

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

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

June 30, 2023 and 2022

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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****Opinion**

We have audited the consolidated financial statements of The Chicago Lighthouse for People Who Are Blind or Visually Impaired and Chicago Lighthouse Industries (nonprofit organizations) (the "Entity"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**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*

Chicago, Illinois  
December 21, 2023

The Chicago Lighthouse for People Who Are Blind or Visually Impaired

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

	2023			2022		
	Operating Fund	Long-Term Investment Fund	Total	Operating Fund	Long-Term Investment Fund	Total
<b>ASSETS</b>						
<b>Cash and cash equivalents</b>	\$ 2,293,782	\$ -	\$ 2,293,782	\$ 2,328,066	\$ -	\$ 2,328,066
<b>Accounts receivable</b>						
Lighthouse Industries and Call Centers, net	4,231,080	-	4,231,080	3,171,269	-	3,171,269
Other, principally state agencies, net	1,152,566	-	1,152,566	966,483	-	966,483
Contributions, net	411,574	6,319,598	6,731,172	172,400	8,959,971	9,132,371
Accounts receivable, net	5,795,220	6,319,598	12,114,818	4,310,152	8,959,971	13,270,123
<b>Accrued investment income</b>	-	44,563	44,563	-	28,374	28,374
<b>Inventories</b>	872,669	-	872,669	799,671	-	799,671
<b>Prepaid expenses</b>	435,526	-	435,526	157,653	-	157,653
<b>Investments</b>	-	20,513,036	20,513,036	-	16,340,310	16,340,310
<b>Beneficial interest in perpetual trusts</b>	-	597,372	597,372	-	566,814	566,814
<b>Land, buildings and equipment, net</b>	8,331,911	-	8,331,911	9,216,060	-	9,216,060
Total assets	<u>\$ 17,729,108</u>	<u>\$ 27,474,569</u>	<u>\$ 45,203,677</u>	<u>\$ 16,811,602</u>	<u>\$ 25,895,469</u>	<u>\$ 42,707,071</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable	\$ 1,334,092	\$ -	\$ 1,334,092	\$ 1,026,430	\$ -	\$ 1,026,430
Accrued salaries and payroll taxes	1,761,926	-	1,761,926	1,343,944	-	1,343,944
Line of credit	1,000,000	-	1,000,000	300,000	-	300,000
Mortgage payable	3,768,707	-	3,768,707	3,869,888	-	3,869,888
Deferred revenue	125,381	-	125,381	43,323	-	43,323
Other accrued liabilities	211,533	75,255	286,788	374,311	86,146	460,457
Total liabilities	8,201,639	75,255	8,276,894	6,957,896	86,146	7,044,042
<b>Net assets</b>						
Without donor restrictions	7,859,438	16,381,312	24,240,750	7,246,588	12,990,111	20,236,699
With donor restrictions	1,668,031	11,018,002	12,686,033	2,607,118	12,819,212	15,426,330
Total net assets	9,527,469	27,399,314	36,926,783	9,853,706	25,809,323	35,663,029
Total liabilities and net assets	<u>\$ 17,729,108</u>	<u>\$ 27,474,569</u>	<u>\$ 45,203,677</u>	<u>\$ 16,811,602</u>	<u>\$ 25,895,469</u>	<u>\$ 42,707,071</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,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating revenues</b>						
Public support						
Contributions of cash and other financial assets	\$ 477,888	\$ 1,045,325	\$ 1,523,213	\$ 2,843,804	\$ 10,191,406	\$ 13,035,210
United Way	300	2,686	2,986	1,858	2,828	4,686
Contributions of non-financial assets	1,224,658	-	1,224,658	927,540	-	927,540
Special events						
Special events revenue	896,989	-	896,989	697,787	-	697,787
Less cost of direct benefits to donors	(344,663)	-	(344,663)	(376,868)	-	(376,868)
Net revenues from special events	552,326	-	552,326	320,919	-	320,919
Total public support	2,255,172	1,048,011	3,303,183	4,094,121	10,194,234	14,288,355
<b>Program revenues</b>						
Call Center contracts	24,374,135	-	24,374,135	24,436,521	-	24,436,521
Lighthouse Industries sales	4,314,507	-	4,314,507	3,805,923	-	3,805,923
Rehabilitation training course fees and subsidies	5,009,148	-	5,009,148	5,844,644	-	5,844,644
Optical aid fees and sales	1,162,881	-	1,162,881	1,187,723	-	1,187,723
Government and other service contracts	1,265,361	-	1,265,361	1,259,606	-	1,259,606
Miscellaneous revenues	524,241	-	524,241	126,166	-	126,166
Total program revenues	36,650,273	-	36,650,273	36,660,583	-	36,660,583
Total public support and program revenues	38,905,445	1,048,011	39,953,456	40,754,704	10,194,234	50,948,938
<b>Net assets released from restrictions</b>	3,969,150	(3,969,150)	-	601,685	(601,685)	-
Total operating revenues	42,874,595	(2,921,139)	39,953,456	41,356,389	9,592,549	50,948,938

