

ST. LUKE'S HEALTH CARE FOUNDATION

Financial Statements

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

ST. LUKE'S HEALTH CARE FOUNDATION

Table of Contents

| | |
|---|---|
| Independent Auditors' Report | 1 |
| <u>Financial Statements and Notes to Financial Statements:</u> | |
| Financial Statements | |
| Statements of Financial Position | 2 |
| Statements of Activities | 3 |
| Statements of Functional Expenses | 4 |
| Statements of Cash Flows | 6 |
| Notes to Financial Statements | 7 |

Independent Auditors' Report

Board of Directors
St. Luke's Health Care Foundation:

We have audited the accompanying financial statements of St. Luke's Health Care Foundation, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 from 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 St. Luke's Health Care Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 2 to the financial statements, St. Luke's Health Care Foundation adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

As discussed in note 3 to the financial statements, St. Luke's Health Care Foundation restated its net assets as of January 1, 2018 by reclassifying certain net assets from net assets without donor restrictions to net assets with donor restrictions.

Paul J. Smit & Associates

October 30, 2020
Lansing, Illinois

Clock Tower Plaza, Suite 204 • 3330 181st Place • Lansing, Illinois 60438

Member of the American Institute of Certified Public Accountants and the Illinois CPA Society

ST. LUKE'S HEALTH CARE FOUNDATION

Statements of Financial Position

December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 278,194 | \$ 540,288 |
| Accounts receivable | 149,129 | 86,054 |
| Certificates of deposit | <u>411,430</u> | <u>336,148</u> |
| Total assets | <u>\$ 838,753</u> | <u>\$ 962,490</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | <u>\$ 25,112</u> | <u>\$ 2,622</u> |
| Total liabilities | <u>25,112</u> | <u>2,622</u> |
| Net assets: | | |
| Without donor restrictions | 235,264 | 239,288 |
| With donor restrictions: | | |
| Restricted by purpose or time | 440,428 | 612,000 |
| Restricted in perpetuity | <u>137,949</u> | <u>108,580</u> |
| Total net assets with donor restrictions | <u>578,377</u> | <u>720,580</u> |
| Total net assets | <u>813,641</u> | <u>959,868</u> |
| Total liabilities and net assets | <u>\$ 838,753</u> | <u>\$ 962,490</u> |

See accompanying notes to financial statements.

ST. LUKE'S HEALTH CARE FOUNDATION

Statements of Activities

Years ended December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|--------------------------|--------------------------|
| Changes in net assets without donor restrictions: | | |
| Support and revenue: | | |
| Contributions | \$ 141,985 | \$ 102,126 |
| Investment income | <u>8,820</u> | <u>6,634</u> |
| Total support and revenue before releases of restrictions | 150,805 | 108,760 |
| Net assets released from restrictions - Satisfaction of purpose restrictions | <u>671,619</u> | <u>344,677</u> |
| Total support and revenue | <u>822,424</u> | <u>453,437</u> |
| Expenses: | | |
| Program services | 762,670 | 407,607 |
| Supporting services: | | |
| Management and general | 62,586 | 49,425 |
| Fundraising | <u>1,192</u> | <u>5,997</u> |
| Total expenses | <u>826,448</u> | <u>463,029</u> |
| Change in net assets without donor restrictions | <u>(4,024)</u> | <u>(9,592)</u> |
| Changes in net assets with donor restrictions: | | |
| Contributions - restricted by purpose | 496,590 | 385,177 |
| Investment income - restricted by purpose | 3,457 | 704 |
| Net assets released from restrictions - Satisfaction of purpose restrictions | (671,619) | (344,677) |
| Contributions restricted in perpetuity | <u>29,369</u> | <u>40,305</u> |
| Change in net assets with donor restrictions | <u>(142,203)</u> | <u>81,509</u> |
| Change in net assets | (146,227) | 71,917 |
| Net assets at beginning of year, as restated (note 3) | <u>959,868</u> | <u>887,951</u> |
| Net assets at end of year | \$ <u><u>813,641</u></u> | \$ <u><u>959,868</u></u> |

See accompanying notes to financial statements.

