LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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

Report on the Consolidated Financial Statements

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 statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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.

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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were 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 (on pages 32-33), as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the additional supplementary information (commencing on page 30), 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 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, 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.

SS+G, Inc.

November 3, 2014

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LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	**$ 490,929**	$ 546,875
Receivables		
Grants, fees, and contracts receivable, net of allowance of $125,478 and $171,001 at June 30, 2014 and 2013, respectively	**1,865,103**	2,116,265
Contributions receivable - current portion, net of allowance of $0 and $5,250 at June 30, 2014 and 2013, respectively	**180,339**	128,071
Inventories	**14,454**	19,688
Prepaid expenses	**318,469**	384,212
TOTAL CURRENT ASSETS	**2,869,294**	3,195,111
PROPERTY AND EQUIPMENT, net	**17,763,281**	18,246,778
NONCURRENT ASSETS		
Escrow accounts	**916,786**	884,741
Security deposits	**14,308**	14,266
Contributions receivable - long-term portion, net of discount of $604 and $6,679 at June 30, 2014 and 2013, respectively	**5,896**	54,166
Investments, at fair value	**7,584,043**	7,406,525
Investment in Hairpin Lofts, LLC	**10,000**	10,000
Notes receivable, net of discount of $1,063,992 and $1,071,275 at June 30, 2014 and 2013, respectively	**174,708**	167,425
TOTAL NONCURRENT ASSETS	**8,705,741**	8,537,123
TOTAL ASSETS	**$ 29,338,316**	$ 29,979,012

See accompanying notes to consolidated financial statements.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	2014	2013
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	**$ 3,805,000**	$ 2,561,000
Current portion of long-term debt	**75,009**	68,598
Accounts payable	**518,538**	707,986
Accrued salaries and benefits	**363,056**	499,145
Accrued vacation	**910,432**	933,493
Accrued expenses and other liabilities	**251,827**	216,377
TOTAL CURRENT LIABILITIES	**5,923,862**	4,986,599
LONG-TERM DEBT, net of current portion	**1,576,308**	1,634,344
TOTAL LIABILITIES	**7,500,170**	6,620,943
NET ASSETS		
Unrestricted	**12,332,721**	13,727,751
Temporarily restricted	**9,243,471**	9,368,364
Permanently restricted	**261,954**	261,954
TOTAL NET ASSETS	**21,838,146**	23,358,069
TOTAL LIABILITIES AND NET ASSETS	**$ 29,338,316**	$ 29,979,012

See accompanying notes to consolidated financial statements.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

	FOR THE YEAR ENDED JUNE 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Public support:				
Contributions	$ 955,269	$ 61,659	$ -	$ 1,016,928
Contributions in kind	490,047	-	-	490,047
Special events revenue	753,303	-	-	753,303
Total public support	2,198,619	61,659	-	2,260,278
Other revenues:				
Governmental grants	2,166,973	-	-	2,166,973
Governmental fees	10,274,384	-	-	10,274,384
Program fees	966,416	-	-	966,416
Rental revenue	1,393,378	-	-	1,393,378
Contract revenue	4,183,759	-	-	4,183,759
Other interest revenues	11,749	-	-	11,749
Miscellaneous revenues	25,078	-	-	25,078
Total other revenues	19,021,737	-	-	19,021,737
Investment income:				
Interest and dividends	102,400	-	-	102,400
Realized loss on investments	(79,533)	-	-	(79,533)
Unrealized gain on investments	476,059	-	-	476,059
Total investment income	498,926	-	-	498,926
Total revenues	21,719,282	61,659	-	21,780,941
Net assets released from restrictions	186,552	(186,552)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	21,905,834	(124,893)	-	21,780,941
EXPENSES				
Program services	19,027,043	-	-	19,027,043
Supporting services				
Center Foundation	35,643	-	-	35,643
Fundraising	1,181,793	-	-	1,181,793
Management and general	3,056,385	-	-	3,056,385
Total expenses	23,300,864	-	-	23,300,864
CHANGE IN NET ASSETS	(1,395,030)	(124,893)	-	(1,519,923)
NET ASSETS, BEGINNING OF YEAR	13,727,751	9,368,364	261,954	23,358,069
NET ASSETS , END OF YEAR	$ 12,332,721	$ 9,243,471	$ 261,954	$ 21,838,146

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			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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				
Center Foundation	32,765	-	-	32,765
Fundraising	1,092,321	-	-	1,092,321
Management and general	2,926,100	-	-	2,926,100
Total expenses	23,197,884	-	-	23,197,884
CHANGE IN NET ASSETS	(913,475)	(31,986)	-	(945,461)
NET ASSETS, BEGINNING OF YEAR	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 consolidated financial statements.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

