

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

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

**June 30, 2018 and 2017**

# Contents

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

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS****Board of Directors**

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

We have audited the accompanying consolidated financial statements of The Chicago Lighthouse for People Who Are Blind or Visually Impaired and Chicago Lighthouse Industries (nonprofit organizations) (collectively, The Lighthouse), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

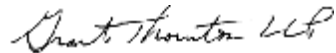
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to The Lighthouse's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Lighthouse's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Lighthouse as of June 30, 2018 and 2017, 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 20, 2018

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

ASSETS	2018			2017		
	Operating Fund	Long-term Investment Fund	Total	Operating Fund	Long-term Investment Fund	Total
Cash and cash equivalents	\$ 613,513	\$ -	\$ 613,513	\$ 2,047,013	\$ -	\$ 2,047,013
Accounts receivable						
Lighthouse Industries and Call Centers	4,838,538	-	4,838,538	3,084,780	-	3,084,780
Bequests	-	217,600	217,600	-	933,225	933,225
Other, principally state agencies	891,426	-	891,426	1,831,263	-	1,831,263
Contributions, net	216,144	156,733	372,877	293,619	106,216	399,835
Allowance for uncollectible accounts	(56,463)	-	(56,463)	(89,642)	-	(89,642)
Accounts receivable, net	5,889,645	374,333	6,263,978	5,120,020	1,039,441	6,159,461
Accrued investment income	-	24,737	24,737	-	24,646	24,646
Inventories	646,424	-	646,424	569,471	-	569,471
Prepaid expenses	189,422	-	189,422	371,936	-	371,936
Investments	-	13,387,912	13,387,912	-	11,674,697	11,674,697
Beneficial interest in perpetual trusts	-	574,935	574,935	-	550,232	550,232
Land, buildings and equipment, net	10,731,050	-	10,731,050	11,513,055	-	11,513,055
<b>TOTAL ASSETS</b>	<b>\$ 18,070,054</b>	<b>\$ 14,361,917</b>	<b>\$ 32,431,971</b>	<b>\$ 19,621,495</b>	<b>\$ 13,289,016</b>	<b>\$ 32,910,511</b>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities						
Accounts payable	\$ 1,686,549	\$ -	\$ 1,686,549	\$ 1,221,688	\$ -	\$ 1,221,688
Accrued salaries and payroll taxes	1,510,897	-	1,510,897	1,312,974	-	1,312,974
Line of credit	2,900,000	-	2,900,000	3,500,000	-	3,500,000
Mortgage payable	672,013	-	672,013	706,568	-	706,568
Other accrued liabilities	548,356	95,589	643,945	610,956	100,258	711,214
Total liabilities	7,317,815	95,589	7,413,404	7,352,186	100,258	7,452,444
Net assets						
Unrestricted	9,469,420	10,070,604	19,540,024	11,142,145	8,842,261	19,984,406
Temporarily restricted	1,282,819	2,174,722	3,457,541	1,127,164	2,351,597	3,478,761
Permanently restricted	-	2,021,002	2,021,002	-	1,994,900	1,994,900
Total net assets	10,752,239	14,266,328	25,018,567	12,269,309	13,188,758	25,458,067
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 18,070,054</b>	<b>\$ 14,361,917</b>	<b>\$ 32,431,971</b>	<b>\$ 19,621,495</b>	<b>\$ 13,289,016</b>	<b>\$ 32,910,511</b>

The accompanying notes are an integral part of these statements.