ST. LUKE'S HEALTH CARE FOUNDATION

Statement of Functional Expenses

Year ended December 31, 2019

| | | <u>Supporting services</u> | | |
|-------------------------------------|-----------------------------|---------------------------------------|--------------------|---------------------------|
| | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total expenses</u> |
| Supplies: | | | | |
| Medical | \$ 13,253 | \$ — | \$ — | \$ 13,253 |
| Non-medical | — | 622 | — | 622 |
| Building project costs | 291,349 | — | — | 291,349 |
| Benevolence | 190,386 | — | — | 190,386 |
| Medical equipment | 110,290 | — | — | 110,290 |
| Supplies, doctor training and other | 157,392 | — | — | 157,392 |
| Professional fees and services | — | 40,632 | 1,192 | 41,824 |
| Travel | — | 11,165 | — | 11,165 |
| Bank charges and fees | — | 10,167 | — | 10,167 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenses | \$ <u>762,670</u> | \$ <u>62,586</u> | \$ <u>1,192</u> | \$ <u>826,448</u> |

See accompanying notes to financial statements.

ST. LUKE'S HEALTH CARE FOUNDATION

Statement of Functional Expenses

Year ended December 31, 2018

| | <u>Supporting services</u> | | | |
|-------------------------------------|-----------------------------|---------------------------------------|--------------------|---------------------------|
| | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total expenses</u> |
| Supplies: | | | | |
| Medical | \$ 207 | \$ — | \$ — | \$ 207 |
| Non-medical | 1,062 | — | — | 1,062 |
| Building project costs | 181,621 | — | — | 181,621 |
| Benevolence | 147,289 | — | — | 147,289 |
| Medical equipment | — | — | — | — |
| Supplies, doctor training and other | 77,428 | — | — | 77,428 |
| Professional fees and services | — | 36,185 | 5,997 | 42,182 |
| Travel | — | 6,786 | — | 6,786 |
| Bank charges and fees | — | 6,454 | — | 6,454 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total expenses | \$ <u>407,607</u> | \$ <u>49,425</u> | \$ <u>5,997</u> | \$ <u>463,029</u> |

See accompanying notes to financial statements.

ST. LUKE'S HEALTH CARE FOUNDATION

Statements of Cash Flows

Years ended December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|--------------------|
| Cash flows from operating activities: | | |
| Contributions and other public support | \$ 604,869 | \$ 444,482 |
| Interest income | 12,277 | 7,338 |
| Cash paid to suppliers, contractors and grantees | <u>(803,958)</u> | <u>(465,664)</u> |
| Net cash used in operating activities | <u>(186,812)</u> | <u>(13,844)</u> |
| Cash flows from investing activities: | | |
| Purchases of certificates of deposit | (228,555) | (267,873) |
| Proceeds from maturities of certificates of deposit | <u>153,273</u> | <u>—</u> |
| Net cash used in investing activities | <u>(75,282)</u> | <u>(267,873)</u> |
| Net decrease in cash and cash equivalents | (262,094) | (281,717) |
| Cash and cash equivalents at beginning of year | <u>540,288</u> | <u>822,005</u> |
| Cash and cash equivalents at end of year | <u>\$ 278,194</u> | <u>\$ 540,288</u> |
| Reconciliation of change in net assets to cash flows from operating activities: | | |
| Change in net assets | \$ (146,227) | \$ 71,917 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Changes in assets and liabilities: | | |
| Accounts receivable | (63,075) | (83,126) |
| Accounts payable | <u>22,490</u> | <u>(2,635)</u> |
| Net cash provided by (used in) operating activities | <u>\$ (186,812)</u> | <u>\$ (13,844)</u> |

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

(1) Description of Organization

St. Luke's Health Care Foundation (SLHCF) was created to support faith based health care in Africa, primarily by supporting the operations of a hospital located in Soddo, Ethiopia.

SLHCF was incorporated on July 9, 2003 under the laws of the State of Illinois as a not-for-profit organization and is exempt from federal income taxes under section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. It is classified as a publicly supported organization, which is not a private foundation under Section 509(a).

SLHCF's revenues consist primarily of contributions from foundations, churches and individuals.

