



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

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

**June 30, 2014 and 2013**

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Grant Thornton LLP  
175 W Jackson Boulevard, 20th Floor  
Chicago, IL 60604-2687

T 312.856.0200  
F 312.565.4719  
GrantThornton.com  
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**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, 2014 and 2013, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Chicago Lighthouse for People Who Are Blind or Visually Impaired as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Chicago, Illinois  
December 19, 2014

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

ASSETS	2014			2013		
	Operating Fund	Long-Term Investment Fund	Total	Operating Fund	Long-Term Investment Fund	Total
Cash and cash equivalents	\$ 404,424	\$ -	\$ 404,424	\$ 282,311	\$ -	\$ 282,311
Accounts receivable						
Lighthouse Industries	3,689,367	-	3,689,367	1,153,680	-	1,153,680
Bequests	-	912,332	912,332	-	1,226,586	1,226,586
Other, principally state agencies	1,014,334	-	1,014,334	1,233,133	-	1,233,133
Contributions, net	552,871	274,280	827,151	202,289	643,870	846,159
Allowance for uncollectible accounts	(117,055)	-	(117,055)	(96,929)	-	(96,929)
Accounts receivable, net	5,139,517	1,186,612	6,326,129	2,492,173	1,870,456	4,362,629
Accrued investment income	-	30,153	30,153	-	25,443	25,443
Inventories	989,919	-	989,919	936,709	-	936,709
Prepaid expenses	195,778	-	195,778	336,349	-	336,349
Investments	-	15,943,584	15,943,584	-	13,901,859	13,901,859
Beneficial interest in perpetual trusts	-	582,422	582,422	-	530,241	530,241
Land, buildings and equipment, net	9,829,492	-	9,829,492	10,449,597	-	10,449,597
<b>TOTAL ASSETS</b>	<b>\$ 16,559,130</b>	<b>\$ 17,742,771</b>	<b>\$ 34,301,901</b>	<b>\$ 14,497,139</b>	<b>\$ 16,327,999</b>	<b>\$ 30,825,138</b>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities						
Accounts payable	\$ 1,670,887	\$ -	\$ 1,670,887	\$ 553,189	\$ -	\$ 553,189
Accrued salaries and payroll taxes	831,686	-	831,686	676,085	-	676,085
Line of credit	3,500,000	-	3,500,000	3,000,000	-	3,000,000
Mortgage payable	798,801	-	798,801	827,726	-	827,726
Other accrued liabilities	201,096	102,899	303,995	192,124	103,102	295,226
Total liabilities	7,002,470	102,899	7,105,369	5,249,124	103,102	5,352,226
Net assets						
Unrestricted	7,830,018	13,454,389	21,284,407	8,210,913	11,695,840	19,906,753
Temporarily restricted	1,726,642	2,161,924	3,888,566	1,037,102	2,559,377	3,596,479
Permanently restricted	-	2,023,559	2,023,559	-	1,969,680	1,969,680
Total net assets	9,556,660	17,639,872	27,196,532	9,248,015	16,224,897	25,472,912
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 16,559,130</b>	<b>\$ 17,742,771</b>	<b>\$ 34,301,901</b>	<b>\$ 14,497,139</b>	<b>\$ 16,327,999</b>	<b>\$ 30,825,138</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,**

