



**Consolidated Financial Statements and Report of
Independent Certified Public Accountants**

**The Chicago Lighthouse for People Who Are
Blind or Visually Impaired**

June 30, 2016 and 2015

Contents

	Page
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Statements of financial position	5
Statements of activities	6
Statements of cash flows	8
Statements of functional expenses	9
Notes to consolidated financial statements	11



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Grant Thornton LLP
Grant Thornton Tower
171 N. Clark Street, Suite 200
Chicago, IL 60601-3370
T +1 312 856 0200
F +1 312 565 4719
grantthornton.com

Board of Directors

The Chicago Lighthouse for People Who Are Blind or Visually Impaired and Chicago Lighthouse Industries

We have audited the accompanying consolidated financial statements of The Chicago Lighthouse for People Who Are Blind or Visually Impaired and Chicago Lighthouse Industries (nonprofit organizations) (collectively, The Lighthouse), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the 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.

Auditor's 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. 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 auditor's 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 Lighthouse'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 Lighthouse'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 financial position of The Lighthouse as of June 30, 2016 and 2015, 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.



Chicago, Illinois
December 22, 2016

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30,

ASSETS	2016			2015		
	Operating Fund	Long-term Investment Fund	Total	Operating Fund	Long-term Investment Fund	Total
Cash and cash equivalents	\$ 585,018	\$ -	\$ 585,018	\$ 466,656	\$ -	\$ 466,656
Accounts receivable						
Lighthouse Industries and Call Centers	5,683,125	-	5,683,125	3,932,324	-	3,932,324
Bequests	-	270,723	270,723	-	625,989	625,989
Other, principally state agencies	1,192,713	-	1,192,713	702,901	-	702,901
Contributions, net	89,956	107,944	197,900	262,951	276,577	539,528
Allowance for uncollectible accounts	(57,736)	-	(57,736)	(82,802)	-	(82,802)
Accounts receivable, net	6,908,058	378,667	7,286,725	4,815,374	902,566	5,717,940
Accrued investment income	-	28,053	28,053	-	29,739	29,739
Inventories	691,783	-	691,783	870,921	-	870,921
Prepaid expenses	363,828	-	363,828	208,796	-	208,796
Investments	-	13,013,133	13,013,133	-	15,248,948	15,248,948
Beneficial interest in perpetual trusts	-	519,036	519,036	-	549,057	549,057
Land, buildings and equipment, net	10,224,169	-	10,224,169	10,305,791	-	10,305,791
TOTAL ASSETS	\$ 18,772,856	\$ 13,938,889	\$ 32,711,745	\$ 16,667,538	\$ 16,730,310	\$ 33,397,848
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	\$ 2,228,970	\$ -	\$ 2,228,970	\$ 1,295,071	\$ -	\$ 1,295,071
Accrued salaries and payroll taxes	1,051,416	-	1,051,416	961,336	-	961,336
Line of credit	3,500,000	-	3,500,000	3,500,000	-	3,500,000
Mortgage payable	739,468	-	739,468	768,375	-	768,375
Other accrued liabilities	766,561	115,486	882,047	717,387	103,164	820,551
Total liabilities	8,286,415	115,486	8,401,901	7,242,169	103,164	7,345,333
Net assets						
Unrestricted	9,566,992	8,060,874	17,627,866	8,322,932	10,500,170	18,823,102
Temporarily restricted	919,449	3,800,172	4,719,621	1,102,437	4,134,788	5,237,225
Permanently restricted	-	1,962,357	1,962,357	-	1,992,188	1,992,188
Total net assets	10,486,441	13,823,403	24,309,844	9,425,369	16,627,146	26,052,515
TOTAL LIABILITIES AND NET ASSETS	\$ 18,772,856	\$ 13,938,889	\$ 32,711,745	\$ 16,667,538	\$ 16,730,310	\$ 33,397,848

The accompanying notes are an integral part of these statements.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
CONSOLIDATED STATEMENTS OF ACTIVITIES
June 30,

	2016				2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues								
Support and revenues								
Public support								
Contributions	\$ 1,314,099	\$ 417,322	\$ -	\$ 1,731,421	\$ 1,230,977	\$ 402,529	\$ -	\$ 1,633,506
United Way	143,117	-	-	143,117	166,590	-	-	166,590
Donated goods/services	153,684	-	-	153,684	306,014	-	-	306,014
Special events revenue	618,705	121,371	-	740,076	539,572	7,565	-	547,137
Less cost of direct benefits to donors	(217,052)	(7,182)	-	(224,234)	(253,290)	-	-	(253,290)
Net revenues from special events	401,653	114,189	-	515,842	286,282	7,565	-	293,847
Total public support	2,012,553	531,511	-	2,544,064	1,989,863	410,094	-	2,399,957
Program and other revenues								
Program revenues								
Call center contracts	20,943,355	-	-	20,943,355	16,100,768	-	-	16,100,768
Lighthouse Industries sales	4,179,948	-	-	4,179,948	4,174,245	-	-	4,174,245
Rehabilitation training course fees and subsidies	4,353,407	97,632	-	4,451,039	4,926,104	86,342	-	5,012,446
Optical aid fees and sales	1,261,597	-	-	1,261,597	1,337,043	-	-	1,337,043
Government and other service contracts	1,517,487	-	-	1,517,487	2,184,126	-	-	2,184,126
Miscellaneous program revenues	167,097	-	-	167,097	174,018	-	-	174,018
Total program revenues	32,422,891	97,632	-	32,520,523	28,896,304	86,342	-	28,982,646
Other revenues								
Investment income, primarily interest	24,029	-	-	24,029	4,063	-	-	4,063
Miscellaneous other revenues	277,854	-	-	277,854	149,459	-	-	149,459
Total other revenues	301,883	-	-	301,883	153,522	-	-	153,522
Total program and other revenues	32,724,774	97,632	-	32,822,406	29,049,826	86,342	-	29,136,168
Total public support, program and other revenues	34,737,327	629,143	-	35,366,470	31,039,689	496,436	-	31,536,125
Net assets released from restrictions	1,677,064	(1,677,064)	-	-	1,289,377	(1,289,377)	-	-
Total operating revenues	36,414,391	(1,047,921)	-	35,366,470	32,329,066	(792,941)	-	31,536,125

