

**Gads Hill Center
Audit Report
For the Year Ended June 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gads Hill Center
Chicago, Illinois

We have audited the accompanying statement of financial position of **Gads Hill Center** as of June 30, 2009 and 2008, and the related statements of activities, and functional expenses and directly related program services revenue for the year ended June 30, 2009, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gads Hill Center as of June 30, 2009 and 2008, and the changes in net assets for the year ended June 30, 2009, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Selden Fox, Ltd.

February 1, 2010

**Gads Hill Center
Statement of Financial Position
June 30,**

	2009	2008
Assets		
Current assets:		
Cash	\$ 174,541	\$ 276,893
Certificate of deposit	27,843	17,314
Due from government agencies	279,087	188,219
Interest receivable	3,252	2,225
Other receivables	5,655	37,963
Investments	978,077	1,092,091
Prepaid expenses	1,223	4,049
Total current assets	1,469,678	1,618,754
Property and equipment, at cost, less accumulated depreciation and amortization of \$1,542,453 (\$1,403,729 in 2008)	1,324,649	1,345,729
	\$ 2,794,327	\$ 2,964,483

See accompanying notes.

Liabilities and Net Assets	2009	2008
Current liabilities:		
Current portion of long-term debt	\$ 81,753	\$ 75,344
Accounts payable	53,129	82,159
Accrued expenses:		
Wages	28,293	29,471
Vacation	7,584	4,692
Other	565	992
Total current liabilities	171,324	192,658
Long-term debt, less current portion	435,340	565,583
Total liabilities	606,664	758,241
Net assets:		
Unrestricted:		
Available for operations	475,551	368,027
Reserve Fund	27,843	17,314
Portion of Memorial Endowment Funds designated for long-term investment	95,007	53,253
Total unrestricted	598,401	438,594
Temporarily restricted	700,140	723,785
Permanently restricted	889,122	1,043,863
Total net assets	2,187,663	2,206,242
Total liabilities and net assets	\$ 2,794,327	\$ 2,964,483

Gads Hill Center
Statement of Activities
For the Year Ended June 30, 2009
(With Comparative Totals for 2008)

	2009			Total	2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues:					
Contributions	\$ 235,324	\$ 258,000	\$ -	\$ 493,324	\$ 640,711
United Way of Metropolitan Chicago	-	251,126	-	251,126	326,126
Scholarships	-	2,778	-	2,778	10,040
Fees and grants from governmental agencies	4,068	2,958,442	-	2,962,510	2,527,959
Program service fees	12,805	100,093	-	112,898	180,376
Interest and dividends	34,232	-	-	34,232	42,893
Gain (loss) on investments	7,522	-	(154,741)	(147,219)	(103,866)
Miscellaneous income	6,570	7,652	-	14,222	13,731
Net assets released from restrictions:					
Scholarships	6,869	(6,869)	-	-	-
Program services	3,558,053	(3,558,053)	-	-	-
Child Care Center	36,814	(36,814)	-	-	-
Total revenues	3,902,257	(23,645)	(154,741)	3,723,871	3,637,970
Expenses:					
Program services:					
Children's Services	2,216,595	-	-	2,216,595	1,955,289
Youth and Community Services	1,275,080	-	-	1,275,080	1,145,431
Total program services	3,491,675	-	-	3,491,675	3,100,720
Supporting services:					
Management and general	208,376	-	-	208,376	281,067
Fund-raising	42,399	-	-	42,399	53,587
Total supporting services	250,775	-	-	250,775	334,654
Total expenses	3,742,450	-	-	3,742,450	3,435,374
Change in net assets	159,807	(23,645)	(154,741)	(18,579)	202,596
Net assets, beginning of the year	438,594	723,785	1,043,863	2,206,242	2,003,646
Net assets, end of the year	\$ 598,401	\$ 700,140	\$ 889,122	\$ 2,187,663	\$ 2,206,242

See accompanying notes.

