

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants and Supplementary  
Information

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

June 30, 2021 and 2020

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors

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

**Report on the financial statements**

We have audited the accompanying consolidated financial statements of The Chicago Lighthouse for People Who Are Blind or Visually Impaired and Chicago Lighthouse Industries (a nonprofit organization) (collectively, "The Lighthouse") which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Lighthouse as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other matters

#### *Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and activities as of and for the year ended June 30, 2021, are presented for purposes of additional analysis rather than to present the financial position, result of operation, and cash flows of the individual entities, and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 17, 2021, on our consideration of The Lighthouse's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Lighthouse's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Lighthouse's internal control over financial reporting and compliance.



Chicago, Illinois  
December 17, 2021

The Chicago Lighthouse for People Who Are Blind or Visually Impaired

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

	2021			2020		
	Operating Fund	Long-term Investment Fund	Total	Operating Fund	Long-term Investment Fund	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 6,274,970	\$ -	\$ 6,274,970	\$ 1,518,436	\$ -	\$ 1,518,436
Accounts receivable						
Lighthouse Industries and Call Centers, net	4,718,611	-	4,718,611	2,705,557	-	2,705,557
Bequests	-	4,224	4,224	-	104,224	104,224
Other, principally state agencies, net	781,259	-	781,259	711,904	-	711,904
Contributions, net	31,213	1,534,702	1,565,915	303,691	1,812	305,503
Accounts receivable, net	5,531,083	1,538,926	7,070,009	3,721,152	106,036	3,827,188
Accrued investment income	-	36,677	36,677	-	37,148	37,148
Inventories	610,565	-	610,565	1,195,950	-	1,195,950
Prepaid expenses	369,258	-	369,258	323,019	-	323,019
Investments	-	14,542,073	14,542,073	-	11,623,014	11,623,014
Beneficial interest in perpetual trusts	-	708,293	708,293	-	567,200	567,200
Land, buildings and equipment, net	9,644,798	-	9,644,798	9,994,259	-	9,994,259
Total assets	<u>\$ 22,430,674</u>	<u>\$ 16,825,969</u>	<u>\$ 39,256,643</u>	<u>\$ 16,752,816</u>	<u>\$ 12,333,398</u>	<u>\$ 29,086,214</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable	\$ 2,244,689	\$ -	\$ 2,244,689	\$ 1,188,431	\$ -	\$ 1,188,431
Accrued salaries and payroll taxes	1,318,116	-	1,318,116	860,646	-	860,646
Line of credit	-	-	-	1,725,000	-	1,725,000
Mortgage payable	3,966,654	-	3,966,654	4,038,788	-	4,038,788
Deferred revenue	4,349,425	-	4,349,425	-	-	-
Other accrued liabilities	367,946	85,242	453,188	419,761	88,937	508,698
Total liabilities	12,246,830	85,242	12,332,072	8,232,626	88,937	8,321,563
<b>Net assets</b>						
Without donor restrictions	8,916,220	12,510,922	21,427,142	7,149,224	8,241,055	15,390,279
With donor restrictions	1,267,624	4,229,805	5,497,429	1,370,966	4,003,406	5,374,372
Total net assets	10,183,844	16,740,727	26,924,571	8,520,190	12,244,461	20,764,651
Total liabilities and net assets	<u>\$ 22,430,674</u>	<u>\$ 16,825,969</u>	<u>\$ 39,256,643</u>	<u>\$ 16,752,816</u>	<u>\$ 12,333,398</u>	<u>\$ 29,086,214</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended June 30,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues						
Support and revenues						
Public support						
Contributions	\$ 1,853,485	\$ 480,926	\$ 2,334,411	\$ 1,777,840	\$ 354,161	\$ 2,132,001
United Way	68,667	-	68,667	70,655	25,000	95,655
Donated goods/services	144,267	-	144,267	218,358	-	218,358
Special events revenue	485,152	-	485,152	345,676	24,240	369,916
Less cost of direct benefits to donors	(169,432)	-	(169,432)	(86,233)	-	(86,233)
Net revenues from special events	315,720	-	315,720	259,443	24,240	283,683
Total public support	2,382,139	480,926	2,863,065	2,326,296	403,401	2,729,697
Program and other revenues						
Program revenues						
Call Center contracts	30,051,210	-	30,051,210	27,341,036	-	27,341,036
Lighthouse Industries sales	3,802,526	-	3,802,526	3,551,569	-	3,551,569
Rehabilitation training course fees and subsidies	4,844,885	40,407	4,885,292	4,681,715	124,801	4,806,516
Optical aid fees and sales	1,267,640	-	1,267,640	1,180,995	-	1,180,995
Government and other service contracts	1,213,650	-	1,213,650	1,326,159	-	1,326,159
Miscellaneous revenues	56,159	-	56,159	247,484	-	247,484
Total program revenues	41,236,070	40,407	41,276,477	38,328,958	124,801	38,453,759
Total public support, program and other revenues	43,618,209	521,333	44,139,542	40,655,254	528,202	41,183,456
Net assets released from restrictions	626,319	(626,319)	-	1,467,883	(1,467,883)	-
Total operating revenues	\$ 44,244,528	\$ (104,986)	\$ 44,139,542	\$ 42,123,137	\$ (939,681)	\$ 41,183,456

The accompanying notes are an integral part of these consolidated financial statements.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired

CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED

Years ended June 30,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses						
Program services	\$ 35,173,946	\$ -	\$ 35,173,946	\$ 38,252,992	\$ -	\$ 38,252,992
Supporting services	7,767,859	-	7,767,859	6,835,775	-	6,835,775
Total expenses	42,941,805	-	42,941,805	45,088,767	-	45,088,767
Surplus (deficiency) of operating revenues over operating expenses	1,302,723	(104,986)	1,197,737	(2,965,630)	(939,681)	(3,905,311)
Non-operating items						
Legacies and bequests	415,481	-	415,481	113,374	-	113,374
Contributions for long-term investment purposes	2,498,794	-	2,498,794	327,222	(13,150)	314,072
Investment return, net	1,819,865	95,787	1,915,652	136,686	(9,628)	127,058
Change in value of split interest agreements	-	132,256	132,256	-	(12,481)	(12,481)
Total non-operating items	4,734,140	228,043	4,962,183	577,282	(35,259)	542,023
Change in net assets	6,036,863	123,057	6,159,920	(2,388,348)	(974,940)	(3,363,288)
Net assets, at beginning of year	15,390,279	5,374,372	20,764,651	17,778,627	6,349,312	24,127,939
Net assets, at end of year	<u>\$ 21,427,142</u>	<u>\$ 5,497,429</u>	<u>\$ 26,924,571</u>	<u>\$ 15,390,279</u>	<u>\$ 5,374,372</u>	<u>\$ 20,764,651</u>

The accompanying notes are an integral part of these consolidated financial statements.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended June 30,

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 6,159,920	\$ (3,363,288)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gains) losses on sales of investments	(1,639,574)	187,268
Net change in value of split interest agreements	(132,256)	3,691
Contributions restricted for long-term investment	-	13,150
Depreciation and amortization	1,431,142	1,305,359
Change in allowance for uncollectible accounts	31,871	29,548
Changes in operating assets and liabilities:		
Accounts receivable	(3,274,692)	3,971,957
Accrued investment income	471	(7,051)
Inventories	585,385	(229,902)
Prepaid expenses	(46,239)	(131,651)
Accounts payable	876,327	(655,792)
Accrued salaries and payroll taxes	457,470	(704,576)
Deferred revenue	4,349,425	-
Other accrued liabilities	(55,510)	8,375
Net cash provided by operating activities	<u>8,743,740</u>	<u>427,088</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(5,713,852)	(6,035,849)
Sale of investments	4,424,669	7,181,305
Additions to land, buildings and equipment	<u>(900,889)</u>	<u>(645,979)</u>
Net cash provided by (used in) investing activities	<u>(2,190,072)</u>	<u>499,477</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for long-term investment	-	(13,152)
Principal payments on capital leases	-	(199,674)
Proceeds from line of credit	750,000	1,993,782
Payments made on line of credit	(2,475,000)	(1,788,286)
Payments made on mortgage	<u>(72,134)</u>	<u>(82,528)</u>
Net cash used in financing activities	<u>(1,797,134)</u>	<u>(89,858)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	4,756,534	836,707
<b>Cash and cash equivalents, beginning of year</b>	<u>1,518,436</u>	<u>681,729</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 6,274,970</u></u>	<u><u>\$ 1,518,436</u></u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest, net of amounts capitalized	\$ 289,243	\$ 318,846
<b>Non-cash investing:</b>		
Equipment financed through capital leases	\$ -	\$ 36,773
Capital expenditures accrued, but not paid	179,931	35,166

The accompanying notes are an integral part of these consolidated financial statements.



The Chicago Lighthouse for People Who Are Blind or Visually Impaired

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021, with summarized information for the year ended June 30, 2020

