

**Cheryl Rohlf & Associates, Ltd.**

*Certified Public Accountants*

**THE LYTE COLLECTIVE**

**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2021 AND 2020**

**WITH**  
**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

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## **INDEPENDENT AUDITOR'S REPORT**

June 9, 2022

The Board of Directors of  
The LYTE Collective

### **Opinion**

We have audited the accompanying financial statements of The LYTE Collective (the "Organization"), which comprise the statements of financial position, as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position as of December 31, 2021 and 2020 and the changes in its net assets and its cash flows of The LYTE Collective for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The LYTE Collective and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibility of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The LYTE Collective's ability to continue as a going concern within one year after the date that financial statements are available to be issued

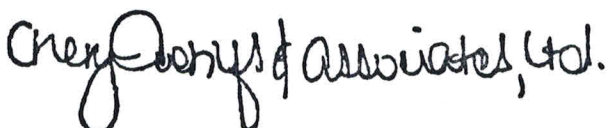
### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LYTE Collective's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The LYTE Collective's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope of timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



**CHERYL ROHLFS & ASSOCIATES, LTD.**

Northbrook, Illinois

**THE LYTE COLLECTIVE**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 256,738	\$ 910,874
Contributions and Grants Receivable	124,653	44,794
Prepaid Expenses	6,051	5,012
Property and Equipment:		
Land	22,000	22,000
Computer Equipment	3,538	3,538
Equipment	7,331	-
Software	11,613	11,613
Construction in Progress	<u>1,848,068</u>	<u>1,055,896</u>
	1,892,550	1,093,047
Accumulated Depreciation	<u>(11,446)</u>	<u>(6,568)</u>
Total Property and Equipment	<u>1,881,104</u>	<u>1,086,479</u>
Other Assets:		
Debt Financing Costs, less accumulated amortization of \$2,635 in 2021	<u>10,538</u>	<u>13,173</u>
<b>Total Assets</b>	<u><u>\$ 2,279,084</u></u>	<u><u>\$ 2,060,332</u></u>
<b>LIABILITIES</b>		
Construction Loan Payable	\$ 235,102	\$ -
Paycheck Protection Program Loan Payable	-	28,592
Accounts Payable	8,730	89,303
Accrued Expenses	<u>18,690</u>	<u>13,389</u>
<b>Total Liabilities</b>	<u>262,522</u>	<u>131,284</u>
Net Assets:		
Without Donor Restrictions	1,862,931	1,778,959
With Donor Restrictions	<u>153,631</u>	<u>150,089</u>
Total Net Assets	<u>2,016,562</u>	<u>1,929,048</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 2,279,084</u></u>	<u><u>\$ 2,060,332</u></u>

See accompanying notes and independent auditor's report.



**THE LYTE COLLECTIVE**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Without Donor Restrictions	With Donor Restrictions	<b>2021 Total</b>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Government Grants	\$ 261,861	\$ -	\$ 261,861
Corporate Contributions	43,259	-	43,259
Foundation Contributions	208,247	142,083	350,330
Individual Contributions	53,489	10,000	63,489
Gifts-In-Kind	30,016	-	30,016
Special Events and Fundraising Activities	18,090	-	18,090
Total Revenues and Gains Without Donor Restrictions	<u>614,962</u>	<u>152,083</u>	<u>767,045</u>
Net Assets Released From Restrictions:			
Satisfied by Payments	<u>148,541</u>	<u>(148,541)</u>	<u>-</u>
<b>Total Revenues, Gains and     Other Support</b>	<u>\$ 763,503</u>	<u>\$ 3,542</u>	<u>\$ 767,045</u>
<b>EXPENSES</b>			
Program Services	\$ 619,466	\$ -	\$ 619,466
Supporting Services:			
Management and General	42,457	-	42,457
Fundraising Expenses	17,608	-	17,608
<b>Total Expenses</b>	<u>\$ 679,531</u>	<u>\$ -</u>	<u>\$ 679,531</u>
<b>CHANGE IN NET ASSETS</b>	\$ 83,972	\$ 3,542	\$ 87,514
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>\$ 1,778,959</u>	<u>\$ 150,089</u>	<u>\$ 1,929,048</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 1,862,931</u></u>	<u><u>\$ 153,631</u></u>	<u><u>\$ 2,016,562</u></u>

See accompanying notes and independent auditor's report.

