

IMD GUEST HOUSE FOUNDATION

FINANCIAL STATEMENTS

**For the Years Ended
December 31, 2022 and 2021**

IMD GUEST HOUSE FOUNDATION

Annual Financial Report

Table of Contents

| | |
|--|--------|
| Independent Auditor's Report..... | 1 - 2 |
| Financial Statements | |
| Statements of Financial Position..... | 3 |
| Statements of Activities and Changes in Net Assets | 4 |
| Statements of Functional Expenses | 5 |
| Statements of Cash Flows..... | 6 |
| Notes to Financial Statements..... | 7 - 17 |



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

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

Opinion

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, 2022 and 2021, 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 of IMD Guest House Foundation as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit 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 IMD Guest House Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 IMD Guest House Foundation's ability to continue as a going concern within one year after the date that the 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, including omissions, 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 misstatement 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 IMD Guest House Foundation'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 IMD Guest House Foundation'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 and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Desmond & Akers, Ltd

July 13, 2023
Chicago, IL

IMD GUEST HOUSE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------------|----------------------------|
| <u>Assets</u> | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 729,918 | \$ 974,732 |
| Treasury bonds | 250,000 | - |
| Contributions receivables, net | 106,245 | 40,662 |
| Other receivables | 19,217 | 26,006 |
| Prepaid expenses | 43,746 | 34,840 |
| Total current assets | <u>1,149,126</u> | <u>1,076,240</u> |
| Property and Equipment | | |
| Furniture and fixtures | 364,252 | 336,813 |
| Leasehold improvements | 1,201,739 | 1,201,739 |
| Computers | 31,899 | 29,120 |
| Total property and equipment | <u>1,597,890</u> | <u>1,567,672</u> |
| Less accumulated depreciation | <u>(1,324,324)</u> | <u>(1,167,534)</u> |
| Net property and equipment | <u>273,566</u> | <u>400,138</u> |
| Other Assets | | |
| Operating lease right-of-use asset | <u>4,424,142</u> | <u>-</u> |
| Total Assets | <u>\$ 5,846,834</u> | <u>\$ 1,476,378</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current Liabilities | | |
| Accounts payable | \$ 5,782 | \$ 13,211 |
| Accrued expenses | 31,378 | 25,943 |
| Operating lease liability, current portion | 753,385 | - |
| Deferred revenue | 237,590 | 288,095 |
| Deferred rent | - | 19,164 |
| Total current liabilities | <u>1,028,135</u> | <u>346,413</u> |
| Long-Term Liabilities | | |
| Operating lease liability, net of current portion | 3,947,338 | - |
| Deferred rent | - | 239,790 |
| Total long-term liabilities | <u>3,947,338</u> | <u>239,790</u> |
| Total Liabilities | <u>4,975,473</u> | <u>586,203</u> |
| <u>Net Assets</u> | | |
| Without donor restrictions | 607,524 | 722,115 |
| With donor restrictions | 263,837 | 168,060 |
| Total net assets | <u>871,361</u> | <u>890,175</u> |
| Total Liabilities and Net Assets | <u>\$ 5,846,834</u> | <u>\$ 1,476,378</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, 2022 and 2021