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,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Expenses</b>						
Program services	\$ 37,376,329	\$ -	\$ 37,376,329	\$ 36,209,553	\$ -	\$ 36,209,553
Supporting services	8,662,243	-	8,662,243	7,940,862	-	7,940,862
Total expenses	<u>46,038,572</u>	<u>-</u>	<u>46,038,572</u>	<u>44,150,415</u>	<u>-</u>	<u>44,150,415</u>
Surplus (deficiency) of operating revenues over operating expenses	(3,163,977)	(2,921,139)	(6,085,116)	(2,794,026)	9,592,549	6,798,523
<b>Non-operating items</b>						
Legacies and bequests	4,878,590	-	4,878,590	188,449	-	188,449
Contributions for long-term investment purposes	1,021,626	-	1,021,626	3,554,662	-	3,554,662
Investment return, net	1,267,812	151,046	1,418,858	(2,139,528)	491,268	(1,648,260)
Change in value of split interest agreements	-	29,796	29,796	-	(154,916)	(154,916)
Total non-operating items	<u>7,168,028</u>	<u>180,842</u>	<u>7,348,870</u>	<u>1,603,583</u>	<u>336,352</u>	<u>1,939,935</u>
<b>CHANGE IN NET ASSETS</b>	4,004,051	(2,740,297)	1,263,754	(1,190,443)	9,928,901	8,738,458
<b>Net assets, at beginning of year</b>	<u>20,236,699</u>	<u>15,426,330</u>	<u>35,663,029</u>	<u>21,427,142</u>	<u>5,497,429</u>	<u>26,924,571</u>
<b>Net assets, at end of year</b>	<u>\$ 24,240,750</u>	<u>\$ 12,686,033</u>	<u>\$ 36,926,783</u>	<u>\$ 20,236,699</u>	<u>\$ 15,426,330</u>	<u>\$ 35,663,029</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,

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,263,754	\$ 8,738,458
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized (gains) losses on investments	(890,322)	1,977,796
Net change in value of split interest agreements	(29,796)	154,916
Gain on disposal of capital assets	(3,500)	-
Contributions restricted for long-term investment	(1,021,626)	(3,554,662)
Depreciation and amortization	1,493,122	1,220,877
Bad debt provision	106,943	58,994
Changes in operating assets and liabilities:		
Accounts receivable	1,048,362	(6,259,108)
Accrued investment income	(16,189)	8,303
Inventories	(72,998)	(189,106)
Prepaid expenses	(277,873)	211,605
Accounts payable	307,662	(1,218,259)
Accrued salaries and payroll taxes	417,982	25,828
Deferred revenue	82,058	(4,306,102)
Other accrued liabilities	(173,669)	7,269
	<u>2,233,910</u>	<u>(3,123,191)</u>
Net cash provided by (used in) operating activities		
<b>Cash flows from investing activities:</b>		
Purchases of investments	(9,288,765)	(8,631,827)
Sale of investments	6,005,599	4,842,357
Additions to land, buildings and equipment	(608,973)	(792,139)
Proceeds from disposal of capital assets	3,500	-
	<u>(3,888,639)</u>	<u>(4,581,609)</u>
Net cash used in investing activities		
<b>Cash flows from financing activities:</b>		
Proceeds from line of credit	2,200,000	300,000
Payments made on line of credit	(1,500,000)	-
Proceeds from contributions restricted for long-term investment	1,021,626	3,554,662
Payments made on mortgage	(101,181)	(96,766)
	<u>1,620,445</u>	<u>3,757,896</u>
Net cash provided by financing activities		
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(34,284)</u>	<u>(3,946,904)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>2,328,066</u>	<u>6,274,970</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,293,782</u>	<u>\$ 2,328,066</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 270,269	\$ 219,372