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED
June 30,

	2016				2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses								
Program services	\$ 32,405,735	\$ -	\$ -	\$ 32,405,735	\$ 30,440,990	\$ -	\$ -	\$ 30,440,990
Supporting services	5,522,818	-	-	5,522,818	5,185,927	-	-	5,185,927
Total expenses	37,928,553	-	-	37,928,553	35,626,917	-	-	35,626,917
Deficiency of operating revenues over operating expenses	(1,514,162)	(1,047,921)	-	(2,562,083)	(3,297,851)	(792,941)	-	(4,090,792)
Non-operating support, revenues, gains and losses								
Legacies and bequests	310,025	108,989	-	419,014	322,698	-	-	322,698
Contributions for long-term investment purposes	79,600	522,114	-	601,714	35,131	2,119,969	-	2,155,100
Investment income, dividends and interest	284,341	61,419	-	345,760	329,113	11,791	-	340,904
Change in value of split interest agreements	-	(12,446)	(30,021)	(42,467)	-	(11,589)	(33,365)	(44,954)
Net realized gains	56,094	23,440	190	79,724	799,351	123,157	1,994	924,502
Net change in unrealized depreciation of investments	(411,134)	(173,199)	-	(584,333)	(649,747)	(101,728)	-	(751,475)
Total non-operating support, revenues, gains and losses	318,926	530,317	(29,831)	819,412	836,546	2,141,600	(31,371)	2,946,775
Change in net assets	(1,195,236)	(517,604)	(29,831)	(1,742,671)	(2,461,305)	1,348,659	(31,371)	(1,144,017)
Net assets, at beginning of year	18,823,102	5,237,225	1,992,188	26,052,515	21,284,407	3,888,566	2,023,559	27,196,532
Net assets, at end of year	\$ 17,627,866	\$ 4,719,621	\$ 1,962,357	\$ 24,309,844	\$ 18,823,102	\$ 5,237,225	\$ 1,992,188	\$ 26,052,515

The accompanying notes are an integral part of these statements.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30,

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (1,742,671)	\$ (1,144,017)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net change in unrealized depreciation of investments	584,333	751,475
Net realized gains on sales of investments	(79,724)	(924,502)
Net change in value of split interest agreements	30,021	33,365
Contributions restricted for long-term investment	(631,103)	(2,119,969)
Depreciation and amortization	1,047,284	961,411
Change in allowance for uncollectible accounts	(25,066)	(34,253)
Changes in operating assets and liabilities		
Accounts receivable	(1,543,719)	642,442
Accrued investment income	1,686	414
Inventories	179,138	118,998
Prepaid expenses	(155,032)	(13,018)
Accounts payable	933,899	(375,816)
Accrued salaries and payroll taxes	90,080	129,650
Other accrued liabilities	(148,104)	(35,202)
Net cash used in operating activities	(1,458,978)	(2,009,022)
Cash flows from investing activities		
Purchases of investments	(6,347,406)	(5,775,548)
Sale of investments	8,078,612	6,643,211
Additions to land, building and equipment	(756,062)	(885,952)
Net cash provided by (used in) investing activities	975,144	(18,289)
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	631,103	2,119,969
Payments made on mortgage	(28,907)	(30,426)
Net cash provided by financing activities	602,196	2,089,543
INCREASE IN CASH AND CASH EQUIVALENTS	118,362	62,232
Cash and cash equivalents, beginning of year	466,656	404,424
Cash and cash equivalents, end of year	<u>\$ 585,018</u>	<u>\$ 466,656</u>
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	\$ 178,547	\$ 127,903
Non-cash investing		
Equipment financed through capital leases	\$ 209,600	\$ 551,758

The accompanying notes are an integral part of these statements.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2016, with summarized information for the year ended June 30, 2015