	2014				2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues								
Support and revenues								
Public support								
Contributions	\$ 1,114,131	\$ 1,064,402	\$ -	\$ 2,178,533	\$ 1,468,334	\$ 366,789	\$ -	\$ 1,835,123
United Way	165,003	-	-	165,003	201,774	-	-	201,774
Donated goods/services	90,098	-	-	90,098	109,411	-	-	109,411
Special events revenue	497,106	82,662	-	579,768	388,549	84,619	-	473,168
Less cost of direct benefits to donors	(191,993)	(8,488)	-	(200,481)	(174,222)	(9,684)	-	(183,906)
Net revenues from special events	305,113	74,174	-	379,287	214,327	74,935	-	289,262
Total public support	1,674,345	1,138,576	-	2,812,921	1,993,846	441,724	-	2,435,570
Program and other revenues								
Program revenues								
Lighthouse Industries sales	4,114,878	-	-	4,114,878	4,109,886	-	-	4,109,886
Rehabilitation training course fees and subsidies	5,184,856	256,639	-	5,441,495	4,825,894	122,706	-	4,948,600
Optical aid fees and sales	1,186,543	-	-	1,186,543	1,103,122	-	-	1,103,122
Government and other service contracts	14,633,471	-	-	14,633,471	2,779,151	-	-	2,779,151
Miscellaneous program revenues	193,727	-	-	193,727	212,479	-	-	212,479
Total program revenues	25,313,475	256,639	-	25,570,114	13,030,532	122,706	-	13,153,238
Other revenues								
Investment income, primarily interest	5,274	-	-	5,274	2,180	-	-	2,180
Miscellaneous other revenues	155,572	-	-	155,572	49,604	-	-	49,604
Total other revenues	160,846	-	-	160,846	51,784	-	-	51,784
Total program and other revenues	25,474,321	256,639	-	25,730,960	13,082,316	122,706	-	13,205,022
Total public support, program and other revenues	27,148,666	1,395,215	-	28,543,881	15,076,162	564,430	-	15,640,592
Net assets released from restrictions	1,429,426	(1,429,426)	-	-	1,452,526	(1,452,526)	-	-
Total operating revenues	28,578,092	(34,211)	-	28,543,881	16,528,688	(888,096)	-	15,640,592

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

	2014				2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses								
Program services	\$ 26,773,171	\$ -	\$ -	\$ 26,773,171	\$ 15,965,914	\$ -	\$ -	\$ 15,965,914
Supporting services	4,280,695	-	-	4,280,695	3,898,704	-	-	3,898,704
Total expenses	31,053,866	-	-	31,053,866	19,864,618	-	-	19,864,618
Deficiency of operating revenues over operating expenses	(2,475,774)	(34,211)	-	(2,509,985)	(3,335,930)	(888,096)	-	(4,224,026)
Non-operating support, revenues, gains and losses								
Legacies and bequests	1,633,400	-	-	1,633,400	1,061,181	-	-	1,061,181
Contributions	537,325	37,500	-	574,825	249,479	329,500	-	578,979
Investment income, dividends and interest	343,039	38,282	-	381,321	385,917	49,929	-	435,846
Change in value of split interest agreements	-	(11,119)	52,181	41,062	-	(10,935)	5,418	(5,517)
Net realized gains	608,569	108,032	1,698	718,299	153,268	31,784	413	185,465
Net change in unrealized appreciation of investments	731,095	153,603	-	884,698	692,307	203,876	-	896,183
Total non-operating support, revenues, gains and losses	3,853,428	326,298	53,879	4,233,605	2,542,152	604,154	5,831	3,152,137
Change in net assets	1,377,654	292,087	53,879	1,723,620	(793,778)	(283,942)	5,831	(1,071,889)
Net assets, at beginning 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
Net assets, at end of year	\$ 21,284,407	\$ 3,888,566	\$ 2,023,559	\$ 27,196,532	\$ 19,906,753	\$ 3,596,479	\$ 1,969,680	\$ 25,472,912

