

# **Center on Halsted**

Financial Report  
June 30, 2023

## Contents

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Independent auditor's report	1-2
<hr/>	
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5-6
Statement of cash flows	7
Notes to financial statements	8-20

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## 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, 2023, 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, 2023, 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.

### Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2022, the Center adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

### 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 29, 2023. 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  
July 22, 2024

**Center on Halsted**

**Statement of Financial Position**

**June 30, 2023**

**(With Comparative Totals for the Year Ended June 30, 2022)**

	2023	2022
<b>Assets</b>		
Cash	\$ 195,261	\$ 275,018
Investments	5,398,100	5,167,231
Grants and other receivables	837,230	1,089,225
Pledges receivable, net	-	64,696
Prepaid expenses and deposits	38,265	50,457
Property and equipment, net	16,914,555	17,465,223
Right-of-use asset	627,403	-
Other assets	447,972	450,900
	<u>\$ 24,458,786</u>	<u>\$ 24,562,750</u>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 211,701	\$ 277,560
Accrued expenses	270,485	117,330
Line of credit	852,000	-
Deferred revenue	191,969	105,322
Deferred rent liability	-	103,876
Lease liabilities	724,057	-
Advances on tenant contract	1,800,000	2,000,000
Long-term debt	-	1,730,907
	<u>4,050,212</u>	<u>4,334,995</u>
Net assets:		
Without donor restrictions:		
Undesignated	14,378,144	14,416,883
Board designated	5,287,222	5,070,715
<b>Total without donor restrictions</b>	<u>19,665,366</u>	<u>19,487,598</u>
With donor restrictions	743,208	740,157
	<u>20,408,574</u>	<u>20,227,755</u>
	<u>\$ 24,458,786</u>	<u>\$ 24,562,750</u>

See notes to financial statements.

Center on Halsted

Statement of Activities

Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Revenue:				
Individual contributions, net	\$ 792,244	\$ -	\$ 792,244	\$ 1,311,723
Foundation and corporate contributions, net	513,385	694,698	1,208,083	1,670,361
Government grants	2,285,590	-	2,285,590	2,559,624
Program service fees	258,234	-	258,234	259,212
Investment income designated for current operations	146,546	-	146,546	110,325
Special events, net of direct expenses (2023—\$384,969; 2022—\$324,625)	710,418	-	710,418	593,874
Rental income	607,168	-	607,168	528,987
Other income	122,269	-	122,269	87,333
Net contributions released from restrictions	704,307	(704,307)	-	-
	<b>6,140,161</b>	<b>(9,609)</b>	<b>6,130,552</b>	<b>7,121,439</b>
Expenses:				
Program services	5,473,468	-	5,473,468	4,924,733
Management and general Development	1,315,901	-	1,315,901	756,862
	379,634	-	379,634	169,549
	<b>7,169,003</b>	<b>-</b>	<b>7,169,003</b>	<b>5,851,144</b>
<b>(Decrease) increase in net assets before other items</b>	<b>(1,028,842)</b>	<b>(9,609)</b>	<b>(1,038,451)</b>	<b>1,270,295</b>
Other items:				
Depreciation and amortization	(609,635)	-	(609,635)	(577,266)
Investment return (loss), net of investment expense (2023—\$37,718; 2022—\$40,767)	217,374	12,660	230,034	(1,003,974)
Forgiveness of loan	1,730,907	-	1,730,907	-
Loss on pledges	(132,036)	-	(132,036)	(14,155)
	<b>1,206,610</b>	<b>12,660</b>	<b>1,219,270</b>	<b>(1,595,395)</b>
<b>Increase (decrease) in net assets</b>	<b>177,768</b>	<b>3,051</b>	<b>180,819</b>	<b>(325,100)</b>
Net assets:				
Beginning of year	<b>19,487,598</b>	<b>740,157</b>	<b>20,227,755</b>	<b>20,552,855</b>
End of year	<b>\$ 19,665,366</b>	<b>\$ 743,208</b>	<b>\$ 20,408,574</b>	<b>\$ 20,227,755</b>

See notes to financial statements.

