Chicago Lights

Financial Report
December 31, 2014

Contents

McGladrey

Independent Auditor's Report

To the 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, 2014 and 2013, 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

McGladrey LLP

Chicago, Illinois
July 24, 2015

Chicago Lights

Statements of Financial Position
December 31, 2014 and 2013

		2014		2013
Assets				
Cash	**$**	**626,107**	$	458,695
Contributions receivable		**25,000**		-
Prepaids and other assets		**50,140**		53,500
Property and equipment, net		**62,234**		70,179
	$	**763,481**	$	582,374
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	**$**	**59,357**	$	57,589
Due to The Congregation of The Fourth Presbyterian Church of Chicago, Illinois		**21,050**		50,006
Deferred revenue		**73,250**		47,340
		153,657		154,935
Net Assets				
Unrestricted		**437,145**		321,256
Temporarily restricted		**172,679**		106,183
		609,824		427,439
	$	**763,481**	$	582,374

See Notes to Financial Statements.

Chicago Lights

Statements of Activities
Years Ended December 31, 2014 and 2013

	2014	2013
Change in unrestricted net assets:		
Support and revenue:		
Contributions	**$ 1,603,796**	$ 1,498,014
Program activity	**41,781**	63,467
Mission benefit (net of expenses of $193,457 and $185,861, respectively)	**243,636**	189,311
Other	**17,668**	6,714
Net assets released from restrictions	**95,358**	50,425
	2,002,239	1,807,931
Expenses:		
Program services:		
CL Academic Success in Schools	**148,704**	147,984
Elam Davies Social Service Center	**289,396**	265,537
Free Write Jail Arts and Literacy Program at Nancy B. Jefferson School	**252,424**	221,064
Summer Day	**118,842**	114,776
Tutoring	**511,352**	491,751
Urban Farm	**217,507**	167,821
	1,538,225	1,408,933
Supporting services:		
Management and general	**177,875**	158,295
Resource development	**170,250**	209,890
	348,125	368,185
	1,886,350	1,777,118
Increase in unrestricted net assets	**115,889**	30,813
Change in temporarily restricted net assets:		
Contributions	**161,854**	95,359
Net assets released from restrictions	**(95,358)**	(50,425)
Increase in temporarily restricted net assets	**66,496**	44,934
Increase in net assets	**182,385**	75,747
Net assets:		
Beginning of year	**427,439**	351,692
End of year	**$ 609,824**	$ 427,439

See Notes to Financial Statements.

Chicago Lights

Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Increase in net assets	**$ 182,385**	$ 75,747
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	**7,945**	7,945
Changes in operating assets and liabilities:		
Contributions receivable	**(25,000)**	-
Prepaids and other assets	**3,360**	(33,652)
Accounts payable, accrued expenses and deferred revenue	**27,678**	39,762
Due to The Congregation of The Fourth Presbyterian Church of Chicago, Illinois	**(28,956)**	43,274
Net cash provided by operating activities	**167,412**	133,076
Cash:		
Beginning of year	**458,695**	325,619
End of year	**$ 626,107**	$ 458,695

See Notes to Financial Statements.

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 Fourth Presbyterian Church of Chicago, Illinois ("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 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 Academic Success in Schools (CLASS): Chicago Lights Academic Success in Schools 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 weekly community meal, bag lunches distributed three days a week, a food pantry, distribution of clothing, housing information and assistance, computer classes, job readiness training, support groups, advocacy and case management.

Free Write Jail Arts and Literacy at Nancy B. Jefferson School (NBJ): This program is the only one-on-one tutoring program available to the youth incarcerated in the Cook County Juvenile Detention Center. The main goal of the program is to give some of Chicago's most vulnerable children - students between the ages of 11 and 17 who are awaiting trial, sentencing or serving time in jail - the opportunity to foster literacy, encourage self-expression and build self-esteem through a better understanding, of themselves and their surroundings. The art and writing of the over 100 students served is published through an annual anthology, which honors their creativity amidst dire surroundings. This program is fully supported by an annual operating grant.

Summer Day (SD): Summer Day provides a safe place to learn and engage in academic classes and arts activities for 100 first through eighth 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.

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

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' 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 unrestricted and temporarily restricted net asset categories, based on the existence or absence of donor-imposed restrictions, as follows:

Unrestricted: Those resources with no legal or donor-imposed restrictions.

Temporarily restricted: Those resources subject to donor-imposed restrictions which will be satisfied by Chicago Lights' actions or the passage of time. When a donor restriction expires or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed temporary restrictions are recorded as temporarily restricted revenue, unless satisfaction of restrictions occurs in the same year as revenue recognition, in which case the contributions are recorded as unrestricted revenue.

Permanently restricted: Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently (i.e., in perpetuity) by Chicago Lights. Chicago Lights did not have any permanently restricted net assets for the reporting periods.