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,**

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 1,723,620	\$ (1,071,889)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net change in unrealized appreciation of investments	(884,698)	(896,183)
Net realized gains on sales of investments	(718,299)	(185,465)
Net change in value of split interest agreements	(52,181)	(5,418)
Contributions restricted for long-term investment	(37,500)	(329,500)
Depreciation	930,272	877,641
Change in bad debt allowance	20,126	(21,032)
Changes in operating assets and liabilities		
Accounts receivable	(1,983,626)	(1,106,214)
Accrued investment income	(4,710)	3,077
Inventories	(53,210)	(10,825)
Prepaid expenses	140,571	(98,870)
Accounts payable	1,117,698	38,989
Accrued salaries and payroll taxes	155,601	152,164
Other accrued liabilities	8,769	66,803
Net cash provided by (used in) operating activities	362,433	(2,586,722)
Cash flows from investing activities		
Purchases of investments	(5,564,010)	(2,230,763)
Sale of investments	5,125,283	3,922,542
Additions to land, building and equipment	(310,168)	(402,141)
Net cash provided by (used in) investing activities	(748,895)	1,289,638
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	37,500	329,500
Proceeds from line of credit	500,000	745,125
Payments made on mortgage	(28,925)	(26,026)
Net cash provided by financing activities	508,575	1,048,599
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	122,113	(248,485)
Cash and cash equivalents, beginning of year	282,311	530,796
Cash and cash equivalents, end of year	\$ 404,424	\$ 282,311
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	\$ 91,956	\$ 103,400

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, 2014**

	Program services											Total	
	Lighthouse Industries	Instructional Materials Center	Vision Rehabilitation & Research	Child Development Center	Other Children & Youth Programs	Government & Other Service Contracts	Adult Vocational & Rehabilitation Programs	Independent Living Programs	Retail Operations	Other Programs & Services	Lighthouse North		Call Center/ Customer Service Industries
Employee salaries	\$ 594,330	\$ 251,645	\$ 686,355	\$ 360,384	\$ 306,809	\$ 548,955	\$ 621,144	\$ 401,349	\$ 73,290	\$ 71,232	\$ 448,161	\$ 1,067,437	\$ 5,431,091
Employee benefits	130,945	55,540	150,880	84,196	56,426	234,148	131,749	85,705	17,583	12,559	94,414	243,726	1,297,871
Total employee salaries and benefits	725,275	307,185	837,235	444,580	363,235	783,103	752,893	487,054	90,873	83,791	542,575	1,311,163	6,728,962
Production wages	421,891	-	2,403	-	-	879,154	54,913	7,806	-	-	-	4,408,769	5,774,936
Production-related benefits	71,885	-	291	-	-	65,564	4,167	324	-	-	-	701,580	843,811
Total production payments and benefits	493,776	-	2,694	-	-	944,718	59,080	8,130	-	-	-	5,110,349	6,618,747
Total salaries and related benefits	1,219,051	307,185	839,929	444,580	363,235	1,727,821	811,973	495,184	90,873	83,791	542,575	6,421,512	13,347,709
Professional and contract services	90,870	162	532,108	155,074	1,345	2,201	1,013	1,247	6,984	-	43,282	1,740,496	2,574,782
Supplies	37,730	1,887,722	420,961	48,555	15,815	19,544	92,523	164,196	121,156	3,093	108,783	139,679	3,059,757
Advertising	207,204	-	934	-	-	-	-	470	-	5,100	-	-	213,708
Telephone	2,819	155	4,508	891	1,306	779	1,760	1,927	2,777	19,670	15,956	11,066	63,614
Postage, freight and direct mail	150,123	8,747	8,217	23	85	149	576	169	-	24	752	27,072	195,937
Equipment rental and maintenance	18,255	16,487	14,936	1,005	-	888	-	-	1,160	6,266	642	2,074	61,713
Utilities	4,669	-	-	-	-	-	-	-	2,813	-	9,070	-	16,552
Building repairs and maintenance	-	-	11,760	46,080	-	-	320	13,800	715	-	25,834	-	98,509
Property and liability insurance	426	4,471	9,055	7,613	1,329	2,658	4,616	193	7,482	4,463	-	60,588	102,894
Printing	3,802	-	9,774	1,215	1,747	-	1,114	345	-	-	1,930	229	20,156
Conference, meetings and major trips	6,931	475	15,351	1,251	3,010	1,449	10,243	27,639	49	460	3,130	7,686	77,674
Memberships	-	-	602	604	-	-	-	135	-	250	567	-	2,158
Client assistance	-	-	-	14,412	53,211	-	(150)	48,337	-	913	-	-	116,723
Cost of materials	2,109,169	-	-	-	-	-	-	-	-	-	-	-	2,109,169
Building rental	27,234	-	3,888	-	-	-	-	-	30,644	-	-	-	61,766
Commissions	319,076	-	277	-	-	73,265	-	-	-	-	-	-	392,618
Other	10,065	10,758	66,610	4,159	3,228	32,035	8,214	18,596	1,160	365	20,942	2,721,493	2,897,625
Interest	-	-	-	-	-	-	-	-	-	-	45,029	-	45,029
Distribution of building repairs and maintenance	209,339	73,989	72,438	64,316	22,374	14,251	25,254	41,425	-	14,990	295	34,410	573,081
Total expenses before depreciation	4,416,763	2,310,151	2,011,348	789,778	466,685	1,875,040	957,456	813,663	265,813	139,385	818,787	11,166,305	26,031,174
Depreciation	172,642	54,488	136,552	44,946	15,036	18,711	37,572	31,471	45,110	10,446	109,005	66,018	741,997
Total expenses	\$ 4,589,405	\$ 2,364,639	\$ 2,147,900	\$ 834,724	\$ 481,721	\$ 1,893,751	\$ 995,028	\$ 845,134	\$ 310,923	\$ 149,831	\$ 927,792	\$ 11,232,323	\$ 26,773,171