	Program services											Total	
	Lighthouse Industries	Instructional Materials Center	Vision Rehabilitation & Research	Child Development Center	Other Children & Youth Programs	Government & Other Service Contracts	Adult Vocational & Rehabilitation Programs	Independent Living Programs	Retail Operations	Other Programs & Services	Lighthouse North		Call Center/ Customer Service Industries
Employee salaries	\$ 583,091	\$ 276,632	\$ 732,617	\$ 381,298	\$ 390,798	\$ 229,226	\$ 518,108	\$ 475,534	\$ 19,721	\$ 108,681	\$ 351,451	\$ 1,709,679	\$ 5,776,836
Employee benefits	126,240	60,915	145,561	81,983	73,868	55,338	108,179	98,220	5,398	17,537	66,869	375,124	1,215,232
Total employee salaries and benefits	709,331	337,547	878,178	463,281	464,666	284,564	626,287	573,754	25,119	126,218	418,320	2,084,803	6,992,068
Production wages	448,449	-	56,262	-	-	831,916	7,776	10,138	39,124	-	1,640	8,357,821	9,753,126
Production-related benefits	66,925	-	6,599	-	-	76,857	1,204	365	6,242	590	(3)	1,289,722	1,448,501
Total production payments and benefits	515,374	-	62,861	-	-	908,773	8,980	10,503	45,366	590	1,637	9,647,543	11,201,627
Total salaries and related benefits	1,224,705	337,547	941,039	463,281	464,666	1,193,337	635,267	584,257	70,485	126,808	419,957	11,732,346	18,193,695
Professional and contract services	91,291	888	473,236	136,681	2,692	952	713	327	9,021	72,812	44,270	1,070,396	1,903,279
Temporary labor	-	-	-	11,058	11,058	20,395	-	-	-	-	-	3,169,449	3,211,960
Supplies	32,043	1,408,570	489,845	50,233	5,644	17,697	10,674	100,515	102,088	1,299	142,214	1,149,237	3,510,059
Advertising	142,774	-	1,297	-	-	-	128	365	-	4,800	172	-	149,536
Telephone	4,930	-	5,105	-	1,605	722	3,138	1,696	2,582	20,098	22,692	84,962	147,530
Postage, freight and direct mail	135,669	5,315	16,644	8	9	97	334	164	18	-	1,300	53,428	212,986
Equipment rental and maintenance	12,599	10,127	10,779	769	-	-	-	631	1,151	6,263	396	2,020	44,735
Utilities	3,315	-	-	-	-	-	-	-	3,619	-	9,459	-	16,393
Building repairs and maintenance	-	-	-	-	-	-	-	-	794	-	20,139	-	20,933
Property and liability insurance	445	4,012	8,048	6,831	1,193	2,386	4,142	173	7,047	4,463	-	64,167	102,907
Printing	161	764	7,485	-	54	-	31	13	-	473	368	94	9,443
Conference, meetings and major trips	12,572	981	20,097	143	10,771	3,021	6,839	28,757	65	34	3,386	23,064	109,730
Memberships	-	-	1,107	-	-	-	-	325	-	582	300	-	2,314
Client assistance	-	6	-	11,007	166,482	-	(1,381)	48,450	30	(960)	-	-	223,634
Cost of materials	2,033,154	-	-	-	-	-	-	-	-	-	-	-	2,033,154
Property rental	28,613	-	657	-	-	-	-	-	23,001	-	-	-	52,271
Commissions	321,540	-	1,100	-	-	58,677	-	-	-	-	-	-	381,317
Other	44,191	10,242	32,376	10,360	4,170	7,204	3,136	4,579	568	942	15,560	494,791	628,119
Interest	-	-	389	-	-	-	9	-	-	-	40,158	-	40,556
Distribution of building repairs and maintenance	224,188	78,109	77,943	72,043	24,928	11,716	18,281	49,691	83	11,882	83	90,240	659,187
Total expenses before depreciation and amortization	4,312,190	1,856,561	2,087,147	762,414	693,272	1,316,204	681,311	819,943	220,552	249,496	720,454	17,934,194	31,653,738
Depreciation and amortization	164,652	52,276	89,045	51,192	17,182	8,238	26,770	39,563	4,124	10,003	98,922	190,030	751,997
Total expenses	\$ 4,476,842	\$ 1,908,837	\$ 2,176,192	\$ 813,606	\$ 710,454	\$ 1,324,442	\$ 708,081	\$ 859,506	\$ 224,676	\$ 259,499	\$ 819,376	\$ 18,124,224	\$ 32,405,735

The accompanying notes are an integral part of this statement.

Supporting services

Building and maintenance	General administration	Public relations	Fund-raising	Total	2016 total	2015 total
\$ 243,298	\$ 2,018,295	\$ 238,363	\$ 540,796	\$3,040,752	\$ 8,817,588	\$ 8,680,972
53,836	391,450	45,191	114,800	605,277	1,820,509	2,156,291
297,134	2,409,745	283,554	655,596	3,646,029	10,638,097	10,837,263
5,892	6,629	-	-	12,521	9,765,647	8,297,608
940	544	121	-	1,605	1,450,106	937,571
6,832	7,173	121	-	14,126	11,215,753	9,235,179
303,966	2,416,918	283,675	655,596	3,660,155	21,853,850	20,072,442
70	423,457	2,560	87,791	513,878	2,417,157	2,450,110
-	75,795	-	-	75,795	3,287,755	2,497,676
12,971	306,182	1,312	10,811	331,276	3,841,335	4,190,617
-	-	-	9,500	9,500	159,036	300,031
2,224	89,472	1,445	2,695	95,836	243,366	132,373
10	15,983	5,259	8,603	29,855	242,841	243,808
18,284	17,834	-	-	36,118	80,853	80,718
125,867	-	-	-	125,867	142,260	125,179
309,240	-	-	-	309,240	330,173	319,893
44,219	75,358	-	434	120,011	222,918	219,613
-	628	16,924	24,527	42,079	51,522	50,246
60	36,479	1,325	7,682	45,546	155,276	161,877
-	4,077	-	1,953	6,030	8,344	9,651
-	270	-	-	270	223,904	176,202
-	-	-	-	-	2,033,154	2,162,078
-	-	-	-	-	52,271	60,954
-	-	-	-	-	381,317	422,820
14,032	277,546	6,432	49,261	347,271	975,390	861,315
-	137,991	-	-	137,991	178,547	127,903
(830,943)	150,567	3,656	17,533	(659,187)	-	-
-	4,028,557	322,588	876,386	5,227,531	36,881,269	34,665,506
-	278,889	4,490	11,908	295,287	1,047,284	961,411
\$ -	\$ 4,307,446	\$ 327,078	\$ 888,294	\$ 5,522,818	\$ 37,928,553	\$ 35,626,917

