



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

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

June 30, 2015 and 2014

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements

We have audited the accompanying financial statements of The Chicago Lighthouse for People Who Are Blind or Visually Impaired (a nonprofit organization) (The Lighthouse), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, cash flows and functional expenses for the years 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 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Lighthouse as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Chicago, Illinois
December 18, 2015

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

ASSETS	2015			2014		
	Operating Fund	Long-term Investment Fund	Total	Operating Fund	Long-term Investment Fund	Total
Cash and cash equivalents	\$ 466,656	\$ -	\$ 466,656	\$ 404,424	\$ -	\$ 404,424
Accounts receivable						
Lighthouse Industries	3,932,324	-	3,932,324	3,689,367	-	3,689,367
Bequests	-	625,989	625,989	-	912,332	912,332
Other, principally state agencies	702,901	-	702,901	1,014,334	-	1,014,334
Contributions, net	262,951	276,577	539,528	552,871	274,280	827,151
Allowance for uncollectible accounts	(82,802)	-	(82,802)	(117,055)	-	(117,055)
Accounts receivable, net	4,815,374	902,566	5,717,940	5,139,517	1,186,612	6,326,129
Accrued investment income	-	29,739	29,739	-	30,153	30,153
Inventories	870,921	-	870,921	989,919	-	989,919
Prepaid expenses	208,796	-	208,796	195,778	-	195,778
Investments	-	15,248,948	15,248,948	-	15,943,584	15,943,584
Beneficial interest in perpetual trusts	-	549,057	549,057	-	582,422	582,422
Land, buildings and equipment, net	10,305,791	-	10,305,791	9,829,492	-	9,829,492
TOTAL ASSETS	\$ 16,667,538	\$ 16,730,310	\$ 33,397,848	\$ 16,559,130	\$ 17,742,771	\$ 34,301,901
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	\$ 1,295,071	\$ -	\$ 1,295,071	\$ 1,670,887	\$ -	\$ 1,670,887
Accrued salaries and payroll taxes	961,336	-	961,336	831,686	-	831,686
Line of credit	3,500,000	-	3,500,000	3,500,000	-	3,500,000
Mortgage payable	768,375	-	768,375	798,801	-	798,801
Other accrued liabilities	717,387	103,164	820,551	201,096	102,899	303,995
Total liabilities	7,242,169	103,164	7,345,333	7,002,470	102,899	7,105,369
Net assets						
Unrestricted	8,322,932	10,500,170	18,823,102	7,830,018	13,454,389	21,284,407
Temporarily restricted	1,102,437	4,134,788	5,237,225	1,726,642	2,161,924	3,888,566
Permanently restricted	-	1,992,188	1,992,188	-	2,023,559	2,023,559
Total net assets	9,425,369	16,627,146	26,052,515	9,556,660	17,639,872	27,196,532
TOTAL LIABILITIES AND NET ASSETS	\$ 16,667,538	\$ 16,730,310	\$ 33,397,848	\$ 16,559,130	\$ 17,742,771	\$ 34,301,901

The accompanying notes are an integral part of these statements.

