

**FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
THE CHICAGO LIGHTHOUSE FOR PEOPLE  
WHO ARE BLIND OR VISUALLY IMPAIRED  
JUNE 30, 2012 AND 2011**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statements of financial position of The Chicago Lighthouse for People Who Are Blind or Visually Impaired (The Lighthouse) as of June 30, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of The Lighthouse's management. 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 as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Chicago Lighthouse for People Who Are Blind or Visually Impaired as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Grant Thornton LLP".

Chicago, Illinois  
December 11, 2012

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

ASSETS	2012			2011		
	Operating Fund	Long-Term Investment Fund	Total	Operating Fund	Long-Term Investment Fund	Total
Cash and cash equivalents	\$ 530,796	\$ -	\$ 530,796	\$ 183,018	\$ -	\$ 183,018
Accounts receivable						
Lighthouse Industries	786,177	-	786,177	788,395	-	788,395
Bequests	-	292,047	292,047	-	177,597	177,597
Other, principally state agencies	1,463,830	-	1,463,830	2,100,358	-	2,100,358
Contributions, net	360,172	451,118	811,290	728,388	-	728,388
Allowance for uncollectible accounts	(117,961)	-	(117,961)	(56,717)	-	(56,717)
Accounts receivable, net	2,492,218	743,165	3,235,383	3,560,424	177,597	3,738,021
Accrued investment income	-	28,520	28,520	-	-	-
Inventories	925,884	-	925,884	995,113	-	995,113
Prepaid expenses	237,479	-	237,479	164,679	-	164,679
Investments	-	14,513,462	14,513,462	-	16,338,148	16,338,148
Beneficial interest in perpetual trusts	-	524,823	524,823	-	573,624	573,624
Land, buildings and equipment, net	10,925,097	-	10,925,097	11,121,716	-	11,121,716
<b>TOTAL ASSETS</b>	<b>\$ 15,111,474</b>	<b>\$ 15,809,970</b>	<b>\$ 30,921,444</b>	<b>\$ 16,024,950</b>	<b>\$ 17,089,369</b>	<b>\$ 33,114,319</b>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities						
Accounts payable	\$ 514,200	\$ -	\$ 514,200	\$ 890,286	\$ -	\$ 890,286
Accrued salaries and payroll taxes	523,921	-	523,921	704,471	-	704,471
Line of credit	2,254,875	-	2,254,875	1,500,000	-	1,500,000
Mortgage payable	855,224	-	855,224	881,250	-	881,250
Other accrued liabilities	124,933	103,490	228,423	65,028	95,924	160,952
Total liabilities	4,273,153	103,490	4,376,643	4,041,035	95,924	4,136,959
Net assets						
Unrestricted	9,647,917	11,052,614	20,700,531	10,468,234	12,654,587	23,122,821
Temporarily restricted	1,190,404	2,690,017	3,880,421	1,515,681	2,328,258	3,843,939
Permanently restricted	-	1,963,849	1,963,849	-	2,010,600	2,010,600
Total net assets	10,838,321	15,706,480	26,544,801	11,983,915	16,993,445	28,977,360
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 15,111,474</b>	<b>\$ 15,809,970</b>	<b>\$ 30,921,444</b>	<b>\$ 16,024,950</b>	<b>\$ 17,089,369</b>	<b>\$ 33,114,319</b>

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,**

	2012				2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues								
Support and revenues								
Public support								
Contributions	\$ 1,943,586	\$ 399,857	\$ -	\$ 2,343,443	\$ 1,726,000	\$ 1,294,634	\$ -	\$ 3,020,634
United Way	210,119	-	-	210,119	102,307	-	-	102,307
Donated goods/services	4,185	-	-	4,185	173,773	-	-	173,773
Special events revenue	474,616	74,005	-	548,621	370,239	79,119	-	449,358
Less cost of direct benefits to donors	(229,912)	(14,219)	-	(244,131)	(147,680)	(19,549)	-	(167,229)
Net revenues from special events	244,704	59,786	-	304,490	222,559	59,570	-	282,129
Total public support	2,402,594	459,643	-	2,862,237	2,224,639	1,354,204	-	3,578,843
Program and other revenues								
Program revenues								
Lighthouse Industries sales	4,259,724	-	-	4,259,724	4,584,462	-	-	4,584,462
Rehabilitation training course fees and subsidies	5,258,811	118,029	-	5,376,840	5,390,154	240,833	-	5,630,987
Optical aid fees and sales	1,052,611	-	-	1,052,611	1,009,886	-	-	1,009,886
Government and other service contracts	1,625,321	-	-	1,625,321	1,171,146	-	-	1,171,146
Miscellaneous program revenues	252,661	-	-	252,661	414,268	-	-	414,268
Total program revenues	12,449,128	118,029	-	12,567,157	12,569,916	240,833	-	12,810,749
Other revenues								
Investment income, primarily interest	20,133	-	-	20,133	9,012	-	-	9,012
Miscellaneous other revenues	93,879	-	-	93,879	98,852	-	-	98,852
Total other revenues	114,012	-	-	114,012	107,864	-	-	107,864
Total program and other revenues	12,563,140	118,029	-	12,681,169	12,677,780	240,833	-	12,918,613
Total public support, program and other revenues	14,965,734	577,672	-	15,543,406	14,902,419	1,595,037	-	16,497,456
Net assets released from restrictions	952,931	(952,931)	-	-	850,972	(850,972)	-	-
Total operating revenues	15,918,665	(375,259)	-	15,543,406	15,753,391	744,065	-	16,497,456

