

# SHEPARD SCHWARTZ & HARRIS, LLP

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CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS TO BUSINESS

**IMD GUEST HOUSE FOUNDATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

**SSH**

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SHEPARD SCHWARTZ & HARRIS LLP  
CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **IMD Guest House Foundation** (an Illinois non-profit corporation), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IMD Guest House Foundation as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses on Schedule 1 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Shepard Schwartz & Harris LLP*

Chicago, Illinois  
June 14, 2013

**IMD GUEST HOUSE FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**

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December 31, 2012

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**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 191,015
Accounts receivable	23,377
Promises to give	500,000
Prepaid insurance	5,310
Total current assets	<u>719,702</u>

PROPERTY AND EQUIPMENT (net of accumulated depreciation of \$9,459) 57,416

RESTRICTED CASH - ESCROW 511,956

**TOTAL ASSETS** \$ 1,289,074

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 3,432
Deferred revenue	116,000
Total current liabilities	<u>119,432</u>

**NET ASSETS**

Unrestricted	90,664
Temporarily restricted	1,078,978
Total net assets	<u>1,169,642</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 1,289,074

The accompanying notes are an integral part of this statement.

**IMD GUEST HOUSE FOUNDATION**  
**STATEMENT OF ACTIVITIES**

Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Public support and contribution	\$ 22,610	\$ -	\$ 22,610
Program service revenue	370,397	-	370,397
Special events	66,646	-	66,646
In-kind contributions and support	123,574	-	123,574
Interest income	9	56	65
Other income	510	-	510
Net assets released from restrictions	3,000	(3,000)	-
Total support and revenue	<u>586,746</u>	<u>(2,944)</u>	<u>583,802</u>
Expenses			
Program services	425,582	-	425,582
Management and general	56,748	-	56,748
Fundraising	85,119	-	85,119
Total expenses	<u>567,449</u>	<u>-</u>	<u>567,449</u>
Change in net assets	19,297	(2,944)	16,353
Net assets - beginning of year	<u>71,367</u>	<u>1,081,922</u>	<u>1,153,289</u>
Net assets - end of year	<u>\$ 90,664</u>	<u>\$ 1,078,978</u>	<u>\$ 1,169,642</u>

The accompanying notes are an integral part of this statement.

**IMD GUEST HOUSE FOUNDATION**  
**STATEMENT OF CASH FLOWS**

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Year Ended December 31, 2012

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Cash flows from operating activities	
Change in net assets	\$ 16,353
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	7,049
Increase in	
Accounts receivable	(4,927)
Prepaid insurance	(3,479)
Increase (decrease) in	
Accounts payable	(7,623)
Deferred revenue	116,000
Net cash provided by operating activities	<u>123,373</u>
Cash flows from investing activities	
Purchase of property and equipment	(39,280)
Increase in restricted cash - escrow	(30)
Net cash used for investing activities	<u>(39,310)</u>
Net increase in cash and cash equivalents	84,063
Cash and cash equivalents - beginning of year	<u>106,952</u>
Cash and cash equivalents - end of year	<u>\$ 191,015</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, American Cancer Society, 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, 2012.

**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.

**Program Service Revenue**

The Foundation has institutional rent sponsorship agreements with various hospitals to lease rooms to their patients and their family and friends. Revenue from these arrangements is recognized ratably over the term of the agreement. In addition, guests leasing the rooms pay daily rental rates which are determined by the respective institution.

**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.



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

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

**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.

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, 2012, 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.

**Deferred Revenue**

Receipts of institutional rent sponsorships are deferred and reported as income in the year to which they apply.

**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, 2012, 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.

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

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

**In-kind Contributions and Support (Cont'd)**

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 2012 financial statements, through June 14, 2013, the date which the financial statements were available to be issued.

**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, 2012, 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, 2012 aggregate \$1,078,978 and are restricted for the following purposes:

IDCEO Grant and interest earned	\$ 1,073,400
TLC Meals Program	4,146
Other	1,432
	<hr/>
	\$ 1,078,978

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

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

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 \$1,073,400 at December 31, 2012, remaining at the agreement expiration date are to be returned to the IDCEO.

The Nathan Cummings Foundation grant from 2004 was fully released from restrictions in 2012 by approval from the donors and the Foundation's Board of Directors for the purchase of furniture and furnishings for the apartments leased at the UIC building.

**Note F - Program Service Revenue**

The Foundation leased their rooms to guests for 2,858 nights of service during 2012. The non-hardship rate for each room per night is \$55. The gross room revenue potential in 2012 is \$157,190, of which \$115,397 was earned, has been reflected in program service revenue. The difference of \$41,793 represents the discount given for guests with a hardship need. The daily rental rates for guests with hardships are determined by the respective institutional rent sponsor.

**Note G - In-kind Contributions and Support**

The in-kind contributions and support recognized for 2012 comprise:

Legal services	\$ <u>123,574</u>
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**Note H - Special Events Revenue**

Each year the Foundation raises money through special events. During 2012, revenues from special events comprise:

Event:	
Golf outing	\$ 41,611
Third party events	5,025
Wine tasting	<u>20,010</u>
Total	\$ <u>66,646</u>

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

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**Note I - Operating Lease**

The Foundation has an operating lease for ten housing units, an office space, and two parking spaces. The lease, which expires in July 2013, has renewal options of one and two year terms at mutually agreed upon rental rates. The lease also allows for additional housing units to be leased at previously agreed upon rental rates. The Foundation added four housing units in September 2012 and an additional two housing units in December of 2012 to the operating lease agreement, for a total of sixteen leased housing units as of December 31, 2012.

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

<u>Year</u>	<u>Amount</u>
2013	<u>\$ 120,050</u>

Rent expense for 2012 amounted to \$148,750.

**Note J - 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 2009.

**SUPPLEMENTARY INFORMATION**

**SCHEDULE 1****IMD GUEST HOUSE FOUNDATION**  
**SCHEDULE OF EXPENSES**

Year Ended December 31, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ 3,621	\$ 483	\$ 724	\$ 4,828
Auditing fees	3,761	502	752	5,015
Bank service charges	3,132	418	627	4,177
Conferences	7,077	944	1,415	9,436
Copying	1,927	257	385	2,569
Depreciation	5,287	705	1,057	7,049
Housekeeping	170	23	34	227
In-kind contributions - legal	92,681	12,357	18,536	123,574
Insurance	4,489	599	898	5,986
Marketing	3,746	499	749	4,994
Membership dues	1,093	146	219	1,458
Miscellaneous	2,453	327	492	3,272
Officer compensation	78,750	10,500	15,750	105,000
Outside computer services	3,499	467	700	4,666
Payroll fees	859	115	172	1,146
Payroll taxes	9,140	1,219	1,828	12,187
Postage and delivery	1,078	144	216	1,438
Professional fees	12,618	1,683	2,524	16,825
Rent, parking, or other occupancy	111,562	14,875	22,313	148,750
Salaries - other	40,728	5,431	8,146	54,305
Special events	26,612	3,548	5,322	35,482
Supplies	8,073	1,076	1,615	10,764
Telephone	3,226	430	645	4,301
Total expenses	<u>\$ 425,582</u>	<u>\$ 56,748</u>	<u>\$ 85,119</u>	<u>\$ 567,449</u>

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