
**LESTER AND ROSALIE ANIXTER
CENTER AND AFFILIATES**

***CONSOLIDATED
FINANCIAL
STATEMENTS***

***FOR THE
YEARS ENDED
JUNE 30,
2013 AND 2012***

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lester and Rosalie Anixter Center
and Affiliates

We have audited the accompanying consolidated financial statements of Lester and Rosalie Anixter Center and Affiliates (an Illinois not-for-profit corporation), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lester and Rosalie Anixter Center and Affiliates as of June 30, 2013, 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.

Other Matters

The consolidated financial statements of Lester and Rosalie Anixter Center and Affiliates as of June 30, 2012, and for the year ended, were audited by CliftonLarsonAllen LLP, whose report dated November 5, 2012, expressed an unmodified opinion on those statements.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of Lester and Rosalie Anixter Center and Affiliates taken as a whole. The accompanying consolidated schedule of expenditures of Federal awards (commencing on page 35), as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with

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auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013, on our consideration of Lester and Rosalie Anixter Center and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lester and Rosalie Anixter Center and Affiliates' internal control over financial reporting and compliance.

Emphasis of Matter Regarding Restatement

As discussed in Note T to the consolidated financial statements, certain errors resulting in an overpayment of amounts previously reported for grant revenue and net assets and an underpayment of grants payable as of June 30, 2012 were discovered by management of the Lester and Rosalie Anixter Center and Affiliates during the current year. Accordingly, amounts reported for grants payable and net assets have been restated in the financial statements for the year ended June 30, 2012 now presented, and an adjustment has been made to the net assets as of June 30, 2012 to correct the error. The opinion is not modified with respect to that matter.

As discussed in Notes L and M to the consolidated financial statements, capital advances, the related junior mortgage, and pledges receivable were previously reported as unrestricted net assets. However, management has concluded they are more properly stated as temporarily restricted net assets and accordingly they were reclassified for the year ended June 30, 2012.

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October 28, 2013

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	<u>2013</u>	<u>2012</u> (RESTATED)
ASSETS		
CURRENT ASSETS		
Cash	\$ 546,875	\$ 1,542,856
Receivables		
Grants, fees, and contracts receivable, net of allowance of \$171,001 and \$150,649 at June 30, 2013 and 2012, respectively	2,116,265	1,898,597
Contributions receivable - current portion, net of allowance of \$5,250 and \$11,250 at June 30, 2013 and 2012, respectively	128,071	175,385
Inventories	19,688	22,950
Prepaid expenses	384,212	404,697
TOTAL CURRENT ASSETS	3,195,111	4,044,485
PROPERTY AND EQUIPMENT, net	18,246,778	18,484,581
NONCURRENT ASSETS		
Escrow accounts	884,741	822,626
Security deposits	14,266	37,674
Contributions receivable - long-term portion, net of discount of \$6,679 and \$10,993 at June 30, 2013 and 2012, respectively	54,166	126,247
Investments, at fair value	7,406,525	7,454,253
Investment in Hairpin Lofts, LLC	10,000	10,000
Notes receivable, net of discount of \$1,071,275 and \$1,078,254 at June 30, 2013 and 2012, respectively	167,425	160,446
TOTAL NONCURRENT ASSETS	8,537,123	8,611,246
TOTAL ASSETS	\$ 29,979,012	\$ 31,140,312

See accompanying notes to consolidated financial statements.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	<u>2013</u>	<u>2012</u> (RESTATED)
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of line of credit	\$ 2,561,000	\$ 2,474,000
Current portion of long-term debt	68,598	95,217
Accounts payable	707,986	624,470
Grants payable	-	233,026
Accrued salaries and benefits	499,145	575,362
Accrued vacation	933,493	889,510
Accrued expenses and other liabilities	216,377	179,189
TOTAL CURRENT LIABILITIES	<u>4,986,599</u>	<u>5,070,774</u>
LONG-TERM DEBT, net of current portion	<u>1,634,344</u>	<u>1,766,008</u>
TOTAL LIABILITIES	6,620,943	6,836,782
NET ASSETS		
Unrestricted	13,727,751	14,641,226
Temporarily restricted	9,368,364	9,400,350
Permanently restricted	261,954	261,954
TOTAL NET ASSETS	<u>23,358,069</u>	<u>24,303,530</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,979,012</u>	<u>\$ 31,140,312</u>

See accompanying notes to consolidated financial statements.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Public support:				
Contributions	\$ 840,010	\$ 68,650	\$ -	\$ 908,660
Contributions in kind	510,251	-	-	510,251
Special events revenue	580,915	-	-	580,915
Total public support	1,931,176	68,650	-	1,999,826
Other revenues:				
Governmental grants	2,736,879	-	-	2,736,879
Governmental fees	10,826,894	-	-	10,826,894
Program fees	821,498	-	-	821,498
Rental revenue	1,397,830	-	-	1,397,830
Contract revenue	4,402,385	-	-	4,402,385
Other interest revenues	1,084	-	-	1,084
Miscellaneous revenues	115,316	-	-	115,316
Total other revenues	20,301,886	-	-	20,301,886
Investment income:				
Interest and dividends	161,119	-	-	161,119
Realized gain on investments	45,691	-	-	45,691
Unrealized loss on investments	(256,099)	-	-	(256,099)
Total investment income	(49,289)	-	-	(49,289)
Total revenues	22,183,773	68,650	-	22,252,423
Net assets released from restrictions	100,636	(100,636)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	22,284,409	(31,986)	-	22,252,423
EXPENSES				
Program services	19,146,698	-	-	19,146,698
Supporting services	2,958,865	-	-	2,958,865
Fundraising	1,092,321	-	-	1,092,321
Total expenses	23,197,884	-	-	23,197,884
CHANGE IN NET ASSETS	(913,475)	(31,986)	-	(945,461)
NET ASSETS, BEGINNING OF YEAR AS RESTATED	14,641,226	9,400,350	261,954	24,303,530
NET ASSETS, END OF YEAR	\$ 13,727,751	\$ 9,368,364	\$ 261,954	\$ 23,358,069

See accompanying notes to financial statements.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012				
	Unrestricted (RESTATED)	Temporarily Restricted (RESTATED)	Permanently Restricted (RESTATED)	Total (RESTATED)
REVENUES, GAINS AND OTHER SUPPORT				
Public support:				
Contributions	\$ 628,209	\$ -	\$ -	\$ 628,209
Contributions in kind	384,421	-	-	384,421
Special events revenue	640,168	-	-	640,168
Total public support	1,652,798	-	-	1,652,798
Other revenues:				
Governmental grants	3,129,786	-	-	3,129,786
Governmental fees	11,099,359	-	-	11,099,359
Program fees	964,256	-	-	964,256
Rental revenue	1,498,222	-	-	1,498,222
Contract revenue	4,446,644	-	-	4,446,644
Other interest revenues	6,697	-	-	6,697
Miscellaneous revenues	77,106	-	-	77,106
Total other revenues	21,222,070	-	-	21,222,070
Investment income:				
Interest and dividends	131,535	-	-	131,535
Realized loss on investments	(35,128)	-	-	(35,128)
Unrealized loss on investments	(21,167)	-	-	(21,167)
Total investment income	75,240	-	-	75,240
Total revenues	22,950,108	-	-	22,950,108
Net assets released from restrictions	14,759	(14,759)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	22,964,867	(14,759)	-	22,950,108
EXPENSES				
Program services	19,819,862	-	-	19,819,862
Supporting services	3,080,535	-	-	3,080,535
Fundraising	634,255	-	-	634,255
Total expenses	23,534,652	-	-	23,534,652
CHANGE IN NET ASSETS	(569,785)	(14,759)	-	(584,544)
NET ASSETS, BEGINNING OF YEAR AS PREVIOUSLY REPORTED	24,810,233	48,913	261,954	25,121,100
RECLASSIFICATION OF CAPITAL ADVANCES, JUNIOR MORTGAGE AND PLEDGES	(9,366,196)	9,366,196	-	-
PRIOR PERIOD ADJUSTMENT (See Note T)	(233,026)	-	-	(233,026)
NET ASSETS, BEGINNING OF YEAR AS RESTATED	15,211,011	9,415,109	261,954	24,888,074
NET ASSETS, END OF YEAR AS RESTATED	\$ 14,641,226	\$ 9,400,350	\$ 261,954	\$ 24,303,530