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

	2012				2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses								
Program services	\$ 15,303,550	\$ -	\$ -	\$ 15,303,550	\$ 15,473,649	\$ -	\$ -	\$ 15,473,649
Supporting services	3,623,066	-	-	3,623,066	3,764,347	-	-	3,764,347
Total expenses	18,926,616	-	-	18,926,616	19,237,996	-	-	19,237,996
(Deficiency) excess of operating revenues over operating expenses	(3,007,951)	(375,259)	-	(3,383,210)	(3,484,605)	744,065	-	(2,740,540)
Non-operating support, revenues, gains and losses								
Legacies and bequests	582,270	17,924	-	600,194	215,944	-	-	215,944
Contributions	159,132	456,575	-	615,707	-	-	-	-
Investment income, dividends and interest	348,479	22,714	-	371,193	318,606	11,363	-	329,969
Change in value of split interest agreements	-	(4,118)	(48,801)	(52,919)	-	(10,740)	84,121	73,381
Net realized gains (losses)	963,741	141,098	2,050	1,106,889	(36,797)	(2,080)	(72)	(38,949)
Net change in unrealized (depreciation) appreciation of investments	(1,467,961)	(222,452)	-	(1,690,413)	1,392,319	214,686	-	1,607,005
Total non-operating support, revenues, gains and losses	585,661	411,741	(46,751)	950,651	1,890,072	213,229	84,049	2,187,350
Change in net assets	(2,422,290)	36,482	(46,751)	(2,432,559)	(1,594,533)	957,294	84,049	(553,190)
Net assets, at beginning of year	23,122,821	3,843,939	2,010,600	28,977,360	24,717,354	2,886,645	1,926,551	29,530,550
Net assets, at end of year	\$ 20,700,531	\$ 3,880,421	\$ 1,963,849	\$ 26,544,801	\$ 23,122,821	\$ 3,843,939	\$ 2,010,600	\$ 28,977,360

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,**

	2012	2011
Cash flows from operating activities		
Change in net assets	\$ (2,432,559)	\$ (553,190)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net change in unrealized depreciation (appreciation) of investments	1,690,413	(1,607,005)
Net realized (gains) losses on sales of investments	(1,106,889)	38,949
Net change in value of split interest agreements	48,801	(84,121)
Contributions restricted for long-term investment	(456,575)	-
Depreciation	936,948	959,107
Recovery for bad debts	61,244	19,075
Changes in operating assets and liabilities		
Accounts receivable	441,394	34,353
Accrued investment income	(28,520)	11,193
Inventories	69,229	(72,633)
Prepaid expenses	(72,800)	(60,505)
Accounts payable	(376,086)	(318,490)
Accrued salaries and payroll taxes	(180,550)	244,845
Other accrued liabilities	67,471	1,666
Net cash used in operating activities	(1,338,479)	(1,386,756)
Cash flows from investing activities		
Purchases of investments	(19,333,385)	(1,624,231)
Sale of investments	20,574,547	3,221,320
Additions to land, building and equipment	(740,329)	(1,735,817)
Net cash provided by (used in) investing activities	500,833	(138,728)
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	456,575	-
Proceeds from mortgage	-	881,250
Proceeds from line of credit	2,254,875	500,000
Payments made on mortgage	(26,026)	
Payments made on line of credit	(1,500,000)	
Net cash provided by financing activities	1,185,424	1,381,250
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	347,778	(144,234)
Cash and cash equivalents, beginning of year	183,018	327,252
Cash and cash equivalents, end of year	\$ 530,796	\$ 183,018
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	\$ 91,956	\$ 40,171

