



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

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

June 30, 2013 and 2012

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements

We have audited the accompanying financial statements of The Chicago Lighthouse for People Who Are Blind or Visually Impaired (a nonprofit organization) (The Lighthouse), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies

used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Chicago Lighthouse for People Who Are Blind or Visually Impaired as of June 30, 2013 and 2012, 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.



Chicago, Illinois
November 27, 2013

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

ASSETS	2013			2012		
	Operating Fund	Long-Term Investment Fund	Total	Operating Fund	Long-Term Investment Fund	Total
Cash and cash equivalents	\$ 282,311	\$ -	\$ 282,311	\$ 530,796	\$ -	\$ 530,796
Accounts receivable						
Lighthouse Industries	1,153,680	-	1,153,680	786,177	-	786,177
Bequests	-	1,226,586	1,226,586	-	292,047	292,047
Other, principally state agencies	1,233,133	-	1,233,133	1,463,830	-	1,463,830
Contributions, net	202,289	643,870	846,159	360,172	451,118	811,290
Allowance for uncollectible accounts	(96,929)	-	(96,929)	(117,961)	-	(117,961)
Accounts receivable, net	2,492,173	1,870,456	4,362,629	2,492,218	743,165	3,235,383
Accrued investment income	-	25,443	25,443	-	28,520	28,520
Inventories	936,709	-	936,709	925,884	-	925,884
Prepaid expenses	336,349	-	336,349	237,479	-	237,479
Investments	-	13,901,859	13,901,859	-	14,513,462	14,513,462
Beneficial interest in perpetual trusts	-	530,241	530,241	-	524,823	524,823
Land, buildings and equipment, net	10,449,597	-	10,449,597	10,925,097	-	10,925,097
TOTAL ASSETS	\$ 14,497,139	\$ 16,327,999	\$ 30,825,138	\$ 15,111,474	\$ 15,809,970	\$ 30,921,444
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	\$ 553,189	\$ -	\$ 553,189	\$ 514,200	\$ -	\$ 514,200
Accrued salaries and payroll taxes	676,085	-	676,085	523,921	-	523,921
Line of credit	3,000,000	-	3,000,000	2,254,875	-	2,254,875
Mortgage payable	827,726	-	827,726	855,224	-	855,224
Other accrued liabilities	192,124	103,102	295,226	124,933	103,490	228,423
Total liabilities	5,249,124	103,102	5,352,226	4,273,153	103,490	4,376,643
Net assets						
Unrestricted	8,210,913	11,695,840	19,906,753	9,647,917	11,052,614	20,700,531
Temporarily restricted	1,037,102	2,559,377	3,596,479	1,190,404	2,690,017	3,880,421
Permanently restricted	-	1,969,680	1,969,680	-	1,963,849	1,963,849
Total net assets	9,248,015	16,224,897	25,472,912	10,838,321	15,706,480	26,544,801
TOTAL LIABILITIES AND NET ASSETS	\$ 14,497,139	\$ 16,327,999	\$ 30,825,138	\$ 15,111,474	\$ 15,809,970	\$ 30,921,444

