

Cheryl Rohlfs & Associates, Ltd.

Certified Public Accountants

THE LYTE COLLECTIVE
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 7, 2020

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, 2019 and 2018 and the related statements of activities, functional expenses, 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.

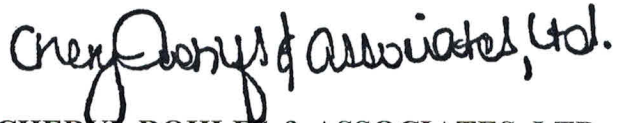
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

CHERYL ROHLF & ASSOCIATES, LTD.
Northbrook, Illinois

THE LYTE COLLECTIVE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,323,511	\$ 849,359
Contributions Receivable	2,000	8,000
Prepaid Expenses	3,959	904
Property and Equipment:		
Land	22,000	22,000
Computer Equipment	2,039	-
Software	11,613	-
Construction in Progress	<u>372,766</u>	<u>249,828</u>
	408,418	271,828
Accumulated Depreciation	<u>(2,139)</u>	<u>-</u>
Total Property and Equipment	<u>406,279</u>	<u>271,828</u>
Total Assets	<u><u>\$ 1,735,749</u></u>	<u><u>\$ 1,130,091</u></u>
LIABILITIES		
Accounts Payable	\$ 100,315	\$ 3,660
Accrued Expenses	<u>8,118</u>	<u>6,124</u>
Total Liabilities	<u>108,433</u>	<u>9,784</u>
Net Assets:		
Without Donor Restrictions	872,452	674,765
With Donor Restrictions	<u>754,864</u>	<u>445,542</u>
Total Net Assets	<u>1,627,316</u>	<u>1,120,307</u>
Total Liabilities and Net Assets	<u><u>\$ 1,735,749</u></u>	<u><u>\$ 1,130,091</u></u>

See accompanying notes and independent auditor's report.

THE LYTE COLLECTIVE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Corporate Contributions	\$ 666	\$ -	\$ 666
Foundation Contributions	170,200	452,411	622,611
Individual Contributions	72,739	-	72,739
Special Events and Fundraising Activities	2,046	-	2,046
Total Public Support	<u>245,651</u>	<u>452,411</u>	<u>698,062</u>
Net Assets Released From Restrictions:			
Satisfied by Payments	<u>143,089</u>	<u>(143,089)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 388,740</u>	<u>\$ 309,322</u>	<u>\$ 698,062</u>
EXPENSES			
Program Services	\$ 128,372	\$ -	\$ 128,372
Supporting Services:			
Management and General	8,580	-	8,580
Fundraising Expenses	54,101	-	54,101
Total Expenses	<u>\$ 191,053</u>	<u>\$ -</u>	<u>\$ 191,053</u>
CHANGE IN NET ASSETS	\$ 197,687	\$ 309,322	\$ 507,009
NET ASSETS AT BEGINNING OF YEAR	<u>\$ 674,765</u>	<u>\$ 445,542</u>	<u>\$ 1,120,307</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 872,452</u></u>	<u><u>\$ 754,864</u></u>	<u><u>\$ 1,627,316</u></u>

See accompanying notes and independent auditor's report.

THE LYTE COLLECTIVE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONTINUED)

