

Chicago Lights

Financial Report
December 31, 2012

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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, 2012 and 2011, 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 of 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, 2012 and 2011, 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.

A handwritten signature in cursive script that reads "McGladrey LLP".

Chicago, Illinois
August 28, 2013

Chicago Lights

Statements of Financial Position December 31, 2012 and 2011

	2012	2011
Assets		
Cash	\$ 325,619	\$ 196,271
Due from The Congregation of The Fourth Presbyterian Church of Chicago, Illinois	-	153,562
Prepays and other assets	19,848	14,738
Property and equipment, net	78,124	-
	<u>\$ 423,591</u>	<u>\$ 364,571</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 58,067	\$ 51,470
Due to The Congregation of The Fourth Presbyterian Church of Chicago, Illinois	6,732	-
Deferred revenue	7,100	10,000
	<u>71,899</u>	<u>61,470</u>
Net assets		
Unrestricted	290,443	120,800
Temporarily restricted	61,249	182,301
	<u>351,692</u>	<u>303,101</u>
	<u>\$ 423,591</u>	<u>\$ 364,571</u>

See Notes to Financial Statements.

Chicago Lights

Statements of Activities Years Ended December 31, 2012 and 2011

	2012	2011
Change in unrestricted net assets:		
Support and revenue:		
Contributions	\$ 1,253,977	\$ 1,387,706
Program activity	1,390	8,447
Mission benefit (net of expenses of \$166,201 and \$160,427, respectively)	166,450	193,243
Golf event (net of expenses of \$14,633 and \$17,331, respectively)	18,320	10,972
Other	13,951	2,346
Net assets released from restrictions	376,038	239,538
	<u>1,830,126</u>	<u>1,842,252</u>
Expenses:		
Program services:		
Center for Whole Health	51,995	126,576
CL Academic Success in Schools	108,049	112,956
Elam Davies Social Service Center	240,500	265,047
Free Write Jail Arts and Literacy Program at Nancy B. Jefferson School	183,299	197,032
Summer Day	82,726	86,810
Tutoring	504,386	528,441
Urban Farm	136,101	101,762
Other programs	-	12,795
	<u>1,307,056</u>	<u>1,431,419</u>
Supporting services:		
Management and general	159,632	229,998
Resource development	193,795	202,014
	<u>353,427</u>	<u>432,012</u>
	<u>1,660,483</u>	<u>1,863,431</u>
Increase (decrease) in unrestricted net assets	<u>169,643</u>	<u>(21,179)</u>
Change in temporarily restricted net assets:		
Contributions	254,986	338,633
Net assets released from restrictions	(376,038)	(239,538)
Increase (decrease) in temporarily restricted net assets	<u>(121,052)</u>	<u>99,095</u>
Increase in net assets	<u>48,591</u>	<u>77,916</u>
Net assets:		
Beginning of year	<u>303,101</u>	<u>225,185</u>
End of year	<u>\$ 351,692</u>	<u>\$ 303,101</u>

See Notes to Financial Statements.

Chicago Lights

Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Increase in net assets	\$ 48,591	\$ 77,916
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,324	-
Changes in operating assets and liabilities:		
Prepays and other assets	(5,110)	(33)
Accounts payable, accrued expenses and deferred revenue	3,697	(33,768)
Due to/from The Congregation of The Fourth Presbyterian Church of Chicago, Illinois	160,294	(112,403)
Net cash provided by (used in) operating activities	208,796	(68,288)
Cash Flows from Investing Activities		
Capital expenditures	(79,448)	-
Net cash used in operating activities	(79,448)	-
Increase (decrease) in cash	129,348	(68,288)
Cash:		
Beginning of year	196,271	264,559
End of year	\$ 325,619	\$ 196,271

See Notes to Financial Statements.

Chicago Lights

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 Congregation of The Fourth Presbyterian Church of Chicago, Illinois ("Church"). The specific purposes of Chicago Lights are to advance certain mission activities of the Church in providing programs and resources for children and adults facing the challenges of poverty, to create, develop, fund and manage 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:

Center for Whole Health (CWH): This program was discontinued as a program of Chicago Lights during 2012. The program promoted well-being in body, mind and spirit by supporting older adults, people who are homeless, children and families from economically disadvantaged urban neighborhoods, as well as members of the Church's congregation.

CL 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, community voice mail, job readiness training, support groups, advocacy, and case management. There are no geographic boundaries or eligibility requirements.

Free Write Jail Arts and Literacy Program 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 approximately 100 students served is published through quarterly magazines which honor 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, multicultural music, dance and drama performance for the community.

Chicago Lights

Notes to Financial Statements

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

Tutoring: This program provides one-to-one tutoring/mentoring and need-based academic scholarships. This program also advances the main goal of the program by improving opportunities for educational success and fostering positive relationships between students and tutors. The program serves over 400 students (first through twelfth grades) who are living in economically disadvantaged neighborhoods more than 30 Chicago zip codes.

