

**CHICAGO LIGHTS
FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Chicago Lights
Chicago, Illinois

Opinion

We have audited the accompanying financial statements of CHICAGO LIGHTS (an Illinois nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 CHICAGO LIGHTS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of CHICAGO LIGHTS as of and for the year ending December 31, 2022 were audited by other auditors whose report dated November 10, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 CHICAGO LIGHTS' 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CHICAGO LIGHTS' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the accompanying table of contents 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 audit 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. The 2022 supplementary information listed in the accompanying table of contents was subjected to the auditing procedures applied in the 2022 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2022 financial statements as a whole.

A handwritten signature in black ink that reads "Warady & Davis LLP". The signature is fluid and cursive, with "Warady" and "& Davis" on the first line and "LLP" on the second line.

CHICAGO LIGHTS

STATEMENTS OF FINANCIAL POSITION

As of December 31	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents		
Cash and Cash Equivalents	\$ 972,130	\$ 702,312
Contributions Receivable	—	75,000
Due from The Congregation of		
The Fourth Presbyterian Church of Chicago, Illinois	506,810	295,736
Prepaid Expenses	29,534	67,887
Total Current Assets	<u>1,508,474</u>	<u>1,140,935</u>
PROPERTY AND EQUIPMENT, net	11,671	26,009
INTANGIBLE ASSETS, net	81,396	95,760
	\$ 1,601,541	\$ 1,262,704
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,373	\$ 2,269
Accrued Payroll and Vacation	10,596	17,208
Accrued Expenses	1,314	5,697
Deferred Special Event Revenue	46,390	31,589
Total Current Liabilities	<u>60,673</u>	<u>56,763</u>
NET ASSETS		
Without Donor Restrictions		
Undesignated	882,640	851,842
Board-Designated	437,500	—
With Donor Restrictions	220,728	354,099
Total Net Assets	<u>1,540,868</u>	<u>1,205,941</u>
	\$ 1,601,541	\$ 1,262,704

STATEMENTS OF ACTIVITIES

For the Years Ended December 31

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND GAINS						
Public Support						
Contributions	\$ 1,975,095	\$ 109,464	\$ 2,084,559	\$ 1,627,924	\$ 340,591	\$ 1,968,515
In-Kind Contributions	910,409	—	910,409	617,963	—	617,963
Total Public Support	<u>2,885,504</u>	<u>109,464</u>	<u>2,994,968</u>	<u>2,245,887</u>	<u>340,591</u>	<u>2,586,478</u>
Program Service Revenue						
Urban Farm and Summer Day	37,852	—	37,852	24,013	—	24,013
Investment Income	12,313	255	12,568	3,081	—	3,081
Special Event Revenue						
Mission Benefit Event	385,494	—	385,494	565,593	—	565,593
Other Events	45,950	—	45,950	—	—	—
In-Kind Contributions	85,865	—	85,865	—	—	—
Direct Expenses for Special Events	(206,918)	—	(206,918)	(227,282)	—	(227,282)
Total Special Event Revenue, net	<u>310,391</u>	<u>—</u>	<u>310,391</u>	<u>338,311</u>	<u>—</u>	<u>338,311</u>
Net Assets Released from Restrictions	243,090	(243,090)	—	491,008	(491,008)	—
Total Revenues	<u>3,489,150</u>	<u>(133,371)</u>	<u>3,355,779</u>	<u>3,102,300</u>	<u>(150,417)</u>	<u>2,951,883</u>
EXPENSES						
Program Services	2,415,047	—	2,415,047	2,411,199	—	2,411,199
Management and General	343,838	—	343,838	513,165	—	513,165
Fundraising	455,798	—	455,798	268,358	—	268,358
Total Expenses	<u>3,214,683</u>	<u>—</u>	<u>3,214,683</u>	<u>3,192,722</u>	<u>—</u>	<u>3,192,722</u>
CHANGE IN NET ASSETS						
BEFORE EQUITY TRANSFER	274,467	(133,371)	141,096	(90,422)	(150,417)	(240,839)
Equity Transfer	193,831	—	193,831	160,013	—	160,013
CHANGE IN NET ASSETS	468,298	(133,371)	334,927	69,591	(150,417)	(80,826)
Net Assets, Beginning	851,842	354,099	1,205,941	782,251	504,516	1,286,767
NET ASSETS, ENDING	\$ 1,320,140	\$ 220,728	\$ 1,540,868	\$ 851,842	\$ 354,099	\$ 1,205,941