Center on Halsted

Statement of Functional Expenses

Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	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	\$ 1,155,565	\$ 398,844	\$ 411,329	\$ 273,595	\$ 288,661	\$ 207,281	\$ 305,603	\$ 362,176	\$ 27,647	\$ 3,430,701
Payroll taxes and fringe benefits	263,567	81,705	86,405	62,966	67,827	38,920	63,138	81,743	4,329	750,600
	<u>1,419,132</u>	<u>480,549</u>	<u>497,734</u>	<u>336,561</u>	<u>356,488</u>	<u>246,201</u>	<u>368,741</u>	<u>443,919</u>	<u>31,976</u>	<u>4,181,301</u>
Professional fees	82,567	57,780	130,926	3,630	17,425	18,151	190,225	17,719	1,452	519,875
Grants to other organizations	13,580	-	-	-	-	-	-	-	-	13,580
Supplies	17,432	1,589	41,651	6,823	-	1,537	1,101	7,167	-	77,300
Food	193	390	8,289	6,730	-	6,438	5,580	4,902	-	32,522
Occupancy	26,339	11,485	55,126	6,057	7,875	8,203	85,971	27,715	656	229,427
Rent	25,705	-	-	15,006	-	-	-	111,355	-	152,066
Telephone	7,398	1,239	5,946	177	1,343	885	9,273	460	71	26,792
Postage	396	382	1,128	34	161	168	1,760	109	13	4,151
Printing and copying	804	44	153	88	44	44	44	44	-	1,265
Insurance	5,769	3,422	16,427	489	2,347	2,444	25,618	1,271	196	57,983
Advertising and promotional	3,550	433	946	-	-	256	217	-	-	5,402
Dues and subscriptions	356	100	500	701	-	-	-	2,575	-	4,232
Conferences, meetings and travel	5,869	1,956	1,437	3,669	2,527	2,245	1,201	1,809	-	20,713
Software and equipment rental	8,767	6,125	16,328	4,101	4,261	2,430	26,111	6,751	194	75,068
Interest	594	352	1,692	50	242	252	2,638	131	20	5,971
Program events	-	-	-	-	-	-	6,082	2,045	-	8,127
Repairs and maintenance	12,105	2,923	14,032	418	2,005	2,088	22,769	1,186	167	57,693
	<u>1,630,556</u>	<u>568,769</u>	<u>792,315</u>	<u>384,534</u>	<u>394,718</u>	<u>291,342</u>	<u>747,331</u>	<u>629,158</u>	<u>34,745</u>	<u>5,473,468</u>
Depreciation and amortization	30,378	18,021	86,500	2,574	12,357	12,872	134,899	101,448	1,030	400,079
	<u>\$ 1,660,934</u>	<u>\$ 586,790</u>	<u>\$ 878,815</u>	<u>\$ 387,108</u>	<u>\$ 407,075</u>	<u>\$ 304,214</u>	<u>\$ 882,230</u>	<u>\$ 730,606</u>	<u>\$ 35,775</u>	<u>\$ 5,873,547</u>

See notes to financial statements.

Center on Halsted

Statement of Functional Expenses (Continued)

Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	Total Programs	Supporting Services			2023 Total	2022 Total
		Management and General	Development	Total Supporting Services		
Salaries and wages	\$ 3,430,701	\$ 577,106	\$ 262,266	\$ 839,372	\$ 4,270,073	\$ 3,339,262
Payroll taxes and fringe benefits	750,600	106,658	38,804	145,462	896,062	733,956
	<b>4,181,301</b>	<b>683,764</b>	<b>301,070</b>	<b>984,834</b>	<b>5,166,135</b>	<b>4,073,218</b>
Professional fees	519,875	278,078	17,425	295,503	815,378	437,575
Grants to other organizations	13,580	-	-	-	13,580	250,000
Supplies	77,300	66,718	5,419	72,137	149,437	78,010
Food	32,522	1,302	-	1,302	33,824	30,459
Occupancy	229,427	125,675	7,875	133,550	362,977	437,825
Rent	152,066	-	-	-	152,066	135,070
Telephone	26,792	13,555	849	14,404	41,196	33,184
Postage	4,151	2,572	161	2,733	6,884	12,928
Printing and copying	1,265	1,161	3,358	4,519	5,784	14,270
Insurance	57,983	37,449	2,347	39,796	97,779	90,544
Advertising and promotional	5,402	1,105	42	1,147	6,549	23,754
Dues and subscriptions	4,232	23,612	330	23,942	28,174	24,234
Conferences, meetings and travel	20,713	3,860	20	3,880	24,593	13,093
Software and equipment rental	75,068	41,158	10,379	51,537	126,605	122,866
Interest	5,971	3,856	242	4,098	10,069	11,877
Program events	8,127	-	28,112	28,112	36,239	9,429
Repairs and maintenance	57,693	32,036	2,005	34,041	91,734	52,808
	<b>5,473,468</b>	<b>1,315,901</b>	<b>379,634</b>	<b>1,695,535</b>	<b>7,169,003</b>	<b>5,851,144</b>
Depreciation and amortization	400,079	197,199	12,357	209,556	609,635	577,266
<b>Total expenses</b>	<b>\$ 5,873,547</b>	<b>\$ 1,513,100</b>	<b>\$ 391,991</b>	<b>\$ 1,905,091</b>	<b>\$ 7,778,638</b>	<b>\$ 6,428,410</b>

See notes to financial statements.

## Center on Halsted

### Statement of Cash Flows Year Ended June 30, 2023 (With Comparative Totals for the Year Ended June 30, 2022)

	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 180,819	\$ (325,100)
Adjustments to reconcile increase (decrease) 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	609,635	577,266
Decrease in allowance for doubtful accounts	(3,657)	(54,340)
Realized loss (gain) on investments	98,298	(901,604)
Unrealized (gain) loss on investments	(318,710)	2,054,125
Legal fee amortization	2,928	2,933
Change in operating leases	(134,087)	-
Reduction in carrying amount of operating lease right of use assets	230,741	-
Gain on extinguishment of loan	(1,730,907)	-
Changes in:		
Grants and other receivables	251,995	(375,884)
Pledges receivable	68,353	189,205
Prepaid expenses and deposits	12,192	55,475
Accounts payable	(65,859)	245,296
Cash held for Brave Space Alliance (see Note 1)	-	(126,982)
Accrued expenses	153,155	(1,667)
Deferred revenue and deferred rent liability	(17,229)	34,753
<b>Net cash (used in) provided by operating activities</b>	<b>(862,333)</b>	<b>1,173,476</b>
Cash flows from investing activities:		
Additions to property and equipment	(58,967)	(474,523)
Proceeds from sale of investments	1,412,153	5,261,112
Purchases of investments	(1,422,610)	(5,434,659)
<b>Net cash used in investing activities</b>	<b>(69,424)</b>	<b>(648,070)</b>
Cash flows from financing activities:		
Net borrowings under the line of credit	852,000	-
Net repayments under line of credit	-	(780,000)
<b>Net cash provided by (used in) financing activities</b>	<b>852,000</b>	<b>(780,000)</b>
<b>Decrease in cash</b>	<b>(79,757)</b>	<b>(254,594)</b>
Cash:		
Beginning of year	275,018	529,612
End of year	\$ 195,261	\$ 275,018
Supplemental disclosure of cash flow information:		
Interest paid	\$ 10,069	\$ 11,877
Supplemental disclosure of noncash financing information:		
Gain on extinguishment of loan	\$ 1,730,907	\$ -

See notes to financial statements.

## Center on Halsted

### Notes to Financial Statements

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

Center on Halsted (the Center) is 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, 2023, 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.