PROGRAM SERVICES

	Community Support Services	Educational Services	Employment & Business Services	Health and Behavorial Health Services	Residential & Housing Support Services	Calor	Chicago Hearing Society	National Lekotek Center	Total Program Services
Staff salaries	$ 1,126,470	$ 892,805	$ 1,106,705	$ 898,849	$ 3,585,455	$ 545,629	$ 960,998	$ 266,287	$ 9,383,198
Payroll taxes	88,301	69,697	86,043	68,981	282,371	43,665	75,810	20,230	735,098
Employee insurance and benefits	148,645	135,499	118,362	124,371	588,649	80,516	146,040	29,636	1,371,718
Client wages and benefits	44,327	-	1,080,053	11,845	9,457	-	-	-	1,145,682
Activity supplies	38,727	8,066	135,460	10,995	46,828	22,157	418,252	6,198	686,683
Bad debts	5,678	-	(59,172)	662	24,706	-	34,890	651	7,415
Building maintenance and repairs	48,605	46,459	78,964	24,002	424,565	28,185	8,650	8,653	668,083
Client travel	111,871	759	41,652	627	3,027	3,558	-	-	161,494
Consultants	-	101,985	2,570	34,610	30,034	50	1,000	-	170,249
Contract coordinating	-	-	2,935	-	-	-	-	-	2,935
Data processing service	-	-	-	1,100	3,644	-	11,821	-	16,565
Depreciation and amortization	79,953	36,964	107,009	47,462	574,437	23,798	20,283	11,372	901,278
Employee procurement	3,139	7,926	472	622	9,530	165	250	611	22,715
Equipment leasing	555	93	354	375	-	-	461	73	1,911
Equipment maintenance and repairs	3,905	5,358	6,450	3,665	25,391	1,524	5,143	1,006	52,442
Equipment purchases	6,663	4,709	8,080	3,279	17,675	832	4,937	904	47,079
Food	2,898	19,061	107	8,006	41,161	11,110	1,404	1,039	84,786
Housekeeping supplies	5,107	2,726	104	1,140	34,930	1,078	796	26	45,907
In-kind	-	-	-	-	-	-	-	-	-
Insurance	22,250	9,295	24,030	13,914	121,464	2,191	11,354	11,359	215,857
Interprogram services	111,283	38,070	(8,894)	52,529	303,714	2,363	(48,858)	19,285	469,492
Legal and audit	-	3,000	-	-	50,010	-	-	-	53,010
Miscellaneous	1,497	4	1,656	432	5,069	273	13,791	2,903	25,625
Mortgage interest	-	-	-	-	119,058	-	-	-	119,058
Office supplies	5,156	5,552	6,468	6,662	17,145	5,024	8,223	1,921	56,151
Organization dues	198	378	34	117	325	31	2,585	-	3,668
Other interest	-	-	-	-	-	-	-	-	-
Postage and shipping	1,912	644	67,103	967	926	151	2,753	1,575	76,031
Printing	376	144	137	301	182	3,004	8,110	1,198	13,452
Public relations costs	-	-	526	525	-	75	2,262	2,750	6,138
Rent	25,332	18,492	7,919	12,547	69,800	99,882	6,060	12,638	252,670
Scavenger	8,219	10,050	13,575	4,340	48,284	2,740	2,392	2,392	91,992
Security and watch services	1,030	1,648	1,770	793	35,115	557	829	830	42,572
Special events	-	-	-	-	-	-	11,313	14,019	25,332
Staff travel	19,479	1,611	17,127	1,419	15,307	7,952	18,051	4,900	85,846
Subcontract labor	-	500	236,187	-	710	-	851,586	22,325	1,111,308
Telephone	17,560	8,568	14,714	11,113	95,736	11,066	19,052	2,422	180,231
Training	1,293	3,811	218	3,455	1,374	4,716	15,228	3,226	33,321
Utilities	60,487	55,367	92,210	28,367	279,563	11,395	13,845	13,850	555,084
Vehicle operating expense	14,599	1,370	102	905	86,931	1,060	-	-	104,967
Total consolidated functional expenses	$ 2,005,515	$ 1,490,611	$ 3,191,030	$ 1,378,977	$ 6,952,573	$ 914,747	$ 2,629,311	$ 464,279	$ 19,027,043

See accompanying notes to consolidated fiancnial statements.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

