Center on Halsted

Financial Report
June 30, 2019

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Contents

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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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2019, 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 fiscal year 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
December 23, 2019

Center on Halsted

Statement of Financial Position
June 30, 2019 (With Comparative Totals for 2018)

	2019	2018
Assets		
Cash	**$ 13,779**	$ 55,727
Investments	**4,685,347**	3,623,302
Grants and other receivables	**590,488**	457,596
Pledges receivable, net	**601,425**	2,030,960
Prepaid expenses and deposits	**112,375**	141,190
Property and equipment, net	**18,459,458**	18,856,780
Other assets	**459,698**	462,632
	$ 24,922,570	$ 25,628,187
Liabilities and Net Assets		
Accounts payable	**$ 175,455**	$ 218,206
Accrued expenses	**215,600**	86,086
Line of credit	**1,850,000**	725,000
Deferred revenue	**22,370**	136,461
Deferred rent liability	**84,731**	71,919
Advances on tenant contract	**2,600,000**	2,800,000
Long-term debt	**1,730,907**	1,730,907
	6,679,063	5,768,579
Net assets:		
Without donor restrictions:		
Undesignated	**12,784,387**	14,000,346
Board designated	**4,685,347**	3,623,302
Total without donor restrictions	**17,469,734**	17,623,648
With donor restrictions	**773,773**	2,235,960
	18,243,507	19,859,608
	$ 24,922,570	$ 25,628,187

See notes to financial statements.

Center on Halsted

Statement of Activities
Year Ended June 30, 2019 (With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	**2019**	2018
Revenue:				
Individual contributions, net	$ 598,398	$ 290,525	**$ 888,923**	$ 2,379,783
Foundation and corporate contributions, net	1,022,966	134,077	**1,157,043**	1,210,312
Government grants	1,515,894	-	**1,515,894**	1,541,455
Program service fees	260,869	-	**260,869**	255,126
Investment income designated for current operations	146,000	-	**146,000**	104,000
Special events, net of direct expenses of $407,750 and $373,753 for 2019 and 2018, respectively	456,984	-	**456,984**	433,816
Rental income	583,431	-	**583,431**	587,424
Other income	68,937	-	**68,937**	67,519
Net contributions released from restrictions	1,631,760	(1,631,760)	**-**	-
	6,285,239	(1,207,158)	**5,078,081**	6,579,435
Expenses:				
Program services	4,817,691	-	**4,817,691**	4,836,136
Management and general	762,597	-	**762,597**	877,383
Development	360,997	-	**360,997**	272,465
	5,941,285	-	**5,941,285**	5,985,984
Increase (decrease) in net assets before deprecation, investment gain, and loss on pledges	343,954	(1,207,158)	**(863,204)**	593,451
Depreciation	(559,935)	-	**(559,935)**	(540,917)
Investment gain, net of investment expense of $30,184 and $27,149 for 2019 and 2018, respectively	62,067	-	**62,067**	147,743
Loss on pledges	-	(255,029)	**(255,029)**	(96,500)
	(497,868)	(255,029)	**(752,897)**	(489,674)
(Decrease) increase in net assets	(153,914)	(1,462,187)	**(1,616,101)**	103,777
Net assets:				
Beginning of year	17,623,648	2,235,960	**19,859,608**	19,755,831
End of year	$ 17,469,734	$ 773,773	**$ 18,243,507**	$ 19,859,608

See notes to financial statements.

Center on Halsted

Statement of Functional Expenses
Year Ended June 30, 2019 (With Comparative Totals for 2018)

