

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, 2020 and 2019

Contents

	Page
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Statements of financial position	5
Statements of activities	6 - 7
Statements of cash flows	8
Statements of functional expenses	9 - 10
Notes to consolidated financial statements	11
Supplementary Information	
Consolidating statement of financial position	26
Consolidating statement of activities	27 - 28
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	29 - 30

GRANT THORNTON LLP

Grant Thornton Tower
171 N. Clark Street, Suite 200
Chicago, IL 60601-3370

D +1 312 856 0200

F +1 312 565 4719

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements

We have audited the accompanying consolidated financial statements of The Chicago Lighthouse for People Who Are Blind or Visually Impaired and Chicago Lighthouse Industries (a nonprofit organization) (collectively, "The Lighthouse") which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Lighthouse as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters*Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and activities as of and for the year ended June 30, 2020, are presented for purposes of additional analysis rather than to present the financial position, result of operation, and cash flows of the individual 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 related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. 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 29, 2020, 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 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 29, 2020

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

ASSETS	2020			2019		
	Operating Fund	Long-term Investment Fund	Total	Operating Fund	Long-term Investment Fund	Total
Cash and cash equivalents	\$ 1,518,436	\$ -	\$ 1,518,436	\$ 681,729	\$ -	\$ 681,729
Accounts receivable						
Lighthouse Industries and Call Centers, net	2,705,557	-	2,705,557	5,933,986	-	5,933,986
Bequests	-	104,224	104,224	-	295,100	295,100
Other, principally state agencies, net	711,904	-	711,904	969,490	-	969,490
Contributions, net	303,691	1,812	305,503	551,867	78,250	630,117
Accounts receivable, net	3,721,152	106,036	3,827,188	7,455,343	373,350	7,828,693
Accrued investment income	-	37,148	37,148	-	30,097	30,097
Inventories	1,195,950	-	1,195,950	966,048	-	966,048
Prepaid expenses	323,019	-	323,019	191,368	-	191,368
Investments	-	11,623,014	11,623,014	-	12,955,736	12,955,736
Beneficial interest in perpetual trusts	-	567,200	567,200	-	570,891	570,891
Land, buildings and equipment, net	9,994,259	-	9,994,259	10,618,473	-	10,618,473
TOTAL ASSETS	\$ 16,752,816	\$ 12,333,398	\$ 29,086,214	\$ 19,912,961	\$ 13,930,074	\$ 33,843,035
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	\$ 1,188,431	\$ -	\$ 1,188,431	\$ 1,809,057	\$ -	\$ 1,809,057
Accrued salaries and payroll taxes	860,646	-	860,646	1,565,222	-	1,565,222
Line of credit	1,725,000	-	1,725,000	1,519,504	-	1,519,504
Mortgage payable	4,038,788	-	4,038,788	4,121,316	-	4,121,316
Other accrued liabilities	419,761	88,937	508,698	607,316	92,681	699,997
Total liabilities	8,232,626	88,937	8,321,563	9,622,415	92,681	9,715,096
Net assets						
Without donor restrictions	7,149,224	8,241,055	15,390,279	8,094,888	9,683,739	17,778,627
With donor restrictions	1,370,966	4,003,406	5,374,372	2,195,658	4,153,654	6,349,312
Total net assets	8,520,190	12,244,461	20,764,651	10,290,546	13,837,393	24,127,939
TOTAL LIABILITIES AND NET ASSETS	\$ 16,752,816	\$ 12,333,398	\$ 29,086,214	\$ 19,912,961	\$ 13,930,074	\$ 33,843,035

The accompanying notes are an integral part of these consolidated financial statements.

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

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating revenues						
Support and revenues						
Public support						
Contributions	\$ 1,777,840	\$ 354,161	\$ 2,132,001	\$ 1,480,643	\$ 1,585,315	\$ 3,065,958
United Way	70,655	25,000	95,655	82,398	-	82,398
Donated goods/services	218,358	-	218,358	276,695	-	276,695
Special events revenue	345,676	24,240	369,916	830,596	101,520	932,116
Less cost of direct benefits to donors	(86,233)	-	(86,233)	(256,770)	-	(256,770)
Net revenues from special events	<u>259,443</u>	<u>24,240</u>	<u>283,683</u>	<u>573,826</u>	<u>101,520</u>	<u>675,346</u>
Total public support	2,326,296	403,401	2,729,697	2,413,562	1,686,835	4,100,397
Program and other revenues						
Program revenues						
Call Center contracts	27,341,036	-	27,341,036	30,709,221	-	30,709,221
Lighthouse Industries sales	3,551,569	-	3,551,569	3,729,964	-	3,729,964
Rehabilitation training course fees and subsidies	4,681,715	124,801	4,806,516	5,083,551	168,771	5,252,322
Optical aid fees and sales	1,180,995	-	1,180,995	1,281,958	-	1,281,958
Government and other service contracts	1,326,159	-	1,326,159	1,680,118	-	1,680,118
Miscellaneous revenues	247,484	-	247,484	26,913	-	26,913
Total program revenues	38,328,958	124,801	38,453,759	42,511,725	168,771	42,680,496
Total public support, program and other revenues	40,655,254	528,202	41,183,456	44,925,287	1,855,606	46,780,893
Net assets released from restrictions	<u>1,467,883</u>	<u>(1,467,883)</u>	<u>-</u>	<u>1,016,592</u>	<u>(1,016,592)</u>	<u>-</u>
Total operating revenues	<u>\$ 42,123,137</u>	<u>\$ (939,681)</u>	<u>\$ 41,183,456</u>	<u>\$ 45,941,879</u>	<u>\$ 839,014</u>	<u>\$ 46,780,893</u>

The accompanying notes are an integral part of these consolidated financial statements.