See accompanying notes to consolidated financial statements.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

	PROGRAM SERVICES										SUPPORTING SERVICES			
	Community Support Services	Educational Services	Unemployment & Business Services	Health and Behavioral Health Services	Residential & Housing Support Services	Cable	Chicago Housing Society	National Leadership Center	Total Program Services	Center Foundation	Fundraising	Management and Content	Total Supporting Services	Organization Total
Staff salaries	\$ 1,177,499	\$ 975,179	\$ 1,157,690	\$ 836,067	\$ 3,527,718	\$ 614,158	\$ 1,041,468	\$ 225,141	\$ 9,555,112	\$ -	\$ -	\$ 2,074,362	\$ 2,406,117	\$ 11,961,229
Payroll taxes	95,197	77,520	91,473	65,685	287,333	50,734	83,633	18,318	703,793	-	-	159,906	184,901	954,694
Employee insurance and benefits	174,460	142,127	141,306	125,237	586,584	93,172	157,733	36,797	1,090,806	-	-	253,776	275,733	1,373,339
Client wages and benefits	-	-	-	11,083	8,639	-	435,366	12,295	70,916	-	-	32,770	6,782	1,129,976
Activity supplies	31,428	11,077	132,943	10,761	38,749	41,077	293,365	725	70,365	-	(5,249)	7,617	(12,866)	709,698
Bad debts	2,107	-	16,692	19,057	12,666	(747)	7,238	6,144	423,548	(20)	-	26,990	27,554	66,499
Buildings maintenance and repairs	24,720	20,287	40,808	12,652	294,603	20,606	1,850	-	164,221	-	-	7	-	450,502
Client travel	104,401	165	45,858	363	4,244	8,898	-	-	156,609	-	-	788	-	164,228
Clients	1,500	85,120	188	27,773	36,181	3,997	-	-	2,102	-	-	-	-	157,397
Contract coordinating	-	-	2,102	-	-	-	-	-	-	-	-	-	-	2,102
Contract processing service	4,236	3,613	3,613	3,677	14,845	-	15,273	875	46,579	-	699	5,472	-	54,750
Depreciation and amortization	68,685	39,195	39,195	51,368	567,435	28,995	24,234	12,232	889,543	119,356	2,363	50,079	171,798	1,060,341
Employee recruitment	1,408	6,988	302	442	4,231	428	799	260	1,907	-	274	35,781	36,055	50,793
Equipment leasing	-	72	72	218	218	263	295	212	1,907	-	53	6,650	6,703	8,510
Equipment maintenance and repairs	4,644	5,952	8,600	3,318	24,629	838	4,206	699	52,886	-	9,710	17,594	27,304	80,190
Equipment purchases	9,301	16,064	7,590	3,618	16,189	2,660	31,807	1,391	88,900	-	181	18,810	18,991	107,891
Food	22,866	22,248	2,433	5,804	42,619	14,303	1,126	943	91,542	-	111	1,996	2,107	93,649
Food bank	4,518	2,401	270	1,416	31,347	2,067	990	33	43,042	-	103	1,649	1,752	44,794
Insurance	22,650	10,432	26,035	14,128	124,540	2,344	13,684	10,725	224,538	-	510,251	-	510,251	734,787
Insurance program services	104,833	38,618	(17,252)	54,687	190,186	858	(55,102)	15,101	331,849	-	4,346	(356,195)	(331,849)	213,771
Legal and audit	-	-	-	-	70,276	-	1,123	-	71,399	1,000	-	140,372	141,372	213,771
Miscellaneous	1,987	459	1,236	1,237	70,276	859	14,327	2,973	28,512	59	7,334	34,239	34,239	70,144
Mortgage interest	9,683	8,917	6,732	4,937	124,626	6,683	13,332	631	124,626	(7,056)	-	30,579	31,586	98,229
Office supplies	103	784	-	249	16,416	34	3,543	-	67,231	-	1,793	7,097	31,366	38,189
Organization dues	-	-	-	-	210	14	-	-	4,923	-	-	-	4,923	74,914
Other interest	-	-	-	-	994	33	5,359	-	17,000	-	-	6,199	22,198	65,925
Postage and shipping	-	1,121	32,020	790	35	14	9,100	1,379	43,777	-	-	15,999	12,439	55,606
Printing	69	463	144	35	138	33	5,359	-	13,167	-	-	5,924	33,333	40,704
Public relations costs	-	150	667	550	66,426	125	5,384	75	6,071	(80,574)	852	52,445	(27,277)	218,208
Rent	24,038	18,492	7,657	12,547	66,426	96,279	6,000	12,538	24,547	-	306	4,686	4,992	85,603
Security and watch services	6,477	9,841	10,583	3,454	44,207	2,138	1,255	1,526	26,811	-	298	5,101	5,399	86,533
Special events	21,965	5,773	9,509	8,766	31,525	360	13,368	13,368	81,134	-	114,590	114,590	114,590	140,042
Staff travel	22,579	-	21,990	-	2,664	9,432	19,134	4,804	25,652	-	2,488	9,217	11,705	109,950
Subcontract labor	-	1,896	181,446	2,664	15,766	9,432	1,008,627	28,405	1,299,158	-	4,326	50,797	55,123	1,354,281
Telephone	15,731	6,986	12,536	9,676	83,417	9,775	1,008,627	31,889	167,382	-	4,015	17,457	21,472	188,854
Training	2,362	3,983	1,732	1,732	2,191	10,093	8,407	2,691	30,749	-	7,281	22,970	30,251	61,000
Utilities	47,493	33,637	71,240	22,494	221,953	10,302	11,091	11,095	430,895	-	1,744	29,591	31,335	462,230
Vehicle operating expense	17,218	1,254	1,953	4,526	188,879	200	-	-	134,000	-	-	14	14	134,094
Total consolidated functional expenses	\$ 2,051,431	\$ 1,549,664	\$ 3,148,147	\$ 1,321,481	\$ 6,599,584	\$ 1,037,201	\$ 3,012,516	\$ 426,174	\$ 19,146,098	\$ 32,765	\$ 1,092,321	\$ 2,926,100	\$ 4,051,186	\$ 23,197,884

See accompanying notes to consolidated financial statements.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