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2015

	Program services												Total
	Lighthouse Industries	Instructional Materials Center	Vision Rehabilitation & Research	Child Development Center	Other Children & Youth Programs	Government & Other Service Contracts	Adult Vocational & Rehabilitation Programs	Independent Living Programs	Retail Operations	Other Programs & Services	Lighthouse North	Call Center/ Customer Service Industries	
Employee salaries	\$ 549,766	\$ 267,028	\$ 697,201	\$ 403,957	\$ 353,999	\$ 237,410	\$ 673,749	\$ 383,305	\$ 36,225	\$ 79,059	\$ 428,526	\$ 1,545,427	\$ 5,655,652
Employee benefits	143,869	68,877	165,685	99,863	77,974	66,991	177,628	96,102	10,759	16,450	99,228	404,640	1,428,066
Total employee salaries and benefits	693,635	335,905	862,886	503,820	431,973	304,401	851,377	479,407	46,984	95,509	527,754	1,950,067	7,083,718
Production wages	448,205	-	60,508	-	-	1,172,957	25,280	9,604	29,390	-	-	6,554,035	8,299,979
Production-related benefits	56,477	56	4,685	-	-	117,810	2,943	386	2,174	-	75	749,795	934,401
Total production payments and benefits	504,682	56	65,193	-	-	1,290,767	28,223	9,990	31,564	-	75	7,303,830	9,234,380
Total salaries and related benefits	1,198,317	335,961	928,079	503,820	431,973	1,595,168	879,600	489,397	78,548	95,509	527,829	9,253,897	16,318,098
Professional and contract services	71,024	500	517,241	135,321	4,034	1,128	584	872	6,057	100,445	40,319	1,112,026	1,989,551
Temporary labor	-	-	-	-	-	4,067	-	-	-	-	-	2,462,256	2,466,323
Supplies	38,544	1,820,482	484,431	34,876	10,035	19,194	17,183	115,295	100,203	9,129	126,657	1,122,228	3,898,257
Advertising	277,930	-	1,744	-	-	-	375	1,090	-	5,100	292	-	286,531
Telephone	3,368	-	4,391	288	1,545	712	2,934	2,009	3,805	20,216	16,530	8,010	63,808
Postage, freight and direct mail	153,088	8,256	9,751	9	41	84	238	137	3	5	872	42,374	214,858
Equipment rental and maintenance	25,512	7,163	7,294	1,007	-	13	-	337	1,938	6,248	1,006	2,559	53,077
Utilities	2,873	-	-	-	-	-	-	-	3,804	-	8,098	-	14,775
Building repairs and maintenance	-	-	276	-	-	-	-	-	3,118	169	35,075	-	38,638
Property and liability insurance	470	4,212	8,093	7,173	1,252	2,505	4,349	182	7,400	4,463	-	62,130	102,229
Printing	256	-	16,217	109	8	-	255	-	-	-	1,243	23	18,111
Conference, meetings and major trips	7,779	1,046	31,388	194	8,355	766	13,144	26,150	55	140	3,517	13,601	106,135
Memberships	129	-	150	300	-	-	-	289	-	250	295	-	1,413
Client assistance	-	72	-	6,997	125,022	-	(4,056)	48,417	210	(903)	-	-	175,759
Cost of materials	2,162,078	-	-	-	-	-	-	-	-	-	-	-	2,162,078
Building rental	27,915	-	3,679	-	-	-	-	-	29,360	-	-	-	60,954
Commissions	343,899	-	1,936	-	-	76,985	-	-	-	-	-	-	422,820
Other	35,038	10,279	73,966	4,915	3,925	21,073	2,728	2,950	338	1,470	14,182	374,622	545,486
Interest	-	-	71	-	-	-	-	-	-	-	42,750	-	42,821
Distribution of building repairs and maintenance	258,953	83,939	87,150	77,427	26,850	17,127	29,615	49,239	89	12,756	89	78,498	721,732
Total expenses before depreciation and amortization	4,607,173	2,271,910	2,175,857	772,436	613,040	1,738,822	946,949	736,364	234,928	254,997	818,754	14,532,224	29,703,454
Depreciation and amortization	169,582	50,848	118,342	43,336	14,741	13,284	37,695	33,754	8,227	8,463	111,079	128,185	737,536
Total expenses	\$ 4,776,755	\$ 2,322,758	\$ 2,294,199	\$ 815,772	\$ 627,781	\$ 1,752,106	\$ 984,644	\$ 770,118	\$ 243,155	\$ 263,460	\$ 929,833	\$ 14,660,409	\$ 30,440,990

The accompanying notes are an integral part of this statement.

Supporting services

Building and maintenance	General administration	Public relations	Fund-raising	Total	2015 total
\$ 310,294	\$ 1,907,208	\$ 172,383	\$ 635,435	\$ 3,025,320	\$ 8,680,972
81,874	444,231	42,677	159,443	728,225	2,156,291
392,168	2,351,439	215,060	794,878	3,753,545	10,837,263
-	(2,371)	-	-	(2,371)	8,297,608
-	3,170	-	-	3,170	937,571
-	799	-	-	799	9,235,179
392,168	2,352,238	215,060	794,878	3,754,344	20,072,442
413	391,633	2,708	65,805	460,559	2,450,110
-	31,353	-	-	31,353	2,497,676
35,874	235,841	5,279	15,366	292,360	4,190,617
-	-	13,500	-	13,500	300,031
1,534	63,132	1,290	2,609	68,565	132,373
4	15,978	2,038	10,930	28,950	243,808
11,487	16,154	-	-	27,641	80,718
110,404	-	-	-	110,404	125,179
280,408	847	-	-	281,255	319,893
44,743	72,185	-	456	117,384	219,613
-	4,410	4,198	23,527	32,135	50,246
90	40,042	4,065	11,545	55,742	161,877
-	5,974	-	2,264	8,238	9,651
-	443	-	-	443	176,202
-	-	-	-	-	2,162,078
-	-	-	-	-	60,954
-	-	-	-	-	422,820
14,894	269,380	4,280	27,275	315,829	861,315
-	85,082	-	-	85,082	127,903
(892,019)	148,254	3,211	18,822	(721,732)	-
-	3,732,946	255,629	973,477	4,962,052	34,665,506
-	208,894	3,547	11,434	223,875	961,411
\$ -	\$ 3,941,840	\$ 259,176	\$ 984,911	\$ 5,185,927	\$ 35,626,917

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Chicago Lighthouse for People Who Are Blind or Visually Impaired and Chicago Lighthouse Industries (collectively, The Lighthouse), Illinois not-for-profit corporations, offer programs and services throughout the Chicago metropolitan area, the state of Illinois and the United States, assisting people who are blind, visually impaired, disabled or Veterans as a social service and rehabilitation agency through both community-oriented and nationwide activities. On November 20, 2015, The Chicago Lighthouse for People Who Are Blind or Visually Impaired established a second not-for-profit corporation, Chicago Lighthouse Industries, with The Chicago Lighthouse for People Who Are Blind or Visually Impaired as its sole member. The Lighthouse transferred its Industries and Contract Management Services Programs to this new corporation.