	Without Donor Restrictions	With Donor Restrictions	2018 Total
REVENUES, GAINS, AND OTHER SUPPORT			
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>
Total Revenues, Gains and Other Support	<u>\$ 317,411</u>	<u>\$ 119,510</u>	<u>\$ 436,921</u>
EXPENSES			
Program Services	\$ 80,799	\$ -	\$ 80,799
Supporting Services:			
Management and General	22,424	-	22,424
Fundraising Expenses	53,366	-	53,366
Total Expenses	<u>\$ 156,589</u>	<u>\$ -</u>	<u>\$ 156,589</u>
CHANGE IN NET ASSETS	\$ 160,822	\$ 119,510	\$ 280,332
NET ASSETS AT BEGINNING OF YEAR	<u>\$ 513,943</u>	<u>\$ 326,032</u>	<u>\$ 839,975</u>
NET ASSETS AT END OF YEAR	<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
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Program Services	Supporting Services		2019 Total
		Management and General	Fundraising	
Compensation and Related Expenses:				
Compensation	\$ 78,511	\$ -	\$ 43,619	\$ 122,130
Employee Benefits	7,036	-	3,979	11,015
Payroll Taxes	6,330	-	3,580	9,910
	<u>\$ 91,877</u>	<u>\$ -</u>	<u>\$ 51,178</u>	<u>\$ 143,055</u>
Promotional and Marketing Fees	-	119	361	480
Professional Fees	5,768	5,179	-	10,947
Facility and Equipment Expenses	2,275	-	1,287	3,562
Computer Software	14,500	1,511	-	16,011
Insurance	4,756	-	-	4,756
Licenses and Permits	-	125	-	125
Payroll Service Fees	619	-	-	619
Postage, Printing and Reproduction	630	-	38	668
Supplies	117	399	-	516
Special Event Expenses	309	-	83	392
Youth Activities and Assistance	3,129	53	-	3,182
Travel and Meals	1,778	1,006	-	2,784
Staff Training and Development	475	-	-	475
Bank and Credit Card Fees	-	-	1,154	1,154
Miscellaneous Expenses	-	188	-	188
Total Expenses Before Depreciation	<u>126,233</u>	<u>8,580</u>	<u>54,101</u>	<u>188,914</u>
Depreciation	2,139	-	-	2,139
TOTAL EXPENSES	<u><u>\$ 128,372</u></u>	<u><u>\$ 8,580</u></u>	<u><u>\$ 54,101</u></u>	<u><u>\$ 191,053</u></u>

See accompanying notes and independent auditor's report.

THE LYTE COLLECTIVE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONTINUED)

	Program Services	Supporting Services		2018 Total
		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 Activities and Assistance	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>
TOTAL EXPENSES	<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
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 507,009	\$ 280,332
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,139	-
(Increase) Decrease in Operating Assets:		
Contributions Receivable	6,000	316,906
Prepaid Expenses	(3,055)	(904)
Deposits	-	1,447
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	96,655	3,660
Accrued Expenses	<u>1,994</u>	<u>5,425</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 610,742</u>	<u>\$ 606,866</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to Property and Equipment	<u>\$ (136,590)</u>	<u>\$ (93,224)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (136,590)</u>	<u>\$ (93,224)</u>
CASH FLOWS FROM FINANCIAL ACTIVITIES:	<u>\$ -</u>	<u>\$ -</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>\$ 474,152</u>	<u>\$ 513,642</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>849,359</u>	<u>335,717</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,323,511</u></u>	<u><u>\$ 849,359</u></u>

See accompanying notes and independent auditor's report.

**THE LYTE COLLECTIVE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 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 of 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.

Revenues and Revenue Recognition

Revenue is recorded when earned. 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.

Property and equipment are depreciated using the straight-line method over the useful lives of the assets, as follows:

Software	3 years
Computer Equipment	5 years

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.

3. CHANGES IN ACCOUNTING PRINCIPLES

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

In May 2014, FASB issued Accounting Standards Update (ASU) 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 ASC Topic 605, Revenue Recognition, and most industry-specific guidance. When adopted, the amendments in ASU must be applied using one of two retrospective methods. ASU 2014-09 was effective for nonpublic entities for annual periods beginning after December 15, 2018. The Organization has evaluated the impact of the provisions of ASU 606 and believes that it has no impact on revenue or did not require a change in accounting policies and procedures.

In June 2018, the FASB issued ASB 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for a contribution (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update were effective for annual financial statements issue for fiscal years beginning after December 15, 2018, for transactions in which the entity services as the resource recipient.

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, 2019 and 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, 2019:

Cash	\$ 1,323,511
Contributions Receivable	<u>2,000</u>
Total Financial Assets	\$ 1,325,511

Less: amount not available to be used withing on year:

Net Assets with Donor Restrictions	<u>(754,864)</u>
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Financial Assets available to meet general expenditures
over the next twelve months

\$ 570,647

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 contributions and fundraising activities to cover the expenditures of the programs and administration costs.

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 May 7, 2020, the date which the financial statements were available to be issued.