PROGRAM SERVICES

SUPPORTING SERVICES

	Community Support Services	Educational Services	Employment & Business Services	Health and Behavioral Health Services	Residential & Housing Support Services	Other	Chicago Hearing Society	National Lockbox Center	Total Program Services	Center Foundations	Housing	Management and General	Total Supporting Services	Organizational Total
Staff salaries	\$ 1,222,599	\$ 1,087,925	\$ 1,375,427	\$ 847,554	\$ 3,705,326	\$ 688,479	\$ 1,003,838	\$ 239,216	\$ 10,169,264	\$ -	\$ 273,482	\$ 1,914,812	\$ 2,188,494	\$ 12,357,858
Payroll taxes	97,281	122,181	122,181	76,238	3,017,778	64,173	1,144,835	23,835	923,857	-	24,308	1,972,580	192,148	1,155,975
Employee insurance and benefits	146,877	135,772	1,096,276	108,111	3,590,716	109,666	1,134,966	32,135	1,336,197	-	21,805	196,134	217,939	1,554,136
Client wages and benefits	31,636	1,096,276	1,096,276	8,524	10,003	-	-	-	1,111,980	-	-	36,075	36,075	1,150,025
Activity supplies	34,294	10,511	109,125	8,524	35,995	46,925	348,645	5,201	639,216	-	52	5,347	5,399	645,135
Bad debts	14,697	16,292	(37,189)	(7,135)	342	-	26,720	2,450	3,335	-	4,520	12,618	17,138	20,473
Building maintenance and repairs	127,684	16,292	26,637	10,621	252,502	28,379	5,589	4,630	362,934	(24)	882	12,647	11,505	376,439
Client travel	137,684	465	17,989	1,334	7,409	7,238	-	-	161,393	-	-	-	-	161,393
Consultation	3,475	108,168	1,079	35,608	31,960	-	1,222	-	180,833	-	-	3,241	-	184,074
Contract consulting	-	-	1,079	-	-	-	-	-	1,079	-	-	-	-	1,079
Contracting service	3,508	3,272	3,563	3,195	13,574	2,696	16,333	769	46,910	-	475	4,142	-	51,527
Depreciation and amortization	76,653	45,023	100,980	41,285	552,564	32,403	27,594	13,167	889,369	119,358	2,620	60,646	182,624	1,071,993
Employee recruitment	608	6,816	412	302	3,452	-	1,645	166	6,881	-	84	6,003	6,087	26,302
Equipment leasing	609	70	5,195	269	-	226	333	179	6,881	-	167	9,361	9,528	16,409
Equipment maintenance and repairs	3,614	7,628	8,686	3,115	25,085	1,516	5,296	1,391	56,731	-	8,895	22,904	31,799	88,530
Equipment purchases	3,345	3,218	4,453	2,032	12,510	2,359	5,966	282	34,565	-	259	16,599	16,858	51,423
Food	2,883	24,126	40,530	8,137	36,549	13,039	631	490	126,185	-	289	1,404	1,613	127,798
Housekeeping supplies	4,728	3,993	189	1,006	25,039	1,991	781	57	38,294	-	231	3,507	3,738	42,032
In-kind	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	27,313	9,542	25,120	8,953	128,045	1,729	16,177	5,636	232,515	-	2,715	2,966	26,681	249,196
Interpreter services	-	26,253	(113,437)	26,441	36,065	25	(65,367)	9,988	(65,519)	-	-	-	26,519	-
Legal and audit	43,513	-	879	1,196	36,043	-	10,317	300	38,418	13,389	-	428,427	442,816	482,234
Miscellaneous	8,121	-	3,908	1,836	8,105	620	-	2,428	13,591	1,200	6,323	24,780	32,303	67,894
Mortgage interest	-	-	-	-	130,435	8,773	-	815	130,435	6,712	-	30,353	37,067	137,147
Office supplies	8,936	6,264	8,888	5,105	15,191	8,773	6,905	-	68,877	-	2,869	34,608	36,068	94,139
Organization dues	80	485	-	170	280	61	2,258	-	4,889	-	1,370	54,446	54,446	54,446
Other interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Postage and shipping	3,086	1,368	32,425	803	700	37	3,950	1,606	44,375	-	6,302	20,436	26,738	71,113
Printing	645	-	387	307	129	2,529	9,921	916	14,834	-	8,335	4,914	13,249	28,083
Public relations costs	24,356	75,510	2,722	32,093	265,680	1,871	46,029	52,876	636,725	-	2,743	4,066	6,809	39,399
Rent	9,482	9,487	47,027	2,805	44,316	1,640	1,607	1,628	74,071	(475,656)	7,246	3,046	(344,363)	292,362
Security	22,622	3,667	11,281	8,130	26,549	573	1,840	588	75,851	-	255	6,176	3,301	77,372
Security and watch services	2,160	-	-	-	-	-	-	-	-	-	-	-	-	-
Staff travel	25,866	1,868	29,596	3,135	24,524	8,855	12,765	13,197	28,122	-	198,631	-	198,631	226,753
Subcontracted services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subcontracted labor	66	6,045	170,562	24	600	-	17,208	4,667	115,719	-	1,710	4,616	6,326	122,045
Telephone	16,286	5,971	14,139	10,802	81,063	13,510	1,235,009	27,776	1,439,882	-	46,771	79,354	126,125	1,566,007
Training	1,880	11,430	186	3,568	2,074	33,672	20,859	2,803	165,433	-	3,554	14,486	18,040	183,473
Utilities	48,940	29,600	66,300	22,612	229,342	10,568	10,389	3,634	73,093	-	2,073	23,535	24,608	97,701
Vehicle operating expense	16,182	653	3,684	1,654	106,443	-	-	18,396	428,547	-	-	26,597	28,107	486,654
									128,616	-	-	223	223	128,839
Total consolidated functional expenses	\$ 20,590,584	\$ 1,737,919	\$ 3,354,518	\$ 1,285,364	\$ 6,725,712	\$ 1,177,985	\$ 3,013,895	\$ 473,965	\$ 19,818,612	\$ (333,021)	\$ 634,255	\$ 3,413,556	\$ 3,714,790	\$ 23,531,652

See accompanying notes to consolidated financial statements.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,	
	<u>2013</u>	<u>2012</u> (RESTATED)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (945,461)	\$ (584,544)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,060,341	1,071,993
Bad debt expense	66,498	20,473
Donated securities	(1,563)	-
Realized (gain) loss on sale of investments	(45,691)	27,632
Unrealized loss on investments	256,099	21,167
Discount on note receivable	(6,979)	(6,689)
Accretion of interest on long-term debt	16,636	17,045
(Increase) decrease in:		
Receivables	(164,771)	392,490
Other current assets	23,747	-
Other assets	(38,707)	(190,790)
Increase (decrease) in:		
Accounts payable	83,516	-
Grants payable	(233,026)	-
Other current liabilities	4,954	(468,880)
NET CASH PROVIDED BY OPERATING ACTIVITIES	75,593	299,897
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,854,471)	(7,680,861)
Proceeds from sale of investments	5,693,354	7,545,466
Purchase of property and equipment	(822,538)	(891,042)
NET CASH USED IN INVESTING ACTIVITIES	(983,655)	(1,026,437)

See accompanying notes to consolidated financial statements.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,	
	<u>2013</u>	<u>2012</u> (RESTATED)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of line of credit	\$ 5,786,000	\$ 6,282,000
Repayment of line of credit	(5,699,000)	(5,465,000)
Payments on long-term debt	<u>(174,919)</u>	<u>(87,464)</u>
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(87,919)</u>	<u>729,536</u>
NET (DECREASE) INCREASE IN CASH	(995,981)	2,996
CASH, beginning of year	<u>1,542,856</u>	<u>1,539,860</u>
CASH, end of year	<u><u>\$ 546,875</u></u>	<u><u>\$ 1,542,856</u></u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid during the year for:		
Interest	<u><u>\$ 192,467</u></u>	<u><u>\$ 191,593</u></u>

See accompanying notes to consolidated financial statements.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – Summary of significant accounting policies

Nature of activities

Lester and Rosalie Anixter Center (Anixter Center) and its subsidiary, the Center Foundation is an Illinois not-for-profit organization that operates various programs in Chicago and the vicinity, assisting people with disabilities to live and work successfully in the community.