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

	2018				2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues								
Support and revenues								
Public support								
Contributions	\$ 2,738,156	\$ 619,882	\$ -	\$ 3,358,038	\$ 1,907,168	\$ 558,573	\$ -	\$ 2,465,741
United Way	83,630	-	-	83,630	140,023	-	-	140,023
Donated goods/services	196,410	-	-	196,410	227,594	-	-	227,594
Special events revenue	742,053	103,512	-	845,565	628,212	93,164	-	721,376
Less cost of direct benefits to donors	(255,924)	-	-	(255,924)	(248,624)	-	-	(248,624)
Net revenues from special events	486,129	103,512	-	589,641	379,588	93,164	-	472,752
Total public support	3,504,325	723,394	-	4,227,719	2,654,373	651,737	-	3,306,110
Program and other revenues								
Program revenues								
Call Center contracts	29,642,335	-	-	29,642,335	25,266,399	-	-	25,266,399
Lighthouse Industries sales	3,692,326	-	-	3,692,326	3,748,068	-	-	3,748,068
Rehabilitation training course fees and subsidies	4,507,425	169,844	-	4,677,269	4,189,973	184,701	-	4,374,674
Optical aid fees and sales	1,066,789	-	-	1,066,789	1,186,240	-	-	1,186,240
Government and other service contracts	1,389,647	-	-	1,389,647	1,238,343	-	-	1,238,343
Miscellaneous program revenues	33,043	-	-	33,043	91,262	-	-	91,262
Total program revenues	40,331,565	169,844	-	40,501,409	35,720,285	184,701	-	35,904,986
Other revenues								
Investment income	4,883	-	-	4,883	8,840	-	-	8,840
Miscellaneous other revenues	284,681	-	-	284,681	284,708	-	-	284,708
Total other revenues	289,564	-	-	289,564	293,548	-	-	293,548
Total program and other revenues	40,621,129	169,844	-	40,790,973	36,013,833	184,701	-	36,198,534
Total public support, program and other revenues	44,125,454	893,238	-	45,018,692	38,668,206	836,438	-	39,504,644
Net assets released from restrictions	1,078,188	(1,078,188)	-	-	2,575,704	(2,575,704)	-	-
Total operating revenues	\$ 45,203,642	\$ (184,950)	\$ -	\$ 45,018,692	\$ 41,243,910	\$ (1,739,266)	\$ -	\$ 39,504,644

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

	2018				2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses								
Program services	\$ 39,674,480	\$ -	\$ -	\$ 39,674,480	\$ 35,841,541	\$ -	\$ -	\$ 35,841,541
Supporting services	6,989,348	-	-	6,989,348	6,024,698	-	-	6,024,698
Total expenses	46,663,828	-	-	46,663,828	41,866,239	-	-	41,866,239
Deficiency of operating revenues over operating expenses	(1,460,186)	(184,950)	-	(1,645,136)	(622,329)	(1,739,266)	-	(2,361,595)
Non-operating items								
Legacies and bequests	448,714	-	-	448,714	2,050,331	-	-	2,050,331
Contributions for long-term investment purposes	82,261	126,040	-	208,301	138,452	180,915	-	319,367
Investment income	293,340	11,454	-	304,794	216,482	58,742	-	275,224
Change in value of split interest agreements	-	(8,733)	24,703	15,970	-	3,053	31,196	34,249
Net realized gains on sales of investments	361,795	67,314	1,399	430,508	330,599	146,801	1,347	478,747
Net change in unrealized (depreciation) appreciation of investments	(170,306)	(32,345)	-	(202,651)	243,005	108,895	-	351,900
Total non-operating items	1,015,804	163,730	26,102	1,205,636	2,978,869	498,406	32,543	3,509,818
Change in net assets	(444,382)	(21,220)	26,102	(439,500)	2,356,540	(1,240,860)	32,543	1,148,223
Net assets, at beginning of year	19,984,406	3,478,761	1,994,900	25,458,067	17,627,866	4,719,621	1,962,357	24,309,844
Net assets, at end of year	\$ 19,540,024	\$ 3,457,541	\$ 2,021,002	\$ 25,018,567	\$ 19,984,406	\$ 3,478,761	\$ 1,994,900	\$ 25,458,067

The accompanying notes are an integral part of these statements.