	Program Services										Supporting Services					2021 Total	2020 Total
	Lighthouse Industries	Instructional Materials Center	Vision Rehabilitation & Research	Child Development Center	Other Children & Other Service Contracts	Government & Other Service Contracts	Adult Vocational, Rehab and Independent Living	Lighthouse North	Call Center/ Customer Service Industries	Total	Building and Maintenance	General Administration	Public Relations	Fund-raising	Total		
Employee salaries	\$ 521,394	\$ 285,068	\$ 904,448	\$ 636,679	\$ 336,390	\$ 137,155	\$ 472,456	\$ 445,513	\$ 3,415,625	\$ 7,154,728	\$ 342,991	\$ 2,597,503	\$ 165,006	\$ 679,151	\$ 3,784,651	\$ 10,939,379	\$ 10,455,340
Employee benefits	101,427	61,799	185,199	133,615	69,078	28,196	103,698	86,447	764,349	1,533,808	68,704	540,281	35,866	142,193	787,044	2,320,852	2,040,862
Total employee salaries and benefits	622,821	346,867	1,089,647	770,294	405,468	165,351	576,154	531,960	4,179,974	8,688,536	411,695	3,137,784	200,872	821,344	4,571,695	13,260,231	12,496,202
Production wages	719,132	-	4,882	-	-	673,660	7,663	1,427	12,070,871	13,477,635	-	-	-	3,938	3,938	13,481,573	13,685,434
Production-related benefits	135,364	-	2,175	-	-	73,511	648	185	2,538,927	2,750,810	-	-	-	288	288	2,751,098	2,599,979
Total production payments and benefits	854,496	-	7,057	-	-	747,171	8,311	1,612	14,609,798	16,228,445	-	-	-	4,226	4,226	16,232,671	16,285,413
Total salaries and related benefits	1,477,317	346,867	1,096,704	770,294	405,468	912,522	584,465	533,572	18,789,772	24,916,981	411,695	3,137,784	200,872	825,570	4,575,921	29,492,902	28,781,615
Professional and contract services	96,921	-	162,811	218,435	2,500	-	114,064	28,528	614,059	1,237,318	112	925,052	46,768	251,088	1,223,020	2,460,338	2,122,788
Temporary labor	-	-	-	-	-	15,757	-	-	1,089,965	1,105,722	-	-	-	-	-	1,105,722	3,508,198
Supplies	39,552	1,758,727	414,615	79,172	14,982	5,298	18,473	128,560	609,183	3,068,562	53,580	179,463	128	21,131	254,302	3,322,864	4,156,949
Advertising	57,371	-	-	-	-	-	-	-	-	57,371	-	1,239	13,755	36,000	50,994	108,365	102,728
Telephone	720	-	4,554	-	507	412	4,806	28,671	186,320	225,990	533	235,599	454	10,342	246,928	472,918	389,254
Postage, freight and direct mail	131,127	7,887	7,335	45	80	-	3,025	849	102,266	252,614	-	9,222	2	23,754	32,978	285,592	221,627
Equipment rental and maintenance	5,260	15,298	2,254	456	-	-	-	264	11,716	35,248	28,185	17,566	-	643	46,394	81,642	106,379
Utilities	2,727	-	-	-	-	-	-	9,505	-	12,232	180,536	-	-	-	180,536	192,768	181,454
Building repairs and maintenance	-	-	-	-	-	-	-	24,723	-	24,723	250,129	-	-	625	250,754	275,477	255,116
Property and liability insurance	549	5,805	7,858	9,885	1,726	1,726	8,708	-	55,162	91,419	73,588	140,453	-	628	214,669	306,088	281,067
Printing	742	-	2,740	-	-	-	3,573	-	-	7,055	-	1,426	-	27,962	29,388	36,443	61,867
Conference, meetings and major trips	-	-	4,074	-	-	111	430	85	12,347	17,047	-	14,452	160	514	15,126	32,173	104,101
Memberships	350	-	-	-	-	-	399	163	-	912	129	10,289	116	385	10,919	11,831	13,781
Client assistance	-	-	-	5,771	49,894	-	695	187	-	56,547	-	-	-	-	-	56,547	157,407
Cost of materials	1,958,193	-	1,296	-	-	20,884	-	-	-	1,980,373	-	192,249	-	-	192,249	2,172,622	2,007,089
Property rental	34,935	-	4,910	-	-	-	-	-	-	39,845	-	-	-	-	-	39,845	43,900
Commissions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	25,741	9,236	33,074	2,313	366	7,237	9,465	23,591	76,244	187,267	11,552	518,623	2,843	46,998	580,016	767,283	969,242
Interest	-	-	-	-	-	-	-	27,043	-	27,043	-	262,200	-	-	262,200	289,243	318,846
Distribution of building repairs and maintenance	252,100	83,529	87,261	90,792	38,940	-	80,200	-	153,641	786,463	(1,010,039)	197,449	5,246	20,881	(786,463)	-	-
Total expenses before depreciation and amortization	4,083,605	2,227,349	1,829,486	1,177,163	514,463	963,947	828,303	805,741	21,700,675	34,130,732	-	5,843,066	270,344	1,266,521	7,379,931	41,510,663	43,783,408
Depreciation and amortization	233,553	76,543	103,629	87,079	38,382	110	77,623	49,744	376,551	1,043,214	-	333,624	29,993	24,311	387,928	1,431,142	1,305,359
Total expenses	<u>\$ 4,317,158</u>	<u>\$ 2,303,892</u>	<u>\$ 1,933,115</u>	<u>\$ 1,264,242</u>	<u>\$ 552,845</u>	<u>\$ 964,057</u>	<u>\$ 905,926</u>	<u>\$ 855,485</u>	<u>\$ 22,077,226</u>	<u>\$ 35,173,946</u>	<u>\$ -</u>	<u>\$ 6,176,690</u>	<u>\$ 300,337</u>	<u>\$ 1,290,832</u>	<u>\$ 7,767,859</u>	<u>\$ 42,941,805</u>	<u>\$ 45,088,767</u>

The accompanying notes are an integral part of this consolidated financial statement.