Principles of consolidation

The consolidated financial statements include Anixter Center, its subsidiary the Center Foundation, and seven HUD projects (collectively, the Organization). These projects include: Crystal Courts, HUD Project No. 071-HD009; Chase Apartments, HUD Project No. 071-EH-061; Clark Street Apartments, HUD Project No. 071-EH099; Housing Opportunities for Persons with Disabilities, HUD Project No. 071-HH011; Halsted Apartments, NFP, HUD Project No. 071-HD122; The Center Apartments for the Disabled; HUD Project No. 071-EH545 and Anixter Village, HUD Project No. 071-HD128 (the HUD Projects). Anixter Center is the management agent for the seven HUD projects and all significant intercompany accounts and transactions are eliminated in consolidation.

Basis of presentation

The accompanying consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America (GAAP) as recommended in the American Institute of Certified Public Accountants' Audit and Accounting Guide for Not-for-Profit Organizations.

The net assets of the Organization are classified as follows:

Unrestricted net assets, which represent the portion of expendable net assets that are available for operations.

Temporarily restricted net assets include the net assets from grants, contributions, or other inflows where the use is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled and removed by the actions of the Organization. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restriction. See Note M.

Permanently restricted net assets represent endowment funds which are subject to the restriction of the donors that the historic dollar value of the gift be preserved in perpetuity. See Notes N and O.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – Summary of significant accounting policies, continued

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for doubtful accounts

The Organization recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The expense associated with the allowance for doubtful accounts is recognized as program expense. As of June 30, 2013 and 2012, management recorded an allowance of \$176,251 and \$161,899, respectively.

Property and equipment

Property and equipment are carried at cost if purchased or fair value if contributed. Depreciation is computed using the straight-line method over the estimated lives of the assets as follows:

Buildings	40 years
Building and leasehold improvements	5-30 years
Furniture and equipment	3-10 years
Vehicles	5 years

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$500.

Maintenance and repairs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited or charged to operations.

Impairment of long-lived assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. See Note G.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – Summary of significant accounting policies, continued

Investments

Investments in marketable securities and debt securities are reported at fair value based upon market quotations. Investments in certificates of deposits are reported at cost. Donated investments are recorded at the fair value as of the date of contribution. Unrealized gains and losses are included in the accompanying consolidated statements of activities.

Revenue recognition

The Organization receives grant, contract and government fee revenue from federal, state and city agencies. The Organization recognizes grant and contract revenue (up to the respective ceiling) either on a pro rata basis over a 12-month period, which represents the service period for certain arrangements, or as expenses are incurred. Government fee revenue is recognized as services are provided, in amounts provided for under the terms of the underlying agreements.

Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the grants/contracts.

Contributions

Contributions and unconditional pledges of cash and other assets are reported at their fair market value as of the date the pledge is received to the extent estimated to be collectible by the Organization. Contributions and pledges received with donor restrictions that limit the use of the donated assets are reported as temporarily restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restrictions are accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as “net assets released from restrictions”. Restricted earnings are recorded as temporarily restricted net assets until amounts are expended in accordance with donors’ specifications. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Unconditional pledges that are expected to be collected within one year are recorded at their net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of estimated cash flows. The discounts on those amounts are computed using a risk-free rate in the year in which the promise is received. Amortization of the discount is included in contribution revenue.

Endowment contributions are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – Summary of significant accounting policies, continued

Functional allocation of expenses

Expenses are allocated to programs, fundraising and management and general according to actual use wherever practical. Indirect expenses that benefit more than one program have been allocated to the programs which benefit from these costs.

Income taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for net income derived from unrelated business activities. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 and has been classified as an organization other than a private foundation under IRC Section 509(a).

The Organization's income tax filings are subject to audit by various taxing authorities generally for three years after filing. In evaluating the Organization's activities, management believes its position of tax-exempt status is based on current facts and circumstances and there have been no uncertain positions taken related to recording income taxes. In the opinion of management there are no activities unrelated to the purpose of the Organization and therefore no tax is to be recognized.

Subsequent events

Subsequent events were evaluated through October 28, 2013, which is the date the consolidated financial statements were available to be issued.

Reclassifications

Certain prior year consolidated financial statement amounts have been reclassified to conform to the current year presentation with no impact on previously reported net assets.

NOTE B – Fair value measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – Fair value measurements, continued

- 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 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.

Fair values for equities are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for certificates of deposit, government agency corporate bonds and foreign bonds are determined by cost plus accrued interest.

Fair values of assets measured on a recurring basis were as follows:

	Fair Value Measurements at June 30, 2013			
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Money market	\$ 1,738,520	\$ -	\$ -	\$ 1,738,520
International equities	725,942	-	-	725,942
Fixed income securities:				
Gold index funds	345,300	-	-	345,300
Real estate index funds	1,482,152	-	-	1,482,152
Fixed income funds	<u>3,114,611</u>	<u>-</u>	<u>-</u>	<u>3,114,611</u>
Total fixed income securities	<u>4,942,063</u>	<u>-</u>	<u>-</u>	<u>4,942,063</u>
	<u>\$ 7,406,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,406,525</u>

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – Fair value measurements, continued

	Fair Value Measurements at June 30, 2012			
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Money market	\$ 1,650,501	\$ -	\$ -	\$ 1,650,501
Certificate of deposit	-	50,029	-	50,029
Fixed income securities:				
Value index funds	355,153	-	-	355,153
Growth index funds	333,159	-	-	333,159
Gold index funds	764,621	-	-	764,621
Real estate index funds	349,852	-	-	349,852
Fixed income funds	<u>3,950,938</u>	<u>-</u>	<u>-</u>	<u>3,950,938</u>
Total fixed income securities	<u>5,753,723</u>	<u>-</u>	<u>-</u>	<u>5,753,723</u>
	<u>\$ 7,404,224</u>	<u>\$ 50,029</u>	<u>\$ -</u>	<u>\$ 7,454,253</u>

Investment fees for the years ended June 30, 2013 and 2012 were \$62,784 and \$35,261, respectively and have been netted against investment income.

NOTE C – Concentrations of credit risk

The Organization maintains the majority of its cash at multiple financial institutions. All deposit accounts at Federal Deposit Insurance Corporation (FDIC) insured institutions are insured up to current FDIC limits. At times during the year, the Organization's bank balances may have exceeded the federally insured limits; however, it has not experienced any losses with respect to its bank balances in excess of government provided insurance.

In 2013 and 2012, approximately 61% and 62%, respectively, of Anixter Center's operating revenues were provided by governmental funding sources. Of the amount provided by governmental funding sources, 71% and 66%, respectively, was provided by the Illinois Department of Human Services (IDHS). Receivables from IDHS represent 53% and 46% of total grants and fees receivable as of June 30, 2013 and 2012, respectively.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D - Contributions receivable

Contributions are recognized as revenue when they are received or unconditionally pledged. Pledges receivable are amounts committed by donors that have not been received by the Organization.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Long-term pledges were discounted at a rate of 5%.