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

	2015				2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues								
Support and revenues								
Public support								
Contributions	\$ 1,230,977	\$ 402,529	\$ -	\$ 1,633,506	\$ 1,114,131	\$ 1,064,402	\$ -	\$ 2,178,533
United Way	166,590	-	-	166,590	165,003	-	-	165,003
Donated goods/services	306,014	-	-	306,014	90,098	-	-	90,098
Special events revenue	539,572	7,565	-	547,137	497,106	82,662	-	579,768
Less cost of direct benefits to donors	(253,290)	-	-	(253,290)	(191,993)	(8,488)	-	(200,481)
Net revenues from special events	286,282	7,565	-	293,847	305,113	74,174	-	379,287
Total public support	1,989,863	410,094	-	2,399,957	1,674,345	1,138,576	-	2,812,921
Program and other revenues								
Program revenues								
Call center contracts	16,100,768	-	-	16,100,768	12,397,809	-	-	12,397,809
Lighthouse Industries sales	4,174,245	-	-	4,174,245	4,114,878	-	-	4,114,878
Rehabilitation training course fees and subsidies	4,926,104	86,342	-	5,012,446	5,184,856	256,639	-	5,441,495
Optical aid fees and sales	1,337,043	-	-	1,337,043	1,186,543	-	-	1,186,543
Government and other service contracts	2,184,126	-	-	2,184,126	2,235,662	-	-	2,235,662
Miscellaneous program revenues	174,018	-	-	174,018	193,727	-	-	193,727
Total program revenues	28,896,304	86,342	-	28,982,646	25,313,475	256,639	-	25,570,114
Other revenues								
Investment income, primarily interest	4,063	-	-	4,063	5,274	-	-	5,274
Miscellaneous other revenues	149,459	-	-	149,459	155,572	-	-	155,572
Total other revenues	153,522	-	-	153,522	160,846	-	-	160,846
Total program and other revenues	29,049,826	86,342	-	29,136,168	25,474,321	256,639	-	25,730,960
Total public support, program and other revenues	31,039,689	496,436	-	31,536,125	27,148,666	1,395,215	-	28,543,881
Net assets released from restrictions	1,289,377	(1,289,377)	-	-	1,429,426	(1,429,426)	-	-
Total operating revenues	32,329,066	(792,941)	-	31,536,125	28,578,092	(34,211)	-	28,543,881

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

	2015				2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses								
Program services	\$ 30,440,990	\$ -	\$ -	\$ 30,440,990	\$ 26,773,171	\$ -	\$ -	\$ 26,773,171
Supporting services	5,185,927	-	-	5,185,927	4,280,695	-	-	4,280,695
Total expenses	35,626,917	-	-	35,626,917	31,053,866	-	-	31,053,866
Deficiency of operating revenues over operating expenses	(3,297,851)	(792,941)	-	(4,090,792)	(2,475,774)	(34,211)	-	(2,509,985)
Non-operating support, revenues, gains and losses								
Legacies and bequests	322,698	-	-	322,698	1,633,400	-	-	1,633,400
Contributions for long-term investment purposes	35,131	2,119,969	-	2,155,100	537,325	37,500	-	574,825
Investment income, dividends and interest	329,113	11,791	-	340,904	343,039	38,282	-	381,321
Change in value of split interest agreements	-	(11,589)	(33,365)	(44,954)	-	(11,119)	52,181	41,062
Net realized gains	799,351	123,157	1,994	924,502	608,569	108,032	1,698	718,299
Net change in unrealized (depreciation) appreciation of investments	(649,747)	(101,728)	-	(751,475)	731,095	153,603	-	884,698
Total non-operating support, revenues, gains and losses	836,546	2,141,600	(31,371)	2,946,775	3,853,428	326,298	53,879	4,233,605
Change in net assets	(2,461,305)	1,348,659	(31,371)	(1,144,017)	1,377,654	292,087	53,879	1,723,620
Net assets, at beginning of year	21,284,407	3,888,566	2,023,559	27,196,532	19,906,753	3,596,479	1,969,680	25,472,912
Net assets, at end of year	\$ 18,823,102	\$ 5,237,225	\$ 1,992,188	\$ 26,052,515	\$ 21,284,407	\$ 3,888,566	\$ 2,023,559	\$ 27,196,532

The accompanying notes are an integral part of these statements.