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

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Expenses						
Program services	\$ 38,252,992	\$ -	\$ 38,252,992	\$ 42,126,934	\$ -	\$ 42,126,934
Supporting services	6,835,775	-	6,835,775	7,199,011	-	7,199,011
Total expenses	45,088,767	-	45,088,767	49,325,945	-	49,325,945
Deficiency of operating revenues over operating expenses	(2,965,630)	(939,681)	(3,905,311)	(3,222,759)	839,014	(2,383,745)
Non-operating items						
Legacies and bequests	113,374	-	113,374	790,726	-	790,726
Contributions for long-term investment purposes	327,222	(13,150)	314,072	87,387	(9,958)	77,429
Investment return, net	136,686	(9,628)	127,058	583,249	54,511	637,760
Change in value of split interest agreements	-	(12,481)	(12,481)	-	(12,798)	(12,798)
Total non-operating items	577,282	(35,259)	542,023	1,461,362	31,755	1,493,117
Change in net assets	(2,388,348)	(974,940)	(3,363,288)	(1,761,397)	870,769	(890,628)
Net assets, at beginning of year	17,778,627	6,349,312	24,127,939	19,540,024	5,478,543	25,018,567
Net assets, at end of year	\$ 15,390,279	\$ 5,374,372	\$ 20,764,651	\$ 17,778,627	\$ 6,349,312	\$ 24,127,939

The accompanying notes are an integral part of these consolidated financial statements.

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

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (3,363,288)	\$ (890,628)
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities		
Net realized and unrealized gains on sales of investments	187,268	(303,302)
Net change in value of split interest agreements	3,691	4,044
Contributions restricted for long-term investment	13,150	9,958
Depreciation and amortization	1,305,359	1,306,002
Change in allowance for uncollectible accounts	29,548	3,882
Changes in operating assets and liabilities		
Accounts receivable	3,971,957	(1,568,597)
Accrued investment income	(7,051)	(5,360)
Inventories	(229,902)	(319,624)
Prepaid expenses	(131,651)	(1,946)
Accounts payable	(655,792)	59,277
Accrued salaries and payroll taxes	(704,576)	54,325
Other accrued liabilities	8,375	269,253
Net cash provided by (used in) operating activities	427,088	(1,382,716)
Cash flows from investing activities		
Purchases of investments	(6,035,849)	(4,186,923)
Sale of investments	7,181,305	4,922,400
Additions to land, buildings and equipment	(645,979)	(1,098,366)
Net cash provided by (used in) investing activities	499,477	(362,889)
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	(13,152)	(9,958)
Principal payments on capital leases	(199,674)	(245,028)
Proceeds from mortgage	-	3,500,000
Proceeds from line of credit	1,993,782	1,519,504
Payments made on line of credit	(1,788,286)	(2,900,000)
Payments made on mortgage	(82,528)	(50,697)
Net cash provided by (used in) financing activities	(89,858)	1,813,821
CHANGE IN CASH AND CASH EQUIVALENTS	836,707	68,216
Cash and cash equivalents, beginning of year	681,729	613,513
Cash and cash equivalents, end of year	<u>\$ 1,518,436</u>	<u>\$ 681,729</u>
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	\$ 318,846	\$ 262,335
Non-cash investing		
Equipment financed through capital leases	\$ 36,773	\$ 31,829
Capital expenditures accrued, but not paid	35,166	63,232

The accompanying notes are an integral part of these consolidated financial statements.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year ended June 30, 2020, with summarized information for the year ended June 30, 2019