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	Program Services					Support Services					Total Supporting Services	Total Expenses
	Tutoring and Scholarships	Elam Davies Social Service Center	Summer Day	Urban Farm	Total Program Services	Management and General	Fundraising	Direct Expenses for Special Events				
Salaries, Payroll Taxes and Benefits	\$ 420,833	\$ 393,822	\$ 150,459	\$ 246,516	\$ 1,211,630	\$ 135,516	\$ 261,344	\$ —	\$ 396,860	\$ 1,608,490		
Depreciation and Amortization	7,181	7,182	—	14,339	28,702	—	—	—	—	—	28,702	
Donated Goods	—	62,174	—	—	62,174	—	—	—	—	—	62,174	
Grants	105,146	—	—	—	105,146	—	—	—	—	—	105,146	
Interest, Fees and Taxes	—	—	—	—	—	24,421	537	5,125	30,083	30,083		
Meetings, Trips and Retreats	41,902	—	44,065	8,282	94,249	3,773	60	260	4,093	4,093	98,342	
Occupancy and Insurance	190,660	125,434	65,226	161,073	542,393	75,412	124,894	—	200,306	200,306	742,699	
Postage and Printing	—	—	—	—	—	2,678	7,784	4,965	15,427	15,427	15,427	
Professional Fees	95,104	61,565	35,664	63,651	255,984	101,492	60,577	20,522	182,591	182,591	438,575	
Supplies, Transportation and Miscellaneous	24,625	54,146	7,375	28,623	114,769	546	400	11,673	12,619	12,619	127,388	
Venue, Meals and Entertainment	—	—	—	—	—	—	202	164,373	164,373	164,373	164,373	
TOTALS	\$ 885,451	\$ 704,323	\$ 302,789	\$ 522,484	\$ 2,415,047	\$ 343,838	\$ 455,798	\$ 206,918	\$ 1,006,554	\$ 3,421,601		

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended December 31, 2022

	Program Services						Support Services				
	Tutoring and Scholarships	Dance Academy	Elam Davies Social Service Center	Summer Day	Urban Farm	Total Program Services for Chicago Lights	Management and General	Fundraising	Total Supporting Services	Total Expenses	
Salaries, Payroll Taxes and Benefits	\$ 455,020	\$ 221,969	\$ 376,610	\$ 146,969	\$ 323,079	\$ 1,523,647	\$ 201,254	\$ 214,460	\$ 415,714	\$ 1,939,361	
Depreciation	—	—	—	—	14,338	14,338	—	—	—	—	14,338
Fundraising	—	—	—	—	—	—	—	10,491	10,491	10,491	10,491
Grants	106,150	—	—	—	—	106,150	—	—	—	—	106,150
Interest	—	—	—	—	—	—	25,982	—	25,982	25,982	25,982
Meetings, Trips and Retreats	25,295	1,141	5,092	38,298	16,653	86,479	1,515	—	1,515	87,994	
Occupancy and Insurance	99,365	36,844	203,005	55,575	36,696	431,485	84,317	1,225	85,542	517,027	
Postage and Printing	3,496	—	3,949	—	1,414	8,859	4,600	7,895	12,495	21,354	
Professional Fees	50,537	17,350	38,198	15,376	32,430	153,891	194,491	33,691	228,182	382,073	
Special Program Events	5,504	137	3,562	—	—	9,203	—	—	—	9,203	
Supplies	24,046	4,925	30,066	3,447	14,663	77,147	1,006	596	1,602	78,749	
TOTALS	\$ 769,413	\$ 282,366	\$ 660,482	\$ 259,665	\$ 439,273	\$ 2,411,199	\$ 513,165	\$ 268,358	\$ 781,523	\$ 3,192,722	