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,

	2013				2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues								
Support and revenues								
Public support								
Contributions	\$ 1,468,334	\$ 366,789	\$ -	\$ 1,835,123	\$ 1,943,586	\$ 399,857	\$ -	\$ 2,343,443
United Way	201,774	-	-	201,774	210,119	-	-	210,119
Donated goods/services	109,411	-	-	109,411	4,185	-	-	4,185
Special events revenue	388,549	84,619	-	473,168	474,616	74,005	-	548,621
Less cost of direct benefits to donors	(174,222)	(9,684)	-	(183,906)	(229,912)	(14,219)	-	(244,131)
Net revenues from special events	214,327	74,935	-	289,262	244,704	59,786	-	304,490
Total public support	1,993,846	441,724	-	2,435,570	2,402,594	459,643	-	2,862,237
Program and other revenues								
Program revenues								
Lighthouse Industries sales	4,109,886	-	-	4,109,886	4,259,724	-	-	4,259,724
Rehabilitation training course fees and subsidies	4,825,894	122,706	-	4,948,600	5,258,811	118,029	-	5,376,840
Optical aid fees and sales	1,103,122	-	-	1,103,122	1,052,611	-	-	1,052,611
Government and other service contracts	2,779,151	-	-	2,779,151	1,625,321	-	-	1,625,321
Miscellaneous program revenues	212,479	-	-	212,479	252,661	-	-	252,661
Total program revenues	13,030,532	122,706	-	13,153,238	12,449,128	118,029	-	12,567,157
Other revenues								
Investment income, primarily interest	2,180	-	-	2,180	20,133	-	-	20,133
Miscellaneous other revenues	49,604	-	-	49,604	93,879	-	-	93,879
Total other revenues	51,784	-	-	51,784	114,012	-	-	114,012
Total program and other revenues	13,082,316	122,706	-	13,205,022	12,563,140	118,029	-	12,681,169
Total public support, program and other revenues	15,076,162	564,430	-	15,640,592	14,965,734	577,672	-	15,543,406
Net assets released from restrictions	1,452,526	(1,452,526)	-	-	952,931	(952,931)	-	-
Total operating revenues	16,528,688	(888,096)	-	15,640,592	15,918,665	(375,259)	-	15,543,406

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

	2013				2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses								
Program services	\$ 15,965,914	\$ -	\$ -	\$ 15,965,914	\$ 15,303,550	\$ -	\$ -	\$ 15,303,550
Supporting services	3,898,704	-	-	3,898,704	3,623,066	-	-	3,623,066
Total expenses	19,864,618	-	-	19,864,618	18,926,616	-	-	18,926,616
Deficiency of operating revenues over operating expenses	(3,335,930)	(888,096)	-	(4,224,026)	(3,007,951)	(375,259)	-	(3,383,210)
Non-operating support, revenues, gains and losses								
Legacies and bequests	1,061,181	-	-	1,061,181	582,270	17,924	-	600,194
Contributions	249,479	329,500	-	578,979	159,132	456,575	-	615,707
Investment income, dividends and interest	385,917	49,929	-	435,846	348,479	22,714	-	371,193
Change in value of split interest agreements	-	(10,935)	5,418	(5,517)	-	(4,118)	(48,801)	(52,919)
Net realized gains	153,268	31,784	413	185,465	963,741	141,098	2,050	1,106,889
Net change in unrealized appreciation (depreciation) of investments	692,307	203,876	-	896,183	(1,467,961)	(222,452)	-	(1,690,413)
Total non-operating support, revenues, gains and losses	2,542,152	604,154	5,831	3,152,137	585,661	411,741	(46,751)	950,651
Change in net assets	(793,778)	(283,942)	5,831	(1,071,889)	(2,422,290)	36,482	(46,751)	(2,432,559)
Net assets, at beginning 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
Net assets, at end of year	\$ 19,906,753	\$ 3,596,479	\$ 1,969,680	\$ 25,472,912	\$ 20,700,531	\$ 3,880,421	\$ 1,963,849	\$ 26,544,801

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,

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ (1,071,889)	\$ (2,432,559)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net change in unrealized (appreciation) depreciation of investments	(896,183)	1,690,413
Net realized gains on sales of investments	(185,465)	(1,106,889)
Net change in value of split interest agreements	(5,418)	48,801
Contributions restricted for long-term investment	(329,500)	(456,575)
Depreciation	877,641	936,948
Change in bad debts	(21,032)	61,244
Changes in operating assets and liabilities		
Accounts receivable	(1,106,214)	441,394
Accrued investment income	3,077	(28,520)
Inventories	(10,825)	69,229
Prepaid expenses	(98,870)	(72,800)
Accounts payable	38,989	(376,086)
Accrued salaries and payroll taxes	152,164	(180,550)
Other accrued liabilities	66,803	67,471
Net cash used in operating activities	(2,586,722)	(1,338,479)
Cash flows from investing activities		
Purchases of investments	(2,230,763)	(19,333,385)
Sale of investments	3,922,542	20,574,547
Additions to land, building and equipment	(402,141)	(740,329)
Net cash provided by investing activities	1,289,638	500,833
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	329,500	456,575
Proceeds from line of credit	745,125	2,254,875
Payments made on mortgage	(26,026)	(26,026)
Payments made on line of credit	-	(1,500,000)
Net cash provided by financing activities	1,048,599	1,185,424
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(248,485)	347,778
Cash and cash equivalents, beginning of year	530,796	183,018
Cash and cash equivalents, end of year	\$ 282,311	\$ 530,796
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	\$ 103,400	\$ 91,956

