

IMD GUEST HOUSE FOUNDATION

FINANCIAL STATEMENTS

**For the Years Ended
December 31, 2024 and 2023**

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 Assets4

 Statements of Functional Expenses5

 Statements of Cash Flows.....6

Notes to Financial Statements..... 7 - 16



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 Foundation), which comprise the statements of financial position as of December 31, 2024 and 2023, 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, 2024 and 2023, 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

August 14, 2025
Chicago, IL

IMD GUEST HOUSE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2024 and 2023

	2024	2023
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 450,655	\$ 390,434
Investments	481,605	466,279
Contributions receivables, net	205,874	125,069
Other receivables	18,290	20,092
Prepaid expenses	18,983	23,529
Total current assets	<u>1,175,407</u>	<u>1,025,403</u>
Property and Equipment		
Furniture and fixtures	440,062	400,804
Leasehold improvements	1,269,479	1,228,008
Computers	39,376	34,358
Total property and equipment	<u>1,748,917</u>	<u>1,663,170</u>
Less accumulated depreciation	<u>(1,602,914)</u>	<u>(1,482,416)</u>
Net property and equipment	<u>146,003</u>	<u>180,754</u>
Other Assets		
Operating lease right-of-use asset	<u>3,231,387</u>	<u>3,670,757</u>
Total Assets	<u>\$ 4,552,797</u>	<u>\$ 4,876,914</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 12,400	\$ 16,260
Accrued expenses	23,400	27,202
Operating lease liability, current portion	871,591	800,410
Deferred revenue	267,557	231,136
Total current liabilities	<u>1,174,948</u>	<u>1,075,008</u>
Long-Term Liabilities		
Operating lease liability, net of current portion	<u>2,510,777</u>	<u>3,146,928</u>
Total Liabilities	<u>3,685,725</u>	<u>4,221,936</u>
<u>Net Assets</u>		
Without donor restrictions	510,080	430,845
With donor restrictions	356,992	224,133
Total net assets	<u>867,072</u>	<u>654,978</u>
Total Liabilities and Net Assets	<u>\$ 4,552,797</u>	<u>\$ 4,876,914</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, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Public support and contribution	\$ 226,086	\$ 509,417	\$ 735,503	\$ 122,831	\$ 369,496	\$ 492,327
Guest fees	182,426	-	182,426	228,463	-	228,463
Program service revenue	1,157,753	-	1,157,753	1,040,644	-	1,040,644
Special events, net	61,708	-	61,708	33,172	-	33,172
Donated services	20,888	-	20,888	5,400	-	5,400
Investment income	31,801	-	31,801	28,744	-	28,744
Net assets released from restrictions	376,558	(376,558)	-	409,200	(409,200)	-
Total revenues and other support	<u>2,057,220</u>	<u>132,859</u>	<u>2,190,079</u>	<u>1,868,454</u>	<u>(39,704)</u>	<u>1,828,750</u>
Expenses						
Program services	1,468,820	-	1,468,820	1,536,146	-	1,536,146
Management and general	235,001	-	235,001	194,579	-	194,579
Fundraising	274,164	-	274,164	314,408	-	314,408
Total expenses	<u>1,977,985</u>	<u>-</u>	<u>1,977,985</u>	<u>2,045,133</u>	<u>-</u>	<u>2,045,133</u>
Change in net assets	79,235	132,859	212,094	(176,679)	(39,704)	(216,383)
Net assets, beginning of year	<u>430,845</u>	<u>224,133</u>	<u>654,978</u>	<u>607,524</u>	<u>263,837</u>	<u>871,361</u>
Net assets, end of year	<u>\$ 510,080</u>	<u>\$ 356,992</u>	<u>\$ 867,072</u>	<u>\$ 430,845</u>	<u>\$ 224,133</u>	<u>\$ 654,978</u>

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

IMD GUEST HOUSE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2024 and 2023

Functional Expenses	2024				2023			
	Program	Supporting Services		Total	Program	Supporting Services		Total
		Administrative	Fundraising			Administrative	Fundraising	
Salaries	\$ 382,058	\$ 95,514	\$ 159,191	\$ 636,763	\$ 357,658	\$ 57,687	\$ 161,523	\$ 576,868
Payroll taxes	30,757	7,689	12,815	51,261	31,881	5,142	14,398	51,421
Employee benefits	48,202	12,051	20,084	80,337	49,569	7,995	22,386	79,950
Bank service charge	6,995	1,748	2,915	11,658	7,532	1,215	3,401	12,148
Conferences	5,329	1,332	2,221	8,882	5,499	887	2,484	8,870
Printing and copying	4,725	1,181	1,969	7,875	2,804	453	1,266	4,523
Housekeeping	14,714	-	-	14,714	18,303	-	-	18,303
Insurance	18,347	4,587	7,645	30,579	15,506	2,500	7,003	25,009
Marketing	21,457	3,931	10,364	35,752	34,285	4,320	28,929	67,534
Membership dues	4,328	1,082	1,803	7,213	3,761	607	1,698	6,066
Miscellaneous	-	7,203	-	7,203	-	6,508	-	6,508
IT services	17,210	4,302	7,171	28,683	16,366	2,640	7,391	26,397
Postage and delivery	457	114	190	761	660	107	298	1,065
Professional fees	40,927	63,841	8,350	113,118	20,257	69,575	9,148	98,980
Occupancy	762,509	7,780	7,782	778,071	832,930	8,500	8,500	849,930
Repairs and maintenance	-	-	-	-	869	140	393	1,402
Supplies	34,813	3,649	-	38,462	37,316	4,906	-	42,222
Telephone	3,693	923	1,539	6,155	2,933	473	1,324	4,730
Depreciation	72,299	18,074	30,125	120,498	98,017	15,809	44,266	158,092
Bad debt	-	-	-	-	-	5,115	-	5,115
Total Expenses	\$ 1,468,820	\$ 235,001	\$ 274,164	\$ 1,977,985	\$ 1,536,146	\$ 194,579	\$ 314,408	\$ 2,045,133

