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

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

June 30, 2022 and 2021

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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

Opinion

We have audited the consolidated financial statements of The Chicago Lighthouse for People Who are Blind or Visually Impaired and Chicago Lighthouse Industries (a nonprofit organization) (the "Entity"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

GRANT THORNTON LLP (signed manually)

Chicago, Illinois
March 13, 2023

The Chicago Lighthouse for People Who Are Blind or Visually Impaired

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

	2022			2021		
	Operating Fund	Long-term Investment Fund	Total	Operating Fund	Long-term Investment Fund	Total
ASSETS						
Cash and cash equivalents	\$ 2,328,066	\$ -	\$ 2,328,066	\$ 6,274,970	\$ -	\$ 6,274,970
Accounts receivable						
Lighthouse Industries and Call Centers, net	3,171,269	-	3,171,269	4,718,611	-	4,718,611
Bequests	-	-	-	-	4,224	4,224
Other, principally state agencies, net	966,483	-	966,483	781,259	-	781,259
Contributions, net	172,400	8,959,971	9,132,371	31,213	1,534,702	1,565,915
Accounts receivable, net	4,310,152	8,959,971	13,270,123	5,531,083	1,538,926	7,070,009
Accrued investment income	-	28,374	28,374	-	36,677	36,677
Inventories	799,671	-	799,671	610,565	-	610,565
Prepaid expenses	157,653	-	157,653	369,258	-	369,258
Investments	-	16,340,310	16,340,310	-	14,542,073	14,542,073
Beneficial interest in perpetual trusts	-	566,814	566,814	-	708,293	708,293
Land, buildings and equipment, net	9,216,060	-	9,216,060	9,644,798	-	9,644,798
Total assets	<u>\$ 16,811,602</u>	<u>\$ 25,895,469</u>	<u>\$ 42,707,071</u>	<u>\$ 22,430,674</u>	<u>\$ 16,825,969</u>	<u>\$ 39,256,643</u>
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	\$ 1,026,430	\$ -	\$ 1,026,430	\$ 2,244,689	\$ -	\$ 2,244,689
Accrued salaries and payroll taxes	1,343,944	-	1,343,944	1,318,116	-	1,318,116
Line of credit	300,000	-	300,000	-	-	-
Mortgage payable	3,869,888	-	3,869,888	3,966,654	-	3,966,654
Deferred revenue	43,323	-	43,323	4,349,425	-	4,349,425
Other accrued liabilities	374,311	86,146	460,457	367,946	85,242	453,188
Total liabilities	6,957,896	86,146	7,044,042	12,246,830	85,242	12,332,072
Net assets						
Without donor restrictions	7,246,588	12,990,111	20,236,699	8,916,220	12,510,922	21,427,142
With donor restrictions	2,607,118	12,819,212	15,426,330	1,267,624	4,229,805	5,497,429
Total net assets	<u>9,853,706</u>	<u>25,809,323</u>	<u>35,663,029</u>	<u>10,183,844</u>	<u>16,740,727</u>	<u>26,924,571</u>
Total liabilities and net assets	<u>\$ 16,811,602</u>	<u>\$ 25,895,469</u>	<u>\$ 42,707,071</u>	<u>\$ 22,430,674</u>	<u>\$ 16,825,969</u>	<u>\$ 39,256,643</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,

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues						
Public support						
Contributions of cash and other financial assets	\$ 2,843,804	\$ 10,191,406	\$ 13,035,210	\$ 710,904	\$ 480,926	\$ 1,191,830
United Way	1,858	2,828	4,686	68,667	-	68,667
Contributions of non-financial assets	927,540	-	927,540	1,286,848	-	1,286,848
Special events revenue	697,787	-	697,787	485,152	-	485,152
Less cost of direct benefits to donors	(376,868)	-	(376,868)	(169,432)	-	(169,432)
Net revenues from special events	320,919	-	320,919	315,720	-	315,720
Total public support	4,094,121	10,194,234	14,288,355	2,382,139	480,926	2,863,065
Program revenues						
Call Center contracts	24,436,521	-	24,436,521	30,051,210	-	30,051,210
Lighthouse Industries sales	3,805,923	-	3,805,923	3,802,526	-	3,802,526
Rehabilitation training course fees and subsidies	5,844,644	-	5,844,644	4,844,885	40,407	4,885,292
Optical aid fees and sales	1,187,723	-	1,187,723	1,267,640	-	1,267,640
Government and other service contracts	1,259,606	-	1,259,606	1,213,650	-	1,213,650
Miscellaneous revenues	126,166	-	126,166	56,159	-	56,159
Total program revenues	36,660,583	-	36,660,583	41,236,070	40,407	41,276,477
Total public support and program revenues	40,754,704	10,194,234	50,948,938	43,618,209	521,333	44,139,542
Net assets released from restrictions	601,685	(601,685)	-	626,319	(626,319)	-
Total operating revenues	\$ 41,356,389	\$ 9,592,549	\$ 50,948,938	\$ 44,244,528	\$ (104,986)	\$ 44,139,542