Gads Hill Center
Statement of Functional Expenses and
Directly Related Program Services Revenue
For the Year Ended June 30, 2009

	Program Services		
	Children's Services	Youth and Community Services	Total
Expenses:			
Salaries and wages	\$ 1,097,370	\$ 594,760	\$ 1,692,130
Retirement benefits	23,820	12,912	36,732
Insurance benefits	116,125	62,365	178,490
Payroll taxes	81,287	43,449	124,736
Total personnel cost	1,318,602	713,486	2,032,088
Professional fees	5,912	83,977	89,889
Home care providers	202,870	-	202,870
Supplies	29,824	21,496	51,320
Food	88,334	20,418	108,752
Telephone	794	1,389	2,183
Postage and shipping	-	-	-
Insurance - general	-	-	-
Occupancy	-	-	-
Equipment repairs and maintenance	-	-	-
Building repairs and maintenance	-	-	-
Equipment rental	-	-	-
Printing	29	954	983
Transportation	8,107	7,167	15,274
Staff development	6,504	441	6,945
Conferences and meetings	1,702	5,669	7,371
Parent involvement	6,548	3,315	9,863
Special events	667	5,866	6,533
Subscriptions and publications	285	2,133	2,418
Interest and service fees	-	-	-
Depreciation	-	-	-
Other	60	-	60
	1,670,238	866,311	2,536,549
Allocation of supporting services:			
Facilities	309,086	254,262	563,348
Finance	33,397	19,656	53,053
Human resources	49,969	35,756	85,725
Development and fund-raising	95,549	56,231	151,780
Other indirect expenses	49,039	26,119	75,158
Technology	9,317	16,745	26,062
Total expenses	\$ 2,216,595	\$ 1,275,080	\$ 3,491,675
Directly related program services revenue:			
Contributions	\$ 25,400	\$ 212,600	\$ 238,000
United Way of Metropolitan Chicago	-	251,126	251,126
Fees and grants from governmental agencies	2,094,968	788,474	2,883,442
Program service fees	61,636	38,457	100,093
Miscellaneous income	6,575	1,077	7,652
Total directly related program services revenue	\$ 2,188,579	\$ 1,291,734	\$ 3,480,313

See accompanying notes.

Supporting Services			
Management and General	Fund- raising	Total	Total
\$ 269,792	\$ 153,378	\$ 423,170	\$ 2,115,300
9,085	3,332	12,417	49,149
27,748	16,525	44,273	222,763
19,469	11,272	30,741	155,477
326,094	184,507	510,601	2,542,689
111,104	4,183	115,287	205,176
-	-	-	202,870
8,136	931	9,067	60,387
-	-	-	108,752
20,345	-	20,345	22,528
1,281	2,932	4,213	4,213
31,997	-	31,997	31,997
204,581	-	204,581	204,581
8,941	-	8,941	8,941
35,072	-	35,072	35,072
33,729	-	33,729	33,729
-	2,878	2,878	3,861
1,499	293	1,792	17,066
3,997	805	4,802	11,747
8,571	613	9,184	16,555
-	-	-	9,863
843	23,875	24,718	31,251
3,230	1,445	4,675	7,093
36,094	-	36,094	36,094
138,724	-	138,724	138,724
9,201	-	9,201	9,261
983,439	222,462	1,205,901	3,742,450
(576,717)	13,369	(563,348)	-
(57,980)	4,927	(53,053)	-
(91,636)	5,911	(85,725)	-
61,134	(212,914)	(151,780)	-
(82,003)	6,845	(75,158)	-
(27,861)	1,799	(26,062)	-
\$ 208,376	\$ 42,399	\$ 250,775	\$ 3,742,450
\$ -	\$ -	\$ -	\$ 238,000
-	-	-	251,126
-	-	-	2,883,442
-	-	-	100,093
-	-	-	7,652
\$ -	\$ -	\$ -	\$ 3,480,313