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, 2012**

	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	\$ 485,905	\$ 279,996	\$ 837,490	\$ 580,084	\$ 281,516	\$ 564,152	\$ 538,069	\$ 330,990	\$ 144,648	\$ 99,459	\$ 262,212	\$ 130,878	\$ 4,535,399
Employee benefits	108,930	65,968	201,364	140,950	69,997	207,098	127,632	78,116	33,897	16,598	58,550	21,275	1,130,375
Total employee salaries and benefits	594,835	345,964	1,038,854	721,034	351,513	771,250	665,701	409,106	178,545	116,057	320,762	152,153	5,665,774
Production wages	439,440	-	(326)	-	(160)	390,616	51,649	7,911	-	-	-	15,930	905,060
Production-related benefits	61,634	-	8	-	4	49,844	9,140	342	-	-	-	2,532	123,504
Total production payments and benefits	501,074	-	(318)	-	(156)	440,460	60,789	8,253	-	-	-	18,462	1,028,564
Total salaries and related benefits	1,095,909	345,964	1,038,536	721,034	351,357	1,211,710	726,490	417,359	178,545	116,057	320,762	170,615	6,694,338
Professional and contract services	95,901	957	459,862	225,245	1,286	1,437	2,182	1,587	7,009	3,374	16,983	-	815,823
Supplies	19,777	1,664,685	468,480	87,396	1,763	7,845	30,925	14,933	145,946	6,140	55,490	40,786	2,544,166
Advertising	275,625	-	4,198	-	-	-	-	300	840	20,400	2,461	-	303,824
Telephone	3,040	-	3,900	695	1,348	621	1,028	819	4,945	19,517	10,320	43	46,276
Postage, freight and direct mail	200,332	10,026	9,282	163	222	857	367	55	-	16	6,741	6	228,067
Equipment rental and maintenance	9,095	22,422	4,012	955	8	312	-	35	831	7,463	274	-	45,407
Utilities	2,045	-	-	-	-	-	-	-	3,726	-	9,506	-	15,277
Building repairs and maintenance	-	-	-	-	-	-	-	-	715	-	14,181	-	14,896
Property and liability insurance	459	4,405	9,161	7,500	1,310	2,619	4,548	190	1,310	4,413	1,946	-	37,861
Printing	5,290	-	23,177	170	8	-	383	319	688	113	4,465	139	34,752
Conference, meetings and major trips	13,352	2,345	21,004	1,739	9,867	66	7,185	14,762	323	570	4,604	198	76,015
Memberships	-	-	410	750	-	-	-	-	-	50	-	284	1,494
Client assistance	-	-	(23)	29,955	110,326	-	277	51,281	-	1,640	-	-	193,456
Cost of materials	2,313,677	-	-	-	-	-	-	-	-	-	-	-	2,313,677
Building rental	25,918	-	3,770	-	-	-	-	-	59,259	-	2,790	-	91,737
Commissions	253,950	-	3,652	-	-	51,973	-	-	-	-	-	-	309,575
Other	78,354	10,483	60,926	4,946	3,408	7,783	2,503	11,562	1,765	758	26,136	3,755	212,379
Interest	-	68	82	-	-	-	-	-	-	-	47,250	-	47,400
Distribution of building repairs and maintenance	215,565	75,823	74,989	82,647	6,293	19,183	38,442	42,461	3,033	15,240	1,289	11,601	586,566
Total expenses before depreciation	4,608,289	2,137,178	2,185,418	1,163,195	487,196	1,304,406	814,330	555,663	408,935	195,751	525,198	227,427	14,612,986
Depreciation	181,550	52,287	155,556	59,516	4,111	24,402	59,723	33,830	26,081	20,862	56,761	15,885	690,564
Total expenses	<u>\$ 4,789,839</u>	<u>\$ 2,189,465</u>	<u>\$ 2,340,974</u>	<u>\$ 1,222,711</u>	<u>\$ 491,307</u>	<u>\$ 1,328,808</u>	<u>\$ 874,053</u>	<u>\$ 589,493</u>	<u>\$ 435,016</u>	<u>\$ 216,613</u>	<u>\$ 581,959</u>	<u>\$ 243,312</u>	<u>\$ 15,303,550</u>

The accompanying notes are an integral part of this statement.