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

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (439,500)	\$ 1,148,223
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net change in unrealized depreciation (appreciation) of investments	202,651	(351,900)
Net realized gains on sales of investments	(430,508)	(478,747)
Net change in value of split interest agreements	(24,703)	(31,196)
Contributions restricted for long-term investment	(126,040)	(180,915)
Depreciation and amortization	1,267,227	1,185,100
Change in allowance for uncollectible accounts	(33,179)	31,906
Changes in operating assets and liabilities		
Accounts receivable	(72,145)	1,095,358
Accrued investment income	(91)	3,407
Inventories	(76,953)	122,312
Prepaid expenses	182,514	(8,108)
Accounts payable	384,144	(1,324,983)
Accrued salaries and payroll taxes	197,923	261,558
Other accrued liabilities	(67,269)	(176,483)
Net cash provided by operating activities	964,071	1,295,532
Cash flows from investing activities		
Purchases of investments	(6,253,711)	(3,689,026)
Sale of investments	4,768,352	5,858,109
Additions to land, building and equipment	(403,697)	(2,150,635)
Net cash (used in) provided by investing activities	(1,889,056)	18,448
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	126,040	180,915
Payments made on line of credit	(600,000)	-
Payments made on mortgage	(34,555)	(32,900)
Net cash (used in) provided by financing activities	(508,515)	148,015
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,433,500)</b>	<b>1,461,995</b>
Cash and cash equivalents, beginning of year	2,047,013	585,018
Cash and cash equivalents, end of year	<u>\$ 613,513</u>	<u>\$ 2,047,013</u>
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	\$ 183,031	\$ 184,282
Non-cash investing		
Equipment financed through capital leases	\$ 74,007	\$ 5,650
Capital expenditures accrued, but not paid	81,524	317,701

The accompanying notes are an integral part of these statements.



The Chicago Lighthouse for People Who Are Blind or Visually Impaired  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
Year ended June 30, 2018, with summarized information for the year ended June 30, 2017