## Center on Halsted

### Notes to Financial Statements

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#### 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 \$657,415 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.

## Center on Halsted

### Notes to Financial Statements

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#### 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:

	<u>Years</u>
Buildings	40
Furniture and fixtures	7
Computer equipment	5
Computer software	3
Leasehold Improvements	15

**Leases:** Prior to July 1, 2022, the Center followed the lease accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 840. Effective July 1, 2022, the Center follows the lease accounting guidance in FASB ASC Topic 842. The Center determines if an arrangement is a lease at inception of the contract. Under Topic 842, a lease is a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Center's contracts determined to be or contain a lease include explicitly or implicitly identified assets where the Center has the right to obtain substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term.

Leases are classified as either operating or finance. For both operating and finance leases, the Center recognized a lease liability equal to the present value of the remaining lease payments, and a right-of-use asset equal to the lease liability, subject to certain adjustments, such as prepaid rents. The lease term may include options to extend or termination the lease when it is reasonably certain that the Center will exercise such option. When the rate implicit in the lease is not readily determinable, the Center has made a policy election to use a risk-free rate, based on the United States Treasury rates, to determine the present value of the lease payments for all classes of assets.

The Center defines a short-term lease as any lease arrangement with a lease term of twelve months or less than does not include an option to purchase the underlying asset. The Center has made a policy election to not recognize right-of-use assets and lease liabilities for short-term leases. As a result, short-term lease payments are recognized as expense on a straight-line basis over the lease term, and variable lease payments are recognized in the period in which the obligation is incurred.

For lease arrangements with lease and non-lease components, the Center has made a policy election to account for both components separately for all classes of assets.

Operating leases result in a straight-line lease expense, while finance leases result in a front-loaded expense pattern. The Center's lease agreements do not contain any residual value guarantees or restrictive covenants.

**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.

## Center on Halsted

### Notes to Financial Statements

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

**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

**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, 2022, 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% 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.

**Newly adopted accounting pronouncements:** In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*, which is intended to increase transparency and comparability among organizations related to their leasing arrangements. The new lease standard, including all the related amendments subsequent to its issuance, supersedes the current guidance for lease accounting and requires lessees to recognize a right-of-use asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term for substantially all leases, as well as disclose key quantitative and qualitative information about leasing arrangements.

## Center on Halsted

### Notes to Financial Statements

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

The Center adopted ASU 2016-02 on July 1, 2022, using the optional transition method to the modified retrospective approach. In addition to policy election choices, ASC Topic 842 includes practical expedient choices. The Center elected the package of practical expedients available in the standard and as a result, did not reassess the lease classification of existing contracts or leases or the initial direct costs associated with existing leases. The Center did not elect the hindsight practical expedient, and so did not re-evaluate lease term for existing leases.

The adoption did not result in a cumulative-effect adjustment to the opening balance of net assets without donor restrictions. Adoption of the new lease standard resulted in the recording of operating lease right-of-use assets of \$732,227 and operating lease liabilities of \$836,103 as of July 1, 2022. There were no financing leases in place as of July 1, 2022.

**Subsequent events:** The Center has evaluated subsequent events for potential recognition and/or disclosure through July 22, 2024, the date the financial statements were available to be issued.

#### Note 2. Availability and Liquidity

The following reflects the Center's financial assets as of June 30, 2023, 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	\$ 195,261
Investments	5,398,100
Grants and other receivables	837,230
	<u>6,430,591</u>

Less amounts not available for general expenditures within one year, due to:

Donor purpose restrictions	507,330
Amounts required to be maintained in perpetuity	235,878
Board designated endowment	5,287,222
	<u>6,030,430</u>

Financial assets available to meet cash needs for general expenditures within one year

\$ 400,161

The Center's goal is to maintain sufficient financial assets to meet 60 days of general operating expenses. General expenses average \$590,000 per month. To meet obligations and cash liquidity needs, the Center maintains a revolving line of credit (see Note 9). The purpose of the line of credit is to cover working capital expenses while waiting to collect on donor and government receivables. Although the Center does not plan to spend the Board designated net assets, these amounts could be made available if necessary.

