



Consolidated Financial Statements and Report of  
Independent Certified Public Accountants and  
Supplementary Information

The Chicago Lighthouse for People Who Are  
Blind or Visually Impaired

June 30, 2017 and 2016

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

### 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, 2017 and 2016, 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 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 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, 2017 and 2016, 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

##### *Supplementary information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position as of June 30, 2017 and consolidating statement of activities for the year ended June 30, 2017, are presented for purposes of additional analysis, rather than to present the financial position, result of operations, and cash flows of the individuals entities, and are not a required part of the consolidated financial statements. Such supplementary 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 audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

#### **Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 15, 2017, on our consideration of The Lighthouse's 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 solely 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 effectiveness of The Lighthouse's 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 The Lighthouse's internal control over financial reporting and compliance.



Chicago, Illinois  
December 15, 2017

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

ASSETS	2017			2016		
	Operating Fund	Long-term Investment Fund	Total	Operating Fund	Long-term Investment Fund	Total
Cash and cash equivalents	\$ 2,047,013	\$ -	\$ 2,047,013	\$ 585,018	\$ -	\$ 585,018
Accounts receivable						
Lighthouse Industries and Call Centers	3,084,780	-	3,084,780	5,683,125	-	5,683,125
Bequests	-	933,225	933,225	-	270,723	270,723
Other, principally state agencies	1,831,263	-	1,831,263	1,192,713	-	1,192,713
Contributions, net	293,619	106,216	399,835	89,956	107,944	197,900
Allowance for uncollectible accounts	(89,642)	-	(89,642)	(57,736)	-	(57,736)
Accounts receivable, net	5,120,020	1,039,441	6,159,461	6,908,058	378,667	7,286,725
Accrued investment income	-	24,646	24,646	-	28,053	28,053
Inventories	569,471	-	569,471	691,783	-	691,783
Prepaid expenses	371,936	-	371,936	363,828	-	363,828
Investments	-	11,674,697	11,674,697	-	13,013,133	13,013,133
Beneficial interest in perpetual trusts	-	550,232	550,232	-	519,036	519,036
Land, buildings and equipment, net	11,513,055	-	11,513,055	10,224,169	-	10,224,169
<b>TOTAL ASSETS</b>	<b>\$ 19,621,495</b>	<b>\$ 13,289,016</b>	<b>\$ 32,910,511</b>	<b>\$ 18,772,856</b>	<b>\$ 13,938,889</b>	<b>\$ 32,711,745</b>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities						
Accounts payable	\$ 1,221,688	\$ -	\$ 1,221,688	\$ 2,228,970	\$ -	\$ 2,228,970
Accrued salaries and payroll taxes	1,312,974	-	1,312,974	1,051,416	-	1,051,416
Line of credit	3,500,000	-	3,500,000	3,500,000	-	3,500,000
Mortgage payable	706,568	-	706,568	739,468	-	739,468
Other accrued liabilities	610,956	100,258	711,214	766,561	115,486	882,047
Total liabilities	7,352,186	100,258	7,452,444	8,286,415	115,486	8,401,901
Net assets						
Unrestricted	11,142,145	8,842,261	19,984,406	9,566,992	8,060,874	17,627,866
Temporarily restricted	1,127,164	2,351,597	3,478,761	919,449	3,800,172	4,719,621
Permanently restricted	-	1,994,900	1,994,900	-	1,962,357	1,962,357
Total net assets	12,269,309	13,188,758	25,458,067	10,486,441	13,823,403	24,309,844
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,621,495</b>	<b>\$ 13,289,016</b>	<b>\$ 32,910,511</b>	<b>\$ 18,772,856</b>	<b>\$ 13,938,889</b>	<b>\$ 32,711,745</b>

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**  
**For the years ended June 30,**