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,

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses						
Program services	\$ 36,209,553	\$ -	\$ 36,209,553	\$ 35,173,946	\$ -	\$ 35,173,946
Supporting services	7,940,862	-	7,940,862	7,767,859	-	7,767,859
Total expenses	44,150,415	-	44,150,415	42,941,805	-	42,941,805
Surplus (deficiency) of operating revenues over operating expenses	(2,794,026)	9,592,549	6,798,523	1,302,723	(104,986)	1,197,737
Non-operating items						
Legacies and bequests	188,449	-	188,449	415,481	-	415,481
Contributions for long-term investment purposes	3,554,662	-	3,554,662	2,498,794	-	2,498,794
Investment return, net	(2,139,528)	491,268	(1,648,260)	1,819,865	95,787	1,915,652
Change in value of split interest agreements	-	(154,916)	(154,916)	-	132,256	132,256
Total non-operating items	1,603,583	336,352	1,939,935	4,734,140	228,043	4,962,183
CHANGE IN NET ASSETS	(1,190,443)	9,928,901	8,738,458	6,036,863	123,057	6,159,920
Net assets, at beginning of year	21,427,142	5,497,429	26,924,571	15,390,279	5,374,372	20,764,651
Net assets, at end of year	\$ 20,236,699	\$ 15,426,330	\$ 35,663,029	\$ 21,427,142	\$ 5,497,429	\$ 26,924,571

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,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 8,738,458	\$ 6,159,920
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on sales of investments	1,977,796	(1,639,574)
Net change in value of split interest agreements	154,916	(132,256)
Depreciation and amortization	1,220,877	1,431,142
Change in allowance for uncollectible accounts	58,994	31,871
Changes in operating assets and liabilities:		
Accounts receivable	(6,259,108)	(3,274,692)
Accrued investment income	8,303	471
Inventories	(189,106)	585,385
Prepaid expenses	211,605	(46,239)
Accounts payable	(1,218,259)	876,327
Accrued salaries and payroll taxes	25,828	457,470
Deferred revenue	(4,306,102)	4,349,425
Other accrued liabilities	7,269	(55,510)
	<u>431,471</u>	<u>8,743,740</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of investments	(8,631,827)	(5,713,852)
Sale of investments	4,842,357	4,424,669
Additions to land, buildings and equipment	(792,139)	(900,889)
	<u>(4,581,609)</u>	<u>(2,190,072)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds from line of credit	300,000	750,000
Payments made on line of credit	-	(2,475,000)
Payments made on mortgage	(96,766)	(72,134)
	<u>203,234</u>	<u>(1,797,134)</u>
Net cash provided by (used in) financing activities		
CHANGE IN CASH AND CASH EQUIVALENTS	<u>(3,946,904)</u>	<u>4,756,534</u>
Cash and cash equivalents, beginning of year	<u>6,274,970</u>	<u>1,518,436</u>
Cash and cash equivalents, end of year	<u>\$ 2,328,066</u>	<u>\$ 6,274,970</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 219,372	\$ 289,243
Non-cash investing:		
Capital expenditures accrued, but not paid	\$ -	\$ 179,931

