

**IMD GUEST HOUSE FOUNDATION**

**FINANCIAL STATEMENTS**

**For the Years Ended  
December 31, 2018 and 2017**

# 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 statements of financial position as of December 31, 2018 and 2017, 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 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, 2018 and 2017, 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.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, IMD Guest House Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

*Desmond & Ahern, Ltd*

July 18, 2019  
Chicago, IL

**IMD GUEST HOUSE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b><u>Assets</u></b>		
Current Assets		
Cash and cash equivalents	\$ 631,228	\$ 619,498
Accounts receivable, net	104,304	31,513
Total current assets	<u>735,532</u>	<u>651,011</u>
Property and Equipment		
Furniture and fixtures	296,110	233,516
Leasehold improvements	1,195,069	1,192,238
Computers	17,523	13,887
Total property and equipment	<u>1,508,702</u>	<u>1,439,641</u>
Less accumulated depreciation	<u>(666,274)</u>	<u>(497,311)</u>
Net property and equipment	<u>842,428</u>	<u>942,330</u>
Other Assets		
Prepaid insurance	<u>18,601</u>	<u>10,922</u>
<b>Total Assets</b>	<b><u><u>\$ 1,596,561</u></u></b>	<b><u><u>\$ 1,604,263</u></u></b>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities		
Accounts payable	\$ 3,586	\$ 118,358
Accrued expenses	21,298	22,043
Deferred revenue	114,492	117,070
Total current liabilities	<u>139,376</u>	<u>257,471</u>
Long-Term Liability		
Deferred rent	<u>250,860</u>	<u>279,396</u>
Total liabilities	<u>390,236</u>	<u>536,867</u>
<b><u>Net Assets</u></b>		
Without donor restrictions	1,200,465	1,052,396
With donor restrictions	5,860	15,000
Total net assets	<u>1,206,325</u>	<u>1,067,396</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 1,596,561</u></u></b>	<b><u><u>\$ 1,604,263</u></u></b>

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, 2018 and 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Other Support</b>						
Public support and contribution	\$ 178,849	\$ 5,000	\$ 183,849	\$ 95,170	\$ 15,000	\$ 110,170
Program service revenue	1,476,657	-	1,476,657	1,407,691	-	1,407,691
Special events, net	72,678	-	72,678	96,169	-	96,169
Donated services	99,019	-	99,019	69,876	-	69,876
Interest	6,665	-	6,665	461	-	461
Net assets released from restrictions	14,140	(14,140)	-	28,000	(28,000)	-
Total revenues and other support	<u>1,848,008</u>	<u>(9,140)</u>	<u>1,838,868</u>	<u>1,697,367</u>	<u>(13,000)</u>	<u>1,684,367</u>
<b>Expenses</b>						
Program services	1,398,591	-	1,398,591	1,341,086	-	1,341,086
Management and general	159,127	-	159,127	124,369	-	124,369
Fundraising	142,221	-	142,221	166,906	-	166,906
Total expenses	<u>1,699,939</u>	<u>-</u>	<u>1,699,939</u>	<u>1,632,361</u>	<u>-</u>	<u>1,632,361</u>
<b>Change in net assets</b>	148,069	(9,140)	138,929	65,006	(13,000)	52,006
<b>Net assets, beginning of year</b>	<u>1,052,396</u>	<u>15,000</u>	<u>1,067,396</u>	<u>987,390</u>	<u>28,000</u>	<u>1,015,390</u>
<b>Net assets, end of year</b>	<u>\$ 1,200,465</u>	<u>\$ 5,860</u>	<u>\$ 1,206,325</u>	<u>\$ 1,052,396</u>	<u>\$ 15,000</u>	<u>\$ 1,067,396</u>

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

**IMD GUEST HOUSE FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Years Ended December 31, 2018 and 2017**

	2018				2017			
	Program	Supporting Services		Total	Program	Supporting Services		Total
		Administrative	Fundraising			Administrative	Fundraising	
<b>Functional Expenses</b>								
Salaries	\$ 328,317	\$ 43,776	\$ 65,664	\$ 437,757	\$ 305,851	\$ 35,115	\$ 52,673	\$ 393,639
Payroll taxes	28,714	3,829	5,743	38,286	25,691	3,426	5,138	34,255
Employee benefits	35,670	4,756	7,134	47,560	29,319	3,909	5,864	39,092
Accounting	-	27,350	-	27,350	-	26,990	-	26,990
Auditing fees	-	11,025	-	11,025	-	10,901	-	10,901
Bank service charge	11,246	1,500	2,249	14,995	9,096	1,213	1,819	12,128
Conferences	989	132	198	1,319	4,782	638	956	6,376
Printing and copying	252	34	50	336	924	123	185	1,232
Housekeeping	12,269	-	-	12,269	12,524	-	-	12,524
Donated services	67,890	9,051	13,578	90,519	52,407	6,988	10,481	69,876
Insurance	14,142	1,886	2,828	18,856	6,837	912	1,368	9,117
Marketing	13,368	1,782	7,964	23,114	14,197	1,893	7,640	23,730
Membership dues	5,144	686	1,029	6,859	4,202	560	840	5,602
Miscellaneous	8,036	2,233	1,607	11,876	4,983	2,328	997	8,308
Outside computer services	8,531	1,137	1,706	11,374	6,125	816	1,225	8,166
Payroll fees	-	708	-	708	-	4,299	-	4,299
Postage and delivery	1,690	225	338	2,253	910	121	182	1,213
Professional fees	-	27,594	-	27,594	3,096	1,323	43,319	47,738
Occupancy	695,737	2,333	3,499	701,569	719,262	2,296	3,443	725,001
Repairs and maintenance	318	42	64	424	4,282	571	856	5,709
Supplies	31,286	2,244	3,365	36,895	27,367	1,950	2,925	32,242
Telephone	6,028	804	1,206	8,038	5,325	710	1,065	7,100
Depreciation	128,964	16,000	23,999	168,963	103,906	17,287	25,930	147,123
<b>Total Expenses</b>	<b>\$ 1,398,591</b>	<b>\$ 159,127</b>	<b>\$ 142,221</b>	<b>\$ 1,699,939</b>	<b>\$ 1,341,086</b>	<b>\$ 124,369</b>	<b>\$ 166,906</b>	<b>\$ 1,632,361</b>