**Gads Hill Center
Statement of Cash Flows
For the Year Ended June 30,**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (18,579)	\$ 202,596
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	138,724	131,754
Unrealized (gain) loss on investments	148,536	97,745
Realized (gain) loss on investments	(1,317)	6,121
Cash provided by (applied to) other operating activities:		
Due from government agencies	(90,868)	111,475
Interest receivable	(1,027)	1,654
Other receivables	32,308	44,024
Prepaid expenses	2,826	1,513
Accounts payable	(29,030)	(64,154)
Accrued expenses	1,287	5,138
Net cash from operating activities	<u>182,860</u>	<u>537,866</u>
Cash flows used in investing activities:		
Proceeds from sale of investments	51,881	696,380
Purchase of investments	(85,086)	(740,929)
Purchase of certificates of deposit	(10,529)	(17,314)
Purchase of property and equipment	(117,644)	(43,722)
Net cash used in investing activities	<u>(161,378)</u>	<u>(105,585)</u>
Cash flows from financing activities:		
Net proceeds from (repayment of) line of credit	-	(251,052)
Repayment of long-term debt	(123,834)	(84,230)
Proceeds from long-term debt	-	150,000
Net cash from financing activities	<u>(123,834)</u>	<u>(185,282)</u>
Increase (decrease) in cash	(102,352)	246,999
Cash, beginning of the year	<u>276,893</u>	<u>29,894</u>
Cash, end of the year	<u>\$ 174,541</u>	<u>\$ 276,893</u>

See accompanying notes.

Gads Hill Center
Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Organization and Purpose – Gads Hill Center (the Organization), a family resource center established in 1898, partners with the community to develop the assets of children, youth, adults and families in the Pilsen neighborhood of Chicago, Illinois.

Basis of Accounting – These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole to present balances and transactions according to the existence or absence of donor imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes: permanently restricted, temporarily restricted, and unrestricted.

Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets – Net assets restricted by donors to be maintained by the Organization in perpetuity.

Temporarily Restricted Net Assets – Net assets subject to donor imposed stipulations that may or will be met by actions of the Organization or the passage of time.

Unrestricted Net Assets – Net assets not subject to donor imposed stipulations.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled, or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Unrestricted gifts and bequests are included in revenues when received. Upon receipt of a restricted contribution or pledge, temporarily or permanently restricted net assets are increased. Contributions or pledges received with donor imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted fund. Contributions of exhaustible long-lived assets, or of cash or other assets used to acquire them, without donor imposed stipulations concerning the use of such long-lived assets, are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released when the assets are placed in service.

**Gads Hill Center
Notes to the Financial Statements (cont'd)**

1. Summary of Significant Accounting Policies (cont'd)

Net Assets – Permanently restricted net assets and net assets designated for long-term investment are contributions to the Leslie C. Harbison Memorial and the Marjorie and Frank Hubachek Memorial Endowment Funds. The permanently restricted net assets are to be held by the Organization in perpetuity. The net assets designated for long-term investments have not been explicitly restricted. However, the Organization's Board of Directors has designated them for long-term investment to honor the donors' implied intentions. The permanently restricted asset balance consists of the following at June 30:

	2009	2008
Leslie C. Harbison Memorial Endowment Fund	\$ 637,733	\$ 734,058
Marjorie and Frank Hubachek Memorial Endowment Fund	251,389	309,805
	\$ 889,122	\$ 1,043,863

The temporarily restricted asset balance consists of the following at June 30:

	2009	2008
Scholarships	\$ 38,625	\$ 42,716
Child Care Center	644,255	681,069
Teen Connection	5,757	-
Home-Based Head Start	2,369	-
Mentoring Program	9,134	-
	\$ 700,140	\$ 723,785

In 2002, Gads Hill Center received grants from the City of Chicago Department of Human Services and from a foundation to construct and operate a Child Care Center. Net assets of \$36,814 (\$36,812 in 2008) were released from the temporary donor restriction in 2009, by incurring depreciation, which satisfied the restricted purpose.

Gads Hill Center has designated \$27,843 (\$17,314 at June 30, 2008) of net assets at June 30, 2009 to establish a Board designated Reserve Fund for two purposes. The Board of Directors has approved up to \$195,000 to be designated. The Reserve Fund will assist the Organization in meeting operating cash obligations in any fiscal year as needed. In addition, the fund may, in the Board's discretion, be used to fund a retention program for senior management, as outlined in the plan document, approved at the Board of Directors' annual meeting on June 12, 2004. The program contributes to the Organization's overall focus on excellence in all facets of its operation. There has been no expense associated with this program for the years ended June 30, 2009 and 2008.

Gads Hill Center
Notes to the Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Use of Estimates – The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and activities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates. The Organization has determined that all receivables are fully collectible. The Organization records investments at fair value. The ultimate realization of the investments is based upon future economic factors related to the investments. For the aforementioned estimates, it is reasonably possible that the recorded amounts or related disclosures could significantly change in the near future as new information becomes available.