Supporting services						
Building and maintenance	General administration	Public relations	Fund-raising	Total	2012 total	2011 total
\$ 292,015	\$ 1,264,881	\$141,230	\$ 412,450	\$2,110,576	\$ 6,645,975	\$ 6,324,116
79,121	287,153	33,308	95,465	495,047	1,625,422	1,489,662
371,136	1,552,034	174,538	507,915	2,605,623	8,271,397	7,813,778
13,026	-	-	-	13,026	918,086	1,082,671
1,249	-	-	-	1,249	124,753	143,320
14,275	-	-	-	14,275	1,042,839	1,225,991
385,411	1,552,034	174,538	507,915	2,619,898	9,314,236	9,039,769
1,144	359,737	14,876	30,620	406,377	1,222,200	1,473,078
39,666	77,523	1,462	8,131	126,782	2,670,948	2,719,141
-	2,309	21,419	40	23,768	327,592	261,439
771	57,800	1,308	2,238	62,117	108,393	96,991
94	13,856	1,306	12,686	27,942	256,009	275,270
20,961	19,401	-	-	40,362	85,769	116,836
117,595	-	-	-	117,595	132,872	130,194
129,930	-	-	-	129,930	144,826	144,090
50,002	58,280	-	477	108,759	146,620	139,666
-	22,363	15,963	33,508	71,834	106,586	92,644
277	26,462	247	6,560	33,546	109,561	127,457
-	6,250	-	289	6,539	8,033	6,602
-	-	-	-	-	193,456	160,856
-	-	-	-	-	2,313,677	2,627,175
-	-	-	-	-	91,737	75,263
-	-	-	-	-	309,575	340,287
12,379	110,242	1,435	19,187	143,243	355,622	452,131
-	44,556	-	-	44,556	91,956	-
(758,230)	147,476	2,730	21,458	(586,566)	-	-
-	2,498,289	235,284	643,109	3,376,682	17,989,668	18,278,889
-	227,122	2,971	16,291	246,384	936,948	959,107
\$ -	\$ 2,725,411	\$238,255	\$ 659,400	\$3,623,066	\$ 18,926,616	\$ 19,237,996

The Chicago Lighthouse for People Who Are Blind or Visually Impaired  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2011

	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	\$ 512,590	\$ 289,418	\$ 671,870	\$ 665,073	\$ 473,311	\$ 246,158	\$ 767,450	\$ 403,680	\$ 85,904	\$ 151,974	\$ -	\$ 70,318	\$ 4,337,746
Employee benefits	121,144	68,566	160,919	157,499	111,374	57,505	183,215	96,262	22,904	32,349	-	13,266	1,025,003
Total employee salaries and benefits	633,734	357,984	832,789	822,572	584,685	303,663	950,665	499,942	108,808	184,323	-	83,584	5,362,749
Production wages	524,353	-	81	-	3,028	460,899	13,629	8,348	-	-	-	60,098	1,070,436
Production-related benefits	78,274	-	412	-	229	52,975	1,464	406	-	-	-	8,250	142,010
Total production payments and benefits	602,627	-	493	-	3,257	513,874	15,093	8,754	-	-	-	68,348	1,212,446
Total salaries and related benefits	1,236,361	357,984	833,282	822,572	587,942	817,537	965,758	508,696	108,808	184,323	-	151,932	6,575,195
Professional and contract services	101,277	635	553,288	228,663	38,437	230	1,660	2,685	3,791	34,430	19,000	-	984,096
Supplies	36,540	1,619,877	476,673	39,980	6,569	27,923	30,044	15,192	145,006	9,063	1,016	18,553	2,426,436
Advertising	255,079	-	2,750	-	-	-	-	285	48	-	-	-	258,162
Telephone	3,409	-	4,472	752	1,662	-	3,391	1,541	3,663	18,121	-	32	37,043
Postage, freight and direct mail	217,291	8,689	15,324	42	452	187	467	210	15	316	-	-	242,993
Equipment rental and maintenance	22,314	32,908	6,066	932	-	1,177	802	402	2,090	6,338	-	-	73,029
Utilities	3,163	-	-	-	-	-	-	-	3,547	-	258	-	6,968
Building repairs and maintenance	-	-	-	-	-	-	-	-	780	-	684	-	1,464
Property and liability insurance	218	4,315	7,747	7,347	1,283	2,566	4,490	187	1,325	4,413	308	-	34,199
Printing	4,923	120	13,304	136	5,155	50	1,454	70	223	1,055	240	-	26,730
Conference, meetings and major trips	27,778	2,333	12,091	2,118	12,700	412	9,522	14,522	190	3,182	138	38	85,024
Memberships	-	-	-	1,500	-	-	-	-	-	50	-	-	1,550
Client assistance	-	-	568	30,354	57,098	-	13,572	47,055	-	12,209	-	-	160,856
Cost of materials	2,627,003	-	-	-	-	-	172	-	-	-	-	-	2,627,175
Building rental	25,259	-	5,300	-	-	-	-	-	44,060	-	644	-	75,263
Commissions	303,394	-	1,242	-	-	35,651	-	-	-	-	-	-	340,287
Other	53,382	24,421	108,007	8,430	4,414	6,082	3,108	3,710	1,213	2,635	3,310	1,672	220,384
Distribution of building repairs and maintenance	230,797	80,384	64,353	82,762	9,126	19,022	38,658	43,874	614	15,264	-	18,562	603,416
Total expenses before depreciation	5,148,188	2,131,666	2,104,467	1,225,588	724,838	910,837	1,073,098	638,429	315,373	291,399	25,598	190,789	14,780,270
Depreciation	183,262	54,283	131,945	66,112	6,237	24,554	101,903	36,167	18,542	36,490	17,713	16,171	693,379
Total expenses	\$ 5,331,450	\$ 2,185,949	\$ 2,236,412	\$ 1,291,700	\$ 731,075	\$ 935,391	\$ 1,175,001	\$ 674,596	\$ 333,915	\$ 327,889	\$ 43,311	\$ 206,960	\$ 15,473,649

The accompanying notes are an integral part of this statement.