The Lighthouse is well regarded nationally as a model agency for the wide range of programs provided to make a comprehensive, wrap-around menu of services that address an individual's changing needs across a lifetime. These programs and activities include various vocational training opportunities; vision care, including clinical, rehabilitation and research services; adaptive technology education and training; employment in call centers, The Lighthouse Communications Center and Lighthouse retail operations; early intervention, children, adult and seniors educational programs; the Illinois Instructional Materials Center; scholarship opportunities; legal services; radio reading services; and a national technology help desk and a national Veterans Supply Administration program. The newly established Chicago Lighthouse Industries provides employment opportunities in its manufacturing program and in its U.S. Government service contracts for individuals who are legally blind.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements of The Lighthouse include The Chicago Lighthouse for People Who are Blind or Visually Impaired and Chicago Lighthouse Industries. Significant intercompany balances and transactions between these entities were eliminated upon consolidation.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

Cash and Cash Equivalents

The Lighthouse considers all highly liquid money market funds with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

The Lighthouse evaluates its accounts receivable based on the length of time a receivable is outstanding, type of receivable and the anticipated future uncollectible amounts based on historical experience. Accounts receivable are charged to the allowance for uncollectible accounts when they are deemed uncollectible. The Lighthouse does not require collateral.

Contributions receivable are classified as either collectible in one year or less or collectible in multiple years. Those receivables deemed collectible in one year or less are stated at their full face value. Those classified as multi-year contributions receivable are stated at their net present value, using a risk-adjusted discount rate.

Inventories

Inventories are carried at the lower of cost (first-in, first-out basis) or market.

Investments

Investments in common stocks, equity fund securities with readily determinable fair values, investments in debt securities, private investment funds and hedge funds are carried at fair value. Investments of all funds are pooled, and gains and losses are allocated to the respective funds based upon their relative interests in the investment pool.

The investment return on certain investments is included in total operating revenue.

Land, Building and Equipment

Land, building and equipment are carried at cost if purchased for \$500 or more. Depreciation is provided over the estimated useful lives of the assets using the straight-line method and is allocated to each program or function based upon utilization. Useful lives for buildings and equipment range from 3 to 40 years. Expenditures for the routine maintenance and repair of property and equipment are charged to operations as they are incurred.

Public Support, Program, and Other Revenues and Expenses

Lighthouse Industries sales are recognized on the basis of completed production for assembly contracts and upon shipment of merchandise for product sales.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

Contributions are recorded at fair value and are considered to be available for the general programs at The Lighthouse unless specifically restricted by the donor.

Rehabilitation training courses' fees and subsidies included \$668,323 and \$949,231 in 2016 and 2015, respectively, of subsidy revenue received based on the fair value of program supplies, books and materials received.

Shipping and Handling Costs

The Lighthouse records shipping and handling costs related to Lighthouse Industries sales within program services expenses. Shipping and handling costs were \$130,018 and \$147,858 for the years ended June 30, 2016 and 2015, respectively.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets result from contributions, the use of which has been limited by donors to a specific time period or purpose or by law. Restricted earnings are recorded as temporarily restricted net assets until amounts are expended in accordance with donors' specifications.

Permanently restricted net assets consist of contributions restricted by donors to be held in perpetuity. Earnings on the investments of the endowment funds are included in temporarily restricted net assets until appropriated for use.

Donor-restricted Gifts

Unconditional promises to give cash and other assets are reported as either temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted gifts, with restrictions that expire during the fiscal year in which the gift is received, are reported as unrestricted net assets. In the absence of donor-imposed restrictions on the use of the assets, gifts of long-lived assets are reported as unrestricted support. It is The Lighthouse's policy not to apply time restrictions expiring over the useful life of long-lived assets.

Fair Value Measurements

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and enhance disclosure requirements for fair value measurements. It

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

also maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market. These include common stock and equity funds.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these instruments includes investments for which quoted prices are available but which are traded less frequently and investments that are fairly valued using other securities, the parameters of which can be directly observed. Level 2 instruments include bonds and other debt instruments.

Level 3 - Securities and trusts that have little to no observable pricing as of the report date. These instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. These instruments consist of beneficial interest in perpetual trusts.

Contributed Services and In-kind Donations

Contributed services are recognized as revenue if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided. Contributed services that do not meet the above criteria are not recognized as revenue and are not reported in the accompanying consolidated financial statements. Total revenue from contributed services was \$118,072 and \$166,885 for the years ended June 30, 2016 and 2015, respectively, and was recorded for legal and other contractual services received. In-kind donation revenue was \$82,161 and \$214,204 for the years ended June 30, 2016 and 2015, respectively. Specific in-kind grants, considered program subsidy and listed with rehabilitation training course fees and subsidies, were recorded at \$668,323 and \$949,231 in 2016 and 2015, respectively, based on the fair value of items received.

Advertising Expense

Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense was \$159,036 and \$300,031 for the years ended June 30, 2016 and 2015, respectively.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued ASU No. 2015-14 which deferred the effective date. The guidance is currently effective for The Lighthouse for fiscal year 2020 (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for The Lighthouse for fiscal year 2021. Early adoption is permitted.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment return, and cash flows. The guidance replaces the three classes of net assets currently presented on the statements of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires a not-for-profit to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for The Lighthouse for fiscal year 2019. Early adoption is permitted and entities are required to adopt the guidance retrospectively, but if comparative financial statements are presented, they have the option to omit certain information for any periods presented that are prior to the period of adoption.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE B - INVESTMENTS

The following summary shows the assets held in the investment pool at June 30:

	<u>2016</u>	<u>2015</u>
Cash	\$ 706,798	\$ 613,866
Common stocks and equity funds	7,732,772	9,936,713
Bonds and other debt instruments	3,326,566	3,353,351
Hedge fund instruments	<u>1,246,997</u>	<u>1,345,018</u>
	<u>\$13,013,133</u>	<u>\$15,248,948</u>

Investment return is presented in the accompanying consolidated statements of activities for the years ended June 30 as follows:

	<u>2016</u>	<u>2015</u>
Included in other revenues		
Investment income, primarily interest	\$ 24,029	\$ 4,063
Included in non-operating items		
Investment income, dividends and interest	345,760	340,904
Net realized gains	79,724	924,502
Net change in unrealized losses	<u>(584,333)</u>	<u>(751,475)</u>
	<u>\$(134,820)</u>	<u>\$ 517,994</u>

NOTE C - LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 306,872	\$ 306,872
Building	17,943,702	17,449,975
Leasehold improvements	43,031	43,031
Equipment	<u>9,017,243</u>	<u>8,615,823</u>
	27,310,848	26,415,701
Less accumulated depreciation and amortization	<u>(17,086,679)</u>	<u>(16,109,910)</u>
Net land, building and equipment	<u>\$ 10,224,169</u>	<u>\$ 10,305,791</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE D - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets include gifts of cash, grants and other assets for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds is not permanently restricted. Temporarily restricted net assets as of June 30, are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Associate Board designation for future years	\$ 90,391	\$ 12,393
Birth-to-Three/Homebound	281,752	364,293
Building expansion	1,968,519	1,964,348
Charitable gift annuities	60,456	66,939
Client emergency assistance	6,468	5,158
Endowment campaign	107,944	276,577
Instructional Materials Center	111,571	61,342
Lighthouse North	350,098	26,299
Pangere Center for Inherited Retinal Disease	69,751	105,015
Program expansion and operations	1,416,258	1,929,962
Purchase of fixed assets	17,106	192,665
Scholarship endowment	79,600	83,193
Scholarship fund	<u>159,707</u>	<u>149,041</u>
	<u>\$4,719,621</u>	<u>\$5,237,225</u>

Endowment campaign noted above relates to contributions received for long-term purposes but not included in the endowment disclosed in note F.

Permanently restricted net assets include principal gifts of cash, the corpus of which is required by donor restriction to be invested in perpetuity and only the income be made available for program operations or operating purposes in accordance with donor restrictions. Permanently restricted net assets at June 30, consist of or are restricted for the support of the following:

	<u>2016</u>	<u>2015</u>
Beneficial interest in perpetual trusts	\$ 519,036	\$ 549,057
Ongoing agency operations	706,722	706,722
Senior low vision care	500,000	500,000
Education of a person who is blind	200,000	200,000
Deaf-Blind Program	<u>36,599</u>	<u>36,409</u>
	<u>\$1,962,357</u>	<u>\$1,992,188</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE E - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Birth-to-Three/Homebound	\$ 189,355	\$ 130,707
Client emergency assistance	(960)	(903)
Endowment campaign	181,633	67,673
Instructional Materials Center	61,342	187,797
Lighthouse North	60,645	260,611
Pangere Center for Inherited Retinal Disease	55,897	200,016
Pre-School	12,393	148,085
Program expansion and operations	593,722	78,750
Purchase of fixed assets	431,403	149,470
Scholarship program	<u>91,634</u>	<u>67,171</u>
	<u>\$1,677,064</u>	<u>\$1,289,377</u>

NOTE F - ENDOWMENT NET ASSETS

Permanently restricted net assets are restricted as investments in perpetuity. The Lighthouse's endowment consists of various individual funds established for different purposes that all support the mission of The Lighthouse. The Lighthouse's endowment consists of donor-restricted endowment funds and board-designated endowment funds. Net assets associated with The Lighthouse's endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Lighthouse accounts for endowment net assets by preserving the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, The Lighthouse 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, according to donor stipulations, until those amounts are appropriated for expenditure by The Lighthouse for the donor-stipulated purpose.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

The Lighthouse considers the following factors in making a determination either to appropriate or to accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of The Lighthouse's board-designated and donor-restricted endowment funds.
3. General economic conditions.
4. The possible effects of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of The Lighthouse.
7. The investment policies of The Lighthouse.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires The Lighthouse to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. The Lighthouse did not have any of these deficiencies as of June 30, 2016 and 2015.

The Lighthouse has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As of June 30, 2016 and 2015, endowment assets include those assets of donor-restricted funds that The Lighthouse must hold in perpetuity or for donor-specified periods and Board-designated (quasi) endowment funds.

Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to provide adequate liquidity, maximizing returns on all funds invested and achieving full employment of all available funds as earning assets. The Lighthouse has an active Investment Committee that meets regularly to ensure that the objectives of the investment policy are being met and that the strategies used to meet the objectives are in accordance with The Lighthouse's investment policy.

During 2016 and 2015, The Lighthouse had the following endowment-related activities:

Endowment Net Asset Composition by Type of Fund
As of June 30, 2016

	Unrestricted	Temporarily restricted	Permanently Restricted	Total
Donor endowment funds	\$ -	\$1,038,573	\$1,443,321	\$2,481,894
Board-designated funds	<u>35,163</u>	-	-	<u>35,163</u>
Total funds	<u>\$35,163</u>	<u>\$1,038,573</u>	<u>\$1,443,321</u>	<u>\$2,517,057</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

Endowment Net Asset Composition by Type of Fund
As of June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor endowment funds	\$ -	\$1,609,320	\$1,443,131	\$3,052,451
Board-designated funds	<u>35,163</u>	<u>-</u>	<u>-</u>	<u>35,163</u>
Total funds	<u>\$35,163</u>	<u>\$1,609,320</u>	<u>\$1,443,131</u>	<u>\$3,087,614</u>

Changes in Endowment Net Assets
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets, beginning of year	\$35,163	\$1,609,320	\$1,443,131	\$3,087,614
Investment return				
Investment income	754	30,935	-	31,689
Net (depreciation) appreciation, realized and unrealized	<u>-</u>	<u>(70,747)</u>	<u>190</u>	<u>(70,557)</u>
Total investment return	754	(39,812)	190	(38,868)
Appropriation of endowment assets for expenditure	<u>(754)</u>	<u>(530,935)</u>	<u>-</u>	<u>(531,689)</u>
Net assets, end of year	<u>\$35,163</u>	<u>\$1,038,573</u>	<u>\$1,443,321</u>	<u>\$2,517,057</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