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

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (1,144,017)	\$ 1,723,620
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Net change in unrealized depreciation (appreciation) of investments	751,475	(884,698)
Net realized gains on sales of investments	(924,502)	(718,299)
Net change in value of split interest agreements	33,365	(52,181)
Contributions restricted for long-term investment	(2,119,969)	(37,500)
Depreciation and amortization	961,411	930,272
Change in bad debt allowance	(34,253)	20,126
Changes in operating assets and liabilities		
Accounts receivable	642,442	(1,983,626)
Accrued investment income	414	(4,710)
Inventories	118,998	(53,210)
Prepaid expenses	(13,018)	140,571
Accounts payable	(375,816)	1,117,698
Accrued salaries and payroll taxes	129,650	155,601
Other accrued liabilities	(35,202)	8,769
Net cash (used in) provided by operating activities	(2,009,022)	362,433
Cash flows from investing activities		
Purchases of investments	(5,775,548)	(5,564,010)
Sale of investments	6,643,211	5,125,283
Additions to land, building and equipment	(885,952)	(310,168)
Net cash used in investing activities	(18,289)	(748,895)
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	2,119,969	37,500
Proceeds from line of credit	-	500,000
Payments made on mortgage	(30,426)	(28,925)
Net cash provided by financing activities	2,089,543	508,575
INCREASE IN CASH AND CASH EQUIVALENTS	62,232	122,113
Cash and cash equivalents, beginning of year	404,424	282,311
Cash and cash equivalents, end of year	<u>\$ 466,656</u>	<u>\$ 404,424</u>
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	\$ 127,903	\$ 91,956
Non-cash investing		
Equipment financed through capital leases	\$ 551,758	\$ -

The accompanying notes are an integral part of these statements.

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

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

The accompanying notes are an integral part of this statement.

Supporting services

Building and maintenance	General administration	Public relations	Fund-raising	Total	2015 total	2014 total
\$ 310,294	\$ 1,907,208	\$ 172,383	\$ 635,435	\$ 3,025,320	\$ 8,680,972	\$ 7,877,758
81,874	444,231	42,677	159,443	728,225	2,156,291	1,816,458
392,168	2,351,439	215,060	794,878	3,753,545	10,837,263	9,694,216
-	(2,371)	-	-	(2,371)	8,297,608	5,800,307
-	3,170	-	-	3,170	937,571	848,376
-	799	-	-	799	9,235,179	6,648,683
392,168	2,352,238	215,060	794,878	3,754,344	20,072,442	16,342,899
413	391,633	2,708	65,805	460,559	2,450,110	3,006,178
-	31,353	-	-	31,353	2,497,676	2,530,565
35,874	235,841	5,279	15,366	292,360	4,190,617	3,288,139
-	-	13,500	-	13,500	300,031	217,823
1,534	63,132	1,290	2,609	68,565	132,373	125,772
4	15,978	2,038	10,930	28,950	243,808	227,433
11,487	16,154	-	-	27,641	80,718	89,948
110,404	-	-	-	110,404	125,179	149,131
280,408	847	-	-	281,255	319,893	254,893
44,743	72,185	-	456	117,384	219,613	211,169
-	4,410	4,198	23,527	32,135	50,246	58,384
90	40,042	4,065	11,545	55,742	161,877	114,761
-	5,974	-	2,264	8,238	9,651	6,804
-	443	-	-	443	176,202	116,723
-	-	-	-	-	2,162,078	2,109,169
-	-	-	-	-	60,954	61,766
-	-	-	-	-	422,820	392,618
14,894	269,380	4,280	27,275	315,829	861,315	700,866
-	85,082	-	-	85,082	127,903	118,553
(892,019)	148,254	3,211	18,822	(721,732)	-	-
-	3,732,946	255,629	973,477	4,962,052	34,665,506	30,123,594
-	208,894	3,547	11,434	223,875	961,411	930,272
\$ -	\$ 3,941,840	\$ 259,176	\$ 984,911	\$ 5,185,927	\$ 35,626,917	\$ 31,053,866