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, 2022

	Program Services										Supporting Services					Total	
	Lighthouse Industries	Instructional Materials Center	Vision Rehabilitation & Research	Child Development Center	Other Children & Youth Programs	Government & Other Service Contracts	Adult Vocational, Rehab and Independent Living	Lighthouse North	Other Programs & Services	Call Center/ Customer Service Industries	Total	Building and Maintenance	General Administration	Public Relations	Fund-raising		Total
Employee salaries	\$ 435,563	\$ 232,805	\$ 1,064,930	\$ 545,286	\$ 459,275	\$ 155,272	\$ 571,459	\$ 74,663	\$ 56,765	\$ 2,565,509	\$ 6,161,527	\$ 198,319	\$ 2,741,154	\$ 233,426	\$ 609,804	\$ 3,782,703	\$ 9,944,230
Employee benefits	77,407	44,029	195,978	106,548	85,869	29,481	106,705	12,885	10,491	864,051	1,533,444	37,591	581,140	44,569	116,930	780,230	2,313,674
Total employee salaries and benefits	512,970	276,834	1,260,908	651,834	545,144	184,753	678,164	87,548	67,256	3,429,560	7,694,971	235,910	3,322,294	277,995	726,734	4,562,933	12,257,904
Production wages	911,548	80,111	146,573	323,573	60,001	657,920	84,984	23,801	5,814	13,313,839	15,608,164	206,290	237,252	77,084	15,276	535,902	16,144,066
Production-related benefits	146,834	14,447	26,262	59,967	11,487	115,241	15,215	4,412	848	2,074,986	2,469,699	37,180	42,411	14,104	1,371	95,066	2,564,765
Total production payments and benefits	1,058,382	94,558	172,835	383,540	71,488	773,161	100,199	28,213	6,662	15,388,825	18,077,863	243,470	279,663	91,188	16,647	630,968	18,708,831
Total salaries and related benefits	1,571,352	371,392	1,433,743	1,035,374	616,632	957,914	778,363	115,761	73,918	18,818,385	25,772,834	479,380	3,601,957	369,183	743,381	5,193,901	30,966,735
Professional and contract services	91,060	-	187,436	177,582	3,284	176	3,100	3,773	-	792,864	1,259,275	75,305	801,855	1,471	72,486	951,117	2,210,392
Temporary labor	-	-	-	104,987	-	62,986	-	-	-	803,451	971,424	-	61,484	-	-	61,484	1,032,908
Supplies	60,656	1,634,006	17,184	25,500	24,977	8,898	22,197	2,652	833	25,938	1,822,841	63,306	204,911	1,173	3,377	272,767	2,095,608
Advertising	13,339	-	-	-	-	-	-	-	-	246	13,585	-	-	159,799	33,128	192,927	206,512
Telephone	53	-	1,797	89	142	463	327	25,970	-	175,335	204,156	233	283,753	-	86	284,072	488,228
Postage, freight and direct mail	166,879	20,039	13,753	958	-	-	158	31	-	64,509	286,327	928	9,413	1,417	21,051	32,809	299,136
Equipment rental and maintenance	4,264	17,567	3,930	3,428	-	-	-	1,185	-	22,013	52,387	3,722	46,120	-	4,352	54,194	106,581
Utilities	17,403	-	-	-	-	-	12,010	-	-	29,413	241,751	-	-	-	-	241,751	271,164
Building repairs and maintenance	-	-	-	204	3,125	-	-	31,568	-	34,897	157,162	12,765	-	-	250	170,177	205,074
Property and liability insurance	5,780	1,538	3,885	2,618	457	457	41	2,762	1,287	49,778	68,403	19,489	275,611	-	1,893	296,993	365,396
Printing	3,436	-	8,774	-	-	-	449	30	-	945	13,534	-	2,649	8,896	29,246	40,791	54,325
Conference, meetings and major trips	2,585	-	8,727	15,151	7,511	-	6,377	124	-	24,908	65,383	24	11,593	54	76	11,747	77,130
Memberships	355	-	-	154	-	-	-	338	623	3,539	5,009	129	18,969	-	-	19,989	24,107
Client assistance	-	-	-	30,591	63,398	-	21,982	-	-	-	115,971	-	135	-	-	135	116,106
Cost of materials	1,591,194	-	538,536	-	-	-	-	-	-	-	2,129,730	-	-	-	-	-	2,129,730
Property rental	33,919	-	5,313	-	-	-	-	-	-	4,000	43,132	-	55,125	-	-	55,125	98,257
Commissions	241,170	-	96	-	-	21,402	-	-	-	-	262,668	-	-	-	-	262,668	-
Information technology	11,981	19,460	15,137	6,895	-	1,400	433	-	2,414	118,618	176,338	-	268,460	8,233	21,989	298,682	475,020
Pass-through expense	-	-	-	-	-	-	-	-	-	614,414	614,414	-	151	-	-	151	614,565
Employee management and payroll processing	-	-	-	-	-	-	-	-	-	-	-	-	264,645	-	-	264,645	264,645
Other	64,488	2,570	67,003	2,914	12,851	1,475	24,605	846	-	7,112	183,844	17,262	109,320	9,200	26,254	162,036	345,880
Interest	-	-	-	-	-	-	-	3,562	-	-	3,562	-	215,809	-	-	215,809	219,371
Distribution of building repairs and maintenance	171,351	8,045	33,789	24,134	38,615	27,352	22,525	-	1,609	731,271	1,058,691	(1,058,691)	-	-	-	(1,058,691)	-
Total expenses before depreciation and amortization	4,051,145	2,074,617	2,338,903	1,430,559	770,992	1,082,523	880,557	200,612	80,684	22,257,226	35,167,818	-	6,244,725	559,426	957,569	7,761,720	42,929,538
Depreciation and amortization	233,555	76,543	146,290	93,048	41,525	110	66,153	-	9,507	375,004	1,041,735	-	124,838	29,993	24,311	179,142	1,220,877
Total expenses	\$ 4,284,700	\$ 2,151,160	\$ 2,485,193	\$ 1,523,607	\$ 812,517	\$ 1,082,633	\$ 946,710	\$ 200,612	\$ 90,191	\$ 22,632,230	\$ 36,209,553	\$ -	\$ 6,369,563	\$ 589,419	\$ 981,880	\$ 7,940,862	\$ 44,150,415

