

**IMD GUEST HOUSE FOUNDATION**

**FINANCIAL STATEMENTS**

**For the Years Ended  
December 31, 2019 and 2018**

# 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, 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 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, 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.

*Desmond & Ahern, Ltd*

September 10, 2020  
Chicago, IL

**IMD GUEST HOUSE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b><u>Assets</u></b>		
Current Assets		
Cash and cash equivalents	\$ 760,464	\$ 631,228
Accounts receivable, net	70,959	104,304
Total current assets	<u>831,423</u>	<u>735,532</u>
Property and Equipment		
Furniture and fixtures	328,038	296,110
Leasehold improvements	1,201,739	1,195,069
Computers	23,523	17,523
Total property and equipment	<u>1,553,300</u>	<u>1,508,702</u>
Less accumulated depreciation	<u>(836,461)</u>	<u>(666,274)</u>
Net property and equipment	<u>716,839</u>	<u>842,428</u>
Other Assets		
Prepaid insurance	<u>17,882</u>	<u>18,601</u>
<b>Total Assets</b>	<b><u><u>\$ 1,566,144</u></u></b>	<b><u><u>\$ 1,596,561</u></u></b>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities		
Accounts payable	\$ 20,536	\$ 3,586
Accrued expenses	21,792	21,298
Deferred rent	37,854	8,184
Deferred revenue	268,095	114,492
Total current liabilities	<u>348,277</u>	<u>147,560</u>
Long-Term Liability		
Deferred rent	<u>204,822</u>	<u>242,676</u>
Total liabilities	<u>553,099</u>	<u>390,236</u>
<b><u>Net Assets</u></b>		
Without donor restrictions	974,410	1,200,465
With donor restrictions	<u>38,635</u>	<u>5,860</u>
Total net assets	<u>1,013,045</u>	<u>1,206,325</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 1,566,144</u></u></b>	<b><u><u>\$ 1,596,561</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, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Other Support</b>						
Public support and contribution	\$ 127,120	\$ 38,635	\$ 165,755	\$ 178,849	\$ 5,000	\$ 183,849
Program service revenue	1,231,453	-	1,231,453	1,485,157	-	1,485,157
Special events, net	95,430	-	95,430	72,678	-	72,678
Donated services	79,176	-	79,176	90,519	-	90,519
Interest	9,303	-	9,303	6,665	-	6,665
Net assets released from restrictions	5,860	(5,860)	-	14,140	(14,140)	-
Total revenues and other support	<u>1,548,342</u>	<u>32,775</u>	<u>1,581,117</u>	<u>1,848,008</u>	<u>(9,140)</u>	<u>1,838,868</u>
<b>Expenses</b>						
Program services	1,440,592	-	1,440,592	1,398,591	-	1,398,591
Management and general	168,759	-	168,759	159,127	-	159,127
Fundraising	165,046	-	165,046	142,221	-	142,221
Total expenses	<u>1,774,397</u>	<u>-</u>	<u>1,774,397</u>	<u>1,699,939</u>	<u>-</u>	<u>1,699,939</u>
<b>Change in net assets</b>	(226,055)	32,775	(193,280)	148,069	(9,140)	138,929
<b>Net assets, beginning 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>
<b>Net assets, end of year</b>	<u>\$ 974,410</u>	<u>\$ 38,635</u>	<u>\$ 1,013,045</u>	<u>\$ 1,200,465</u>	<u>\$ 5,860</u>	<u>\$ 1,206,325</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, 2019 and 2018**