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, 2013

	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	\$ 524,758	\$ 281,103	\$ 796,066	\$ 462,618	\$ 230,823	\$ 730,740	\$ 675,033	\$ 406,704	\$ 105,425	\$ 74,536	\$ 449,776	\$ 323,865	\$ 5,061,447
Employee benefits	111,352	62,767	178,874	103,773	51,939	267,367	147,575	89,973	22,775	13,456	93,276	76,057	1,219,184
Total employee salaries and benefits	636,110	343,870	974,940	566,391	282,762	998,107	822,608	496,677	128,200	87,992	543,052	399,922	6,280,631
Production wages	465,789	-	-	-	-	472,259	41,483	9,372	-	-	-	335,753	1,324,656
Production-related benefits	57,528	-	-	-	-	62,821	5,979	432	-	-	-	37,259	164,019
Total production payments and benefits	523,317	-	-	-	-	535,080	47,462	9,804	-	-	-	373,012	1,488,675
Total salaries and related benefits	1,159,427	343,870	974,940	566,391	282,762	1,533,187	870,070	506,481	128,200	87,992	543,052	772,934	7,769,306
Professional and contract services	101,813	-	457,853	158,714	187	1,397	3,347	2,202	5,493	1,651	43,047	163	775,867
Supplies	37,813	1,582,143	391,632	48,248	1,188	26,167	30,283	100,815	118,977	5,282	75,098	37,547	2,455,193
Advertising	201,394	-	1,495	-	-	-	-	50	-	13,000	2,100	-	218,039
Telephone	2,364	495	3,988	609	1,300	1,014	1,024	1,056	5,684	19,417	12,579	899	50,429
Postage, freight and direct mail	152,019	11,108	6,217	46	76	500	295	240	48	3	895	78	171,525
Equipment rental and maintenance	10,150	12,812	8,295	1,161	-	1,095	287	-	2,494	5,889	489	-	42,672
Utilities	3,257	-	-	-	-	-	-	-	3,264	-	10,317	-	16,838
Building repairs and maintenance	-	-	11,520	9,920	-	-	-	3,000	850	-	17,764	-	43,054
Property and liability insurance	526	4,527	8,888	7,708	1,346	2,752	4,674	196	7,969	4,455	-	30,014	73,055
Printing	3,019	28	4,327	33	300	60	333	304	439	-	1,431	240	10,514
Conference, meetings and major trips	10,135	3,401	13,079	1,380	31,730	1,660	9,439	17,553	197	135	5,233	6,442	100,384
Memberships	-	-	1,562	875	-	-	-	255	-	250	244	-	3,186
Client assistance	-	-	-	20,070	67,562	-	1,865	52,863	-	599	-	-	142,959
Cost of materials	2,128,530	-	-	-	-	-	-	-	-	-	-	-	2,128,530
Building rental	26,570	-	3,888	-	-	-	-	-	39,945	-	-	-	70,403
Commissions	258,086	-	1,746	-	-	75,098	-	-	-	-	-	-	334,930
Other	63,315	10,500	44,791	3,769	2,107	9,544	4,293	4,973	564	372	11,494	167,739	323,461
Interest	-	-	-	-	-	-	-	-	-	-	47,028	-	47,028
Distribution of building repairs and maintenance	186,683	65,985	64,073	74,291	3,296	12,722	26,697	37,047	2,307	11,800	264	29,466	514,631
Total expenses before depreciation	4,345,101	2,034,869	1,998,294	893,215	391,854	1,665,196	952,607	727,035	316,431	150,845	771,035	1,045,522	15,292,004
Depreciation	171,476	49,629	143,082	54,448	2,311	22,084	33,700	30,163	20,403	11,006	92,169	43,439	673,910
Total expenses	\$ 4,516,577	\$ 2,084,498	\$ 2,141,376	\$ 947,663	\$ 394,165	\$ 1,687,280	\$ 986,307	\$ 757,198	\$ 336,834	\$ 161,851	\$ 863,204	\$ 1,088,961	\$ 15,965,914

The accompanying notes are an integral part of this statement.