CHICAGO LIGHTS

STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 334,927	\$ (80,826)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	14,338	14,338
Amortization	14,364	—
Contributions Restricted for Endowment	—	(10,000)
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Contributions Receivable	75,000	(75,000)
(Increase) Decrease in Due from The Congregation of The Fourth Presbyterian Church of Chicago, Illinois	(211,074)	177,080
(Increase) Decrease in Prepaid Expenses	38,353	(57,087)
Increase (Decrease) in Accounts Payable	104	(10,877)
Decrease in Accrued Payroll and Vacation	(6,612)	(48,619)
Increase (Decrease) in Deferred Special Event Revenue	14,801	(22,411)
Decrease in Accrued Expenses	(4,383)	(2,495)
Total Adjustments	<u>(65,109)</u>	<u>(35,071)</u>
Net Cash Provided (Used) by Operating Activities	<u>269,818</u>	<u>(115,897)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	—	(95,760)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of Contributions Restricted for Endowment	<u>—</u>	<u>10,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	<u>269,818</u>	<u>(201,657)</u>
Cash and Cash Equivalents, Beginning	<u>702,312</u>	<u>903,969</u>
CASH AND CASH EQUIVALENTS, ENDING	\$ 972,130	\$ 702,312

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Noncash Activities		
Donated Services	\$ 340,026	\$ 296,441
Donated Facilities	<u>\$ 702,040</u>	<u>\$ 481,535</u>
Donated Goods	<u>\$ 62,174</u>	<u>\$ —</u>
Donated Auction Items	<u>\$ 85,865</u>	<u>\$ —</u>

NOTES TO FINANCIAL STATEMENTS

NATURE OF ORGANIZATION

Chicago Lights (“the Organization”), an Illinois nonprofit corporation, was formed on April 25, 1991. The Organization focuses on the educational and social services needs of people living in Chicago communities that are facing systemic economic barriers. The Organization is a community outreach organization of The Congregation of the Fourth Presbyterian Church of Chicago, Illinois (the “Church”). The specific purposes of the Organization are to advance the community outreach and mission activities of the Church in providing programs and resources for youth and adults facing systemic social and economic barriers. The Organization creates, develops, and manages educational, arts, social service, and community building programs and such other purposes as the Church and the Organization's board of directors may elect. The Organization annually partners with individuals of all races, ethnic backgrounds, and religious traditions. The Church is the sole corporate member and includes the activities of the Organization in its consolidated financial statements.

The Organization's financial accounts are organized in program services and support services categories, which are as follows:

Elam Davies Social Service Center

The social service center helps adults achieve individual goals through case management and enrichment groups, plus appointments for food, clothing, housing case management, and other resources.

Summer Day

Summer Day bridges the summer learning and safety gap for students by engaging them in a six-week, full-day program that includes academic and arts classes, outdoor recreation, field trips, and a dynamic final performance written and produced by the students.

Tutoring

Tutoring matches students one-to-one with caring volunteer mentors to help them build academic and social-emotional skills, graduate from high school, and pursue meaningful careers.

Urban Farm

The Urban Farm cultivates a thoughtful and engaged community of youth and adults through educational and economic opportunities, hands-on learning experiences, and access to fresh, local, and sustainably grown produce.

Chicago Lights Dance Academy

The dance academy fosters self-esteem and academic growth through dance classes taught by professional artists for students attending Chicago schools. The dance academy ceased operations in August 2022.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

BASIS OF ACCOUNTING

The Organization prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles applicable to not-for-profit organizations.

BASIS OF PRESENTATION

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Codification topic related to "Financial Statements of Not-for-Profit Organizations." This guidance requires the Organization to report information regarding its financial position and activities, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions are available to finance the general operations of the Organization. These represent net assets that are not restricted by donors, or for which donor-imposed restrictions have expired or been fulfilled. The only limits on the use of net assets are the broad limits resulting from the nature of the Organization, its mission and the environment in which it operates. Net assets without donor restriction may be designated for specific purposes by action of the Board of Directors. The Board has designated \$437,500 of net assets without donor restrictions as a board-designated endowment at December 31, 2023.

Net assets with donor restrictions result (a) from contributions and other inflows of assets, the use of which is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled by action of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions of the Organization pursuant to those stipulations (See Note 5).