**THE LYTE COLLECTIVE**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (CONTINUED)**

	Without Donor Restrictions	With Donor Restrictions	<b>2020 Total</b>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Government Grants	\$ 136,414	\$ -	\$ 136,414
Corporate Contributions	6,446	-	6,446
Foundation Contributions	323,417	65,833	389,250
Individual Contributions	163,055	-	163,055
Gifts-In-Kind	31,036	-	31,036
Special Events and Fundraising Activities	33,215	-	33,215
Total Revenues and Gains Without Donor Restrictions	<u>693,583</u>	<u>65,833</u>	<u>759,416</u>
Net Assets Released From Restrictions:			
Satisfied by Payments	<u>670,608</u>	<u>(670,608)</u>	<u>-</u>
<b>Total Revenues, Gains and Other Support</b>	<u>\$ 1,364,191</u>	<u>\$ (604,775)</u>	<u>\$ 759,416</u>
<b>EXPENSES</b>			
Program Services	\$ 415,453	\$ -	\$ 415,453
Supporting Services:			
Management and General	26,291	-	26,291
Fundraising Expenses	15,940	-	15,940
<b>Total Expenses</b>	<u>\$ 457,684</u>	<u>\$ -</u>	<u>\$ 457,684</u>
<b>CHANGE IN NET ASSETS</b>	\$ 906,507	\$ (604,775)	\$ 301,732
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>\$ 872,452</u>	<u>\$ 754,864</u>	<u>\$ 1,627,316</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 1,778,959</u></u>	<u><u>\$ 150,089</u></u>	<u><u>\$ 1,929,048</u></u>

See accompanying notes and independent auditor's report.

**THE LYTE COLLECTIVE**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Program Services	Supporting Services		2021 Total
		Management and General	Fundraising	
Compensation and Related Expenses:				
Compensation	\$ 288,036	\$ -	\$ 12,671	\$ 300,707
Employee Benefits	29,339	-	1,222	30,561
Payroll Taxes	29,097	-	1,212	30,309
	<u>\$ 346,472</u>	<u>\$ -</u>	<u>\$ 15,105</u>	<u>\$ 361,577</u>
<b>Youth Activities Expenses:</b>				
Youth Activities and Assistance	8,265	-	-	8,265
Emergency Expenses	12,634	-	-	12,634
Housing and Meals	15,332	-	-	15,332
Transportation	6,339	-	-	6,339
<b>Housing Program Expenses:</b>				
Rental Subsidies and Utilities	123,493	-	-	123,493
Supplies and Food	22,094	-	-	22,094
Transportation and Moving Costs	14,414	-	-	14,414
Repairs	3,257	-	-	3,257
<b>Total Program Expenses</b>	<u>\$ 205,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,828</u>
Donated In-Kind Expenses	30,016	-	-	30,016
Computer Software and Equipment	9,772	1,143	436	11,351
Landscaping	4,815	-	-	4,815
Insurance	4,968	14,699	-	19,667
Postage, Printing and Reproduction	239	70	-	309
Promotional Marketing	-	-	287	287
Professional Fees	937	12,397	-	13,334
Supplies	6,220	383	-	6,603
Special Event Expenses	-	-	364	364
Travel	3,407	-	-	3,407
Utilities and Telephone	-	10,031	-	10,031
Interest Expense	1,680	-	-	1,680
Bank and Credit Card Fees	-	1,073	1,416	2,489
Miscellaneous Expenses	234	26	-	260
<b>Total Expenses Before Depreciation</b>	<u>614,588</u>	<u>39,822</u>	<u>17,608</u>	<u>672,018</u>
Depreciation and Amortization	4,878	2,635	-	7,513
<b>TOTAL EXPENSES</b>	<u>\$ 619,466</u>	<u>\$ 42,457</u>	<u>\$ 17,608</u>	<u>\$ 679,531</u>

See accompanying notes and independent auditor's report.



