

# Chicago Lights

Financial Report  
December 31, 2018

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Chicago Lights

### Report on the Financial Statements

We have audited the accompanying financial statements of Chicago Lights, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Lights as of December 31, 2018 and 2017, 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.

**Emphasis of Matter**

Chicago Lights adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during 2018. The adoption of the standard resulted in additional footnote disclosures and significant changes to classification of net assets and the disclosures related to net assets. Our opinion is not modified with respect to this matter.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

Chicago, Illinois  
October 11, 2019

## Chicago Lights

### Statements of Financial Position December 31, 2018 and 2017

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 684,768	\$ 935,517
Due from The Congregation of The Fourth Presbyterian Church of Chicago, Illinois	88,667	-
Prepays and other assets	93,367	51,228
Property and equipment, net	30,455	38,400
	<u>\$ 897,257</u>	<u>\$ 1,025,145</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 48,414	\$ 45,228
Due to The Congregation of The Fourth Presbyterian Church of Chicago, Illinois	-	51,559
Deferred revenue	41,000	97,501
	<u>89,414</u>	<u>194,288</u>
Net assets:		
Without donor restrictions	493,233	492,862
With donor restrictions	314,610	337,995
	<u>807,843</u>	<u>830,857</u>
	<u>\$ 897,257</u>	<u>\$ 1,025,145</u>

See notes to financial statements.

## Chicago Lights

### Statements of Activities

Years Ended December 31, 2018 and 2017

	2018	2017
Change in net assets without donor restrictions:		
Support and revenue:		
Contributions	\$ 1,558,426	\$ 1,685,245
In-kind contributions	517,448	500,000
Program activity	3,797	20,200
Mission benefit (net of expenses of \$212,682 and \$238,606, respectively)	455,236	432,533
Other	37,039	24,789
Net assets released from restrictions	329,170	91,556
	<u>2,901,116</u>	<u>2,754,323</u>
Expenses:		
Program services:		
Chicago Lights Dance Academy	295,600	265,460
Elam Davies Social Service Center	443,531	405,318
Summer Day	259,393	174,663
Tutoring	754,548	744,670
Urban Farm	395,185	401,586
	<u>2,148,257</u>	<u>1,991,697</u>
Supporting services:		
Management and general	378,964	331,760
Resource development	373,524	373,092
	<u>752,488</u>	<u>704,852</u>
	<u>2,900,745</u>	<u>2,696,549</u>
<b>Increase in net assets without donor restrictions</b>	<u>371</u>	<u>57,774</u>
Change in net assets with donor restrictions:		
Contributions	305,785	327,171
Net assets released from restrictions	(329,170)	(91,556)
<b>(Decrease) increase in net assets with donor restrictions</b>	<u>(23,385)</u>	<u>235,615</u>
<b>(Decrease) increase in net assets</b>	<u>(23,014)</u>	<u>293,389</u>
Net assets:		
Beginning of year	<u>830,857</u>	<u>537,468</u>
End of year	<u>\$ 807,843</u>	<u>\$ 830,857</u>

See notes to financial statements.

## Chicago Lights

### Statements of Cash Flows Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (23,014)	\$ 293,389
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	7,945	7,945
Changes in operating assets and liabilities:		
Contributions receivable	-	5,511
Prepays and other assets	(42,139)	(25,560)
Accounts payable, accrued expenses and deferred revenue	(53,315)	62,120
<b>Net cash (used in) provided by operating activities</b>	<b>(110,523)</b>	<b>343,405</b>
Cash flows from investing activities:		
Due to/from The Congregation of The Fourth Presbyterian Church of Chicago, Illinois	(140,226)	(53,787)
<b>Net cash used in investing activities</b>	<b>(140,226)</b>	<b>(53,787)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(250,749)</b>	<b>289,618</b>
Cash and cash equivalents:		
Beginning of year	935,517	645,899
End of year	\$ 684,768	\$ 935,517

See notes to financial statements.