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2014

	Program services											Total	
	Lighthouse Industries	Instructional Materials Center	Vision Rehabilitation & Research	Child Development Center	Other Children & Youth Programs	Government & Other Service Contracts	Adult Vocational & Rehabilitation Programs	Independent Living Programs	Retail Operations	Other Programs & Services	Lighthouse North		Call Center/ Customer Service Industries
Employee salaries	\$ 594,330	\$ 251,645	\$ 686,355	\$ 360,384	\$ 306,809	\$ 548,955	\$ 621,144	\$ 401,349	\$ 73,290	\$ 71,232	\$ 448,161	\$ 1,067,437	\$ 5,431,091
Employee benefits	130,945	55,540	150,880	84,196	56,426	234,148	131,749	85,705	17,583	12,559	94,414	243,726	1,297,871
Total employee salaries and benefits	725,275	307,185	837,235	444,580	363,235	783,103	752,893	487,054	90,873	83,791	542,575	1,311,163	6,728,962
Production wages	421,891	-	2,403	-	-	879,154	54,913	7,806	-	-	-	4,408,769	5,774,936
Production-related benefits	71,885	-	291	-	-	65,564	4,167	324	-	-	-	701,580	843,811
Total production payments and benefits	493,776	-	2,694	-	-	944,718	59,080	8,130	-	-	-	5,110,349	6,618,747
Total salaries and related benefits	1,219,051	307,185	839,929	444,580	363,235	1,727,821	811,973	495,184	90,873	83,791	542,575	6,421,512	13,347,709
Professional and contract services	90,870	162	532,108	155,074	1,345	2,201	1,013	1,247	6,984	-	43,282	1,740,496	2,574,782
Temporary labor	-	-	3,257	-	-	29,304	-	-	-	-	-	2,394,189	2,426,750
Supplies	37,730	1,887,722	420,961	48,555	15,815	19,544	92,523	164,196	121,156	3,093	108,783	139,679	3,059,757
Advertising	207,204	-	934	-	-	-	-	470	-	5,100	-	-	213,708
Telephone	2,819	155	4,508	891	1,306	779	1,760	1,927	2,777	19,670	15,956	11,066	63,614
Postage, freight and direct mail	150,123	8,747	8,217	23	85	149	576	169	-	24	752	27,072	195,937
Equipment rental and maintenance	18,255	16,487	14,936	1,005	-	888	-	-	1,160	6,266	642	2,074	61,713
Utilities	4,669	-	-	-	-	-	-	-	2,813	-	9,070	-	16,552
Building repairs and maintenance	-	-	11,760	46,080	-	-	320	13,800	715	-	25,834	-	98,509
Property and liability insurance	426	4,471	9,055	7,613	1,329	2,658	4,616	193	7,482	4,463	-	60,588	102,894
Printing	3,802	-	9,774	1,215	1,747	-	1,114	345	-	-	1,930	229	20,156
Conference, meetings and major trips	6,931	475	15,351	1,251	3,010	1,449	10,243	27,639	49	460	3,130	7,686	77,674
Memberships	-	-	602	604	-	-	-	135	-	250	567	-	2,158
Client assistance	-	-	-	14,412	53,211	-	(150)	48,337	-	913	-	-	116,723
Cost of materials	2,109,169	-	-	-	-	-	-	-	-	-	-	-	2,109,169
Building rental	27,234	-	3,888	-	-	-	-	-	30,644	-	-	-	61,766
Commissions	319,076	-	277	-	-	73,265	-	-	-	-	-	-	392,618
Other	10,065	10,758	63,353	4,159	3,228	2,731	8,214	18,596	1,160	365	20,942	327,304	470,875
Interest	-	-	-	-	-	-	-	-	-	-	45,029	-	45,029
Distribution of building repairs and maintenance	209,339	73,989	72,438	64,316	22,374	14,251	25,254	41,425	-	14,990	295	34,410	573,081
Total expenses before depreciation	4,416,763	2,310,151	2,011,348	789,778	466,685	1,875,040	957,456	813,663	265,813	139,385	818,787	11,166,305	26,031,174
Depreciation and amortization	172,642	54,488	136,552	44,946	15,036	18,711	37,572	31,471	45,110	10,446	109,005	66,018	741,997
Total expenses	\$ 4,589,405	\$ 2,364,639	\$ 2,147,900	\$ 834,724	\$ 481,721	\$ 1,893,751	\$ 995,028	\$ 845,134	\$ 310,923	\$ 149,831	\$ 927,792	\$ 11,232,323	\$ 26,773,171

The accompanying notes are an integral part of this statement.