The Chicago Lighthouse for People Who Are Blind or Visually Impaired

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Program Services										Supporting Services					2020 Total
	Lighthouse Industries	Instructional Materials Center	Vision Rehabilitation & Research	Child Development Center	Other Children & Other Service Contracts	Government & Other Service Contracts	Adult Vocational, Rehab and Independent Living	Lighthouse North	Call Center/ Customer Service Industries	Total	Building and Maintenance	General Administration	Public Relations	Fund-raising	Total	
Employee salaries	\$ 548,928	\$ 253,666	\$ 1,043,695	\$ 682,703	\$ 350,896	\$ 160,119	\$ 761,850	\$ 504,621	\$ 2,606,187	\$ 6,912,665	\$ 302,140	\$ 2,468,994	\$ 172,653	\$ 598,888	\$ 3,542,675	\$ 10,455,340
Employee benefits	109,072	52,576	204,275	140,195	64,221	34,219	152,255	87,754	534,110	1,378,677	59,381	448,194	33,211	121,399	662,185	2,040,862
Total employee salaries and benefits	658,000	306,242	1,247,970	822,898	415,117	194,338	914,105	592,375	3,140,297	8,291,342	361,521	2,917,190	205,864	720,287	4,204,860	12,496,202
Production wages	529,182	-	24,469	-	-	790,065	9,533	6,988	12,311,675	13,671,912	-	10,221	1,301	-	11,522	13,685,434
Production-related benefits	100,501	-	4,569	16	-	63,084	553	737	2,430,140	2,599,600	-	274	105	-	379	2,599,979
Total production payments and benefits	629,683	-	31,038	16	-	853,149	10,086	7,725	14,741,815	16,273,512	-	10,495	1,406	-	11,901	16,285,413
Total salaries and related benefits	1,287,683	306,242	1,279,008	822,914	415,117	1,047,487	924,191	600,100	17,882,112	24,564,854	361,521	2,927,685	207,270	720,287	4,216,761	28,781,615
Professional and contract services	118,716	395	302,067	237,008	702	1,940	163,933	58,053	565,826	1,448,640	5	528,411	87,697	58,035	674,148	2,122,788
Temporary labor	-	-	13,596	-	-	22,195	-	-	3,376,842	3,413,353	-	94,845	-	-	94,845	3,508,198
Supplies	49,723	1,509,128	468,175	18,169	14,142	10,650	38,859	87,891	1,748,646	3,945,383	63,308	134,650	602	13,006	211,566	4,156,949
Advertising	57,308	-	200	-	-	-	150	-	-	57,658	-	-	9,070	36,000	45,070	102,728
Telephone	1,849	-	6,528	-	1,005	695	4,189	29,128	148,468	191,862	999	190,196	1,306	4,891	197,392	389,254
Postage, freight and direct mail	104,662	4,964	8,716	28	-	-	282	555	76,448	195,655	3	8,631	618	16,720	25,972	221,627
Equipment rental and maintenance	6,391	21,019	1,155	540	-	-	-	1,739	7,325	38,169	44,097	24,113	-	-	68,210	106,379
Utilities	3,087	-	-	-	-	-	-	8,306	-	11,393	170,061	-	-	-	170,061	181,454
Building repairs and maintenance	-	-	-	-	-	-	-	16,408	-	16,408	238,708	-	-	-	238,708	255,116
Property and liability insurance	456	5,410	10,496	9,212	1,608	1,608	8,205	-	73,637	110,632	68,575	101,274	-	586	170,435	281,067
Printing	239	-	8,798	-	-	-	1,850	624	10,083	21,594	-	11,338	5,217	23,718	40,273	61,867
Conference, meetings and major trips	7,791	2,290	7,754	170	4,776	4,907	5,179	2,494	8,045	43,406	-	42,303	12,164	6,228	60,695	104,101
Memberships	350	-	212	-	-	-	840	-	-	1,402	129	11,816	-	434	12,379	13,781
Client assistance	-	-	6	22,861	93,730	-	38,633	1,792	-	157,022	-	54	-	331	385	157,407
Cost of materials	1,981,743	-	44	-	-	25,302	-	-	-	2,007,089	-	-	-	-	-	2,007,089
Property rental	31,931	-	8,649	-	-	-	-	3,320	-	43,900	-	-	-	-	-	43,900
Commissions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	25,157	10,252	50,667	3,712	827	13,489	8,057	23,760	109,518	245,439	13,585	601,012	2,929	106,277	723,803	969,242
Interest	-	-	307	-	-	-	-	30,495	4,942	35,744	-	283,102	-	-	283,102	318,846
Distribution of building repairs and maintenance	240,152	79,570	83,126	86,489	37,094	-	76,399	-	146,359	749,189	(960,991)	186,913	4,997	19,892	(749,189)	-
Total expenses before depreciation and amortization	3,917,238	1,939,270	2,249,504	1,201,103	569,001	1,128,993	1,270,767	864,665	24,158,246	37,298,792	-	5,146,343	331,870	1,006,405	6,484,616	43,783,408
Depreciation and amortization	241,317	71,063	91,294	80,631	35,240	1,412	72,298	51,275	309,670	954,200	-	324,442	4,384	22,333	351,159	1,305,359
Total expenses	\$ 4,158,555	\$ 2,010,333	\$ 2,340,798	\$ 1,281,734	\$ 604,241	\$ 1,130,405	\$ 1,343,065	\$ 915,940	\$ 24,467,916	\$ 38,252,992	\$ -	\$ 5,470,785	\$ 336,254	\$ 1,028,738	\$ 6,835,775	\$ 45,088,767

The accompanying notes are an integral part of this consolidated financial statement.

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

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

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

#### ***Nature of Organization***

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

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

#### ***Principles of Consolidation***

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

#### ***Net Assets without Donor Restrictions***

Net assets without donor restrictions include all net assets not subject to donor-imposed stipulations. Contributions without donor restrictions, interest income and net assets released from donor restrictions are reflected in this category.

#### ***Net Assets with Donor Restrictions***

Net assets with donor restrictions represent contributions subject to donor-imposed restrictions. Donor restrictions are either temporary in nature, stipulating that resources be used for specific purposes or to a specific time period for use, or restricted to be held in perpetuity.

#### ***Cash and Cash Equivalents***

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

#### ***Accounts Receivable***

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

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

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

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

#### ***Inventories***

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

#### ***Investments***

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

#### ***Fair Value Measurements***

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

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market. These include common stock and equity funds.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these instruments includes investments for which quoted prices are available but which are traded less frequently and investments that are fairly valued using other securities, the parameters of which can be directly observed. Level 2 instruments include bonds and other debt instruments.
- Level 3 - Securities and trusts that have little to no observable pricing as of the report date. These instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. These instruments consist of beneficial interest in perpetual trusts.

#### ***Land, Building and Equipment***

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

#### ***Revenue and Revenue Recognition***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* ("ASU-2014-09"). This requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 replaces most existing revenue recognition in accounting principles

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

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

generally accepted in the United States of America (U.S. GAAP). The Lighthouse adopted the new standard effective for the year ended June 30, 2021. The Lighthouse recognizes revenue from different sources including contributions, sale of goods, sale of services, exam and rehabilitation fees, and government and non-government grants. The adoption of this standard had no impact of the statements of financial position and the statements of activities and changes in net assets, but resulted in additional disclosures. Revenue is recorded based on the accrual basis of accounting.

Revenue from contributions is recognized when cash; securities or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. These include contributions from individuals, bequests, sponsorships, corporate and foundation giving, fundraising events, and in-kind donations. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. For the years ended June 30, 2021 and 2020, contributions of \$2,863,065 and \$2,729,697, respectively, have been recognized.

Sales of goods are made through Lighthouse Industries for products manufactured, as well as through the Tools for Living store operated by The Chicago Lighthouse. Revenue is recognized when goods are shipped or picked up by the customer, and the transaction prices are fixed according to price lists. Total sales of goods for the years ended June 30, 2021 and 2020, respectively, were \$4,364,507 and \$4,098,780.

Sales of services include call center contracts, contracts for janitorial services and contract close out services. Revenue is recognized in the period the service was performed at a transaction price that is fixed per unit according to a contract with the customer. Total sales of services for the years ended June 30, 2021 and 2020, respectively, were \$31,318,850 and \$28,522,031.