	2017				2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues								
Support and revenues								
Public support								
Contributions	\$ 1,907,168	\$ 558,573	\$ -	\$ 2,465,741	\$ 1,314,099	\$ 417,322	\$ -	\$ 1,731,421
United Way	140,023	-	-	140,023	143,117	-	-	143,117
Donated goods/services	227,594	-	-	227,594	153,684	-	-	153,684
Special events revenue	628,212	93,164	-	721,376	618,705	121,371	-	740,076
Less cost of direct benefits to donors	(248,624)	-	-	(248,624)	(217,052)	(7,182)	-	(224,234)
Net revenues from special events	379,588	93,164	-	472,752	401,653	114,189	-	515,842
Total public support	2,654,373	651,737	-	3,306,110	2,012,553	531,511	-	2,544,064
Program and other revenues								
Program revenues								
Call Center contracts	25,266,399	-	-	25,266,399	20,943,355	-	-	20,943,355
Lighthouse Industries sales	3,748,068	-	-	3,748,068	4,179,948	-	-	4,179,948
Rehabilitation training course fees and subsidies	4,189,973	184,701	-	4,374,674	4,353,407	97,632	-	4,451,039
Optical aid fees and sales	1,186,240	-	-	1,186,240	1,261,597	-	-	1,261,597
Government and other service contracts	1,238,343	-	-	1,238,343	1,517,487	-	-	1,517,487
Miscellaneous program revenues	91,262	-	-	91,262	167,097	-	-	167,097
Total program revenues	35,720,285	184,701	-	35,904,986	32,422,891	97,632	-	32,520,523
Other revenues								
Investment income, primarily interest	8,840	-	-	8,840	24,029	-	-	24,029
Miscellaneous other revenues	284,708	-	-	284,708	277,854	-	-	277,854
Total other revenues	293,548	-	-	293,548	301,883	-	-	301,883
Total program and other revenues	36,013,833	184,701	-	36,198,534	32,724,774	97,632	-	32,822,406
Total public support, program and other revenues	38,668,206	836,438	-	39,504,644	34,737,327	629,143	-	35,366,470
Net assets released from restrictions	2,575,704	(2,575,704)	-	-	1,677,064	(1,677,064)	-	-
Total operating revenues	<u>\$ 41,243,910</u>	<u>\$ (1,739,266)</u>	<u>\$ -</u>	<u>\$ 39,504,644</u>	<u>\$ 36,414,391</u>	<u>\$ (1,047,921)</u>	<u>\$ -</u>	<u>\$ 35,366,470</u>

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 - CONTINUED**  
**For the years ended June 30,**

	2017				2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses								
Program services	\$ 35,841,541	\$ -	\$ -	\$ 35,841,541	\$ 32,405,735	\$ -	\$ -	\$ 32,405,735
Supporting services	6,024,698	-	-	6,024,698	5,522,818	-	-	5,522,818
Total expenses	41,866,239	-	-	41,866,239	37,928,553	-	-	37,928,553
Deficiency of operating revenues over operating expenses	(622,329)	(1,739,266)	-	(2,361,595)	(1,514,162)	(1,047,921)	-	(2,562,083)
Non-operating support, revenues, gains and losses								
Legacies and bequests	2,050,331	-	-	2,050,331	310,025	108,989	-	419,014
Contributions for long-term investment purposes	138,452	180,915	-	319,367	79,600	522,114	-	601,714
Investment income, dividends and interest	216,482	58,742	-	275,224	284,341	61,419	-	345,760
Change in value of split interest agreements	-	3,053	31,196	34,249	-	(12,446)	(30,021)	(42,467)
Net realized gains	330,599	146,801	1,347	478,747	56,094	23,440	190	79,724
Net change in unrealized appreciation (depreciation) of investments	243,005	108,895	-	351,900	(411,134)	(173,199)	-	(584,333)
Total non-operating support, revenues, gains and losses	2,978,869	498,406	32,543	3,509,818	318,926	530,317	(29,831)	819,412
Change in net assets	2,356,540	(1,240,860)	32,543	1,148,223	(1,195,236)	(517,604)	(29,831)	(1,742,671)
Net assets, at beginning 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
Net assets, at end of year	<u>\$ 19,984,406</u>	<u>\$ 3,478,761</u>	<u>\$ 1,994,900</u>	<u>\$ 25,458,067</u>	<u>\$ 17,627,866</u>	<u>\$ 4,719,621</u>	<u>\$ 1,962,357</u>	<u>\$ 24,309,844</u>

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,**

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 1,148,223	\$ (1,742,671)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net change in unrealized (appreciation) depreciation of investments	(351,900)	584,333
Net realized gains on sales of investments	(478,747)	(79,724)
Net change in value of split interest agreements	(31,196)	30,021
Contributions restricted for long-term investment	(180,915)	(631,103)
Depreciation and amortization	1,185,100	1,047,284
Change in allowance for uncollectible accounts	31,906	(25,066)
Changes in operating assets and liabilities		
Accounts receivable	1,095,358	(1,543,719)
Accrued investment income	3,407	1,686
Inventories	122,312	179,138
Prepaid expenses	(8,108)	(155,032)
Accounts payable	(1,324,983)	933,899
Accrued salaries and payroll taxes	261,558	90,080
Other accrued liabilities	(176,483)	(148,104)
Net cash provided by (used in) operating activities	1,295,532	(1,458,978)
Cash flows from investing activities		
Purchases of investments	(3,689,026)	(6,347,406)
Sale of investments	5,858,109	8,078,612
Additions to land, building and equipment	(2,150,635)	(756,062)
Net cash provided by investing activities	18,448	975,144
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	180,915	631,103
Payments made on mortgage	(32,900)	(28,907)
Net cash provided by financing activities	148,015	602,196
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,461,995	118,362
Cash and cash equivalents, beginning of year	585,018	466,656
Cash and cash equivalents, end of year	<u>\$ 2,047,013</u>	<u>\$ 585,018</u>
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	\$ 184,282	\$ 178,547
Non-cash investing		
Equipment financed through capital leases	\$ 5,650	\$ 209,600
Capital expenditures accrued, but not paid	317,701	36,823

