

**PRELIMINARY DRAFT
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**IMD GUEST HOUSE FOUNDATION
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2011**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of **IMD Guest House Foundation** (an Illinois non-profit corporation) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on Schedule 1 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Shepard Schwartz & Harris LLP

XX XX, 2012

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IMD GUEST HOUSE FOUNDATION
STATEMENT OF FINANCIAL POSITION

December 31, 2011

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ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 106,952
Accounts receivable	18,450
Promises to give	500,000
Prepaid insurance	1,831
Total current assets	<u>627,233</u>

PROPERTY AND EQUIPMENT (net of accumulated depreciation of \$2,409) 25,186

RESTRICTED CASH - ESCROW 511,925

TOTAL ASSETS \$ 1,164,344

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable \$ 11,055

NET ASSETS

Unrestricted	71,367
Temporarily restricted	1,081,922
Total net assets	<u>1,153,289</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,164,344

The accompanying notes are an integral part of this statement.

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IMD GUEST HOUSE FOUNDATION
STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

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	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Public support and contribution	\$ 15,492	\$ -	\$ 15,492
Program service revenue	247,465	-	247,465
Special events	39,679	-	39,679
In-kind contributions and support	147,054	-	147,054
Interest income	38	78	116
Other income	1,880	-	1,880
Net assets released from restrictions	27,000	(27,000)	-
Total support and revenue	<u>478,608</u>	<u>(26,922)</u>	<u>451,686</u>
Expenses			
Program services	363,355	-	363,355
Management and general	48,448	-	48,448
Fundraising	72,669	-	72,669
Total expenses	<u>484,472</u>	<u>-</u>	<u>484,472</u>
Change in net assets	(5,864)	(26,922)	(32,786)
Net assets - beginning of year	<u>77,231</u>	<u>1,108,844</u>	<u>1,186,075</u>
Net assets - end of year	<u>\$ 71,367</u>	<u>\$ 1,081,922</u>	<u>\$ 1,153,289</u>

The accompanying notes are an integral part of this statement.

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IMD GUEST HOUSE FOUNDATION
STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

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Cash flows from operating activities	
Change in net assets	\$ (32,786)
Adjustments to reconcile change in net assets to net cash (used for) operating activities	
Depreciation	2,409
(Increase) decrease in	
Accounts receivable	(3,150)
Prepaid insurance	(499)
Deposits	1,800
Increase (decrease) in	
Accounts payable	10,453
Accrued expenses	(11,629)
Net cash used for operating activities	<u>(33,402)</u>
Cash flows from investing activities	
Purchase of property and equipment	(27,595)
Increase in restricted cash - escrow	(36)
Net cash used for investing activities	<u>(27,631)</u>
Net decrease in cash and cash equivalents	(61,033)
Cash and cash equivalents - beginning of year	<u>167,985</u>
Cash and cash equivalents - end of year	<u>\$ 106,952</u>

The accompanying notes are an integral part of this statement.

IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

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Note A - Nature of Organization

IMD Guest House Foundation (the "Foundation") is an Illinois non-profit organization. The Foundation was created in 1999 by representatives of the Illinois Medical District ("IMD") Commission, the governing body of IMD, and the IMD hospitals. The Foundation's purpose is to meet a recognized need to provide a comfortable, secure, temporary residence that serves as a "home-away-from-home" providing a supportive environment for Chicago area medical patients and their families and friends. The Foundation currently offers a "home-away-from-home" by providing leased apartments to families and friends of patients at the University of Illinois Medical Center, the John H. Stroger, Jr. Hospital of Cook County, and Rush University Medical Center.

Note B - Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation does not have any permanently restricted net assets at December 31, 2011.

Restricted and Unrestricted Revenue and Support

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

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

Cash and Cash Equivalents

The Foundation considers non-interest bearing checking accounts and interest bearing money market accounts on deposit with a bank to be cash equivalents.

Promises to Give / Receivables

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.

Note B - Summary of Significant Accounting Policies (Cont'd)

Promises to Give / Receivables (Cont'd)

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, 2011, no allowance for uncollectible promises was considered necessary.

Property and Equipment

Furniture, fixtures and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets of three to five years.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, exempt organizations may be subject to income tax on any unrelated business income. At December 31, 2011, no provision or liability for income taxes has been recorded.

The Foundation evaluates tax positions taken in the course of preparing its tax returns to determine whether tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year.

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.

Subsequent Events

The Foundation has evaluated subsequent events for possible adjustment to, or disclosure in, the 2011 financial statements, through XX XX, 2012, the date which the financial statements were available to be issued.

**IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

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Note B - Summary of Significant Accounting Policies (Cont'd)

Estimates and Assumptions

The presentation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note C - Concentration of Credit Risk

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist principally of cash and cash equivalents. The Foundation places its cash and cash equivalents with high credit quality financial institutions. From time to time, the Foundation has balances in excess of the federally insured deposit limits.

Note D - Promises to Give

Included in promises to give at December 31, 2011 is a \$500,000 grant from the Illinois Department of Commerce and Economic Opportunity (IDCEO).

A total of \$1,000,000 was pledged by the IDCEO of which \$500,000 was received in a prior year. The collection of the remaining \$500,000 is dependent upon incurring qualified expenditures and fulfilling reporting requirements by December 31, 2013.

Note E - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011 aggregate \$1,081,922 and are restricted for the following purposes:

IDCEO Grant and interest earned	\$ 1,073,344
Nathan Cummings Foundation	3,000
TLC Meals Program	4,146
Other	1,432
	<u>\$ 1,081,922</u>

Included in temporarily restricted net assets is a \$1,000,000 grant from the IDCEO. The grant expires December 31, 2013. The funds can only be used for construction costs on a guest house facility. The funds cannot be accessed until construction begins on such facility. Accordingly, the \$500,000 of grant funds received in a prior year remains deposited in an escrow account. The IDCEO agreement also requires that any unexpended grant funds and interest earned thereon, aggregating \$1,073,344 at December 31, 2011, remaining at the agreement expiration date are to be returned to the IDCEO.

IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

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Note E - Temporarily Restricted Net Assets (Cont'd)

The Eli Lilly Foundation grant from 2003 totaling \$10,000 and \$17,000 of the Nathan Cummings Foundation grant from 2004 were released from restrictions in 2011 by approval from the donors and the Foundation's Board of Directors for the purchase of furniture and furnishings for the ten new apartments leased at the UIC building as of August 2011.

Note F - In-kind Contributions and Support

The in-kind contributions and support recognized for 2011 comprise:

Legal services	\$ <u>147,054</u>
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Note G - Special Events Revenue

Each year the Foundation raises money through special events. During 2011, revenues from special events comprise:

Event:	
Golf outing	\$ 30,639
Wine tasting	<u>9,040</u>
Total	\$ <u>39,679</u>

Note H - Operating Lease

In August 2011, the Foundation entered into an operating lease for ten housing units, an office space, and two parking spaces. The lease, which expires in 2013, has renewal options of one and two year terms at mutually agreed rental rates.

Minimum future rental commitments under the terms of the operating lease are:

<u>Year</u>	<u>Amount</u>
2012	\$ 129,000
2013	<u>75,250</u>
Total	\$ <u>204,250</u>

Rent expense for 2011 amounted to \$100,155.

IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

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Note I - Income Taxes

The Foundation files its exempt organization income tax returns in the U.S. federal jurisdiction and the state of Illinois. The Foundation is no longer subject to income tax examinations by taxing authorities for years prior to 2008.

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SUPPLEMENTAL INFORMATION

SCHEDULE 1

IMD GUEST HOUSE FOUNDATION
SCHEDULE OF EXPENSES

Year Ended December 31, 2011

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	Program Services	Management and General	Fundraising	Total
Accounting	\$ 4,488	\$ 598	\$ 898	\$ 5,984
Auditing fees	3,750	500	750	5,000
Bank service charges	1,911	255	382	2,548
Cable	5,092	679	1,019	6,790
Conferences	4,341	579	868	5,788
Copying	2,172	290	435	2,897
Depreciation	1,807	241	361	2,409
Housekeeping	11,550	1,540	2,310	15,400
In-kind contributions - legal	110,291	14,705	22,058	147,054
Insurance	6,052	807	1,210	8,069
Marketing	430	57	86	573
Membership dues	651	87	130	868
Miscellaneous	3,635	485	727	4,847
Officer compensation	75,468	10,063	15,094	100,625
Outside computer services	498	66	99	663
Payroll fees	797	106	159	1,062
Payroll taxes	6,876	917	1,375	9,168
Postage and delivery	532	71	107	710
Professional fees	3,079	411	616	4,106
Rent, parking, or other occupancy	75,116	10,016	15,023	100,155
Salaries - other	14,418	1,922	2,883	19,223
Special events	17,922	2,390	3,584	23,896
Supplies	7,008	934	1,401	9,343
Telephone	2,770	369	554	3,693
Utilities	2,701	360	540	3,601
Total expenses	<u>\$ 363,355</u>	<u>\$ 48,448</u>	<u>\$ 72,669</u>	<u>\$ 484,472</u>

Reference is made to the accompanying Independent Auditor's Report relating to the data contained in this schedule.

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