

Chicago Lights

Financial Report
December 31, 2019

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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, 2019 and 2018, 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, 2019 and 2018, 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.

RSM US LLP

Chicago, Illinois
September 11, 2020

Chicago Lights

Statements of Financial Position December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 631,452	\$ 684,768
Due from The Congregation of The Fourth Presbyterian Church of Chicago, Illinois	139,572	88,667
Prepaid and other assets	47,832	93,367
Property and equipment, net	58,030	30,455
	<u>\$ 876,886</u>	<u>\$ 897,257</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 87,347	\$ 48,414
Deferred revenue	182,545	41,000
	<u>269,892</u>	<u>89,414</u>
Net assets:		
Without donor restrictions	491,264	493,233
With donor restrictions	115,730	314,610
	<u>606,994</u>	<u>807,843</u>
	<u>\$ 876,886</u>	<u>\$ 897,257</u>

See notes to financial statements.

Chicago Lights

Statements of Activities

Years Ended December 31, 2019 and 2018

	2019	2018
Change in net assets without donor restrictions:		
Support and revenue:		
Contributions	\$ 1,697,823	\$ 1,558,426
In-kind contributions	581,983	517,448
Program activity	6,947	3,797
Mission benefit (net of expenses of \$227,258 and \$212,682, respectively)	488,063	455,236
Other	36,930	37,039
Net assets released from restrictions	258,884	329,170
	<u>3,070,630</u>	<u>2,901,116</u>
Expenses:		
Program services:		
Chicago Lights Dance Academy	233,963	295,600
Elam Davies Social Service Center	440,612	443,531
Summer Day	241,847	259,393
Tutoring	790,875	754,548
Urban Farm	392,964	395,185
	<u>2,100,261</u>	<u>2,148,257</u>
Supporting services:		
Management and general	617,256	378,964
Resource development	355,082	373,524
	<u>972,338</u>	<u>752,488</u>
	<u>3,072,599</u>	<u>2,900,745</u>
	<u>(1,969)</u>	<u>371</u>
Change in net assets with donor restrictions:		
Contributions	60,004	305,785
Net assets released from restrictions	(258,884)	(329,170)
	<u>(198,880)</u>	<u>(23,385)</u>
	<u>(200,849)</u>	<u>(23,014)</u>
Net assets:		
Beginning of year	807,843	830,857
End of year	<u>\$ 606,994</u>	<u>\$ 807,843</u>

See notes to financial statements.

Chicago Lights

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Decrease in net assets	\$ (200,849)	\$ (23,014)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,425	7,945
Changes in operating assets and liabilities:		
Prepays and other assets	45,535	(42,139)
Accounts payable and accrued expenses	38,933	3,186
Deferred revenue	141,545	(56,501)
Net cash provided by (used in) operating activities	34,589	(110,523)
Cash flows from investing activities:		
Due to/from The Congregation of The Fourth Presbyterian Church of Chicago, Illinois	(50,905)	(140,226)
Capital expenditures	(37,000)	-
Net cash used in investing activities	(87,905)	(140,226)
Decrease in cash and cash equivalents	(53,316)	(250,749)
Cash and cash equivalents:		
Beginning of year	684,768	935,517
End of year	<u>\$ 631,452</u>	<u>\$ 684,768</u>

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 (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 CLDA 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): The 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 Urban Farm increases economic opportunities for youth and community residents in the former 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

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.

Prepaid and other assets: Prepaid and other assets consist of payments made by Chicago Lights for Mission Benefit events to be held in future periods. Items are expensed at the time of the related event.

Property and equipment: Property and equipment are 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.

Chicago Lights

Notes to Financial Statements

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

Program activity: Program activity revenue, which includes Mission benefit revenue, is recorded in the calendar year the related activity takes place. Revenue from advance payment of these activities, primarily the Mission benefit, are deferred until the activity takes place.

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: In 2019, Chicago Lights adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard clarifies the guidance for evaluating whether a transaction is reciprocal (i.e. an exchange transaction) or non-reciprocal (i.e. a contribution) and for distinguishing between conditional and unconditional contributions. There was no impact from adoption of this standard on the financial statements.

Pending accounting pronouncements: In 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP. In June 2020, the FASB issued ASU 2020-05, which allows a one-year effective date deferral of Topic 606. Chicago Lights has elected to defer adoption for one year; Topic 606 will now be effective for its 2020 financial statements.

Chicago Lights

Notes to Financial Statements

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

Subsequent events: Chicago Lights has evaluated subsequent events through September 11, 2020, the date the financial statements were available to be issued. In January 2020, the World Health Organization declared the COVID-19 outbreak a public health emergency of international concern and subsequently declared it to be a pandemic. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy and financial market. It is unknown how long the adverse conditions associated with COVID-19 will last and what the complete financial effect will be to Chicago Lights.

Note 2. Property and Equipment

Chicago Lights owns a greenhouse used for the Urban Farm program. Cost and accumulated depreciation at December 31, 2019 and 2018 are:

	2019	2018
Cost	\$ 116,448	\$ 79,448
Accumulated depreciation	(58,418)	(48,993)
	<u>\$ 58,030</u>	<u>\$ 30,455</u>

Depreciation expense for 2019 and 2018 was \$9,425 and \$7,945, respectively, based on a depreciable life of ten years.