	Program Services										Supporting Services					2020 Total	2019 Total
	Lighthouse Industries	Instructional Materials Center	Vision Rehabilitation & Research	Child Development Center	Other Children & Youth Programs	Government & Other Service Contracts	Adult Vocational, Rehab and Independent Living	Lighthouse North	Call Center/ Customer Service Industries	Total	Building and Maintenance	General Administration	Public Relations	Fund-raising	Total		
Employee salaries	\$ 548,928	\$ 253,666	\$ 1,043,695	\$ 682,703	\$ 350,896	\$ 160,119	\$ 761,850	\$ 504,621	\$ 2,606,187	\$ 6,912,665	\$ 302,140	\$ 2,468,994	\$ 172,653	\$ 598,888	\$ 3,542,675	\$ 10,455,340	\$ 11,023,839
Employee benefits	109,072	52,576	204,275	140,195	64,221	34,219	152,255	87,754	534,110	1,378,677	59,381	448,194	33,211	121,399	662,185	2,040,862	1,989,181
Total employee salaries and benefits	658,000	306,242	1,247,970	822,898	415,117	194,338	914,105	592,375	3,140,297	8,291,342	361,521	2,917,190	205,864	720,287	4,204,860	12,496,202	13,013,020
Production wages	529,182	-	26,469	-	-	790,065	9,533	6,988	12,311,675	13,673,912	-	10,221	1,301	-	11,522	13,685,434	17,257,510
Production-related benefits	100,501	-	4,569	16	-	63,084	553	737	2,430,140	2,599,600	-	274	105	-	379	2,599,979	3,167,710
Total production payments and benefits	629,683	-	31,038	16	-	853,149	10,086	7,725	14,741,810	16,273,512	-	10,495	1,406	-	11,901	16,285,413	20,425,220
Total salaries and related benefits	1,287,683	306,242	1,279,008	822,914	415,117	1,047,487	924,191	600,100	17,882,107	24,564,854	361,521	2,927,685	207,270	720,287	4,216,761	28,781,615	33,438,240
Professional and contract services	118,716	395	302,067	237,008	702	1,940	163,933	58,053	565,826	1,448,640	5	528,411	87,697	58,035	674,148	2,122,788	2,312,695
Temporary labor	-	-	13,596	-	-	22,915	-	-	3,376,842	3,413,353	-	94,845	-	-	94,845	3,508,198	3,180,766
Supplies	49,723	1,509,128	468,175	18,169	14,142	10,650	38,859	87,891	1,748,646	3,945,383	63,308	134,650	602	13,006	211,566	4,156,949	3,641,689
Advertising	57,308	-	200	-	-	-	150	-	-	57,658	-	-	9,070	36,000	45,070	102,728	122,102
Telephone	1,849	-	6,528	-	1,005	695	4,189	29,128	148,468	191,862	999	190,196	1,306	4,891	197,392	389,254	334,561
Postage, freight and direct mail	104,662	4,964	8,716	28	-	-	282	555	76,448	195,655	3	8,631	618	16,720	25,972	221,627	272,468
Equipment rental and maintenance	6,391	21,019	1,155	540	-	-	-	1,739	7,325	38,169	44,097	24,113	-	-	68,210	106,379	75,324
Utilities	3,087	-	-	-	-	-	-	8,306	-	11,393	170,061	-	-	-	170,061	181,454	188,655
Building repairs and maintenance	-	-	-	-	-	-	-	16,408	-	16,408	238,708	-	-	-	238,708	255,116	324,470
Property and liability insurance	456	5,410	10,496	9,212	1,608	1,608	8,205	-	73,637	110,632	68,575	101,274	-	586	170,435	281,067	254,802
Printing	239	-	8,798	-	-	-	1,850	624	10,083	21,594	-	11,338	5,217	23,718	40,273	61,867	65,740
Conference, meetings and major trips	7,791	2,290	7,754	170	4,776	4,907	5,179	2,494	8,045	43,406	-	42,303	12,164	6,228	60,695	104,101	179,922
Memberships	350	-	212	-	-	-	840	-	-	1,402	129	11,816	-	434	12,379	13,781	10,414
Client assistance	-	-	6	22,861	93,730	-	38,633	1,792	-	157,022	-	54	-	331	385	157,407	313,002
Cost of materials	1,981,743	-	44	-	-	25,302	-	-	-	2,007,089	-	-	-	-	-	2,007,089	1,838,483
Property rental	31,931	-	8,649	-	-	-	-	3,320	-	43,900	-	-	-	-	-	43,900	41,943
Commissions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	230,671
Other	25,157	10,252	50,667	3,712	827	13,489	8,057	23,760	109,518	245,439	13,585	601,012	2,929	106,277	723,803	969,242	931,661
Interest	-	-	307	-	-	-	-	30,495	4,942	35,744	-	283,102	-	-	283,102	318,846	262,335
Distribution of building repairs and maintenance	240,152	79,570	83,126	86,489	37,094	-	76,399	-	146,359	749,189	(960,991)	186,913	4,997	19,892	(749,189)	-	-
Total expenses before depreciation and amortization	3,917,238	1,939,270	2,249,504	1,201,103	569,001	1,128,993	1,270,767	864,665	24,158,246	37,298,792	-	5,146,343	331,870	1,006,405	6,484,616	43,783,408	48,019,943
Depreciation and amortization	241,317	71,063	91,294	80,631	35,240	1,412	72,298	51,275	309,670	954,200	-	324,442	4,384	22,333	351,159	1,305,359	1,306,002
Total expenses	\$ 4,158,555	\$ 2,010,333	\$ 2,340,798	\$ 1,281,734	\$ 604,241	\$ 1,130,405	\$ 1,343,065	\$ 915,940	\$ 24,467,916	\$ 38,252,992	\$ -	\$ 5,470,785	\$ 336,254	\$ 1,028,738	\$ 6,835,775	\$ 45,088,767	\$ 49,325,945

The accompanying notes are an integral part of these consolidated financial statements.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year ended June 30, 2019