Supporting services

Building and maintenance	General administration	Public relations	Fund-raising	Total	2014 total
\$ 257,634	\$ 1,521,257	\$ 153,233	\$ 514,543	\$ 2,446,667	\$ 7,877,758
57,481	316,529	32,649	111,928	518,587	1,816,458
315,115	1,837,786	185,882	626,471	2,965,254	9,694,216
244	25,127	-	-	25,371	5,800,307
249	4,316	-	-	4,565	848,376
493	29,443	-	-	29,936	6,648,683
315,608	1,867,229	185,882	626,471	2,995,190	16,342,899
22	372,063	3,011	56,300	431,396	3,006,178
-	103,815	-	-	103,815	2,530,565
59,140	135,704	3,788	29,750	228,382	3,288,139
-	340	2,425	1,350	4,115	217,823
1,010	55,934	1,994	3,220	62,158	125,772
37	15,286	1,959	14,214	31,496	227,433
13,588	14,647	-	-	28,235	89,948
132,579	-	-	-	132,579	149,131
155,181	1,203	-	-	156,384	254,893
47,487	60,304	-	484	108,275	211,169
49	1,137	6,692	30,350	38,228	58,384
962	23,412	4,220	8,493	37,087	114,761
-	3,950	60	636	4,646	6,804
-	-	-	-	-	116,723
-	-	-	-	-	2,109,169
-	-	-	-	-	61,766
-	-	-	-	-	392,618
12,748	166,357	6,184	44,702	229,991	700,866
-	73,524	-	-	73,524	118,553
(738,411)	143,621	2,732	18,977	(573,081)	-
-	3,038,526	218,947	834,947	4,092,420	30,123,594
-	171,096	2,875	14,304	188,275	930,272
\$ -	\$ 3,209,622	\$ 221,822	\$ 849,251	\$ 4,280,695	\$ 31,053,866

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
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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 (The Lighthouse), an Illinois not-for-profit corporation, offers 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.

The Lighthouse is well regarded nationally as a model agency for the wide range of programs provided to make a comprehensive, wrap-around menu of services that address an individual's changing needs across a lifetime. These programs and activities include various vocational training opportunities; vision care, including clinical, rehabilitation and research services; adaptive technology education and training; employment opportunities in Lighthouse Industries, a manufacturing program within The Lighthouse, U.S. Government service contracts, 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; a national technology help desk and a national Veterans Supply Administration program.

Use of Estimates

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

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 the collectibility of 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.

Pledges 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.

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Those classified as multi-year pledges 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 three to 40 years. Expenditures for the routine maintenance and repair of property and equipment are charged to operations as they are incurred.

Public Support, Revenues and Expenses

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

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 \$949,231 and \$1,179,635 in 2015 and 2014, 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 \$147,858 and \$146,960 for the years ended June 30, 2015 and 2014, respectively.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

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. Net assets released from restrictions that are used for the purchase of fixed assets or capital purposes are reported in the accompanying statements of activities as additions to unrestricted net assets. Net assets released from restrictions that are used for operating purposes are reported in the accompanying statements of activities as unrestricted revenues, gains and other support. 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 statements of activities as net assets released from restrictions. Donor-restricted gifts, with restrictions that expire during the fiscal year in which the gift is received, are reported as unrestricted net assets. In the absence of donor-imposed restrictions on the use of the assets, gifts of long-lived assets are reported as unrestricted support. It is The Lighthouse's policy not to apply time restrictions expiring over the useful life of long-lived assets.

Fair Value Measurements

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

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 financial statements. Total revenue from contributed services was \$166,885 and \$36,845 for the years ended June 30, 2015 and 2014, respectively, and was recorded for legal and other contractual services received. In-kind donation revenue was \$214,204 and \$100,251 for the years ended June 30, 2015 and 2014, respectively. Specific in-kind grants considered program subsidy and listed with rehabilitation training course fees and subsidies were recorded at \$949,231 and \$1,179,635 in 2015 and 2014, respectively, based on the fair value of items received.