**THE LYTE COLLECTIVE**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (CONTINUED)**

	Program Services	Supporting Services		2020 Total
		Management and General	Fundraising	
Compensation and Related Expenses:				
Compensation	\$ 194,988	\$ -	\$ 11,602	\$ 206,590
Employee Benefits	13,322	-	-	13,322
Payroll Taxes	13,656	-	870	14,526
	<u>\$ 221,966</u>	<u>\$ -</u>	<u>\$ 12,472</u>	<u>\$ 234,438</u>
<b>Youth Activities Expenses:</b>				
Youth Activities and Assistance	3,491	-	-	3,491
Emergency Expenses	12,744	-	-	12,744
Housing and Meals	44,080			44,080
Transportation	4,738	-	-	4,738
<b>Housing Program Expenses:</b>				
Rental Subsidies and Utilities	79,780	-	-	79,780
Supplies and Food	6,627	-	-	6,627
Transportation and Moving Costs	7,222	-	-	7,222
<b>Total Program Expenses</b>	<u>\$ 158,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,682</u>
Donated Youth Gifts and Supplies	16,315	-	-	16,315
Professional Fees	691	4,165	-	4,856
Building Contractor Fees	-	5,200	-	5,200
Computer Software	10,000	1,207	421	11,628
Utilities	-	723	-	723
Insurance	1,108	12,875	-	13,983
Postage, Printing and Reproduction	6	370	-	376
Special Event Expenses	-	68	33	101
Travel and Meals	2,145	1,126	-	3,271
Bank and Credit Card Fees	-	437	2,668	3,105
Miscellaneous Expenses	111	120	346	577
Total Expenses Before Depreciation	<u>411,024</u>	<u>26,291</u>	<u>15,940</u>	<u>611,937</u>
Depreciation	4,429	-	-	4,429
<b>TOTAL EXPENSES</b>	<u><u>\$ 415,453</u></u>	<u><u>\$ 26,291</u></u>	<u><u>\$ 15,940</u></u>	<u><u>\$ 457,684</u></u>

See accompanying notes and independent auditor's report.

**THE LYTE COLLECTIVE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in Net Assets	\$ 84,881	\$ 301,732
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	7,513	4,429
Forgiveness of Paycheck Protection Plan Loans	(72,867)	-
Contributions of Construction Materials	-	(14,721)
(Increase) Decrease in Operating Assets:		
Contributions ad Grants Receivable	(79,859)	(42,794)
Prepaid Expenses	(1,039)	(1,053)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(80,573)	(11,012)
Accrued Expenses	<u>5,301</u>	<u>5,271</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 \$ <u>(136,643)</u>	 \$ <u>241,852</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to Property and Equipment	\$ <u>(796,870)</u>	\$ <u>(669,908)</u>
 NET CASH USED IN INVESTING ACTIVITIES	 \$ <u>(796,870)</u>	 \$ <u>(669,908)</u>
 <b>CASH FLOWS FROM FINANCIAL ACTIVITIES:</b>		
Proceeds from Paycheck Protection Program Loan	\$ 44,275	\$ 28,592
Payments for Debt Financial Costs	-	(13,173)
Proceeds from Construction Loan Payable	<u>235,102</u>	<u>-</u>
 NET CASH PROVIDED BY FINANCIAL ACTIVITIES	 \$ <u>279,377</u>	 \$ <u>15,419</u>
 <b>INCREASE (DECREASE) IN CASH AND     CASH EQUIVALENTS</b>	 \$ (654,136)	 \$ (412,637)
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	 <u>910,874</u>	 <u>1,325,511</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	 <u>\$ 256,738</u>	 <u>\$ 910,874</u>

See accompanying notes and independent auditor's report.

**THE LYTE COLLECTIVE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**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 purchased a property in Greater Grand Crossing in Chicago that is under construction to become the home of the LYTE Lounge. Recreational programming will be the center of the services provided, including opportunities for creative arts, music, sports and dance. These activities are essential for young people, supporting identity formation, skill-building, leadership, connectedness, self-esteem and healing in a safe environment. The LYTE Collective also will provide basic needs like meals, laundry, and help to secure safe housing and employment.