| | 2022 | | | 2021 | | |
|---|-------------------------------|----------------------------|-------------------|-------------------------------|----------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues and Other Support | | | | | | |
| Public support and contribution | \$ 188,685 | \$ 515,817 | \$ 704,502 | \$ 104,574 | \$ 305,320 | \$ 409,894 |
| Government grants - SBA PPP | - | - | - | 101,295 | - | 101,295 |
| Program service revenue | 1,149,185 | - | 1,149,185 | 1,102,543 | - | 1,102,543 |
| Special events, net | 25,556 | - | 25,556 | 40,380 | - | 40,380 |
| Donated services | 3,282 | - | 3,282 | 64,007 | - | 64,007 |
| Interest income | 4,128 | - | 4,128 | 672 | - | 672 |
| Employee retention credit | - | - | - | 11,155 | - | 11,155 |
| Net assets released from restrictions | 420,040 | (420,040) | - | 190,310 | (190,310) | - |
| Total revenues and other support | 1,790,876 | 95,777 | 1,886,653 | 1,614,936 | 115,010 | 1,729,946 |
| Expenses | | | | | | |
| Program services | 1,469,234 | - | 1,469,234 | 1,286,476 | - | 1,286,476 |
| Management and general | 182,281 | - | 182,281 | 199,219 | - | 199,219 |
| Fundraising | 253,952 | - | 253,952 | 215,363 | - | 215,363 |
| Total expenses | 1,905,467 | - | 1,905,467 | 1,701,058 | - | 1,701,058 |
| Change in net assets | (114,591) | 95,777 | (18,814) | (86,122) | 115,010 | 28,888 |
| Net assets, beginning of year | 722,115 | 168,060 | 890,175 | 808,237 | 53,050 | 861,287 |
| Net assets, end of year | \$ 607,524 | \$ 263,837 | \$ 871,361 | \$ 722,115 | \$ 168,060 | \$ 890,175 |

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

IMD GUEST HOUSE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2022 and 2021

| Functional Expenses | 2022 | | | | 2021 | | | |
|-------------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|-------------------|---------------------|
| | Program | Supporting Services | | Total | Program | Supporting Services | | Total |
| | | Administrative | Fundraising | | | Administrative | Fundraising | |
| Salaries | \$ 319,910 | \$ 42,589 | \$ 132,718 | \$ 495,217 | \$ 310,147 | \$ 44,307 | \$ 137,843 | \$ 492,297 |
| Payroll taxes | 22,350 | 4,897 | 15,261 | 42,508 | 24,153 | 3,450 | 10,735 | 38,338 |
| Employee benefits | 41,895 | 3,656 | 11,392 | 56,943 | 35,272 | 5,039 | 15,676 | 55,987 |
| Bank service charge | 9,158 | 1,219 | 3,799 | 14,176 | 7,008 | 1,001 | 3,115 | 11,124 |
| Conferences | 3,008 | 400 | 1,248 | 4,656 | 1,898 | 271 | 844 | 3,013 |
| Printing and copying | 3,562 | 474 | 1,478 | 5,514 | 31 | 5 | 14 | 50 |
| Housekeeping | 19,939 | - | - | 19,939 | 13,861 | - | - | 13,861 |
| Insurance | 14,667 | 1,952 | 6,084 | 22,703 | 12,965 | 1,852 | 5,762 | 20,579 |
| Marketing | 29,074 | 3,870 | 16,862 | 49,806 | 7,215 | 1,031 | 8,007 | 16,253 |
| Membership dues | 6,205 | - | - | 6,205 | 4,836 | 691 | 2,150 | 7,677 |
| Miscellaneous | - | 2,689 | - | 2,689 | 3,038 | 559 | 1,349 | 4,946 |
| IT services | 16,255 | 2,164 | 6,744 | 25,163 | 10,634 | 1,519 | 4,726 | 16,879 |
| Postage and delivery | - | 164 | - | 164 | 879 | 125 | 390 | 1,394 |
| Professional fees | 2,121 | 94,240 | 880 | 97,241 | 57,607 | 118,894 | 3,200 | 179,701 |
| Occupancy | 841,588 | 2,027 | 6,317 | 849,932 | 638,508 | 2,333 | 7,258 | 648,099 |
| Repairs and maintenance | 1,281 | 171 | 532 | 1,984 | 1,470 | 210 | 654 | 2,334 |
| Supplies | 32,747 | 2,208 | 6,880 | 41,835 | 14,766 | 1,079 | 3,357 | 19,202 |
| Telephone | 4,188 | 557 | 1,737 | 6,482 | 4,978 | 711 | 2,212 | 7,901 |
| Depreciation | 101,286 | 13,484 | 42,020 | 156,790 | 137,210 | 16,142 | 8,071 | 161,423 |
| Taxes and fees | - | 121 | - | 121 | - | - | - | - |
| Bad debt | - | 5,399 | - | 5,399 | - | - | - | - |
| Total Expenses | \$ 1,469,234 | \$ 182,281 | \$ 253,952 | \$ 1,905,467 | \$ 1,286,476 | \$ 199,219 | \$ 215,363 | \$ 1,701,058 |