Supporting services

Building and maintenance	General administration	Public relations	Fund-raising	Total	2011 total
\$ 279,202	\$ 1,231,476	\$144,374	\$ 331,318	\$1,986,370	\$ 6,324,116
66,883	286,822	33,620	77,334	464,659	1,489,662
346,085	1,518,298	177,994	408,652	2,451,029	7,813,778
12,235	-	-	-	12,235	1,082,671
1,310	-	-	-	1,310	143,320
13,545	-	-	-	13,545	1,225,991
359,630	1,518,298	177,994	408,652	2,464,574	9,039,769
1,092	430,744	25,526	31,620	488,982	1,473,078
53,824	221,680	3,052	14,149	292,705	2,719,141
-	3,627	-	(350)	3,277	261,439
982	56,131	584	2,251	59,948	96,991
59	12,929	1,253	18,036	32,277	275,270
22,814	20,993	-	-	43,807	116,836
123,226	-	-	-	123,226	130,194
142,200	426	-	-	142,626	144,090
48,982	56,019	-	466	105,467	139,666
-	2,223	9,476	54,215	65,914	92,644
134	33,586	655	8,058	42,433	127,457
-	4,475	289	288	5,052	6,602
-	-	-	-	-	160,856
-	-	-	-	-	2,627,175
-	-	-	-	-	75,263
-	-	-	-	-	340,287
14,079	192,199	1,449	24,020	231,747	452,131
(767,022)	142,359	4,909	16,338	(603,416)	-
-	2,695,689	225,187	577,743	3,498,619	18,278,889
-	247,705	5,260	12,763	265,728	959,107
<u>\$ -</u>	<u>\$ 2,943,394</u>	<u>\$230,447</u>	<u>\$ 590,506</u>	<u>\$3,764,347</u>	<u>\$ 19,237,996</u>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011**

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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 and multi-disabled 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, 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 doubtful 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.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2012 and 2011**

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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 and equity funds securities with readily determinable fair values and 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 their fair market 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 includes \$902,868 and \$951,265 in 2012 and 2011, respectively, of subsidy revenue received based on the fair value of programs 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 \$194,009 and \$213,433 for the years ended June 30, 2012 and 2011, respectively.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2012 and 2011**

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***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. 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 revenue and support.

***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

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2012 and 2011**

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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 primarily consist of hedge fund instruments and beneficial interest in perpetual trusts. The Lighthouse estimates the value of investments in hedge fund instruments at the net asset value (NAV) provided to The Lighthouse by the fund manager. The inputs used by The Lighthouse in estimating the value of perpetual trusts are the fair values of the underlying assets held by the 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 \$390 and \$49,056 for the years ended June 30, 2012 and 2011, respectively, and was recorded for legal and other contractual services received. In-kind donation revenue was \$105,640 and \$154,764 for the years ended in June 30, 2012 and 2011, respectively.

***Advertising Expense***

Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense was \$327,592 and \$261,439 for the years ended June 30, 2012 and 2011, respectively.

***New Accounting Pronouncements***

In January 2010, the Financial Accounting Standards Board (FASB) issued guidance that clarifies existing disclosures and requires new disclosures about fair value measurements. The clarifications and the requirement to disclose the amounts and reasons for significant transfers between Level 1 and Level 2 and significant transfers into and out of Level 3 of the fair value hierarchy are effective for periods beginning after December 15, 2009. The new requirement that purchases, sales, issuances and settlements be presented gross in the Level 3 reconciliation is effective for fiscal years beginning after December 15, 2010, and for interim periods within those

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2012 and 2011**

years, with early adoption permitted. Since this new guidance only amends the disclosure requirements, it did not have any 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>2012</u>	<u>2011</u>
Cash	\$ 557,549	\$ 565,567
Private investment funds	-	2,904,176
Common stocks and equity funds	8,785,913	12,868,405
Bonds and other debt instruments	3,701,564	-
Hedge fund instruments	<u>1,468,436</u>	<u>-</u>
	<u>\$14,513,462</u>	<u>\$16,338,148</u>

The investments include private investment funds that are listed and traded on a foreign exchange and valued at \$2,904,176 (10.02% of net assets) at June 30, 2011. The investments include private hedge funds valued at \$1,468,436 (5.53% of net assets) at June 30, 2012.