(2) Summary of Significant Accounting Policies

The financial statements of SLHCF have been prepared on the accrual basis of accounting; consequently, revenues are recognized when earned and expenses when the obligation is incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

SLHCF maintains its accounts in accordance with the requirements of generally accepted accounting principles (GAAP), which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of balances into two classes of net assets – without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions – net assets that are not subject to donor-imposed restrictions and are available for ministry purposes under the direction of the Board of Directors. Items that affect this category principally consist of cash and contributions that are not restricted, interest income whose use is not restricted, grant revenues, as well as all expenses incurred in connection with the operations of SLHCF.
- With Donor Restrictions – net assets subject to donor-imposed restrictions that will be met either by actions of SLHCF or the passage of time. Items that affect this category are gifts for which restrictions have not been met. These amounts are reclassified to net assets when such restrictions are met or have expired.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by SLHCF, including gifts wherein donors stipulate that the corpus be held in perpetuity and only income be made available for program operations.

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

Contributions

Gifts, including unconditional pledges, are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at estimated fair value at the date of the gift. When a donor 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.

Unconditional promises to give (pledges) expected to be collected within one year increase net assets with donor restrictions and are reported at their net realizable value. Unconditional gifts expected to be collected in future years increase net assets with donor restrictions and are reported at the present value of estimated future cash flows. The resulting discount is amortized and is reported as contribution revenue, consistent with donor-imposed restrictions on the contributions, if any. Conditional promises to give and intentions to give are not recognized until the conditions are substantially met.

Fair Value

Fair value is defined as the price that SLHCF would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

SLHCF uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the assets and liabilities based on market data obtained from sources independent of the SLHCF. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – quoted market prices in active markets for identical investments.
- Level 2 – inputs other than quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, or inputs other than quoted prices that are observable including model-based valuation techniques.
- Level 3 – valuation techniques that use significant inputs that are unobservable because they trade infrequently or not at all.

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

i) *Cash and Cash Equivalents*

Cash and cash equivalents include petty cash, checking and money market accounts, as well as certificates of deposit with original maturities of 90 days or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash equivalents are considered Level 1 in the fair value hierarchy.

ii) *All Other Assets and Liabilities*

The carrying values of all other assets and liabilities do not differ materially from their estimated fair value.

Contributed Services

A substantial number of individuals have volunteered their services to SLHCF. In-kind donations and services requiring specific expertise have been reflected in the financial statements at their estimated fair value. The estimated value of services that do not require special expertise, while having a significant impact on making the ministry effective, has not been recorded in the financial statements because it does not meet certain criteria of donated services required to be recorded.

Functional Allocation of Expenses

Expenses are recorded when incurred. The costs of providing various program and supporting activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain occupancy and administrative costs have been allocated among the programs and supporting services benefited based on estimates made by management. The supporting services are indispensable to the conduct of the program activities and to SLHCF's existence.

Income Taxes

SLHCF has received a determination letter from the Internal Revenue Service indicating that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, except for income taxes pertaining to unrelated business income. No provision has been made for income taxes in the accompanying financial statements for the years ended December 31, 2019 and 2018, as SLHCF has had no significant unrelated business net income. As of December 31, 2019 and 2018, SLHCF had no uncertain tax positions.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2019 and 2018, there are no uncertain income tax positions that would require recognition of a liability (or asset) or disclosure in the financial statements. SLHCF has filed income tax returns through the year ended December 31, 2018 and believes it is no longer subject to income tax examination for years prior to the year ended December 31, 2015.

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reporting of revenues, expenses, gains, losses, and other changes in net assets during the period. Actual results may differ from those estimates.

Recently Issued Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example Topic 606). The amendment also provided additional needed guidance for the determination of whether a contribution is conditional. SLHCF adopted this ASU for the year ended December 31, 2019 using the full retrospective approach. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2018-08. As a result, no cumulative effect adjustment was recorded upon adoption.

(3) Net Assets Restatement and Reclassification

During the year ended December 31, 2019, the board of directors of the Foundation undertook a comprehensive review of the Foundation's accounting policies and procedures. As a result of its review, the board determined that the benevolence endowment fund that was established by board resolution in April 2015 and has been treated as a board designated fund "functioning as an endowment" since its inception, was in essence an endowment fund where gifts to the fund are restricted in perpetuity with only the income being expended. Therefore, at January 1, 2018, net assets of \$68,275 previously reported as net assets without donor restrictions (board designated benevolent endowment) have been reclassified to net assets with donor restrictions (restricted in perpetuity).