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, 2021

	Program Services										Supporting Services					
	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	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
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
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
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
Production-related benefits	135,364	-	2,175	-	-	73,511	648	185	2,538,927	2,750,810	-	-	-	288	288	2,751,098
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
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
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
Temporary labor	-	-	-	-	-	15,757	-	-	1,089,965	1,105,722	-	-	-	-	-	1,105,722
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
Advertising	57,371	-	-	-	-	-	-	-	57,371	-	1,239	13,755	36,000	50,994	108,365	-
Telephone	720	-	4,554	-	507	412	4,806	28,671	186,320	225,990	533	235,599	454	10,342	246,928	472,918
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
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	
Utilities	2,727	-	-	-	-	-	-	9,505	-	12,232	-	-	-	180,536	192,768	
Building repairs and maintenance	-	-	-	-	-	-	-	24,723	-	24,723	-	-	-	625	250,754	275,477
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
Printing	742	-	2,740	-	-	-	3,573	-	7,055	-	1,426	-	-	27,962	29,388	36,443
Conference, meetings and major trips	-	-	4,074	-	-	111	430	85	12,347	17,047	-	14,452	160	514	15,126	32,173
Memberships	350	-	-	-	-	-	399	163	912	129	116	10,289	116	385	10,919	11,831
Client assistance	-	-	-	5,771	49,894	-	695	187	-	56,547	-	-	-	-	-	56,547
Cost of materials	1,958,193	-	1,296	-	-	20,884	-	-	-	1,980,373	-	192,249	-	-	192,249	2,172,622
Property rental	34,935	-	4,910	-	-	-	-	-	-	39,845	-	-	-	-	-	39,845
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
Interest	-	-	-	-	-	-	-	27,043	-	27,043	-	262,200	-	-	262,200	289,243
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
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
Total expenses	\$ 4,317,158	\$ 2,303,892	\$ 1,933,115	\$ 1,264,242	\$ 552,845	\$ 964,057	\$ 905,926	\$ 855,485	\$ 22,077,226	\$ 35,173,946	\$ -	\$ 6,176,690	\$ 300,337	\$ 1,290,832	\$ 7,767,859	\$ 42,941,805

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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 \$2,500 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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, 2022 and 2021, contributions of \$14,288,355 and \$2,863,065, 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, 2022 and 2021, respectively, were \$4,411,522 and \$4,364,507.