	Program services												Supporting services					2018 total	2017 total	
	Lighthouse Industries	Instructional Materials Center	Vision Rehabilitation & Research	Child Development Center	Other Children & Youth Programs	Government & Other Service Contracts	Adult Vocational & Rehabilitation Programs	Independent Living Programs	Retail Operations	Other Programs & Services	Lighthouse North	Call Center/ Customer Service Industries	Total	Building and maintenance	General administration	Public relations	Fund-raising			Total
Employee salaries	\$ 746,647	\$ 232,900	\$ 811,422	\$ 545,856	\$ 410,714	\$ 112,215	\$ 259,494	\$ 486,599	\$ -	\$ 140,970	\$ 509,039	\$ 2,022,899	\$ 6,278,755	\$ 255,586	\$ 2,483,533	\$ 279,937	\$ 498,210	\$ 3,517,266	\$ 9,796,021	\$ 9,278,237
Employee benefits	142,084	42,822	133,346	96,140	63,935	21,367	46,507	82,603	-	21,834	77,303	362,201	1,090,142	43,606	416,809	46,765	88,707	595,887	1,686,029	1,604,261
Total employee salaries and benefits	888,731	275,722	944,768	641,996	474,649	133,582	306,001	569,202	-	162,804	586,342	2,385,100	7,368,897	299,192	2,900,342	326,702	586,917	4,113,153	11,482,050	10,882,498
Production wages	492,930	-	54,512	-	-	837,931	(2,607)	10,428	-	-	1,464	15,562,534	16,957,192	(168)	4,204	2,735	-	6,771	16,963,963	13,938,294
Production-related benefits	89,312	-	9,693	-	-	77,262	(50)	419	-	32	24	2,809,008	2,985,700	1,081	504	276	-	1,861	2,987,561	2,378,925
Total production payments and benefits	582,242	-	64,205	-	-	915,193	(2,657)	10,847	-	32	1,488	18,371,542	19,942,892	913	4,708	3,011	-	8,632	19,951,524	16,317,219
Total salaries and related benefits	1,470,973	275,722	1,008,973	641,996	474,649	1,048,775	303,344	580,049	-	162,836	587,830	20,756,642	27,311,789	300,105	2,905,050	329,713	586,917	4,121,785	31,433,574	27,199,717
Professional and contract services	171,974	207	404,940	180,667	321	6,518	426	12,057	-	108,603	45,757	527,236	1,458,706	348	359,242	77,091	71,976	508,657	1,967,363	2,214,340
Temporary labor	-	-	20,805	646	-	37,256	-	-	-	-	-	2,911,067	2,969,774	-	377,715	-	-	377,715	3,347,489	3,090,974
Supplies	42,215	1,339,108	404,529	35,571	7,182	18,381	11,346	114,678	-	1,344	118,350	756,723	2,849,427	66,940	346,529	1,672	141,504	556,645	3,406,072	3,111,673
Advertising	88,623	-	400	-	-	-	100	725	-	5,000	-	-	94,848	-	-	25,701	77,393	103,094	197,942	261,979
Telephone	4,029	-	7,607	-	1,051	1,254	1,903	767	-	1,004	31,058	115,948	164,621	1,019	173,278	394	7,070	181,761	346,382	262,659
Postage, freight and direct mail	115,520	3,322	13,189	-	4	-	34	111	-	197	666	148,874	281,917	295	11,274	1,847	19,932	33,348	315,265	227,828
Equipment rental and maintenance	13,404	15,787	2,156	1,421	-	-	140	129	-	-	691	6,269	39,997	14,662	18,978	-	-	33,640	73,637	82,030
Utilities	2,006	-	-	-	-	-	-	-	-	-	8,482	-	10,488	140,919	-	-	-	140,919	151,407	150,260
Building repairs and maintenance	4,950	-	-	-	-	-	-	-	-	-	17,579	-	22,529	255,822	-	-	-	255,822	278,351	280,174
Property and liability insurance	771	4,390	8,506	7,475	1,305	1,305	748	190	-	5,345	44	75,929	106,008	55,648	80,731	-	475	136,854	242,862	249,317
Printing	742	-	4,853	-	-	-	144	139	-	-	-	-	5,878	-	1,146	-	35,287	36,433	42,311	54,593
Conference, meetings and major trips	9,664	842	34,106	389	9,122	6,780	2,766	29,113	-	93	8,774	11,851	113,500	-	50,480	1,221	16,697	68,398	181,898	134,426
Memberships	325	-	1,438	-	-	-	-	320	-	635	305	425	3,448	-	5,609	70	1,575	7,254	10,702	8,751
Client assistance	-	-	-	24,710	157,706	-	18	56,427	-	941	3,840	12	243,654	-	409	-	-	409	244,063	227,110
Cost of materials	1,773,254	-	-	-	-	-	-	-	-	-	-	-	1,773,254	-	-	-	-	-	1,773,254	1,805,188
Property rental	30,437	-	6,758	-	-	-	-	-	-	-	-	-	37,195	-	-	-	-	-	37,195	56,686
Commissions	243,606	-	910	-	-	24,623	-	-	-	-	-	-	269,139	-	-	-	-	-	269,139	296,966
Other	28,519	10,212	41,312	4,163	4,016	15,259	3,813	5,300	-	781	15,171	212,084	340,630	11,218	463,389	9,017	70,410	554,034	894,664	782,186
Interest	-	-	-	-	-	-	-	-	-	-	33,975	23,483	57,458	-	125,573	-	-	125,573	183,031	184,282
Distribution of building repairs and maintenance	211,659	70,130	73,263	76,228	32,693	-	13,382	44,128	-	9,825	-	128,994	660,302	(846,976)	164,737	4,404	17,533	(660,302)	-	-
Total expenses before depreciation and amortization	4,212,671	1,719,720	2,033,745	973,266	688,049	1,160,151	338,164	844,133	-	296,604	872,522	25,675,537	38,814,562	-	5,084,140	451,130	1,046,769	6,582,039	45,396,601	40,681,139
Depreciation and amortization	209,475	62,328	92,676	81,246	31,934	182	12,577	45,784	-	10,034	57,081	256,601	859,918	-	383,987	4,616	18,706	407,309	1,267,227	1,185,100
Total expenses	\$ 4,422,146	\$ 1,782,048	\$ 2,126,421	\$ 1,054,512	\$ 719,983	\$ 1,160,333	\$ 350,741	\$ 889,917	\$ -	\$ 306,638	\$ 929,603	\$ 25,932,138	\$ 39,674,480	\$ -	\$ 5,468,127	\$ 455,746	\$ 1,065,475	\$ 6,989,348	\$ 46,663,828	\$ 41,866,239