		SUPPORTING SERVICES				
	Total Program Services	Center Foundation	Fundraising	Management and General	Total Supporting Services	Organization Total
Staff salaries	$ 9,383,198	$ -	$ 286,909	$ 2,298,608	$ 2,585,517	$ 11,968,715
Payroll taxes	735,098	-	21,307	173,688	194,995	930,093
Employee insurance and benefits	1,371,718	-	35,190	288,158	323,348	1,695,066
Client wages and benefits	1,145,682	-	-	50,852	50,852	1,196,534
Activity supplies	686,683	-	5	8,265	8,270	694,953
Bad debts	7,415	-	25,165	2,817	27,982	35,397
Building maintenance and repairs	668,083	(24)	1,366	14,241	15,583	683,666
Client travel	161,494	-	-	247	247	161,741
Consultants	170,249	-	-	1,850	1,850	172,099
Contract coordinating	2,935	-	-	-	-	2,935
Data processing service	16,565	-	12,808	53,615	66,423	82,988
Depreciation and amortization	901,278	118,590	2,258	57,766	178,614	1,079,892
Employee procurement	22,715	-	489	4,618	5,107	27,822
Equipment leasing	1,911	-	241	7,166	7,407	9,318
Equipment maintenance and repairs	52,442	-	1,897	16,045	17,942	70,384
Equipment purchases	47,079	-	591	15,909	16,500	63,579
Food	84,786	-	277	2,144	2,421	87,207
Housekeeping supplies	45,907	-	138	1,362	1,500	47,407
In-kind	-	-	490,047	-	490,047	490,047
Insurance	215,857	-	1,779	38,821	40,600	256,457
Interprogram services	469,492	-	4,274	(473,766)	(469,492)	-
Legal and audit	53,010	1,000	-	123,215	124,215	177,225
Miscellaneous	25,625	25	8,441	9,502	17,968	43,593
Mortgage interest	119,058	-	-	-	-	119,058
Office supplies	56,151	-	2,736	23,059	25,795	81,946
Organization dues	3,668	-	3,086	36,197	39,283	42,951
Other interest	-	-	-	91,908	91,908	91,908
Postage and shipping	76,031	-	9,051	13,777	22,828	98,859
Printing	13,452	-	5,825	9,315	15,140	28,592
Public relations costs	6,138	-	3,851	1,710	5,561	11,699
Rent	252,670	(83,948)	852	3,230	(79,866)	172,804
Scavenger	91,992	-	375	5,278	5,653	97,645
Security and watch services	42,572	-	130	2,492	2,622	45,194
Special events	25,332	-	223,375	-	223,375	248,707
Staff travel	85,846	-	1,332	11,679	13,011	98,857
Subcontract labor	1,111,308	-	24,338	83,967	108,305	1,219,613
Telephone	180,231	-	3,093	16,356	19,449	199,680
Training	33,321	-	8,398	31,927	40,325	73,646
Utilities	555,084	-	2,169	30,367	32,536	587,620
Vehicle operating expense	104,967	-	-	-	-	104,967
Total consolidated functional expenses	$ 19,027,043	$ 35,643	$ 1,181,793	$ 3,056,385	$ 4,273,821	$ 23,300,864

See accompanying notes to consolidated fianncial statements.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

PROGRAM SERVICES

	Community Support Services	Educational Services	Employment & Business Services	Health and Behavioral Health Services	Residential & Housing Support Services	Calor	Chicago Hearing Society	National Lekotek Center	Total Program Services
Staff salaries	$ 1,177,499	$ 975,179	$ 1,157,690	$ 836,067	$ 3,527,718	$ 614,158	$ 1,041,660	$ 225,141	$ 9,555,112
Payroll taxes	95,197	77,520	91,473	65,885	287,033	50,734	83,633	18,318	769,793
Employee insurance and benefits	174,460	142,127	141,386	125,237	586,584	93,272	157,733	36,797	1,457,596
Client wages and benefits	44,641	-	1,031,883	11,083	8,699	-	-	-	1,096,306
Activity supplies	31,428	11,077	132,943	10,761	36,749	41,077	426,586	12,295	702,916
Bad debts	2,107	-	16,692	19,057	12,666	(747)	29,365	225	79,365
Building maintenance and repairs	24,720	20,287	40,008	12,652	290,603	20,806	7,328	6,144	422,548
Client travel	104,401	165	45,858	563	4,244	8,990	-	-	164,221
Consultants	1,500	85,120	188	27,773	36,181	3,997	1,850	-	156,609
Contract coordinating	-	-	2,102	-	-	-	-	-	2,102
Data processing service	4,236	3,513	3,378	3,827	14,845	2,632	15,273	875	48,579
Depreciation and amortization	68,605	39,195	96,479	51,368	567,435	28,995	24,234	12,232	888,543
Employee procurement	1,288	6,988	302	442	4,231	428	799	260	14,738
Equipment leasing	471	72	276	218	-	263	295	212	1,807
Equipment maintenance and repairs	4,644	5,952	8,600	3,318	24,629	838	4,206	699	52,886
Equipment purchases	9,381	16,064	7,590	3,618	16,189	2,860	31,807	1,391	88,900
Food	2,066	22,248	2,433	5,804	42,619	14,303	1,126	943	91,542
Housekeeping supplies	4,518	2,401	270	1,416	31,347	2,067	990	33	43,042
In-kind	-	-	-	-	-	-	-	-	-
Insurance	22,650	10,432	26,035	14,128	124,540	2,344	13,684	10,725	224,538
Interprogram services	104,833	38,618	(17,252)	54,607	190,186	858	(55,102)	15,101	331,849
Legal and audit	-	-	-	-	70,276	-	1,123	-	71,399
Miscellaneous	1,987	459	1,236	1,237	5,434	859	14,327	2,973	28,512
Mortgage interest	-	-	-	-	124,626	-	-	-	124,626
Office supplies	9,683	8,917	6,732	4,937	16,416	6,683	13,232	631	67,231
Organization dues	103	784	-	249	210	34	3,543	-	4,923
Other interest	-	-	-	-	3	14	-	-	17
Postage and shipping	2,081	1,121	32,020	790	994	33	5,359	1,379	43,777
Printing	69	463	144	35	138	2,399	9,180	739	13,167
Public relations costs	-	150	667	550	-	125	5,304	75	6,871
Rent	24,838	18,492	7,657	12,547	66,426	96,979	6,000	12,538	245,477
Scavenger	6,477	9,841	10,583	3,454	44,207	2,138	1,955	1,956	80,611
Security and watch services	21,965	5,773	9,509	8,766	31,525	360	1,968	1,268	81,134
Special events	-	-	-	-	-	-	12,092	13,360	25,452
Staff travel	22,579	1,896	21,990	2,664	15,766	9,432	19,434	4,484	98,245
Subcontract labor	-	-	181,446	-	630	-	1,088,677	28,405	1,299,158
Telephone	15,731	6,906	12,936	9,676	83,412	9,775	25,757	3,189	167,382
Training	2,362	3,083	190	1,732	2,191	10,093	8,407	2,691	30,749
Utilities	47,693	33,527	72,740	22,494	221,953	10,302	11,091	11,095	430,895
Vehicle operating expense	17,218	1,294	1,963	4,526	108,879	200	-	-	134,080
Total consolidated functional expenses	$ 2,051,431	$ 1,549,664	$ 3,148,147	$ 1,321,481	$ 6,599,584	$ 1,037,301	$ 3,012,916	$ 426,174	$ 19,146,698

