

**Gads Hill Center
Audit Report
For the Year Ended June 30, 2010**

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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, 2010 and 2009, and the related statements of activities, and functional expenses and directly related program services revenue for the year ended June 30, 2010, 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, 2010 and 2009, and the changes in net assets for the year ended June 30, 2010, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Selden Fox, Ltd.

January 7, 2011

Gads Hill Center
Statement of Financial Position
June 30,

Assets	2010	2009
Current assets:		
Cash	\$ 281,729	\$ 174,541
Certificate of deposit	50,295	27,843
Due from government agencies	271,411	279,087
Interest receivable	3,006	3,252
Other receivables	1,351	5,655
Investments	1,033,549	978,077
Prepaid expenses	2,948	1,223
Total current assets	1,644,289	1,469,678
Property and equipment, at cost, less accumulated depreciation and amortization of \$1,689,481 (\$1,542,453 in 2009)	1,213,067	1,324,649
Security deposit	11,055	-
	<u> </u>	<u> </u>
	\$ 2,868,411	\$ 2,794,327

Liabilities and Net Assets	2010	2009
Current liabilities:		
Current portion of long-term debt	\$ 47,597	\$ 81,753
Accounts payable	23,634	53,129
Accrued expenses:		
Wages	20,170	28,293
Vacation	4,130	7,584
Other	795	565
Total current liabilities	96,326	171,324
Long-term debt, less current portion	387,744	435,340
Total liabilities	484,070	606,664
Net assets:		
Unrestricted:		
Available for operations	603,977	475,551
Reserve Fund	50,295	27,843
Portion of Memorial Endowment Funds designated for long-term investment	130,572	95,007
Total unrestricted	784,844	598,401
Temporarily restricted	690,714	700,140
Permanently restricted	908,783	889,122
Total net assets	2,384,341	2,187,663
Total liabilities and net assets	\$ 2,868,411	\$ 2,794,327

See accompanying notes.

Gads Hill Center
Statement of Activities
For the Year Ended June 30, 2010
(With Comparative Totals for 2009)

	2010			Total	2009 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues:					
Contributions	\$ 305,305	\$ 325,851	\$ -	\$ 631,156	\$ 493,324
United Way of Metropolitan Chicago	-	151,194	-	151,194	251,126
Scholarships	-	-	-	-	2,778
Fees and grants from governmental agencies	-	2,898,622	-	2,898,622	2,962,510
Program service fees	17,135	62,320	-	79,455	112,898
Interest and dividends	29,275	-	-	29,275	34,232
Gain (loss) on investments	6,290	-	19,661	25,951	(147,219)
Miscellaneous income	45,271	4,056	-	49,327	14,222
Net assets released from restrictions:					
Scholarships	4,875	(4,875)	-	-	-
Program services	3,409,780	(3,409,780)	-	-	-
Child Care Center	36,814	(36,814)	-	-	-
Total revenues	3,854,745	(9,426)	19,661	3,864,980	3,723,871
Expenses:					
Program services:					
Children's Services	2,437,412	-	-	2,437,412	2,216,595
Youth and Community Services	1,008,132	-	-	1,008,132	1,275,080
Total program services	3,445,544	-	-	3,445,544	3,491,675
Supporting services:					
Management and general	184,019	-	-	184,019	208,376
Fund-raising	38,739	-	-	38,739	42,399
Total supporting services	222,758	-	-	222,758	250,775
Total expenses	3,668,302	-	-	3,668,302	3,742,450
Change in net assets	186,443	(9,426)	19,661	196,678	(18,579)
Net assets, beginning of the year	598,401	700,140	889,122	2,187,663	2,206,242
Net assets, end of the year	\$ 784,844	\$ 690,714	\$ 908,783	\$ 2,384,341	\$ 2,187,663

See accompanying notes.