	Program Services								Supporting Services						2019 Total	
	Lighthouse Industries	Instructional Materials Center	Vision Rehabilitation & Research	Child Development Center	Other Children & Youth Programs	Government & Other Service Contracts	Adult Vocational, Rehab and Independent Living	Lighthouse North	Call Center/ Customer Service Industries	Total	Building and Maintenance	General Administration	Public Relations	Fund-raising		Total
Employee salaries	\$ 669,740	\$ 281,536	\$ 951,224	\$ 659,060	\$ 429,550	\$ 174,910	\$ 1,015,484	\$ 492,926	\$ 2,461,527	\$ 7,135,957	\$ 289,324	\$ 2,706,172	\$ 298,021	\$ 594,365	\$ 3,887,882	\$ 11,023,839
Employee benefits	120,082	54,134	174,809	124,147	72,901	29,368	185,864	78,082	465,040	1,304,427	53,056	467,133	54,042	110,523	684,754	1,989,181
Total employee salaries and benefits	789,822	335,670	1,126,033	783,207	502,451	204,278	1,201,348	571,008	2,926,567	8,440,384	342,380	3,173,305	352,063	704,888	4,572,636	13,013,020
Production wages	567,128	-	61,820	-	-	975,679	15,045	5,119	15,632,866	17,257,657	-	-	(147)	-	(147)	17,257,510
Production-related benefits	107,475	-	11,468	-	-	86,068	543	242	2,961,908	3,167,704	15	-	(9)	-	6	3,167,710
Total production payments and benefits	674,603	-	73,288	-	-	1,061,747	15,588	5,361	18,594,774	20,425,361	15	-	(156)	-	(141)	20,425,220
Total salaries and related benefits	1,464,425	335,670	1,199,321	783,207	502,451	1,266,025	1,216,936	576,369	21,521,341	28,865,745	342,395	3,173,305	351,907	704,888	4,572,495	33,438,240
Professional and contract services	156,281	207	413,005	290,700	200	36,304	121,490	73,636	475,724	1,567,547	270	570,673	96,605	77,600	745,148	2,312,695
Temporary labor	-	-	-	-	-	31,807	-	-	3,047,060	3,078,867	-	101,899	-	-	101,899	3,180,766
Supplies	48,510	1,634,385	424,213	42,624	21,210	18,697	129,057	135,231	883,503	3,337,430	69,648	217,633	635	16,343	304,259	3,641,689
Advertising	81,169	-	-	-	-	-	3,454	-	-	84,623	-	75	6,404	31,000	37,479	122,102
Telephone	1,803	-	8,661	-	940	1,300	5,766	29,995	112,212	160,677	905	165,949	1,721	5,309	173,884	334,561
Postage, freight and direct mail	114,578	2,571	11,109	-	17	44	192	503	97,717	226,731	-	12,269	2,547	30,921	45,737	272,468
Equipment rental and maintenance	11,682	15,319	1,006	988	-	-	232	653	9,669	39,549	19,610	16,165	-	-	35,775	75,324
Utilities	1,814	-	-	-	-	-	-	9,043	-	10,857	177,798	-	-	-	177,798	188,655
Building repairs and maintenance	1,648	-	-	-	-	-	-	27,500	-	29,148	295,322	-	-	-	295,322	324,470
Property and liability insurance	1,522	4,523	10,289	7,701	1,345	1,345	6,075	-	76,900	109,700	58,143	86,469	-	490	145,102	254,802
Printing	1,683	-	6,344	46	91	-	488	2,299	7,809	18,760	-	10,179	7,519	29,282	46,980	65,740
Conference, meetings and major trips	21,595	21	12,704	157	7,741	11,022	36,490	5,942	10,567	106,239	326	60,412	1,638	11,307	73,683	179,922
Memberships	1,105	-	611	-	-	-	868	-	-	2,584	129	6,226	-	1,475	7,830	10,414
Client assistance	-	-	6	26,211	211,178	-	63,513	12,058	6	312,972	-	30	-	-	30	313,002
Cost of materials	1,838,483	-	-	-	-	-	-	-	-	1,838,483	-	-	-	-	-	1,838,483
Property rental	31,090	-	7,533	-	-	-	-	3,320	-	41,943	-	-	-	-	-	41,943
Commissions	203,845	-	638	-	-	26,188	-	-	-	230,671	-	-	-	-	-	230,671
Other	(14,154)	9,954	58,569	4,812	4,046	16,514	22,624	22,820	171,887	297,072	12,175	517,343	16,702	88,369	634,589	931,661
Interest	-	-	-	-	-	-	-	32,237	18,771	51,008	-	211,327	-	-	211,327	262,335
Distribution of building repairs and maintenance	219,176	82,826	87,417	90,054	38,092	-	81,751	-	189,581	788,897	(976,721)	162,624	4,493	20,707	(788,897)	-
Total expenses before depreciation and amortization	4,186,255	2,085,476	2,241,426	1,246,500	787,311	1,409,246	1,688,936	931,606	26,622,747	41,199,503	-	5,312,578	490,171	1,017,691	6,820,440	48,019,943
Depreciation and amortization	204,911	67,749	95,151	82,922	34,036	371	72,363	54,880	315,048	927,431	-	353,581	3,675	21,315	378,571	1,306,002
Total expenses	\$ 4,391,166	\$ 2,153,225	\$ 2,336,577	\$ 1,329,422	\$ 821,347	\$ 1,409,617	\$ 1,761,299	\$ 986,486	\$ 26,937,795	\$ 42,126,934	\$ -	\$ 5,666,159	\$ 493,846	\$ 1,039,006	\$ 7,199,011	\$ 49,325,945

The accompanying notes are an integral part of these consolidated financial statements.