The accompanying notes are an integral part of these statements.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
Year ended June 30, 2017, with summarized information for the year ended June 30, 2016

	Program services													Supporting services						
	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	Total	Building and maintenance	General administration	Public relations	Fund-raising	Total	2017 total	2016 total
Employee salaries	\$ 651,334	\$ 283,415	\$ 748,885	\$ 432,391	\$ 427,242	\$ 196,843	\$ 393,171	\$ 449,699	\$ 13,896	\$ 126,735	\$ 509,601	\$ 1,757,334	\$ 5,990,546	\$ 222,644	\$ 2,269,981	\$ 245,363	\$ 549,703	\$ 3,287,691	\$ 9,278,237	\$ 8,817,588
Employee benefits	155,381	49,501	118,442	75,796	65,834	50,667	70,407	75,067	2,589	18,591	78,805	305,836	1,066,916	39,665	362,842	42,225	92,613	537,345	1,604,261	1,820,509
Total employee salaries and benefits	806,715	332,916	867,327	508,187	493,076	247,510	463,578	524,766	16,485	145,326	588,406	2,063,170	7,057,462	262,309	2,632,823	287,588	642,316	3,825,036	10,882,498	10,638,097
Production wages	490,544	-	33,037	-	-	771,193	6,820	11,229	16,365	-	3,040	12,571,146	13,903,374	10,030	24,890	-	-	34,920	13,938,294	9,765,647
Production-related benefits	116,841	-	5,913	-	-	72,894	1,201	417	3,081	398	283	2,174,688	2,375,716	324	2,487	-	398	3,209	2,378,925	1,450,106
Total production payments and benefits	607,385	-	38,950	-	-	844,087	8,021	11,646	19,446	398	3,323	14,745,834	16,279,090	10,354	27,377	-	398	38,129	16,317,219	11,215,753
Total salaries and related benefits	1,414,100	332,916	906,277	508,187	493,076	1,091,597	471,599	536,412	35,931	145,724	591,729	16,809,004	23,336,552	272,663	2,660,200	287,588	642,714	3,863,165	27,199,717	21,853,850
Professional and contract services	108,013	170	458,911	153,811	2,610	165	603	18,927	5,549	122,600	58,767	893,343	1,823,469	485	325,914	3,921	60,551	390,871	2,214,340	2,417,157
Temporary labor	-	-	-	-	-	29,988	-	-	-	-	-	2,924,976	2,954,964	-	136,010	-	-	136,010	3,090,974	3,287,755
Supplies	37,229	1,211,382	435,580	33,269	4,904	16,183	11,611	120,445	46,980	1,499	116,326	674,345	2,709,753	51,870	340,667	(100)	9,483	401,920	3,111,673	3,841,335
Advertising	125,872	-	4,087	-	-	-	96	475	-	1,200	-	-	131,730	-	-	124,199	6,050	130,249	261,979	159,036
Telephone	7,369	-	6,524	60	1,484	527	2,807	1,150	1,552	(2,602)	25,315	88,904	133,090	1,205	125,152	638	2,574	129,569	262,659	243,366
Postage, freight and direct mail	106,816	6,378	9,909	5	-	2	86	356	-	17	799	70,622	194,990	15	9,096	2,947	20,780	32,838	227,828	242,841
Equipment rental and maintenance	21,206	16,505	1,179	2,148	-	-	-	164	-	(1,044)	680	6,856	47,694	15,158	18,795	383	-	34,336	82,030	80,853
Utilities	3,107	-	-	-	-	-	-	-	1,875	-	8,237	-	13,219	137,041	-	-	-	137,041	150,260	142,260
Building repairs and maintenance	-	-	-	-	-	-	-	-	1,246	-	24,715	-	25,961	254,213	-	-	-	254,213	280,174	330,173
Property and liability insurance	491	4,274	8,167	7,278	1,271	2,542	743	185	6,897	6,181	-	80,302	118,331	45,400	85,123	-	463	130,986	249,317	222,918
Printing	2,215	-	6,829	-	-	-	420	-	-	-	808	-	10,272	-	7,462	3,169	33,690	44,321	54,593	51,522
Conference, meetings and major trips	13,935	952	13,993	608	8,537	1,862	4,145	28,082	-	10	3,938	14,605	90,667	-	32,614	1,643	9,502	43,759	134,426	155,276
Memberships	-	-	150	-	-	-	-	718	-	643	305	-	1,816	-	6,070	-	865	6,935	8,751	8,344
Client assistance	-	-	-	14,772	151,222	-	210	57,781	-	984	200	822	225,991	-	1,119	-	-	1,119	227,110	223,904
Cost of materials	1,805,188	-	-	-	-	-	-	-	-	-	-	-	1,805,188	-	-	-	-	-	1,805,188	2,033,154
Property rental	29,329	-	7,441	-	-	-	-	-	17,076	-	2,840	-	56,686	-	-	-	-	-	56,686	52,271
Commissions	267,716	-	1,563	-	-	27,687	-	-	-	-	-	-	296,966	-	-	-	-	-	296,966	381,317
Other	32,999	10,202	44,409	4,999	6,231	7,990	4,648	5,750	278	760	25,874	226,760	370,900	8,581	341,007	5,323	56,375	411,286	782,186	975,390
Interest	-	-	-	-	-	-	-	-	-	-	35,773	28,169	63,942	-	120,340	-	-	120,340	184,282	178,547
Distribution of building repairs and maintenance	198,467	74,730	66,706	70,089	30,128	2,281	9,282	39,253	-	8,968	-	102,970	602,874	(786,631)	163,541	4,090	16,126	(602,874)	-	-
Total expenses before depreciation and amortization	4,174,052	1,657,509	1,971,725	795,226	699,463	1,180,824	506,250	809,698	117,384	284,940	896,306	21,921,678	35,015,055	-	4,373,110	433,801	859,173	5,666,084	40,681,139	36,881,269
Depreciation and amortization	183,573	62,300	82,101	69,133	33,175	1,962	15,346	39,691	34,510	9,612	71,432	223,651	826,486	-	338,868	5,127	14,619	358,614	1,185,100	1,047,284
Total expenses	\$ 4,357,625	\$ 1,719,809	\$ 2,053,826	\$ 864,359	\$ 732,638	\$ 1,182,786	\$ 521,596	\$ 849,389	\$ 151,894	\$ 294,552	\$ 967,738	\$ 22,145,329	\$ 35,841,541	\$ -	\$ 4,711,978	\$ 438,928	\$ 873,792	\$ 6,024,698	\$ 41,866,239	\$ 37,928,553