The accompanying notes are an integral part of this statement.

Supporting services

Building and maintenance	General administration	Public relations	Fund-raising	Total	2014 total	2013 total
\$ 257,634	\$ 1,521,257	\$ 153,233	\$ 514,543	\$ 2,446,667	\$ 7,877,758	\$ 7,307,055
57,481	316,529	32,649	111,928	518,587	1,816,458	1,704,888
315,115	1,837,786	185,882	626,471	2,965,254	9,694,216	9,011,943
244	25,127	-	-	25,371	5,800,307	1,332,028
249	4,316	-	-	4,565	848,376	164,704
493	29,443	-	-	29,936	6,648,683	1,496,732
315,608	1,867,229	185,882	626,471	2,995,190	16,342,899	10,508,675
22	372,063	3,011	56,300	431,396	3,006,178	1,336,054
59,140	135,704	3,788	29,750	228,382	3,288,139	2,576,015
-	340	2,425	1,350	4,115	217,823	219,349
1,010	55,934	1,994	3,220	62,158	125,772	116,878
37	15,286	1,959	14,214	31,496	227,433	200,497
13,588	14,647	-	-	28,235	89,948	81,542
132,579	-	-	-	132,579	149,131	140,026
155,181	1,203	-	-	156,384	254,893	148,151
47,487	60,304	-	484	108,275	211,169	179,904
49	1,137	6,692	30,350	38,228	58,384	58,674
962	23,412	4,220	8,493	37,087	114,761	146,548
-	3,950	60	636	4,646	6,804	8,306
-	-	-	-	-	116,723	142,959
-	-	-	-	-	2,109,169	2,128,530
-	-	-	-	-	61,766	70,403
-	-	-	-	-	392,618	334,930
12,748	270,172	6,184	44,702	333,806	3,231,431	486,136
-	73,524	-	-	73,524	118,553	103,400
(738,411)	143,621	2,732	18,977	(573,081)	-	-
-	3,038,526	218,947	834,947	4,092,420	30,123,594	18,986,977
-	171,096	2,875	14,304	188,275	930,272	877,641
\$ -	\$ 3,209,622	\$ 221,822	\$ 849,251	\$ 4,280,695	\$ 31,053,866	\$ 19,864,618