Fair Value of Investments – Gads Hill Center adopted the provisions of Statement of Financial Accounting Standards Number 157 – “Fair Value Measurements” (SFAS No. 157), which became effective for years beginning after November 15, 2007. SFAS No. 157 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, and establishes a framework for measuring fair value. SFAS No. 157 also establishes a three-level valuation hierarchy for fair value measurements.

The hierarchy is broken down into three levels based on the reliability of observable and unobservable inputs as follows:

Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-derived valuations whose significant inputs are observable.

Level 3 – Valuations are based on unobservable inputs for the asset or liability that reflect the reporting entity's own data and assumptions that market participants would use in pricing the asset or liability.

Accounts Receivable – Amounts due from government agencies are stated at the amount vouchered. Pledges receivable are stated at their present value. If necessary, an allowance for uncollectible amounts would be established through a provision for bad debts charged to expense. Amounts would then be charged against the allowance for uncollectible amounts when management believed collectibility is unlikely. Management's periodic evaluation of the adequacy of the allowance is based on the Organization's past experience, known and inherent risks, and current economic conditions.

Gads Hill Center
Notes to the Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Property and Equipment – Depreciation of property and equipment is provided by the straight-line method over the following estimated useful lives:

Building	25 – 30 years
Building improvements	10 years
Leasehold improvements	25 years
Furniture and equipment	5 years

Depreciation and amortization expense for the years ended June 30, 2009 and 2008 was \$138,724 and \$131,754, respectively.

Income Taxes – Gads Hill Center is a not-for-profit entity, as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from income taxes, except for taxes on unrelated business income generated from unrelated trade or business activities. Gads Hill Center had no unrelated trade or business activity in 2009 or 2008. Accordingly, no provision for income taxes is included in the financial statements.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. FIN 48 requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. On December 30, 2008, the FASB issued FASB Staff Position FIN 48-3, which deferred the effective date of FIN 48 to the Organization's annual financial statements ending on December 31, 2009, and the Organization has elected to defer application of FIN 48. The Organization does not expect that the adoption of FIN 48 will have a material effect on its financial position, changes in net assets, or cash flows.

Gads Hill Center
Notes to the Financial Statements (cont'd)

2. Due From Government Agencies

Gads Hill Center has entered into contracts with the City of Chicago through the Department of Human Services and other governmental departments. The contracts provide for reimbursement of services based on a per diem rate limited to a specific maximum. Vouchers receivable which have been submitted for covered expenses and services are as follows:

	2009 Unpaid Vouchers	2008 Unpaid Vouchers
City of Chicago – FSS – School Age Child Care	\$ 21,322	\$ 39,615
Illinois State Board of Education – Food Contract	10,986	11,232
City of Chicago – FSS – Head Start Collaboration	67,133	46,478
City of Chicago – FSS – Early Head Start	47,774	45,994
Illinois Department of Human Services – Teen Reach	40,229	8,400
U.S. Department of Education – Mentoring Program	39,276	-
Illinois Department of Human Services – Child Care	52,367	36,500
	<u>\$ 279,087</u>	<u>\$ 188,219</u>

3. Investments

Realized and unrealized gains and losses are recorded in the statement of activities. Cost and fair value of investments are as follows:

	June 30, 2009		June 30, 2008	
	Cost	Fair Value	Cost	Fair Value
Common and preferred stock	\$ 364,281	\$ 294,012	\$ 363,873	\$ 388,722
United States government securities	44,313	62,668	44,313	61,433
Mutual funds	201,690	138,667	198,203	191,200
Corporate notes	271,595	272,830	320,685	320,553
Money market	209,900	209,900	130,183	130,183
	<u>\$ 1,091,779</u>	<u>\$ 978,077</u>	<u>\$ 1,057,257</u>	<u>\$ 1,092,091</u>

The following is a description of the valuation methodologies used for investments measured at fair value, as well as the general classification of such investments pursuant to the valuation hierarchy.

Gads Hill Center
Notes to the Financial Statements (cont'd)

3. Investments (cont'd)

Common stock, preferred stock, United States Government Securities, mutual funds, and money market funds are valued using quoted market prices. Accordingly, these assets totaling \$705,247 are categorized in Level 1 of the fair value hierarchy.