The accompanying notes are an integral part of this statement.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED  
Year ended June 30, 2016

	Program services											Supporting services							2016 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	Total	Building and maintenance	General administration	Public relations	Fund-raising	Total	
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	\$ 243,298	\$ 2,018,295	\$ 238,363	\$ 540,796	\$ 3,040,752	\$ 8,817,588
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	53,836	391,450	45,191	114,800	605,277	1,820,509
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	297,134	2,409,745	283,554	655,596	3,646,029	10,638,097
Production wages	448,449	-	56,262	-	-	831,916	7,776	10,138	39,124	-	1,640	8,357,821	9,753,126	5,892	6,629	-	-	12,521	9,765,647
Production-related benefits	66,925	-	6,599	-	-	76,857	1,204	365	6,242	590	(3)	1,289,722	1,448,501	940	544	121	-	1,605	1,450,106
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	6,832	7,173	121	-	14,126	11,215,753
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	303,966	2,416,918	283,675	655,596	3,660,155	21,853,850
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	70	423,457	2,560	87,791	513,878	2,417,157
Temporary labor	-	-	-	11,058	11,058	20,395	-	-	-	-	-	3,169,449	3,211,960	-	75,795	-	-	75,795	3,287,755
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	12,971	306,182	1,312	10,811	331,276	3,841,335
Advertising	142,774	-	1,297	-	-	-	128	365	-	4,800	172	-	149,536	-	-	-	9,500	9,500	159,036
Telephone	4,930	-	5,105	-	1,605	722	3,138	1,696	2,582	20,098	22,692	84,962	147,530	2,224	89,472	1,445	2,695	95,836	243,366
Postage, freight and direct mail	135,669	5,315	16,644	8	9	97	334	164	18	-	1,300	53,428	212,986	10	15,983	5,259	8,603	29,855	242,841
Equipment rental and maintenance	12,599	10,127	10,779	769	-	-	-	631	1,151	6,263	396	2,020	44,735	18,284	17,834	-	-	36,118	80,853
Utilities	3,315	-	-	-	-	-	-	-	3,619	-	9,459	-	16,393	125,867	-	-	-	125,867	142,260
Building repairs and maintenance	-	-	-	-	-	-	-	-	794	-	20,139	-	20,933	309,240	-	-	-	309,240	330,173
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	44,219	75,358	-	434	120,011	222,918
Printing	161	764	7,485	-	54	-	31	13	-	473	368	94	9,443	-	628	16,924	24,527	42,079	51,522
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	60	36,479	1,325	7,682	45,546	155,276
Memberships	-	-	1,107	-	-	-	-	325	-	582	300	-	2,314	-	4,077	-	1,953	6,030	8,344
Client assistance	-	6	-	11,007	166,482	-	(1,381)	48,450	30	(960)	-	-	223,634	-	270	-	-	270	223,904
Cost of materials	2,033,154	-	-	-	-	-	-	-	-	-	-	-	2,033,154	-	-	-	-	-	2,033,154
Property rental	28,613	-	657	-	-	-	-	-	23,001	-	-	-	52,271	-	-	-	-	-	52,271
Commissions	321,540	-	1,100	-	-	58,677	-	-	-	-	-	-	381,317	-	-	-	-	-	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	14,032	277,546	6,432	49,261	347,271	975,390
Interest	-	-	389	-	-	-	9	-	-	-	40,158	-	40,556	-	137,991	-	-	137,991	178,547
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	(830,943)	150,567	3,656	17,533	(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	-	4,028,557	322,588	876,386	5,227,531	36,881,269
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	-	278,889	4,490	11,908	295,287	1,047,284
Total expenses	<u>\$ 4,476,842</u>	<u>\$ 1,908,837</u>	<u>\$ 2,176,192</u>	<u>\$ 813,606</u>	<u>\$ 710,454</u>	<u>\$ 1,324,442</u>	<u>\$ 708,081</u>	<u>\$ 859,506</u>	<u>\$ 224,676</u>	<u>\$ 259,499</u>	<u>\$ 819,376</u>	<u>\$ 18,124,224</u>	<u>\$ 32,405,735</u>	<u>\$ -</u>	<u>\$ 4,307,446</u>	<u>\$ 327,078</u>	<u>\$ 888,294</u>	<u>\$ 5,522,818</u>	<u>\$ 37,928,553</u>