See accompanying notes to consolidated fianncial statements.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

		SUPPORTING SERVICES				
	Total Program Services	Center Foundation	Fundraising	Management and General	Total Supporting Services	Organization Total
Staff salaries	$ 9,555,112	$ -	$ 331,855	$ 2,074,262	$ 2,406,117	$ 11,961,229
Payroll taxes	769,793	-	24,995	159,906	184,901	954,694
Employee insurance and benefits	1,457,596	-	22,257	253,476	275,733	1,733,329
Client wages and benefits	1,096,306	-	-	32,770	32,770	1,129,076
Activity supplies	702,916	-	-	6,782	6,782	709,698
Bad debts	79,365	-	(5,249)	(7,617)	(12,866)	66,499
Building maintenance and repairs	422,548	(20)	984	26,990	27,954	450,502
Client travel	164,221	-	-	7	7	164,228
Consultants	156,609	-	-	788	788	157,397
Contract coordinating	2,102	-	-	-	-	2,102
Data processing service	48,579	-	699	5,472	6,171	54,750
Depreciation and amortization	888,543	119,356	2,363	50,079	171,798	1,060,341
Employee procurement	14,738	-	274	35,781	36,055	50,793
Equipment leasing	1,807	-	53	6,650	6,703	8,510
Equipment maintenance and repairs	52,886	-	9,710	17,594	27,304	80,190
Equipment purchases	88,900	-	181	18,810	18,991	107,891
Food	91,542	-	111	1,996	2,107	93,649
Housekeeping supplies	43,042	-	103	1,649	1,752	44,794
In-kind	-	-	510,251	-	510,251	510,251
Insurance	224,538	-	2,245	45,289	47,534	272,072
Interprogram services	331,849	-	4,346	(336,195)	(331,849)	-
Legal and audit	71,399	1,000	-	140,372	141,372	212,771
Miscellaneous	28,512	59	7,334	34,239	41,632	70,144
Mortgage interest	124,626	(7,056)	-	-	(7,056)	117,570
Office supplies	67,231	-	1,019	30,979	31,998	99,229
Organization dues	4,923	-	1,793	31,473	33,266	38,189
Other interest	17	-	-	74,897	74,897	74,914
Postage and shipping	43,777	-	6,199	15,999	22,198	65,975
Printing	13,167	-	6,989	5,450	12,439	25,606
Public relations costs	6,871	-	27,909	5,924	33,833	40,704
Rent	245,477	(80,574)	852	52,445	(27,277)	218,200
Scavenger	80,611	-	306	4,686	4,992	85,603
Security and watch services	81,134	-	298	5,101	5,399	86,533
Special events	25,452	-	114,590	-	114,590	140,042
Staff travel	98,245	-	2,488	9,217	11,705	109,950
Subcontract labor	1,299,158	-	4,326	50,797	55,123	1,354,281
Telephone	167,382	-	4,015	17,457	21,472	188,854
Training	30,749	-	7,281	22,970	30,251	61,000
Utilities	430,895	-	1,744	29,591	31,335	462,230
Vehicle operating expense	134,080	-	-	14	14	134,094
Total consolidated functional expenses	$ 19,146,698	$ 32,765	$ 1,092,321	$ 2,926,100	$ 4,051,186	$ 23,197,884

See accompanying notes to consolidated fiancncial statements.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ (1,519,923)**	$ (945,461)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	**1,079,892**	1,060,341
Bad debt expense	**35,397**	66,498
Donated securities	**(17,027)**	(1,563)
Loss on disposal of property and equipment	**7,000**	-
Realized loss (gain) on sale of investments	**79,533**	(45,691)
Unrealized (gain) loss on investments	**(476,059)**	256,099
Discount on note receivable	**(7,283)**	(6,979)
Accretion of interest on long-term debt	**16,973**	16,636
(Increase) decrease in:		
Receivables	**211,767**	(164,771)
Other current assets	**70,977**	23,747
Other assets	**(32,087)**	(38,707)
Increase (decrease) in:		
Accounts payable	**(189,448)**	83,516
Grants payable	-	(233,026)
Other current liabilities	**(123,700)**	4,954
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(863,988)**	75,593
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	**(7,521,250)**	(5,854,471)
Proceeds from sale of investments	**7,757,285**	5,693,354
Purchases of property and equipment	**(603,395)**	(822,538)
NET CASH USED IN INVESTING ACTIVITIES	**(367,360)**	(983,655)

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, 2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of line of credit	**$ 7,191,000**	$ 5,786,000
Repayment of line of credit	**(5,947,000)**	(5,699,000)
Payments on long-term debt	**(68,598)**	(174,919)
NET CASH PROVIDED (USED IN) BY FINANCING ACTIVITIES	**1,175,402**	(87,919)
NET DECREASE IN CASH	**(55,946)**	(995,981)
CASH, beginning of year	**546,875**	1,542,856
CASH, end of year	**$ 490,929**	$ 546,875

SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash paid during the year for:

	2014	2013
Interest	**$ 194,364**	$ 192,467

See accompanying notes to consolidated financial statements.