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. Chicago Lighthouse Industries, a separate not-for-profit corporation with The Chicago Lighthouse for People Who Are Blind or Visually Impaired as its sole member, operates The Lighthouse Industries, Government Service Contracts and Contract Management Services Programs.

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 customer care 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. Chicago Lighthouse Industries provides employment opportunities in its manufacturing program and in its U.S. Government service contracts for individuals who are legally blind.

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.

Net Assets without Donor Restrictions

Net assets without donor restrictions include all net assets not subject to donor-imposed stipulations. Contributions without donor restrictions, interest income and net assets released from donor restrictions are reflected in this category.

Net Assets with Donor Restrictions

Net assets with donor restrictions represent contributions subject to donor-imposed restrictions. Donor restrictions are either temporary in nature, stipulating that resources be used for specific purposes or to a specific time period for use, or restricted to be held in perpetuity.

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.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2020 and 2019

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.

Fair Value Measurements

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.

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 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.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2020 and 2019

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 \$796,380 and \$877,568 in 2020 and 2019, respectively, of subsidy revenue received based on the fair value of program supplies, books and materials received.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported as with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions. In the absence of donor-imposed restrictions on the use of the assets, gifts of long-lived assets are reported as support without donor restrictions.

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 \$201,560 and \$220,700 for the years ended June 30, 2020 and 2019, respectively, and was recorded for legal and other contractual services received. In-kind donation revenue was \$47,780 and \$77,645 for the years ended June 30, 2020 and 2019, respectively. Specific in-kind grants, considered program subsidy and listed with rehabilitation training course fees and subsidies, were recorded at \$796,380 and \$877,568 in 2020 and 2019, respectively, based on the fair value of items 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 \$109,626 and \$111,719 for the years ended June 30, 2020 and 2019, respectively.

Advertising Expense

Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense was \$102,728 and \$122,102 for the years ended June 30, 2020 and 2019, respectively.

Functional Expense Allocation

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of The Lighthouse. Those expenses include occupancy, depreciation and general administration costs, allocated based on square footage for occupancy and depreciation and wages charged to individual departments for general administration costs.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2020 and 2019

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.

Recently Adopted Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and accounting guidance around contributions received and made by not-for-profit organizations. The Lighthouse adopted this guidance for the year ending June 30, 2020. The adoption of this standard had no impact on The Lighthouse's consolidated financial statements.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued 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 by one year. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU No. 2014-09 by an additional year. The guidance is currently effective for The Lighthouse for fiscal year 2021 (early adoption is 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. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU No. 2016-02 by one year. ASU No. 2016-02 is effective for The Lighthouse for fiscal year 2023. Early adoption is permitted.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2020 and 2019

NOTE B - INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 770,857	\$ 415,381
Common stocks and equity funds	6,041,335	8,121,708
Bonds and other debt instruments	<u>4,810,822</u>	<u>4,418,647</u>
	<u>\$ 11,623,014</u>	<u>\$ 12,955,736</u>

NOTE C - LAND, BUILDING AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$ 321,993	\$ 321,993
Buildings	21,417,523	21,073,597
Equipment and furniture	<u>10,237,286</u>	<u>9,900,067</u>
	31,976,802	31,295,657
Less accumulated depreciation and amortization	<u>(21,982,543)</u>	<u>(20,677,184)</u>
Net land, buildings and equipment	<u>\$ 9,994,259</u>	<u>\$ 10,618,473</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2020 and 2019

NOTE D - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include gifts of cash, grants and other assets for which donor-imposed restrictions have not been met. Net assets with donor restrictions 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. Net assets with donor restrictions as of June 30, are available for the following purposes:

	2020	2019
Time/Purpose Restricted:		
Associate Board funds for future years	\$ 25,827	\$ 106,587
Birth-to-Three/Homebound	454,206	432,543
Charitable gift annuities	64,622	71,956
Client emergency assistance	8,250	7,262
Endowment campaign	1,810	78,250
Instructional Materials Center	124,801	188,097
Lighthouse North	412,841	394,753
Pangere Center for Inherited Retinal Disease	136,432	336,941
Preschool	75,000	217,500
Program expansion and operations	1,842,925	2,134,056
Purchase of fixed assets	36,455	135,435
Scholarship endowment	87,811	89,339
Scholarship fund	129,470	138,551
	<u>3,400,450</u>	<u>4,331,270</u>
Total Time/Purpose Restricted		
Held in Perpetuity:		
Beneficial interest in perpetual trusts	567,200	570,891
Deaf-blind program	-	40,429
Education of a person who is blind	200,000	200,000
Ongoing agency operations	706,722	706,722
Senior low vision care	500,000	500,000
	<u>1,973,922</u>	<u>2,018,042</u>
Total Held in Perpetuity		
Total Net Assets With Donor Restriction	<u>\$ 5,374,372</u>	<u>\$ 6,349,312</u>

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

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2020 and 2019

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:

	2020	2019
Birth-to-Three/Homebound	\$ 94,701	\$ 118,862
Client emergency assistance	-	2,041
Endowment campaign	62,500	67,233
Instructional Materials Center	188,097	124,983
Lighthouse North	115,912	195,497
Pangere Center for Inherited Retinal Disease	203,009	164,973
PreSchool	96,000	19,800
Program expansion and operations	485,500	221,281
Purchase of fixed assets	118,506	31,750
Deaf-Blind Program	40,428	-
Scholarship program	64,230	70,172
	<u>\$ 1,467,883</u>	<u>\$ 1,016,592</u>

NOTE F - ENDOWMENT NET ASSETS

Net assets with donor restrictions includes amounts 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 net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2020 and 2019

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 net assets without donor restrictions. The Lighthouse did not have any of these deficiencies as of June 30, 2020 and 2019.