The accompanying notes are an integral part of this statement.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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**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 offers a wide range of programs and 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. 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 (U.S. GAAP) 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, 2017 and 2016**

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***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 consist of sales of the products manufactured by The Lighthouse and are recognized on the basis of completed production for assembly contracts and upon shipment of

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
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merchandise for product sales. Call Center revenue is based on services provided in The Lighthouse call centers and is recognized at the time service is provided.

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 \$535,890 and \$668,323 in 2017 and 2016, 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 \$103,588 and \$130,018 for the years ended June 30, 2017 and 2016, 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.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2017 and 2016**

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***Fair Value Measurements***

U.S. GAAP defines 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 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 \$148,072 and \$118,072 for the years ended June 30, 2017 and 2016, respectively, and was recorded for legal and other contractual services received. In-kind donation revenue was \$124,666 and \$82,161 for the years ended June 30, 2017 and 2016, respectively. Specific in-kind grants, considered program subsidy and listed with rehabilitation training course fees and subsidies, were recorded at \$535,890 and \$668,323 in 2017 and 2016, respectively, based on the fair value of items received.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2017 and 2016**

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***Advertising Expense***

Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense was \$261,979 and \$159,036 for the years ended June 30, 2017 and 2016, respectively.

***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 July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*. The guidance provides that an entity should measure inventory within the scope of the update at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The guidance is effective for The Lighthouse for fiscal year 2018. The guidance should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period.

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,



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
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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.

**NOTE B - INVESTMENTS**

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

	<u>2017</u>	<u>2016</u>
Cash	\$ 771,965	\$ 706,798
Common stocks and equity funds	7,230,176	7,732,772
Bonds and other debt instruments	3,041,821	3,326,566
Hedge fund instruments	<u>630,735</u>	<u>1,246,997</u>
	<u>\$11,674,697</u>	<u>\$13,013,133</u>

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

	<u>2017</u>	<u>2016</u>
Included in other revenues		
Investment income, primarily interest	\$ 8,840	\$ 24,029
Included in non-operating items		
Investment income, dividends and interest	275,224	345,760
Net realized gains	478,747	79,724
Net change in unrealized gains (losses)	<u>351,900</u>	<u>(584,333)</u>
	<u>\$1,114,711</u>	<u>\$(134,820)</u>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2017 and 2016**

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**NOTE C - LAND, BUILDING AND EQUIPMENT**

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

	<u>2017</u>	<u>2016</u>
Land	\$ 321,993	\$ 306,872
Building	20,027,622	17,943,702
Leasehold improvements	-	43,031
Equipment and furniture	<u>9,300,336</u>	<u>9,017,243</u>
	29,649,951	27,310,848
Less accumulated depreciation and amortization	<u>(18,136,896)</u>	<u>(17,086,679)</u>
Net land, building and equipment	\$ <u>11,513,055</u>	\$ <u>10,224,169</u>

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**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

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2017 and 2016**

permanently restricted. Temporarily restricted net assets as of June 30, are available for the following purposes:

	2017	2016
Associate Board designation for future years	\$ 95,555	\$ 90,391
Birth-to-Three/Homebound	367,897	281,752
Building expansion	264,182	1,968,519
Charitable gift annuities	77,576	60,456
Client emergency assistance	8,034	6,468
Endowment campaign	106,216	107,944
Instructional Materials Center	144,015	111,571
Lighthouse North	371,966	350,098
Pangere Center for Inherited Retinal Disease	88,530	69,751
Program expansion and operations	1,627,605	1,416,258
Purchase of fixed assets	73,555	17,106
Scholarship endowment	85,387	79,600
Scholarship fund	<u>168,243</u>	<u>159,707</u>
	<u>\$3,478,761</u>	<u>\$4,719,621</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:

	2017	2016
Beneficial interest in perpetual trusts	\$ 550,232	\$ 519,036
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>37,946</u>	<u>36,599</u>
	<u>\$1,994,900</u>	<u>\$1,962,357</u>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2017 and 2016**

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**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>2017</u>	<u>2016</u>
Birth-to-Three/Homebound	\$ 34,208	\$ 189,355
Client emergency assistance	984	(960)
Endowment campaign	51,227	181,633
Instructional Materials Center	111,571	61,342
Lighthouse North	255,036	60,645
Pangere Center for Inherited Retinal Disease	5,133	55,897
Pre-School	16,000	12,393
Program expansion and operations	153,438	593,722
Purchase of fixed assets	1,885,624	431,403
Scholarship program	<u>62,483</u>	<u>91,634</u>
	<u>\$2,575,704</u>	<u>\$1,677,064</u>

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**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, 2017 and 2016**

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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, 2017 and 2016.

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, 2017 and 2016, 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2017 and 2016**

During 2017 and 2016, The Lighthouse had the following endowment-related activities:

**Endowment Net Asset Composition by Type of Fund**  
**As of June 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor endowment funds	\$ -	\$1,131,600	\$1,444,668	\$2,576,268
Board-designated funds	<u>35,163</u>	<u>-</u>	<u>-</u>	<u>35,163</u>
Total funds	<u>\$35,163</u>	<u>\$1,131,600</u>	<u>\$1,444,668</u>	<u>\$2,611,431</u>

**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>-</u>	<u>-</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>

**Changes in Endowment Net Assets**  
**For the Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$35,163	\$1,038,573	\$1,443,321	\$2,517,057
Investment return				
Investment income	682	28,014	-	28,696
Net appreciation, realized and unrealized	<u>-</u>	<u>93,027</u>	<u>1,347</u>	<u>94,374</u>
Total investment return	682	121,041	1,347	123,070
Appropriation of endowment assets for expenditure	<u>(682)</u>	<u>(28,014)</u>	<u>-</u>	<u>(28,696)</u>
Net assets, end of year	<u>\$35,163</u>	<u>\$1,131,600</u>	<u>\$1,444,668</u>	<u>\$2,611,431</u>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2017 and 2016**

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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>

**NOTE G - CONTRIBUTIONS RECEIVABLE**

Contributions receivable at June 30, included the following:

	2017	2016
Unconditional promises to give due in		
Less than one year	\$330,254	\$165,424
One to five years	<u>84,682</u>	<u>44,200</u>
	414,936	209,624
Less		
Allowance for uncollectible accounts	(6,879)	(7,479)
Unamortized discount	<u>(8,222)</u>	<u>(4,245)</u>
Contributions receivable, net	<u>\$399,835</u>	<u>\$197,900</u>

The discount rate is 3% and 3.5% for the years ended June 30, 2017 and 2016, respectively

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2017 and 2016**

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**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:

	2017		2016	
	Revenue	Receivable	Revenue	Receivable
The Illinois State Toll Highway Authority	39%	26%	39%	39%
University of Illinois Health Systems	17	8	14	15
Illinois Department of Financial and Professional Regulation	N/A	N/A	N/A	11

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**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 2017 and 2016 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 2017 and 2016 was \$225,298 and \$172,646, respectively.

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**NOTE J - UNITED WAY OF METROPOLITAN CHICAGO PUBLIC SUPPORT**

United Way provided support of \$140,023 and \$143,117 in fiscal 2017 and 2016, respectively, of which \$22,853 and \$25,927 in fiscal years 2017 and 2016, 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 \$68,560 and \$77,782 in fiscal 2017 and 2016, 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, 2017 and 2016**

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**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. Additionally, there are no interest or penalties recognized in the consolidated statements of activities or consolidated statements of financial position. Chicago Lighthouse Industries does not have unrelated business income, and no provision is necessary.

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**NOTE L - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following tables summarize assets by fair value levels as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks and equity funds	\$7,230,176	\$ -	\$ -	\$ 7,230,176
Bonds and other debt instruments	-	3,041,821	-	3,041,821
Beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>550,232</u>	<u>550,232</u>
	<u>\$7,230,176</u>	<u>\$3,041,821</u>	<u>\$550,232</u>	<u>\$10,822,229</u>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2017 and 2016**

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

	Level 1	Level 2	Level 3	Total
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	-	-	519,036	519,036
	<u>\$7,732,772</u>	<u>\$3,326,566</u>	<u>\$519,036</u>	<u>\$11,578,374</u>

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

	Beneficial interest in perpetual trusts
Balance as of June 30, 2015	\$549,057
Change in value	<u>(30,021)</u>
Balance as of June 30, 2016	519,036
Change in value	<u>31,196</u>
Balance as of June 30, 2017	<u>\$550,232</u>

The following table provides additional information related to investments recorded at net asset value (NAV) as of June 30, 2017:

	Fair Value	Unfunded commitments	Redemption frequency	Term of Investment
Hedge fund (a)	\$630,735	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, 2017 and 2016**

The following table provides additional information related to investments recorded at 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

(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>2017</u>	<u>2016</u>
Accounts receivable allowance for uncollectible accounts		
Beginning balance	\$ 57,736	\$ 82,802
Bad debt expense	50,339	35,386
Accounts written off	<u>(18,433)</u>	<u>(60,452)</u>
Ending balance	<u>\$ 89,642</u>	<u>\$ 57,736</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, 2017 and 2016, the amounts outstanding totaled \$3,500,000. The interest rate on this debt fluctuated based on the LIBOR rate and was 3.05% and 2.5% as of June 30, 2017 and 2016, respectively. Interest is also payable at 0.25% on the unused available line of credit. Interest expense incurred on the line of credit totaled \$97,402 and \$78,479 for the years ended June 30, 2017 and 2016, respectively.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2017 and 2016**

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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 mortgage will mature in fiscal year 2021 and bears interest at the rate of 4.85%.

Future principal payments on the mortgage as of June 30, 2017, are as follows:

Years ending June 30,

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

Interest expense on the mortgage totaled \$35,630 and \$39,170 for the years ended June 30, 2017 and 2016, respectively.

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**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 \$550,232 and \$519,036 at June 30, 2017 and 2016, 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 \$180,996 and \$216,956 at June 30, 2017 and 2016, respectively, have been segregated in separate accounts, the use of which is limited to meeting the gift annuity obligations. The liability was \$100,258 and \$115,486 at June 30, 2017 and 2016, respectively, which is included in other accrued liabilities in the consolidated statements of financial position.

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**NOTE P - FUTURE COMMITMENTS**

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

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2017 and 2016**

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Total rent expense amounted to \$180,741 and \$159,415 in 2017 and 2016, respectively.

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

Years ending June 30,

2018	\$87,899
2019	23,344
2020	13,995
2021	5,457
2022	1,501

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

Fiscal years ending June 30,

2018	\$193,774
2019	193,774
2020	<u>145,478</u>
Total minimum payments required	533,026
Less amount representing interest	<u>(60,520)</u>
Present value of capital lease obligation, included in other accrued liabilities	<u>\$472,506</u>

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

	<u>2017</u>	<u>2016</u>
Phone systems	\$ 871,631	\$ 876,642
Less accumulated amortization	<u>(444,508)</u>	<u>(279,664)</u>
Net capitalized leased property	<u>\$ 427,123</u>	<u>\$ 596,978</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 \$7,638 over the remaining 23 months of the contract.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2017 and 2016**

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**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 34% and 65% of the accounts receivable balance at June 30, 2017 and 2016, 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.

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**NOTE R - RELATED PARTIES**

Donations to The Lighthouse from members of the board of directors were \$336,061 and \$212,058, including \$35,000 and \$30,000 from board members' family foundations, for the years ended June 30, 2017 and 2016, respectively. Pledges receivable from members of the board of directors were \$97,290 and \$116,411 at June 30, 2017 and 2016, respectively.

Payments to members of the Lighthouse board of directors, or related companies, for professional services provided were \$51,929 and \$40,603 for the years ended June 30, 2017 and 2016, respectively.

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**NOTE S - SUBSEQUENT EVENTS**

The Lighthouse evaluated its June 30, 2017, consolidated financial statements for subsequent events through December 15, 2017, 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.