Gads Hill Center
Statement of Functional Expenses and
Directly Related Program Services Revenue
For the Year Ended June 30, 2010

	Program Services			Supporting Services			
	Children's Services	Youth and Community Services	Total	Management and General	Fund- raising	Total	Total
Expenses:							
Salaries and wages	\$ 1,261,467	\$ 481,516	\$ 1,742,983	\$ 216,067	\$ 127,776	\$ 343,843	\$ 2,086,826
Retirement benefits	26,946	10,432	37,378	9,450	2,745	12,195	49,573
Insurance benefits	179,542	69,034	248,576	30,467	17,715	48,182	296,758
Payroll taxes	93,464	35,481	128,945	16,388	9,128	25,516	154,461
Total personnel cost	1,561,419	596,463	2,157,882	272,372	157,364	429,736	2,587,618
Professional fees	9,370	34,621	43,991	27,209	20,967	48,176	92,167
Home care providers	203,962	-	203,962	-	-	-	203,962
Supplies	44,154	14,696	58,850	8,226	1,688	9,914	68,764
Food	101,916	18,899	120,815	-	-	-	120,815
Telephone	-	638	638	19,046	-	19,046	19,684
Postage and shipping	-	43	43	1,733	2,651	4,384	4,427
Insurance - general	-	-	-	32,340	-	32,340	32,340
Occupancy	-	-	-	194,475	-	194,475	194,475
Equipment repairs and maintenance	-	-	-	3,186	-	3,186	3,186
Building repairs and maintenance	-	-	-	40,894	-	40,894	40,894
Small equipment purchases	-	370	370	2,715	-	2,715	3,085
Equipment rental	-	193	193	32,687	-	32,687	32,880
Printing	29	473	502	150	3,743	3,893	4,395
Transportation	10,477	8,775	19,252	1,938	361	2,299	21,551
Staff development	7,177	218	7,395	1,562	489	2,051	9,446
Conferences and meetings	1,194	1,050	2,244	5,367	498	5,865	8,109
Parent involvement	8,102	1,028	9,130	-	-	-	9,130
Special events	532	1,863	2,395	549	21,298	21,847	24,242
Subscriptions and publications	960	1,025	1,985	3,529	905	4,434	6,419
Interest and service fees	-	-	-	27,683	-	27,683	27,683
Depreciation	-	-	-	147,028	-	147,028	147,028
Other	290	4,977	5,267	730	5	735	6,002
	1,949,582	685,332	2,634,914	823,419	209,969	1,033,388	3,668,302
Allocation of supporting services:							
Facilities	256,210	217,195	473,405	(484,833)	11,428	(473,405)	-
Finance	45,821	17,258	63,079	(68,248)	5,169	(63,079)	-
Human resources	30,587	13,220	43,807	(46,894)	3,087	(43,807)	-
Development and fund-raising	110,377	41,568	151,945	45,562	(197,507)	(151,945)	-
Other indirect expenses	34,083	12,089	46,172	(49,845)	3,673	(46,172)	-
Technology	10,752	21,470	32,222	(35,142)	2,920	(32,222)	-
Total expenses	\$ 2,437,412	\$ 1,008,132	\$ 3,445,544	\$ 184,019	\$ 38,739	\$ 222,758	\$ 3,668,302
Directly related program services revenue:							
Contributions	\$ 97,000	\$ 228,851	\$ 325,851	\$ -	\$ -	\$ -	\$ 325,851
United Way of Metropolitan Chicago	-	151,194	151,194	-	-	-	151,194
Fees and grants from governmental agencies	2,247,106	614,501	2,861,607	-	-	-	2,861,607
Program service fees	36,425	25,895	62,320	-	-	-	62,320
Miscellaneous income	1,951	2,105	4,056	-	-	-	4,056
Total directly related program services revenue	\$ 2,382,482	\$ 1,022,546	\$ 3,405,028	\$ -	\$ -	\$ -	\$ 3,405,028

See accompanying notes.

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

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 196,678	\$ (18,579)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	147,028	138,724
Unrealized (gain) loss on investments	(25,951)	148,536
Realized (gain) loss on investments	-	(1,317)
Cash provided by (applied to) other operating activities:		
Due from government agencies	7,676	(90,868)
Interest receivable	246	(1,027)
Other receivables	4,304	32,308
Prepaid expenses	(1,725)	2,826
Security deposit	(11,055)	-
Accounts payable	(29,495)	(29,030)
Accrued expenses	(11,347)	1,287
Net cash from operating activities	<u>276,359</u>	<u>182,860</u>
Cash flows used in investing activities:		
Proceeds from sale of investments	129,859	51,881
Purchase of investments	(159,380)	(85,086)
Purchase of certificates of deposit	(22,452)	(10,529)
Purchase of property and equipment	(35,446)	(117,644)
Net cash used in investing activities	<u>(87,419)</u>	<u>(161,378)</u>
Cash flows from financing activities - repayment of long-term debt	<u>(81,752)</u>	<u>(123,834)</u>
Net cash from financing activities	<u>(81,752)</u>	<u>(123,834)</u>
Increase (decrease) in cash	107,188	(102,352)
Cash, beginning of the year	<u>174,541</u>	<u>276,893</u>
Cash, end of the year	<u>\$ 281,729</u>	<u>\$ 174,541</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 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 over the estimated useful lives of the long-lived assets using the Organization's depreciation policy.