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. 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 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 L.
>
> 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 Note M.

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, 2014 and 2013, management recorded an allowance of $125,478 and $176,251, 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.

Routine maintenance is charged to maintenance expense. Expenditures, which materially increase the value or extend the useful lives of the related property and equipment are capitalized. 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

NOTE A – Summary of significant accounting policies, continued

Impairment of long-lived assets, continued

carrying amount or the fair value less costs to sell. As of June 30, 2014 and 2013, in the opinion of management, there is no impairment on assets to be recognized.

Investments

Investments in marketable securities, fixed income securities and mutual funds are reported at fair value based upon market quotations. 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 contributions 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 from endowments available for distribution are recorded in unrestricted net assets.

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 November 3, 2014, which is the date the consolidated financial statements were available to be issued.

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.

Level 2 Inputs to the valuation methodology include
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTE B – Fair value measurements, continued

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

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

The asset 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. There were no changes to valuation methodologies during the years ended June 30, 2014 and 2013.

Fair values for marketable securities, fixed income securities, and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

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

	Fair Value Measurements at June 30, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Money market	**$ 1,760,131**	**$ -**	**$ -**	**$ 1,760,131**
Common stocks:				
Consumer cyclicals	**35,949**	**-**	**-**	**35,949**
Consumer discretionary	**62,971**	**-**	**-**	**62,971**
Consumer staples	**494,154**	**-**	**-**	**494,154**
Financial	**216,654**	**-**	**-**	**216,654**
Total common stocks	**809,728**	**-**	**-**	**809,728**
Mutual funds:				
Large blend	**668,491**	**-**	**-**	**668,491**
Mid-cap growth	**35,224**	**-**	**-**	**35,224**
Mid-cap value	**814,196**	**-**	**-**	**814,196**
Moderate allocation	**1,310,585**	**-**	**-**	**1,310,585**
World allocation	**2,185,688**	**-**	**-**	**2,185,688**
Total mutual funds	**5,014,184**	**-**	**-**	**5,014,184**
	$ 7,584,043	**$ -**	**$ -**	**$ 7,584,043**

NOTE B – Fair value measurements, continued

	Fair Value Measurements at June 30, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Money market	$ 1,738,520	$ -	$ -	$ 1,738,520
International equities	725,942	-	-	725,942
Exchange traded funds	4,942,063	-	-	4,942,063
	$ 7,406,525	$ -	$ -	$ 7,406,525

Investment fees for the years ended June 30, 2014 and 2013 were $31,021 and $62,784, 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 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 2014 and 2013, approximately 57% and 61%, respectively, of Anixter Center’s operating revenues were provided by governmental funding sources. Of the amount provided by governmental funding sources, 76% and 71%, respectively, was provided by the Illinois Department of Human Services (IDHS). Receivables from IDHS represent 47% and 53% of total grants and fees receivable as of June 30, 2014 and 2013, respectively.

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:

	2014	2013
Pledges due in less than one year	**$ 180,339**	$ 133,321
Pledges due in one to five years	**6,500**	60,845
	186,839	194,166
Less allowance for doubtful accounts	**-**	(5,250)
Less unamortized discount on contributions receivable	**(604)**	(6,679)
Contributions receivable adjusted to present value of the estimated future cash flows	**$ 186,235**	$ 182,237

NOTE E - 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, 2014 and 2013 consolidated statements of financial position at $174,708 and $167,425, respectively.

NOTE F - Property and equipment

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

	2014	2013
Land	**$ 3,702,647**	$ 3,702,647
Buildings and improvements	**26,995,387**	26,667,631
Equipment	**1,376,564**	1,279,052
Vehicles	**888,120**	747,106
Leasehold improvements	**206,919**	206,919
	33,169,637	32,603,355
Less accumulated depreciation and amortization	**(15,406,356)**	(14,356,577)
	$ 17,763,281	$ 18,246,778

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 was $1,079,892 and $1,060,341, respectively.