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, 2023

Program Services

	Program Services										Supporting Services						
	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	Total
Employee salaries	\$ 406,660	\$ 190,054	\$ 1,163,404	\$ 650,075	\$ 293,333	\$ 143,820	\$ 795,059	\$ 76,293	\$ 59,095	\$ 2,151,848	\$ 5,929,641	\$ 208,946	\$ 2,753,334	\$ 256,795	\$ 822,549	\$ 4,041,624	\$ 9,971,265
Employee benefits	103,068	38,604	233,384	139,455	58,741	43,604	163,190	16,747	11,202	747,058	1,555,053	49,118	508,142	54,605	159,595	771,460	2,326,513
Total employee salaries and benefits	509,728	228,658	1,396,788	789,530	352,074	187,424	958,249	93,040	70,297	2,898,906	7,484,694	258,064	3,261,476	311,400	982,144	4,813,084	12,297,778
Production wages	998,353	101,227	221,208	467,546	60,524	632,515	117,332	27,469	-	14,048,540	16,674,714	289,466	326,648	66,230	36,257	718,601	17,393,315
Production-related benefits	170,868	19,866	39,979	86,801	14,643	111,228	21,303	4,801	572	2,412,450	2,862,511	49,366	56,745	11,327	3,472	120,910	3,003,421
Total production payments and benefits	1,169,221	121,093	261,187	554,347	75,167	743,743	138,635	32,270	572	16,460,990	19,557,225	338,832	383,393	77,557	39,729	839,511	20,396,736
Total salaries and related benefits	1,678,949	349,751	1,657,975	1,343,877	427,241	931,167	1,096,884	125,310	70,869	19,359,896	27,041,919	596,896	3,644,869	388,957	1,021,873	5,652,595	32,694,514
Professional and contract services	512	3,282	231,461	231,692	5,566	4,913	48,831	75	-	704,312	1,230,644	233	892,088	1,765	125,251	1,019,337	2,249,981
Temporary labor	-	46,112	-	-	-	25,879	-	-	-	140,802	212,793	-	184,300	-	-	184,300	397,093
Supplies	22,716	1,851,778	11,481	6,497	1,438	12,994	24,470	2,841	1,041	24,830	1,960,086	73,201	147,366	612	(491)	220,688	2,180,774
Advertising	-	-	-	-	-	-	-	-	-	2,451	2,451	-	7,000	410	42,580	49,990	52,441
Telephone	-	14	1,101	-	883	2,251	412	20,773	-	415,776	441,210	550	245,025	-	541	246,116	687,326
Postage, freight and direct mail	171,076	18,382	14,372	531	26	-	371	398	-	59,377	264,533	1,135	10,896	54	21,023	33,108	297,641
Equipment rental and maintenance	7,815	3,465	6,490	3,645	-	-	300	2,475	-	16,980	41,170	1,047	38,223	-	5,281	44,551	85,721
Utilities	-	-	-	-	-	-	-	11,836	-	-	11,836	219,975	21,120	-	-	241,095	252,931
Building repairs and maintenance	-	-	-	-	-	-	-	31,416	-	-	31,416	281,809	7,835	-	-	289,644	321,060
Property and liability insurance	-	-	4,050	-	-	-	-	-	-	45,815	49,865	-	312,603	-	384	312,987	362,852
Printing	-	-	10,140	-	658	-	1,501	30	-	959	13,288	-	6,285	23,111	51,303	80,699	93,987
Conference, meetings and major trips	-	369	10,142	-	7,628	479	8,882	15	-	25,859	53,374	-	22,931	49	641	23,621	76,995
Memberships	-	-	794	400	-	-	-	345	274	4,808	6,621	129	12,272	-	-	12,401	19,022
Client assistance	-	-	62	15,874	33,736	-	27,251	-	-	-	76,923	-	200	-	200	77,123	77,123
Cost of materials	1,702,471	-	494,569	5,143	10,596	-	17,696	-	-	-	2,230,475	-	3,804	-	125	3,929	2,234,404
Property rental	-	-	5,918	-	-	-	-	-	-	-	5,918	-	108,729	-	-	108,729	114,647