## Center on Halsted

### Notes to Financial Statements

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#### **Note 3. Fair Value Measurements**

The accounting standard on fair value measurements provides a framework for measuring fair value under U.S. GAAP. The accounting standard defines fair value, establishes a framework for measuring fair value, sets out a fair value hierarchy and expands disclosures about fair value measurements. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the accounting standard as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the accounting standard are described below:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

**Level 2:** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. During the year ended June 30, 2023, 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, 2023.

**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 Center's equity and equity mutual fund investments are considered to be Level 1. Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy.

## Center on Halsted

### Notes to Financial Statements

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#### Note 3. Fair Value Measurements (Continued)

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

	June 30, 2023 Fair Value	2023 Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Investment:				
Money market funds (b)	\$ 133,539	\$ -	(a)	(a)
Fixed income mutual funds (c)	1,329,784	-	(a)	(a)
Fixed income mutual funds (d)	55,010	-	(a)	(a)
Fixed income mutual funds (e)	94,539	-	(a)	(a)
Commodity mutual funds (f)	323,774	-	(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.

#### Note 4. Investments

Investments at June 30, 2023, consist of:

Money market funds	\$ 133,539
Fixed income mutual funds	1,479,333
Commodity mutual funds	323,774
Equity mutual funds	3,461,464
	<u>\$ 5,398,110</u>

Investment return for the year ended June 30, 2023, as presented on the statement of activities is as follows:

Investment income designated for current operations	\$ 10,000
Investment income, net of investment expense	230,034
	<u>\$ 240,034</u>

## Center on Halsted

### Notes to Financial Statements

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#### Note 5. Property and Equipment

Property and equipment at June 30, 2023 consist of:

Land	\$ 6,762,611
Building	15,258,029
Leasehold improvements	1,423,771
Furniture and fixtures	1,646,465
Computer equipment	575,255
Computer software	113,113
	<u>25,779,244</u>
Accumulated depreciation and amortization	<u>(8,864,689)</u>
	<u>\$ 16,914,555</u>

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

Depreciation and amortization expense for the year ended June 30, 2023, totaled \$609,635, including \$94,755 for leasehold improvements.

#### Note 6. Other Assets

Other assets at June 30, 2023, 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, 2023, is \$243,437 which is net of accumulated amortization of \$49,927.

#### Note 7. Net Assets

Net assets with donor restrictions for the year ended June 30, 2023, are as follows:

Specific purpose:	
HIV Services	\$ 217,000
Senior Services	50,000
Behavioral Health Services	47,500
Youth Services	176,250
Culinary Arts Services	16,580
	<u>507,330</u>
Restricted in perpetuity:	
Wallace Foundation	125,000
Hoover-Leppen Theatre endowment	110,878
	<u>235,878</u>
	<u>\$ 743,208</u>

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.

## Center on Halsted

### Notes to Financial Statements

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#### Note 7. Net Assets (Continued)

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 (see 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. During the fiscal year 2023, the Center received an additional \$10,000 contribution to the Hoover-Leppen Theatre endowment.

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, 2023, the Hoover-Leppen Theatre endowment of \$110,000 had a current fair value of \$107,775. The total underwater amount of \$2,225 as of June 30, 2023, resulted from unfavorable market fluctuations.

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

Satisfaction of purpose restriction:

HIV Services	\$ (360,000)
Senior Services	(5,000)
Behavioral Services	(25,000)
Youth Services	(10,000)
Culinary Arts Services	(5,000)
Passage of time:	
Pledges receivable	<u>(299,307)</u>
	<u>\$ (704,307)</u>

#### Note 8. 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 \$243,321 were made during the year ended June 30, 2023.

#### Note 9. 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 (see 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, 2023, the rate was 6.91%. The line of credit is collateralized by equipment, receivables and the Center's investments. At June 30, 2023, the Center had \$852,000 outstanding under the line of credit. The line expires on June 5, 2024, at which time management expects to renew the line of credit.