Advertising Expense

Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense was \$300,031 and \$217,823 for the years ended June 30, 2015 and 2014, respectively.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which exempts investments measured using the net asset value (NAV) practical expedient in Accounting Standards Codification 820, *Fair Value Measurement*, from categorization within the fair value hierarchy and related disclosures. ASU 2015-07 requires presentation of the carrying amount of investments measured using the NAV practical expedient as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements. ASU

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
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2015-07 is effective for The Lighthouse for fiscal year 2018. However, early adoption is permitted and The Lighthouse adopted ASU 2015-07 for fiscal year 2015, with retrospective application. The revised disclosures are included in note L to the financial statements.

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. 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. The adoption of ASU 2014-09 is not expected to have a material impact on The Lighthouse's financial statements.

NOTE B - INVESTMENTS

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

	<u>2015</u>	<u>2014</u>
Cash	\$ 613,866	\$ 654,044
Common stocks and equity funds	9,936,713	10,240,967
Bonds and other debt instruments	3,353,351	3,547,303
Hedge fund instruments	<u>1,345,018</u>	<u>1,501,270</u>
	<u>\$15,248,948</u>	<u>\$15,943,584</u>

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Investment return is presented in the accompanying statements of activities as follows:

	<u>2015</u>	<u>2014</u>
Included in other revenues		
Investment income, primarily interest	\$ 4,063	\$ 5,274
Included in non-operating items		
Investment income, dividends and interest	340,904	381,321
Net realized gains	924,502	718,299
Net change in unrealized (losses) gains	<u>(751,475)</u>	<u>884,698</u>
	<u>\$ 517,994</u>	<u>\$1,989,592</u>

NOTE C - LAND, BUILDING AND EQUIPMENT

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

	<u>2015</u>	<u>2014</u>
Land	\$ 306,872	\$ 306,872
Building	17,449,975	17,232,616
Leasehold improvements	43,031	43,031
Equipment	<u>8,615,823</u>	<u>7,417,632</u>
	26,415,701	25,000,151
Less accumulated depreciation and amortization	<u>(16,109,910)</u>	<u>(15,170,659)</u>
Net land, building and equipment	<u>\$ 10,305,791</u>	<u>\$ 9,829,492</u>

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 FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

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

	<u>2015</u>	<u>2014</u>
Associate Board designation for future years	\$ 12,393	\$ 76,734
Birth-to-Three/Homebound	364,293	495,196
Building expansion	1,964,348	-
Charitable Gift Annuities	66,939	73,288
Client emergency assistance	5,158	3,884
Endowment campaign	276,577	274,280
Instructional Materials Center	61,342	187,797
Lighthouse North	26,299	77,330
Pangere Center for Inherited Retinal Disease	105,015	298,012
Pre-School	-	126,985
Program expansion and operations	1,929,962	1,840,176
Purchase of fixed assets	192,665	247,060
Scholarship endowment	83,193	87,564
Scholarship fund	<u>149,041</u>	<u>100,260</u>
	<u>\$5,237,225</u>	<u>\$3,888,566</u>

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

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

	<u>2015</u>	<u>2014</u>
Beneficial interest in perpetual trusts	\$ 549,057	\$ 582,422
Ongoing agency operations	706,722	706,722
Senior low vision care	500,000	500,000
Education of a person who is blind	200,000	200,000
Deaf-Blind Program	<u>36,409</u>	<u>34,415</u>
	<u>\$1,992,188</u>	<u>\$2,023,559</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

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>2015</u>	<u>2014</u>
Birth-to-Three/Homebound	\$ 130,707	\$ 24,356
Client emergency assistance	(903)	913
Endowment campaign	67,673	407,090
Instructional Materials Center	187,797	121,466
Lighthouse North	260,611	384,967
Pangere Center for Inherited Retinal Disease	200,016	186,688
Pre-School	148,085	-
Program expansion and operations	78,750	190,569
Purchase of fixed assets	149,470	50,994
Scholarship program	<u>67,171</u>	<u>62,383</u>
	<u>\$1,289,377</u>	<u>\$1,429,426</u>

NOTE F - ENDOWMENT NET ASSETS

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

The Lighthouse accounts for endowment net assets by preserving the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, The Lighthouse classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, according to donor stipulations, until those amounts are appropriated for expenditure by The Lighthouse for the donor-stipulated purpose.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

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, 2015 and 2014.