	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	$ 862,514	$ 415,660	$ 473,878	$ 208,112	$ 282,523	$ 225,599	$ 282,398	$ 419,645	$ 35,540	$ 3,205,869
Payroll taxes and fringe benefits	186,278	77,972	97,038	38,156	50,459	47,331	54,317	72,664	6,397	630,612
	1,048,792	493,632	570,916	246,268	332,982	272,930	336,715	492,309	41,937	3,836,481
Professional fees	15,256	48,872	73,767	6,058	5,069	13,710	74,083	7,664	1,754	246,233
Supplies	23,445	1,687	6,652	1,504	-	9,995	2,037	4,834	29	50,183
Food	36	200	11,526	3,250	1,707	10,560	1,984	4,100	12,074	45,437
Occupancy	16,355	21,170	70,899	10,891	6,600	16,313	72,186	29,084	2,283	245,781
Rent	-	-	-	42,830	-	-	-	117,103	-	159,933
Telephone	3,315	1,744	6,332	650	1,158	1,344	5,947	356	188	21,034
Postage	314	406	1,359	151	127	313	1,384	83	44	4,181
Printing and copying	942	73	262	-	75	-	78	217	-	1,647
Insurance	2,247	2,909	9,742	1,084	907	2,241	9,918	3,687	314	33,049
Advertising and promotional	1,050	497	138	-	1,818	335	-	138	-	3,976
Dues and subscriptions	-	160	1,242	600	200	2,505	1,098	2,592	-	8,397
Conferences, meetings, and travel	2,804	1,266	8,112	3,641	1,908	4,562	7,707	4,030	-	34,030
Software and equipment rental	3,066	3,942	15,886	1,469	1,229	3,038	14,367	6,728	425	50,150
Interest	2,315	2,997	10,036	1,116	934	2,309	10,218	611	323	30,859
Program events	-	-	-	-	1,449	-	13,157	1,473	-	16,079
Repairs and maintenance	1,902	2,461	8,244	917	767	5,502	9,314	869	265	30,241
	1,121,839	582,016	795,113	320,429	356,930	345,657	560,193	675,878	59,636	4,817,691
Depreciation and amortization	22,061	28,557	95,637	10,639	8,903	22,005	97,373	99,777	3,080	388,032
	$ 1,143,900	$ 610,573	$ 890,750	$ 331,068	$ 365,833	$ 367,662	$ 657,566	$ 775,655	$ 62,716	$ 5,205,723

See notes to financial statements.

Center on Halsted

Statement of Functional Expenses (Continued)
Year Ended June 30, 2019 (With Comparative Totals for 2018)

	Total Programs	Supporting Services: Management and General	Supporting Services: Development	Supporting Services: Total Supporting Services	**2019 Total**	2018 Total
Salaries and wages	$ 3,205,869	$ 154,283	$ 216,520	$ 370,803	**$ 3,576,672**	$ 3,591,620
Payroll taxes and fringe benefits	630,612	9,675	38,577	48,252	**678,864**	708,656
	3,836,481	163,958	255,097	419,055	**4,255,536**	4,300,276
Professional fees	246,233	143,374	8,002	151,376	**397,609**	301,047
Supplies	50,183	50,480	7,053	57,533	**107,716**	89,344
Food	45,437	1,202	698	1,900	**47,337**	51,655
Occupancy	245,781	186,670	10,419	197,089	**442,870**	471,014
Rent	159,933	-	-	-	**159,933**	192,151
Telephone	21,034	15,379	858	16,237	**37,271**	30,667
Postage	4,181	3,579	3,610	7,189	**11,370**	20,851
Printing and copying	1,647	1,398	7,810	9,208	**10,855**	46,680
Insurance	33,049	25,649	1,432	27,081	**60,130**	57,411
Advertising and promotional	3,976	40,110	800	40,910	**44,886**	89,876
Dues and subscriptions	8,397	28,740	14	28,754	**37,151**	31,208
Conferences, meetings, and travel	34,030	17,843	1,339	19,182	**53,212**	44,582
Software and equipment rental	50,150	34,763	2,522	37,285	**87,435**	62,421
Interest	30,859	26,423	1,475	27,898	**58,757**	38,665
Program events	16,079	1,331	58,657	59,988	**76,067**	63,521
Repairs and maintenance	30,241	21,698	1,211	22,909	**53,150**	94,615
	4,817,691	762,597	360,997	1,123,594	**5,941,285**	5,985,984
Depreciation and amortization	388,032	157,849	14,054	171,903	**559,935**	540,917
	$ 5,205,723	$ 920,446	$ 375,051	$ 1,295,497	**$ 6,501,220**	$ 6,526,901

See notes to financial statements.