NOTE G - Line of credit

As of June 30, 2014 and 2013, Anixter Center had $3,805,000 and $2,561,000 outstanding under a line of credit with First Bank and Trust. As of June 30, 2014 and 2013, borrowings under the line bear interest at the prime rate of 3.25% less .75% for the year ended June 30, 2014 and at the prime rate of 3.25% less .5% for the year ended June 30, 2013. This agreement expires on December 27, 2015 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 H - Long-term debt

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

	2014	2013
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.	**$296,527**	$322,481
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.	**800,165**	842,809
Mortgage note payable to the City of Chicago Department of Housing – Crystal Courts (Casa Contreras). See Note I.	**50,572**	46,935
Mortgage note payable to City of Chicago Department of Housing – Halsted Apartments, NFP. See Note I.	**504,053**	490,717
Total long-term debt	**1,651,317**	1,702,942
Less current maturities	**(75,009)**	(68,598)
Long-term portion	**$1,576,308**	$1,634,344

Maturities on long-term debt are as follows:

Year Ending June 30,	
2015	$ 75,009
2016	82,020
2017	89,687
2018	98,071
2019	107,241
Thereafter	1,199,289
Total	$ 1,651,317

NOTE I - 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:

	2014	2013
Principal amount	**$ 303,337**	$ 303,337
Less unamortized discount	**(252,765)**	(256,402)
Long-term note payable	**$ 50,572**	$ 46,935

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:

	2014	2013
Outstanding principal amount	**$ 457,367**	$ 457,367
Less unamortized discount	**(85,648)**	(85,073)
Add deferred interest payable	**132,334**	118,423
Long-term note payable	**$ 504,053**	$ 490,717

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, 2014 and 2013, the Organization incurred $16,973 and $16,636, respectively, of accreted interest related to these notes.

NOTE J - 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, 2014 and 2013, the Organization received donated legal, design, consulting, architectural, and other services valued at $214,383 and $333,209, respectively, from independent third parties.

Donations of materials and goods are recorded at the donor's 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, 2014 and 2013, the Organization received donated materials valued at approximately $275,664 and $177,042, respectively.

NOTE K - 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 related HUD project, and need not be repaid as long as the housing remains available to disabled persons for at least 40 years. If a HUD project defaults under the terms of the note or its Regulatory Agreement, the entire principal sum plus interest from the date of the first advance shall become due at once.

The capital advances and annual default rates of interest were as follows for the years ended June 30, 2014 and 2013:

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

NOTE K - 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 L – Temporarily restricted net assets

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

	2014	2013
Capital advances	**$ 8,960,600**	$ 8,960,600
Junior mortgage	**172,500**	172,500
Pledges receivable	**33,056**	126,821
Contributions	**77,315**	108,443
	$ 9,243,471	$ 9,368,364

During the year ended June 30, 2014 and 2013, the Organization released $186,552 and $100,636, respectively from use and time restrictions.

NOTE M- Endowment

Anixter Center's endowment as of June 30, 2014 and 2013 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.

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, and (b) the original value of subsequent gifts to the permanent endowment. 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, if any, 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:

NOTE M - Endowment, continued

(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, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	**$ -**	**$ -**	**$ 261,954**	**$ 261,954**

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	**$ -**	**$ -**	**$ 261,954**	**$ 261,954**

NOTE M - Endowment, continued

Change in endowment net assets for the years ended June 30, 2014 and 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2012	$ -	$ -	$ 261,954	$ 261,954
Investment return:				
Investment income	224	-	-	224
	224	-	-	224
Appropriation of endowment assets for expenditure	(224)	-	-	(224)
Endowment net assets, June 30, 2013	-	-	261,954	261,954
Investment return:				
Investment income	**8**	**-**	**-**	**8**
	8	**-**	**-**	**8**
Appropriation of endowment assets for expenditure	**(8)**	**-**	**-**	**(8)**
Endowment net assets, June 30, 2014	**$ -**	**$ -**	**$ 261,954**	**$ 261,954**

NOTE M – 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 manner that is intended to produce results that over time will average the level of the approved endowment spending rate plus inflation while minimizing investment risk. Actual results in any given year may vary from this amount.

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 N - Lease commitments

Anixter Center has various operating leases for buildings and equipment. During the years ended June 30, 2014 and 2013, Anixter Center incurred $172,804 and $218,200, 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, 2014:

Years Ending June 30,	
2015	$ 160,499
2016	115,945
2017	116,857
2018	67,235
2019	2,037
Total	$ 462,573

NOTE O - 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 2014 and 2013, respectively.

NOTE P - 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 54% of all regular employees) expired on June 30, 2014. The SEIU and Organization agreed to extend the current contract through December 31, 2014 until a new contract is negotiated.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2014