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, 2020 and 2019, 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 2020 and 2019, The Lighthouse had the following endowment-related balances and activities:

Endowment Net Asset Composition by Type of Fund as of June 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
Donor endowment funds	\$ -	\$ 2,575,781	\$ 2,575,781
Board-designated funds	35,163	-	35,163
Total funds	<u>\$ 35,163</u>	<u>\$ 2,575,781</u>	<u>\$ 2,610,944</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Donor endowment funds	\$ -	\$ 2,638,707	\$ 2,638,707
Board-designated funds	35,163	-	35,163
Total funds	<u>\$ 35,163</u>	<u>\$ 2,638,707</u>	<u>\$ 2,673,870</u>

Changes in Endowment Net Assets For the Year Ended June 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
Net assets, beginning of year	\$ 35,163	\$ 2,638,707	\$ 2,673,870
Investment return, net	848	6,903	7,751
Appropriation of endowment assets for expenditure	(848)	(69,829)	(70,677)
Net assets, end of year	<u>\$ 35,163</u>	<u>\$ 2,575,781</u>	<u>\$ 2,610,944</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2020 and 2019

Changes in Endowment Net Assets For the Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Net assets, beginning of year	\$ 35,163	\$ 2,605,150	\$ 2,640,313
Investment return, net	786	62,097	62,883
Appropriation of endowment assets for expenditure	(786)	(28,540)	(29,326)
Net assets, end of year	<u>\$ 35,163</u>	<u>\$ 2,638,707</u>	<u>\$ 2,673,870</u>

NOTE G - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, included the following:

	2020	2019
Unconditional promises to give due in		
Less than one year	\$ 335,399	\$ 425,449
One to five years	47,000	255,300
	382,399	680,749
Less		
Allowance for uncollectible accounts	(72,808)	(32,344)
Unamortized discount	(4,088)	(18,288)
Contributions receivable, net	<u>\$ 305,503</u>	<u>\$ 630,117</u>

Discount rate was 5% for the years ended June 30, 2020 and 2019.

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:

	2020		2019	
	Revenue	Receivable	Revenue	Receivable
The Illinois State Toll Highway Authority	42%	17%	43%	47%
University of Illinois Health Systems	18%	30%	14%	15%

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2020 and 2019

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 2020 and 2019 of the total compensation of eligible employees who complete at least 500 hours and eligible employed Industries production workers who complete at least one hour of service (as defined) during the plan year. Total plan expense in 2020 and 2019 was \$273,242 and \$277,786, respectively.

NOTE J - UNITED WAY OF METROPOLITAN CHICAGO PUBLIC SUPPORT

United Way provided support of \$95,655 and \$82,398 in fiscal 2020 and 2019, respectively, of which \$0 and \$5,964 in fiscal years 2020 and 2019, 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 \$0 and \$17,893 in fiscal 2020 and 2019, respectively, under Title XX for support of its various programs, which is reported with program revenues, rehabilitation training course fees and subsidies.

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 has immaterial unrelated business income and files a Form 990-T; however, no provision for income taxes is required. 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.

NOTE L - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables summarize assets by fair value levels as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks and equity funds	\$ 6,041,335	\$ -	\$ -	\$ 6,041,335
Bonds and other debt instruments	-	4,810,822	-	4,810,822
Beneficial interest in perpetual trusts	-	-	567,200	567,200
	<u>\$ 6,041,335</u>	<u>\$ 4,810,822</u>	<u>\$ 567,200</u>	<u>\$ 11,419,357</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2020 and 2019

The following tables summarize assets by fair value levels as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks and equity funds	\$ 8,121,708	\$ -	\$ -	\$ 8,121,708
Bonds and other debt instruments	-	4,418,647	-	4,418,647
Beneficial interest in perpetual trusts	-	-	570,891	570,891
	<u>\$ 8,121,708</u>	<u>\$ 4,418,647</u>	<u>\$ 570,891</u>	<u>\$ 13,111,247</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, 2018	\$ 574,935
Change in value	<u>(4,044)</u>
Balance as of June 30, 2019	570,891
Change in value	<u>(3,691)</u>
Balance as of June 30, 2020	<u>\$ 567,200</u>

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>2020</u>	<u>2019</u>
Accounts receivable allowance for uncollectible accounts		
Beginning balance	\$ 60,345	\$ 56,463
Bad debt expense	50,281	49,928
Accounts written off	<u>(20,733)</u>	<u>(46,046)</u>
Ending balance	<u>\$ 89,893</u>	<u>\$ 60,345</u>

NOTE N - DEBT OBLIGATIONS - LINE OF CREDIT AND MORTGAGE

In January of 2019, The Lighthouse entered into an agreement to refinance its existing revolving line of credit by obtaining a mortgage and a new revolving line of credit with The Northern Trust Company, both secured by the land and building located at 1850 W. Roosevelt Rd, Chicago, IL. The mortgage will mature in fiscal year 2024 and bears interest at the rate of 5.75%.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2020 and 2019

Future principal payments on the 1850 mortgage as of June 30, 2020, are as follows:

Years ending June 30,

2021	\$	48,322
2022		51,216
2023		54,282
2024		3,287,283

Interest expense on the mortgage totaled \$202,590 and \$88,784 for the years ended June 30, 2020 and 2019, respectively.