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, 2015 and 2014, 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 2015 and 2014, The Lighthouse had the following endowment-related activities:

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

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

Endowment Net Asset Composition by Type of Fund
As of June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor endowment funds	\$ -	\$1,592,142	\$1,441,137	\$3,033,279
Board-designated funds	<u>35,163</u>	-	-	<u>35,163</u>
Total funds	<u>\$35,163</u>	<u>\$1,592,142</u>	<u>\$1,441,137</u>	<u>\$3,068,442</u>

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

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

Changes in Endowment Net Assets
For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets, beginning of year	\$35,163	\$1,422,749	\$1,439,439	\$2,897,351
Investment return				
Investment income	987	37,896	-	38,883
Net appreciation, realized and unrealized	<u>-</u>	<u>169,393</u>	<u>1,698</u>	<u>171,091</u>
Total investment return	987	207,289	1,698	209,974
Appropriation of endowment assets for expenditure	<u>(987)</u>	<u>(37,896)</u>	<u>-</u>	<u>(38,883)</u>
Net assets, end of year	<u>\$35,163</u>	<u>\$1,592,142</u>	<u>\$1,441,137</u>	<u>\$3,068,442</u>

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June 30, 2015 and 2014

NOTE G - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, include the following:

	<u>2015</u>	<u>2014</u>
Unconditional promises to give due in		
Less than one year	\$459,330	\$547,924
One to five years	<u>114,543</u>	<u>336,272</u>
	573,873	884,196
Less		
Allowance for uncollectible accounts	(20,000)	(35,000)
Unamortized discount	<u>(14,345)</u>	<u>(22,045)</u>
Contributions receivable, net	<u>\$539,528</u>	<u>\$827,151</u>

Discount rate is 3% for the years ended June 30, 2015 and 2014.

NOTE H - MAJOR CUSTOMER

Approximately 36% and 30% of The Lighthouse revenue during fiscal years 2015 and 2014 was generated from call center services provided to The Illinois State Toll Highway Authority.

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 2015 and 2014 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 2015 and 2014 was \$133,114 and \$132,975, respectively.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

NOTE J - UNITED WAY OF METROPOLITAN CHICAGO PUBLIC SUPPORT

United Way provided support of \$166,590 and \$165,003 in fiscal 2015 and 2014, respectively, of which \$29,115 and \$15,582 in fiscal years 2015 and 2014, 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 \$87,345 and \$46,745 in fiscal 2015 and 2014, 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 Lighthouse has a favorable determination letter from the Internal Revenue Service, stating that it is 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 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 there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected in these financial statements, as The Lighthouse does have unrelated business income and files a 990-T; however, no provision for income taxes is required as it has a net operating loss. The statute of limitations for tax years 2011, 2012, 2013 and 2014 are open to audit for both federal and state purposes.

NOTE L - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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June 30, 2015 and 2014

The following tables summarize assets by fair value levels as of June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks and equity funds	\$10,240,967	\$ -	\$ -	\$10,240,967
Bonds and other debt instruments	-	3,547,303	-	3,547,303
Beneficial interests in perpetual trusts	<u>-</u>	<u>-</u>	<u>582,422</u>	<u>582,422</u>
	<u>\$10,240,967</u>	<u>\$3,547,303</u>	<u>\$582,422</u>	<u>\$14,370,692</u>

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

	<u>Beneficial interests in perpetual trusts</u>
Balance as of June 30, 2013	\$530,241
Change in value	<u>52,181</u>
Balance as of June 30, 2014	582,422
Change in value	<u>(33,365)</u>
Balance as of June 30, 2015	<u>\$549,057</u>

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

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

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The following table provides additional information related to investments recorded at NAV as of June 30, 2014:

	Fair value	Unfunded commitments	Redemption frequency	Term of investment
Hedge fund (a)	\$1,501,720	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:

	2015	2014
Accounts receivable allowance for uncollectible accounts		
Beginning balance	\$ 117,055	\$ 96,929
Bad debt expense	77,997	94,301
Accounts written off	<u>(112,250)</u>	<u>(74,175)</u>
Ending balance	\$ <u>82,802</u>	\$ <u>117,055</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, 2015 and 2014, the amounts outstanding totaled \$3,500,000. The interest rate on this debt fluctuated based on the LIBOR rate and was 1.9% in both years. Interest is also payable at 0.25% on the unused available line of credit. Interest expense incurred on the line of credit totaled \$69,226 and \$68,331 for the years ended June 30, 2015 and 2014, respectively.

On June 30, 2011, The Lighthouse entered into a mortgage agreement with The Northern Trust Company secured by the Glenview land and building. The mortgage will mature in 2016 and bears interest at the rate of 5%.

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Principal payments on the mortgage for the year ending June 30, 2016, will total \$768,375.

Interest expense on the mortgage totaled \$40,881 and \$42,377 for the years ended June 30, 2015 and 2014, respectively.

NOTE O - PERPETUAL TRUSTS AND SPLIT-INTEREST AGREEMENTS

The Lighthouse is a beneficiary of two perpetual trusts administered by an independent organization. Under the terms of the trusts, The Lighthouse has irrevocable rights to receive portions of the income earned on the trust assets in perpetuity. Perpetual trusts are carried at fair value and are included in permanently restricted net assets. The Lighthouse's beneficial interest in the trusts, at fair value, totaled \$549,057 and \$582,422 at June 30, 2015 and 2014, 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 \$206,044 and \$205,302 at June 30, 2015 and 2014, respectively, have been segregated in separate accounts, the use of which is limited to meeting the gift annuity obligations. The liability was \$103,164 and \$102,898 at June 30, 2015 and 2014, respectively, which is included in other accrued liabilities in the statements of financial position.

NOTE P - LEASE COMMITMENTS

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

Total rent expense amounted to \$128,544 and \$120,756 in 2015 and 2014, respectively.

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

Years ending June 30,

2016	\$101,832
2017	68,537
2018	27,682
2019	9,255
2020	4,215

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During 2012, 2013 and 2015, The Lighthouse entered into capital lease agreements totaling \$44,977, \$70,307 and \$551,758, respectively. The agreements mature in December 2016, November 2017 and March 2020, respectively, and call for equal monthly payments of \$932, \$1,457 and \$11,368, respectively, including interest at various rates from 8.55% to 8.9%.

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

Fiscal years ending June 30,

2016	\$165,084
2017	159,492
2018	143,701
2019	136,416
2020	<u>102,312</u>
Total minimum payments required	707,005
Less amount representing interest	<u>123,984</u>
Present value of capital lease obligation	<u>\$583,021</u>

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

	<u>2015</u>	<u>2014</u>
Phone systems	\$ 667,042	\$115,284
Less accumulated amortization	<u>(129,354)</u>	<u>(51,122)</u>
Net capitalized leased property	<u>\$ 537,688</u>	<u>\$ 64,162</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. Concentration of credit risk in respect to receivables is limited due to the large number of accounts and low average receivable balance. Concentration of credit risk in respect to the beneficial

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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 \$197,070, including \$30,000 from board members' family foundations, and \$375,006 for the years ended June 30, 2015 and 2014, respectively. Pledges receivable from members of the Board of Directors were \$199,370 and \$188,793 at June 30, 2015 and 2014, respectively.

Payments to members of The Lighthouse board of directors for services provided were \$46,820 and \$48,451 for the years ended June 30, 2015 and 2014, respectively.

NOTE S - SUBSEQUENT EVENTS

The Lighthouse evaluated its June 30, 2015, financial statements for subsequent events through December 18, 2015, the date the financial statements were available to be issued. On November 20, 2015, The Lighthouse established a second not-for-profit corporation, Chicago Lighthouse Industries, with The Lighthouse as its sole member. The Lighthouse will transfer its Industries and Contract Management Services Programs to this new corporation.