# Center on Halsted

Financial Report
June 30, 2020

**Contents**

**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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
February 5, 2021

**Center on Halsted**

**Statement of Financial Position**
**June 30, 2020 (With Comparative Totals for 2019)**

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Cash | $ 464,183 | $ 13,779 |
| Investments | 4,647,591 | 4,685,347 |
| Grants and other receivables | 656,575 | 590,488 |
| Pledges receivable, net | 500,857 | 601,425 |
| Prepaid expenses and deposits | 127,449 | 112,375 |
| Property and equipment, net | 17,955,316 | 18,459,458 |
| Cash held for Brave Space Alliance | 1,017,969 | - |
| Other assets | 456,766 | 459,698 |
| | $ 25,826,706 | $ 24,922,570 |
| **Liabilities and Net Assets** | | |
| Accounts payable | $ 40,146 | $ 175,455 |
| Accrued expenses | 114,434 | 215,600 |
| Line of credit | 1,600,000 | 1,850,000 |
| Paycheck Protection Program loan | 724,882 | - |
| Cash held for Brave Space Alliance | 1,017,969 | - |
| Deferred revenue | 27,232 | 22,370 |
| Deferred rent liability | 94,423 | 84,731 |
| Advances on tenant contract | 2,400,000 | 2,600,000 |
| Long-term debt | 1,730,907 | 1,730,907 |
| | 7,749,993 | 6,679,063 |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 12,704,683 | 12,784,387 |
| Board designated | 4,597,591 | 4,685,347 |
| Total without donor restrictions | 17,302,274 | 17,469,734 |
| With donor restrictions | 774,439 | 773,773 |
| | 18,076,713 | 18,243,507 |
| | $ 25,826,706 | $ 24,922,570 |

See notes to financial statements.

**Center on Halsted**

**Statement of Activities**
**Year Ended June 30, 2020 (With Comparative Totals for 2019)**

| | Without donor restrictions | With donor restrictions | **2020** | 2019 |
|---|---|---|---|---|
| Revenue: | | | | |
| Individual contributions, net | $ 1,058,839 | $ 195,788 | **$ 1,254,627** | $ 888,923 |
| Foundation and corporate contributions, net | 949,572 | 189,167 | **1,138,739** | 1,157,043 |
| Government grants | 2,115,247 | - | **2,115,247** | 1,515,894 |
| Program service fees | 229,797 | - | **229,797** | 260,869 |
| Investment income designated for current operations | 140,000 | - | **140,000** | 146,000 |
| Special events, net of direct expenses of $71,493 and $407,750 for 2020 and 2019, respectively | 326,604 | - | **326,604** | 456,984 |
| Rental income | 484,313 | - | **484,313** | 583,431 |
| Other income | 33,907 | - | **33,907** | 68,937 |
| Net contributions released from restrictions | 360,243 | (360,243) | **-** | - |
| | 5,698,522 | 24,712 | **5,723,234** | 5,078,081 |
| Expenses: | | | | |
| Program services | 4,346,196 | - | **4,346,196** | 4,817,691 |
| Management and general | 699,664 | - | **699,664** | 762,597 |
| Development | 178,079 | - | **178,079** | 360,997 |
| | 5,223,939 | - | **5,223,939** | 5,941,285 |
| **Increase (decrease) in net assets before depreciation, investment (loss) gain, and loss on pledges** | 474,583 | 24,712 | **499,295** | (863,204) |
| Depreciation | (554,288) | - | **(554,288)** | (559,935) |
| Investment (loss) gain, net of investment expense of $33,264 and $30,184 for 2020 and 2019, respectively | (87,755) | - | **(87,755)** | 62,067 |
| Loss on pledges | - | (24,046) | **(24,046)** | (255,029) |
| | (642,043) | (24,046) | **(666,089)** | (752,897) |
| **Decrease in net assets** | (167,460) | 666 | **(166,794)** | (1,616,101) |
| Net assets: | | | | |
| Beginning of year | 17,469,734 | 773,773 | **18,243,507** | 19,859,608 |
| End of year | $ 17,302,274 | $ 774,439 | **$ 18,076,713** | $ 18,243,507 |

See notes to financial statements.