Cash: 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.

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.

Contributed services are recognized 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. A substantial number of unpaid volunteers have made significant contributions of their time that do not meet the criteria. Accordingly, the value of their donated time and services are 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.

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

Grant revenue: Grant revenue is recognized to the extent the related expenses have been incurred. Amounts received in advance are recorded as deferred revenue until utilized.

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 Forms 990 in the U.S. federal jurisdiction and the State of Illinois. Chicago Lights is generally no longer subject to examination by the Internal Revenue Service for years before 2011.

Functional expenses: Operating expenses directly identified with a functional area are charged to that area and, where those expenses affect more than one area, they are allocated based on estimates made by management. Resource development expenses represent fundraising expenses.

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.

Reclassifications: Certain 2013 amounts have been reclassified to conform to the current year presentation without affecting previously reported net assets or changes in net assets.

Subsequent events: Chicago Lights has evaluated subsequent events for potential recognition and/or disclosure through July 24, 2015, the date the financial statements were available to be issued.

Note 2. Property and Equipment

Chicago Lights purchased a greenhouse for the Urban Farm program. Cost and accumulated depreciation at December 31, 2014 and 2013 are:

	2014	2013
Cost	$ 79,448	$ 79,448
Accumulated depreciation	(17,214)	(9,269)
	$ 62,234	$ 70,179

Depreciation expense for 2014 and 2013 was $7,945, based on a depreciable life of 10 years.

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2014 and 2013 were available for the following purposes:

	2014	2013
Time restricted for general operations	$ 29,291	$ 14,530
Elam Davies Social Service Center	20,000	-
Free Write Jail Arts and Literacy Program at Nancy B. Jefferson School	28,564	17,485
Summer Day	10,000	-
Tutoring	74,000	30,000
Urban Farm	10,824	44,168
	$ 172,679	$ 106,183

Temporarily restricted net assets utilized for their specific purposes during 2014 and 2013 were as follows:

	2014	2013
Elam Davies Social Service Center	$ -	$ 1,000
Free Write Jail Arts and Literacy Program at Nancy B. Jefferson School	17,486	12,378
Tutoring	30,000	15,000
Urban Farm	33,343	20,000
Other	14,529	2,047
	$ 95,358	$ 50,425

Note 4. 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. Chicago Lights reimburses the Church monthly for direct salary and benefit costs, including any other operating costs paid for by the Church on behalf of Chicago Lights. Chicago Lights also pays the Church a fee for rent, overhead and other administrative costs which amounted to $78,000 for December 31, 2014 (2013 - $66,000). In addition, Chicago Lights contributed $27,600 of Mission Benefit proceeds to the Church (2013 - $26,875) which is reflected within Mission benefit on the statement of activities. Any amounts unpaid at year-end are accounted for as a payable to the Church.

The Church supports Chicago Lights' programs through budgeted mission funds ($125,000 for 2014 and $106,891 for 2013), as well as special offerings and designated contributions from members and nonmembers. In addition, Chicago Lights received an investment draw allocation from the Church totaling $27,109 for 2014 (2013 - $26,925) which is recorded as contributions in the statements of activities.

Supplementary Information

Chicago Lights

Supplementary Statement of Support, Revenue and Expenses
Year Ended December 31, 2014

	CLASS	EDSSC	NBJ	SD	Tutoring
Support and revenue:					
Contributions	$ 129,963	$ 270,835	$ 292,418	$ 103,445	$ 626,216
Program activity	33,310	6,501	-	1,970	-
Mission benefit (net of expenses of $193,457)	27,910	54,316	-	22,305	98,282
Other	-	588	-	-	1,107
	191,183	332,240	292,418	127,720	725,605
Expenses:					
Program services	148,704	289,396	252,424	118,842	511,352
Management and general	20,377	39,655	-	16,285	71,754
Fundraising	19,503	37,955	-	15,587	68,678
	188,584	367,006	252,424	150,714	651,784
Increase (decrease) in net assets	$ 2,599	$ (34,766)	$ 39,994	$ (22,994)	$ 73,821

Chicago Lights

Supplementary Statement of Support, Revenue and Expenses (Continued)
Year Ended December 31, 2014

	Urban Farm	Other	Total
Support and revenue:			
Contributions	$ 215,150	$ 127,623	$ 1,765,650
Program activity	-	-	41,781
Mission benefit (net of expenses of $193,457)	40,823	-	243,636
Other	15,973	-	17,668
	271,946	127,623	2,068,735
Expenses:			
Program services	217,507	-	1,538,225
Management and general	29,804	-	177,875
Fundraising	28,527	-	170,250
	275,838	-	1,886,350
Increase (decrease) in net assets	$ (3,892)	$ 127,623	$ 182,385