Supporting services

Building and maintenance	General administration	Public relations	Fund-raising	Total	2013 total	2012 total
\$ 229,886	\$ 1,418,403	\$127,605	\$ 469,714	\$2,245,608	\$ 7,307,055	\$ 6,645,975
58,700	297,596	28,386	101,022	485,704	1,704,888	1,625,422
288,586	1,715,999	155,991	570,736	2,731,312	9,011,943	8,271,397
7,372	-	-	-	7,372	1,332,028	918,086
685	-	-	-	685	164,704	124,753
8,057	-	-	-	8,057	1,496,732	1,042,839
296,643	1,715,999	155,991	570,736	2,739,369	10,508,675	9,314,236
1,139	505,438	7,927	45,683	560,187	1,336,054	1,222,200
47,931	63,165	480	9,246	120,822	2,576,015	2,670,948
-	-	1,310	-	1,310	219,349	327,592
865	61,259	1,500	2,825	66,449	116,878	108,393
50	12,212	24	16,686	28,972	200,497	256,009
21,288	17,414	-	168	38,870	81,542	85,769
123,188	-	-	-	123,188	140,026	132,872
105,057	40	-	-	105,097	148,151	144,826
48,081	58,278	-	490	106,849	179,904	146,620
-	2,628	10,638	34,894	48,160	58,674	106,586
-	34,627	638	10,899	46,164	146,548	109,561
-	4,650	128	342	5,120	8,306	8,033
-	-	-	-	-	142,959	193,456
-	-	-	-	-	2,128,530	2,313,677
-	-	-	-	-	70,403	91,737
-	-	-	-	-	334,930	309,575
14,951	121,522	3,468	22,734	162,675	486,136	355,622
-	56,372	-	-	56,372	103,400	91,956
(659,193)	124,522	4,219	15,821	(514,631)	-	-
-	2,778,126	186,323	730,524	3,694,973	18,986,977	17,989,668
-	187,042	3,668	13,021	203,731	877,641	936,948
\$ -	\$ 2,965,168	\$189,991	\$ 743,545	\$3,898,704	\$ 19,864,618	\$ 18,926,616

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	\$ 4,789,839	\$ 2,189,465	\$ 2,340,974	\$ 1,222,711	\$ 491,307	\$ 1,328,808	\$ 874,053	\$ 589,493	\$ 435,016	\$ 216,613	\$ 581,959	\$ 243,312	\$ 15,303,550

The accompanying notes are an integral part of this statement.

Supporting services

Building and maintenance	General administration	Public relations	Fund-raising	Total	2012 total
\$ 292,015	\$ 1,264,881	\$141,230	\$ 412,450	\$2,110,576	\$ 6,645,975
79,121	287,153	33,308	95,465	495,047	1,625,422
371,136	1,552,034	174,538	507,915	2,605,623	8,271,397
13,026	-	-	-	13,026	918,086
1,249	-	-	-	1,249	124,753
14,275	-	-	-	14,275	1,042,839
385,411	1,552,034	174,538	507,915	2,619,898	9,314,236
1,144	359,737	14,876	30,620	406,377	1,222,200
39,666	77,523	1,462	8,131	126,782	2,670,948
-	2,309	21,419	40	23,768	327,592
771	57,800	1,308	2,238	62,117	108,393
94	13,856	1,306	12,686	27,942	256,009
20,961	19,401	-	-	40,362	85,769
117,595	-	-	-	117,595	132,872
129,930	-	-	-	129,930	144,826
50,002	58,280	-	477	108,759	146,620
-	22,363	15,963	33,508	71,834	106,586
277	26,462	247	6,560	33,546	109,561
-	6,250	-	289	6,539	8,033
-	-	-	-	-	193,456
-	-	-	-	-	2,313,677
-	-	-	-	-	91,737
-	-	-	-	-	309,575
12,379	110,242	1,435	19,187	143,243	355,622
-	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
-	227,122	2,971	16,291	246,384	936,948
\$ -	\$ 2,725,411	\$238,255	\$ 659,400	\$3,623,066	\$ 18,926,616