**Center on Halsted**

**Statement of Functional Expenses**
**Year Ended June 30, 2020 (With Comparative Totals for 2019)**

| | 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 | $ 827,730 | $ 398,222 | $ 394,345 | $ 131,834 | $ 310,228 | $ 196,448 | $ 248,858 | $ 432,041 | $ 36,476 | $ 2,976,182 |
| Payroll taxes and fringe benefits | 161,026 | 75,858 | 74,612 | 23,730 | 59,737 | 36,904 | 49,607 | 83,452 | 6,566 | 571,492 |
| | 988,756 | 474,080 | 468,957 | 155,564 | 369,965 | 233,352 | 298,465 | 515,493 | 43,042 | 3,547,674 |
| Professional fees | 9,492 | 44,243 | 39,519 | 9,394 | 3,851 | 11,735 | 64,237 | 6,723 | 1,272 | 190,466 |
| Supplies | 8,273 | 283 | 7,193 | - | 894 | 2,638 | 4,321 | 5,205 | 1,264 | 30,071 |
| Food | 24 | 89 | 6,513 | - | 75 | 5,234 | 307 | 1,705 | 13,100 | 27,047 |
| Occupancy | 13,364 | 17,298 | 59,989 | 6,444 | 5,393 | 13,330 | 58,983 | 23,828 | 1,865 | 200,494 |
| Rent | - | - | - | 28,320 | - | - | - | 117,103 | - | 145,423 |
| Telephone | 3,200 | 1,799 | 5,535 | 567 | 825 | 1,173 | 5,189 | 310 | 164 | 18,762 |
| Postage | 191 | 232 | 778 | 87 | 72 | 179 | 792 | 50 | 25 | 2,406 |
| Printing and copying | 1,449 | 367 | - | - | 286 | 58 | 1,353 | 243 | - | 3,756 |
| Insurance | 2,469 | 3,195 | 10,701 | 1,190 | 996 | 2,462 | 10,896 | 4,196 | 345 | 36,450 |
| Advertising and promotional | - | 359 | - | - | - | 200 | 1,050 | - | - | 1,609 |
| Dues and subscriptions | 260 | 100 | 1,387 | - | 200 | 345 | 673 | 3,709 | - | 6,674 |
| Conferences, meetings, and travel | 1,275 | 1,351 | 3,727 | - | 1,378 | 3,635 | 3,223 | 2,218 | - | 16,807 |
| Software and equipment rental | 3,521 | 4,691 | 14,214 | 2,036 | 4,702 | 3,271 | 14,830 | 6,589 | 458 | 54,312 |
| Interest | 2,692 | 3,484 | 11,668 | 1,298 | 1,086 | 2,685 | 11,880 | 710 | 376 | 35,879 |
| Program events | - | - | - | - | - | - | 2,419 | 85 | - | 2,504 |
| Repairs and maintenance | 2,284 | 2,360 | 7,902 | 879 | 736 | 2,605 | 8,046 | 481 | 569 | 25,862 |
| | 1,037,250 | 553,931 | 638,083 | 205,779 | 390,459 | 282,902 | 486,664 | 688,648 | 62,480 | 4,346,196 |
| Depreciation and amortization | 18,106 | 23,436 | 78,488 | 8,731 | 7,307 | 18,060 | 79,913 | 99,534 | 2,527 | 336,102 |
| | $ 1,055,356 | $ 577,367 | $ 716,571 | $ 214,510 | $ 397,766 | $ 300,962 | $ 566,577 | $ 788,182 | $ 65,007 | $ 4,682,298 |

See notes to financial statements.