Additionally, net assets with donor restrictions exist where the donor-imposed restrictions stipulate that the contributed resources be maintained in perpetuity by the Organization, but may permit the Organization to utilize or expend part or all of the income or other economic benefits derived from the donated assets. (See Note 7).

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Contribution revenue with donor-imposed restrictions that are met in the period in which the contribution is received is reported as an increase in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include deposits in financial institutions and consist primarily of a checking account and short-term money market deposits with original maturities of ninety days or less. The Organization considers its money market accounts to be cash equivalents.

CONCENTRATION OF CREDIT RISK

The Organization maintains its cash at a financial institution which, at times, may exceed federally insured limits. At December 31, 2023 and 2022, the Organization has deposits at one financial institution in excess of federally insured limits of \$454,098 and \$200,342, respectively. In addition, at December 31, 2023 and 2022 the Organization has cash equivalents of \$268,602 and \$256,099, which are not insured by the federal deposit insurance corporation (FDIC). The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash.

Credit risk associated with contributions receivable and the amount due from The Congregation of the Fourth Presbyterian Church of Chicago, Illinois is considered limited due to favorable prior collection rates and because the outstanding amounts are due from the Church, which is the Organization's sole corporate member and main supporter, and from other donors supportive of the Organization's mission.

CONTRIBUTIONS RECEIVABLE

The Organization reports contributions receivables at the amount management expects to collect from outstanding balances. The allowance for doubtful accounts is based on past experience, current economic conditions, assessment of the specific individual receivables, and a review of subsequent collections. It is the Organization's policy to write off receivables when management deems them uncollectible.

There were no contributions receivable and related allowance at December 31, 2023. Management has assessed the outstanding contributions receivable at December 31, 2022 as fully collectible and, therefore, no allowance was recorded.

PROPERTY AND EQUIPMENT, AND DEPRECIATION

Property and equipment is recorded at cost if purchased or fair value if received as a donation. Expenditures for additions, renewals and betterments that extend the useful life of an asset greater than \$1,000 are capitalized, while routine maintenance and repairs are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, which are 5 years for vehicles and 10 years for building improvements.

INTANGIBLE ASSETS

The Organization capitalizes software and other intangibles with useful lives greater than one year. Intangible assets at December 31, 2023 and 2022 consist of a specialized software developed for the Organization's use. Amortization is provided using the straight-line method over an estimated useful life of five years.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**PREPAID EXPENSES**

Prepaid expenses consist of payments made by the Organization for mission benefit special events, to be held in future periods, as well as services to be received in future periods. Items are expensed at the time of the related special event or the future services are received.

PUBLIC SUPPORT REVENUE

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded as contributions receivable at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as contributions without donor restrictions.

Conditional promises to give are not recognized as revenue until the conditions are met, generally when the barriers prescribed by the grant agreements/pledge agreements are overcome. The Organization records cash received in advance of meeting conditions as a refundable advance on the statements of financial position. As of December 31, 2023 and 2022, the Organization had no conditional promises to give.

IN-KIND CONTRIBUTIONS OF GOODS, FACILITIES, AND SERVICES

Contributions of goods, supplies, and other non-cash assets, including stock, are recorded at their estimated fair values in the period received. Donated goods received were \$62,174 for the year ended December 31, 2023. These amounts are included in the statements of activities as in-kind contributions. For the year ended December 31, 2023, the entire amount is included in donated goods on the statements of functional expenses. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation, are also recorded at their estimated fair values in the period received. Donated professional services, and use of facilities and related utilities provided by the Church to the Organization were \$1,042,066 and \$777,976 for the years ended December 31, 2023 and 2022, respectively. These amounts are included in the statements of activities as in-kind contributions and equity transfers, as further detailed in Note 6. These donated services are valued based on the hourly rates for the same or similar services in the Organization's primary market - the Chicagoland area. There were no donor-imposed restrictions associated with the donated services and all were utilized in the Organization's programs and supporting services.

The Organization also receives donated items to be sold at its special event auction. These items are monetized and recorded in special event in-kind contributions on the statements of activities. Donated auction items are valued at the gross selling price received at the Organization's special events and total \$85,865 for the year ended December 31, 2023.