## Chicago Lights

### Notes to Financial Statements

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#### **Note 1. Nature of Activities and Significant Accounting Policies**

Chicago Lights is an Illinois nonprofit corporation which conducts programs focusing on the educational and human services needs of people living in economically disadvantaged Chicago communities. Chicago Lights is a community outreach organization of The Congregation of the Fourth Presbyterian Church of Chicago, Illinois (the Church). The specific purposes of Chicago Lights are to advance the community outreach and mission activities of the Church in providing programs and resources for children, youth and adults facing the challenges of poverty. Chicago Lights creates, develops and manages educational, arts, social service and community building programs, and such other purposes as the Church and the Board of Directors may elect. Chicago Lights annually serves approximately 4,000 individuals of all races, ethnic backgrounds and religious traditions. The Church is the sole corporate member, and includes the activities of Chicago Lights in its consolidated financial statements.

Chicago Lights is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Chicago Lights' financial accounts are organized in program services and supporting services categories, which are as follows:

**Chicago Lights Dance Academy (CLDA):** The Chicago Lights Dance Academy promotes learning and creative self-expression through drama and dance classes taught by professional artists throughout the school year for nearly 1,000 students who attend under-resourced elementary schools in Chicago.

**Elam Davies Social Service Center (EDSSC):** EDSSC meets basic human needs and supports persons on their journey toward greater stability and self-sufficiency. Services include a food pantry, distribution of clothing, housing information and assistance, job readiness training, support groups, advocacy and case management.

**Summer Day (SD):** Summer Day provides a safe place to learn and engage in academic classes and arts activities for over 100 first through ninth graders for six weeks each summer. Students primarily from the Near North, West Town and Humboldt Park neighborhoods come to the Church for classroom instruction in writing, reading and math in the mornings; and art workshops in dance, drama, art, music and digital music production in the afternoons. Field trips throughout the Chicagoland area and enrichment classes such as yoga, healthy eating and computer skills are also included in the six-week curriculum. At the end of the program, the children present a dynamic music, dance and drama performance for the community.

**Tutoring:** This program provides one-to-one tutoring/mentoring and need-based academic scholarships. This program also improves student opportunities for educational success by fostering positive relationships between students and tutors. The program serves over 400 students (first through twelfth grades) who are living in economically disadvantaged neighborhoods in Chicago.

**Urban Farm:** The Chicago Lights Urban Farm increases economic opportunities for youth and community residents in the Cabrini-Green neighborhood through access to organic produce, nutritional education, workforce training and microenterprise development. Children are offered opportunities to learn urban agriculture practices and cooking techniques and to participate in arts and science activities.

## Chicago Lights

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Chicago Lights' significant accounting policies are as follows:

**Basis of accounting:** The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

**Basis of presentation:** Chicago Lights maintains its financial accounts using fund accounting, whereby resources for various purposes are classified for accounting purposes into separate program funds, in accordance with Chicago Lights' activities or objectives. The accounts or programs are classified for financial reporting purposes into the following net asset categories, based on the existence or absence of donor-imposed restrictions, as follows:

*Without donor restrictions:* Net assets composing of all resources that are not subject to donor-directed restrictions, such as expendable resources used to support Chicago Lights' core activities. All expenses are recorded as a reduction of net assets without donor restrictions.

*With donor restrictions:* Net assets subject to donor-imposed restrictions carry restrictions that expire upon passage of a prescribed period or upon the occurrence of a stated event as specified by the donor, at which time they are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Included in net assets with donor restrictions are gifts held by Chicago Lights pending their use in accordance with donor stipulations and unexpended gifts from pledges and living trust agreements where the principal is expendable upon redemption or maturity. Contributions received with donor-imposed restrictions that are met in the same reporting period are reflected as an addition and reduction to net assets without donor restrictions.

**Cash and cash equivalents:** Chicago Lights maintains its cash in bank accounts which, at times, may exceed federally insured limits. Chicago Lights has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. Chicago Lights considers its money market accounts to be cash equivalents.

**Property and equipment:** Property and equipment is stated at cost less accumulated depreciation. Depreciation is being provided on a straight-line basis over the estimated useful life of the asset.

**Contributions:** Contributions are recorded when a donor's unconditional promise to give to Chicago Lights has been received. A conditional promise to give (such as a matching grant) is recognized when the condition is satisfied. Mission benefit revenue is recognized when the event takes place.