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 and investment income on 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 until spent to honor the donors' implied intentions. The permanently restricted asset balance consists of the following at June 30:

	2010	2009
Leslie C. Harbison Memorial Endowment Fund	\$ 652,254	\$ 637,733
Marjorie and Frank Hubachek Memorial Endowment Fund	256,529	251,389
	\$ 908,783	\$ 889,122

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

	2010	2009
Scholarships	\$ 33,750	\$ 38,625
Child Care Center	607,441	644,255
Teen Connection	27,038	5,757
Home-Based Head Start	1,254	2,369
Pre-K Prevention	313	-
Club Learn	20,918	-
Mentoring Program	-	9,134
	\$ 690,714	\$ 700,140

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 (\$36,814 in 2009) were released from the temporary donor restriction in 2010, by incurring depreciation, which satisfied the restricted purpose.

Gads Hill Center has designated \$50,295 (\$27,843 at June 30, 2009) of net assets at June 30, 2010 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, 2010 and 2009.

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 – Fair value is defined 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.

Fair value is broken down into a three level hierarchy 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.

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.

Common stock, United States government securities, and mutual funds are valued using quoted market prices. Accordingly, these assets 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 are categorized in Level 2 of the fair value hierarchy.

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

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

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.

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, 2010 and 2009 was \$147,028 and \$138,724, 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 2010 or 2009. Accordingly, no provision for income taxes is included in the financial statements.

Subsequent Events – Subsequent events have been evaluated through January 7, 2011, which is the date the financial statements were available to be issued.

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:

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

2. Due From Government Agencies (cont'd)

	2010 Unpaid Vouchers	2009 Unpaid Vouchers
Chicago Public Schools – Pre-K	\$ 38,429	\$ -
City of Chicago – FSS:		
Head Start Collaboration	50,712	67,133
Head Start Quality Improvement	12,199	-
Head Start SHEL	13,214	-
Early Head Start	25,671	47,774
Early Head Start Quality Improvement	453	-
Early Head Start Expansion	15,174	-
School Age Child Care	11,974	21,322
Illinois State Board of Education – Food Contract	11,265	10,986
Illinois Department of Human Services – Teen Reach	59,070	40,229
U.S. Department of Education – Mentoring Program	-	39,276
Illinois Department of Human Services – Child Care	33,250	52,367
	\$ 271,411	\$ 279,087

3. Investments

Realized and unrealized gains and losses on investments are recorded in the statement of activities. Investments include the following:

	June 30, 2010		
	Level 1	Level 2	Total
Common stock:			
Domestic	\$ 260,470	\$ -	\$ 260,470
International	34,846	-	34,846
Mutual Funds:			
Money market funds	159,561	-	159,561
Large-cap growth	16,592	-	16,592
Large-cap blend	141,211	-	141,211
Short term bond	100,944	-	100,944
United States government debt securities	64,227	-	64,227
Corporate notes by rating:			
AA+	-	102,725	102,725
A	-	102,418	102,418
A-	-	50,555	50,555
	\$ 777,851	\$ 255,698	\$ 1,033,549

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

3. Investments (cont'd)

	June 30, 2009		
	Level 1	Level 2	Total
Common stock:			
Domestic	\$ 248,968	\$ -	\$ 248,968
International	45,044	-	45,044
Mutual Funds:			
Money market funds	209,900	-	209,900
Large-cap growth	15,159	-	15,159
Large-cap blend	123,508	-	123,508
United States government debt securities	62,668	-	62,668
Corporate notes by rating:			
AA+	-	101,677	101,677
A+	-	25,159	25,159
A	-	98,743	98,743
A-	-	47,251	47,251
	<u>\$ 705,247</u>	<u>\$ 272,830</u>	<u>\$ 978,077</u>

4. Property and Equipment

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

	2010	2009
Land and buildings	\$ 1,236,635	\$ 1,229,242
Leasehold improvements	1,197,310	1,197,310
Furniture and equipment	442,843	414,790
Vehicles	25,760	25,760
	2,902,548	2,867,102
Less accumulated depreciation and amortization	1,689,481	1,542,453
	<u>\$ 1,213,067</u>	<u>\$ 1,324,649</u>

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

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, 2009 or 2010. Outstanding borrowings are due at maturity, with interest payable monthly at the higher of the bank's prime rate or a floor of 6.00% (the interest rate on the line was 6.00% at June 30, 2009 and 2010).