Investment return consists of the following for the years ended June 30:

	<u>2012</u>			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Investment income, dividends and interest	\$ 368,612	\$ 22,714	\$ -	\$ 391,326
Net realized gains	963,741	141,098	2,050	1,106,889
Net change in unrealized depreciation of long-term investments	<u>(1,467,961)</u>	<u>(222,452)</u>	<u>-</u>	<u>(1,690,413)</u>
	<u>\$ (135,608)</u>	<u>\$ (58,640)</u>	<u>\$2,050</u>	<u>\$ (192,198)</u>



**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2012 and 2011**

	2011			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Investment income, dividends and interest	\$ 327,618	\$ 11,363	\$ -	\$ 338,981
Net realized losses	(36,797)	(2,080)	(72)	(38,949)
Net change in unrealized appreciation of long-term investments	<u>1,392,319</u>	<u>214,686</u>	<u>-</u>	<u>1,607,005</u>
	<u>\$1,683,140</u>	<u>\$223,969</u>	<u>\$(72)</u>	<u>\$1,907,037</u>

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

	2012	2011
Included in other revenues		
Investment income, primarily interest	\$ 20,133	\$ 9,012
Included in non-operating items		
Investment income dividends and interest	371,193	329,969
Net realized gains (losses)	1,106,889	(38,949)
Net change in unrealized (losses) gains	<u>(1,690,413)</u>	<u>1,607,005</u>
	<u>\$ (192,198)</u>	<u>\$1,907,037</u>

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

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

	2012	2011
Land	\$ 306,872	\$ 306,872
Building	17,041,307	16,598,064
Leasehold improvements	80,712	74,706
Equipment	<u>7,006,272</u>	<u>6,728,753</u>
	24,435,163	23,708,395
Less accumulated depreciation	<u>(13,510,066)</u>	<u>(12,586,679)</u>
Net land, building and equipment	<u>\$ 10,925,097</u>	<u>\$ 11,121,716</u>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2012 and 2011**

**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>2012</u>	<u>2011</u>
Endowment Campaign	\$ 451,118	\$ -
Building expansion	-	24,324
Associate Board designation for future years	60,624	60,839
Birth-to-Three/Homebound	127,254	287,467
Client emergency assistance	2,782	3,330
Program expansion and operations	1,598,883	1,846,676
Scholarship fund	76,684	111,474
Centennial Campaign	28,161	65,612
Purchase of fixed assets	32,310	81,721
Scholarship endowment	75,639	78,441
Instructional Materials Center	84,275	140,833
Pangere Center for Inherited Retinal Disease	426,234	327,719
Lighthouse North	863,537	761,693
Charitable gift annuities	<u>52,920</u>	<u>53,810</u>
	<u>\$3,880,421</u>	<u>\$3,843,939</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>2012</u>	<u>2011</u>
Beneficial interest in perpetual trusts	\$ 524,823	\$ 573,624
Ongoing agency operations	706,722	706,722
Education of a person who is blind	200,000	200,000
Senior low vision care	500,000	500,000
Deaf-Blind Program	<u>32,304</u>	<u>30,254</u>
	<u>\$1,963,849</u>	<u>\$2,010,600</u>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2012 and 2011**

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**NOTE E - NET ASSETS RELEASED FROM RESTRICTIONS**

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

	<u>2012</u>	<u>2011</u>
Lighthouse North	\$107,173	\$ -
Building expansion	-	61,826
Birth-to-Three/Homebound	188,248	239,200
Client emergency assistance	1,640	2,209
Program expansion and operations	232,076	241,487
Scholarship program	100,376	48,808
Instructional Materials Center	140,713	90,786
Centennial Campaign	28,017	48,886
Pangere Center for Inherited Retinal Disease	97,188	40,513
Purchase of fixed assets	<u>57,500</u>	<u>77,257</u>
	<u>\$952,931</u>	<u>\$850,972</u>

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**NOTE F - ENDOWMENT NET ASSETS**

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

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

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2012 and 2011**

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, 2012 and 2011.

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, 2012 and 2011, 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 2012, The Lighthouse had the following endowment-related activities:

**Endowment Net Asset Composition by Type of Fund**  
**As of June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor endowment funds	\$ -	\$1,227,709	\$1,439,026	\$2,666,735
Board-designated funds	<u>35,163</u>	<u>-</u>	<u>-</u>	<u>35,163</u>
Total funds	<u>\$35,163</u>	<u>\$1,227,709</u>	<u>\$1,439,026</u>	<u>\$2,701,898</u>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2012 and 2011**

**Endowment Net Asset Composition by Type of Fund**  
**As of June 30, 2011**

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor endowment funds	\$ -	\$1,351,080	\$1,436,976	\$2,788,056
Board-designated funds	<u>35,163</u>	-	-	<u>35,163</u>
Total funds	<u>\$35,163</u>	<u>\$1,351,080</u>	<u>\$1,436,976</u>	<u>\$2,823,219</u>