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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 uncollectible accounts when they are deemed uncollectible. The Lighthouse does not require collateral.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

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. 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 \$856,068 and \$902,868 in 2013 and 2012, 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 \$146,459 and \$194,009 for the years ended June 30, 2013 and 2012, respectively.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets result from contributions, the use of which has been limited by donors to a specific time period or purpose or by law. Net assets released from restrictions that are used for the purchase of fixed assets or capital purposes are reported in the accompanying statements of activities as additions to unrestricted net assets. Net assets released from restrictions that are used for operating purposes are reported in the accompanying statements of activities as unrestricted revenues, gains and other support. Restricted earnings are recorded as temporarily restricted net assets until amounts are expended in accordance with donors' specifications.

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

Donor-restricted Gifts

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

Fair Value Measurements

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and enhance disclosure requirements for fair value measurements. It also maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

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 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 \$100,000 and \$390 for the years ended June 30, 2013 and 2012, respectively, and was recorded for legal and other contractual services received. In-kind donation revenue was \$71,796 and \$105,640 for the years ended June 30, 2013 and 2012, respectively.

Advertising Expense

Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense was \$219,349 and \$327,592 for the years ended June 30, 2013 and 2012, respectively.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE B - INVESTMENTS

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

	<u>2013</u>	<u>2012</u>
Cash	\$ 696,953	\$ 557,549
Common stocks and equity funds	8,332,163	8,785,913
Bonds and other debt instruments	3,286,440	3,701,564
Hedge fund instruments	<u>1,586,303</u>	<u>1,468,436</u>
	<u>\$13,901,859</u>	<u>\$14,513,462</u>

The investments include hedge fund instruments valued at \$1,586,303 and \$1,468,436 (6.23% and 5.53% of net assets) at June 30, 2013 and 2012, respectively.

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

	<u>2013</u>	<u>2012</u>
Included in other revenues		
Investment income, primarily interest	\$ 2,180	\$ 20,133
Included in non-operating items		
Investment income dividends and interest	435,846	371,193
Net realized gains	185,465	1,106,889
Net change in unrealized gains (losses)	<u>896,183</u>	<u>(1,690,413)</u>
	<u>\$1,519,674</u>	<u>\$ (192,198)</u>

NOTE C - LAND, BUILDING AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>
Land	\$ 306,872	\$ 306,872
Building	17,130,833	17,041,307
Leasehold improvements	80,711	80,712
Equipment	<u>7,260,361</u>	<u>7,006,272</u>
	24,778,777	24,435,163
Less accumulated depreciation	<u>(14,329,180)</u>	<u>(13,510,066)</u>
Net land, building and equipment	<u>\$ 10,449,597</u>	<u>\$ 10,925,097</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

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>2013</u>	<u>2012</u>
Endowment Campaign	\$ 643,870	\$ 451,118
Associate Board designation for future years	75,559	60,624
Birth-to-Three/Homebound	32,797	127,254
Client emergency assistance	1,469	2,782
Program expansion and operations	1,784,400	1,598,883
Scholarship fund	78,143	76,684
Centennial Campaign	6,304	28,161
Purchase of fixed assets	127,859	32,310
Scholarship endowment	80,409	75,639
Instructional Materials Center	121,466	84,275
Pangere Center for Inherited Retinal Disease	331,459	426,234
Lighthouse North	254,910	863,537
Charitable gift annuities	<u>57,834</u>	<u>52,920</u>
	<u>\$3,596,479</u>	<u>\$3,880,421</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>2013</u>	<u>2012</u>
Beneficial interest in perpetual trusts	\$ 530,241	\$ 524,823
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>32,717</u>	<u>32,304</u>
	<u>\$1,969,680</u>	<u>\$1,963,849</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