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

IMD GUEST HOUSE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 212,094	\$ (216,383)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	120,498	158,092
Amortization of operating lease	783,699	753,385
Non-cash lease adjustment	(12,955)	89,415
Unrealized (gain) loss	7,842	(8,594)
(Increase) decrease in:		
Receivables	(79,003)	(19,699)
Prepaid expenses	4,546	20,217
Increase (decrease) in:		
Accounts payable	(3,860)	10,478
Accrued expenses	(3,802)	(4,176)
Deferred revenue	36,421	(6,454)
Operating lease liability payments	(896,344)	(842,800)
Net cash provided by (used in) operating activities	<u>169,136</u>	<u>(66,519)</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	(85,747)	(65,280)
Purchase of investments	(394,168)	(666,176)
Sale of investments	371,000	453,000
Net cash used in investing activities	<u>(108,915)</u>	<u>(278,456)</u>
Net increase (decrease) in cash and cash equivalents	60,221	(344,975)
Cash and cash equivalents, beginning of year	<u>390,434</u>	<u>735,409</u>
Cash and cash equivalents, end of year	<u>\$ 450,655</u>	<u>\$ 390,434</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>		
Lease liabilities resulting from obtaining right-of-use operating lease assets	<u>\$ 344,329</u>	<u>\$ -</u>

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

IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

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 Foundation. 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 in 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, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023 was \$120,498 and \$158,092, 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, 2024 and 2023

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 Foundation 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, 2024 and 2023.

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. For the years ended December 31, 2024 and 2023, the Foundation had donated legal services of \$20,888 and \$5,400, respectively.

Program Service Revenue

The Foundation enters into institutional sponsorship agreements with hospitals and other medical Foundations to provide short-term accommodations for patients and their caregivers. These agreements typically outline the number of room nights reserved, the period of availability, and the rate per night. Revenue is recognized over time as the Foundation satisfies its performance obligations by providing access to housing services during the contractual period. The transaction

**IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023**

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

Program Service Revenue (cont.)

price is allocated based on the daily room rates established in the agreements, which represent the stand-alone selling price of each performance obligation. Payments are typically due in accordance with the terms of the agreements, and no significant financing components are present. Any amounts received in advance of services rendered are recorded as deferred revenue and recognized when the related services are provided. As of December 31, 2024 and 2023, the Foundation had \$267,557 and \$231,136, respectively, in deferred revenue related to institutional sponsorship agreements.

Guest Fees

The Foundation also receives program service revenue directly from individual guests or their families for accommodations provided. These transactions are considered exchange transactions under ASC 606, as the guests receive a commensurate benefit in return for the fee paid. Revenue is recognized at the point in time when the guest stay occurs, based on the nightly rate charged. The Foundation's performance obligation is to provide lodging services on a nightly basis. This performance obligation is satisfied as each night of stay occurs.

Significant judgments in the application of this policy include determining the timing of revenue recognition, which is based on actual occupancy dates rather than reservation or payment dates. Guest fees may be subsidized in whole or in part through third-party support or financial assistance programs administered by the Foundation. Any amounts received prior to the guest's stay are recorded as deferred revenue and recognized as revenue when the lodging services are provided.

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, 2024 and 2023 no such gifts of land, buildings, or equipment were received.

IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

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

Leases

The Foundation determines if an arrangement is a lease at inception of the contract. Under Topic 842, a lease is a contract, or part of a contract, that conveys the right to control the use of identified property or equipment (ie., an identified asset) for a period of time in exchange for consideration. The Foundation's contracts determined to be or contain a lease include explicitly or implicitly identified assets where the Foundation has the right to obtain substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term.

Leases are classified as either operating or financing. For operating leases, the Foundation has recognized a lease liability equal to the present value of the remaining lease payments, and a right-of-use asset equal to the lease liability, subject to certain adjustments, such as for prepaid rent and lease incentives. The Foundation has elected to use the risk-free rate as the discount rate for all leases. If the lease includes one or more options to extend or terminate the term of the lease, these options are considered in the lease term if it's reasonably certain the Foundation will exercise the options.