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

IMD GUEST HOUSE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| <u>Cash Flows from Operating Activities</u> | | |
| Change in net assets | \$ (18,814) | \$ 28,888 |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation | 156,790 | 161,423 |
| Non-cash lease expense | 17,627 | - |
| (Increase) decrease in: | | |
| Receivables | (58,794) | (23,122) |
| Prepaid expenses | (8,906) | 457 |
| Increase (decrease) in: | | |
| Accounts payable | (7,429) | 4,757 |
| Accrued expenses | 5,435 | 15,267 |
| Deferred revenue | (50,505) | (140,453) |
| Deferred rent | - | 45,678 |
| Net cash provided by operating activities | <u>35,404</u> | <u>92,895</u> |
| <u>Cash Flows from Investing Activities</u> | | |
| Purchase of property and equipment | (30,218) | - |
| Purchase of treasury bonds | (250,000) | - |
| Net cash used in operating activities | <u>(280,218)</u> | <u>-</u> |
| Net increase in cash and cash equivalents | (244,814) | 92,895 |
| Cash and cash equivalents, beginning of year | 974,732 | 881,837 |
| Cash and cash equivalents, end of year | <u>\$ 729,918</u> | <u>\$ 974,732</u> |
| <u>Supplemental Information</u> | | |
| Cash paid for interest | <u>\$ -</u> | <u>\$ -</u> |
| Cash paid for taxes | <u>\$ -</u> | <u>\$ -</u> |
| <u>Supplemental Disclosure of Non-Cash Operations</u> | | |
| Forgiveness of PPP loan recorded as refundable advance (Note 10) | <u>\$ -</u> | <u>\$ 101,295</u> |

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

**IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

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, 2022 and 2021**

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.

Investments

Investments are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are reported net of investment fees in the statement of activities. Investment transactions are recorded as of trade date. Interest and dividends are recorded when received.

Contributions 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, 2022 and 2021, there was an allowance of \$5,000 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. Depreciation expense for the years ended December 31, 2022 and 2021 was \$156,790 and \$161,423, respectively.

Deferred Revenue

Receipts of institutional rent sponsorships collected in advance of applicable period of obligation have been included in deferred revenue in the accompanying statement of financial position. Such deferred revenue is substantially recognizable within one year when the associated sponsorship period occurs.

**IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

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

Deferred Rent

Rent expense before the adoption of ASC Topic 842 – *Leases*, was 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 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, 2022 and 2021.

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 for the year ended December 31, 2022 and 2021 of \$3,282 and \$64,007, respectively, have been presented in the financial statements as support with a like amount shown as expense.

IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

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 over the term of the agreement as performance obligations are met. The amount allocated to the performance obligations as well as guests staying in the rooms are daily rates which are determined by the Foundation.

Support and Other Revenue

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Foundation reports gifts of land, buildings, and equipment as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ending December 31, 2022 and 2021 no such gifts of land, buildings, or equipment were received.

The Foundation recognizes contract revenue at an amount that reflects consideration to which the Foundation expects to be entitled to in exchange for transferring goods or services to a customer. The Foundation is not currently engaged if this type of contract, which is based on performance reporting. All contracts recognize revenue in accordance with ASU No. 2014-09. There was no contract revenue recorded in 2022 and 2021 for any performance obligations met in the prior year.

For performance reporting contracts, a customer pays the agreed upon amounts after the completion and submission of specified deliverables in the contract. For these contracts, the Foundation will allocate the transaction price of the contract to the specific performance obligations based on the contract. The Foundation recognizes revenue when the performance obligations are met and delivered to the customer. There are no contract assets or liabilities.

IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

Concentration of Risk

During the years ended December 31, 2022 and 2021, the Foundation received approximately 46% and 42% 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. The Foundation has continuously worked over the last several years to reduce their concentration exposure and diversify its revenue streams.

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 13, 2023, 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.

