

# SHEPARD SCHWARTZ & HARRIS, LLP

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CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS TO BUSINESS

**IMD GUEST HOUSE FOUNDATION**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**YEAR ENDED DECEMBER 31, 2010**

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SHEPARD SCHWARTZ & HARRIS LLP

CERTIFIED PUBLIC ACCOUNTANTS

123 NORTH WACKER DRIVE  
CHICAGO, ILLINOIS 60606-1700  
312 726 8353

**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, 2010, 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, 2010, 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

July 25, 2011

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

December 31, 2010

**ASSETS****CURRENT ASSETS**

Cash and cash equivalents	\$ 167,985
Promises to give	515,300
Deposits	1,800
Prepaid insurance	1,332
Total current assets	<u>686,417</u>

**RESTRICTED CASH - ESCROW**511,889**TOTAL ASSETS**\$ 1,198,306**LIABILITIES AND NET ASSETS****CURRENT LIABILITIES**

Accounts payable	\$ 602
Accrued liabilities	11,629
Total current liabilities	<u>12,231</u>

**NET ASSETS**

Unrestricted	77,231
Temporarily restricted	1,108,844
Total net assets	<u>1,186,075</u>

**TOTAL LIABILITIES AND NET ASSETS**\$ 1,198,306

The accompanying notes are an integral part of this statement.

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

Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Public support and contribution	\$ 10,463	\$ -	\$ 10,463
Program service revenue	219,871	-	219,871
Special events	53,547	-	53,547
In-kind contributions and support	107,138	-	107,138
Interest income	46	157	203
Net assets released from restrictions	404	(404)	-
Total support and revenue	<u>391,469</u>	<u>(247)</u>	<u>391,222</u>
Expenses			
Program services	303,399	-	303,399
Management and general	40,456	-	40,456
Fundraising	60,682	-	60,682
Total expenses	<u>404,537</u>	<u>-</u>	<u>404,537</u>
Change in net assets	(13,068)	(247)	(13,315)
Net assets - beginning of year	<u>90,299</u>	<u>1,109,091</u>	<u>1,199,390</u>
Net assets - end of year	<u>\$ 77,231</u>	<u>\$1,108,844</u>	<u>\$1,186,075</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, 2010

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Cash flows from operating activities	
Change in net assets	\$ (13,315)
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities	
(Increase) decrease in	
Promises to give	(15,300)
Prepaid insurance	615
Increase (decrease) in	
Accounts payable	413
Accrued expenses	11,629
Deferred revenue	(2,343)
Net cash used for operating activities	<u>(18,301)</u>
 Cash flows from investing activities	
Decrease in restricted cash - escrow	<u>(43)</u>
 Net decrease in cash and cash equivalents	(18,344)
 Cash and cash equivalents - beginning of year	<u>186,329</u>
 Cash and cash equivalents - end of year	<u>\$ 167,985</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 such “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, 2010.

**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.

**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, 2010, no allowance for uncollectible promises was considered necessary.

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, 2010, 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 2010 financial statements, through July 25, 2011, 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, 2010 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 Illinois Department of Commerce and Economic Opportunity 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, 2011.

**Note E - Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2010 aggregate \$1,108,844 and are restricted for the following purposes:

Illinois DCEO Grant and interest earned	\$ 1,073,266
Nathan Cummings Foundation	20,000
Eli Lilly Grant	10,000
TLC Meals Program	4,146
Other	1,432
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	\$ 1,108,844

**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, 2011. 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 \$1,073,266 at December 31, 2010, remaining at the agreement expiration date are to be returned to the IDCEO.

No grants were released from restrictions in 2010.

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

The in-kind contributions and support recognized for 2010 comprise:

Legal services	\$	78,600
Guest House apartment items		500
Special event goods and services		<u>28,038</u>
	\$	<u><u>107,138</u></u>

**Note G - 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 2007.

**SUPPLEMENTAL INFORMATION**

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

Year Ended December 31, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ 3,660	\$ 488	\$ 732	\$ 4,880
Auditing fees	3,750	500	750	5,000
Bank service charges	1,137	152	227	1,516
Cable	8,779	1,171	1,756	11,706
Conferences	1,524	203	305	2,032
Copying	373	50	75	498
Housekeeping	15,748	2,100	3,150	20,998
In-kind contributions				
Legal	58,950	7,860	11,790	78,600
Housekeeping	375	50	75	500
Special events	21,028	2,804	4,206	28,038
Insurance	5,682	758	1,137	7,577
Membership dues	712	95	143	950
Miscellaneous	3,570	476	714	4,760
Officer compensation	84,592	11,279	16,918	112,789
Outside computer services	2,863	382	573	3,818
Payroll fees	852	114	171	1,137
Payroll taxes	7,126	950	1,425	9,501
Postage and delivery	161	22	32	215
Rent, parking, or other occupancy	61,207	8,161	12,242	81,610
Special events	4,207	561	841	5,609
Supplies	1,892	252	378	2,522
Telephone	1,859	248	372	2,479
Temporary help	8,553	1,140	1,710	11,403
Utilities	4,799	640	960	6,399
Total expenses	<u>\$ 303,399</u>	<u>\$ 40,456</u>	<u>\$ 60,682</u>	<u>\$ 404,537</u>

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