The Foundation defines a short-term lease as any arrangement with a lease term of 12 months or less that does not include an option to purchase the underlying asset. The Foundation has made an accounting policy election not to recognize right-of-use assets and lease liabilities for short-term leases; as a result, short-term lease payments are recognized as expense over the lease term.

Non-lease and variable components, such as payments required under the lease for common area maintenance and utilities, are not included in the measurement of the lease liability and are expensed as incurred.

Concentration of Risk

During the years ended December 31, 2024 and 2023, the Foundation received approximately 42% and 47% of its total revenues from two Foundations, 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 August 14, 2025, 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.

IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

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.

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

	<u>2024</u>	<u>2023</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 450,655	\$ 390,434
Investments	481,605	466,279
Accounts receivable, gross	229,164	150,161
Total financial assets at year-end	<u>1,161,424</u>	<u>1,006,874</u>
Less amounts not available to be used within one year:		
Restricted by donor with purpose restrictions	(356,992)	(224,133)
Allowance for doubtful accounts	(5,000)	(5,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 799,432</u>	<u>\$ 777,741</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

**IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023**

Note 3 – Line of Credit (cont.)

December 31, 2024 based on the secured overnight financing rate plus 2.00%, with a stated expiration date of August 24, 2024. For the year ended December 31, 2024 and 2023, the Foundation had no outstanding borrowings against the line of credit.

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 Foundation 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 — Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

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, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Bonds	<u>\$ 481,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,605</u>

Investment consists of the following components as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Bonds	<u>\$ 466,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,279</u>

Note 5 – Operating Lease

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 Foundation has a lease that qualifies as an operating lease which expires July 31, 2028. The lease agreement originally included fifty housing units, with four additional units added in October 2024 and two additional units added in November 2024, plus 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 with equal 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. Lease costs for December 31, 2024 and 2023 were \$778,071 and \$849,930, respectively and consisted of the following:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 876,002	\$ 842,800
Impairment due to remeasurement	(105,258)	-
Variable lease costs	7,327	7,130
Total lease cost	<u>\$ 778,071</u>	<u>\$ 849,930</u>

IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

Note 5 – Operating Lease (cont.)

The following summarizes the activity by line item in the statement of financial position which include amounts for housing units, office space, and community rooms operating lease at December 31, 2023 to December 31, 2024 including the amount remeasured for the additional units added in 2024:

<i>Operating lease right-of-use assets</i>	
Balance as of December 31, 2023	\$ 3,670,757
2024 Amortization	(783,699)
Remeasurement (additional units)	344,329
Balance as of December 31, 2024	<u>\$ 3,231,387</u>
 <i>Operating lease liability</i>	
Balance as of December 31, 2023	3,947,338
2024 Payments	(896,344)
Amount representing interest	92,303
Remeasurement (additional units)	239,071
Balance as of December 31, 2024	<u>3,382,368</u>
 Impairment due to remeasurement	 <u>\$ 105,258</u>
 <i>Operating lease liability consists of:</i>	
Operating lease liability, current portion	\$ 871,591
Operating lease liability, long-term	2,510,777
Total operating lease liability	<u>\$ 3,382,368</u>

The maturities of operating lease liabilities are as follows for the years ending December 31, 2024:

2025	\$ 992,608
2026	1,011,424
2027	1,030,520
2028	607,768
Total minimum lease payments	<u>3,642,320</u>
Amount representing interest	(259,952)
Present value of lease liability	<u>\$ 3,382,368</u>

The following summarizes the weighted average remaining lease term and discount rate at December 31, 2024:

Weighted Average Remaining Lease Term (Years)	3.6
Weighted Average Discount Rate	4.05%

**IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023**

Note 6 – Net Assets With Donor Restrictions

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

	2024	2023
Cancer program/patients (room rate subsidy)	\$ 114,000	\$ 29,666
Veterans program	25,000	25,000
Future periods	54,000	19,000
NICU/Peds and rare disease patients	15,000	49,500
Transplant program	80,000	80,000
Room improvements	63,992	20,967
Respite care	5,000	-
Total	<u>\$ 356,992</u>	<u>\$ 224,133</u>

Note 7 – Deferred Revenue

Deferred revenue consist of the following at December 31:

	2024	2023
University of Chicago	\$ 110,250	\$ 105,000
Rush Hospital	68,000	68,041
University of Illinois Chicago	59,307	58,095
American Cancer Society	30,000	-
Total	<u>\$ 267,557</u>	<u>\$ 231,136</u>

Note 8 – Special Events

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

	2024	2023
Sponsorships and contributions	\$ 82,377	\$ 72,483
Ticket sales	9,450	9,500
Raffle/Auction	21,022	-
Less costs of direct benefits to donors	(51,141)	(48,811)
Net revenues from special events	<u>\$ 61,708</u>	<u>\$ 33,172</u>

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, 2024 and 2023, \$6,198 and \$3,429, respectively, was contributed to the plan.