**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
\$ 229,886	\$ 1,418,403	\$127,605	\$ 469,714	\$2,245,608	\$ 7,307,055
58,700	297,596	28,386	101,022	485,704	1,704,888
288,586	1,715,999	155,991	570,736	2,731,312	9,011,943
7,372	-	-	-	7,372	1,332,028
685	-	-	-	685	164,704
8,057	-	-	-	8,057	1,496,732
296,643	1,715,999	155,991	570,736	2,739,369	10,508,675
1,139	505,438	7,927	45,683	560,187	1,336,054
47,931	63,165	480	9,246	120,822	2,576,015
-	-	1,310	-	1,310	219,349
865	61,259	1,500	2,825	66,449	116,878
50	12,212	24	16,686	28,972	200,497
21,288	17,414	-	168	38,870	81,542
123,188	-	-	-	123,188	140,026
105,057	40	-	-	105,097	148,151
48,081	58,278	-	490	106,849	179,904
-	2,628	10,638	34,894	48,160	58,674
-	34,627	638	10,899	46,164	146,548
-	4,650	128	342	5,120	8,306
-	-	-	-	-	142,959
-	-	-	-	-	2,128,530
-	-	-	-	-	70,403
-	-	-	-	-	334,930
14,951	121,522	3,468	22,734	162,675	486,136
-	56,372	-	-	56,372	103,400
(659,193)	124,522	4,219	15,821	(514,631)	-
-	2,778,126	186,323	730,524	3,694,973	18,986,977
-	187,042	3,668	13,021	203,731	877,641
\$ -	\$ 2,965,168	\$189,991	\$ 743,545	\$3,898,704	\$ 19,864,618

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

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

Pledges receivable are classified as either collectible in one year or less or collectible in multiple years. Those receivables deemed collectible in one year or less are stated at their full face value.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2014 and 2013**

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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 \$1,179,635 and \$856,068 in 2014 and 2013, 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 \$146,960 and \$146,459 for the years ended June 30, 2014 and 2013, respectively.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2014 and 2013**

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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 or by law. Net assets released from restrictions that are used for the purchase of fixed assets or capital purposes are reported in the accompanying statements of activities as additions to unrestricted net assets. Net assets released from restrictions that are used for operating purposes are reported in the accompanying statements of activities as unrestricted revenues, gains and other support. Restricted earnings are recorded as temporarily restricted net assets until amounts are expended in accordance with donors' specifications.

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

***Donor-restricted Gifts***

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

***Fair Value Measurements***

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

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

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2014 and 2013**

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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 \$36,845 and \$100,000 for the years ended June 30, 2014 and 2013, respectively, and was recorded for legal and other contractual services received. In-kind donation revenue was \$100,251 and \$71,796 for the years ended June 30, 2014 and 2013, respectively.

***Advertising Expense***

Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense was \$217,823 and \$219,349 for the years ended June 30, 2014 and 2013, respectively.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2014 and 2013**

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**NOTE B - INVESTMENTS**

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

	<u>2014</u>	<u>2013</u>
Cash	\$ 654,044	\$ 696,953
Common stocks and equity funds	10,240,967	8,332,163
Bonds and other debt instruments	3,547,303	3,286,440
Hedge fund instruments	<u>1,501,270</u>	<u>1,586,303</u>
	<u>\$15,943,584</u>	<u>\$13,901,859</u>

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

	<u>2014</u>	<u>2013</u>
Included in other revenues		
Investment income, primarily interest	\$ 5,274	\$ 2,180
Included in non-operating items		
Investment income dividends and interest	381,321	435,846
Net realized gains	718,299	185,465
Net change in unrealized gains	<u>884,698</u>	<u>896,183</u>
	<u>\$1,989,592</u>	<u>\$1,519,674</u>

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

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

	<u>2014</u>	<u>2013</u>
Land	\$ 306,872	\$ 306,872
Building	17,232,616	17,130,833
Leasehold improvements	43,031	80,711
Equipment	<u>7,417,632</u>	<u>7,260,361</u>
	25,000,151	24,778,777
Less accumulated depreciation	<u>(15,170,659)</u>	<u>(14,329,180)</u>
Net land, building and equipment	<u>\$ 9,829,492</u>	<u>\$ 10,449,597</u>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2014 and 2013**