The accompanying notes are an integral part of this statement.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED  
Year ended June 30, 2017

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

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Organization*

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

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

*Use of Estimates*

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

*Principles of Consolidation*

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

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

---

***Cash and Cash Equivalents***

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

***Accounts Receivable***

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

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

***Inventories***

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

***Investments***

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

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

***Land, Building and Equipment***

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

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

---

***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.

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 \$548,543 and \$535,890 in 2018 and 2017, 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 \$109,855 and \$130,018 for the years ended June 30, 2018 and 2017, respectively.

***Temporarily and Permanently Restricted Net Assets***

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

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

***Donor-restricted Gifts***

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

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

---

***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.

***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 \$108,600 and \$148,072 for the years ended June 30, 2018 and 2017, respectively, and was recorded for legal and other contractual services received. In-kind donation revenue was \$150,979 and \$124,666 for the years ended June 30, 2018 and 2017, respectively. Specific in-kind grants, considered program subsidy and listed with rehabilitation training course fees and subsidies, were recorded at \$548,543 and \$535,890 in 2018 and 2017, 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 \$197,942 and \$261,979 for the years ended June 30, 2018 and 2017, respectively.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

---

***Recent Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued ASU No. 2015-14 which deferred the effective date. The guidance is currently effective for The Lighthouse for fiscal year 2020 (early adoption is permitted). The guidance permits the use of either a retrospective or cumulative effect transition method.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*. The guidance provides that an entity should measure inventory within the scope of the update at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The Lighthouse adopted this guidance in fiscal year 2018.

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

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment return, and cash flows. The guidance replaces the three classes of net assets currently presented on the statements of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires a not-for-profit to present expenses by both their natural and functional classification in a single location in the financial

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

statements. ASU No. 2016-14 is effective for The Lighthouse for fiscal year 2019. Early adoption is permitted and entities are required to adopt the guidance retrospectively, but if comparative financial statements are presented, they have the option to omit certain information for any periods presented that are prior to the period of adoption.

**NOTE B - INVESTMENTS**

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

	<u>2018</u>	<u>2017</u>
Cash	\$ 773,782	\$ 771,965
Common stocks and equity funds	8,336,696	7,230,176
Bonds and other debt instruments	4,277,434	3,041,821
Hedge fund instruments	<u>-</u>	<u>630,735</u>
	<u>\$13,387,912</u>	<u>\$11,674,697</u>

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

	<u>2018</u>	<u>2017</u>
Included in other revenues		
Investment income, primarily interest	\$ 4,883	\$ 8,840
Included in non-operating items		
Investment income	304,794	275,224
Net realized gains	430,508	478,747
Net change in unrealized (losses) gains	<u>(202,651)</u>	<u>351,900</u>
	<u>\$ 537,534</u>	<u>\$1,114,711</u>



**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

---

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

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

	<u>2018</u>	<u>2017</u>
Land	\$ 321,993	\$ 321,993
Building	20,278,877	20,027,622
Equipment and furniture	<u>9,501,362</u>	<u>9,300,336</u>
	30,102,232	29,649,951
Less accumulated depreciation and amortization	<u>(19,371,182)</u>	<u>(18,136,896)</u>
Net land, building and equipment	<u>\$10,731,050</u>	<u>\$ 11,513,055</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 permanently restricted. Temporarily restricted net assets as of June 30, are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Associate Board designation for future years	\$ 109,067	\$ 95,555
Birth-to-Three/Homebound	374,711	367,897
Building expansion	-	264,182
Charitable gift annuities	74,850	77,576
Client emergency assistance	9,128	8,034
Endowment campaign	156,733	106,216
Instructional Materials Center	124,983	144,015
Lighthouse North	415,707	371,966
Pangere Center for Inherited Retinal Disease	310,973	88,530
Program expansion and operations	1,611,005	1,627,605
Purchase of fixed assets	46,205	73,555
Scholarship endowment	87,180	85,387
Scholarship fund	<u>136,999</u>	<u>168,243</u>
	<u>\$3,457,541</u>	<u>\$3,478,761</u>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

