,354
Allowance for uncollectible pledges	(3,658)	-	(3,658)
	$ 59,890	$ 4,806	$ 64,696

Horizons/Annual pledges receivable include $49,964 of gifts of $10,000 or more. The Center considers these pledges to be fully collectible.

Note 3. Availability and Liquidity

The following reflects the Center’s financial assets as of June 30, 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions. Amounts not available include amounts set aside for long-term investing in the board designated endowment fund.

Financial assets at year-end:	
Cash	$ 275,018
Investments	5,167,231
Grants and other receivables	1,089,225
Pledges receivable, net	64,696
	6,596,170
Less amounts not available for general expenditures within one year, due to:	
Pledges to be received after one year—Capital	3,948
Donor purpose restrictions	483,750
Amounts required to be maintained in perpetuity	221,517
Board designated endowment	5,070,715
	5,779,930
Financial assets available to meet cash needs for general expenditures within one year	$ 816,240

The Center’s goal is to maintain sufficient financial assets to meet 60 days of general operating expenses. General expenses average $450,000 per month. To meet obligations and cash liquidity needs, the Center maintains a revolving line of credit (Note 10). The purpose of the line of credit is to cover working capital expenses while waiting to collect on donor and government receivables.

Note 4. 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

Note 4. Fair Value Measurements (Continued)

- 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, 2022, 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, 2022.

Equities and equity mutual funds: Valued at the closing price reported on the active market on which the funds are traded.

Money market funds, fixed income and commodity mutual funds: Valued at the net asset value (NAV) of shares held at year-end.

The following table sets forth the fair value of investments in certain entities that calculate NAV per share:

	June 30, 2022 Fair Value	2022 Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Investment:				
Money market funds (b)	$ 67,521	$ -	(a)	(a)
Fixed income mutual funds (c)	1,129,237	-	(a)	(a)
Fixed income mutual funds (d)	56,137	-	(a)	(a)
Fixed income mutual funds (e)	93,508	-	(a)	(a)
Commodity mutual funds (f)	347,322	-	(a)	(a)

(a) Investments may be redeemed each day the New York Stock Exchange is open with no advanced notice required.

(b) Represents investments in funds that invest in cash, U.S. Government securities and repurchase agreements that are fully collateralized by either cash or U.S. Government securities.

(c) Represents investments in funds that invest primarily in investment grade debt securities.

(d) Represents investments in funds that invest primarily in debt securities tied economically to non-U.S. countries.

(e) Represents investments in funds that invest primarily in below investment grade debt securities.

(f) Represents investments in funds that invest in commodity linked-derivative instruments and fixed income securities.

Note 4. Fair Value Measurements (Continued)

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 equity and equity mutual fund investments are considered to be Level 1.

Note 5. Investments

Investments at June 30, 2022 consist of:

Money market funds	$ 67,521
Fixed income mutual funds	1,278,882
Commodity mutual funds	347,322
Equity mutual funds	3,473,506
	$ 5,167,231

Investment return (loss) for the year ended June 30, 2022 as presented on the statement of activities is as follows:

Investment income designated for current operations	$ 110,325
Investment loss, net of investment expense	(1,003,974)
	$ (893,649)

Note 6. Property and Equipment

Property and equipment at June 30, 2022 consist of:

Land	$ 6,762,611
Building	15,258,029
Leasehold improvements	1,423,771
Furniture and fixtures	1,596,829
Computer equipment	565,886
Computer software	140,393
	25,747,519
Accumulated depreciation and amortization	(8,282,296)
	$ 17,465,223

Leasehold improvements are in connection with certain program space for senior services (Note 14).

Depreciation and amortization expense for the year ended June 30, 2022, totaled $577,266, including $94,755 for leasehold improvements.

Note 7. Other Assets

Other assets at June 30, 2022, 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, 2022, is $246,365 which is net of accumulated amortization of $43,994.

Note 8. Net Assets

Net assets with donor restrictions for the year ended June 30, 2022, are as follows:

Specific purpose:	
HIV Services	$ 225,000
Senior Services	50,000
Behavioral Health Services	47,500
Youth Services	146,250
Culinary Arts Services	15,000
	483,750
Passage of time:	
Pledges receivable	34,890
Restricted in perpetuity:	
Wallace Foundation	125,000
Hoover-Leppen Theatre endowment	96,517
	221,517
	$ 740,157

The Center expects to meet specific purpose restrictions within the next fiscal year.

The Wallace Foundation amount is restricted by the donor to be used as an internal line of credit to support the expansion of programs and help with cash needs when there are delays in payments from external funders. Based on the agreement, the funds used each year are to be repaid from net assets without donor restrictions by the end of the subsequent fiscal period after borrowing the funds. For this reason, the $125,000 from the Wallace Foundation will remain in net assets with donor restrictions permanently.