Low-vision exams and rehabilitation services are provided to clients and billed at a fixed price per client or on a sliding scale. Revenue is recognized at the time of service when an appointment is completed. Total fees related to low-vision exams and rehabilitation services for the years ended June 30, 2021 and 2020, respectively, were \$2,822,807 and \$2,873,154.

A portion of The Lighthouse's revenue is derived from cost-reimbursable federal, state and city grants to carry out the programs of the agency. Grant revenue is recognized when received or promised, unless conditions stipulated by the granting agency are included, in which case they are recognized when those conditions are satisfied. Total grant revenue recognized for the years ended June 30, 2021 and 2020, respectively, was \$2,768,143 and \$2,563,176.

The Community Services CARES Act Block Grant (CSBG) of \$151,806 was awarded on January 1, 2021 and can be used through September 30, 2022. The Community Development Block CARES Act Grant (CDBG) of \$50,000 was awarded on January 1, 2021 and can be used through September 30, 2022. The Community Development Block Grant (CDBG) of \$138,000 was awarded on January 1, 2021 and can be used through December 31, 2021. All of these grants are reimbursement grants, and revenue is recognized when expenses are incurred.

#### ***Donor-Restricted Gifts***

Unconditional promises to give cash and other assets are reported as with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted gifts, with restrictions that expire during the fiscal year in which the gift is received, are reported as net assets without donor restrictions. In the absence of donor-imposed restrictions on the use of the assets, gifts of long-lived assets are reported as support without donor restrictions.

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

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

#### ***Contributed Services and In-kind Donations***

Contributed services are recognized as revenue if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided. Contributed services that do not meet the above criteria are not recognized as revenue and are not reported in the accompanying consolidated financial statements. Total revenue from contributed services was \$121,800 and \$201,560 for the years ended June 30, 2021 and 2020, respectively, and was recorded for legal and other contractual services received. In-kind donation revenue was \$39,713 and \$47,780 for the years ended June 30, 2021 and 2020, respectively. Specific in-kind grants, considered program subsidy and listed with rehabilitation training course fees and subsidies, were recorded at \$1,142,581 and \$796,380 in 2021 and 2020, respectively, based on the fair value of items 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 \$278,397 and \$109,626 for the years ended June 30, 2021 and 2020, respectively.

#### ***Advertising Expense***

Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense was \$108,365 and \$102,728 for the years ended June 30, 2021 and 2020, respectively.

#### ***Functional Expense Allocation***

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of The Lighthouse. Those expenses include occupancy, depreciation and general administration costs, allocated based on square footage for occupancy and depreciation and wages charged to individual departments for general administration costs.

#### ***Use of Estimates***

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

#### ***Recently Adopted Accounting Pronouncements***

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued ASU No. 2015-14 which deferred the effective date by one year. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU No. 2014-09 by an additional year. The Lighthouse adopted the new standard effective for the year ended June 30, 2021, using the

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

modified retrospective approach. Based on The Lighthouse's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard.

**Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU No. 2016-02 by one year. ASU No. 2016-02 is effective for The Lighthouse for fiscal year 2023. Early adoption is permitted.

**NOTE B - INVESTMENTS**

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

	2021	2020
Cash	\$ 1,857,971	\$ 770,857
Common stocks and equity funds	7,572,848	6,041,335
Bonds and other debt instruments	5,111,254	4,810,822
	<u>\$ 14,542,073</u>	<u>\$ 11,623,014</u>

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

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

	2021	2020
Land	\$ 321,993	\$ 321,993
Buildings	22,208,905	21,417,523
Equipment and furniture	10,527,585	10,237,286
	33,058,483	31,976,802
Less accumulated depreciation and amortization	<u>(23,413,685)</u>	<u>(21,982,543)</u>
Net land, buildings and equipment	<u>\$ 9,644,798</u>	<u>\$ 9,994,259</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE D - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions include gifts of cash, grants and other assets for which donor-imposed restrictions have not been met. Net assets with donor restrictions 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. Net assets with donor restrictions as of June 30, are available for the following purposes:

	2021	2020
Time/purpose restricted:		
Associate Board funds for future years	\$ 25,827	\$ 25,827
Birth-to-Three/Homebound	505,706	454,206
Charitable gift annuities	82,740	64,622
Client emergency assistance	8,500	8,250
Endowment campaign	1,810	1,810
Instructional Materials Center	40,407	124,801
Lighthouse North	412,841	412,841
Pangere Center for Inherited Retinal Disease	41,112	136,432
Preschool	-	75,000
Program expansion and operations	1,996,271	1,842,925
Purchase of fixed assets	36,455	36,455
Scholarship endowment	101,274	87,811
Scholarship fund	129,471	129,470
	<hr/>	<hr/>
Total time/purpose restricted	3,382,414	3,400,450
Held in perpetuity:		
Beneficial interest in perpetual trusts	708,293	567,200
Education of a person who is blind	200,000	200,000
Ongoing agency operations	706,722	706,722
Senior low vision care	500,000	500,000
	<hr/>	<hr/>
Total held in perpetuity	2,115,015	1,973,922
	<hr/>	<hr/>
Total net assets with donor restriction	\$ 5,497,429	\$ 5,374,372

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



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**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:

	2021	2020
Birth-to-Three/Homebound	\$ -	\$ 94,701
Endowment campaign	-	62,500
Instructional Materials Center	124,801	188,097
Lighthouse North	-	115,912
Pangere Center for Inherited Retinal Disease	103,736	203,009
PreSchool	75,000	96,000
Program expansion and operations	249,822	485,500
Purchase of fixed assets	-	118,506
Deaf-Blind program	-	40,428
Scholarship program	72,960	64,230
	<u>\$ 626,319</u>	<u>\$ 1,467,883</u>

**NOTE F - ENDOWMENT NET ASSETS**

Net assets with donor restrictions includes amounts 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 net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

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 net assets without donor restrictions. The Lighthouse did not have any of these deficiencies as of June 30, 2021 and 2020.