Contributions receivable, as of June 30 are as follows:

	<u>2013</u>	<u>2012</u>
Pledges due in less than one year	\$ 133,321	\$ 186,635
Pledges due in one to five years	<u>60,845</u>	<u>137,240</u>
	194,166	323,875
Less allowance for doubtful accounts	(5,250)	(11,250)
Less unamortized discount on contributions receivable	<u>(6,679)</u>	<u>(10,993)</u>
Contributions receivable adjusted to present value of the estimated future cash flows	<u>\$ 182,237</u>	<u>\$ 301,632</u>

NOTE E – Grants, fees, and contracts receivable

Grants, fees, and contracts receivable, net of the allowance, as of June 30 are as follows:

	<u>2013</u>	<u>2012</u>
Department of Human Services	\$ 1,010,929	\$ 751,948
Business	464,990	389,643
Medicaid	197,938	194,791
Board of Education	181,421	301,104
Other	<u>260,987</u>	<u>261,111</u>
	<u>\$ 2,116,265</u>	<u>\$ 1,898,597</u>

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - Hairpin Lofts, LLC investment

During the year ended June 30, 2010, Anixter Center entered into a development agreement with an unrelated third party and formed Hairpin Lofts, LLC. The project (Hairpin) of the newly formed entity involved the acquisition, rehabilitation, and development of a historic building in Chicago, Illinois for the purpose, in part, to create low-income residential housing. Anixter Center holds a 25% interest in Hairpin Lofts Manager, LLC, the managing member, which in turn holds a 0.01% interest in Hairpin Lofts, LLC. Anixter Center has no ability to exercise control under the existing ownership structure and, therefore, Hairpin has not been consolidated with Anixter Center. Anixter Center accounts for its investment in Hairpin under the equity method.

In conjunction with the formation of Hairpin, the City of Chicago granted to Anixter Center \$1,238,700 representing the proceeds from the sale of affordable housing tax credits associated with the project. Anixter Center then loaned the proceeds to Hairpin in exchange for a 50-year, interest-free, note receivable. All principal on the note is payable at maturity on March 1, 2060 and the note is secured by a junior mortgage and assignment of rents on the Hairpin real estate. The carrying value of the note has been discounted using a rate of 4.35% and is reflected on the Organization's June 30, 2013 and 2012 consolidated statements of financial position at \$167,425 and \$160,446, respectively.

For the development of the project, Anixter Center earned a fee of \$115,000. Additionally, for the provision of 300 hours of low-income housing services annually over a 10-year period, Anixter Center was paid a fee of \$10,000. Recognition of the services fee has been deferred as of June 30, 2013 and 2012 and is included in other liabilities on the consolidated statements of financial position. This fee will be amortized over the 10-year period when services commence. Anixter Center also received a \$10,000 donation in conjunction with the project. Anixter Center then contributed the \$10,000 to Hairpin as its capital contribution which is the carrying value of its investment in Hairpin as of June 30, 2013 and 2012.

NOTE G - Property and equipment

The Organization's property and equipment consists of the following at June 30:

	<u>2013</u>	<u>2012</u>
Land	\$ 3,702,647	\$ 3,702,647
Buildings and improvements	26,667,631	27,548,954
Equipment and vehicles	2,026,158	5,906,808
Leasehold improvements	<u>206,919</u>	<u>210,429</u>
	32,603,355	37,368,838
Less accumulated depreciation and amortization	<u>(14,356,577)</u>	<u>(18,884,257)</u>
	<u>\$18,246,778</u>	<u>\$18,484,581</u>

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G - Property and equipment, continued

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 was \$1,060,341 and \$1,071,993, respectively.

As of May 27, 2011, the Organization closed the Avondale and Evanston properties as a result of insufficient funding for the programs which utilized this space. The Organization is in the process of renovating these properties for alternative uses which would serve to offer similar or new programming. As of June 30, 2013 and 2012, no impairment loss has been recognized for these properties which have a carrying value of approximately \$1,420,000.

NOTE H - Line of credit

As of June 30, 2013 and 2012, Anixter Center had \$2,561,000 and \$2,474,000 outstanding under a line of credit with First Bank and Trust. As of June 30, 2013 and 2012, borrowings under the line bear interest at the prime rate of 3.25% less .5%. This agreement expires on December 31, 2013 and allows for maximum borrowings of \$6,000,000. All borrowings are secured by Anixter Center's investments and a lien on certain real properties.

NOTE I - Long-term debt

The components on long-term debt are as follows as of June 30:

	<u>2013</u>	<u>2012</u>
Mortgage loan payable to U.S. Department of Housing and Urban Development, maturing on March 30, 2022, bearing interest of 8.5%; secured by Chase Apartments property.	\$322,481	\$346,327
Mortgage loan payable to U.S. Department of Housing and Urban Development, maturing in January 2025, bearing interest of 9.25%; secured by the Clark Street Apartments property.	842,809	881,700

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE I - Long-term debt, continued

	<u>2013</u>	<u>2012</u>
Note payable to Devon Bank, payable in monthly installments of \$1,214, including interest of 5.34%, due on June 30, 2018; secured by Tolman property. Interest rate is adjusted on each fifth year anniversary based on the then five-year Treasury Note. This note was paid off during the year ended June 30, 2013.	-	77,562
Note payable to Devon Bank, payable in monthly installments of \$1,858, including interest of 3.55%, due on December 11, 2013; secured by Roscoe property. Interest rate is adjusted on each fifth year anniversary based on the then five-year Treasury Note. This note was paid off during the year ended June 30, 2013.	-	34,620
Mortgage note payable to the City of Chicago Department of Housing – Crystal Courts (Casa Contreras). See Note J.	46,935	43,559
Mortgage note payable to City of Chicago Department of Housing – Halsted Apartments, NFP. See Note J.	<u>490,717</u>	<u>477,457</u>
Total long-term debt	1,702,942	1,861,225
Less current maturities	<u>(68,598)</u>	<u>(95,217)</u>
Long-term portion	<u>\$1,634,344</u>	<u>\$1,766,008</u>

Maturities on long-term debt are as follows:

Year Ending June 30,

2014	\$ 68,598
2015	75,009
2016	82,020
2017	89,687
2018	98,071
Thereafter	<u>1,289,557</u>
Total	<u>\$ 1,702,942</u>

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE J - Note payable – City of Chicago

The Crystal Courts HUD Project has a note payable to the City of Chicago, dated June 8, 1999, that is secured by a junior mortgage and a corresponding security agreement. The provisions of the note are subordinate to all applicable federal statutes, HUD regulations and related HUD directives and administrative requirements. This is a zero-interest loan and the principal balance of \$303,337 is not required to be paid until maturity on June 8, 2039. The note payable as recorded on the consolidated statement of financial position was calculated as follows as of June 30:

	<u>2013</u>	<u>2012</u>
Principal amount	\$ 303,337	\$ 303,337
Less unamortized discount	<u>(256,402)</u>	<u>(259,778)</u>
Long-term note payable	<u>\$ 46,935</u>	<u>\$ 43,559</u>

The unamortized discount on the note is based on an imputed interest rate of 7.75%.

Per the note agreement, in any year that Crystal Courts has Residual Receipts, Crystal Courts is required to request HUD to release such Residual Receipts for the purpose of paying principal on the note.

The Halsted Apartments, NFP project has a note payable to the City of Chicago, dated October 1, 2004, that is secured by a junior mortgage and a corresponding security agreement. The provisions of the note are subordinate to all applicable federal statutes, HUD regulations and related HUD directives and administrative requirements. The original principal balance was \$545,108. Interest accrues at a rate of 3% per annum. Principal and interest payments are not required until October 1, 2044. This interest rate was below the market interest rate for a similar loan at the date of issuance. The note payable as recorded on the statement of financial position was calculated as follows as of June 30:

	<u>2013</u>	<u>2012</u>
Outstanding principal amount	\$ 457,367	\$ 457,367
Less unamortized discount	<u>(85,073)</u>	<u>(84,421)</u>
Add deferred interest payable	<u>118,423</u>	<u>104,511</u>
Long-term note payable	<u>\$ 490,717</u>	<u>\$ 477,457</u>

The unamortized discount on the note is based on imputed interest rates of 4.75% to 5.25% at the time of loan draw.

Per the note agreement, all payments due under the note are only payable from Residual Receipts, as defined, and must be made only after receiving HUD authorization.