The Lighthouse's new revolving line of credit matures on demand and provides for borrowing up to an aggregate amount of \$2,500,000. At June 30, 2020 and 2019, the amounts outstanding on the lines of credit totaled \$1,725,000 and \$1,519,504, respectively. The interest rate on this debt fluctuated based on the LIBOR rate and was 2.3% and 4.6% as of June 30, 2020 and 2019, respectively. Interest is also payable at .25% on the unused available line of credit. Interest expense incurred on the line of credit totaled \$78,778 and \$113,687 for the years ended June 30, 2020 and 2019, 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 mortgage will mature in fiscal year 2021 and bears interest at the rate of 4.85%.

Future principal payments on the Glenview mortgage as of June 30, 2020, are \$597,685, which is due in the year ending June 30, 2021.

Interest expense on the mortgage totaled \$30,495 and \$32,237 for the years ended June 30, 2020 and 2019, 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 net assets with donor restrictions. The Lighthouse's beneficial interest in the trusts, at fair value, totaled \$567,200 and \$570,891 at June 30, 2020 and 2019, 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 \$177,552 and \$170,824 at June 30, 2020 and 2019, respectively, have been segregated in separate accounts, the use of which is limited to meeting the gift annuity obligations. The liability was \$88,937 and \$92,681 at June 30, 2020 and 2019, respectively, which is included in other accrued liabilities in the consolidated statements of financial position.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2020 and 2019

NOTE P - FUTURE COMMITMENTS

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

Total rent expense amounted to \$260,499 and \$320,511 in 2020 and 2019, respectively.

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

Years ending June 30,

2021	\$	70,562
2022		9,486
2023		6,279

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

	<u>2020</u>	<u>2019</u>
Phone systems	\$ 1,014,241	\$ 977,467
Less accumulated amortization	<u>(889,162)</u>	<u>(776,135)</u>
Net capitalized leased property	<u>\$ 125,079</u>	<u>\$ 201,332</u>

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

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 47% and 62% of the accounts receivable balance at June 30, 2020 and 2019, 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 \$259,594 and \$516,261, including \$10,000 and \$20,000 from board members' family foundations, for the years ended June 30, 2020 and 2019, respectively. Pledges receivable from members of the board of directors were \$63,750 and \$111,975 at June 30, 2020 and 2019, respectively.

Payments to members of the Lighthouse board of directors, or related companies, for professional services provided were \$28,108 and \$54,200 for the years ended June 30, 2020 and 2019, respectively.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2020 and 2019

NOTE S - LIQUIDITY

The Chicago Lighthouse regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For the purpose of analyzing resources available to meet general expenditures over a 12-month period, The Lighthouse considers all expenditures related to its ongoing program activities as well as the cost of supporting those activities to be general expenditures.

Financial assets available for general use within one year of June 30, 2020:

Cash and cash equivalents	\$	1,518,436	
Investments and accrual		11,660,162	
Accounts receivable, net		3,827,188	\$ 17,005,786

Less amounts not available for general use within one year:

Donor restrictions for endowments and other long-term purposes	\$	4,003,406	
Board-designated endowment		35,163	
Contributions receivable, net – due after one year		20,312	
Funds reserved for debt compliance		7,204,025	11,262,906

Financial assets available for general use within one year \$ 5,742,880

Financial assets available for general use within one year of June 30, 2019:

Cash and cash equivalents	\$	681,729	
Investments and accrual		12,985,833	
Accounts receivable, net		7,828,693	\$ 21,496,255

Less amounts not available for general use within one year:

Donor restrictions for endowments and other long-term purposes	\$	4,153,654	
Board-designated endowment		35,163	
Contributions receivable, net – due after one year		204,668	
Funds reserved for debt compliance		7,051,025	11,444,510

Financial assets available for general use within one year \$ 10,051,745

NOTE T - SUBSEQUENT EVENTS

The Lighthouse evaluated its June 30, 2020, consolidated financial statements for subsequent events through December 29, 2020, 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, 2020