Commissions	217,874	-	-	-	-	24,101	-	-	-	-	24,101	-	-	-	-	-	24,101
Information technology	2,476	12,606	36,754	-	-	1,280	27,681	-	2,414	147,416	230,627	-	246,032	3,602	31,820	281,454	512,081
Pass-through expense	-	-	-	-	-	-	-	-	-	370,904	370,904	-	31	-	31	370,935	370,935
Employee management and payroll processing	-	-	-	-	-	-	-	-	-	-	-	-	322,707	-	-	322,707	322,707
Other	15,609	(763)	137,761	13,759	3,644	253	11,769	651	-	16,356	199,039	14,562	279,792	14,312	86,069	394,735	593,774
Interest	-	-	-	-	-	-	-	-	-	-	-	-	305,466	-	-	305,466	305,466
Distribution of building repairs and maintenance	193,497	20,238	80,951	80,952	28,333	86,567	56,667	-	4,048	1,828,728	2,379,981	(2,379,981)	-	-	-	(2,379,981)	-
Total expenses before depreciation and amortization	4,012,995	2,305,234	2,704,021	1,702,370	519,749	1,089,884	1,322,715	196,165	78,646	23,165,269	37,097,048	(1,190,444)	6,819,574	432,872	1,386,400	7,448,402	44,545,450
Depreciation and amortization	25,814	1,382	40,076	34,669	899	1,428	591	59,578	2,108	112,736	279,281	1,190,444	19,469	-	3,928	1,213,841	1,493,122
Total expenses	\$ 4,038,809	\$ 2,306,616	\$ 2,744,097	\$ 1,737,039	\$ 520,648	\$ 1,091,312	\$ 1,323,306	\$ 255,743	\$ 80,754	\$ 23,278,005	\$ 37,376,329	\$ -	\$ 6,839,043	\$ 432,872	\$ 1,390,328	\$ 8,662,243	\$ 46,038,572

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, 2022

Program Services

	Program Services										Supporting Services					Total	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		
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	69	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	266,327	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	3,685	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	-	845	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	-	-	19,098	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	33,819	-	5,313	-	-	-	-	-	-	4,000	43,132	-	55,125	-	-	55,125	98,257
Commissions	241,170	-	96	-	-	21,402	-	-	-	-	262,668	-	-	-	-	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	64,468	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**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

**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 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, 2023 and 2022

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, and investments in debt securities are reported at fair value.

#### ***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 three to 40 years. Expenditures for the routine maintenance and repair of property and equipment are charged to operations as they are incurred.

#### ***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. 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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, 2023 and 2022, contributions of \$3,303,183 and \$14,288,355, 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, 2023 and 2022, respectively, were \$4,753,127 and \$4,411,522.

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, 2023 and 2022, respectively, were \$26,041,195 and \$25,774,980.

