

Chicago Lights

Financial Report
December 31, 2020

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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, 2020 and 2019, 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, 2020 and 2019, 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
July 15, 2021

Chicago Lights

Statements of Financial Position December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 827,973	\$ 631,452
Due from The Congregation of The Fourth Presbyterian Church of Chicago, Illinois	105,510	139,572
Prepaid and other assets	25,234	47,832
Property and equipment, net	39,181	58,030
	<u>\$ 997,898</u>	<u>\$ 876,886</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 78,733	\$ 87,347
Deferred revenue	11,500	182,545
	<u>90,233</u>	<u>269,892</u>
Net assets:		
Without donor restrictions	592,024	491,264
With donor restrictions	315,641	115,730
	<u>907,665</u>	<u>606,994</u>
	<u>\$ 997,898</u>	<u>\$ 876,886</u>

See notes to financial statements.

Chicago Lights

Statements of Activities

Years Ended December 31, 2020 and 2019

	2020	2019
Change in net assets without donor restrictions:		
Support and revenue:		
Contributions	\$ 1,849,415	\$ 1,697,823
In-kind contributions	451,496	581,983
Program activity	175	6,947
Mission benefit (net of expenses of \$235,270 and \$227,258, respectively)	486,016	488,063
Other	19,534	36,930
Net assets released from restrictions	60,004	258,884
	<u>2,866,640</u>	<u>3,070,630</u>
Expenses:		
Program services:		
Chicago Lights Dance Academy	260,865	233,963
Elam Davies Social Service Center	467,338	440,612
Summer Day	146,906	241,847
Tutoring	707,934	790,875
Urban Farm	330,661	392,964
	<u>1,913,704</u>	<u>2,100,261</u>
Supporting services:		
Management and general	510,547	617,256
Resource development	341,629	355,082
	<u>852,176</u>	<u>972,338</u>
	<u>2,765,880</u>	<u>3,072,599</u>
Increase (decrease) in net assets without donor restrictions	<u>100,760</u>	<u>(1,969)</u>
Change in net assets with donor restrictions:		
Contributions	259,915	60,004
Net assets released from restrictions	(60,004)	(258,884)
	<u>199,911</u>	<u>(198,880)</u>
Increase (decrease) in net assets with donor restrictions	<u>199,911</u>	<u>(198,880)</u>
Increase (decrease) in net assets	<u>300,671</u>	<u>(200,849)</u>
Net assets:		
Beginning of year	<u>606,994</u>	<u>807,843</u>
End of year	<u>\$ 907,665</u>	<u>\$ 606,994</u>

See notes to financial statements.

Chicago Lights

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 300,671	\$ (200,849)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	18,849	9,425
Changes in operating assets and liabilities:		
Prepays and other assets	22,598	45,535
Accounts payable and accrued expenses	(8,614)	38,933
Deferred revenue	(171,045)	141,545
Net cash provided by operating activities	162,459	34,589
Cash flows from investing activities:		
Due from The Congregation of The Fourth Presbyterian Church of Chicago, Illinois	34,062	(50,905)
Capital expenditures	-	(37,000)
Net cash provided by (used in) investing activities	34,062	(87,905)
Increase (decrease) in cash and cash equivalents	196,521	(53,316)
Cash and cash equivalents:		
Beginning of year	631,452	684,768
End of year	\$ 827,973	\$ 631,452

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 social services needs of people living in Chicago communities that are facing systemic economic barriers. 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 youth and adults facing systemic social and economic barriers. 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 partners with 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: The Dance Academy fosters self-esteem and academic growth through dance classes taught by professional artists for 1,500 students attending Chicago schools.

Elam Davies Social Service Center: The Social Service Center helps 1,300 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 125 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 440 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

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, as well as miscellaneous receivables. Pre-paid 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.

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)

Mission benefit revenue and other program activity: Revenue is recorded at a point in time when the event takes place. Revenue from advance payments are deferred until the related event takes place. The benefit has historically taken place in March. The 2020 event was transitioned to a virtual event.

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.

COVID-19: The coronavirus (COVID-19) outbreak, declared to be a pandemic in March 2020, and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on both national and local economies. It is unknown what the complete financial effect will be to Chicago Lights. Operationally, Chicago Lights has not seen a significant drop in programming, but rather a change in the way programming occurs. Chicago Lights services are especially important in these times as the public deals with uncertainty. Chicago Lights has developed tailored COVID-19 action plans, specific to its wide range of programming needs, for staff and clients in utilization of protective gear (PPE), social distancing, testing, and cleaning procedures to help prevent disease transmission. The majority of Chicago Lights' funding sources, including private contributions and grants, have maintained pre-pandemic funding levels.

Adopted accounting pronouncements: Chicago Lights adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, in 2020, 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. Chicago Lights' revenue arrangements, on exchange-based transactions, are recognized at a point in time and consist of performance obligations that are satisfied over a period of no more than one year. Mission benefit and program activity revenue are those line items subject to this standard. Based on Chicago Lights' review of these contracts, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no impact on the statements of financial position, statements of activities and changes in net assets and cash flow statements, but did result in additional disclosures.

Chicago Lights

Notes to Financial Statements

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

Pending accounting pronouncement: In September of 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requiring entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets an entity has received. The new standard is effective for Chicago Lights' 2021 financial statements.