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>2018</u>	<u>2017</u>
Beneficial interest in perpetual trusts	\$ 574,935	\$ 550,232
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>39,345</u>	<u>37,946</u>
	<u>\$2,021,002</u>	<u>\$1,994,900</u>

**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>2018</u>	<u>2017</u>
Birth-to-Three/Homebound	\$ 55,449	\$ 34,208
Client emergency assistance	3,941	984
Endowment campaign	74,483	51,227
Instructional Materials Center	144,015	111,571
Lighthouse North	217,194	255,036
Pangere Center for Inherited Retinal Disease	5,823	5,133
Pre-School	20,025	16,000
Program expansion and operations	231,625	153,438
Purchase of fixed assets	257,468	1,885,624
Scholarship program	<u>68,165</u>	<u>62,483</u>
	<u>\$1,078,188</u>	<u>\$2,575,704</u>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

---

**NOTE F - ENDOWMENT NET ASSETS**

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

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

The 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, 2018 and 2017.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

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, 2018 and 2017, 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 2018 and 2017, The Lighthouse had the following endowment-related balances and activities:

**Endowment Net Asset Composition by Type of Fund**  
**As of June 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor endowment funds	\$ -	\$1,159,083	\$1,446,067	\$2,605,150
Board-designated funds	<u>35,163</u>	-	-	<u>35,163</u>
Total funds	<u>\$35,163</u>	<u>\$1,159,083</u>	<u>\$1,446,067</u>	<u>\$2,640,313</u>

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

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

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

**Changes in Endowment Net Assets**  
**For the Year Ended June 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 35,163	\$1,131,600	\$1,444,668	\$ 2,611,431
Investment return				
Investment income	849	30,219	-	31,068
Net appreciation, realized and unrealized	<u>-</u>	<u>27,483</u>	<u>1,399</u>	<u>28,882</u>
Total investment return	849	57,702	1,399	59,950
Appropriation of endowment assets for expenditure	<u>(849)</u>	<u>(30,219)</u>	<u>-</u>	<u>(31,068)</u>
Net assets, end of year	<u>\$ 35,163</u>	<u>\$1,159,083</u>	<u>\$1,446,067</u>	<u>\$2,640,313</u>

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

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

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

**NOTE G - CONTRIBUTIONS RECEIVABLE**

Contributions receivable at June 30, included the following:

	<u>2018</u>	<u>2017</u>
Unconditional promises to give due in		
Less than one year	\$342,071	\$330,254
One to five years	<u>42,766</u>	<u>84,682</u>
	384,837	414,936
Less		
Allowance for uncollectible accounts	(6,879)	(6,879)
Unamortized discount	<u>(5,081)</u>	<u>(8,222)</u>
Contributions receivable, net	<u>\$372,877</u>	<u>\$399,835</u>

Discount rates ranged from 3% to 5% for the years ended June 30, 2018 and 2017.

**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:

	<u>2018</u>		<u>2017</u>	
	Revenue	Receivable	Revenue	Receivable
The Illinois State Toll Highway Authority	44%	54%	39%	26%
University of Illinois Health Systems	15	9	17	8

**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 2018 and 2017 of the total compensation of eligible office employees who complete at least

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

---

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 2018 and 2017 was \$272,155 and \$225,298, respectively.

