

Cheryl Rohlfs & Associates, Ltd.

*Certified Public Accountants*

**THE LYTE COLLECTIVE**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2018**

**WITH  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

## CONTENTS

	<b>Page</b>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11



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## **INDEPENDENT AUDITOR'S REPORT**

August 30, 2019

The Board of Directors of  
The LYTE Collective  
Chicago, Illinois

We have audited the accompanying financial statements of The LYTE Collective (the "Organization"), which comprise the statements of financial position, as of December 31, 2018 and the related statements of activities, functional expenses, 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 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 audit. We conducted our audit 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.

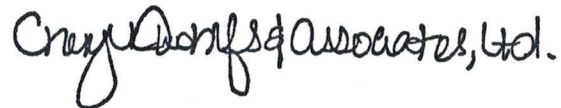
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 The LYTE Collective as of December 31, 2018 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.

A handwritten signature in black ink that reads "Cheryl Rohlf & Associates, Ltd." in a cursive, flowing script.

**CHERYL ROHLFS & ASSOCIATES, LTD.**

Northbrook, Illinois

**THE LYTE COLLECTIVE  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018**

**ASSETS**

Cash and Cash Equivalents	\$ 849,359
Pledges Receivable	8,000
Prepaid Expenses	904
Property and Equipment:	
Land	22,000
Construction in Progress	<u>249,828</u>
Total Property and Equipment	<u>271,828</u>
<b>Total Assets</b>	<u><u>\$ 1,130,091</u></u>

**LIABILITIES**

Accounts Payable	\$ 3,660
Accrued Expenses	<u>6,124</u>
<b>Total Liabilities</b>	<u>9,784</u>
Net Assets:	
Without Donor Restrictions	674,765
With Donor Restrictions	<u>445,542</u>
Total Net Assets	<u>1,120,307</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,130,091</u></u>

See accompanying notes and independent auditor's report.

**THE LYTE COLLECTIVE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	<b>Total</b>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Public Support:			
Corporate Contributions	\$ 10,180	\$ -	\$ 10,180
Foundation Contributions	70,000	273,094	343,094
Individual Contributions	82,188	-	82,188
Special Events and Fundraising Activities	309	-	309
In-Kind Donations	1,150	-	1,150
Total Public Support	<u>163,827</u>	<u>273,094</u>	<u>436,921</u>
Net Assets Released From Restrictions:			
Satisfied by Payments	<u>153,584</u>	<u>(153,584)</u>	<u>-</u>
<b>Total Revenues, Gains and         Other Support</b>	<u>\$ 317,411</u>	<u>\$ 119,510</u>	<u>\$ 436,921</u>
<b>EXPENSES</b>			
Program Services	\$ 80,799	\$ -	\$ 80,799
Supporting Services:			
Management and General	22,424	-	22,424
Fundraising Expenses	53,366	-	53,366
<b>Total Expenses</b>	<u>\$ 156,589</u>	<u>\$ -</u>	<u>\$ 156,589</u>
<b>CHANGE IN NET ASSETS</b>	\$ 160,822	\$ 119,510	\$ 280,332
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>\$ 513,943</u>	<u>\$ 326,032</u>	<u>\$ 839,975</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 674,765</u></u>	<u><u>\$ 445,542</u></u>	<u><u>\$ 1,120,307</u></u>

See accompanying notes and independent auditor's report.



**THE LYTE COLLECTIVE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services	Supporting Services		<b>Total</b>
		Management and General	Fundraising	
Compensation and Related Expenses:				
Compensation	\$ 66,936	\$ -	\$ 44,234	\$ 111,170
Employee Benefits	2,057	-	1,371	3,428
Payroll Taxes	4,389	-	2,926	7,315
	<u>\$ 73,382</u>	<u>\$ -</u>	<u>\$ 48,531</u>	<u>\$ 121,913</u>
Promotional and Marketing Fees	-	41	1,674	1,715
Professional Fees	2,020	8,600	1,688	12,308
Facility and Equipment Expenses	1,650	5,538	-	7,188
Computer Software	580	24	386	990
Donated Goods	-	1,150	-	1,150
Insurance	-	2,541	-	2,541
Licenses and Permits	-	223	-	223
Payroll Service Fees	-	512	-	512
Postage, Printing and Reproduction	-	480	393	873
Supplies	42	65	88	195
Special Event Expenses	-	-	606	606
Youth Transportation Program	754	69	-	823
Travel and Meals	-	1,146	-	1,146
Staff Training and Development	2,000	475	-	2,475
Bank and Credit Card Fees	371	7	-	378
Miscellaneous Expenses	-	1,553	-	1,553
	<u>-</u>	<u>1,553</u>	<u>-</u>	<u>1,553</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 80,799</u></u>	<u><u>\$ 22,424</u></u>	<u><u>\$ 53,366</u></u>	<u><u>\$ 156,589</u></u>

See accompanying notes and independent auditor's report.