Sales of services include call center contracts, digital accessibility consulting, 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, 2022 and 2021, respectively, were \$25,774,980 and \$31,318,850.

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, 2022 and 2021, respectively, were \$3,676,263 and \$2,822,807.

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, 2022 and 2021, respectively, was \$2,678,982 and \$2,768,143.

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 \$141,600 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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 \$299,695 and \$278,397 for the years ended June 30, 2022 and 2021, respectively.

Advertising Expense

Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense was \$209,862 and \$108,365 for the years ended June 30, 2022 and 2021, 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 September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The guidance requires contributed nonfinancial assets to be presented as a separate line item on the statement of activities, apart from cash and other financial asset contributions. The guidance also requires disclosure of the types of contributed nonfinancial assets and, for each category, information about whether the assets were monetized or utilized, a description of the policies to monetize or utilize such assets, a description of donor-imposed restrictions associated with the contributions, and a description of the valuation techniques and principal market used to arrive at a fair value measure at initial recognition. Organizations are required to apply the guidance on a retrospective basis. The Lighthouse adopted ASU 2020-07 for the year ended June 30, 2022, and the additional disclosures are included in Note H.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE B - INVESTMENTS

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

	<u>2022</u>	<u>2021</u>
Cash	\$ 800,529	\$ 1,857,971
Common stocks and equity funds	9,642,655	7,572,848
Bonds and other debt instruments	<u>5,897,126</u>	<u>5,111,254</u>
	<u>\$ 16,340,310</u>	<u>\$ 14,542,073</u>

NOTE C - LAND, BUILDING AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 321,993	\$ 321,993
Buildings	22,873,637	22,208,905
Equipment and furniture	<u>10,654,991</u>	<u>10,527,585</u>
	33,850,621	33,058,483
Less accumulated depreciation and amortization	<u>(24,634,561)</u>	<u>(23,413,685)</u>
Net land, buildings and equipment	<u>\$ 9,216,060</u>	<u>\$ 9,644,798</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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:

	<u>2022</u>	<u>2021</u>
Time/purpose restricted:		
Pledges receivable (time-restricted)	\$ 8,000,000	\$ -
Associate Board funds for future years	25,827	25,827
Birth-to-Three/Homebound	441,989	505,706
Charitable gift annuities	118,574	82,740
Client emergency assistance	8,750	8,500
Endowment campaign	1,809	1,810
Instructional Materials Center	-	40,407
Lighthouse North	362,841	412,841
Pangere Center for Inherited Retinal Disease	-	41,112
Program expansion and operations	4,209,576	1,996,271
Purchase of fixed assets	36,455	36,455
Scholarship endowment	126,213	101,274
Scholarship fund	120,759	129,471
	<u>13,452,793</u>	<u>3,382,414</u>
Held in perpetuity:		
Beneficial interest in perpetual trusts	566,815	708,293
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
	<u>1,973,537</u>	<u>2,115,015</u>
Total net assets with donor restriction	<u>\$ 15,426,330</u>	<u>\$ 5,497,429</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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:

	2022	2021
Birth-to-Three/Homebound	\$ 338,717	\$ -
Instructional Materials Center	40,407	124,801
Lighthouse North	50,000	-
Pangere Center for Inherited Retinal Disease	42,517	103,736
PreSchool	-	75,000
Program expansion and operations	91,332	249,822
Scholarship program	38,712	72,960
	<u>\$ 601,685</u>	<u>\$ 626,319</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.

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, 2022 and 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, 2022 and 2021, 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 2022 and 2021, The Lighthouse had the following endowment-related balances and activities:

Endowment net asset composition by type of fund as of June 30, 2022:

	Without Donor Restriction	With Donor Restriction	Total
Donor endowment funds	\$ -	\$ 2,973,500	\$ 2,973,500
Board-designated funds	4,249,290	-	4,249,290
Total funds	<u>\$ 4,249,290</u>	<u>\$ 2,973,500</u>	<u>\$ 7,222,791</u>