<b>Functional Expenses</b>	2019				2018			
	Program	Supporting Services		Total	Program	Supporting Services		Total
		Administrative	Fundraising			Administrative	Fundraising	
Salaries	\$ 328,186	\$ 38,922	\$ 75,191	\$ 442,299	\$ 328,317	\$ 43,776	\$ 65,664	\$ 437,757
Payroll taxes	28,360	3,363	6,497	38,220	28,714	3,829	5,743	38,286
Employee benefits	33,374	3,958	7,646	44,978	35,670	4,756	7,134	47,560
Bank service charge	13,770	1,633	3,155	18,558	11,246	1,500	2,249	14,995
Conferences	4,091	485	937	5,513	989	132	198	1,319
Printing and copying	1,160	138	266	1,564	252	34	50	336
Housekeeping	10,766	-	-	10,766	12,269	-	-	12,269
Insurance	13,769	1,633	3,155	18,557	14,142	1,886	2,828	18,856
Marketing	22,122	2,624	9,953	34,699	13,368	1,782	7,964	23,114
Membership dues	4,626	549	1,060	6,235	5,144	686	1,029	6,859
Miscellaneous	4,869	988	1,116	6,973	8,036	2,233	1,607	11,876
Outside computer services	13,585	1,611	3,112	18,308	8,531	1,137	1,706	11,374
Postage and delivery	1,502	178	344	2,024	1,690	225	338	2,253
Professional fees	59,787	78,056	13,698	151,541	67,890	75,728	13,578	157,196
Occupancy	737,695	2,197	4,244	744,136	695,737	2,333	3,499	701,569
Repairs and maintenance	1,244	148	285	1,677	318	42	64	424
Supplies	30,491	2,241	4,329	37,061	31,286	2,244	3,365	36,895
Telephone	4,917	583	1,126	6,626	6,028	804	1,206	8,038
Depreciation	126,278	14,976	28,932	170,186	128,964	16,000	23,999	168,963
Sales tax	-	4,961	-	4,961	-	-	-	-
Interest	-	15	-	15	-	-	-	-
Bad debt	-	9,500	-	9,500	-	-	-	-
<b>Total Expenses</b>	<b>\$ 1,440,592</b>	<b>\$ 168,759</b>	<b>\$ 165,046</b>	<b>\$ 1,774,397</b>	<b>\$ 1,398,591</b>	<b>\$ 159,127</b>	<b>\$ 142,221</b>	<b>\$ 1,699,939</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, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in net assets	\$ (193,280)	\$ 138,929
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	170,186	168,963
(Increase) decrease in:		
Accounts receivable	33,345	(72,791)
Prepaid expenses and security deposits	719	(7,679)
Increase (decrease) in:		
Accounts payable	16,950	(114,772)
Accrued expenses	494	(745)
Deferred revenue	153,603	(2,578)
Deferred rent	(8,184)	(28,536)
Net cash provided by operating activities	<u>173,833</u>	<u>80,791</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of property and equipment	<u>(44,597)</u>	<u>(69,061)</u>
Net cash used in operating activities	<u>(44,597)</u>	<u>(69,061)</u>
<b>Net increase in cash and cash equivalents</b>	129,236	11,730
<b>Cash and cash equivalents, beginning of year</b>	<u>631,228</u>	<u>619,498</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 760,464</u></u>	<u><u>\$ 631,228</u></u>
<b><u>Supplemental Information</u></b>		
Cash paid for interest	<u>\$ 15</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ 4,961</u>	<u>\$ -</u>

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

**IMD GUEST HOUSE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018**

**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, 2019 and 2018**

**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, 2019 and 2018, there was an allowance of \$5,800 and \$5,100 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. Depreciation expense for the years ended December 31, 2019 and 2018 was \$170,186 and \$168,963.

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, 2019 and 2018**

**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, 2019 and 2018.

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 reported as an increase in without donor restriction if the restriction expires in the reporting period in

**IMD GUEST HOUSE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018**

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

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 years ended December 31, 2019 and 2018, the Foundation received approximately 47% and 51% 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.

**Contingency**

The Foundation's operations could be significantly impacted by the novel coronavirus pandemic after the Foundation fiscal year end of December 31, 2019. Management is maintaining operations to the extent possible however some operations will be affected. The value of several of the Foundation's assets could be affected by this crisis. It is not possible to reasonably estimate the effect of this Crisis on the Foundation or whether would be material to the Foundation's financial statements at December 31, 2019.

**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 September 10, 2020, 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.

**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.

**IMD GUEST HOUSE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**Note 2 – Financial Assets and Liquidity Resources (cont.)**

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

	<u>2019</u>	<u>2018</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 760,464	\$ 631,228
Accounts receivable	75,959	109,404
Total financial assets at year-end	<u>836,423</u>	<u>740,632</u>
Less amounts not available to be used within one year:		
Restricted by donor with purpose restrictions	(38,635)	(5,860)
Allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,100)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 792,788</u>	<u>\$ 729,672</u>

In addition to financial assets available to meet general expenditures over the next 12 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 in December 31, 2019. 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:

2020	\$ 771,600
2021	794,100
2022	825,600
2023	<u>481,600</u>
Total	<u>\$ 2,872,900</u>

**IMD GUEST HOUSE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**Note 4 – Net Assets**

With donor restricted net assets consist of the following contributions at December 31:

	<u>2019</u>	<u>2018</u>
Cancer patients (room rate subsidy)	\$ 20,000	\$ -
Volunteer program	7,500	-
NICU/PICU patients (room rate subsidy)	7,500	5,000
Batten disease patients (room rate subsidy)	3,635	860
Total	<u>\$ 38,635</u>	<u>\$ 5,860</u>

**Note 5 – Deferred Revenue**

Deferred revenue at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
University of Chicago	\$ 122,500	\$ -
Rush Hospital	68,000	42,992
University of Illinois Chicago	55,595	49,500
Stroger Hospital	22,000	22,000
Total	<u>\$ 268,095</u>	<u>\$ 114,492</u>

**Note 6 – Special Events**

Special events consist of the follow items for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Contributions	\$ 106,903	\$ 50,180
Ticket sales	43,050	41,805
In-kind contributions	-	9,460
Auction revenue	19,735	9,355
Less costs of direct benefits to donors	(74,258)	(38,122)
Net revenues from special events	<u>\$ 95,430</u>	<u>\$ 72,678</u>

**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 years ended December 31, 2019 and 2018, no employer contribution match has been made.