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. The loan was paid off in June 2010. The balance of the term loan was \$32,728 at June 30, 2009.

Both the line of credit and the term loan are secured by receivables, inventory, equipment and general intangibles with a net book value of \$1,488,835.

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 \$293,520 at June 30, 2010 (\$325,421 at June 30, 2009), 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 \$11,733 at June 30, 2010 (\$26,661 at June 30, 2009), 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 \$380,851 at June 30, 2010.

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 \$130,088 at June 30, 2010 (\$132,283 at June 30, 2009).

During the year ended June 30, 2010, \$25,558 of interest was incurred and paid under the credit agreements (\$33,343 in 2009).

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

6. Long-term Debt (cont'd)

Future maturities are as follows:

Year Ending June 30,		
2011	\$	47,597
2012		163,007
2013		37,052
2014		38,948
2015		40,941
Thereafter		107,796
	\$	435,341

7. Endowments

Gads Hill Center's endowment funds include 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 and permanently restricted donor endowment funds.

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.

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

7. Endowments (cont'd)

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, 2008	\$ 53,253	\$ 1,043,863	\$ 1,097,116
Investment gain (loss)	41,754	(154,741)	(112,987)
Balance, June 30, 2009	95,007	889,122	984,129
Investment gain	35,565	19,661	55,226
Balance, June 30, 2010	\$ 130,572	\$ 908,783	\$ 1,039,355

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, 2010 and 2009 was \$49,573 and \$49,149, respectively.

9. Leases

The Organization 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 the Organization's option for up to an additional ten years. All improvements made to the space by the Organization 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 2010 and 2009 was \$157,522 and \$157,509, respectively. In the year ended June 30, 2010, Mount Sinai Hospital repaid Gads Hill Center \$42,554 to settle a rent dispute between the two entities. This repayment has been reflected as miscellaneous income on the statement of activities.

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

9. Leases (cont'd)

The Organization has also entered into other leases for various office equipment. These leases expire at various times during the fiscal years ending June 30, 2011 and 2012. Rent expense under these leases was \$32,880 for the year ended June 30, 2010 (\$33,729 for the year ended June 30, 2009).

Future minimum lease payments are as follows:

	Building Rentals	Equipment Rentals	Total Rentals
2011	\$ 161,491	\$ 15,216	\$ 176,707
2012	166,336	780	167,116
2013	171,326	-	171,326
2014	176,466	-	176,466
2015	181,760	-	181,760
Thereafter	1,047,000	-	1,047,000
	<u>\$ 1,904,379</u>	<u>\$ 15,996</u>	<u>\$ 1,920,375</u>

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.

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, 2009.

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.

January 7, 2011

Gads Hill Center
Schedule of Revenue, Expenses and Changes in
Net Assets - Endowment and Board Designated Funds
For the Year Ended June 30, 2010

	Leslie C. Harbison Memorial		
	Board Designated	Endowment	Total
Revenues:			
Interest and dividends	\$ 23,057	\$ -	\$ 23,057
Gain on investments	2,452	14,521	16,973
Total revenues	25,509	14,521	40,030
Expenses - transfer of investment income	-	-	-
Changes in net assets	25,509	14,521	40,030
Net assets, beginning of the year	61,955	637,733	699,688
Net assets, end of the year	\$ 87,464	\$ 652,254	\$ 739,718

	Marjorie and Frank Hubachek Memorial			Total
	Board Designated	Endowment	Total	
	\$ 6,218	\$ -	\$ 6,218	\$ 29,275
	3,838	5,140	8,978	25,951
	10,056	5,140	15,196	55,226
	-	-	-	-
	10,056	5,140	15,196	55,226
	33,052	251,389	284,441	984,129
	\$ 43,108	\$ 256,529	\$ 299,637	\$ 1,039,355

See auditor's statement of responsibility.