ASSETS	The Chicago Lighthouse for People Who Are Blind or Visually Impaired			Chicago Lighthouse Industries	Eliminations	Consolidated
	Operating Fund	Long-term Investment Fund	Total	Operating Fund		
Cash and cash equivalents	\$ 1,327,556	\$ -	\$ 1,327,556	\$ 190,880	\$ -	\$ 1,518,436
Accounts receivable						
Lighthouse Industries and Call Centers	2,269,606	-	2,269,606	435,951	-	2,705,557
Bequests	-	104,224	104,224	-	-	104,224
Other, principally state agencies, net	720,367	-	720,367	2,411	(10,874)	711,904
Contributions, net	303,691	1,812	305,503	-	-	305,503
Accounts receivable, net	3,293,664	106,036	3,399,700	438,362	(10,874)	3,827,188
Accrued investment income	-	37,148	37,148	-	-	37,148
Inventories	230,967	-	230,967	964,983	-	1,195,950
Prepaid expenses	313,527	-	313,527	9,492	-	323,019
Investments	-	11,623,014	11,623,014	-	-	11,623,014
Beneficial interest in perpetual trusts	-	567,200	567,200	-	-	567,200
Land, buildings and equipment, net	9,919,412	-	9,919,412	74,847	-	9,994,259
TOTAL ASSETS	\$ 15,085,126	\$ 12,333,398	\$ 27,418,524	\$ 1,678,564	\$ (10,874)	\$ 29,086,214
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	\$ 829,129	\$ -	\$ 829,129	\$ 370,176	\$ (10,874)	\$ 1,188,431
Accrued salaries and payroll taxes	795,409	-	795,409	65,237	-	860,646
Line of credit	1,725,000	-	1,725,000	-	-	1,725,000
Mortgage payable	4,038,788	-	4,038,788	-	-	4,038,788
Other accrued liabilities	383,672	88,937	472,609	36,089	-	508,698
Total liabilities	7,771,998	88,937	7,860,935	471,502	(10,874)	8,321,563
Net assets						
Without donor restrictions	5,942,162	8,241,055	14,183,217	1,207,062	-	15,390,279
With donor restrictions	1,370,966	4,003,406	5,374,372	-	-	5,374,372
Total net assets	7,313,128	12,244,461	19,557,589	1,207,062	-	20,764,651
TOTAL LIABILITIES AND NET ASSETS	\$ 15,085,126	\$ 12,333,398	\$ 27,418,524	\$ 1,678,564	\$ (10,874)	\$ 29,086,214

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended June 30, 2020

	The Chicago Lighthouse for People Who Are Blind or Visually Impaired	Chicago Lighthouse Industries	Eliminations	Consolidated
Operating revenues				
Support and revenues				
Public support				
Contributions	\$ 2,128,794	\$ 822,360	\$ (819,153)	\$ 2,132,001
United Way	95,655	-	-	95,655
Donated goods/services	175,548	42,810	-	218,358
Special events revenue	369,916	-	-	369,916
Less cost of direct benefits to donors	(86,233)	-	-	(86,233)
Net revenues from special events	283,683	-	-	283,683
Total public support	2,683,680	865,170	(819,153)	2,729,697
Program and other revenues				
Program revenues				
Call Center contracts	27,341,036	-	-	27,341,036
Lighthouse Industries sales	3,970	3,547,599	-	3,551,569
Rehabilitation training course fees and subsidies	4,806,516	-	-	4,806,516
Optical aid fees and sales	1,180,995	-	-	1,180,995
Government and other service contracts	-	1,326,159	-	1,326,159
Miscellaneous revenues	237,505	9,979	-	247,484
Total program revenues	33,570,022	4,883,737	-	38,453,759
Total public support, program and other revenues	36,253,702	5,748,907	(819,153)	41,183,456
Total operating revenues	\$ 36,253,702	\$ 5,748,907	\$ (819,153)	\$ 41,183,456

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
CONSOLIDATING STATEMENT OF ACTIVITIES - CONTINUED
Year ended June 30, 2020

	The Chicago Lighthouse for People Who Are Blind or Visually Impaired	Chicago Lighthouse Industries	Eliminations	Consolidated
Expenses				
Program services	\$ 33,278,917	\$ 5,287,904	\$ (313,829)	\$ 38,252,992
Supporting services	6,785,198	555,901	(505,324)	6,835,775
Total expenses	<u>40,064,115</u>	<u>5,843,805</u>	<u>(819,153)</u>	<u>45,088,767</u>
Deficiency of operating revenues over operating expenses	(3,810,413)	(94,898)	-	(3,905,311)
Non-operating items				
Legacies and bequests	113,374	-	-	113,374
Contributions for long-term investment purposes	314,072	-	-	314,072
Investment return, net	127,058	-	-	127,058
Change in value of split interest agreements	(12,481)	-	-	(12,481)
Total non-operating items	<u>542,023</u>	<u>-</u>	<u>-</u>	<u>542,023</u>
Change in net assets	(3,268,390)	(94,898)	-	(3,363,288)
Net assets, at beginning of year	<u>22,825,979</u>	<u>1,301,960</u>	<u>-</u>	<u>24,127,939</u>
Net assets, at end of year	<u>\$ 19,557,589</u>	<u>\$ 1,207,062</u>	<u>\$ -</u>	<u>\$ 20,764,651</u>

GRANT THORNTON LLP

Grant Thornton Tower
171 N. Clark Street, Suite 200
Chicago, IL 60601-3370

D +1 312 856 0200
F +1 312 565 4719

**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 statement of financial position as of June 30, 2020 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 29, 2020.

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") as a basis for designing 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 financial statements. 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.

Grant Thornton LLP

Chicago, Illinois
December 29, 2020