Contributed services are recognized as in-kind contribution revenue and in-kind expenses if the services received meet certain criteria: the services create or enhance long-lived assets, or the services require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. Chicago Lights records in-kind contribution revenue and expenses on the statement of activities related to administrative services provided by the Church to Chicago Lights, without charge.

Additionally, a substantial number of unpaid volunteers have made significant contributions of their time that do not meet the above criteria. Accordingly, the value of their donated time and services is not reflected in the financial statements.

**Program activity:** Program activity revenue is recorded in the fiscal year the activity takes place. Revenue from advance payment of these activities is deferred.

## Chicago Lights

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Functional expenses:** The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Resource development expenses represent fundraising expenses.

**Income taxes:** The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Chicago Lights may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of Chicago Lights and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. Management has determined that there are no uncertain tax positions during the reporting periods covered by these financial statements. Chicago Lights files Form 990 in the U.S. federal jurisdiction and the State of Illinois.

**Estimates:** In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassification:** Certain prior year amounts have been reclassified to conform to the current year presentation without affecting previously reported classes of net assets or change in net assets.

**Accounting pronouncements adopted:** As permitted, in 2018, Chicago Lights adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include changes in net asset classifications, several new requirements related to expense presentation and disclosure and new required disclosures communicating information useful in assessing liquidity. As permitted by this ASU Chicago Lights has elected to omit the disclosures about liquidity and availability of resources and functional expenses by program and natural classification for 2017.

## Chicago Lights

### Notes to Financial Statements

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#### Note 2. Property and Equipment

Chicago Lights owns a greenhouse used for the Urban Farm program. Cost and accumulated depreciation at December 31, 2018 and 2017 are:

	2018	2017
Cost	\$ 79,448	\$ 79,448
Accumulated depreciation	(48,993)	(41,048)
	<u>\$ 30,455</u>	<u>\$ 38,400</u>

Depreciation expense for both 2018 and 2017 was \$7,945, based on a depreciable life of ten years.

#### Note 3. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2018 and 2017, were available for the following purposes:

	2018	2017
Funds restricted for use in future years' programming	\$ 120,785	\$ 95,229
Chicago Lights Dance Academy	30,000	30,000
Elam Davies Social Service Center	-	15,000
Summer Day	15,000	20,000
Tutoring	140,000	166,942
Urban Farm	8,825	10,824
	<u>\$ 314,610</u>	<u>\$ 337,995</u>

Net assets with donor restrictions utilized for their specific purposes during 2018 and 2017 were as follows:

	2018	2017
Chicago Lights Dance Academy	\$ 30,000	\$ -
Elam Davies Social Service Center	15,000	-
Summer Day	20,000	3,165
Tutoring	166,942	3,860
Urban Farm	2,000	-
Time restricted for general operations	95,228	84,531
	<u>\$ 329,170</u>	<u>\$ 91,556</u>

## Chicago Lights

### Notes to Financial Statements

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#### Note 4. Financial Assets and Liquidity Resources

The table below presents information related to financial assets available for general expenditures within one year at December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	\$ 684,768
Receivable from related organization	88,667
	<u>773,435</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(314,610)</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 458,825</u>

Chicago Lights regularly monitors liquidity required to meet annual operating needs and other commitments.

#### Note 5. Related-Party Transactions

Pursuant to an agreement, Chicago Lights leases employees from the Church. The employees participate in the benefit plans of the Church, as eligible. The Church charges Chicago Lights for direct salary and benefit costs and Chicago Lights makes periodic reimbursements to the Church.

In 2017, Chicago Lights paid the Church a fee of \$45,000 for rent, overhead and other administrative costs. In 2018, this fee was not charged to Chicago Lights by the Church. The Church continued to support Chicago Lights by providing facility space and related utilities for their programs and administration functions in 2018. The Church also provides human resources, information technology and accounting services to Chicago Lights, free of charge. The estimated value of these in-kind contributions is \$500,000 in 2018 and 2017. In-kind contribution revenue with corresponding in-kind expenses are recorded on the statement of activities in 2018 and 2017.