	LESTER AND ROSALIE ANIXTER CENTER	HUD AFFILIATES	CENTER FOUNDATION	CONSOLIDATED
ASSETS				
CURRENT ASSETS				
Cash	$ 338,552	$ 151,867	$ 510	$ 490,929
Receivables				
Grants, fees, and contracts receivable, net of allowance of $125,478	1,848,398	16,705	-	1,865,103
Contributions receivable - current portion, net of allowance of $0	180,339	-	-	180,339
Inventories	14,454	-	-	14,454
Prepaid expenses	318,469	-	-	318,469
TOTAL CURRENT ASSETS	2,700,212	168,572	510	2,869,294
PROPERTY AND EQUIPMENT,net	3,295,479	10,925,385	3,542,417	17,763,281
NONCURRENT ASSETS				
Escrow accounts	-	916,786	-	916,786
Security deposits	14,308	-	-	14,308
Contributions receivable -long-term portion, net of discount of $604	5,896	-	-	5,896
Investments, at fair value	7,584,043	-	-	7,584,043
Investment in Hairpin Lofts, LLC	10,000	-	-	10,000
Note recievable, net of $1,063,992 discount	174,708	-	-	174,708
TOTAL NONCURRENT ASSETS	7,788,955	916,786	-	8,705,741
TOTAL ASSETS	$ 13,784,646	$ 12,010,743	$ 3,542,927	$ 29,338,316
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Line of credit	$ 3,805,000	$ -	$ -	$ 3,805,000
Current portion of long-term debt	-	75,009	-	75,009
Accounts payable	374,777	143,761	-	518,538
Accrued salaries and benefits	362,161	895	-	363,056
Accrued vacation	902,436	7,996	-	910,432
Accrued expenses and other liabilities	159,957	90,870	1,000	251,827
TOTAL CURRENT LIABILITIES	5,604,331	318,531	1,000	5,923,862
LONG-TERM DEBT, net of current portion	-	1,576,308	-	1,576,308
DUE TO LESTER AND ROSALIE ANIXTER CENTER	(1,942,064)	1,091,529	850,535	-
TOTAL LIABILITIES	3,662,267	2,986,368	851,535	7,500,170
NET ASSETS				
Unrestricted	9,750,054	(108,725)	2,691,392	12,332,721
Temporarily restricted	110,371	9,133,100	-	9,243,471
Permanently restricted	261,954	-	-	261,954
TOTAL NET ASSETS	10,122,379	9,024,375	2,691,392	21,838,146
TOTAL LIABILITIES AND NET ASSETS	$ 13,784,646	$ 12,010,743	$ 3,542,927	$ 29,338,316

See independent auditors' report.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	LESTER AND ROSALIE ANIXTER CENTER	HUD AFFILIATES	CENTER FOUNDATION	CONSOLIDATED
REVENUES, GAINS AND OTHER SUPPORT				
Public Support:				
Contributions	$ 1,016,928	$ -	$ -	$ 1,016,928
Contributions in kind	490,047	-	-	490,047
Special events revenue	753,303	-	-	753,303
Total public support	2,260,278	-	-	2,260,278
Other revenues:				
Governmental grants	2,166,973	-	-	2,166,973
Governmental fees	10,274,384	-	-	10,274,384
Program fees	966,416	-	-	966,416
Rental revenue	329,593	1,063,785	-	1,393,378
Contract revenue	4,183,759	-	-	4,183,759
Other interest revenues	10,822	927	-	11,749
Miscellaneous revenues	13,006	8,470	3,602	25,078
Total other revenues	17,944,953	1,073,182	3,602	19,021,737
Investment income:				
Interest and dividends	102,400	-	-	102,400
Realized loss on investments	(79,533)	-	-	(79,533)
Unrealized gain on investments	476,059	-	-	476,059
Total investment income	498,926	-	-	498,926
TOTAL REVENUES, GAINS AND OTHER SUPPORT	20,704,157	1,073,182	3,602	21,780,941
EXPENSES				
Program services	17,497,288	1,529,755	-	19,027,043
Supporting services	3,056,385	-	35,643	3,092,028
Fundraising	1,181,793	-	-	1,181,793
Total expenses	21,735,466	1,529,755	35,643	23,300,864
CHANGE IN NET ASSETS	(1,031,309)	(456,573)	(32,041)	(1,519,923)
NET ASSETS, BEGINNING OF YEAR	11,153,688	9,480,948	2,723,433	23,358,069
NET ASSETS , END OF YEAR	$ 10,122,379	$ 9,024,375	$ 2,691,392	$ 21,838,146

See independent auditors' report.

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor Number	Federal CFDA Number		**Federal Expenditures**	
LESTER AND ROSALIE ANIXTER CENTER					
U.S. Department of Education/					
Pass-through State of Illinois Department of Human Services,					
Division of Rehabilitation Services					
New Focus	46CRD00301		**$ 27,148**		
Job Works	46CRD00251		**133,981**		
Calor Vocational	46CRD00388		**35,732**		
Professional Placement	46CRD00299		**27,753**		
Competitive Placement	46CRD00453		**262,434**		
On the Job Evaluation Services	46CRD00300		**63,965**		
Total Vocational Rehabilitation Cluster		84.126		**$ 551,013**	*
Pass-through State of Illinois Department of Human Services,					
Division of Rehabilitation Services					
Supported Employment	46CRD00298	84.187		**19,775**	
Total Department of Education				**570,788**	
U.S. Department of Health and Human Services/					
Pass-through State of Illinois Department of Human Services,					
Division of Family and Community Services					
Prevention	FCSSP01426		**98,037**		
Pass-through State of Illinois Department of Human Services,					
Division of Alcoholism and Substance Abuse					
Residential Treatment	43CSC00187		**327,932**		
HIV Counseling	43CSC00002		**52,789**		
Total		93.959		**478,758**	
Pass-through AIDS Foundation					
Case Management Title 1	None	93.914		**92,941**	
Pass-through State of Illinois Department of Human Services,					
Division of Family and Community Services					
Domestic Violence Prevention	FCSST01590	93.558	**50,473**		
Domestic Violence Prevention	FCSST01590		**11,314**		
Donated Funds Initiative	FCSST01590		**6,153**		
		93.667	**17,467**		
Total Division of Family and Community Services				**67,940**	
Center of Disease Control					
Calor YMSM of Calor HIV Prevention					
Project in Chicago	None	93.939		**251,272**	*
Pass-through City of Chicago					
Department of Public Health	25921	93.940		**148,104**	*
Total Department of Health and Human Services				**1,039,015**	