A substantial number of volunteers have donated significant amounts of time to the tutoring program. The value of this contributed time is not reflected in the accompanying financial statements since it does not meet the criteria for financial statement recognition in conformity with accounting principles generally accepted in the United States.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROGRAM REVENUE

Program revenue is derived primarily from sales from the Urban Farm, which is reported under program service revenue on the statements of activities. This revenue is from the specific exchange of goods priced at market value and is recognized at the time of sale.

SPECIAL EVENT REVENUE

The Organization holds an annual Mission Benefit special event. Special events revenue, which includes charitable contributions, registration fees, sponsorships and sales of auction items or raffle tickets, is recorded as revenue when the event occurs, equal to the amounts received. If a payment is received in advance, the amount considered a direct benefit to the donor is deferred until the event occurs and presented in deferred special event revenue on the statements of financial position, while the contribution portion, the excess amount paid over the direct benefit, is recorded immediately, unless there is a right of return if the special event does not take place. Typically, the prepayments have such rights of return and are considered conditional on the event taking place. As such, the majority of prepaid contributions for the event are also deferred in the same deferred special event revenue account until the event occurs.

Deferred special event revenue as of December 31, 2023 and 2022 was \$46,390 and \$31,589, respectively.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses are charged directly to programs or support service categories based upon specific identification where possible. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on direct charges, or appropriate methods determined by management. These allocation methods include allocation of personnel and any other related costs based on estimated time and efforts spent by employees on the different functional categories, and allocation of occupancy and related costs using space utilization percentages occupied by the various functions.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**INCOME TAX STATUS**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. The Organization is similarly exempt for state purposes. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Organization has taken or expects to take in its tax returns. Under the guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Organization believes that it has appropriate support for the positions taken on its returns.

The Organization files its forms 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Illinois.

RECENTLY ADOPTED ACCOUNTING STANDARDS – CREDIT LOSSES

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses* (Topic 326) which replaced the existing incurred loss model for measuring the allowance for credit losses with a new model that reflects current expected credit losses (CECL) that are expected to occur over the lifetime of the financial assets that management measures at amortized cost, including accounts receivable. Effective January 1, 2023, the Organization adopted the requirements of this ASU using the modified retrospective approach. The adoption did not have a material impact on the Organization's statements of financial position or activities.

NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents.....	\$ 972,130	\$ 702,312
Contributions Receivable	—	75,000
Due from The Congregation of The Fourth Presbyterian Church of		
Chicago, Illinois	506,810	295,736
Less: Net Assets without Donor Restrictions - Board-Designated.....	(437,500)	—
Less: Net Assets with Donor Restrictions.....	(220,728)	(354,099)
	<u>\$ 820,712</u>	<u>\$ 718,949</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

As part of its liquidity management plan, the Organization attempts to maintain sufficient cash to meet current operating needs. Assuming revenue and expenses are consistent in the next year, the Organization would have sufficient liquid assets to meet at least one year of expenses. In addition, although the Organization does not intent to spend its board-designated net assets, these amounts may be undesignated by the board and expended should the need arise.

NOTE 3—PROPERTY AND EQUIPMENT

A summary of property and equipment consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Building Improvements.....	\$ 116,448	\$ 116,448
Vehicles	<u>12,920</u>	<u>12,920</u>
	129,368	129,368
Less Accumulated Depreciation	<u>(117,697)</u>	<u>(103,359)</u>
Property and Equipment, net	<u><u>\$ 11,671</u></u>	<u><u>\$ 26,009</u></u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$14,338.

NOTE 4—INTANGIBLE ASSETS

Intangible assets consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Software	\$ 95,760	\$ 95,760
Less Accumulated Amortization.....	<u>(14,364)</u>	<u>—</u>
Intangibles, net	<u><u>\$ 81,396</u></u>	<u><u>\$ 95,760</u></u>

Amortization expense for the years ended December 31, 2023 and 2022 was \$14,364 and \$-0-, respectively.

Estimated amortization expense over the next years will be \$19,152 for the years ending December 31, 2024 through December 31, 2027, and \$4,788 for the year ending December 31, 2028.