In addition, Chicago Lights contributed \$61,000 of Mission Benefit proceeds to the Church in both 2018 and 2017 which is reflected within mission benefit on the statements of activities. Chicago Lights received an investment draw allocation from the Church totaling \$44,500 for both 2018 and 2017, which is included in contributions in the statements of activities.

## Chicago Lights

### Notes to Financial Statements

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#### Note 6. Functional Expenses

The following table presents expenses by natural and functional categories for 2018:

	Program					Management and General	Resource Development	Grand Total
	CLDA	EDSSC	SD	Tutoring	Urban Farm			
Salary and benefits	\$ 110,437	\$ 319,305	\$ 135,551	\$ 416,387	\$ 283,890	\$ 225,383	\$ 264,736	\$ 1,755,689
Professional services	120,898	47,199	17,875	96,152	31,516	49,601	90,899	454,140
Grants and dues	-	-	-	103,399	-	-	-	103,399
Meetings, trips and retreats	26,931	8,267	23,462	59,574	8,377	3,156	-	129,767
Supplies	11,540	871	13,934	6,838	32,459	371	-	66,013
Printing and other related services	1,511	5,907	918	6,217	1,219	8,453	13,444	37,669
Occupancy and insurance	24,283	61,982	67,653	-	29,781	72,000	4,445	260,144
Interest	-	-	-	65,981	-	20,000	-	85,981
Depreciation	-	-	-	-	7,943	-	-	7,943
	<u>\$ 295,600</u>	<u>\$ 443,531</u>	<u>\$ 259,393</u>	<u>\$ 754,548</u>	<u>\$ 395,185</u>	<u>\$ 378,964</u>	<u>\$ 373,524</u>	<u>\$ 2,900,745</u>

In-kind support provided by FPC is allocated as follows: professional services – a combination of full-time equivalent employees and proportion of total expenses; occupancy and insurance – actual usage and estimated rent for comparable properties located in the area.

#### Note 7. Subsequent Events

Chicago Lights has evaluated subsequent events through October 11, 2019, the date the financial statements were available to be issued.

## **Supplementary Information**

**Chicago Lights**

**Supplementary Statement of Support, Revenue and Expenses  
Year Ended December 31, 2018**

	CLDA	EDSSC	SD	Tutoring
Support and revenue:				
Contributions	\$ 229,645	\$ 317,248	\$ 169,945	\$ 637,970
Program activity	800	315	2,682	-
Mission benefit (net of expenses of \$212,682)	64,896	89,716	45,105	162,055
Other	-	-	13,213	
In-kind contributions	41,877	92,771	83,048	120,962
	<u>337,218</u>	<u>500,050</u>	<u>313,993</u>	<u>920,987</u>
Expenses:				
Program services	295,600	443,531	259,393	754,548
Management and general	46,806	64,707	32,531	116,882
Resource development	39,222	54,222	27,260	97,942
	<u>381,628</u>	<u>562,460</u>	<u>319,184</u>	<u>969,372</u>
<b>Increase (decrease) in net assets</b>	<u>\$ (44,410)</u>	<u>\$ (62,410)</u>	<u>\$ (5,191)</u>	<u>\$ (48,385)</u>

## Chicago Lights

### Supplementary Statement of Support, Revenue and Expenses (Continued) Year Ended December 31, 2018

	Urban Farm	Other	Total
Support and revenue:			
Contributions	\$ 299,655	\$ 209,748	\$ 1,864,211
Program activity	-	-	3,797
Mission benefit (net of expenses of \$212,682)	93,464	-	455,236
Other	23,826	-	37,039
In-kind contributions	29,771	149,019	517,448
	<u>446,716</u>	<u>358,767</u>	<u>2,877,731</u>
Expenses:			
Program services	395,185	-	2,148,257
Management and general	67,410	50,628	378,964
Resource development	56,487	98,391	373,524
	<u>519,082</u>	<u>149,019</u>	<u>2,900,745</u>
<b>Increase (decrease) in net assets</b>	<u>\$ (72,366)</u>	<u>\$ 209,748</u>	<u>\$ (23,014)</u>