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, 2021 and 2020, 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 Finance 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 2021 and 2020, The Lighthouse had the following endowment-related balances and activities:

Endowment net asset composition by type of fund as of June 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
Donor endowment funds	\$ -	\$ 2,594,708	\$ 2,594,708
Board-designated funds	3,040,444	-	3,040,444
Total funds	<u>\$ 3,040,444</u>	<u>\$ 2,594,708</u>	<u>\$ 5,635,152</u>

Endowment net asset composition by type of fund as of June 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
Donor endowment funds	\$ -	\$ 2,575,781	\$ 2,575,781
Board-designated funds	35,163	-	35,163
Total funds	<u>\$ 35,163</u>	<u>\$ 2,575,781</u>	<u>\$ 2,610,944</u>

Changes in endowment net assets for the year ended June 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
Net assets, beginning of year	\$ 35,163	\$ 2,575,781	\$ 2,610,944
Investment return, net	713	29,455	30,168
Contributions	3,005,281	-	3,005,281
Appropriation of endowment assets for expenditure	(713)	(10,528)	(11,241)
Net assets, end of year	<u>\$ 3,040,444</u>	<u>\$ 2,594,708</u>	<u>\$ 5,635,152</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

Changes in endowment net assets for the year ended June 30, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Net assets, beginning of year	\$ 35,163	\$ 2,638,707	\$ 2,673,870
Investment return, net	848	6,903	7,751
Appropriation of endowment assets for expenditure	<u>(848)</u>	<u>(69,829)</u>	<u>(70,677)</u>
Net assets, end of year	<u>\$ 35,163</u>	<u>\$ 2,575,781</u>	<u>\$ 2,610,944</u>

**NOTE G - CONTRIBUTIONS RECEIVABLE**

Contributions receivable at June 30, included the following:

	<u>2021</u>	<u>2020</u>
Unconditional promises to give due in		
Less than one year	\$ 872,978	\$ 335,399
One to five years	<u>871,000</u>	<u>47,000</u>
	1,743,978	382,399
Less		
Allowance for uncollectible accounts	(176,763)	(72,808)
Unamortized discount	<u>(1,300)</u>	<u>(4,088)</u>
Contributions receivable, net	<u>\$ 1,565,915</u>	<u>\$ 305,503</u>

Discount rate was 5% for the years ended June 30, 2021 and 2020.

**NOTE H - MAJOR CUSTOMERS**

The Lighthouse has entered into agreements with various governmental entities to provide services. The percentages of total revenue and receivables from those entities with significant concentrations are as follows for the years ended and as of June 30:

	<u>2021</u>		<u>2020</u>	
	<u>Revenue</u>	<u>Receivable</u>	<u>Revenue</u>	<u>Receivable</u>
The Illinois State Toll Highway Authority	35%	35%	42%	17%
University of Illinois Health Systems	18%	10%	18%	30%

**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 2021 and 2020 of the total

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

compensation of eligible employees who complete at least 500 hours and eligible employed Industries production workers who complete at least one hour of service (as defined) during the plan year. Total plan expense in 2021 and 2020 was \$242,100 and \$273,242, respectively.

**NOTE J - INCOME TAXES**

The Chicago Lighthouse for People Who Are Blind or Visually Impaired and Chicago Lighthouse Industries each have a favorable determination letter from the Internal Revenue Service, stating that they are exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986 (IRC), except for income taxes pertaining to unrelated business income. The FASB issued guidance that requires tax effects from uncertain tax positions to be recognized in the consolidated financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority.

Management has determined that there are no material uncertain positions that require recognition in the consolidated financial statements, as The Chicago Lighthouse for People Who Are Blind or Visually Impaired has immaterial unrelated business income and files a Form 990-T; however, no provision for income taxes is required. Additionally, there are no interest or penalties recognized in the consolidated statements of activities or consolidated statements of financial position. Chicago Lighthouse Industries does not have unrelated business income, and no provision is necessary.

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

The following tables summarize assets by fair value levels as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks and equity funds	\$ 7,572,848	\$ -	\$ -	\$ 7,572,848
Bonds and other debt instruments	-	5,111,254	-	5,111,254
Beneficial interest in perpetual trusts	-	-	708,293	708,293
	<u>\$ 7,572,848</u>	<u>\$ 5,111,254</u>	<u>\$ 708,293</u>	<u>\$ 13,392,395</u>

The following tables summarize assets by fair value levels as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks and equity funds	\$ 6,041,335	\$ -	\$ -	\$ 6,041,335
Bonds and other debt instruments	-	4,810,822	-	4,810,822
Beneficial interest in perpetual trusts	-	-	567,200	567,200
	<u>\$ 6,041,335</u>	<u>\$ 4,810,822</u>	<u>\$ 567,200</u>	<u>\$ 11,419,357</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

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

	Beneficial Interest in Perpetual Trusts
	<hr/>
Balance as of June 30, 2019	\$ 570,891
Change in value	<hr/> (3,691)
Balance as of June 30, 2020	567,200
Change in value	<hr/> 141,093
Balance as of June 30, 2021	<u><u>\$ 708,293</u></u>

**NOTE L - 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:

	2021	2020
	<hr/>	<hr/>
Accounts receivable allowance for uncollectible accounts		
Beginning balance	\$ 89,893	\$ 60,345
Bad debt expense	40,054	50,281
Accounts written off	<hr/> (8,183)	<hr/> (20,733)
Ending balance	<u><u>\$ 121,764</u></u>	<u><u>\$ 89,893</u></u>

**NOTE M - DEBT OBLIGATIONS - LINE OF CREDIT AND MORTGAGE**

In January of 2019, The Lighthouse entered into an agreement to refinance its existing revolving line of credit by obtaining a mortgage and a new revolving line of credit with The Northern Trust Company, both secured by the land and building located at 1850 W. Roosevelt Rd, Chicago, IL. The mortgage will mature in fiscal year 2024 and bears interest at the rate of 5.75%.