For the years ended June 30, 2013 and 2012, the Organization incurred \$17,288 and \$17,045, respectively, of accreted interest related to these notes.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K - Contributions in kind

Donations of services are recorded if they create or enhance a non-financial asset or are specialized skills that would be purchased if they were not donated. During the years ended June 30, 2013 and 2012, the Organization received donated legal and architectural services valued at \$333,209 and \$339,192, respectively, from independent third parties.

Donations of materials and goods are recorded at their estimated fair value at the date of donation. Such donations are recorded as unrestricted support unless the donor has restricted the donated asset to a specific purpose. During the years ended June 30, 2013 and 2012, the Organization received donated materials valued at approximately \$177,042 and \$45,229, respectively.

NOTE L - Capital advances

The HUD projects received capital advances under Section 811 of the National Affordable Housing Act in 2004 for construction costs of Anixter Village, The Center Apartments for the Disabled, Crystal Courts, Halsted Apartments, NFP, and Housing Opportunities for Persons with Disabilities, projects. The capital advances bear no interest, are secured by the real estate and personal property of the HUD project, and need not be repaid as long as the housing remains available to disabled persons for at least 40 years. If the HUD project defaults under the terms of the note or Regulatory Agreement, the entire principal sum plus interest from the date of the first advance shall become due at once. The capital advances and the junior mortgage mentioned below were previously reported as unrestricted net assets, however management concluded they are more properly stated as temporarily restricted net assets and accordingly they were reclassified on the consolidated statement of financial position.

The capital advance and annual interest rate was as follows for the year ended June 30:

	<u>2013</u>		<u>2012</u>	
	<u>Capital Advance</u>	<u>Interest</u>	<u>Capital Advance</u>	<u>Interest</u>
Anixter Village	\$ 2,167,700	5.25%	\$ 2,167,700	5.25%
The Center Apartments for the Disabled	1,316,400	8.375%	1,316,400	8.375%
Crystal Courts	1,746,100	5.75%	1,746,100	5.75%
Halsted Apartments, NFP	2,201,900	5.25%	2,201,900	5.25%
Housing Opportunities for Persons with Disabilities	<u>1,528,500</u>	7.75%	<u>1,528,500</u>	7.75%
	<u>\$ 8,960,600</u>		<u>\$ 8,960,600</u>	

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L - Capital advances, continued

In addition to the above capital advance from HUD, Anixter Village also received a \$172,500 junior mortgage from One Mortgage Partners Corp. in 2006, which may be recaptured up to 15 years from the date of the HUD project's completion.

NOTE M – Temporarily restricted net assets

The following items were temporarily restricted as of June 30 due to either use or time restrictions:

	<u>2013</u>	<u>2012</u>
Capital advances	\$ 8,960,600	\$ 8,960,600
Junior mortgage	172,500	172,500
Pledges receivable	126,821	222,457
Contributions	<u>108,443</u>	<u>44,793</u>
	<u>\$ 9,368,364</u>	<u>\$ 9,400,350</u>

During the year ended June 30, 2013 and 2012, the Organization released \$100,636 and \$14,759, respectively from time restrictions. The pledges receivable were previously reported as unrestricted net assets; however during the current year management properly included them in temporarily restricted net assets and accordingly they were reclassified on the consolidated statement of financial position.

NOTE N - Permanently restricted net assets

The following items were permanently restricted as of June 30 (See Note O):

	<u>2013</u>	<u>2012</u>
Anixter endowment	<u>\$ 261,154</u>	<u>\$ 261,154</u>

NOTE O - Endowment

Anixter Center's endowment as of June 30, 2013 and 2012 consisted of a donor-restricted endowment fund. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Director's 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 Anixter Center has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historical cost of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE O - Endowment, continued

As a result of this interpretation, Anixter Center classifies as permanently restricted net assets (a) the original value of 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 classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Anixter Center in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Anixter Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Anixter Center and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Anixter Center
- (7) The investment policies of Anixter Center

Endowment net asset composition by type of fund as of June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,954</u>	<u>\$ 261,954</u>

Endowment net asset composition by type of fund as of June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,954</u>	<u>\$ 261,954</u>

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE O - Endowment, continued

Change in endowment net assets for the years ended June 30, 2013 and 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2011	\$ -	\$ -	\$ 261,954	\$ 261,954
Investment return:				
Investment income	<u>1,385</u>	<u>-</u>	<u>-</u>	<u>1,385</u>
	1,385	-	-	1,385
Appropriation of endowment assets for expenditure	<u>(1,385)</u>	<u>-</u>	<u>-</u>	<u>(1,385)</u>
Endowment net assets, June 30, 2012	-	-	261,954	261,954
Investment return:				
Investment income	<u>224</u>	<u>-</u>	<u>-</u>	<u>224</u>
	224	-	-	224
Appropriation of endowment assets for expenditure	<u>(224)</u>	<u>-</u>	<u>-</u>	<u>(224)</u>
Endowment net assets, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,954</u>	<u>\$ 261,954</u>

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE O – Endowment, continued

Investment policies

Anixter 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. Endowment assets include those assets of donor-restricted funds that Anixter Center must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a savings account to reduce investment risk while still getting a return on their investment. Anixter Center expects its endowment to provide an average rate of return equivalent to the prevailing market interest rates.

Spending policies

Per donor instructions the interest earned on the endowment investment is to further enhance the mission of Anixter Center. Anixter Center has a policy of appropriating this interest as needed. This is consistent with the Anixter Center's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

NOTE P - Lease commitments

Anixter Center has various operating leases for buildings and equipment. During the years ended June 30, 2013 and 2012, Anixter Center incurred \$218,200 and \$292,362, respectively, in total building rental cost. Anixter Center has also entered into various future lease commitments for equipment. Future lease commitments for various buildings and equipment in effect are as follows, as of June 30, 2013:

Years Ending June 30,

2014	\$ 158,142
2015	123,508
2016	112,317
2017	114,529
2018	<u>64,907</u>
Total	<u>\$ 573,403</u>

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE Q - Tax deferred savings plans

Anixter Center has made available to its employees tax deferred savings plans that allow them to contribute a percentage of their earnings to the plans. Anixter Center may make matching contributions to the plans at management's discretion. Employees become eligible to participate in these plans after completing three months of service. The funds in these plans are fully vested and are not managed or controlled by Anixter Center. There were no matching contributions relating to these plans during 2013 and 2012, respectively.

NOTE R - Collective bargaining agreements

A significant portion of Anixter Center's non-management employees are covered by collective bargaining agreements. The current agreement between Anixter Center and the Local 20 Service Employees International Union (SEIU) representing such workers (totaling approximately 52% of all employees) expires on June 30, 2014.

NOTE S - Effects of consolidation

As discussed in Note A, the consolidated financial statements include seven HUD projects.

The financial activity of the seven HUD projects for the year ended June 30, 2013 is as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Expense</u>
Anixter Village	\$ 4,368,392	\$ 218,432	\$ 183,673	\$ 229,065
The Center Apartments for the Disabled	887,270	264,681	114,766	169,870
Chase Apartments	532,669	472,364	204,189	228,300
Clark Street Apartments	660,301	965,045	285,236	320,416
Crystal Courts	1,740,452	179,397	142,572	175,606
Halsted Apartments, NFP	3,092,851	628,681	127,595	174,219
Housing Opportunities for Persons with Disabilities	<u>1,114,470</u>	<u>186,857</u>	<u>217,198</u>	<u>173,998</u>
Total	<u>12,396,405</u>	<u>2,915,457</u>	<u>1,275,229</u>	<u>1,471,474</u>

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE S - Effects of consolidation, continued

The financial activity of the seven HUD projects for the year ended June 30, 2012 is as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Expense</u>
Anixter Village	\$ 4,395,600	\$ 200,248	\$ 175,682	\$ 204,327
The Center Apartments for the Disabled	902,977	225,284	98,132	166,267
Chase Apartments	566,635	482,219	210,434	144,821
Clark Street Apartments	716,316	985,880	290,779	240,850
Crystal Courts	1,770,645	176,556	154,030	170,310
Halsted Apartments, NFP	3,099,326	588,532	114,802	182,036
Housing Opportunities for Persons with Disabilities	<u>1,116,423</u>	<u>232,010</u>	<u>160,602</u>	<u>161,048</u>
Total	<u>12,567,922</u>	<u>2,890,729</u>	<u>1,204,461</u>	<u>1,269,659</u>

NOTE T - Restatement

During the year ended June 30, 2013, Anixter Center became aware of an overpayment from Department of Human Services relating to fiscal year 2011 in the amount of \$233,026, which has been repaid in fiscal year 2013.