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.

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.

Chicago Lights

Notes to Financial Statements

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

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.

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.

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

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 2009.

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.

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.

Subsequent events: Chicago Lights has evaluated subsequent events for potential recognition and/or disclosure through August 28, 2013, the date the financial statements were available to be issued.

Chicago Lights

Notes to Financial Statements

Note 2. Property and Equipment

Chicago Lights purchased a greenhouse for the Urban Farm program in 2012. The greenhouse is currently located at property owned by the Church on Chicago Avenue; however, it is moveable and can be relocated to another location. The total cost of the greenhouse was \$79,448, and depreciation expense for the year ended December 31, 2012 was \$1,324, based on a depreciable life of ten years.

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2012 and 2011 were available for the following purposes:

	2012	2011
Center for Whole Health	\$ -	\$ 5,560
Contributions restricted for future period	36,000	67,105
Elam Davies Social Service Center	-	5,000
Free Write Jail Arts and Literacy Program at Nancy B. Jefferson School	12,378	3,766
Summer Day	-	5,000
Tutoring	-	10,000
Urban Farm	10,824	83,824
Other	2,047	2,046
	<u>\$ 61,249</u>	<u>\$ 182,301</u>

Temporarily restricted net assets utilized for their specific purposes during 2012 and 2011 were as follows:

	2012	2011
Center for Life and Learning	\$ -	\$ 691
Center for Whole Health	5,560	4,000
Contributions restricted for future period	67,105	21,615
Elam Davies Social Service Center	5,000	2,406
Free Write Jail Arts and Literacy Program at Nancy B. Jefferson School	185,373	181,042
Summer day	5,000	-
Tutoring	30,000	2,000
Urban Farm	78,000	15,000
Other	-	12,784
	<u>\$ 376,038</u>	<u>\$ 239,538</u>

Chicago Lights

Notes to Financial Statements

Note 4. Related-Party Transactions

Pursuant to a leasing 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 pays the Church a fee for rent, overhead and other administrative costs which amounted to \$67,750 for December 31, 2012 (2011 - \$73,000). In addition, Chicago Lights contributed \$28,857 of Mission Benefit proceeds to the Church (2011 - \$28,457). 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 and special offerings and designated contributions from members and nonmembers. Contributions were \$200,814 for 2012 (2011 - \$324,587). In addition, Chicago Lights received an investment draw allocation from the Church totaling \$32,668 (2011 - \$28,319).

The Church also contributes space in its facilities for certain Chicago Lights' activities.

Supplementary Information

Chicago Lights

Supplementary Statement of Support, Revenue and Expenses Year Ended December 31, 2012

	CWH	CLASS	EDSSC	NBJ	SD
Support and revenue:					
Contributions	\$ 35,207	\$ 106,111	\$ 218,937	\$ 206,696	\$ 100,204
Program activity	-	-	-	-	1,390
Mission benefit (net of expenses of \$166,201)	7,702	16,004	35,623	-	12,253
Golf event (net of expenses of \$14,633)	847	1,761	3,921	-	1,349
Other	1,500	-	-	-	-
	<u>45,256</u>	<u>123,876</u>	<u>258,481</u>	<u>206,696</u>	<u>115,196</u>
Expenses:					
Program services	51,995	108,049	240,500	183,299	82,726
Management and general	7,386	15,349	34,164	-	11,751
Fundraising	8,967	18,633	41,475	-	14,266
	<u>68,348</u>	<u>142,031</u>	<u>316,139</u>	<u>183,299</u>	<u>108,743</u>
Increase (decrease) in net assets	<u>\$ (23,092)</u>	<u>\$ (18,155)</u>	<u>\$ (57,658)</u>	<u>\$ 23,397</u>	<u>\$ 6,453</u>

Chicago Lights

Supplementary Statement of Support, Revenue and Expenses (Continued) Year Ended December 31, 2012

	Tutoring	Urban Farm	Other	Total
Support and revenue:				
Contributions	\$ 578,518	\$ 210,864	\$ 52,426	\$ 1,508,963
Program activity	-	-	-	1,390
Mission benefit (net of expenses of \$166,201)	74,709	20,159	-	166,450
Golf event (net of expenses of \$14,633)	8,223	2,219	-	18,320
Other	5,225	7,226	-	13,951
	<u>666,675</u>	<u>240,468</u>	<u>52,426</u>	<u>1,709,074</u>
Expenses:				
Program services	504,386	136,101	-	1,307,056
Management and general	71,649	19,333	-	159,632
Fundraising	86,983	23,471	-	193,795
	<u>663,018</u>	<u>178,905</u>	<u>-</u>	<u>1,660,483</u>
Increase (decrease) in net assets	<u>\$ 3,657</u>	<u>\$ 61,563</u>	<u>\$ 52,426</u>	<u>\$ 48,591</u>