Changes in Endowment Net Assets
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets, beginning of year	\$35,163	\$1,592,142	\$1,441,137	\$3,068,442
Investment return				
Investment income	691	28,334	-	29,025
Net appreciation, realized and unrealized	<u>-</u>	<u>17,178</u>	<u>1,994</u>	<u>19,172</u>
Total investment return	691	45,512	1,994	48,197
Appropriation of endowment assets for expenditure	<u>(691)</u>	<u>(28,334)</u>	<u>-</u>	<u>(29,025)</u>
Net assets, end of year	<u>\$35,163</u>	<u>\$1,609,320</u>	<u>\$1,443,131</u>	<u>\$3,087,614</u>

NOTE G - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, included the following:

	<u>2016</u>	<u>2015</u>
Unconditional promises to give due in		
Less than one year	\$165,424	\$459,330
One to five years	<u>44,200</u>	<u>114,543</u>
	209,624	573,873
Less		
Allowance for uncollectible accounts	(7,479)	(20,000)
Unamortized discount	<u>(4,245)</u>	<u>(14,345)</u>
Contributions receivable, net	<u>\$197,900</u>	<u>\$539,528</u>

Discount rate is 3.5% and 3% for the years ended June 30, 2016 and 2015.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE H - MAJOR CUSTOMERS

The Lighthouse has entered into agreements with various governmental entities to provide services. The percentages of total revenue and receivables from those entities with significant concentrations are as follows for the years ended and as of June 30:

	2016		2015	
	Revenue	Receivable	Revenue	Receivable
The Illinois State Toll Highway Authority	39%	39%	36%	42%
University of Illinois Health Systems	14	15	5	10
Illinois Department of Financial and Professional Regulation	N/A	11	N/A	N/A

As of the report date, the State of Illinois does not have an approved budget for the fiscal year ending June 30, 2017. The ultimate collectability of any amounts receivable directly or indirectly from the State of Illinois may be impacted by the final approved budget.

NOTE I - EMPLOYEE BENEFIT PLAN

All employees and employed production workers who have completed one year of service and are 21 years of age are eligible to participate in The Chicago Lighthouse Modified Defined Contribution Plan. The Lighthouse's contribution to this plan was equal to 1.65% for calendar years 2016 and 2015 of the total compensation of eligible office employees who complete at least 500 hours and eligible employed production workers who complete at least one hour of service (as defined) during the plan year. Total plan expense in 2016 and 2015 was \$172,646 and \$133,114, respectively.

NOTE J - UNITED WAY OF METROPOLITAN CHICAGO PUBLIC SUPPORT

United Way provided support of \$143,117 and \$166,590 in fiscal 2016 and 2015, respectively, of which \$25,927 and \$29,115 in fiscal years 2016 and 2015, respectively, was used as matching support of the otherwise federally funded Title XX program of the Department of Health and Human Services administered by the State of Illinois Departments of Rehabilitation Services and Public Aid. The Lighthouse obtained \$77,782 and \$87,345 in fiscal 2016 and 2015, respectively, under Title XX for support of its various programs, which is reported with program revenues, rehabilitation training course fees and subsidies.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE K - INCOME TAXES

The Chicago Lighthouse for People Who Are Blind or Visually Impaired and Chicago Lighthouse Industries each have a favorable determination letter from the Internal Revenue Service, stating that they are exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986 (IRC), except for income taxes pertaining to unrelated business income. The FASB issued guidance that requires tax effects from uncertain tax positions to be recognized in the consolidated financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority.

Management has determined that there are no material uncertain positions that require recognition in the consolidated financial statements, as The Chicago Lighthouse for People Who Are Blind or Visually Impaired does have unrelated business income and files a Form 990-T; however, no provision for income taxes is required, as it has a net operating loss. There are no interest or penalties recognized in the consolidated statements of activities or consolidated statements of financial position. The statute of limitations for tax years 2012, 2013, 2014 and 2015 are open to audit for both federal and state purposes. Chicago Lighthouse Industries does not have unrelated business income, and no provision is necessary. The statute of limitation for Chicago Lighthouse Industries for tax year 2015 is open to audit for both federal and state purposes.

NOTE L - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables summarize assets by fair value levels as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks and equity funds	\$7,732,772	\$ -	\$ -	\$ 7,732,772
Bonds and other debt instruments	-	3,326,566	-	3,326,566
Beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>519,036</u>	<u>519,036</u>
	<u>\$7,732,772</u>	<u>\$3,326,566</u>	<u>\$519,036</u>	<u>\$11,578,374</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

The following tables summarize assets by fair value levels as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks and equity funds	\$9,936,713	\$ -	\$ -	\$ 9,936,713
Bonds and other debt instruments	-	3,353,351	-	3,353,351
Beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>549,057</u>	<u>549,057</u>
	<u>\$9,936,713</u>	<u>\$3,353,351</u>	<u>\$549,057</u>	<u>\$13,839,121</u>

The following table summarizes the changes in fair values associated with Level 3 assets:

	<u>Beneficial interests in perpetual trusts</u>
Balance as of June 30, 2014	\$582,422
Change in value	<u>(33,365)</u>
Balance as of June 30, 2015	549,057
Change in value	<u>(30,021)</u>
Balance as of June 30, 2016	<u>\$519,036</u>

The following table provides additional information related to investments recorded at net asset value (NAV) as of June 30, 2016:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Term of Investment</u>
Hedge fund (a)	\$1,246,997	N/A	Quarterly after 1 year of investing	Liquid after 1 year

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

The following table provides additional information related to investments recorded at NAV as of June 30, 2015:

	<u>Fair Value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Term of investment</u>
Hedge fund (a)	\$1,345,018	N/A	Quarterly after 1 year of investing	Liquid after 1 year

(a) The fund seeks long-term risk-adjusted absolute returns by investing primarily through a portfolio of investment vehicles managed by trading advisors. The NAV of the fund is estimated based on the underlying investments.