	<u>2012 Previously Reported</u>	<u>Adjustment</u>	<u>2012 Restated</u>
Grants payable	\$ -	\$ 233,026	\$ 233,026
Net assets, end of year	24,536,556	(233,026)	24,303,530

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass-Through Grantor Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education/			
Pass-through State of Illinois			
Division of Rehabilitation Services			
New Focus	46CRD00301		\$ 67,424
Job Works	46CRD00251		178,094
Calor Vocational	46CRD00388		76,142
Professional Placement	46CRD00299		53,300
Competitive Placement	46CRD00453		313,542
On the Job Evaluation Services	46CRD00300		<u>205,891</u>
Total Vocational Rehabilitation Cluster		84.126	\$ 894,393
Pass-through State of Illinois			
Division of Rehabilitation Services			
Supported Employment	46CRD00298	84.187	<u>44,040</u>
Total Department of Education			938,433
U.S. Department of Health and Human Services/			
Substance Abuse and Mental Health			
Service Administration	None	93.243	234,994 *
Pass-through State of Illinois			
Office of Alcohol and Substance Abuse			
Prevention	FCSRE01426		39,200
Residential Treatment	43CRC00136		411,515
HIV Counseling	43CRC00121		<u>41,517</u>
Total Office of Alcohol and Substance Abuse		93.959	492,232 *
Pass-through AIDS Foundation			
Case Management Title 1	None	93.914	82,098
Pass-through State of Illinois			
Office of Prevention			
Domestic Violence Prevention	FCSRE01590	93.558	31,873
Domestic Violence Prevention	FCSRE01590	93.671	6,031
Domestic Violence Prevention	FCSRE01590	93.667	19,824
Donated Funds Initiative	FCSRE01590	93.667	<u>5,237</u>
Total Office of Prevention			62,965
Center of Disease Control			
Calor YMSM of Calor HIV Prevention			
Project in Chicago	None	93.939	293,121 *
Pass-through City of Chicago			
Department of Public Health	25921	93.940	<u>148,962</u>
Total Department of Health and Human Services			1,314,372

See notes to consolidated schedule of expenditures of federal awards

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass-Through Grantor Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture/			
Pass-through Illinois State Board of Education			
Lunch program	15016813S19		9,164
Lunch program - Commodities (Non-Cash)	15016813S19		<u>1,613</u>
Total Department of Agriculture		10.555	10,777
U.S. Department of Housing and Urban Development/			
Multi-family Project			
Anixter Village	071-HD128		143,140
The Center Apartments for the Disabled	071-EH545		46,667
Chase Apartments	071-EH061		168,123
Clark Street Apartments	071-EH099		214,305
Crystal Courts	071-HD009		90,167
Halsted Apartments, NFP	071-HD122		85,189
Housing Opportunities for Persons with Disabilities	071-HH011		<u>84,419</u>
Total Multi-family Project		14.195	832,010
Section 811 Capital Advance			
Anixter Village	None		2,167,700
The Center Apartments for the Disabled	None		1,316,400
Crystal Courts	None		1,746,100
Halsted Apartments, NFP	None		2,201,900
Housing Opportunities for Persons with Disabilities	None		<u>1,528,500</u>
Total section 811 capital advance		14.181	8,960,600 *
Section 202 Direct Loan Mortgage			
Chase Apartments	None		322,481
Clark Street Apartments	None		<u>842,809</u>
Total section 202 direct loan mortgage		14.157	1,165,290 *
Pass-through City of Chicago Department of Public Health			
Housing Opportunities for Persons with AIDS (HOPWA)	21099 & 27876	14.241	<u>92,175</u>
Total Department of Housing and Urban Development			11,050,075
Department of Justice/			
Office for Victims of Crime			
Information Authority	211081 & 212081	16.575	<u>51,243</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS			<u>\$ 13,364,900</u>

* Denotes tested as a major program

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

NOTES TO CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – Basis of presentation

The accompanying consolidated schedule of expenditures of federal awards includes the federal grant activity of Lester and Rosalie Anixter Center and Affiliates and is presented on the accrual basis of accounting. The information in this consolidated schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

NOTE B – Non-cash assistance

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2013, the Organization received food commodities totaling \$1,613.

NOTE C – Loans and loan guarantees

There were no loans or loan guarantees made with any Federal award money received.

**LESTER AND ROSALIE ANIXTER CENTER
AND AFFILIATES**

OMB CIRCULAR A-133 AUDIT REQUIREMENTS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Lester and Rosalie Anixter Center
and Affiliates
Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Lester and Rosalie Anixter Center and Affiliates (a non-profit organization), which comprise the consolidated statement of financial position as of June 30, 2013 and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Lester and Rosalie Anixter Center and Affiliates' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lester and Rosalie Anixter Center and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Lester and Rosalie Anixter Center and Affiliates' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lester and Rosalie Anixter Center and Affiliates' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of in a separate letter October 28, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lester and Rosalie Anixter Center and Affiliates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lester and Rosalie Anixter Center and Affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 28, 2013

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL
CONTROL OVER COMPLIANCE; AND REPORT ON THE
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of
Lester and Rosalie Anixter Center
and Affiliates
Chicago, Illinois

Report on Compliance for Each Major Federal Program

We have audited Lester and Rosalie Anixter Center and Affiliates' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lester and Rosalie Anixter Center and Affiliates' major federal programs for the year ended June 30, 2013. Lester and Rosalie Anixter Center and Affiliates' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Lester and Rosalie Anixter Center and Affiliates' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lester and Rosalie Anixter Center and Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lester and Rosalie Anixter Center and Affiliates' compliance.

Opinion on Each Major Federal Program

In our opinion, Lester and Rosalie Anixter Center and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2. Our opinion on each major federal program is not modified with respect to these matters

Lester and Rosalie Anixter Center and Affiliates' response to the noncompliance findings identified in our audit is described in the accompanying consolidated schedule of findings and questioned costs. Lester and Rosalie Anixter Center and Affiliates' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Lester and Rosalie Anixter Center and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lester and Rosalie Anixter Center and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on a each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lester and Rosalie Anixter Center and Affiliates' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees,

in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2 that we consider to be significant deficiencies.

Lester and Rosalie Anixter Center and Affiliates' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lester and Rosalie Anixter Center and Affiliates' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report in internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*. Accordingly, this report is not suitable for any other purpose.

SS&G, Inc.

October 28, 2013

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LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses?

 X Yes _____ None reported

Type of auditors' report issued on compliance for major programs

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

 X Yes _____ No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.157

Section 202 Direct Loan for Housing for the Elderly or Handicapped Persons

14.181

Section 811 Capital Advance Program – Supportive Housing for Persons with Disabilities

93.243

Substance Abuse and Mental Health Services

93.939

HIV Prevention Activities – Non-Governmental Organization Based Block Grants for Prevention and Treatment of Substance Abuse

93.959

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as a low risk auditee?