Future principal payments on the 1850 mortgage as of June 30, 2021, are as follows:

<u>Years Ending June 30,</u>	
2022	\$ 50,972
2023	54,024
2024	3,291,580

Interest expense on the mortgage totaled \$215,907 and \$202,590 for the years ended June 30, 2021 and 2020, respectively.

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

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

The Lighthouse's new revolving line of credit matures on demand and provides for borrowing up to an aggregate amount of \$2,500,000. At June 30, 2021 and 2020, the amounts outstanding on the lines of credit totaled \$0 and \$1,725,000, respectively. The interest rate on this debt fluctuated based on the LIBOR rate and was 2.3% and 2.3% as of June 30, 2021 and 2020, respectively. Interest is also payable at 0.25% on the unused available line of credit. Interest expense incurred on the line of credit totaled \$46,293 and \$78,778 for the years ended June 30, 2021 and 2020, respectively.

In November 2015, The Lighthouse entered into an agreement to refinance an existing mortgage with The Northern Trust Company secured by the Glenview land and building. The mortgage will matured in fiscal year 2021 and had an interest rate of 4.85%. In February 2021, the mortgage was refinanced and will mature in 2031 with an interest rate of 3.7%.

Future principal payments on the Glenview mortgage as of June 30, 2021, are as follows:

Year Ending June 30,

2022	\$	46,000
2023		47,710
2024		49,577
2025		51,469
2025		53,435
Thereafter		322,497

Interest expense on the mortgage totaled \$27,043 and \$30,495 for the years ended June 30, 2021 and 2020, respectively.

### **NOTE N - 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 net assets with donor restrictions. The Lighthouse's beneficial interest in the trusts, at fair value, totaled \$708,293 and \$567,200 at June 30, 2021 and 2020, 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 \$181,018 and \$177,552 at June 30, 2021 and 2020, respectively, have been segregated in separate accounts, the use of which is limited to meeting the gift annuity obligations. The liability was \$85,242 and \$88,937 at June 30, 2021 and 2020, respectively, which is included in other accrued liabilities in the consolidated statements of financial position.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE O - FUTURE COMMITMENTS**

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

Total rent expense amounted to \$92,481 and \$260,499 in 2021 and 2020, respectively. Future minimum lease payments under these operating leases are as follows:

Years Ending June 30,

2022	\$	82,537
2023		45,386
2024		40,942

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

	<u>2021</u>	<u>2020</u>
Phone systems	\$ 1,014,241	\$ 1,014,241
Less accumulated amortization	<u>(1,014,241)</u>	<u>(889,162)</u>
Net capitalized leased property	<u>\$ -</u>	<u>\$ 125,079</u>

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

**NOTE P - CONCENTRATION OF CREDIT RISK**

Certain financial instruments throughout the year subject The Lighthouse to credit risk. Those financial instruments consist primarily of cash, accounts receivable, investments and beneficial interest in perpetual trusts. The Lighthouse maintains its cash balance in financial institutions which at times may exceed federally insured limits. The Lighthouse has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. The Lighthouse may be subject to credit risk as relates to receivable balances of major customers whose balances make up 45% and 47% of the accounts receivable balance at June 30, 2021 and 2020, respectively. Credit risk for the remainder of receivables is limited due to the large number of accounts and low average receivable balance. Concentration of credit risk in respect to the beneficial interest in perpetual trusts is limited through the diversification of trust assets. The Lighthouse's investment policy also stipulates appropriate diversification of investment balances.

**NOTE Q - RELATED PARTIES**

Donations to The Lighthouse from members of the board of directors were \$1,495,182 and \$259,594, including \$35,000 and \$10,000 from board members' family foundations, for the years ended June 30, 2021 and 2020, respectively. Pledges receivable from members of the board of directors were \$559,500 and \$63,750 at June 30, 2021 and 2020, respectively.

Payments to members of the Lighthouse board of directors, or related companies, for professional services provided were \$113,903 and \$28,108 for the years ended June 30, 2021 and 2020, respectively.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE R - LIQUIDITY**

The Chicago Lighthouse regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For the purpose of analyzing resources available to meet general expenditures over a 12-month period, The Lighthouse considers all expenditures related to its ongoing program activities as well as the cost of supporting those activities to be general expenditures.

Financial assets available for general use within one year of June 30, 2021:

Cash and cash equivalents	\$ 6,274,970	
Investments and accrued investment income	14,578,750	
Accounts receivable, net	<u>7,070,009</u>	\$ 27,923,729
Less amounts not available for general use within one year:		
Donor restrictions for endowments and other long-term purposes	\$ 4,229,805	
Board-designated endowment	3,040,444	
Contributions receivable, net - due after one year	692,936	
Funds reserved for debt compliance	<u>4,958,317</u>	<u>12,921,502</u>
Financial assets available for general use within one year		<u>\$ 15,002,227</u>

Financial assets available for general use within one year of June 30, 2020:

Cash and cash equivalents	\$ 1,518,436	
Investments and accrued investment income	11,660,162	
Accounts receivable, net	<u>3,827,188</u>	\$ 17,005,786
Less amounts not available for general use within one year:		
Donor restrictions for endowments and other long-term purposes	\$ 4,003,406	
Board-designated endowment	35,163	
Contributions receivable, net - due after one year	20,312	
Funds reserved for debt compliance	<u>7,204,025</u>	<u>11,262,906</u>
Financial assets available for general use within one year		<u>\$ 5,742,880</u>

**NOTE S - SUBSEQUENT EVENTS**

The Lighthouse evaluated its June 30, 2021, consolidated financial statements for subsequent events through December 17, 2021, the date the consolidated financial statements were available to be issued. The Lighthouse is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.