**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>2014</u>	<u>2013</u>
Endowment campaign	\$ 274,280	\$ 643,870
Associate Board designation for future years	76,734	75,559
Birth-to-Three/Homebound	495,196	32,797
Pre-School	126,985	-
Client emergency assistance	3,884	1,469
Program expansion and operations	1,840,176	1,784,400
Scholarship fund	100,260	78,143
Centennial campaign	-	6,304
Purchase of fixed assets	247,060	127,859
Scholarship endowment	87,564	80,409
Instructional Materials Center	187,797	121,466
Pangere Center for Inherited Retinal Disease	298,012	331,459
Lighthouse North	77,330	254,910
Charitable gift annuities	<u>73,288</u>	<u>57,834</u>
	<u>\$3,888,566</u>	<u>\$3,596,479</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>2014</u>	<u>2013</u>
Beneficial interest in perpetual trusts	\$ 582,422	\$ 530,241
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>34,415</u>	<u>32,717</u>
	<u>\$2,023,559</u>	<u>\$1,969,680</u>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2014 and 2013**

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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>2014</u>	<u>2013</u>
Lighthouse North	\$ 384,967	\$ 726,766
Endowment campaign	407,090	136,748
Birth-to-Three/Homebound	24,356	78,020
Client emergency assistance	913	599
Program expansion and operations	190,569	101,175
Scholarship program	62,383	68,626
Instructional Materials Center	121,466	84,155
Centennial campaign	-	1,125
Pangere Center for Inherited Retinal Disease	186,688	238,771
Purchase of fixed assets	<u>50,994</u>	<u>16,541</u>
	<u>\$1,429,426</u>	<u>\$1,452,526</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, 2014 and 2013**

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, 2014 and 2013.

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, 2014 and 2013, 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 2014 and 2013, The Lighthouse had the following endowment-related activities:

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

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

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2014 and 2013**

**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>

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

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

**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>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2014 and 2013**

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**NOTE G - CONTRIBUTIONS RECEIVABLE**

Contributions receivable at June 30, include the following:

	<u>2014</u>	<u>2013</u>
Unconditional promises to give due in		
Less than one year	\$547,924	\$583,033
One to five years	<u>336,272</u>	<u>354,770</u>
	884,196	937,803
Less		
Allowance for uncollectible accounts	(35,000)	(60,000)
Unamortized discount	<u>(22,045)</u>	<u>(31,644)</u>
Contributions receivable, net	<u>\$827,151</u>	<u>\$846,159</u>

Discount rate is 3% for the years ended June 30, 2014 and 2013.

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**NOTE H - MAJOR CUSTOMER**

Approximately 52% and 57% of the Lighthouse Industries sales during fiscal 2014 and 2013, 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 2014 and 2013 of the total compensation of eligible office employees who complete at least 500 hours and eligible employed production workers who complete at least one hour of service (as defined) during the plan year. Total plan expense in 2014 and 2013 was \$132,975 and \$95,565, respectively.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2014 and 2013**

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

United Way provided support of \$165,003 and \$201,774 in fiscal 2014 and 2013, respectively, of which \$15,582 and \$32,428 in fiscal years 2014 and 2013, 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 \$46,745 and \$97,283 in fiscal 2014 and 2013, 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 does have unrelated business income and files a 990-T, however, no provision for income taxes is required as they have a net operating loss. The statute of limitations for tax years 2010, 2011 2012 and 2013 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, 2014:

	Level 1	Level 2	Level 3	Total
Common stocks and equity funds	\$10,240,967	\$ -	\$ -	\$10,240,967
Bonds and other debt instruments	-	3,547,303	-	3,547,303
Hedge fund instruments	-	-	1,501,270	1,501,270
Beneficial interests in perpetual trusts	-	-	582,422	582,422
	<u>\$10,240,967</u>	<u>\$3,547,303</u>	<u>\$2,083,692</u>	<u>\$15,871,962</u>

