

IMD GUEST HOUSE FOUNDATION

FINANCIAL STATEMENTS

**For the Years Ended
December 31, 2016 and 2015**

IMD GUEST HOUSE FOUNDATION

Annual Financial Report

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors
IMD Guest House Foundation
Chicago, IL

We have audited the accompanying financial statements of IMD Guest House Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statement 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 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 of 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 IMD Guest House Foundation as of December 31, 2016 and 2015, 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.

Desmond & Ahern, Ltd

May 19, 2017
Chicago, IL

IMD GUEST HOUSE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 485,238	\$ 448,516
Accounts receivable	67,697	51,672
Total current assets	<u>552,935</u>	<u>500,188</u>
Property and Equipment		
Furniture and fixtures	203,481	168,585
Leasehold improvements	1,157,736	1,097,725
Computers	11,447	9,978
Total property and equipment	<u>1,372,664</u>	<u>1,276,288</u>
Less accumulated depreciation	<u>(350,188)</u>	<u>(207,438)</u>
Net property and equipment	<u>1,022,476</u>	<u>1,068,850</u>
Other Assets		
Prepaid insurance	<u>11,248</u>	<u>2,010</u>
Total Assets	<u><u>\$ 1,586,659</u></u>	<u><u>\$ 1,571,048</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 810	\$ 605
Accrued expenses	12,666	5,231
Deferred revenue	300,420	269,909
Total current liabilities	<u>313,896</u>	<u>275,745</u>
Long-Term Liability		
Deferred rent	<u>257,373</u>	<u>215,330</u>
Total liabilities	<u>571,269</u>	<u>491,075</u>
<u>Net Assets</u>		
Unrestricted	987,390	1,066,943
Temporarily restricted	28,000	13,030
Total net assets	<u>1,015,390</u>	<u>1,079,973</u>
Total Liabilities and Net Assets	<u><u>\$ 1,586,659</u></u>	<u><u>\$ 1,571,048</u></u>

See independent auditor's report and notes to financial statements.

IMD GUEST HOUSE FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support						
Public support and contribution	\$ 55,694	\$ 28,000	\$ 83,694	\$ 117,992	\$ 27,660	\$ 145,652
Program service revenue	1,252,777	-	1,252,777	981,984	-	981,984
Special events, net	97,194	-	97,194	111,947	-	111,947
In-kind contributions and support	182,586	-	182,586	126,856	-	126,856
Interest	358	-	358	434	-	434
Net assets released from restrictions	13,030	(13,030)	-	14,630	(14,630)	-
Total revenues and other support	<u>1,601,639</u>	<u>14,970</u>	<u>1,616,609</u>	<u>1,353,843</u>	<u>13,030</u>	<u>1,366,873</u>
Expenses						
Program services	1,375,150	-	1,375,150	1,200,641	-	1,200,641
Management and general	133,246	-	133,246	110,204	-	110,204
Fundraising	172,796	-	172,796	156,313	-	156,313
Total expenses	<u>1,681,192</u>	<u>-</u>	<u>1,681,192</u>	<u>1,467,158</u>	<u>-</u>	<u>1,467,158</u>
Change in net assets	(79,553)	14,970	(64,583)	(113,315)	13,030	(100,285)
Net assets, beginning of year	<u>1,066,943</u>	<u>13,030</u>	<u>1,079,973</u>	<u>1,180,258</u>	<u>-</u>	<u>1,180,258</u>
Net assets, end of year	<u>\$ 987,390</u>	<u>\$ 28,000</u>	<u>\$ 1,015,390</u>	<u>\$ 1,066,943</u>	<u>\$ 13,030</u>	<u>\$ 1,079,973</u>

See independent auditor's report and notes to financial statements.