See notes to consolidated schedule of expeditures of federal awards

LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor Number	Federal CFDA Number		**Federal Expenditures**	
U.S. Department of Agriculture/					
Pass-through Illinois State Board of Education					
Lunch program	15016813S19		**9,435**		
Lunch program - Commodities (Non-Cash)	15016813S19		**1,388**		
Total Department of Agriculture		10.555		**10,823**	
U.S. Department of Housing and Urban Development/					
Pass-through City of Chicago Department of Public Health					
Housing Opportunities for Persons with AIDS (HOPWA)	27876	14.241		**55,345**	
Total Department of Housing and Urban Development				**55,345**	
Department of Justice/					
Office for Victims of Crime					
Information Authority	211081 & 212081	16.575		**49,685**	
TOTAL EXPENDITURE OF FEDERAL AWARDS LESTER AND ROSALIE ANIXTER CENTER				**$ 1,725,656**	
AFFILIATES					
U.S. Department of Housing and Urban Development/					
Multi-family Project					
Anixter Village	071-HD128		**141,966**		
The Center Apartments for the Disabled	071-EH545		**54,682**		
Chase Apartments	071-EH061		**161,452**		
Clark Street Apartments	071-EH099		**223,369**		
Crystal Courts	071-HD009		**105,199**		
Halsted Apartments, NFP	071-HD122		**91,661**		
Housing Opportunities for Persons with Disabilities	071-HH011		**92,935**		
Total Multi-family Project		14.195		**871,264**	
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		**1,528,500**		
Total section 811 capital advance		14.181		**8,960,600**	*
Section 202 Direct Loan Mortgage					
Chase Apartments	None		**296,527**		
Clark Street Apartments	None		**800,165**		
Total section 202 direct loan mortgage		14.157		**1,096,692**	*
TOTAL EXPENDITURE OF FEDERAL AWARDS AFFILIATES				**$ 10,928,556**	
LESTER AND ROSALIE ANIXTER CENTER AND AFFILIATES CONSOLIDATED EXPENDITURE OF FEDERAL AWARDS				**$ 12,654,212**	

* Denotes tested as a major program

See notes to consolidated schedule of expeditures of federal awards

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 federal grant activity of the Affiliates is to operate Department of Housing and Urban Development (HUD) financed properties. 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, 2014, the Organization received food commodities totaling $1,388.

NOTE C – Loans and loan guarantees

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

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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 statements of financial position as of June 30, 2014 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, and have issued our report thereon dated November 3, 2014.

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.

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 dated November 3, 2014.

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 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.

SS&G, Inc.

November 3, 2014

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE 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* 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, 2014. 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 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* 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, 2014.

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 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*, 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on 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*. Accordingly, this report is not suitable for any other purpose.

SS+G, Inc.

November 3, 2014

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LESTER AND ROSALIE ANIXTER CENTER
AND AFFILIATES

OMB CIRCULAR A-133 AUDIT REQUIREMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - Summary of Auditors' Results

Financial statements		
Type of auditors' report issued:	Unmodified	
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?	______ Yes	X None reported
Type of auditors' report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	______ Yes	X 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
84.126	Rehabilitation Services and Vocational Rehabilitation Grants to States
93.939	HIV Prevention Activities – Non-Governmental Organization Based
93.940	HIV Prevention Activities – Health Department Based

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
Auditee qualified as a low risk auditee?	______ Yes	X No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION II - Financial statement findings

For the year ended June 30, 2014, 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

For the year ended June 30, 2014, there were no findings and questioned cost for federal awards (as defined in Section 512(a) of the OMB Circular A-133) that are required to be reported

SECTION IV – Schedule of prior year findings and questioned costs

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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

<u>Federal Award Finding</u>

Criteria: Management should be in compliance with the various HUD handbooks, including the Management and Occupancy handbooks (4370.1 and 4350.3).

Statement of condition: The HUD Projects were not consistently running the appropriate Enterprise Income Verification reports ("EIV") for the periods selected during the audit compliance testing.

Questioned costs: $0.

Effect: The HUD Projects are not in compliance with its Regulatory Agreement.

Cause: Insufficient management oversight.

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

Auditee comments: Management acknowledges the HUD Projects' internal controls were ineffective and resulted in the lapsing of these HUD related reports.

Planned corrective action: Management will begin consistently running the appropriate EIV reports in accordance with HUD handbooks and the Project's internal policies.

Status: Closed.

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 93.939

<u>Federal Award Finding</u>

Criteria:	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.
Statement of condition:	We noted two instances where a person other than young men of color received HIV preventative services.
Questioned costs:	$0.
Effect:	Noncompliance with eligibility requirements for this grant.
Cause:	Insufficient management oversight.
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.
Auditee comments:	Management acknowledges the YMSM program's internal controls were ineffective and resulted in individuals not meeting the eligibility requirements receiving program benefits.
Planned corrective action:	Management will add an additional inservice to ensure that everybody is screening appropriately and assigning participants to the correct program.
Status:	Closed.