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>2013</u>	<u>2012</u>
Lighthouse North	\$ 726,766	\$107,173
Endowment Campaign	136,748	-
Birth-to-Three/Homebound	78,020	188,248
Client emergency assistance	599	1,640
Program expansion and operations	101,175	232,076
Scholarship program	68,626	100,376
Instructional Materials Center	84,155	140,713
Centennial Campaign	1,125	28,017
Pangere Center for Inherited Retinal Disease	238,771	97,188
Purchase of fixed assets	<u>16,541</u>	<u>57,500</u>
	<u>\$1,452,526</u>	<u>\$952,931</u>

NOTE F - ENDOWMENT NET ASSETS

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

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

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

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, 2013 and 2012.

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, 2013 and 2012, 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 2013 and 2012, The Lighthouse had the following endowment-related activities:

Endowment Net Asset Composition by Type of Fund
As of June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor endowment funds	\$ -	\$1,422,749	\$1,439,439	\$2,862,188
Board-designated funds	<u>35,163</u>	-	-	<u>35,163</u>
Total funds	<u>\$35,163</u>	<u>\$1,422,749</u>	<u>\$1,439,439</u>	<u>\$2,897,351</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

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>35,163</u>
Total funds	<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, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets, beginning of year	\$35,163	\$1,227,709	\$1,439,026	\$2,701,898
Investment return				
Investment income	954	39,063	-	40,017
Net appreciation, realized and unrealized	<u>-</u>	<u>195,040</u>	<u>413</u>	<u>195,453</u>
Total investment return	954	234,103	413	235,470
Appropriation of endowment assets for expenditure	<u>(954)</u>	<u>(39,063)</u>	<u>-</u>	<u>(40,017)</u>
Net assets, end of year	<u>\$35,163</u>	<u>\$1,422,749</u>	<u>\$1,439,439</u>	<u>\$2,897,351</u>

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

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
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>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE G - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30 include the following:

	<u>2013</u>	<u>2012</u>
Unconditional promises to give due in		
Less than one year	\$583,033	\$453,978
One to five years	<u>354,770</u>	<u>429,940</u>
	937,803	883,918
Less		
Allowance for uncollectible accounts	(60,000)	(42,000)
Unamortized discount	<u>(31,644)</u>	<u>(30,628)</u>
Contributions receivable, net	<u>\$846,159</u>	<u>\$811,290</u>

Discount rates ranged from 2.09% to 3% for the years ended June 30, 2013 and 2012.

NOTE H - MAJOR CUSTOMER

Approximately 57% and 58% of the Lighthouse Industries sales during fiscal 2013 and 2012, respectively, were made to various federal government agencies.

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 2013 and 2012 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 2013 and 2012 was \$95,565 and \$96,225, respectively.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE J - UNITED WAY OF METROPOLITAN CHICAGO PUBLIC SUPPORT

United Way provided support of \$201,774 and \$210,119 in fiscal 2013 and 2012, respectively, of which \$32,428 and \$35,835 in fiscal years 2013 and 2012, 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 \$97,283 and \$107,506 in fiscal 2013 and 2012, respectively, under Title XX for support of its various programs, which is reported with program revenues, rehabilitation training course fees and subsidies.

NOTE K - INCOME TAXES

The Lighthouse has a favorable determination letter from the Internal Revenue Service, stating that 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 Financial Accounting Standards Board 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 did not generate unrelated business taxable income. The statute of limitations for tax years 2009, 2010, 2011 and 2012 are open to audit for both federal and state purposes.