**Center on Halsted**

**Statement of Functional Expenses (Continued)**
**Year Ended June 30, 2020 (With Comparative Totals for 2019)**

| | Total Programs | Supporting Services: Management and General | Supporting Services: Development | Supporting Services: Total Supporting Services | **2020 Total** | 2019 Total |
|---|---|---|---|---|---|---|
| Salaries and wages | $ 2,976,182 | $ 222,377 | $ 96,298 | $ 318,675 | **$ 3,294,857** | $ 3,576,672 |
| Payroll taxes and fringe benefits | 571,492 | 26,557 | 27,752 | 54,309 | **625,801** | 678,864 |
| | 3,547,674 | 248,934 | 124,050 | 372,984 | **3,920,658** | 4,255,536 |
| Professional fees | 190,466 | 103,989 | 5,804 | 109,793 | **300,259** | 397,609 |
| Supplies | 30,071 | 33,562 | 3,972 | 37,534 | **67,605** | 107,716 |
| Food | 27,047 | 658 | - | 658 | **27,705** | 47,337 |
| Occupancy | 200,494 | 152,528 | 8,513 | 161,041 | **361,535** | 442,870 |
| Rent | 145,423 | - | - | - | **145,423** | 159,933 |
| Telephone | 18,762 | 13,420 | 749 | 14,169 | **32,931** | 37,271 |
| Postage | 2,406 | 2,048 | 4,667 | 6,715 | **9,121** | 11,370 |
| Printing and copying | 3,756 | 1,719 | 146 | 1,865 | **5,621** | 10,855 |
| Insurance | 36,450 | 28,175 | 1,573 | 29,748 | **66,198** | 60,130 |
| Advertising and promotional | 1,609 | 7,520 | 131 | 7,651 | **9,260** | 44,886 |
| Dues and subscriptions | 6,674 | 16,131 | 296 | 16,427 | **23,101** | 37,151 |
| Conferences, meetings, and travel | 16,807 | 2,028 | 1,444 | 3,472 | **20,279** | 53,212 |
| Software and equipment rental | 54,312 | 37,425 | 2,238 | 39,663 | **93,975** | 87,435 |
| Interest | 35,879 | 30,721 | 1,715 | 32,436 | **68,315** | 58,757 |
| Program events | 2,504 | - | 21,506 | 21,506 | **24,010** | 76,067 |
| Repairs and maintenance | 25,862 | 20,806 | 1,275 | 22,081 | **47,943** | 53,150 |
| | 4,346,196 | 699,664 | 178,079 | 877,743 | **5,223,939** | 5,941,285 |
| Depreciation and amortization | 336,102 | 206,652 | 11,534 | 218,186 | **554,288** | 559,935 |
| | $ 4,682,298 | $ 906,316 | $ 189,613 | $ 1,095,929 | **$ 5,778,227** | $ 6,501,220 |

See notes to financial statements.

**Center on Halsted**

**Statement of Cash Flows**
**Year Ended June 30, 2020 (With Comparative Totals for 2019)**

| | **2020** | 2019 |
|---|---|---|
| Cash flows from operating activities: | | |
| Decrease in net assets | **$ (166,794)** | $ (1,616,101) |
| Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities: | | |
| Amortization of advances on tenant contract | **(200,000)** | (200,000) |
| Depreciation and amortization | **554,288** | 559,935 |
| Decrease in allowance for doubtful accounts | **(4,029)** | (18,651) |
| Realized gain on investments | **(53,474)** | (93,739) |
| Unrealized loss (gain) on investments | **90,577** | (29,186) |
| Legal fee amortization | **2,932** | 2,934 |
| Changes in: | | |
| Grants and other receivables | **(66,087)** | (132,892) |
| Pledges receivable | **104,597** | 1,448,186 |
| Prepaid expenses and deposits | **(15,074)** | 28,815 |
| Accounts payable | **(135,309)** | (42,751) |
| Cash held for Brave Space Alliance | **1,017,969** | - |
| Accrued expenses | **(101,166)** | 129,514 |
| Deferred revenue and deferred rent liability | **14,554** | (101,279) |
| **Net cash provided by (used in) operating activities** | **1,042,984** | (65,215) |
| | | |
| Cash flows from investing activities: | | |
| Additions to property and equipment | **(50,146)** | (162,613) |
| Proceeds from sale of investments | **567,475** | 1,026,028 |
| Purchases of investments | **(566,822)** | (1,965,148) |
| **Net cash used in investing activities** | **(49,493)** | (1,101,733) |
| | | |
| Cash flows from financing activities: | | |
| Proceeds Paycheck Protection Program loan | **724,882** | - |
| Net (repayments) borrowing under line of credit | **(250,000)** | 1,125,000 |
| **Net cash provided by financing activities** | **474,882** | 1,125,000 |
| | | |
| **Increase (decrease) in cash** | **1,468,373** | (41,948) |
| | | |
| Cash: | | |
| Beginning of year | **13,779** | 55,727 |
| | | |
| End of year | **$ 1,482,152** | $ 13,779 |
| | | |
| Cash | **$ 464,183** | $ 13,779 |
| Cash held for Brave Space Alliance | **1,017,969** | - |
| Total | **$ 1,482,152** | $ 13,779 |
| | | |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | **$ 68,315** | $ 58,757 |

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 included in 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, 2020, 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.