**Changes in Endowment Net Assets**  
**For the Year Ended June 30, 2012**

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, beginning of year	\$35,163	\$1,351,080	\$1,436,976	\$2,823,219
Investment return				
Investment income	732	29,933	-	30,665
Net (depreciation) appreciation, realized and unrealized	<u>-</u>	<u>(123,371)</u>	<u>2,050</u>	<u>(121,321)</u>
Total investment return	732	(93,438)	2,050	(90,656)
Appropriation of endowment assets for expenditure	<u>(732)</u>	<u>(29,933)</u>	<u>-</u>	<u>(30,665)</u>
Net assets, end of year	<u>\$35,163</u>	<u>\$1,227,709</u>	<u>\$1,439,026</u>	<u>\$2,701,898</u>

**Changes in Endowment Net Assets**  
**For the Year Ended June 30, 2011**

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, beginning of year	\$35,163	\$1,175,480	\$1,437,048	\$2,647,691
Investment return				
Investment income	668	27,854	-	28,522
Net appreciation (depreciation), realized and unrealized	<u>-</u>	<u>175,600</u>	<u>(72)</u>	<u>175,528</u>
Total investment return	668	203,454	(72)	204,050
Appropriation of endowment assets for expenditure	<u>(668)</u>	<u>(27,854)</u>	<u>-</u>	<u>(28,522)</u>
Net assets, end of year	<u>\$35,163</u>	<u>\$1,351,080</u>	<u>\$1,436,976</u>	<u>\$2,823,219</u>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2012 and 2011**

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**NOTE G - CONTRIBUTIONS RECEIVABLE**

Contributions receivable at June 30 include the following:

	<u>2012</u>	<u>2011</u>
Unconditional promises to give due in		
Less than one year	\$453,978	\$675,343
One to five years	<u>429,940</u>	<u>87,629</u>
	883,918	762,972
Less		
Allowance for uncollectible accounts	(42,000)	(18,000)
Unamortized discount	<u>(30,628)</u>	<u>(16,584)</u>
Contributions receivable, net	<u>\$811,290</u>	<u>\$728,388</u>

Discount rates ranged from 2.09% to 3.77% for the years ended June 30, 2012 and 2011, respectively.

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**NOTE H - MAJOR CUSTOMER**

Approximately 58% and 56% of The Lighthouse Industries sales during fiscal 2012 and 2011, respectively, were made to various federal government agencies.

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**NOTE I - EMPLOYEE BENEFIT PLAN**

All employees and employed production workers who have completed one year of service and are 21 years of age are eligible to participate in The Chicago Lighthouse Modified Defined Contribution Plan. The Lighthouse's contribution to this plan was equal to 1.65% for calendar years 2012 and 2011, of the total compensation of eligible 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 2012 and 2011 was \$96,225 and \$77,552, respectively.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2012 and 2011**

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

United Way provided support of \$210,119 and \$102,307 in fiscal 2012 and 2011, respectively, of which \$35,835 and \$40,574 in fiscal years 2012 and 2011, 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 \$107,506 and \$173,500 in fiscal 2012 and 2011, respectively, under Title XX for support of its various programs, which is reported with program revenues, rehabilitation training course fees and subsidies.

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**NOTE K - INCOME TAXES**

The Lighthouse has 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 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's unrelated business taxable income was offset by the expenses directly connected with the conduct of the unrelated business creating a net operating loss. There is no interest or penalties recognized in the statement of activities or statement of financial position. The tax years ending 2008, 2009, 2010 and 2011 are still open to audit for both federal and state purposes

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

The following tables summarize assets by fair value levels as of June 30, 2012:

	Level 1	Level 2	Level 3	Total
Common stocks and equity funds	\$8,785,913	\$ -	\$ -	\$ 8,785,913
Bonds and other debt instruments	-	3,701,564	-	3,701,564
Hedge fund instruments	-	-	1,468,436	1,468,436
Beneficial interests in perpetual trusts	-	-	524,823	524,823
	<u>\$8,785,913</u>	<u>\$3,701,564</u>	<u>\$1,993,259</u>	<u>\$14,480,736</u>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
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The following tables summarize assets by fair value levels as of June 30, 2011:

	Level 1	Level 2	Level 3	Total
Private investment funds	\$ 2,904,176	\$ -	\$ -	\$ 2,904,176
Common stocks and equity fund	12,868,405	-	-	12,868,405
Beneficial interests in perpetual trusts	<u>-</u>	<u>-</u>	<u>573,624</u>	<u>573,624</u>
	<u>\$15,772,581</u>	<u>\$ -</u>	<u>\$573,624</u>	<u>\$16,346,205</u>

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

	Hedge fund instruments	Beneficial interests in perpetual trusts	Total
Balance as of June 30, 2010	\$ -	\$489,503	\$ 489,503
Change in value	<u>-</u>	<u>84,121</u>	<u>84,121</u>
Balance as of June 30, 2011	-	573,624	573,624
Additions	1,500,000	-	1,500,000
Change in value	<u>(31,564)</u>	<u>(48,801)</u>	<u>(80,365)</u>
Balance as of June 30, 2012	<u>\$1,468,436</u>	<u>\$524,823</u>	<u>\$1,993,259</u>

The following table provides additional information related to investments recorded at NAV as of December 31, 2012:

	Fair value	Unfunded commitments	Redemption frequency	Term of investment
Hedge fund (a)	\$1,468,436	\$ -	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.