Center on Halsted

Statement of Cash Flows
Year Ended June 30, 2019 (With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities:		
(Decrease) increase in net assets	**$ (1,616,101)**	$ 103,777
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Amortization of advances on tenant contract	**(200,000)**	(200,000)
Depreciation and amortization	**559,935**	540,917
(Decrease) increase in allowance for doubtful accounts	**(18,651)**	23,465
Investment gains	**(122,925)**	(150,667)
Legal fee amortization	**2,934**	2,932
Changes in:		
Grants and other receivables	**(132,892)**	338,510
Pledges receivable	**1,448,186**	10,529
Prepaid expenses and deposits	**28,815**	34,838
Accounts payable	**(42,751)**	(5,000)
Accrued expenses	**129,514**	15,998
Deferred revenue and deferred rent liability	**(101,279)**	108,970
Net cash (used in) provided by operating activities	**(65,215)**	824,269
Cash flows from investing activities:		
Additions to property and equipment	**(162,613)**	(215,692)
Proceeds from sale of investments	**1,026,028**	562,342
Purchases of investments	**(1,965,148)**	(559,396)
Net cash used in investing activities	**(1,101,733)**	(212,746)
Cash flows from financing activities:		
Net borrowing (repayments) under line of credit	**1,125,000**	(575,000)
Net cash provided by (used in) investing activities	**1,125,000**	(575,000)
(Decrease) increase in cash	**(41,948)**	36,523
Cash:		
Beginning of year	**55,727**	19,204
End of year	**$ 13,779**	$ 55,727
Supplemental disclosure of cash flow information:		
Interest paid	**$ 58,757**	$ 38,665

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:

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 classified as without donor restrictions. Also included in net assets without donor restrictions 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.

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 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, 2019, 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 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 then recorded as revenue without donor restrictions. When a donor restriction is met, with donor restrictions net assets 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.

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

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.

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, 2018, from which the summarized information was derived.

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

Reclassification: Certain expenses for the June 30, 2018 financial statements were reclassified in the summarized comparative information to correspond to the current year presentation. The reclassifications had no impact on net assets or changes in net assets as previously reported.

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 pronouncements: In 2014, the Financial Accounting Standards Board (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 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. Clarifications to this ASU were issued by the FASB in July 2018 under AUS 2018-10, *Codification Improvements to Topic 842, Leases* and ASU 2018-11, *Leases (Topic 842); Targeted Improvements*. These new standards will be effective for the Center's June 30, 2022 financial statements.

In 2018, the FASB issued ASU 2018-08,*Not-For-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU updates the guidance used to determine if transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-For-Profit entities,* or as exchange (reciprocal) transactions subject to other guidance. It also provides additional clarification for when an entity should consider a contribution conditional. The new standard will be effective for the Center's June 30, 2020 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 23, 2019, the date the financial statements were available to be issued.

Note 2. Pledges Receivable

Expected collection of pledges receivable as of June 30, 2019, net of discounts and respective allowances, are as follows:

	Horizons / Annual	Capital	Total
Up to one year	$ 445,044	$ 5,000	$ 450,044
One to two	75,017	5,000	80,017
More than two years	14,200	84,508	98,708
	534,261	94,508	628,769
Present value discount	(1,432)	(7,778)	(9,210)
Allowance for uncollectible pledges	(18,134)	-	(18,134)
	$ 514,695	$ 86,730	$ 601,425

The present value discount uses rates of up to approximately 1.74 percent. Horizons / Annual pledges receivable include $377,000 of large gifts. Center on Halsted considers these pledges to be fully collectible.

Note 3. Availability and Liquidity

The following reflects Center on Halsted's financial assets as of June 30, 2019, 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 and cash equivalents	$ 13,779
Investments	4,685,347
Grants and other receivables	590,488
Pledges receivable	601,425
	5,891,039
Less: amounts not available for general expenditures within one year, due to:	
Pledges to be received after one year - Capital	$ 89,508
Donor time restrictions - Horizon/Annual	89,217
Amounts required to be maintained in perpetuity	125,000
Board designated endowment	4,685,347
	4,989,072
Financial assets available to meet cash needs for general expenditures within one year	$ 901,967

Center on Halsted's goal is to maintain sufficient financial assets to meet 60 days of general operating expenses. General expenses average $460,000 per month. To meet obligations and cash liquidity needs, Center on Halsted 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;
- 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, 2019, 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, 2019.

