

IMD GUEST HOUSE FOUNDATION

FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

IMD GUEST HOUSE FOUNDATION

Annual Financial Report

Table of Contents

Independent Auditor’s Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

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

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, 2015 and the related statement of activities, functional expenses, 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, 2015 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.

Desmond & Ahern, Ltd

September 16, 2016
Chicago, IL

**IMD GUEST HOUSE FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2015**

Assets

Current Assets

Cash and cash equivalents	\$ 448,516
Accounts receivable	51,672
Total current assets	500,188

Property and Equipment

Furniture and fixtures	168,585
Leasehold improvements	1,097,725
Computers	9,978
Total property and equipment	1,276,288
Less accumulated depreciation	(207,438)
Net property and equipment	1,068,850

Other Assets

Prepaid insurance	2,010
Total Assets	\$ 1,571,048

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 605
Accrued expenses	5,231
Deferred revenue	269,909
Total current liabilities	275,745

Long-Term Liability

Deferred rent	215,330
Total liabilities	491,075

Net Assets

Unrestricted	1,066,943
Temporarily restricted	13,030
Total net assets	1,079,973
Total Liabilities and Net Assets	\$ 1,571,048

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

IMD GUEST HOUSE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues and Other Support</u>			
Public support and contribution	\$ 117,992	\$ 27,660	\$ 145,652
Program service revenue	981,984	-	981,984
Special events, net	111,947	-	111,947
In-kind contributions and support	126,856	-	126,856
Interest	434	-	434
Net assets released from restrictions	14,630	(14,630)	-
Total revenues and other support	<u>1,353,843</u>	<u>13,030</u>	<u>1,366,873</u>
<u>Expenses</u>			
Program services	1,200,641	-	1,200,641
Management and general	110,204	-	110,204
Fundraising	156,313	-	156,313
Total expenses	<u>1,467,158</u>	<u>-</u>	<u>1,467,158</u>
Change in net assets	(113,315)	13,030	(100,285)
Net assets, beginning of year	<u>1,180,258</u>	<u>-</u>	<u>1,180,258</u>
Net assets, end of year	<u>\$ 1,066,943</u>	<u>\$ 13,030</u>	<u>\$ 1,079,973</u>

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

IMD GUEST HOUSE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	
<u>Functional Expenses</u>				
Salaries	\$ 275,238	\$ 36,698	\$ 55,047	\$ 366,983
Payroll taxes	26,134	3,485	5,227	34,846
Employee benefits	5,910	788	1,182	7,880
Accounting	-	20,166	-	20,166
Auditing fees	-	6,500	-	6,500
Bank service charge	9,227	1,230	1,845	12,302
Conferences	6,439	858	1,288	8,585
Copying	4,062	542	812	5,416
Housekeeping	15,578	-	-	15,578
In-kind contributions - legal	94,194	12,559	18,839	125,592
Insurance	10,579	1,411	2,116	14,106
Marketing	13,928	1,857	15,083	30,868
Membership dues	1,781	238	356	2,375
Miscellaneous	13,888	2,028	1,503	17,419
Outside computer services	4,411	588	882	5,881
Payroll fees	-	1,671	-	1,671
Postage and delivery	871	116	174	1,161
Professional fees	9,374	2,340	26,265	37,979
Rent, parking, or other occupancy	586,824	1,610	2,415	590,849
Repairs and maintenance	543	72	109	724
Supplies	17,990	1,624	2,436	22,050
Telephone	3,514	469	703	4,686
Depreciation	100,156	13,354	20,031	133,541
Total Expenses	<u>\$ 1,200,641</u>	<u>\$ 110,204</u>	<u>\$ 156,313</u>	<u>\$ 1,467,158</u>

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

**IMD GUEST HOUSE FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015**

Cash Flows from Operating Activities

Decrease in net assets	\$ (100,285)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	133,541
(Increase) decrease in:	
Accounts receivable	(34,482)
Prepaid expenses and security deposits	8,867
Increase (decrease) in:	
Accounts payable	(4,203)
Accrued expenses	7,673
Deferred revenue	(11,503)
Deferred rent	134,954
	<u>134,562</u>
Net cash provided by operating activities	<u>134,562</u>

Cash Flows from Investing Activities

Purchase of property and equipment	<u>(71,315)</u>
Net cash used in operating activities	<u>(71,315)</u>

Net increase in cash and cash equivalents	63,247
Cash and cash equivalents, beginning of year	<u>385,269</u>
Cash and cash equivalents, end of year	<u><u>\$ 448,516</u></u>

Supplemental Information

Cash paid for interest	<u><u>\$ -</u></u>
Cash paid for taxes	<u><u>\$ -</u></u>

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

IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Organization

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 accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, as required by Generally Accepted Accounting Principles (GAAP). There are no permanently restricted net assets as of December 31, 2015.

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 December 31, 2015, the Foundation’s bank deposits exceeded federally insured limits by approximately \$105,000. 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.

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.

Accounts 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.

IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

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, 2015, a \$6,000 allowance for uncollectible promises or receivables was considered necessary.

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.

Deferred Revenue

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

Deferred Rent

Rent expense is being 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.

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.

**IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

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.

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 sponsorship agreements with various organizations to provide short-term accommodations to their patients and caregivers. Revenue from these arrangements is recognized ratably over the term of the agreement. In addition, guests staying in the rooms pay daily rates which are determined by the Foundation.

Note 2 – Operating Lease

The Foundation has an operating lease which expires July 31, 2023 and provides for the leasing up of to 50 apartments. Under the provisions of the lease, the Foundation was expected to lease 50 apartments by August 1, 2015. By mutual agreement of the parties, the Foundation leased 42 apartments by December 31, 2015, with plans to lease the remaining 8 unleased units in 2016. The lease provides for monthly rents to increase during the lease term, and for rent of a community room and office space at no charge. The lease 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.

**IMD GUEST HOUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

Note 2 – Operating Lease (cont.)

Future base rental minimum lease payments for the next five years are as follows:

2016	\$ 566,496
2017	582,876
2018	605,808
2019	623,448
2020	648,144
Thereafter	1,765,092
Total	<u><u>\$ 4,791,864</u></u>

Note 3 – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 consist of a donation to purchase furniture for a veteran's and cancer patient's rooms.

Note 4 – Deferred Revenue

Deferred revenue at December 31, 2015 consist of the following:

Rush Hospital	\$ 42,135
Kapoor	147,000
Stroger Hospital	42,794
University of Illinois Chicago	49,500
Other	(11,520)
Total	<u><u>\$ 269,909</u></u>

Note 5 – Special Events

Special events consists of the follow items for the year ended December 31, 2015:

Contributions	\$ 99,313
Ticket sales	32,903
In-kind contributions	11,217
Auction revenue	3,020
Less costs of direct benefits to donors	(34,506)
Net revenues from special events	<u><u>\$ 111,947</u></u>

Note 6 – Subsequent Events

The Foundation has evaluated subsequent events for possible adjustment to, or disclosure in, the 2015 financial statements, through September 16, 2016, the date which the financial statements were available to be issued.