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

**IMD GUEST HOUSE FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in net assets	\$ 138,929	\$ 52,006
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	168,963	147,123
(Increase) decrease in:		
Accounts receivable	(72,791)	36,184
Prepaid expenses and security deposits	(7,679)	326
Increase (decrease) in:		
Accounts payable	(114,772)	117,548
Accrued expenses	(745)	9,377
Deferred revenue	(2,578)	(183,350)
Deferred rent	(28,536)	22,023
Net cash provided by operating activities	<u>80,791</u>	<u>201,237</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of property and equipment	<u>(69,061)</u>	<u>(66,977)</u>
Net cash used in operating activities	<u>(69,061)</u>	<u>(66,977)</u>
<b>Net increase in cash and cash equivalents</b>	11,730	134,260
<b>Cash and cash equivalents, beginning of year</b>	<u>619,498</u>	<u>485,238</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 631,228</u></u>	<u><u>\$ 619,498</u></u>
<b><u>Supplemental Information</u></b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

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



**IMD GUEST HOUSE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017**

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

Nature of Operations

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 financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities in accordance with the accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

As required by the generally accepted accounting principles for Not-for-Profit accounting, the Foundation is required to report information regarding its financial position and activities according to two classes:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Such gifts include gifts without restrictions, including restricted gifts whose donor-imposed restrictions were met during the year.

With donor restrictions – Net assets subject to donor-imposed restrictions which will be met either by actions of the Foundation or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Restrictions that have been met on net assets with donor restrictions are reported as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as without donor restrictions.

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.

**IMD GUEST HOUSE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

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

Cash and Cash Equivalents (cont.)

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.

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, 2018 and 2017, there was an allowance of \$5,100 and \$6,000 for uncollectible promises or receivables.

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.

**IMD GUEST HOUSE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017**

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

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 Foundation has adopted the requirements for accounting for uncertain tax positions and management has determined that the Foundation was not required to record a liability related to uncertain tax positions as of December 31, 2018 and 2017.

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.

The financial statements report certain categories of expenses that are attributable to one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, fringe benefits, depreciation and occupancy, which are allocated on the basis of estimates of time.

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.

Revenue and Support

Contributions and grants received are recorded as without or with donor restriction, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is

**IMD GUEST HOUSE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

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

reported as an increase in without donor restriction 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 with donor restricted net assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restricted net assets are reclassified to without donor restricted 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, 2018 and 2017 , the Foundation received approximately 51% and 66% 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.

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 Foundation has evaluated subsequent events through July 18, 2019, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

Not-for-Profit Financial Statement Presentation

During fiscal 2018, IMD Guest House Foundation adopted Accounting Standards Update (“ASU”) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The other main provisions of this guidance that impact the Foundation are: presentation of two classes of net assets versus the previously required three; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

No reclassification of 2017 net assets were necessary by the adoption of ASU No. 2016-14 by the Association as of December 31, 2018.

**IMD GUEST HOUSE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**Note 2 – Financial Assets and Liquidity Resources**

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of December 31, 2018, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets at year-end	
Cash and cash equivalents	\$ 631,228
Accounts receivable	109,404
Total financial assets at year-end	<u>740,632</u>
Less amounts not available to be used within one year:	
Restricted by donor with purpose restrictions	(5,860)
Allowance for doubtful accounts	<u>(5,100)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 729,672</u>

In addition to financial assets available to meet general expenditures over the next 6 months, the Foundation operates with a balanced budget. The Foundation anticipates collecting sufficient revenue from future service contracts not previously recognized to meet general expenditures and increase cash flows not covered by donor-restricted resources.

**Note 3 – 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 50 apartments by December 31, 2018. 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.

**IMD GUEST HOUSE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**Note 3 – Operating Lease (cont.)**

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

2019	\$ 742,200
2020	771,600
2021	794,100
2022	825,600
2023	481,600
Total	<u><u>\$ 3,615,100</u></u>

**Note 4 – Net Assets**

With donor restrictions net assets at December 31, 2018 consist of donations to support NICU/PICU and Batten disease families.

**Note 5 – Deferred Revenue**

Deferred revenue at December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Rush Hospital	\$ 42,992	\$ 41,470
Stroger Hospital	22,000	21,400
Editha House Foundation	-	4,700
University of Illinois Chicago	49,500	49,500
Total	<u><u>\$ 114,492</u></u>	<u><u>\$ 117,070</u></u>

**Note 6 – Special Events**

Special events consist of the follow items for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Contributions	\$ 50,180	\$ 83,215
Ticket sales	41,805	50,470
In-kind contributions	9,460	8,750
Auction revenue	9,355	3,925
Less costs of direct benefits to donors	(38,122)	(50,191)
Net revenues from special events	<u><u>\$ 72,678</u></u>	<u><u>\$ 96,169</u></u>

**IMD GUEST HOUSE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**Note 7 – Pension Plan**

The Foundation has a 401(k)-plan covering eligible employees. The employer match is a discretionary percentage determined by management. For the year ended December 31, 2018 and 2017, no employer contribution match has been made.