**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.

### **Contributions**

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:

Construction in Progress	27.5 years (when operational)
Software	3 years
Computer Equipment	5 years
Equipment	5 years

### **Revenue and Revenue Recognition**

The Organization recognizes revenue as it satisfies a performance obligation by transferring control over a product or a service to a customer. Revenue is measured at the transaction price, which is based on the amount of consideration that the Organization expects to receive in exchange for



transferring the promised good or service to the customer. Fundraising and program revenues received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions are recognized at a point in time when cash or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction

### **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 2019, 2020 and 2021 can be subject to examinations by tax authorities, generally for three years from the date of filing.

## **3. CHANGES IN ACCOUNTING PRINCIPLES**

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 February 2016, the Financial Accounting Standards Board (FASB) issued its much anticipated lease accounting standard in ASU 2016-02, *Leases*, (ASC Topic 842) for both lessees and lessors. Under this standard, a lessee will recognize right-of-use asset and related lease liabilities on the statement of financial position for all arrangements with terms longer than 12 months. The goal of the new standard is to streamline the accounting for leases under U.S. generally accepted accounting principles, reduce off-balance-sheet activities, and enhance transparency into liabilities resulting from leasing arrangements. This standard is effective for nonprofit organizations with annual reporting periods beginning after December 15, 2021.

#### 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, 2021 and 2020, the Organization's cash balances at a financial institution exceeded the insured limits by \$4,415 and \$660,874, respectively.

#### 5. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

The Organization accepted the Paycheck Protection Program Loan in April 2020 for \$28,592. The loan was for a two-year term. The first six months had a deferral of the principal and interest payments. Interest was at 1% per year of the loan. In January 2021, the loan was forgiven in full. The Organization also received the second Paycheck Protection Program Loan in March 2021 for \$44,275. The 2<sup>nd</sup> loan was forgiven in full in October 2021.

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

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

Financial Assets at December 31:	2021	2020
Cash	\$ 256,738	\$ 910,874
Contributions and Grants Receivable	124,653	44,794
Total Financial Assets	\$ 381,391	\$ 955,668
Less: amount not available to be used withing on year:		
Net Assets with Donor Restrictions	(153,631)	(150,089)
Financial Assets available to meet general expenditures over the next twelve months	\$ 227,760	\$ 805,579

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 has been in a capital fundraising campaign 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.



**7. CONSTRUCTION NOTE PAYABLE**

In April 2020, the Organization entered into a construction note payable with a bank for a total of \$400,000. The loan required debt financing costs of \$13,173, which are recorded on the statements of financial position, amortized over the length of the note agreement. The construction note was not funded in 2020. A new mortgage note revised the original note starting March 17, 2021 through December 31, 2026. At December 31, 2021, the outstanding balance of the loan was \$235,102.

The mortgage note payable required interest only payments for the first nine months at a variable interest rate based on prime rate, which initially was 3.5%. Monthly principal and interest payments of \$2,648 will commence on January 2, 2022 for 59 months, with a balloon payment of outstanding principal and interest due on December 31, 2026. The collateral for the mortgage note is the real estate.

The future scheduled maturities of the construction loan payable are as follows:

<u>For The Year Ended</u>	<u>Amount</u>
December 31, 2022	\$ 24,482
December 31, 2023	24,704
December 31, 2024	25,577
December 31, 2025	26,517
December 31, 2026	<u>133,822</u>
Total	<u>\$ 235,102</u>

**8. BUSINESS DISRUPTION**

The COVID-19 global pandemic has caused economic disruption through mandated and voluntary closings of businesses, schools, and organizations. Since March 2020, the Board of Directors and management have been actively monitoring the events and circumstances surrounding the spread of COVID-19 with their primary concern being the health and wellness of the staff, young people and volunteers.

The Organization has complied with restricting physical gatherings according with each phase of Restore Illinois. At this point, the extent to which COVID-19 pandemic may impact the Organization’s financial condition or results of operations in the year ended December 31, 2022 is uncertain.

**9. EVALUATION OF SUBSEQUENT EVENTS**

The LYTE Collective has evaluated subsequent events through June 9, 2022, the date which the financial statements were available to be issued.