NOTE M - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Changes in The Lighthouse's allowance for uncollectible accounts related to Lighthouse Industries and Low Vision Services accounts receivable for the years ended June 30, are as follows:

	<u>2016</u>	<u>2015</u>
Accounts receivable allowance for uncollectible accounts		
Beginning balance	\$ 82,802	\$ 117,055
Bad debt expense	35,386	77,997
Accounts written off	<u>(60,452)</u>	<u>(112,250)</u>
Ending balance	<u>\$ 57,736</u>	<u>\$ 82,802</u>

NOTE N - DEBT OBLIGATIONS - LINE OF CREDIT AND MORTGAGE

The Lighthouse's revolving line of credit is with a bank, matures on demand and provides for borrowing up to an aggregate amount of \$4,000,000. The debt is secured by the investments of The Lighthouse. At June 30, 2016 and 2015, the amounts outstanding totaled \$3,500,000. The interest rate on this debt fluctuated based on the LIBOR rate and was 2.5% and 1.9% as of June 30, 2016 and 2015, respectively. Interest is also payable at 0.25% on the unused available line of credit. Interest expense incurred on the line of credit totaled \$78,479 and \$69,226 for the years ended June 30, 2016 and 2015, respectively.

In November 2015, The Lighthouse entered into an agreement to refinance an existing mortgage with The Northern Trust Company secured by the Glenview land and building. The new mortgage will mature in fiscal year 2021 and bears interest at the rate of 4.85%.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

Future principal payments on the mortgage as of June 30, 2016, are as follows:

Years ending June 30,

2017	\$ 32,900
2018	34,555
2019	36,293
2020	38,035
2021	597,685

Interest expense on the mortgage totaled \$39,170 and \$40,881 for the years ended June 30, 2016 and 2015, respectively.

NOTE O - PERPETUAL TRUSTS AND SPLIT-INTEREST AGREEMENTS

The Lighthouse is a beneficiary of two perpetual trusts administered by an independent organization. Under the terms of the trusts, The Lighthouse has irrevocable rights to receive portions of the income earned on the trust assets in perpetuity. Perpetual trusts are carried at fair value and are included in permanently restricted net assets. The Lighthouse's beneficial interest in the trusts, at fair value, totaled \$519,036 and \$549,057 at June 30, 2016 and 2015, respectively. The Lighthouse also has charitable gift annuity arrangements in which donors have contributed assets to The Lighthouse in exchange for a promise to pay a fixed amount over the life of the donor or a beneficiary designated by the donor. Gift annuity obligations represent the present value of future cash flows expected to be paid by The Lighthouse to donors under these arrangements. Under the terms of the agreement, assets received are held by The Lighthouse, and the annuity obligation is a liability of The Lighthouse. Funds of \$216,956 and \$206,044 at June 30, 2016 and 2015, respectively, have been segregated in separate accounts, the use of which is limited to meeting the gift annuity obligations. The liability was \$115,486 and \$103,164 at June 30, 2016 and 2015, respectively, which is included in other accrued liabilities in the consolidated statements of financial position.

NOTE P - FUTURE COMMITMENTS

The Lighthouse has operating leases, which include leases for warehouse space, building space and copiers.

Total rent expense amounted to \$159,415 and \$128,544 in 2016 and 2015, respectively.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

Future minimum lease payments under these operating leases are as follows:

Years ending June 30,

2017	\$113,792
2018	60,837
2019	22,087
2020	12,737
2021	4,200

The future minimum lease payments under the capital leases are as follows:

Fiscal years ending June 30,

2017	\$ 215,076
2018	199,285
2019	192,000
2020	<u>144,000</u>
Total minimum payments required	750,361
Less amount representing interest	<u>(109,295)</u>
Present value of capital lease obligation, included in other accrued liabilities	<u>\$ 641,066</u>

Property recorded under the capital leases included the following amounts at June 30:

	<u>2016</u>	<u>2015</u>
Phone systems	\$ 876,642	\$ 667,042
Less accumulated amortization	<u>(279,664)</u>	<u>(129,354)</u>
Net capitalized leased property	<u>\$ 596,978</u>	<u>\$ 537,688</u>

Amortization expense for assets recorded under capital leases is included within depreciation and amortization expense.

During 2016, The Lighthouse entered into a contract with a telephone service provider that requires a minimum monthly fee of \$8,458 over the remaining 35 months of the contract.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2016 and 2015

NOTE Q - CONCENTRATION OF CREDIT RISK

Certain financial instruments throughout the year subject The Lighthouse to credit risk. Those financial instruments consist primarily of cash, accounts receivable, investments and beneficial interest in perpetual trusts. The Lighthouse maintains its cash balance in financial institutions which at times may exceed federally insured limits. The Lighthouse has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. The Lighthouse may be subject to credit risk as relates to receivable balances of major customers whose balances make up 65% and 52% of the accounts receivable balance at June 30, 2016 and 2015, respectively. Credit risk for the remainder of receivables is limited due to the large number of accounts and low average receivable balance. Concentration of credit risk in respect to the beneficial interest in perpetual trusts is limited through the diversification of trust assets. The Lighthouse's investment policy also stipulates appropriate diversification of investment balances.

NOTE R - RELATED PARTIES

Donations to The Lighthouse from members of the board of directors were \$212,058 and \$197,070, including \$30,000 from board members' family foundations, for the years ended June 30, 2016 and 2015, respectively. Pledges receivable from members of the board of directors were \$116,411 and \$199,370 at June 30, 2016 and 2015, respectively.

Payments to members of The Lighthouse board of directors for professional services provided were \$40,603 and \$46,820 for the years ended June 30, 2016 and 2015, respectively.

NOTE S - SUBSEQUENT EVENTS

The Lighthouse evaluated its June 30, 2016, consolidated financial statements for subsequent events through December 22, 2016, the date the consolidated financial statements were available to be issued. The Lighthouse is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.