NOTE 5—NET ASSETS WITH DONOR RESTRICTIONS

	<u>2023</u>	<u>2022</u>
Funds Restricted for Use in Future Years' Programming	\$ 41,982	\$ 70,348
Light up a Life	28,745	3,343
Elam Davies Social Service Center	12,000	21,999
Summer Day	25,000	38,333
Tutoring.....	<u>103,001</u>	<u>201,252</u>
Urban Farm	—	8,824
Donor Restricted Endowment - In Perpetuity	<u>10,000</u>	<u>10,000</u>
	<u><u>\$ 220,728</u></u>	<u><u>\$ 354,099</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5—NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net Assets released from restrictions due to fulfillment of purpose or time restrictions for the years ended December 31 are as follows:

	2023	2022
Time Restricted for General Purpose	\$ 74,083	\$ 273,090
Chicago Lights Dance Academy	—	21,095
Elam Davies Social Service Center	10,000	21,547
Summer Day	23,333	15,000
Tutoring.....	126,850	141,526
Urban Farm	8,824	18,750
	<u>\$ 243,090</u>	<u>\$ 491,008</u>

NOTE 6—RELATED PARTY TRANSACTIONS

Pursuant to a service agreement, the Organization utilizes employees from the Church. The service agreement is for a period of one year and is automatically renewed for successive one-year periods; either party can terminate the automatic renewal with 60 days' written notice. The employees participate in the benefit plans of the Church, as eligible. The Church charges the Organization for direct salary and benefit costs, and the Organization makes periodic reimbursements to the Church.

The Church continues to support the Organization by providing free use of facility space and related utilities for its programs and administration functions. The Church also provides human resources, information technology, and accounting services to the Organization, free of charge. The estimated value of these contributed nonfinancial assets was \$1,042,066 and \$777,976 in 2023 and 2022, respectively. For the years ended December 31, 2023, and 2022, Chicago Lights received in-kind contributions of human resources, information technology, accounting and other expenses from the Church of \$340,026 and \$296,441, respectively. Of these totals, \$193,831 and \$160,013, for the years ended December 31, 2023 and 2022, respectively, consist of donated salaries, related payroll taxes and benefits, reported as equity transfers on the statements of activities. These contributed nonfinancial assets are valued based on the actual costs incurred by the Church, and estimated allocation of the costs between the Church and Chicago Lights, using full-time equivalents and other estimation techniques.

In addition, for the year ended December 31, 2023 and 2022, Chicago Lights received estimated \$702,040 and \$481,535, respectively of free use of space and related utilities, valued based on estimated rental fees for similar space in the Organization's area.

In addition, the Organization contributed \$-0- and \$55,800 of Mission Benefit Event proceeds to the Church in 2023 and 2022, respectively, which is included within Mission Benefit Event on the statements of activities.

NOTES TO FINANCIAL STATEMENTS

NOTE 6—RELATED PARTY TRANSACTIONS (Continued)

For the years ended December 31, 2023, and 2022, the Organization also received contributions from the Church totaling \$60,809, and \$55,017, respectively, consisting of an investment draw allocation.

For the year ended December 31, 2022, the Organization further received sponsorship revenue for the Mission Benefit Special Event of \$150,000.

As of December 31, 2023 and 2022, a receivable of \$506,810 and \$295,736, respectively, is due from the Church.

NOTE 7—DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENT FUNDS

The Organization's endowment includes donor-restricted and board-designated endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. While donor-restricted endowment fund's corpus is restricted in perpetuity, the board-designated endowment could be undesignated by the board.

The Board of Directors of the Organization has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as not requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restriction in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the organization and the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

INVESTMENT RETURN OBJECTIVES, RISK PARAMETERS AND STRATEGIES, AND SPENDING POLICY

The Organization 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. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of trustees, the endowment assets are to be invested in a diversified portfolio of investment assets to provide for a total return. The overall rate of return objective is a reasonable real rate of return consistent with the risk levels established by the Organization's investment committee.