Corporate notes not actively traded are valued using pricing models based on standard inputs. These standard inputs, listed in approximate order of priority, include bench mark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data, including market research publications. Accordingly, these investments totaling \$272,830 are categorized in Level 2 of the fair value hierarchy.

4. Property and Equipment

Property and equipment is comprised of the following at June 30:

	2009	2008
Land and buildings	\$ 1,229,242	\$ 1,128,498
Leasehold improvements	1,197,310	1,197,310
Furniture and equipment	414,790	. 397,890
Vehicles	25,760	25,760
	2,867,102	2,749,458
Less accumulated depreciation and amortization	1,542,453	1,403,729
	\$ 1,324,649	\$ 1,345,729

5. Line of Credit

In September 2007, Gads Hill Center entered into a renewable credit agreement with a bank for a line of credit of up to \$225,000, dated September 6, 2007, with an original maturity date of September 6, 2008 that was extended to September 6, 2010. The line of credit had no balance and no interest paid or expensed for the year ended June 30, 2008 or 2009. Outstanding borrowings are due at maturity, with interest payable monthly at the bank's prime rate (6.00% at June 30, 2009).

Additionally, the Organization entered into a term loan, dated September 6, 2007, with the same bank. The original principal of \$150,000 is due in sixty monthly installments of \$3,013, including interest of 7.50% per annum, with the final payment due September 6, 2012. The balance of the term loan is \$32,728 at June 30, 2009 (\$110,000 at June 30, 2008).

Both the line of credit and the term loan are secured by receivables, inventory, equipment and general intangibles with a net book value of \$1,610,935.

Gads Hill Center
Notes to the Financial Statements (cont'd)

6. Long-term Debt

Gads Hill Center entered into a credit agreement, dated June 29, 2001, with the Illinois Facilities Fund to construct and operate the Child Care Center in conjunction with Mount Sinai Hospital. The original principal of \$500,000 is due in monthly installments of \$3,954, including interest of 5% per annum. The note payable, with an outstanding principal balance of \$325,421 at June 30, 2009 (\$355,769 at June 30, 2008), is due November 1, 2017.

Gads Hill Center entered into a credit agreement, dated February 24, 2006, with the Illinois Facilities Fund for window replacement. The original principal of \$70,000 is due in monthly installments of \$1,333, including interest of 5.375% per annum. The note payable, with an outstanding principal balance of \$26,661 at June 30, 2009 (\$40,807 at June 30, 2008), is due March 1, 2011. Both credit agreements from the Illinois Facilities Fund are secured by a first mortgage on the property at 1919 West Cullerton Street in Chicago, Illinois with a net book value of \$433,128 at June 30, 2009.

Gads Hill Center entered into a balloon installment note on May 10, 2005 for and secured by 1917 West Cullerton Street in Chicago, Illinois. The original principal of \$140,000 is due in eighty-four monthly installments of \$839, including interest of 6% per annum, plus a balloon balance of \$125,706 due May 10, 2012. The note payable has an outstanding principal balance of \$132,283 at June 30, 2009 (\$134,351 at June 30, 2008).

During the year ended June 30, 2009, \$33,343 of interest was incurred and paid under the credit agreements (\$37,325 in 2008).

Future maturities are as follows:

Year Ending June 30,	
2010	\$ 81,753
2011	47,597
2012	163,007
2013	37,052
2014	38,948
Thereafter	<u>148,736</u>
	<u>\$ 517,093</u>

Gads Hill Center
Notes to the Financial Statements (cont'd)

7. Endowments

Gads Hill Center's funds consist of two funds established for providing the Organization with income to be used to fund the general charitable purposes of the Organization, which are Board designated unrestricted net assets.

With respect to permanently restricted funds, when a donor expresses clear intent in written documentation, state law requires the Organization to follow the donor's instructions. When a donor's intent is not explicitly expressed, applicable legislation directs the charity to spend an amount that is prudent and consistent with the donation's purpose, and considers the donor's intent that the fund continue in perpetuity.

The Organization invests its endowment funds in diversified portfolios of equity and fixed income securities to maximize total return consistent with prudent risk limitations. A spending policy (4%) has been established in attempts to balance the long-term objectives of maintaining the purchasing power of the funds while providing a reasonable, predictable, stable and sustainable level of income to support current operation consistent with all expressed limitations.