Subsequent events: Chicago Lights has evaluated subsequent events for potential recognition and/or disclosure through July 15, 2021, the date the financial statements were available to be issued.

Note 2. Property and Equipment

Chicago Lights owns a greenhouse used for the Urban Farm program. Cost and accumulated depreciation at December 31, 2020 and 2019 are:

	2020	2019
Cost	\$ 116,448	\$ 116,448
Accumulated depreciation	(77,267)	(58,418)
	<u>\$ 39,181</u>	<u>\$ 58,030</u>

Depreciation expense for 2020 and 2019 was \$18,849 and \$9,425, respectively, based on a depreciable life of ten years.

Note 3. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2020 and 2019, were available for the following purposes:

	2020	2019
Funds restricted for use in future years' programming	\$ 186,915	\$ 42,504
Chicago Lights Dance Academy	-	5,000
Summer Day	12,500	7,500
Tutoring	107,401	51,901
Urban Farm	8,825	8,825
	<u>\$ 315,641</u>	<u>\$ 115,730</u>

Net assets with donor restrictions utilized for their specific purposes during 2020 and 2019 were as follows:

	2020	2019
Chicago Lights Dance Academy	\$ 5,000	\$ 30,000
Summer Day	7,500	15,000
Tutoring	5,000	93,099
Time restricted for general operations	42,504	120,785
	<u>\$ 60,004</u>	<u>\$ 258,884</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, 2020 and 2019, respectively:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 827,973	\$ 631,452
Receivable from related organization	105,510	139,572
	<u>933,483</u>	<u>771,024</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(315,641)</u>	<u>(115,730)</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 617,842</u>	<u>\$ 655,294</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 \$451,496 and \$581,983 in 2020 and 2019, respectively. These in-kind services are valued based on a combination of full time equivalents (for human resources and information technology related services), budgeted expenses (for accounting services) and fair value estimates of space rental fees (for facility space and related utilities). In-kind contribution revenue with corresponding in-kind expenses are recorded on the statement of activities in 2020 and 2019.

In addition, Chicago Lights contributed \$70,000 and \$66,875 of Mission Benefit proceeds to the Church in 2020 and 2019, 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 for both 2020 and 2019, 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 2020 and 2019:

	2020							Grand Total
	Program					Management and General	Resource Development	
	CLDA	EDSSC	SD	Tutoring	Urban Farm			
Salary and benefits	\$ 225,012	\$ 339,821	\$ 115,999	\$ 453,000	\$ 229,162	\$ 278,745	\$ 264,579	\$ 1,906,318
Professional services	24,758	48,112	19,212	85,067	34,329	87,942	51,059	350,479
Grants and dues	-	-	-	65,350	-	-	-	65,350
Meetings, trips and retreats	1,630	2,383	861	31,256	3,146	23,283	-	62,559
Supplies	6,344	2,958	8,115	11,569	13,977	2,006	-	44,969
Printing and other related services	314	3,340	96	5,847	1,350	15,084	24,563	50,594
Occupancy and insurance	772	62,979	-	53,445	29,848	84,000	1,271	232,315
COVID-19	2,035	7,745	2,623	2,400	-	387	157	15,347
Interest	-	-	-	-	-	19,100	-	19,100
Depreciation	-	-	-	-	18,849	-	-	18,849
	\$ 260,865	\$ 467,338	\$ 146,906	\$ 707,934	\$ 330,661	\$ 510,547	\$ 341,629	\$ 2,765,880

	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
	\$ 233,963	\$ 440,612	\$ 241,847	\$ 790,875	\$ 392,964	\$ 617,256	\$ 355,082	\$ 3,072,599

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, 2020

	CLDA	EDSSC	SD	Tutoring
Support and revenue:				
Contributions	\$ 298,458	\$ 506,234	\$ 139,696	\$ 795,410
In-kind contributions	23,685	98,519	17,617	113,995
Program activity	175	-	-	-
Mission benefit (net of expenses of \$235,270)	70,757	110,028	38,570	177,188
Other	-	-	-	-
	<u>393,075</u>	<u>714,781</u>	<u>195,883</u>	<u>1,086,593</u>
Expenses:				
Program services	260,865	467,338	146,906	707,934
Management and general	57,581	89,540	31,388	144,193
Resource development	42,180	65,591	22,993	105,696
	<u>360,626</u>	<u>622,469</u>	<u>201,287</u>	<u>957,823</u>
Increase (decrease) in net assets	<u>\$ 32,449</u>	<u>\$ 92,312</u>	<u>\$ (5,404)</u>	<u>\$ 128,770</u>

Chicago Lights

Supplementary Statement of Support, Revenue and Expenses (Continued) Year Ended December 31, 2020

	Urban Farm	Other	Total
Support and revenue:			
Contributions	\$ 333,296	\$ 36,236	\$ 2,109,330
In-kind contributions	30,748	166,932	451,496
Program activity	-	-	175
Mission benefit (net of expenses of \$235,270)	89,473	-	486,016
Other	-	19,534	19,534
	<u>453,517</u>	<u>222,702</u>	<u>3,066,551</u>
Expenses:			
Program services	330,661	-	1,913,704
Management and general	72,811	115,034	510,547
Resource development	53,337	51,832	341,629
	<u>456,809</u>	<u>166,866</u>	<u>2,765,880</u>
Increase (decrease) in net assets	<u>\$ (3,292)</u>	<u>\$ 55,836</u>	<u>\$ 300,671</u>