IMD GUEST HOUSE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	
<u>Functional Expenses</u>				
Salaries	\$ 280,118	\$ 37,349	\$ 56,023	\$ 373,490
Payroll taxes	28,694	3,826	5,739	38,259
Employee benefits	7,899	1,053	1,580	10,532
Accounting	-	29,620	-	29,620
Auditing fees	-	11,100	-	11,100
Bank service charge	16,619	2,216	3,324	22,159
Conferences	6,543	872	1,308	8,723
Copying	1,202	160	240	1,602
Housekeeping	16,111	-	-	16,111
In-kind contributions - legal	133,039	17,739	26,608	177,386
Insurance	11,222	1,496	2,244	14,962
Marketing	17,412	2,322	10,014	29,748
Membership dues	3,363	448	673	4,484
Miscellaneous	5,177	2,077	1,035	8,289
Outside computer services	4,143	553	829	5,525
Payroll fees	-	1,987	-	1,987
Postage and delivery	329	44	66	439
Professional fees	10,018	1,361	34,579	45,958
Rent, parking, or other occupancy	701,000	2,362	3,542	706,904
Repairs and maintenance	1,605	214	321	2,140
Supplies	19,699	1,653	2,479	23,831
Telephone	3,895	519	779	5,193
Depreciation	107,062	14,275	21,413	142,750
Total Expenses	<u>\$ 1,375,150</u>	<u>\$ 133,246</u>	<u>\$ 172,796</u>	<u>\$ 1,681,192</u>

See independent auditor's report and notes to financial statements.

IMD GUEST HOUSE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	
<u>Functional Expenses</u>				
Salaries	\$ 275,238	\$ 36,698	\$ 55,047	\$ 366,983
Payroll taxes	26,134	3,485	5,227	34,846
Employee benefits	5,910	788	1,182	7,880
Accounting	-	20,166	-	20,166
Auditing fees	-	6,500	-	6,500
Bank service charge	9,227	1,230	1,845	12,302
Conferences	6,439	858	1,288	8,585
Copying	4,062	542	812	5,416
Housekeeping	15,578	-	-	15,578
In-kind contributions - legal	94,194	12,559	18,839	125,592
Insurance	10,579	1,411	2,116	14,106
Marketing	13,928	1,857	15,083	30,868
Membership dues	1,781	238	356	2,375
Miscellaneous	13,888	2,028	1,503	17,419
Outside computer services	4,411	588	882	5,881
Payroll fees	-	1,671	-	1,671
Postage and delivery	871	116	174	1,161
Professional fees	9,374	2,340	26,265	37,979
Rent, parking, or other occupancy	586,824	1,610	2,415	590,849
Repairs and maintenance	543	72	109	724
Supplies	17,990	1,624	2,436	22,050
Telephone	3,514	469	703	4,686
Depreciation	100,156	13,354	20,031	133,541
Total Expenses	<u>\$ 1,200,641</u>	<u>\$ 110,204</u>	<u>\$ 156,313</u>	<u>\$ 1,467,158</u>

See independent auditor's report and notes to financial statements.

IMD GUEST HOUSE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Cash Flows from Operating Activities</u>		
Decrease in net assets	\$ (64,583)	\$ (100,285)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	142,750	133,541
(Increase) decrease in:		
Accounts receivable	(16,025)	(34,482)
Prepaid expenses and security deposits	(9,238)	8,867
Increase (decrease) in:		
Accounts payable	205	(4,203)
Accrued expenses	7,435	7,673
Deferred revenue	30,511	(11,503)
Deferred rent	42,043	134,954
Net cash provided by operating activities	<u>133,098</u>	<u>134,562</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	<u>(96,376)</u>	<u>(71,315)</u>
Net cash used in operating activities	<u>(96,376)</u>	<u>(71,315)</u>
Net increase in cash and cash equivalents	36,722	63,247
Cash and cash equivalents, beginning of year	<u>448,516</u>	<u>385,269</u>
Cash and cash equivalents, end of year	<u><u>\$ 485,238</u></u>	<u><u>\$ 448,516</u></u>
<u>Supplemental Information</u>		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent auditor's report and notes to financial statements.

**IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Organization

The IMD Guest House Foundation (the “Foundation”) is an Illinois non-profit organization. The Foundation is an independent non-profit that provides a comfortable, secure, temporary residence that serves as a supportive environment for medical patients and their caregivers. The Foundation currently offers short-term accommodations through a referral process for Chicago area hospitals.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, as required by Generally Accepted Accounting Principles (GAAP). There are no permanently restricted net assets as of December 31, 2016 and 2015.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts. At times, the Foundation’s bank balances may be excess of the Federal Deposit Insurance Corporation (FDIC) limits. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk related to cash and cash equivalents.