---

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

United Way provided support of \$83,630 and \$140,023 in fiscal 2018 and 2017, respectively, of which \$5,133 and \$22,853 in fiscal years 2018 and 2017, 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 \$15,404 and \$68,560 in fiscal 2018 and 2017, 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.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

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

The following tables summarize assets by fair value levels as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks and equity funds	\$8,336,696	\$ -	\$ -	\$8,336,696
Bonds and other debt instruments	-	4,277,434	-	4,277,434
Beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>574,935</u>	<u>574,935</u>
	<u>\$8,336,696</u>	<u>\$4,277,434</u>	<u>\$574,935</u>	<u>\$13,189,065</u>

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

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

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

	<u>Beneficial interest in perpetual trusts</u>
Balance as of June 30, 2016	\$519,036
Change in value	<u>31,196</u>
Balance as of June 30, 2017	550,232
Change in value	<u>24,703</u>
Balance as of June 30, 2018	<u>\$574,935</u>

The Lighthouse had no investments recorded at net asset value (NAV) as of June 30, 2018.



**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

The following table provides additional information related to investments recorded at NAV as of June 30, 2017:

	<u>Fair Value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Term of investment</u>
Hedge fund (a)	\$630,735	N/A	Quarterly after 1 year of investing	Liquid after 1 year

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

**NOTE M - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

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

	<u>2018</u>	<u>2017</u>
Accounts receivable allowance for uncollectible accounts		
Beginning balance	\$ 89,642	\$ 57,736
Bad debt expense	36,474	50,339
Accounts written off	<u>(69,653)</u>	<u>(18,433)</u>
Ending balance	<u>\$ 56,463</u>	<u>\$ 89,642</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, 2018 and 2017, the amounts outstanding totaled \$2,900,000 and \$3,500,000, respectively. The interest rate on this debt fluctuated based on the LIBOR rate and was 4.0% and 3.05% as of June 30, 2018 and 2017, respectively. Interest is also payable at 0.25% on the unused available line of credit. Interest expense incurred on the line of credit totaled \$111,208 and \$97,402 for the years ended June 30, 2018 and 2017, respectively.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

---

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

Future principal payments on the mortgage as of June 30, 2018, are as follows:

Years ending June 30,

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

Interest expense on the mortgage totaled \$33,975 and \$35,630 for the years ended June 30, 2018 and 2017, 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 \$574,935 and \$550,232 at June 30, 2018 and 2017, 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 \$175,991 and \$180,996 at June 30, 2018 and 2017, respectively, have been segregated in separate accounts, the use of which is limited to meeting the gift annuity obligations. The liability was \$95,589 and \$100,258 at June 30, 2018 and 2017, 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, 2018 and 2017**

---

**NOTE P - FUTURE COMMITMENTS**

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

Total rent expense amounted to \$329,931 and \$180,741 in 2018 and 2017, respectively.

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

Years ending June 30,

2019	\$90,856
2020	22,741
2021	8,496
2022	4,296
2023	2,133

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

Fiscal years ending June 30,

2019	\$230,284
2020	<u>172,861</u>
Total minimum payments required	403,145
Less amount representing interest	<u>(30,492)</u>
Present value of capital lease obligation, included in other accrued liabilities	<u>\$372,653</u>

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

	<u>2018</u>	<u>2017</u>
Phone systems	\$ 945,638	\$ 871,631
Less accumulated amortization	<u>(604,749)</u>	<u>(444,508)</u>
Net capitalized leased property	<u>\$ 340,889</u>	<u>\$ 427,123</u>

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

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2018 and 2017**

---

**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 63% and 34% of the accounts receivable balance at June 30, 2018 and 2017, 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 \$1,268,170 and \$336,061, including \$0 and \$35,000 from board members' family foundations, for the years ended June 30, 2018 and 2017, respectively. Pledges receivable from members of the board of directors were \$45,750 and \$97,290 at June 30, 2018 and 2017, respectively.

Payments to members of the Lighthouse board of directors, or related companies, for professional services provided were \$29,899 and \$51,929 for the years ended June 30, 2018 and 2017, respectively.

---

**NOTE S - SUBSEQUENT EVENTS**

The Lighthouse evaluated its June 30, 2018, consolidated financial statements for subsequent events through December 20, 2018, 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.