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

Note 4. Fair Value Measurement (Continued)

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, 2019 Fair Value	2019 Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Investment:				
Money market and mutual funds:				
Money markets (b)	$ 171,295	$ -	(a)	(a)
Fixed income mutual funds (c)	868,788	-	(a)	(a)
Fixed income mutual funds (d)	45,146	-	(a)	(a)
Fixed income mutual funds (e)	92,321	-	(a)	(a)
Commodity mutual funds (f)	327,067	-	(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-derivate instruments and fixed income securities.

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 5. Investments

Investments at June 30, 2019 consist of:

Money market funds	$ 171,295
Fixed income mutual funds	1,006,255
Equity mutual funds	3,180,730
Commodity mutual funds	327,067
	$ 4,685,347

Investment income designated for current operations and undesignated gain on investments, net of investment expense for the year ended June 30, 2019, were $146,000 and $62,067, respectively.

Note 6. Property and Equipment

Property and equipment at June 30, 2019 consist of:

Land	$ 6,762,611
Building	14,955,297
Leasehold improvements	1,423,771
Furniture and fixtures	1,393,053
Computer equipment	596,193
Computer software	135,340
	25,266,265
Accumulated depreciation and amortization	(6,806,807)
	$ 18,459,458

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

Depreciation and amortization expense for the year ended June 30, 2019 totaled $559,935, including $94,755 for leasehold improvements.

Note 7. Other Assets

Other assets at June 30, 2019 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, 2019 is $255,164 which is net of accumulated amortization of $35,195.

Note 8. Net Assets

Net assets with donor restrictions for the year ending June 30, 2019 are as follows:

Specific purpose:	
HIV Services	$ 40,000
Culinary Arts Services	94,078
	134,078
Passage of time:	
Pledges receivable	514,695
Restricted in perpetuity:	
Wallace Foundation	125,000
	$ 773,773

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

Note 8. Net Assets (Continued)

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

Satisfaction of purpose restriction:		
HIV Services	$	40,000
Culinary Arts Services		40,000
Passage of time:		
Pledges receivable		1,551,760
	$	1,631,760

Pledges receivable released from passage of time restrictions include payment of a $1,000,000 capital pledge, a $166,200 final payment of an estate bequest and other multi-year gift pledge payments.

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. There were no Plan contributions as of June 30, 2019.

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 $2,500,000 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 BBA LIBOR daily floating rate plus 1.75 percentage points. At June 30, 2019, the rate was 4.15 percent. The line of credit is collateralized by equipment, receivables and the Center's investments. At June 30, 2019, the Center had $1,850,000 outstanding under the line of credit. The line expires on June 5, 2020, at which time management expects to renew the line of credit.

Note 11. Long-Term Debt

Long-term debt at June 30, 2019 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 is now due and payable in its entirety on August 1, 2028 and is collateralized by the Center's property.

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 2019 is recorded in rental income on the statement of activities. The unamortized amount as of June 30, 2019 was $2,600,000.

Note 13. 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, 2019 are $4,685,347, and are included in net assets without donor restrictions on the statement of financial position.

The changes in endowment net assets for the Center were as follows for the year ended June 30, 2019:

Endowment net assets, July 1, 2018	$ 3,623,302
Contribution received in cash	1,000,000
Investment income:	
Capital gain distributions	19,733
Realized gains on investment sales	93,739
Unrealized gains	29,186
Dividends	95,571
Income designated for current operations	(146,000)
Investment fees	(30,184)
Endowment net assets, June 30, 2019	$ 4,685,347

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%	

Note 13. Board-Designated Endowment Fund (Continued)

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, 2019, $146,000 was spent from the endowment and is recognized on the statement of activities as investment income designated for current operations.

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.

Leasehold improvements of $1,423,771 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 $7,815 for 15 years escalating 3 percent each year. In fiscal year 2019, the monthly payments had escalated to $8,797.

At June 30, 2019, the future minimum payments under the lease are as follows:

2020	$ 107,408
2021	110,630
2022	113,949
2023	117,367
2024	120,888
Thereafter	732,353
Total	$ 1,302,595

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, 2023, with a 5-year extension 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.