**THE LYTE COLLECTIVE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Increase in Net Assets	\$ 280,332
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Operating Assets:	
Accounts Receivable	316,906
Prepaid Expenses	(904)
Deposits	1,447
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	3,660
Accrued Expenses	<u>5,425</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES**      \$ 606,866

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Additions to Construction in Progress	<u>\$ (93,224)</u>
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**NET CASH USED IN INVESTING ACTIVITIES**      \$ (93,224)

**CASH FLOWS FROM FINANCIAL ACTIVITIES:**

\$ -

**INCREASE IN CASH AND CASH EQUIVALENTS**      \$ 513,642

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR**      335,717

**CASH AND CASH EQUIVALENTS, END OF YEAR**      \$ 849,359



**THE LYTE COLLECTIVE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. DESCRIPTION OF THE ORGANIZATION**

The LYTE Collective (the “Organization”) is an Illinois not-for-profit corporation. The Organization provides Chicago youth 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. LYTE recently purchased a property in Greater Grand Crossing in Chicago that will become the future home of the LYTE Lounge.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of The LYTE Collective have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use of that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The Organization’s unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

### **Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

### **Accounts Receivable**

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of families to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

### **Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions until the restriction expires.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Property and Equipment**

It is the Organization's policy to capitalize property and equipment more than \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

### **Expense Allocations**

The costs of providing program and supporting services have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, costs have been allocated between the program services and the supporting services in a direct functional method, when applicable, and on the basis of proportional use of the service provided.



### **Donated Services**

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would typically need to be purchased by the Organization. Donated services are recorded at their fair values in the year received.

### **Income Taxes**

The Organization is not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization files U.S. federal and Illinois state information returns. The federal and state informational tax returns for tax years 2016, 2017 and 2018 can be subject to examinations by tax authorities, generally for three years from the date of filing.

### **Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for the comparative purposes to conform with the presentation in the current-year financial statements.

## **3. CHANGE IN ACCOUNTING PRINCIPLE**

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources

The changes have the following effect on net assets at December 31, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 513,943	\$ -
Net assets without donor restrictions	-	513,943
Temporarily restricted net assets	326,032	-
Net assets with donor restrictions	<u>-</u>	<u>326,032</u>
Total net assets	<u>\$ 839,975</u>	<u>\$ 839,975</u>

#### 4. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

Bank accounts at financial institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2018, the Organization's cash balances at a financial institution exceeded the insured limits.

#### 5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following are the Organization's financial assets as of the balance sheet date reduced by amounts not available for general use within one year:

Financial Assets at December 31, 2018:

Cash	\$ 849,359
Accounts Receivable	<u>8,000</u>
Total Financial Assets	\$ 857,359
Less: amount not available to be used withing on year:	
Net Assets with Donor Restrictions	<u>(445,542)</u>
Financial Assets available to meet general expenditures over the next twelve months	<u>\$ 411,817</u>

The Organization regularly monitors the availability of resources required to meet its operating needs and current and future commitments, while also striving to maximize its available funds. In addition to the financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget. The Organization anticipates collecting sufficient revenue from its programs and fundraising activities to cover the expenditures of the programs and administration costs.

The LYTE Collective also receives significant grants and contributions to supplement the cash needs of its general expenditures. The Organization has been in a capital fundraising campaign since 2017 to purchase and renovate a building for The LYTE Lounge. The Organization maintains sufficient reserves to provide reasonable assurance that all commitments will continue to be met, ensuring the sustainability of the Organization.

## **6. EVALUATION OF SUBSEQUENT EVENTS**

The LYTE Collective has evaluated subsequent events through August 30, 2019, the date which the financial statements were available to be issued.