Note 3. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018, were available for the following purposes:

	2019	2018
Funds restricted for use in future years' programming	\$ 42,504	\$ 120,785
Chicago Lights Dance Academy	5,000	30,000
Summer Day	7,500	15,000
Tutoring	51,901	140,000
Urban Farm	8,825	8,825
	<u>\$ 115,730</u>	<u>\$ 314,610</u>

Net assets with donor restrictions utilized for their specific purposes during 2019 and 2018 were as follows:

	2019	2018
Chicago Lights Dance Academy	\$ 30,000	\$ 30,000
Elam Davies Social Service Center	-	15,000
Summer Day	15,000	20,000
Tutoring	93,099	166,942
Urban Farm	-	2,000
Time restricted for general operations	120,785	95,228
	<u>\$ 258,884</u>	<u>\$ 329,170</u>

Chicago Lights

Notes to Financial Statements

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, 2019 and 2018, respectively:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	\$ 631,452	\$ 684,768
Receivable from related organization	139,572	88,667
	<u>771,024</u>	<u>773,435</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(115,730)</u>	<u>(314,610)</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 655,294</u>	<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.

The Church continues to support Chicago Lights by providing facility space and related utilities for their programs and administration functions.. 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 was \$562,076 and \$517,448 in 2019 and 2018, respectively. In-kind contribution revenue with corresponding in-kind expenses are recorded on the statement of activities in 2019 and 2018.

In addition, Chicago Lights contributed \$66,875 and \$61,250 of Mission Benefit proceeds to the Church in 2019 and 2018, respectively, which is included within mission benefit on the statements of activities. Chicago Lights received an investment draw allocation from the Church totaling \$42,386 and \$44,500 for 2019 and 2018, respectively, which is included in contributions in the statements of activities.

Chicago Lights

Notes to Financial Statements

Note 6. Functional Expenses

The following tables present expenses by natural and functional categories for 2019 and 2018:

	2019							Grand Total
	Program					Management and General	Resource Development	
	CLDA	EDSSC	SD	Tutoring	Urban Farm			
Salary and benefits	\$ 173,583	\$ 323,590	\$ 110,682	\$ 406,091	\$ 267,060	\$ 324,017	\$ 249,917	\$ 1,854,940
Professional services	29,429	49,830	21,029	100,917	38,102	109,900	83,096	432,303
Grants and dues	-	-	-	110,768	-	-	-	110,768
Meetings, trips and retreats	15,035	6,919	21,577	61,286	6,197	6,527	-	117,541
Supplies	4,103	1,025	15,486	18,491	23,800	1,037	-	63,942
Printing and other related services	469	5,709	1,204	6,094	2,131	74,664	17,426	107,697
Occupancy and insurance	11,344	53,539	71,869	87,228	46,249	85,519	4,643	360,391
Interest	-	-	-	-	-	15,592	-	15,592
Depreciation	-	-	-	-	9,425	-	-	9,425
	<u>\$ 233,963</u>	<u>\$ 440,612</u>	<u>\$ 241,847</u>	<u>\$ 790,875</u>	<u>\$ 392,964</u>	<u>\$ 617,256</u>	<u>\$ 355,082</u>	<u>\$ 3,072,599</u>

	2018							Grand Total
	Program					Management and General	Resource Development	
	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.

Supplementary Information

Chicago Lights

Supplementary Statement of Support, Revenue and Expenses Year Ended December 31, 2019

	CLDA	EDSSC	SD	Tutoring
Support and revenue:				
Contributions	\$ 196,659	\$ 343,052	\$ 137,823	\$ 672,212
In-kind contributions	38,032	88,233	87,882	151,275
Program activity	1,232	-	5,715	-
Mission benefit (net of expenses of \$227,258)	56,278	101,216	44,224	183,715
Other	-	-	15,668	-
	<u>292,201</u>	<u>532,501</u>	<u>291,312</u>	<u>1,007,202</u>
Expenses:				
Program services	233,963	440,612	241,847	790,875
Management and general	56,391	101,418	44,312	184,082
Resource development	34,870	62,713	27,401	113,829
	<u>325,224</u>	<u>604,743</u>	<u>313,560</u>	<u>1,088,786</u>
Decrease in net assets	<u>\$ (33,023)</u>	<u>\$ (72,242)</u>	<u>\$ (22,248)</u>	<u>\$ (81,584)</u>

Chicago Lights

Supplementary Statement of Support, Revenue and Expenses (Continued) Year Ended December 31, 2019

	Urban Farm	Other	Total
Support and revenue:			
Contributions	\$ 281,161	\$ 126,920	\$ 1,757,827
In-kind contributions	35,662	180,899	581,983
Program activity	-	-	6,947
Mission benefit (net of expenses of \$227,258)	102,630	-	488,063
Other	-	21,262	36,930
	<u>419,453</u>	<u>329,081</u>	<u>2,871,750</u>
Expenses:			
Program services	392,964	-	2,100,261
Management and general	102,834	128,219	617,256
Resource development	63,589	52,680	355,082
	<u>559,387</u>	<u>180,899</u>	<u>3,072,599</u>
(Decrease) increase in net assets	<u>\$ (139,934)</u>	<u>\$ 148,182</u>	<u>\$ (200,849)</u>