NOTE L - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables summarize assets by fair value levels as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
Common stocks and equity funds	\$8,332,163	\$ -	\$ -	\$ 8,332,163
Bonds and other debt instruments	-	3,286,440	-	3,286,440
Hedge fund instruments	-	-	1,586,303	1,586,303
Beneficial interests in perpetual trusts	-	-	530,241	530,241
	<u>\$8,332,163</u>	<u>\$3,286,440</u>	<u>\$2,116,544</u>	<u>\$13,735,147</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

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	-	-	<u>524,823</u>	<u>524,823</u>
	<u>\$8,785,913</u>	<u>\$3,701,564</u>	<u>\$1,993,259</u>	<u>\$14,480,736</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, 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	1,468,436	524,823	1,993,259
Change in value	<u>117,867</u>	<u>5,418</u>	<u>123,285</u>
Balance as of June 30, 2013	<u>\$1,586,303</u>	<u>\$530,241</u>	<u>\$2,116,544</u>

The following table provides additional information related to investments recorded at NAV as of June 30, 2013:

	Fair value	Unfunded commitments	Redemption frequency	Term of investment
Hedge fund (a)	\$1,586,303	\$-	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, 2013 and 2012

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>2013</u>	<u>2012</u>
Accounts receivable allowance for uncollectible accounts		
Beginning balance	\$117,961	\$ 56,717
Bad debt expense	78,245	104,000
Accounts written off	<u>(99,277)</u>	<u>(42,756)</u>
Ending balance	<u>\$ 96,929</u>	<u>\$117,961</u>

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 \$4,000,000. The debt is secured by the investments of The Lighthouse. At June 30, 2013 and 2012, the amounts outstanding totaled \$3,000,000 and \$2,254,875, respectively. The interest rate on this debt fluctuated based on the LIBOR rate and was 1.9% and 2%, respectively. Interest is also payable at .25% on the unused available line of credit. Interest expense incurred on the line of credit totaled \$52,853 and \$44,556 for the years ended June 30, 2013 and 2012, 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, 2013, are as follows:

Years ending June 30,

2014	\$ 28,925
2015	30,425
2016	<u>768,376</u>
Total	<u>\$827,726</u>

Interest expense on the mortgage totaled \$43,649 and \$45,307 for the years ended June 30, 2013 and 2012, respectively.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

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 \$530,241 and \$524,823 at June 30, 2013 and 2012, 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 \$205,626 and \$210,912 at June 30, 2013 and 2012, respectively, have been segregated in separate accounts, the use of which is limited to meeting the gift annuity obligations. The liability was \$103,102 and \$103,490 at June 30, 2013 and 2012, respectively, which is included in other accrued liabilities in the statements of financial position.

NOTE P - LEASE COMMITMENTS

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

Total rent expense amounted to \$109,045 and \$125,173 in 2013 and 2012, respectively.

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

Years ending June 30,

2014	\$65,276
2015	44,486
2016	37,037
2017	35,702
2018	4,908

During 2012 and 2013, The Lighthouse entered into capital lease agreements totaling \$44,977 and \$70,307, respectively. The agreements mature in December 2016 and November 2017 and call for equal monthly payments of \$932 and \$1,457, including interest at the rate of 8.9%.

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

Fiscal years ending June 30,

2014	\$ 28,677
2015	28,677
2016	28,677
2017	23,086
2018	<u>7,233</u>
Total minimum payments required	116,350
Less amount representing interest	<u>19,208</u>
Present value of capital lease obligation	<u>\$ 97,142</u>

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

	<u>2013</u>	<u>2012</u>
Phone systems	\$115,284	\$44,997
Less accumulated depreciation	<u>28,065</u>	<u>6,842</u>
Net capitalized leased property	<u>\$ 87,219</u>	<u>\$38,135</u>

NOTE Q - CONCENTRATION OF CREDIT RISK

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

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NOTE R - RELATED PARTIES

Donations to The Lighthouse from members of the Board of Directors were \$118,244 and \$556,700 for the years ended June 30, 2013 and 2012, respectively. Pledges receivable from members of the Board of Directors were \$283,491 and \$343,629 at June 30, 2013 and 2012, respectively.

Payments to members of The Lighthouse Board of Directors for services provided were \$33,025 and \$31,616 for the years ended June 30, 2013 and 2012, respectively.

NOTE S - SUBSEQUENT EVENTS

The Lighthouse evaluated its June 30, 2013, financial statements for subsequent events through November 27, 2013, 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.