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>

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restriction	With Donor Restriction	Total
Net assets, beginning of year	\$ 3,040,444	\$ 2,594,708	\$ 5,635,152
Investment return, net	913	382,258	383,171
Contributions	1,208,846	-	1,208,846
Appropriation of endowment assets for expenditure	<u>(913)</u>	<u>(3,466)</u>	<u>(4,379)</u>
Net assets, end of year	<u>\$ 4,249,290</u>	<u>\$ 2,973,500</u>	<u>\$ 7,222,791</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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>

NOTE G - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, included the following:

	2022	2021
Unconditional promises to give due in		
Less than one year	\$ 3,444,040	\$ 872,978
One to five years	6,013,800	871,000
	<u>9,457,840</u>	<u>1,743,978</u>
Less		
Allowance for uncollectible accounts	(305,469)	(176,763)
Unamortized discount	(20,000)	(1,300)
Contributions receivable, net	<u>\$ 9,132,371</u>	<u>\$ 1,565,915</u>

Discount rate was 5% for the years ended June 30, 2022 and 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE H - CONTRIBUTED NONFINANCIAL ASSETS

For the years ended September 30, 2022 and 2021, contributed nonfinancial assets recognized within the consolidated statements of activities consisted of the following:

	2022	2021	Utilizations	Donor Restrictions	Valuation Techniques and Inputs
Clothing, household goods and supplies, food, beverages, low vision devices, raffle and auction items, books	\$ 910,140	\$ 1,151,348	Distributed and/or utilized in program services or otherwise monetized	No associated donor restrictions	Estimates of retail values that would be received for selling similar products in the United States or based upon values provided by third parties
Services	17,400	135,500	Recorded as part of the program or supporting service benefited	No associated donor restrictions	Based on current rates for similar services
	<u>\$ 927,540</u>	<u>\$ 1,286,848</u>			

NOTE I - 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:

	2022		2021	
	Revenue	Receivable	Revenue	Receivable
The Illinois State Toll Highway Authority	19%	5%	35%	35%
University of Illinois Health Systems	16%	5%	18%	10%

NOTE J - 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% of the total 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 2022 and 2021 was \$283,491 and \$242,100, respectively.

NOTE K - INCOME TAXES

The Chicago Lighthouse for People Who Are Blind or Visually Impaired and Chicago Lighthouse Industries each have a favorable determination letter from the Internal Revenue Service, stating that they are exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986 (IRC), except for income taxes pertaining to unrelated business income. The FASB issued guidance that

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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 L - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarize assets by fair value levels as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks and equity funds	\$ 9,642,655	\$ -	\$ -	\$ 9,642,655
Bonds and other debt instruments	-	5,897,126	-	5,897,126
Beneficial interest in perpetual trusts	-	-	566,814	566,814
	<u>\$ 9,642,655</u>	<u>\$ 5,897,126</u>	<u>\$ 566,814</u>	<u>\$ 16,106,595</u>

The following table 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>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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

	Beneficial Interest in Perpetual Trusts
Balance as of June 30, 2020	\$ 567,200
Change in value	<u>141,093</u>
Balance as of June 30, 2021	708,293
Change in value	<u>(141,479)</u>
Balance as of June 30, 2022	<u>\$ 566,814</u>

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:

	2022	2021
Accounts receivable allowance for uncollectible accounts		
Beginning balance	\$ 121,764	\$ 89,893
Bad debt expense	58,994	40,054
Accounts written off	<u>(18,654)</u>	<u>(8,183)</u>
Ending balance	<u>\$ 162,104</u>	<u>\$ 121,764</u>

NOTE N - 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, 2022, are as follows:

<u>Years Ending June 30,</u>	
2023	\$ 54,024
2024	3,286,973

Interest expense on the mortgage totaled \$196,679 and \$215,907 for the years ended June 30, 2022 and 2021, respectively.