NOTES TO FINANCIAL STATEMENTS

**NOTE 7—DONOR RESTRICTED AND BOARD DESIGNATED ENDOWMENT FUNDS
(Continued)****INVESTMENT RETURN OBJECTIVES, RISK PARAMETERS AND STRATEGIES, AND SPENDING POLICY (Continued)**

The objective is a minimum acceptable rate of return over a full market cycle (three years) that equals or exceeds the assumed spending rate plus the rate of inflation.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization places a greater emphasis on fixed-income investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy of appropriating for distribution each year. The current spending policy is 5 percent of the trailing 12-quarter average balance of its total investment holdings. In establishing this policy, the Organization considered the long-term expected rate of return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow an average of 5% annually. The Organization has a policy that permits spending from underwater endowment funds, depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The governing board did not appropriate from the endowment in 2023 or 2022.

Endowment net asset composition by type of fund as of December 31, 2023 is as follows:

	With Donor Restrictions			
	Without Donor Restrictions	Time and Purpose Restrictions	Endowment in Perpetuity	Total
Donor-Restricted				
Endowment Funds	\$ —	\$ —	\$ 10,000	\$ 10,000
Board-Designated				
Endowment Funds	487.500	—	—	487.500
Total Endowment Funds	\$ 487.500	\$ —	\$ 10,000	\$ 447,500

Changes in endowment net assets for the year ended December 31, 2023 are as follows:

	With Donor Restrictions				
	Without Donor Restrictions	Time and Purpose Restrictions	Endowment in Perpetuity	Total	Endowment Net Assets
Endowment Net Assets,					
Beginning of Year.....	\$ —	\$ (255)	\$ 10,000	\$ 9,745	
Contributions	487,500	—	—	—	437,500
Investment Income	—	255	—	—	255
Endowment Net Assets, End of Year	\$ 487,500	\$ —	\$ 10,000	\$ 447,500	

NOTES TO FINANCIAL STATEMENTS

NOTE 7—DONOR RESTRICTED AND BOARD DESIGNATED ENDOWMENT FUNDS
(Continued)

Endowment net asset composition by type of fund as of December 31, 2022 is as follows:

	With Donor Restrictions			
Without Donor Restrictions	Time and Purpose Restrictions	Endowment in Perpetuity		Total
Donor-Restricted				
Endowment Funds	\$ (255)	\$ 10,000	\$ 9,745	

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	With Donor Restrictions			Total
Without Donor Restrictions	Time and Purpose Restrictions	Endowment in Perpetuity	Endowment Net Assets	
Endowment Net Assets,				
Beginning of Year.....	\$ —	\$ —	\$ —	\$ —
Contributions	—	—	10,000	10,000
Investment Loss.....	—	(255)	—	(255)
Endowment Net Assets, End of Year	\$ (255)	\$ 10,000	\$ 9,745	

UNDERWATER ENDOWMENT FUNDS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature exist in the donor-restricted endowment fund, which has an original gift value of \$10,000 and a current fair value of \$9,745 as of December 31, 2022. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds. The fair value recovered to \$10,000 as of December 31, 2023.

NOTE 8—RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 9—SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 6, 2024, the date which the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES

For the Year Ended December 31, 2023

	Elam Davies Social Service Center	Summer Day	Tutoring	Urban Farm	Other	Total
Revenue and Support						
Contributions	\$ 165,329	\$ 44,029	\$ 180,516	\$ 108,286	\$ 1,586,399	\$ 2,084,559
In-Kind Donations	213,065	77,039	232,766	145,522	242,017	910,409
Mission Benefit (net of Expenses of \$206,918)	77,258	39,445	119,179	74,509	—	310,391
Program Service Revenue	—	18,697	—	19,155	—	37,852
Investment Income	3,571	1,640	4,737	2,620	—	12,568
Total Revenue and Support	459,223	180,850	537,198	350,092	1,828,416	3,355,779
Expenses						
Program Services	(704,323)	(302,789)	(885,451)	(522,484)	—	(2,415,047)
Management and General	(61,165)	(31,228)	(94,353)	(58,988)	(98,104)	(343,838)
Resource Development	(81,081)	(41,397)	(125,076)	(78,196)	(130,048)	(455,798)
Total Expenses	(846,569)	(375,414)	(1,104,880)	(659,668)	(228,152)	(3,214,683)
Increase (Decrease) in Net Assets	\$ (387,346)	\$ (194,564)	\$ (567,682)	\$ (309,576)	\$ 1,600,264	\$ 141,096