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, 2023 and 2022, respectively, were \$2,815,261 and \$3,676,263.

A portion of The Lighthouse's revenue is derived from cost-reimbursable 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, 2023 and 2022, respectively, was \$2,918,149 and \$2,678,982.

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 CDBG of \$141,600 was awarded on January 1, 2022 and can be used through December 31, 2022. The CDBG of \$141,600 was awarded on January 1, 2023 and can be used through December 31, 2023. 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

***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 \$297,641 and \$299,136 for the years ended June 30, 2023 and 2022, respectively.

***Advertising Expense***

Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense was \$52,441 and \$206,512 for the years ended June 30, 2023 and 2022, 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. Occupancy and depreciation expenses are allocated based on square footage usage by program. General administration expenses are allocated based on wages expensed per program.

***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.

***Reclassifications***

Certain amounts previously reported in the 2022 financial statements have been reclassified to conform to the 2023 presentation. The reclassifications did not affect net assets or changes in net assets for the year ended June 30, 2022.

***Recently Adopted Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. The Lighthouse adopted ASU No. 2016-02 for fiscal year 2023 and determined that there was no material impact to The Lighthouse's financial condition, disclosures, and results from operations.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**NOTE B - INVESTMENTS**

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,950,229	\$ 800,529
Common stocks and equity funds	12,742,235	9,642,655
Bonds and other debt instruments	<u>5,820,572</u>	<u>5,897,126</u>
	<u>\$ 20,513,036</u>	<u>\$ 16,340,310</u>

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

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

	<u>2023</u>	<u>2022</u>
Land	\$ 321,993	\$ 321,993
Buildings	22,854,154	22,873,637
Equipment and furniture	<u>11,129,133</u>	<u>10,654,991</u>
	34,305,280	33,850,621
Less accumulated depreciation and amortization	<u>(25,973,369)</u>	<u>(24,634,561)</u>
Net land, buildings and equipment	<u>\$ 8,331,911</u>	<u>\$ 9,216,060</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

**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>2023</u>	<u>2022</u>
Time/purpose restricted:		
Pledges receivable (time-restricted)	\$ 6,000,000	\$ 8,000,000
Associate Board funds for future years	85,327	25,827
Birth-to-Three/Homebound	386,593	441,989
Charitable gift annuities	136,821	118,574
Client emergency assistance	8,750	8,750
Endowment campaign	1,809	1,809
Lighthouse North	362,841	362,841
Program expansion and operations	2,990,229	4,209,577
Purchase of fixed assets	36,455	36,455
Scholarship endowment	142,557	126,213
Scholarship fund	<u>530,557</u>	<u>120,759</u>
Total time/purpose restricted	10,681,939	13,452,794
Held in perpetuity:		
Beneficial interest in perpetual trusts	597,372	566,814
Education of a person who is blind	200,000	200,000
Ongoing agency operations	706,722	706,722
Senior low vision care	<u>500,000</u>	<u>500,000</u>
Total held in perpetuity	<u>2,004,094</u>	<u>1,973,536</u>
Total net assets with donor restrictions	<u>\$ 12,686,033</u>	<u>\$ 15,426,330</u>

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

Board designated net assets consists of endowments that are related to future needs of the Lighthouse and are disclosed in Note F.



The Chicago Lighthouse for People Who Are Blind or Visually Impaired

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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

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

	<u>2023</u>	<u>2022</u>
Birth-to-Three/Homebound	\$ 315,396	\$ 338,717
Associate Board	25,827	-
Pledges receivable (time-restricted)	2,000,000	-
Instructional Materials Center	-	40,407
Lighthouse North	-	50,000
Pangere Center for Inherited Retinal Disease	-	42,517
Program expansion and operations	1,602,725	91,332
Scholarship program	25,202	38,712
	<u>\$ 3,969,150</u>	<u>\$ 601,685</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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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, 2023 and 2022.