For purposes of the statement of cash flows, the Foundation considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Unconditional promises to give are recognized as receivables and revenues in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

**IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The receivables are due under terms established by the donors.

The carrying amount of receivables is reduced by an allowance for uncollectible promises receivable that reflects management's estimate of the amounts that will not be collected. Management reviews individual receivable balances periodically and determines the adequacy of its estimate for the valuation allowance. At December 31, 2016 and 2015, no allowance for uncollectible promises or receivables was deemed necessary.

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets for furniture, fixtures and equipment. Leasehold improvements are depreciated using the straight-line method over the life of the lease.

Deferred Revenue

Receipts of institutional rent sponsorships are deferred and reported as income in the year to which they apply.

Deferred Rent

Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the Statement of Financial Position.

Income Tax Status

The Foundation was granted an exemption from federal income tax by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax-exempt purpose of the Foundation and the nature in which it operates is described above. The Foundation continues to operate in compliance with its tax-exempt purpose. The Foundation's annual information and income tax returns filed with the federal and state governments are subject to examination for the past three years filed.

The Organization has adopted the requirements for accounting for uncertain tax positions and management has determined that the Organization was not required to record a liability related to uncertain tax positions as of December 31, 2016 and 2015.

**IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

In-Kind Contributions and Support

In-kind contributions consist of donated goods and services, including legal services, Guest House apartment items, and special event goods and services. The Foundation has requested providers of goods and services to submit documentation in support of their contributions. The value of in-kind contributions is reflected in the financial statements to the extent that the providers of the contributions submitted proper support to quantify the donation's value.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. These contributions have been presented in the financial statements as support with a like amount shown as expense.

Restricted and Unrestricted Revenue and Support

Contributions and grants received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support, if any, is reported as an increase in temporarily restricted net assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Program Service Revenue

The Foundation has institutional sponsorship agreements with various organizations to provide short-term accommodations to their patients and caregivers. Revenue from these arrangements is recognized ratably over the term of the agreement. In addition, guests staying in the rooms pay daily rates which are determined by the Foundation.

Concentration of Risk

During the year ended December 31, 2016, the Organization received approximately 32% and 23% of its total revenues from two organizations respectively. A significant reduction in this level of support may have an adverse effect on the Foundation's programs and activities.

**IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Organization has evaluated subsequent events through the date of the report on the financial statements, which is the date the statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

Note 2 – Operating Lease

The Foundation has an operating lease which expires July 31, 2023 and provides for the leasing of apartments. Under the provisions of the lease, the Foundation was expected to lease 50 apartments by August 1, 2015. By mutual agreement of the parties, the Foundation leased an average of 48 apartments by December 31, 2016, with plans to lease the remaining 2 unleased units in 2017. The lease provides for monthly rents to increase during the lease term, and for rent of a community room and office space at no charge. The lease also provides that, starting August 1, 2018, either party may opt out of the lease after providing written notice 180 days in advance of termination.

Future base rental minimum lease payments for the next five years are as follows:

2017	\$ 693,462
2018	750,048
2019	771,888
2020	802,464
2021	825,864
Thereafter	<u>1,359,488</u>
Total	<u>\$ 5,203,214</u>

Note 3 – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 consist of a donation to renovate showers for veteran's rooms. Temporarily restricted net assets at December 31, 2016 consist of a donation to purchase furniture for a veteran's and cancer patient's rooms.

**IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

Note 4 – Deferred Revenue

Deferred revenue at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Rush Hospital	\$ 40,120	\$ 42,135
Kapoor	168,000	147,000
Stroger Hospital	42,800	42,794
University of Illinois Chicago	49,500	49,500
Other	-	(11,520)
Total	<u>\$ 300,420</u>	<u>\$ 269,909</u>

Note 5 – Special Events

Special events consist of the follow items for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Contributions	\$ 82,635	\$ 99,313
Ticket sales	40,950	32,903
In-kind contributions	8,200	11,217
Auction revenue	10,090	3,020
Less costs of direct benefits to donors	(44,681)	(34,506)
Net revenues from special events	<u>\$ 97,194</u>	<u>\$ 111,947</u>