## SUPPLEMENTARY INFORMATION

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**June 30,**

	The Chicago Lighthouse for People Who Are Blind or Visually Impaired 2017			Chicago Lighthouse Industries	Eliminations	Consolidated
ASSETS	Operating Fund	Long-term Investment Fund	Total	Operating Fund		
Cash and cash equivalents	\$ 1,850,817	\$ -	\$ 1,850,817	\$ 196,196	\$ -	\$ 2,047,013
Accounts receivable						
Lighthouse Industries and Call Centers	2,533,812	-	2,533,812	550,968	-	3,084,780
Bequests	-	933,225	933,225	-	-	933,225
Other, principally state agencies	1,839,000	-	1,839,000	-	(7,737)	1,831,263
Contributions, net	293,619	106,216	399,835	-	-	399,835
Allowance for uncollectible accounts	(78,671)	-	(78,671)	(10,971)	-	(89,642)
Accounts receivable, net	4,587,760	1,039,441	5,627,201	539,997	(7,737)	6,159,461
Accrued investment income	-	24,646	24,646	-	-	24,646
Inventories	192,528	-	192,528	376,943	-	569,471
Prepaid expenses	366,585	-	366,585	5,351	-	371,936
Investments	-	11,674,697	11,674,697	-	-	11,674,697
Beneficial interest in perpetual trusts	-	550,232	550,232	-	-	550,232
Land, buildings and equipment, net	11,447,734	-	11,447,734	65,321	-	11,513,055
<b>TOTAL ASSETS</b>	<b>\$ 18,445,424</b>	<b>\$ 13,289,016</b>	<b>\$ 31,734,440</b>	<b>\$ 1,183,808</b>	<b>\$ (7,737)</b>	<b>\$ 32,910,511</b>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities						
Accounts payable	\$ 1,089,566	\$ -	\$ 1,089,566	\$ 132,122	\$ -	\$ 1,221,688
Accrued salaries and payroll taxes	1,181,361	-	1,181,361	131,613	-	1,312,974
Line of credit	3,500,000	-	3,500,000	-	-	3,500,000
Mortgage payable	706,568	-	706,568	-	-	706,568
Other accrued liabilities	601,866	100,258	702,124	16,827	(7,737)	711,214
Total liabilities	7,079,361	100,258	7,179,619	280,562	(7,737)	7,452,444
Net assets						
Unrestricted	10,238,899	8,842,261	19,081,160	903,246	-	19,984,406
Temporarily restricted	1,127,164	2,351,597	3,478,761	-	-	3,478,761
Permanently restricted	-	1,994,900	1,994,900	-	-	1,994,900
Total net assets	11,366,063	13,188,758	24,554,821	903,246	-	25,458,067
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 18,445,424</b>	<b>\$ 13,289,016</b>	<b>\$ 31,734,440</b>	<b>\$ 1,183,808</b>	<b>\$ (7,737)</b>	<b>\$ 32,910,511</b>



**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2017**

	The Chicago Lighthouse for People Who Are Blind or Visually Impaired	Chicago Lighthouse Industries	Eliminations	Consolidated
Operating revenues				
Support and revenues				
Public support				
Contributions	\$ 2,465,741	\$ 1,825,943	\$ (1,825,943)	\$ 2,465,741
United Way	140,023	-	-	140,023
Donated goods/services	226,369	1,225	-	227,594
Special events revenue	721,376	-	-	721,376
Less cost of direct benefits to donors	(248,624)	-	-	(248,624)
Net revenues from special events	472,752	-	-	472,752
Total public support	3,304,885	1,827,168	(1,825,943)	3,306,110
Program and other revenues				
Program revenues				
Call Center contracts	25,266,399	-	-	25,266,399
Lighthouse Industries sales	102,625	3,645,443	-	3,748,068
Rehabilitation training course fees and subsic	4,374,674	-	-	4,374,674
Optical aid fees and sales	1,186,240	-	-	1,186,240
Government and other service contracts	49,901	1,188,442	-	1,238,343
Miscellaneous program revenues	91,262	-	-	91,262
Total program revenues	31,071,101	4,833,885	-	35,904,986
Other revenues				
Investment income, primarily interest	8,840	-	-	8,840
Miscellaneous other revenues	284,672	36	-	284,708
Total other revenues	293,512	36	-	293,548
Total program and other revenues	31,364,613	4,833,921	-	36,198,534
Total public support, program and other revenues	34,669,498	6,661,089	(1,825,943)	39,504,644
Net assets released from restrictions	-	-	-	-
Total operating revenues	34,669,498	6,661,089	(1,825,943)	39,504,644

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**CONSOLIDATING STATEMENT OF ACTIVITIES - CONTINUED**  
**Year ended June 30, 2017**

	The Chicago Lighthouse for People Who Are Blind or Visually Impaired	Chicago Lighthouse Industries	Eliminations	Consolidated
Expenses				
Program services	\$ 31,889,677	\$ 5,316,280	\$ (1,364,416)	\$ 35,841,541
Supporting services	6,004,662	481,563	(461,527)	6,024,698
Total expenses	37,894,339	5,797,843	(1,825,943)	41,866,239
Deficiency of operating revenues over operating expenses	(3,224,841)	863,246	-	(2,361,595)
Non-operating support, revenues, gains and losses				
Legacies and bequests	2,050,331	-	-	2,050,331
Contributions for long-term investment purposes	319,367	-	-	319,367
Investment income, dividends and interest	275,224	-	-	275,224
Change in value of split interest agreements	34,249	-	-	34,249
Net realized gains	478,747	-	-	478,747
Net change in unrealized appreciation of investments	351,900	-	-	351,900
Total non-operating support, revenues, gains and losses	3,509,818	-	-	3,509,818
Change in net assets	284,977	863,246	-	1,148,223
Net assets, at beginning of year	24,269,844	40,000	-	24,309,844
Net assets, at end of year	\$ 24,554,821	\$ 903,246	\$ -	\$ 25,458,067



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*

Board of Directors

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

We have audited, 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, the 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, 2017, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2017.

Internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered The Lighthouse's internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of The Lighthouse's 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of The

Lighthouse's 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 The Lighthouse's 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 The Lighthouse's consolidated financial statements are free from 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 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*.

#### Intended purpose

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



Chicago, Illinois  
December 15, 2017