The LYTE Collective

Financial Statements and Supplementary Information

Year Ended December 31, 2017

WIPFLi LLP
CPAs and Consultants

WIPFLi LLP

Independent Auditor's Report

Board of Directors
The LYTE Collective
Chicago, Illinois

We have audited the accompanying financial statements of The LYTE Collective (the "Organization"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets and cash flows for the year 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; 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. 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 The LYTE Collective as of December 31, 2017, 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.

WIPFLi LLP

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses appearing on page 10 is presented for the purpose 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Buffalo Grove, Illinois
August 23, 2018

The LYTE Collective

Statement of Financial Position

December 31, 2017

Assets		
Current assets:		
Cash	$	335,717
Pledges receivable		324,906
Total current assets		660,623
Property and equipment:		
Land		22,000
Buildings		156,604
Total property and equipment		178,604
Other assets:		
Deposits		1,447
TOTAL ASSETS		840,674
Liabilities and Net Assets		
Current liabilities:		
Payroll liabilities		699
Net assets:		
Unrestricted		513,943
Temporarily restricted		326,032
Total net assets		839,975
TOTAL LIABILITIES AND NET ASSETS	$	840,674

See accompanying notes to financial statements.

The LYTE Collective

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2017	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Corporate contributions	$ 1,079	$ -	$ 1,079
Foundation contributions	274,906	322,500	597,406
Individual contributions	57,907	25,000	82,907
Special events	1,270	-	1,270
Net assets released from restriction	161,468	(161,468)	-
Total revenues and support	496,630	186,032	682,662
Expenses:			
Program services	5,616	-	5,616
Management and general	20,282	-	20,282
Fundraising	7,956	-	7,956
Total expenses	33,854	-	33,854
Increase in net assets	462,776	186,032	648,808
Net assets at beginning of year	51,167	140,000	191,167
Net assets at end of year	$ 513,943	$ 326,032	$ 839,975

See accompanying notes to financial statements.

The LYTE Collective

Statement of Cash Flows

Year Ended December 31, 2017

Increase in cash:	
Cash flows from operating activities:	
Change in net assets	$ 648,808
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in operating assets and liabilities:	
Increase in pledges receivable	(324,906)
Increase in payroll liabilities	699
Net cash provided by operating activities	324,601
Cash flows from investing activities:	
Purchase of property and equipment	(168,604)
Deposits paid	(1,447)
Net cash used in investing activities	(170,051)
Net increase in cash	154,550
Cash at beginning of year	181,167
Cash at end of year	$ 335,717

See accompanying notes to financial statements.

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The LYTE Collective (the "Organization") provides Chicago youth in situations of poverty and homelessness with safe space, critical resources, and holistic support services that include: assistance with securing safe housing, obtaining employment, providing mental health services, meeting basic needs, connecting youth to legal services, facilitating groups and events, and providing ongoing mentorship and support. The Organization operates from its location in Chicago, Illinois.

Basis of Accounting

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States (GAAP).

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. These classifications are described as follows:

Unrestricted net assets - Net assets not subject to donor-imposed restrictions which may be designated for specific purposes by the actions of the board of directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by occurrence of an event (purpose) and/or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. At December 31, 2017 , there were $287,756 of temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions requiring the principal be retained and invested in perpetuity by the actions of the board of directors. At December 31, 2017, there were no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Note 1: Summary of Significant Accounting Policies (Continued)

Pledges Receivable

Pledges receivable consist of unconditional promises to give and are recorded in the period the promise is received. Pledges receivable expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. A reserve for uncollectible amounts was deemed not necessary by management.

Conditional pledges are recognized only when the conditions on which they depend are substantially met, and the promises become unconditional. At December 31, 2017, the Organization has a conditional pledge of $35,000.

Property and Equipment

Property and equipment, which is comprised of land and building, is recorded at cost (if purchased) or at the approximate fair value at the date of donation (if donated). All acquisitions and improvements of property and equipment of $1,000 or more are capitalized, while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Depreciation will be computed using the straight-line method over the estimated lives of the assets. As of December 31, 2017, the property was still under construction and has not yet been placed in service; therefore, no depreciation has yet been reported.

Contribution Recognition

Contributions are recognized as revenue when they are received or unconditionally promised. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions.

Contributions restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services

The Organization receives a substantial amount of services donated by volunteers who contribute their time and perform a variety of tasks to assist the Organization. No amounts have been recognized in the financial statements for these services because they do not meet the criteria for recognition as contributed services.

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited as determined by management.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service. Consequently, no provision for income taxes appears in these financial statements.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the provisions of ASC 606.

On August 18, 2016, the FASB issued ASU 2016-14 (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities* (Update). The Update reduces the number of net asset classes from three to two, those with donor restrictions and those without; requires all nonprofits to report expenses by nature and function; and improves information presented in financial statements and notes that it is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginnning December 15, 2018. Early application of the amendments in this Update is permitted. The Organization has not elected to early implement the amendments.

In June 21, 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU, as amended, clarified its guidance for not-for-profit organizations to help determine when a contribution to a not-for-profit should be accounted as a contribution or an exchange and also decide when a contribution has conditions attached to it. The ASU provide criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. ASU No. 2018-08 is effective for nonpublic entities for annual periods beginning after December 15, 2018.

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Organization has evaluated subsequent events through August 23, 2018, which is the date the financial statements were available to be issued.

Note 2: Concentration of Credit Risk

Cash

The Organization maintains cash balances at a financial institution where the account is insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000. At certain times during the year, cash balances may be in excess of FDIC coverage. The Organization has not experienced any losses in such account and believes it is not exposed to any significant credit risk throughout the year.

Contributions

For the year ended December 31, 2017, approximately 55% of the Organization's funding is provided from two donors.

Note 3: Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

Year Ended December 31, 2017		
Capital campaign - Renovation of the building	$	215,000
Operations - Salaries		105,532
Operations - Hiring fundraising consultant		5,500
Total temporarily restricted net assets	$	326,032

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Schedule of Functional Expenses

Year Ended December 31, 2017	Program Services	Management and General	Fundraising	Total
Salaries	$ -	$ 13,440	$ -	$ 13,440
Payroll taxes	-	1,028	-	1,028
	-	14,468	-	14,468
Bank fees	-	35	-	35
Building repairs and renovations	980	-	-	980
Computer software	-	725	-	725
Food and beverage	128	-	-	128
Fundraising fees	-	-	7,956	7,956
Furniture and equipment	344	-	-	344
Insurance	-	3,379	-	3,379
Licenses and permits	-	22	-	22
Payroll service fees	-	473	-	473
Printing	-	1,180	-	1,180
Subcontractors	220	-	-	220
Utilities	3,911	-	-	3,911
Youth transportation	33	-	-	33
Total functional expenses	$ 5,616	$ 20,282	$ 7,956	$ 33,854

See Independent Auditor's Report on Supplementary Information.