Adoption of New Accounting Standard

Effective January 1, 2022, the Foundation adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). The Foundation has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Foundation accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of December 31, 2021) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, the Foundation recognized on January 1, 2022 (a) a lease liability of \$5,421,925, which represents the present value of the remaining lease payments of \$5,810,200, discounted using the risk-free discount rate of 2.05%, and (b) a right-of-use asset of \$5,162,971. As of December 31, 2022 the lease liability was decreased by \$721,202 and right-of-use asset by \$738,829, with the difference being a non-cash lease expense of \$17,627 for the current year activity. The Foundation did not record an adjustment to net assets as a result of the cumulative effect of the adoption.

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, 2022 and 2021**

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>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Financial assets at year-end | | |
| Cash and cash equivalents | \$ 729,918 | \$ 974,732 |
| Treasury bonds | 250,000 | - |
| Accounts receivable, gross | 130,462 | 71,668 |
| Total financial assets at year-end | <u>1,110,380</u> | <u>1,046,400</u> |
| Less amounts not available to be used within one year: | | |
| Restricted by donor with purpose restrictions | (193,837) | (168,060) |
| Allowance for doubtful accounts | (5,000) | (5,000) |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 911,543</u> | <u>\$ 873,340</u> |
| Additional liquidity resources: | | |
| Unused line of credit | <u>\$ 200,000</u> | <u>\$ 200,000</u> |

The Foundation provides various program services in which it receives institutional sponsorship as well as significant contributions both with and without donor restrictions. The Foundation manages its liquidity and reserves by adhering to the following principles: operating within a stable and balanced budget, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves beyond near-term to provide reasonable assurance that programming is continued, and obligation will be adequately discharged in the future.

The Foundation also has available up to a \$200,000 line of credit (see Note 3) that could be drawn upon if needed. In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted sources.

Note 3 – Line of Credit

The Foundation has a bank line of credit secured by a blanket lien on all assets which enables the Foundation to borrow up to \$200,000. The line of credit has variable interest rate at 6.30% as of December 31, 2022 based on the secured overnight financing rate plus 2.00%, with a stated expiration date of August 24, 2023. For the year ended December 31, 2022, the Foundation had no outstanding borrowings against the line of credit.

IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 4 – Investments and Fair Value Measurements

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Generally accepted accounting principles define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the transaction and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

Generally accepted accounting principles also establish a fair value hierarchy that requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

A financial instrument's categorization within the fair value hierarchy is based upon the lowest of input that is significant to the fair value measurement. Generally accepted accounting principles establish three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or dissimilar assets of liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for assets measured at fair value:

U.S. Treasury Bonds: Bonds issued by the U.S. Treasury, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, Government National Mortgage Association and the Federal National Mortgage Association. The fair values of U.S. treasury bonds are based on quoted market prices in active markets and are included in the Level 1 fair value hierarchy. The market for U.S. treasury bonds is an actively traded market given the high level of daily trading volume. The fair values of U.S. agency bonds are determined using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values of U.S. agency bonds are included in the Level 2 fair value hierarchy.

IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 4 – Investments and Fair Value Measurements (cont.)

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment consists of the following components as of December 31, 2022:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------|----------------|-------------------|----------------|-------------------|
| U.S. Treasury Bonds | <u>\$ -</u> | <u>\$ 250,000</u> | <u>\$ -</u> | <u>\$ 250,000</u> |

Note 5 – Operating Lease

The Foundation has an operating lease which expires July 31, 2028. The lease agreement has an average of fifty housing units including office space and community rooms. The lease agreement provides for annual increases of monthly payments during the lease term. During 2021 the Foundation received a three-month deferred rent credit to be paid back starting in August 2023 over the next sixty months in equals additional payments of \$3,440. The lease agreement 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. The lease agreement generally requires the Foundation to pay certain costs such as insurance and repairs for damage caused by guests.

The Foundation assesses whether an arrangement qualified as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of twelve months or less are not recorded on the statement of financial position.

The following summarizes the line item in the statement of financial position which include amounts for housing units, office space, and community rooms operating lease at December 31, 2022:

| | |
|---|---------------------|
| Operating Lease | |
| Operating lease right-of-use asset | <u>\$ 4,424,142</u> |
| Current portion of operating lease liability | \$ 753,385 |
| Operating lease liability, less current portion | <u>3,947,338</u> |
| Total operating lease liability | <u>\$ 4,700,723</u> |

IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 5 – Operating Lease (cont.)