The activity in endowment funds for the years ended June 30 are as follows:

	Board Designated Endowment Funds	Permanently Restricted Endowment Funds	Total Endowment Funds
Balance, June 30, 2007	\$ 7,218	\$ 1,150,871	\$ 1,158,089
Contributions	-	-	-
Investment gain (loss)	46,035	(107,008)	(60,973)
Balance, June 30, 2008	53,253	1,043,863	1,097,116
Contributions	-	-	-
Investment gain (loss)	41,754	(154,741)	(112,987)
Balance, June 30, 2009	\$ 95,007	\$ 889,122	\$ 984,129

Gads Hill Center
Notes to the Financial Statements (cont'd)

8. Retirement Benefits

Gads Hill Center has various tax deferred annuity plans that cover all employees who have been employed for at least thirty days. Retirement expense is funded as accrued, and vested benefits are fully funded. There are no past service costs associated with these plans. Contributions are based on the employee's annual salary.

The 403(b) plan was amended effective January 1, 2007 to eliminate the employer's discretionary contribution. The 403(b) plan was amended again effective July 1, 2007 to reinstitute the employer's discretionary dollar for dollar matching contribution. The retirement expense for the years ended June 30, 2009 and 2008 was \$49,149 and \$39,751, respectively.

9. Lease

Gads Hill Center has entered into a lease agreement, which expires on September 30, 2020, with Mount Sinai Hospital for space to operate the Child Care Center. The lease agreement allows for extensions at Gads Hill Center's option for up to an additional ten years. All improvements made to the space by Gads Hill Center become the property of Mount Sinai Hospital at the termination of the lease. Lease payments increase annually based on the Consumer Price Index. Rental expense for 2009 and 2008 was \$157,509 and \$164,531, respectively.

Future minimum lease payments are as follows:

	Total
2010	\$ 164,587
2011	169,525
2012	174,610
2013	179,849
2014	185,244
Thereafter	1,289,886
	\$ 2,163,701

10. Contingency

Gads Hill Center has received significant financial assistance from federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. The Organization's management believes that the Organization is in compliance with the terms and conditions of the grant awards.

Gads Hill Center
Notes to the Financial Statements (cont'd)

11. Comparative Prior Year Information

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2008.

Reclassifications – Certain amounts in the 2008 financial statements have been reclassified to conform with the current year reporting format. There was no effect on net assets or the change in net assets.

Selden Fox, LTD.

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AUDITOR'S STATEMENT OF RESPONSIBILITY FOR SUPPLEMENTARY FINANCIAL INFORMATION

Board of Directors
Gads Hill Center
Chicago, Illinois

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information (pages 19 and 20) is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied to the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Selden Fox, Ltd.

February 1, 2010

Gads Hill Center
Schedule of Revenue, Expenses and Changes in
Net Assets - Endowment and Board Designated Funds
For the Year Ended June 30, 2009

	Leslie C. Harbison Memorial		
	Board Designated	Endowment	Total
Revenues:			
Interest and dividends	\$ 26,446	\$ -	\$ 26,446
Gain (loss) on investments	2,916	(96,325)	(93,409)
Total revenues	<u>29,362</u>	<u>(96,325)</u>	<u>(66,963)</u>
Expenses - transfer of investment income	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	29,362	(96,325)	(66,963)
Net assets, beginning of the year	<u>32,593</u>	<u>734,058</u>	<u>766,651</u>
Net assets, end of the year	<u>\$ 61,955</u>	<u>\$ 637,733</u>	<u>\$ 699,688</u>

See auditor's statement of responsibility.

<u>Marjorie and Frank Hubachek Memorial</u>			
<u>Board</u>			
<u>Designated</u>	<u>Endowment</u>	<u>Total</u>	<u>Total</u>
\$ 7,786	\$ -	\$ 7,786	\$ 34,232
4,606	(58,416)	(53,810)	(147,219)
<u>12,392</u>	<u>(58,416)</u>	<u>(46,024)</u>	<u>(112,987)</u>
-	-	-	-
12,392	(58,416)	(46,024)	(112,987)
20,660	309,805	330,465	1,097,116
<u>\$ 33,052</u>	<u>\$ 251,389</u>	<u>\$ 284,441</u>	<u>\$ 984,129</u>