**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2012 and 2011**

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**NOTE M - ALLOWANCE FOR DOUBTFUL ACCOUNTS**

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

	<u>2012</u>	<u>2011</u>
Accounts receivable allowance for doubtful accounts		
Beginning balance	\$ 56,717	\$ 37,642
Bad debt expense	104,000	105,000
Accounts written off	<u>(42,756)</u>	<u>(85,925)</u>
Ending balance	<u>\$117,961</u>	<u>\$56,717</u>

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**NOTE N - DEBT OBLIGATIONS - LINE OF CREDIT & 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 \$2,500,000. The debt is secured by the investments of The Lighthouse. Interest is payable at 2%, plus .25% of the unused available credit line. At June 30, 2012 and 2011, the amounts outstanding totaled \$2,254,875 and \$1,500,000, respectively. The interest rate on this debt was 2% and 3%, respectively, and interest expense incurred totaled \$44,556 and \$42,870 for the years ended June 30, 2012 and 2011, respectively.

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

Principal payments on mortgage as of June 30, 2012, are as follows:

Years ending June 30,

2013	\$ 27,500
2014	28,925
2015	30,425
2016	<u>768,374</u>
Total	<u>\$855,224</u>

Interest expense totaled \$45,307 for the year ended June 30, 2012.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2012 and 2011**

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**NOTE O - PERPETUAL TRUSTS AND SPLIT-INTEREST AGREEMENTS**

The Lighthouse is a beneficiary of two perpetual trusts administered by an independent organization. Under the terms of the trusts, The Lighthouse has irrevocable rights to receive portions of the income earned on the trust assets in perpetuity. Perpetual trusts are carried at fair value and are included in permanently restricted net assets. The Lighthouse's beneficial interest in the trusts, at fair value, totaled \$524,823 and \$573,624 at June 30, 2012 and 2011, 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 \$210,912 and \$191,438 at June 30, 2012 and 2011, respectively, have been segregated in separate accounts, the use of which is limited to meeting the gift annuity obligations. The liability was \$103,490 and \$95,924 at June 30, 2012 and 2011, respectively, which is included in other accrued liabilities in the statements of financial position.

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**NOTE P - LEASE COMMITMENTS**

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

Total rent expense amounted to \$125,173 and \$113,672 in 2012 and 2011, respectively.

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

Years ending June 30,

2013	\$103,185
2014	68,262
2015	51,745
2016	46,717
2017	36,024

During 2012, The Lighthouse entered into a capital lease agreement totaling \$44,977. The agreement matures in December 2016 and calls for equal monthly payments of \$932, including interest at the rate of 8.9%. Interest expense under this agreement totaled \$1,943 during the year ended June 30, 2012.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2012 and 2011**

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The remaining amount due as of June 30, 2012, was \$41,326, which is included in other accrued liabilities on the statements of financial position. Future principal payments on the purchase agreement as of June 30, 2012 are as follows:

Years ending June 30,

2013	\$ 7,808
2014	8,536
2015	9,331
2016	10,200
2017	<u>5,451</u>
Total	<u>\$41,326</u>

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**NOTE Q - CONCENTRATION OF CREDIT RISK**

Certain financial instruments throughout the year subject The Lighthouse to credit risk. Those financial instruments consist primarily of cash, accounts receivable, investments and beneficial interest in perpetual trusts. The Lighthouse maintains its cash balance in financial institutions which at times may exceed federally insured limits. The Lighthouse has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. Concentration of credit risk in respect to receivables is limited due to the large number of accounts and low average cash 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.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2012 and 2011**

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**NOTE R - RELATED PARTIES**

Donations to The Lighthouse from members of the Board of Directors were \$556,700 and \$94,314 for the years ended June 30, 2012 and 2011, respectively. Pledges receivable from members of the Board of Directors were \$343,629 and \$41,154 at June 30, 2012 and 2011, respectively.

Payments to members of The Lighthouse Board of Directors for services provided were \$31,616 and \$38,976 for the years ended June 30, 2012 and 2011, respectively.

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**NOTE S - SUBSEQUENT EVENTS**

The Lighthouse evaluated its June 30, 2012, financial statements for subsequent events through December 11, 2012, the date the financial statements were available to be issued. The Lighthouse is not aware of any subsequent events that would require recognition or disclosure in the financial statements.