In fiscal year 2020, the Center received a pledge of $100,000 to fund a permanent endowment for the Hoover-Leppen Theatre (Theatre). As of June 30, 2022, the entire pledge was received in cash and added to the Center’s endowment fund (Note 13). The donor stipulates the annual returns on the endowment are to be used to support maintenance and improvements of the Theatre but allows that if the Center’s Board of Directors determines in the future it is impossible or impracticable to use the annual returns for that purpose, the funds can be used for a purpose(s) the Board deems to be as similar as practical.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed. At June 30, 2022, the Hoover-Leppen Theatre endowment of $100,000 had a current fair value of $96,517. The total underwater amount of $3,484 as of June 30, 2022, resulted from unfavorable market fluctuations.

Note 8. Net Assets (Continued)

Net assets released from net assets with donor restrictions are as follows:

Satisfaction of purpose restriction:		
HIV Services	$	82,500
Senior Services		70,000
Youth Services		37,500
Culinary Arts Services		20,155
Passage of time:		
Pledges receivable		91,513
	$	301,668

Note 9. Employee Benefit Plan

During 2018, Center on Halsted started a tax-deferred 403(b) plan. Eligible employees in the plan include those who work at least 20 hours per week. The assets are held for each employee in an account maintained by Principal Investment. This is a discretionary contribution plan approved by the Board.

Discretionary plan contributions of $44,599 were made during the year ended June 30, 2022.

Note 10. Line of Credit

The Center has a revolving line of credit agreement with Bank of America. The Center is able to borrow up to $3,100,000 which includes $250,000 letter of credit in connection with the tenant contract (Note 12). The line of credit contains a variable rate of interest equal to the Bloomberg Short-Term Bank Yield (BSBY) daily floating rate plus 1.75 percentage points. At June 30, 2022, the rate was 3.35 percent. The line of credit is collateralized by equipment, receivables and the Center's investments. At June 30, 2022, the Center had no borrowings outstanding under the line of credit. The line expires on June 5, 2023, at which time management expects to renew the line of credit.

Note 11. Long-Term Debt

Long-term debt at June 30, 2022, 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 was renewed on July 6, 2018. The note was due and payable in its entirety on August 1, 2028 and was collateralized by the Center's property. The note was subsequently forgiven by the City of Chicago in September 2022. Recognition of the forgiveness will be recorded in the fiscal year 2023 financial statements.

Note 12. 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 paid $5,000,000 to the Center as a prepayment for 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 for the fiscal year 2022 is recorded in rental income on the statement of activities. The unamortized amount as of June 30, 2022, was $2,000,000.

Note 13. Endowment Fund

The Center’s endowment fund includes donor restricted endowment funds and board designated endowment funds. 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 Board of Directors of the Center has interpreted the State of Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent any explicit donor stipulations to the contrary. As a result of this interpretation, the Center classified as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not required by the donor to be maintained in perpetuity is classified as net assets with donor restrictions until those amounts have been appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed in UPMIFA. In accordance with UPMIFA earnings on donor-restricted endowment funds are appropriated by Board action.

The Center’s endowment net assets composition by type of fund is as follows for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 5,070,715	$ -	$ 5,070,715
Donor restricted	-	96,517	96,517
	$ 5,070,715	$ 96,517	$ 5,167,232

The changes in endowment net assets for the Center were as follows for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2021	$ 6,043,899	$ 102,307	$ 6,146,206
Contributions received in cash	-	25,000	25,000
Investment loss	(873,184)	(20,465)	(893,649)
Appropriated for current operations	(100,000)	(10,325)	(110,325)
Endowment net assets, June 30, 2022	$ 5,070,715	$ 96,517	$ 5,167,232

Note 13. Endowment Fund (Continued)

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 five percent per annum and provide an income stream to the Center of up to four 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 four percent of the prior three calendar years' average net asset value of the board designated portion of the endowment fund, defined as the value of the board designated portion 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, 2022, $110,325 of income was spent from the endowment.

The Center will annually appropriate not more than five percent of the fair market value of the donor restricted portion of the endowment, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year for which the appropriation for expenditure is made, for the purpose of maintaining and improving the Hoover-Leppen Theatre at the Center. During the period the endowment has been in existence for less than three years, the average will be taken for the length of time the endowment has been in existence. This policy is in accordance with the endowment agreement. During the year ended June 30, 2022, $10,325 of income was spent from this endowment.

Note 14. Halsted GP, LLC and Senior Program Space

In April 2013, the Center 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.

The Center has entered into a 15-year lease with the Partnership for program space in the project, effective December 2014, with monthly rental payments of $7,815 for 15 years escalating three percent each year. In fiscal year 2022, the monthly payments are $9,612.

At June 30, 2022, the future minimum payments under the lease are as follows:

2023	$ 117,367
2024	120,888
2025	124,515
2026	128,250
2027	132,098
Thereafter	347,491
Total	$ 970,609

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 three percent each year and expires on December 31, 2023, with a five-year extension possible. Payment of the fee is contingent on the Partnership having available cash flow. The Center has not received payments or accrued a receivable for the fee due to its contingent nature.