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, 2023 and 2022, 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 2023 and 2022, The Lighthouse had the following endowment-related balances and activities:

Endowment net asset composition by type of fund as of June 30, 2023:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor endowment funds	\$ -	\$ 3,035,582	\$ 3,035,582
Board-designated funds	<u>4,299,811</u>	<u>-</u>	<u>4,299,811</u>
Total funds	<u>\$ 4,299,811</u>	<u>\$ 3,035,582</u>	<u>\$ 7,335,393</u>

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

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor endowment funds	\$ -	\$ 2,973,500	\$ 2,973,500
Board-designated funds	<u>4,249,290</u>	<u>-</u>	<u>4,249,290</u>
Total funds	<u>\$ 4,249,290</u>	<u>\$ 2,973,500</u>	<u>\$ 7,222,790</u>

Changes in endowment net assets for the year ended June 30, 2023:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Net assets, beginning of year	\$ 4,249,290	\$ 2,973,500	\$ 7,222,790
Investment return, net	1,134	132,363	133,497
Contributions	50,521	-	50,521
Appropriation of endowment assets for expenditure	<u>(1,134)</u>	<u>(70,281)</u>	<u>(71,415)</u>
Net assets, end of year	<u>\$ 4,299,811</u>	<u>\$ 3,035,582</u>	<u>\$ 7,335,393</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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	(913)	(3,466)	(4,379)
Net assets, end of year	<u>\$ 4,249,290</u>	<u>\$ 2,973,500</u>	<u>\$ 7,222,790</u>

**NOTE G - CONTRIBUTIONS RECEIVABLE**

Contributions receivable at June 30, included the following:

	2023	2022
Unconditional promises to give due in		
Less than one year	\$ 2,617,472	\$ 2,946,171
One to five years	4,170,000	6,242,500
	6,787,472	9,188,671
Less		
Allowance for uncollectible accounts	(55,000)	(55,000)
Unamortized discount	(1,300)	(1,300)
Contributions receivable, net	<u>\$ 6,731,172</u>	<u>\$ 9,132,371</u>

Discount rate was 5% for the years ended June 30, 2023 and 2022.

**NOTE H - CONTRIBUTED NONFINANCIAL ASSETS**

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the consolidated statements of activities consisted of the following:

	2023	2022	Utilizations	Donor Restrictions	Valuation Techniques and Inputs
Clothing, household goods and supplies, food, beverages, low vision devices, raffle and auction items, books	\$ 1,208,260	\$ 910,140	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	16,398	17,400	Recorded as part of the program or supporting service benefited	No associated donor restrictions	Based on current rates for similar services
	<u>\$ 1,224,658</u>	<u>\$ 927,540</u>			

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

### 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:

	2023		2022	
	Revenue	Receivable	Revenue	Receivable
The Illinois State Toll Highway Authority	26%	9%	19%	5%
University of Illinois Health Systems	20%	10%	16%	5%

### NOTE J - EMPLOYEE BENEFIT PLAN

Prior to July 25, 2022 all employees and employed production workers who had completed one year of service and are 21 years of age were 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 relation to this in 2023 and 2022 was \$165,117 and \$283,491, respectively.

Effective July 25, 2022, the plan document was modified and all regular, non-temporary employees of The Chicago Lighthouse For People Who Are Blind or Visually Impaired and of Chicago Lighthouse Industries who are at least 21 years of age are eligible to participate in the Chicago Lighthouse Modified Defined Contribution Plan on the first of the month following 30 days of employment. The employer provides a matching contribution up to 4% (100% of the first 3% and 50% of the next 2%) of eligible compensation to those employees who elect to contribute to the plan. Total plan expense for fiscal year 2023 in relation to the modification of the plan was \$682,101 in employer match.