The Lighthouse's revolving line of credit matures on demand and provides for borrowing up to an aggregate amount of \$2,500,000. At June 30, 2022 and 2021, the amounts outstanding on the lines of credit totaled \$300,000 and \$0, respectively. On January 23, 2022, the Lighthouse renewed its line of credit at the same

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

aggregate amount but included a change in the benchmark interest rate. As of that date, the new benchmark rate on this obligation is the greater of the SOFR rate or the lender's Prime rate, which the Lighthouse has the option to select based on its need. Prior to the renewal, the interest rate on this debt fluctuated based on the LIBOR rate. The interest rate was 3.5% and 2.3% as of June 30, 2022 and 2021, respectively. Interest is also payable at 0.25% on the unused available line of credit. Interest expense incurred on the line of credit totaled \$3,470 and \$46,293 for the years ended June 30, 2022 and 2021, 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 mature 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, 2022, are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 47,710
2024	59,577
2025	51,469
2025	370,135

Interest expense on the mortgage totaled \$20,631 and \$27,043 for the years ended June 30, 2022 and 2021, respectively.

NOTE O - PERPETUAL TRUSTS AND SPLIT-INTEREST AGREEMENTS

The Lighthouse is a beneficiary of two perpetual trusts administered by an independent organization. Under the terms of the trusts, The Lighthouse has irrevocable rights to receive portions of the income earned on the trust assets in perpetuity. Perpetual trusts are carried at fair value and are included in net assets with donor restrictions. The Lighthouse's beneficial interest in the trusts, at fair value, totaled \$566,814 and \$708,293 at June 30, 2022 and 2021, 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 \$129,327 and \$181,018 at June 30, 2022 and 2021, respectively, have been segregated in separate accounts, the use of which is limited to meeting the gift annuity obligations. The liability was \$86,146 and \$85,242 at June 30, 2022 and 2021, respectively, which is included in other accrued liabilities in the consolidated statements of financial position.

NOTE P - FUTURE COMMITMENTS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Total rent expense amounted to \$92,481 in both 2022 and 2021. Future minimum lease payments under these operating leases are as follows:

<u>Years Ending June 30,</u>		
2023	\$	150,452
2024		140,116
2025		132,336

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

	<u>2022</u>	<u>2021</u>
Phone systems	\$ -	\$ 1,014,241
Less accumulated amortization	-	(1,014,241)
Net capitalized leased property	<u>\$ -</u>	<u>\$ -</u>

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

NOTE Q - CONCENTRATION OF CREDIT RISK

Certain financial instruments throughout the year subject The Lighthouse to credit risk. Those financial instruments consist primarily of cash, accounts receivable, investments and beneficial interest in perpetual trusts. The Lighthouse maintains its cash balance in financial institutions which at times may exceed federally insured limits. The Lighthouse has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. The Lighthouse may be subject to credit risk as relates to receivable balances of major customers whose balances make up 10% and 45% of the accounts receivable balance at June 30, 2022 and 2021, respectively. Credit risk for the remainder of receivables is limited due to the large number of accounts and low average receivable balance. Concentration of credit risk in respect to the beneficial interest in perpetual trusts is limited through the diversification of trust assets. The Lighthouse's investment policy also stipulates appropriate diversification of investment balances.

NOTE R - RELATED PARTIES

Donations to The Lighthouse from members of the board of directors were \$11,276,168 and \$1,495,182, including \$2,127,500 and \$35,000 from board members' family foundations, for the years ended June 30, 2022 and 2021, respectively. Pledges receivable from members of the board of directors were \$8,417,898 and \$559,500 at June 30, 2022 and 2021, respectively.

Payments to members of the Lighthouse board of directors, or related companies, for professional services provided were \$379,992 and \$113,903 for the years ended June 30, 2022 and 2021, respectively.

NOTE S - 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

The Chicago Lighthouse for People Who Are Blind or Visually Impaired

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, 2022:

Cash and cash equivalents	\$ 2,328,066	
Investments and accrued investment income	16,368,684	
Accounts receivable, net	<u>13,270,123</u>	
		\$ 31,966,873

Less amounts not available for general use within one year:

Donor restrictions for endowments and other long-term purposes	\$ 4,553,167	
Board-designated endowment	4,249,290	
Contributions receivable, net - due after one year	5,688,331	
Funds reserved for debt compliance	<u>4,802,580</u>	
		<u>19,293,368</u>

Financial assets available for general use within one year \$ 12,673,505

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 \$ 15,002,227

NOTE T - SUBSEQUENT EVENTS

The Lighthouse evaluated its June 30, 2022, consolidated financial statements for subsequent events through March 13, 2023, 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.