## 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 received conditional commitments, which generally represent unexpended government grants, amounting to $952,171 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 serves 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 receives money on behalf of the Alliance and issues 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 does not have variance power over the monies received and it does not have control over the Alliance. Accordingly, the amount of cash the Center holds for the Alliance is reported as both an asset and a liability on the statement of financial positon.

**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.

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 |

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

**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, 2019, 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.

**New accounting pronouncement:** In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU has different effective dates for resource recipients and resource providers. In 2020, the Center adopted the guidance for both resource recipients and resource providers which did not have an impact on the financial statements.

**Recent accounting pronouncements**: In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities.* This ASU allows for a one-year effective date deferral of Topic 606 and Topic 842. The Center has elected the one-year effective date deferral of Topic 606 and Topic 842.

In 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, 2021 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 ASU 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, 2023 financial statements.

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

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

**Risks and uncertainties**: In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Center has modified some of its activities at the direction of state and local governmental authorities. 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 February 5, 2021, 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, 2020 are as follows:

| | Horizons / Annual | Capital | Total |
|---|---|---|---|
| Up to one year | $ 311,457 | $ 5,000 | $ 316,457 |
| One to two | 63,200 | 5,000 | 68,200 |
| More than two years | 49,719 | 80,586 | 130,305 |
| | 424,376 | 90,586 | 514,962 |
| Allowance for uncollectible pledges | (14,105) | - | (14,105) |
| | $ 410,271 | $ 90,586 | $ 500,857 |

Horizons / Annual pledges receivable include $339,000 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, 2020, 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 | $ | 464,183 |
| Investments | | 4,647,591 |
| Grants and other receivables | | 656,575 |
| Pledges receivable | | 500,857 |
| | | 6,269,206 |
| Less: amounts not available for general expenditures within one year, due to: | | |
| Pledges to be received after one year - Capital | | 85,586 |
| Donor time restrictions - Horizon/Annual | | 112,919 |
| Amounts required to be maintained in perpetuity | | 225,000 |
| Board designated endowment | | 4,597,591 |
| | | 5,021,096 |
| Financial assets available to meet cash needs for general expenditures within one year | $ | 1,248,110 |

The Center's goal is to maintain sufficient financial assets to meet 60 days of general operating expenses. General expenses average $435,000 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;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

## Note 4. Fair Value Measurements (Continued)

Level 2 (Continued). 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, 2020, 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, 2020.

*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, 2020 Fair Value | 2020 Unfunded Commitment | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|
| Investment: | | | | |
| Money market funds (b) | $ 207,358 | $ - | (a) | (a) |
| Fixed income mutual funds (c) | 959,097 | - | (a) | (a) |
| Fixed income mutual funds (d) | 44,319 | - | (a) | (a) |
| Fixed income mutual funds (e) | 86,828 | - | (a) | (a) |
| Commodity mutual funds (f) | 272,675 | - | (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.

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, 2020 consist of:

| | |
|---|---|
| Money market funds | $ 207,358 |
| Fixed income mutual funds | 1,090,244 |
| Commodity mutual funds | 272,675 |
| Equity mutual funds | 3,077,314 |
| | $ 4,647,591 |

For the year ended June 30, 2020, the Center classified $140,000 of investment return as investment income designated for current operations in accordance with the Center's endowment fund policy (Note 14). The remaining undesignated amount, net of investment expense, was a loss on investments of $87,755.

## Note 6. Property and Equipment

Property and equipment at June 30, 2020 consist of:

| | |
|---|---|
| Land | $ 6,762,611 |
| Building | 14,955,297 |
| Leasehold improvements | 1,423,771 |
| Furniture and fixtures | 1,428,191 |
| Computer equipment | 611,201 |
| Computer software | 135,340 |
| | 25,316,411 |
| Accumulated depreciation and amortization | (7,361,095) |
| | $ 17,955,316 |

Leasehold improvements are in connection with certain program space for senior services (Note 15).

Depreciation and amortization expense for the year ended June 30, 2020 totaled $554,288, including $94,755 for leasehold improvements.

## Note 7. Other Assets

Other assets at June 30, 2020 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, 2020 is $252,231 which is net of accumulated amortization of $38,128.