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2014 and 2013**

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 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, 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	1,586,303	530,241	2,116,544
Withdrawals	(200,000)	-	(200,000)
Change in value	<u>114,967</u>	<u>52,181</u>	<u>167,148</u>
Balance as of June 30, 2014	<u>\$1,501,270</u>	<u>\$582,422</u>	<u>\$2,083,692</u>

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

	Fair value	Unfunded commitments	Redemption frequency	Term of investment
Hedge fund (a)	\$1,501,270	N/A	Quarterly after 1 year of investing	Liquid after 1 year

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

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2014 and 2013**

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**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>2014</u>	<u>2013</u>
Accounts receivable allowance for uncollectible accounts		
Beginning balance	\$ 96,929	\$117,961
Bad debt expense	94,301	78,245
Accounts written off	<u>(74,175)</u>	<u>(99,277)</u>
Ending balance	<u>\$117,055</u>	<u>\$ 96,929</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 \$4,000,000. The debt is secured by the investments of The Lighthouse. At June 30, 2014 and 2013, the amounts outstanding totaled \$3,500,000 and \$3,000,000, respectively. The interest rate on this debt fluctuated based on the LIBOR rate and was 1.9% in both years. Interest is also payable at .25% on the unused available line of credit. Interest expense incurred on the line of credit totaled \$68,331 and \$52,853 for the years ended June 30, 2014 and 2013, 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 the mortgage as of June 30, 2014, are as follows:

Years ending June 30,

2015	\$ 30,425
2016	<u>768,376</u>
Total	<u>\$798,801</u>

Interest expense on the mortgage totaled \$42,377 and \$43,649 for the years ended June 30, 2014 and 2013, respectively.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2014 and 2013**

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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 \$582,422 and \$530,241 at June 30, 2014 and 2013, 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 \$205,302 and \$205,626 at June 30, 2014 and 2013, respectively, have been segregated in separate accounts, the use of which is limited to meeting the gift annuity obligations. The liability was \$102,898 and \$103,102 at June 30, 2014 and 2013, 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 \$120,756 and \$109,045 in 2014 and 2013, respectively.

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

Years ending June 30,

2015	\$75,479
2016	57,534
2017	40,838
2018	10,433
2019	1,575

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, respectively, and call for equal monthly payments of \$932 and \$1,457, respectively, including interest at the rate of 8.9%.

**The Chicago Lighthouse for People Who Are Blind or Visually Impaired**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
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The future minimum lease payments under the capital leases are as follows:

Fiscal years ending June 30.

2015	\$28,677
2016	28,677
2017	23,086
2018	<u>7,284</u>
Total minimum payments required	87,724
Less amount representing interest	<u>11,415</u>
Present value of capital lease obligation	<u>\$76,309</u>

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

	<u>2014</u>	<u>2013</u>
Phone systems	\$115,284	\$115,284
Less accumulated depreciation	<u>51,122</u>	<u>28,065</u>
Net capitalized leased property	<u>\$ 64,162</u>	<u>\$ 87,219</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 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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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2014 and 2013**

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**NOTE R - RELATED PARTIES**

Donations to The Lighthouse from members of the board of directors were \$375,006 and \$118,244 for the years ended June 30, 2014 and 2013, respectively. Pledges receivable from members of the Board of Directors were \$188,793 and \$283,491 at June 30, 2014 and 2013, respectively.

Payments to members of The Lighthouse board of directors for services provided were \$48,451 and \$33,025 for the years ended June 30, 2014 and 2013, respectively.

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**NOTE S - SUBSEQUENT EVENTS**

The Lighthouse evaluated its June 30, 2014, financial statements for subsequent events through December 19, 2014, 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.