_____ Yes X No

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION II - Financial statement findings

For the year ended June 30, 2013, there were no findings related to the consolidated financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

SECTION III - Federal awards findings and questioned costs

There were two findings and questioned cost for federal awards (as defined in Section 512(a) of the OMB Circular A-133) that is required to be reported

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FINDING NO. 2013-1, Section 811 Capital Advance Program, CFDA 14.181

Federal Award Finding

<i>Criteria:</i>	Management should be in compliance with the various HUD handbooks, including the Management and Occupancy handbooks (4370.1 and 4350.3).
<i>Statement of condition:</i>	The HUD Projects were not consistently running the appropriate Enterprise Income Verification reports ("EIV") for the periods selected during the audit compliance testing.
<i>Questioned costs:</i>	\$0.
<i>Effect:</i>	The HUD Projects are not in compliance with its Regulatory Agreement.
<i>Cause:</i>	Insufficient management oversight.
<i>Recommendation:</i>	Management should adhere to the internal control procedures and policies that have been internally documented to properly run the required EIV reports.
<i>Auditee comments:</i>	Management acknowledges the HUD Projects' internal controls were ineffective and resulted in the lapsing of these HUD related reports.
<i>Planned corrective action:</i>	Management will begin consistently running the appropriate EIV reports in accordance with HUD handbooks and the Project's internal policies.
<i>Status:</i>	Closed. Management has implemented corrective action as of July 31, 2013.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Finding No.: 2013-2 Compliance finding

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FINDING NO. 2013-2, HIV Prevention Activities – Non-Governmental Organization Based, CFDA 93.671

Federal Award Finding

<i>Criteria:</i>	In accordance with the grant agreement with Center for Disease Control, HIV prevention services is for high risk Young Men of Color Who Have Sex with Men (YMSM of color) and their partners regardless of age, gender, and race/ethnicity. The male participants must be between the age of 18 and 29, of a race other than white, and have relations with males or transgender individuals.
<i>Statement of condition:</i>	We noted two instances where a person other than young men of color received HIV preventative services.
<i>Questioned costs:</i>	\$0.
<i>Effect:</i>	Noncompliance with eligibility requirements for this grant.
<i>Cause:</i>	Insufficient management oversight.
<i>Recommendation:</i>	Management should adhere to the internal control procedures and policies that have been internally documented to ensure only individuals meeting the eligibility requirements receive program benefits.
<i>Auditee comments:</i>	Management acknowledges the YMSM program's internal controls were ineffective and resulted in individuals not meeting the eligibility requirements receiving program benefits.
<i>Planned corrective action:</i>	Management will add an additional inservice to ensure that everybody is screening appropriately and assigning participants to the correct program.
<i>Status:</i>	Closed. Management has implemented corrective action as of July 31, 2013.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION IV – Schedule of prior year findings and questioned costs

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FINDING NO. 2012-1, Section 811 Capital Advance Program, CFDA 14.181

Federal Award Finding

Statement of Condition: There were instances in which current apartment inspection forms were not prepared and included in the tenant file.

Auditee Response: Management should review and modify, where necessary, its process for documenting and tracking the completion of apartment inspections.

Narrative: The system for documenting, tracking, and reviewing apartment inspections has been reviewed and modified to ensure that all appropriate and required documentation is in the tenant files.

Status: Closed.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FINDING NO. 2012-2, Substance Abuse and Mental Health Services, CFDA 93.243

Federal Award Finding

Statement of Condition: The Federal Financial Report was not filed until February 23, 2012, which is 57 days past the required filing date.

Auditee Response: Management should review its process for filing such reports in order to ensure proper and timely filing. In the event that filing is not able to be completed at the deadline date, an extension should be pursued.

Narrative: The Organization has developed a calendar of all filings which details due dates to ensure all filings are done timely.

Status: Closed.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF EDUCATION

FINDING NO. 2012-3, Vocational Rehabilitation Cluster, CFDA 84.126

Federal Award Finding

Statement of Condition: There were instances in which participant files were missing the referral forms and other instances in which the Individual Plan for Employment (IPE) was either missing or incomplete.

Auditee Response: Management should continue to follow its established policies and procedures related to the maintenance of the Division of Rehabilitation Services (DRS) referral forms and IPE forms in all participant files.

Narrative: The Organization agreed to follow its established policies and procedures to ensure that all appropriate and required documentation is included in participant files.

Status: Closed.

October 22, 2013

U.S. Department of Housing and Urban Development
77 W. Jackson Blvd.
Chicago, IL 60604-3507



www.anixter.org

RE: Corrective Action Plan for Fiscal Year Ended June 30, 2013
Lester & Rosalie Anixter Center FEIN#36-2244895 Management Agent for:
Chase Street Apts #071-EH061 Clark Street Apts #071-EH099
Center on Halsted #071-HD122 Evanston Apts #071-HH011
Crystal Courts #071-HD009 Anixter Village #071-HD128
Center Apts #071-EH545

Anixter Center respectfully submits our Corrective Action Plan for the year ended June 30, 2013. SS&G, 32125 Solon Road, Cleveland, OH 44139 conducted our audit.

The findings from the June 30, 2013 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the Schedule.

Federal Award Findings and Questioned Costs

Finding 2013-1

Recommendation:

Management should adhere to the internal control procedures and policies that have been internally documented to properly run the required EIV reports.

Action Plan:

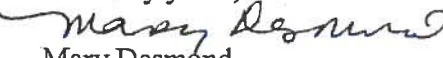
The Residential Department will begin consistently running the appropriate EIV reports in accordance with HUD handbooks and the Project's internal policies.

The Director of Residential Services is responsible for the implementation of this action plan.

The timeframe for completion of the action plan was 07/31/13 and has been fully completed.

If you have any questions regarding our corrective action plan, please contact me at 773-761-1501 x329 or mdesmond@anixter.org.

Sincerely yours,


Mary Desmond
Controller

Lester and Rosalie Anixter Center
Accounting Department
6610 N Clark Street | Chicago, IL 60626-4062
Voice 773-761-1501 | Fax 773-977-1240

October 23, 2013

U.S. Department of Health and Human Services
Center for Disease Control & Prevention
Attn: Audit Resolution, Mail Stop E-14
2920 Brandywine Road
Atlanta, GA 30341-4146



The ability to soar

www.anixter.org

RE: . Corrective Action Plan for Fiscal Year Ended June 30, 2013
Lester & Rosalie Anixter Center FEIN#36-2244895

Anixter Center respectfully submits our Corrective Action Plan for the year ended June 30, 2013. The name and address of the independent public accounting firm that conducted our audit is SS&G, 32125 Solon Road, Cleveland, OH 44139.

The findings from the June 30, 2013 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the Schedule.

Federal Award Findings and Questioned Costs

Finding 2013-2-Compliance

Recommendation:

Management should adhere to the internal control procedures and policies that have been internally documented to ensure only individuals meeting the eligibility requirements receive program benefits.

Action Plan:


Management will add an additional inservice to ensure that all program staff are screening appropriately and assigning participants to the correct program.

The Assistant Director of CALOR is responsible for the implementation of this action plan.

The timeframe for completion of the action plan was 07/31/13 and has been fully completed.

If you have any questions regarding our corrective action plan, please contact me at 773-761-1501 x329 or mdesmond@anixter.org.

Sincerely yours


Mary Desmond
Controller

Lester and Rosalie Anixter Center
Accounting Department
6610 N Clark Street | Chicago, IL 60626-4062
Voice 773-761-1501 | Fax 773-977-1240