### 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, 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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

The following table summarize assets by fair value levels as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks and equity funds	\$ 12,742,235	\$ -	\$ -	\$ 12,742,235
Bonds and other debt instruments	-	5,820,572	-	5,820,572
Beneficial interest in perpetual trusts	-	-	597,372	597,372
	<u>\$ 12,742,235</u>	<u>\$ 5,820,572</u>	<u>\$ 597,372</u>	<u>\$ 19,160,179</u>

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

	<u>Beneficial Interest in Perpetual Trusts</u>
Balance as of June 30, 2021	\$ 708,293
Change in value	<u>(141,479)</u>
Balance as of June 30, 2022	566,814
Change in value	<u>30,558</u>
Balance as of June 30, 2023	<u>\$ 597,372</u>

The Chicago Lighthouse for People Who Are Blind or Visually Impaired

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

**NOTE M - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

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

	<u>2023</u>	<u>2022</u>
Accounts receivable allowance for uncollectible accounts		
Beginning balance	\$ 162,104	\$ 121,764
Bad debt expense	106,943	58,994
Accounts written off	<u>(225,128)</u>	<u>(18,654)</u>
Ending balance	<u>\$ 43,919</u>	<u>\$ 162,104</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, Illinois. 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, 2023, are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 3,288,938

Interest expense on the mortgage totaled \$193,627 and \$196,679 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, the amounts outstanding on the lines of credit totaled \$1,000,000 and \$300,000, respectively. On January 23, 2022, The Lighthouse renewed its line of credit at the same 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 Secured Overnight Financial Rate ("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 7.75% and 3.5% as of June 30, 2023 and 2022, respectively. Interest is also payable at .25% on the unused available line of credit. Interest expense incurred on the line of credit totaled \$90,730 and \$3,470 for the years ended June 30, 2023 and 2022, 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%.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Future principal payments on the Glenview mortgage as of June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 47,710
2025	49,577
2026	51,469
2027	53,433
2028	55,448
Thereafter	<u>222,132</u>
Total	<u>\$ 479,769</u>

Interest expense on the mortgage totaled \$18,940 and \$20,631 for the years ended June 30, 2023 and 2022, 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 \$597,372 and \$566,814 at June 30, 2023 and 2022, 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 \$84,108 and \$129,327 at June 30, 2023 and 2022, respectively, have been segregated in separate accounts, the use of which is limited to meeting the gift annuity obligations. The liability was \$75,255 and \$86,146 at June 30, 2023 and 2022, 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.

Total rent expense related to these leases amounted to \$180,544 and \$195,485 in 2023 and 2022, respectively. Future minimum lease payments under these operating leases are as follows:

<u>Years Ending June 30,</u>	
2024	\$ 144,928
2025	134,856
2026	127,335

**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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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 19% and 10% of the accounts receivable balance at June 30, 2023 and 2022, 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 \$2,531,450 and \$11,276,168, including \$2,276,000 and \$2,127,500 from board members' family foundations, for the years ended June 30, 2023 and 2022, respectively. Pledges receivable from members of the board of directors were \$6,318,198 and \$8,417,898 at June 30, 2023 and 2022, respectively.

Payments to members of The Lighthouse board of directors, or related companies, for professional services provided were \$189,601 and \$379,992 for the years ended June 30, 2023 and 2022, respectively.

**NOTE S - LIQUIDITY**

The 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, 2023:

Cash and cash equivalents	\$ 2,293,782
Investments and accrued investment income	20,557,599
Accounts receivable, net	<u>12,114,818</u>
	34,966,199
Less amounts not available for general use within one year:	
Donor restrictions for endowments and other long-term purposes	4,698,404
Board-designated endowment	4,299,811
Contributions receivable, net - due after one year	4,113,700
Funds reserved for debt compliance	<u>5,960,884</u>
	<u>19,072,799</u>
Financial assets available for general use within one year	<u>\$ 15,893,400</u>



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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	6,186,200
Funds reserved for debt compliance	<u>4,802,580</u>
	<u>19,791,237</u>
Financial assets available for general use within one year	<u>\$ 12,175,636</u>

**NOTE T - SUBSEQUENT EVENTS**

The Lighthouse evaluated its June 30, 2023, consolidated financial statements for subsequent events through December 21, 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.