## Center on Halsted

### Notes to Financial Statements

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#### Note 10. 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 forgiven by the City of Chicago in September 2022. Recognition of the forgiveness was recorded as a gain on forgiveness of loan on the statement of activities as of June 30, 2023.

#### Note 11. 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 2023 is recorded in rental income on the statement of activities. The unamortized amount as of June 30, 2023 was \$1,800,000.

#### Note 12. 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, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	\$ 5,287,222	\$ -	\$ 5,287,222
Donor restricted	-	107,775	107,775
	<u>\$ 5,287,222</u>	<u>\$ 107,775</u>	<u>\$ 5,394,997</u>

## Center on Halsted

### Notes to Financial Statements

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#### Note 12. Endowment Fund (Continued)

The changes in endowment net assets for the Center were as follows for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2022	\$ 5,070,715	\$ 96,517	\$ 5,167,232
Contributions received in cash	-	10,000	10,000
Investment gain	363,053	1,258	364,311
Appropriated for current operations	(146,546)	-	(146,546)
Endowment net assets, June 30, 2023	<u>\$ 5,287,222</u>	<u>\$ 107,775</u>	<u>\$ 5,394,997</u>

**Return objectives and risk parameters:** The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to earn a long-term real return (net of management fees and inflation) of 5% per annum and provide an income stream to the Center of up to 4% 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% 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, 2023, \$146,546 of income was spent from the endowment.

## Center on Halsted

### Notes to Financial Statements

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#### Note 12. Endowment Fund (Continued)

The Center will annually appropriate not more than 5% 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, 2023, there was no income spent from this endowment.

#### Note 13. 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% interest in the LLC, which is the general partner with a 0.01% 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 3% each year. In fiscal year 2023, the monthly payments are \$9,901.

At June 30, 2023, the future minimum payments under the lease are as follows:

2024	\$	120,888
2025		124,515
2026		128,250
2027		132,098
2028		136,061
Thereafter		464,858
Total		<u>\$ 1,106,670</u>

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% 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.

Subsequent to year end, the Center signed a new agreement which increases the Center’s ownership percentage to 51% without additional capital contributions.

#### Note 14. Leases

The Centers enters into contracts to lease real estate. Certain leases include termination or purchase options. Under FASB ASC Topic 842, the lease term at the lease commencement date is determined based on the non-cancellable period for which the Center has the right to the underlying asset, together with any periods covered by an option to terminate the lease if the Center is reasonably certain not to exercise that option.

## Center on Halsted

### Notes to Financial Statements

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#### Note 14. Leases (Continued)

FASB ASC Topic 842 includes a number of reassessment and re-measurement requirements for lessees based on certain triggering events or conditions, including whether a contract is or contains a lease, assessment of lease term and purchase options, measurement of lease payments, assessment of lease classification and assessment of the applicable discount rate. The Center reviewed the reassessment and re-measurement requirements and did not identify any events or conditions during 2023, that required a reassessment or re-measurement. In addition, there were no impairment indicators identified during 2023 that required an impairment test for the Center's right-of-use assets or other long-lived assets in accordance with ASC 360-10.

The components for lease expense related to leases in fiscal year ending June 30, 2023, are as follows:

Operating lease cost	<u>\$ 134,087</u>
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Other lease-related information as of and for the year ended June 30, 2023, is as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 134,087
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Weighted-average remaining lease term:

Operating leases	6.735 years
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Weighted-average discount rate:

Operating leases	2.89%
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As of June 30, 2023, maturities of the Center's lease liabilities are as follows:

2024	\$ 136,487
2025	139,011
2026	143,181
2027	147,469
2028	119,697
Thereafter	<u>101,969</u>
Total lease payments	787,814
Less imputed interest	<u>(63,757)</u>
Total present value of lease liabilities	<u>\$ 724,057</u>