## SUPPLEMENTARY INFORMATION

The Chicago Lighthouse for People Who Are Blind or Visually Impaired

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2021

	The Chicago Lighthouse for People Who Are Blind or Visually Impaired			Chicago Lighthouse Industries		
	Operating Fund	Long-term Investment Fund	Total	Operating Fund	Eliminations	Consolidated
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,866,908	\$ -	\$ 5,866,908	\$ 408,062	\$ -	\$ 6,274,970
Accounts receivable						
Lighthouse Industries and Call Centers	4,036,699	-	4,036,699	681,912	-	4,718,611
Bequests	-	4,224	4,224	-	-	4,224
Other, principally state agencies, net	781,259	-	781,259	-	-	781,259
Contributions, net	98,447	1,534,702	1,633,149	(67,234)	-	1,565,915
Accounts receivable, net	4,916,405	1,538,926	6,455,331	614,678	-	7,070,009
Accrued investment income	-	36,677	36,677	-	-	36,677
Inventories	49,928	-	49,928	560,637	-	610,565
Prepaid expenses	362,116	-	362,116	7,142	-	369,258
Investments	-	14,542,073	14,542,073	-	-	14,542,073
Beneficial interest in perpetual trusts	-	708,293	708,293	-	-	708,293
Land, buildings and equipment, net	9,569,090	-	9,569,090	75,708	-	9,644,798
Total assets	<u>\$ 20,764,447</u>	<u>\$ 16,825,969</u>	<u>\$ 37,590,416</u>	<u>\$ 1,666,227</u>	<u>\$ -</u>	<u>\$ 39,256,643</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable	\$ 2,110,942	\$ -	\$ 2,110,942	\$ 133,747	\$ -	\$ 2,244,689
Accrued salaries and payroll taxes	1,201,933	-	1,201,933	116,183	-	1,318,116
Mortgage payable	3,966,654	-	3,966,654	-	-	3,966,654
Deferred revenue	4,349,425	-	4,349,425	-	-	4,349,425
Other accrued liabilities	338,325	85,242	423,567	29,621	-	453,188
Total liabilities	11,967,279	85,242	12,052,521	279,551	-	12,332,072
<b>Net assets</b>						
Without donor restrictions	7,529,544	12,510,922	20,040,466	1,386,676	-	21,427,142
With donor restrictions	1,267,624	4,229,805	5,497,429	-	-	5,497,429
Total net assets	8,797,168	16,740,727	25,537,895	1,386,676	-	26,924,571
Total liabilities and net assets	<u>\$ 20,764,447</u>	<u>\$ 16,825,969</u>	<u>\$ 37,590,416</u>	<u>\$ 1,666,227</u>	<u>\$ -</u>	<u>\$ 39,256,643</u>

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

**CONSOLIDATING STATEMENT OF ACTIVITIES**

**Year ended June 30, 2021**

	<b>The Chicago Lighthouse for People Who Are Blind or Visually Impaired</b>	<b>Chicago Lighthouse Industries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Operating revenues				
Support and revenues				
Public support				
Contributions	\$ 2,332,343	\$ 798,363	\$ (796,295)	\$ 2,334,411
United Way	68,667	-	-	68,667
Donated goods/services	122,467	21,800	-	144,267
Special events revenue	485,152	-	-	485,152
Less cost of direct benefits to donors	(169,432)	-	-	(169,432)
Net revenues from special events	315,720	-	-	315,720
Total public support	2,839,197	820,163	(796,295)	2,863,065
Program and other revenues				
Program revenues				
Call Center contracts	30,051,210	-	-	30,051,210
Lighthouse Industries sales	-	3,802,526	-	3,802,526
Rehabilitation training course fees and subsidies	4,885,292	-	-	4,885,292
Optical aid fees and sales	1,267,640	-	-	1,267,640
Government and other service contracts	-	1,213,650	-	1,213,650
Miscellaneous revenues	54,405	1,754	-	56,159
Total program revenues	36,258,547	5,017,930	-	41,276,477
Total public support, program and other revenues	39,097,744	5,838,093	(796,295)	44,139,542
Total operating revenues	<u>\$ 39,097,744</u>	<u>\$ 5,838,093</u>	<u>\$ (796,295)</u>	<u>\$ 44,139,542</u>

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

**CONSOLIDATING STATEMENT OF ACTIVITIES - CONTINUED**

**Year ended June 30, 2021**

	<b>The Chicago Lighthouse for People Who Are Blind or Visually Impaired</b>	<b>Chicago Lighthouse Industries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Expenses				
Program services	\$ 30,394,079	\$ 5,103,931	\$ (324,064)	\$ 35,173,946
Supporting services	7,685,542	554,548	(472,231)	7,767,859
Total expenses	38,079,621	5,658,479	(796,295)	42,941,805
Surplus of operating revenues over operating expenses	1,018,123	179,614	-	1,197,737
Non-operating items				
Legacies and bequests	415,481	-	-	415,481
Contributions for long-term investment purposes	2,498,794	-	-	2,498,794
Investment return, net	1,915,652	-	-	1,915,652
Change in value of split interest agreements	132,256	-	-	132,256
Total non-operating items	4,962,183	-	-	4,962,183
Change in net assets	5,980,306	179,614	-	6,159,920
Net assets, at beginning of year	19,557,589	1,207,062	-	20,764,651
Net assets, at end of year	<u>\$ 25,537,895</u>	<u>\$ 1,386,676</u>	<u>\$ -</u>	<u>\$ 26,924,571</u>

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

### Board of Directors

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Chicago Lighthouse for People Who Are Blind or Visually Impaired and Chicago Lighthouse Industries (nonprofit organizations) (collectively, The Lighthouse), which comprise the consolidated statement of financial position as of June 30, 2021 and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2021.

### **Internal control over financial reporting**

In planning and performing our audit of the consolidated financial statements, we considered The Lighthouse's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of The Lighthouse's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of The Lighthouse's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in The Lighthouse's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and other matters**

As part of obtaining reasonable assurance about whether The Lighthouse's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Intended purpose**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Lighthouse's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Lighthouse's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Chicago, Illinois  
December 17, 2021