## Note 8. Net Assets

Net assets with donor restrictions for the year ended June 30, 2020 are as follows:

| | | |
|---|---|---|
| Specific purpose: | | |
| HIV Services | $ | 60,000 |
| Behavioral Health Services | | 20,000 |
| Senior Services | | 66,668 |
| Youth Services | | 12,500 |
| Culinary Arts Services | | 30,000 |
| | | 189,168 |
| Passage of time: | | |
| Pledges receivable | | 360,271 |
| Restricted in perpetuity: | | |
| Wallace Foundation | | 125,000 |
| Hoover-Leppen Theatre endowment | | 100,000 |
| | | 225,000 |
| | $ | 774,439 |

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.

In the current fiscal year, the Center received a pledge of $100,000 to fund a permanent endowment for the Hoover-Leppen Theatre (Theatre). As of June 30, 2020, $50,000 of the pledge was received and added to the Center's endowment fund (Note 14). The remaining $50,000 is included in pledges receivable on the statement of net position. 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. The Center expects to meet the annual return purpose restriction within the next fiscal year.

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

| | | |
|---|---|---|
| Satisfaction of purpose restriction: | | |
| HIV Services | $ | 40,000 |
| Culinary Arts Services | | 94,078 |
| Passage of time: | | |
| Pledges receivable | | 226,165 |
| | $ | 360,243 |

## 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, 2020.

## 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 13). 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, 2020, the rate was 1.92 percent. The line of credit is collateralized by equipment, receivables and the Center's investments. At June 30, 2020, the Center had $1,600,000 of borrowings outstanding under the line of credit. The line expires on June 5, 2021, at which time management expects to renew the line of credit.

## Note 11. Paycheck Protection Program Loan

In May 2020, the Center received a $724,882 loan from the Paycheck Protection Program, a loan program administered through the Small Business Administration (SBA), in conjunction with the Coronavirus Aid, Relief and Economy Security Act (CARES Act). The Center determined it was eligible for the loan as the COVID-19 pandemic caused financial uncertainty and anticipated decreases in normal cash inflows. The loan accrues interest at 1 percent and matures May 8, 2022. Under the terms of the loan program, the full loan or a portion of it may be forgiven if the Center uses the loan proceeds for eligible costs and maintains certain employee and wage rate thresholds. Monthly payments of interest and principal are scheduled to start in August 2021 if the Center does not file a loan forgiveness application. If the Center files the loan forgiveness application, no payments are due until a decision is reached by the SBA regarding the amount, if any, of the loan to be forgiven. The full unforgiven amount of the loan and any accrued interest on the loan is due in fiscal year 2022.

## Note 12. Long-Term Debt

Long-term debt at June 30, 2020 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 13. 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 2020 is recorded in rental income on the statement of activities. The unamortized amount as of June 30, 2020 was $2,400,000.

## Note 14. 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, 2020:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Board-designated | $ 4,597,591 | $ - | $ 4,597,591 |
| Donor restricted | - | 50,000 | 50,000 |
| | $ 4,597,591 | $ 50,000 | $ 4,647,591 |

The changes in endowment net assets for the Center were as follows for the year ended June 30, 2020:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, July 1, 2019 | $ 4,685,347 | $ - | $ 4,685,347 |
| Contributions received | - | 50,000 | 50,000 |
| Investment income: | | | |
| Capital gain distributions | 18,144 | - | 18,144 |
| Realized gains on investment sales | 53,474 | - | 53,474 |
| Unrealized losses | (90,577) | - | (90,577) |
| Dividends | 104,467 | - | 104,467 |
| Income designated for current operations | (140,000) | - | (140,000) |
| Investment fees | (33,264) | - | (33,264) |
| Endowment net assets, June 30, 2020 | $ 4,597,591 | $ 50,000 | $ 4,647,591 |

## Note 14. 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 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 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, 2020, $140,000 was spent from the endowment and is recognized on the statement of activities as investment income designated for current operations.

The Center will annually appropriate not more than 5 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 Hooven-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.

## Note 15. 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 fifteen-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 3 percent each year. In fiscal year 2020, the monthly payments had escalated to $9,061.

At June 30, 2020, the future minimum payments under the lease are as follows:

| | | |
|---|---|---|
| 2021 | $ | 110,630 |
| 2022 | | 113,949 |
| 2023 | | 117,367 |
| 2024 | | 120,888 |
| 2025 | | 124,515 |
| Thereafter | | 607,838 |
| Total | $ | 1,195,187 |

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.