The following summarizes the weighted average remaining lease term and discount rate at December 31, 2022:

| | |
|---------------------------------------|-----------|
| Weighted Average Remaining Lease Term | 67 Months |
| Weighted Average Discount Rate | 2.05% |

The Foundation has made the election afforded in the guidance under ASC Topic 842 which allows the use of the risk-free discount rate for these leases, which is based on the borrowing rate for the United States Federal Government for a period comparable to the operating lease terms.

The maturities of operating lease liabilities are as follows for the years ending December 31, 2022:

| | |
|----------------------------------|---------------------|
| 2023 | \$ 842,800 |
| 2024 | 873,880 |
| 2025 | 890,680 |
| 2026 | 907,480 |
| 2027 | 924,530 |
| Thereafter | <u>545,230</u> |
| Total minimum lease payments | 4,984,600 |
| Amount representing interest | <u>(283,877)</u> |
| Present value of lease liability | <u>\$ 4,700,723</u> |

The Foundation recorded \$843,228 of lease expense for the year ended December 31, 2022 in conjunction with the operating lease.

The following summarizes cash flow information related to the lease for the year ended December 31, 2022:

| | |
|---|-------------------|
| Cash paid for amounts included in the measurement of operating lease liability: | |
| Operating cash flows from operating lease | <u>\$ 825,600</u> |
| Right-of-use asset obtained in exchange for lease liability | <u>\$ 738,829</u> |

**IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

Note 6 – Net Assets With Donor Restrictions

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

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Cancer program/patients (room rate subsidy) | \$ 93,799 | \$ 107,250 |
| Veterans program | 13,998 | 9,800 |
| Future periods | 70,000 | 38,000 |
| NICU/Peds and rare disease patients | 83,030 | 10,000 |
| Batten disease patients (room rate subsidy) | 3,010 | 3,010 |
| Total | <u>\$ 263,837</u> | <u>\$ 168,060</u> |

Note 7 – Deferred Revenue

Deferred revenue consist of the following at December 31:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|-------------------|-------------------|
| University of Chicago | \$ 87,500 | \$ 87,500 |
| Rush Veterans Program | - | 55,000 |
| Rush Hospital | 67,995 | 68,000 |
| University of Illinois Chicago | 58,095 | 55,595 |
| Stroger Hospital | 24,000 | 22,000 |
| Total | <u>\$ 237,590</u> | <u>\$ 288,095</u> |

Note 8 – Special Events

Special events consist of the follow items for the years ended December 31:

| | <u>2022</u> | <u>2021</u> |
|---|------------------|------------------|
| Sponsorships and contributions | \$ 36,294 | \$ 39,856 |
| Ticket sales | 18,200 | 26,700 |
| Raffle | 400 | 1,640 |
| Less costs of direct benefits to donors | <u>(29,338)</u> | <u>(27,816)</u> |
| Net revenues from special events | <u>\$ 25,556</u> | <u>\$ 40,380</u> |

**IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

Note 9 – Retirement 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, 2022 and 2021, no employer contribution match has been made.

Note 10 – Paycheck Protection Program

In February 2021, the Foundation received loan proceeds in the amount of \$101,295 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and does not terminate employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Foundation has used the proceeds for purposes consistent with the PPP and elected to follow ASC 958-605 and record the loan as a refundable advance where once forgiveness conditions are substantially met or explicitly waived, the entity would reduce the refundable advance and record a contribution for the amount forgiven. During the year ended December 31, 2021, the PPP loan of \$101,295 was completely forgiven and was recognized as government grant revenues on the statement of activities in the associated year of forgiveness notification.

Note 11 – Employee Retention Credit

The CARES Act provides an employee retention credit (“CARES Employee Retention credit”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter.

The Foundation qualified for the tax credit under the CARES Act under both provisions. During the year ended December 31, 2021, the Foundation recorded \$11,155 related to the CARES Employee Retention credit on the statement of activities.