| | As Previously Reported 1/1/18 | As Restated/ Reclassified 1/1/18 | Increase (Decrease) 1/1/18 |
|---|--|---|---|
| Net assets without donor restrictions: | | | |
| Available for general activities | \$ 248,880 | \$ 248,880 | \$ — |
| Board designated benevolent endowment | 68,275 | — | (68,275) |
| Total net assets without donor restrictions | 317,155 | 248,880 | (68,275) |
| Net assets with donor restrictions: | | | |
| Restricted by purpose or time | \$ 570,796 | \$ 570,796 | \$ — |
| Restricted in perpetuity | — | 68,275 | 68,275 |
| Total net assets with donor restrictions | 570,796 | 639,071 | 68,275 |
| Total net assets | \$ 887,951 | \$ 887,951 | \$ — |

In addition, contributions and investment income for the year ended December 31, 2018 as previously reported of \$40,305 and \$704, respectively, have been reclassified from contributions and investment income without donor restrictions to contributions and investment income with donor restrictions in the accompanying statement of activities.

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

(4) Benevolent Endowment Fund

The Foundation's benevolent endowment fund was established to help pay for medical, surgical and healthcare services provided to the poor at the Soddo Christian Hospital in Soddo, Ethiopia. The endowment fund consists of contributions from donors that are restricted in perpetuity and the income earned on these funds is available for benevolent related expenses. The endowment fund is held in cash equivalents and certificates of deposits at December 31, 2019 and 2018. Changes in the endowment fund during the years ended December 31, 2019 and 2018, were as follows:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------|-------------------|-------------------|
| Balance at January 1 | \$ 109,284 | \$ 68,275 |
| Investment income, net of fees | 3,457 | 704 |
| Contributions | 29,369 | 40,305 |
| Withdrawals | <u>—</u> | <u>—</u> |
| Ending balance at December 31 | \$ <u>142,110</u> | \$ <u>109,284</u> |

The endowment fund consisted of the following as of December 31, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------|-------------------|-------------------|
| Funds restricted by purpose | \$ 4,161 | \$ 704 |
| Funds restricted in perpetuity | <u>137,949</u> | <u>108,580</u> |
| Ending balance at December 31 | \$ <u>142,110</u> | \$ <u>109,284</u> |

(5) Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of December 31, 2019 and 2018.

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Restricted by purpose: | | |
| Building projects and equipment | \$ 309,008 | \$ 461,412 |
| Benevolence | 68,848 | 93,486 |
| Special projects | 11,944 | 19,415 |
| Doctor training | 10,730 | 21,407 |
| Other program purposes | 35,737 | 15,576 |
| Permanent endowment earnings not yet expended | <u>4,161</u> | <u>704</u> |
| Total restricted by purpose | 440,428 | 612,000 |
| Restricted in perpetuity | <u>137,949</u> | <u>108,580</u> |
| Total net assets with donor restrictions | \$ <u>578,377</u> | \$ <u>720,580</u> |

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

(6) Liquidity

SLHCF has \$689,624 and \$876,436 at December 31, 2019 and 2018, respectively, of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. These financial assets consist of cash and certificates of deposit. Of these financial assets \$441,267 and \$611,296 at December 31, 2019 and 2018, respectively, are subject to donor imposed restrictions on their use; however, none of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

(7) Related Party Transactions

One current member and two former members of the board of directors of SLHCF hold an investment interest in an entity which owns Soddo Christian Hospital in Soddo, Ethiopia, the hospital that is supported by SLHCF. The investment interest is held in trust for the benefit of and under the direction of SLHCF, effectively offsetting any potential conflict of interest with and for these individuals, who receive no personal benefit from their investment. The reason for this legal set up and structure is because the Ethiopian government, law and regulations do not permit a U.S. charitable organization to have a direct ownership interest in real property. SLHCF is not a general or limited partner of, and does not control or have a controlling financial interest of either the entity which owns the hospital or the hospital itself, and as such, the financial position and results of operations of Soddo Christian Hospital are not included in the financial statements of SLHCF.

(8) Concentrations

During the year ended December 31, 2019, SLHCF received 21% of total contributions from four donors. During the year ended December 31, 2018, SLHCF received 10% of total contributions from one donor.

Financial instruments that potentially subject SLHCF to concentrations of credit risk consist principally of cash deposits and certificates of deposit. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. During the years ended December 31, 2019 and 2018, SLHCF maintained deposits in excess of federally insured limits. At December 31, 2019 and 2018, SLHCF had \$0 and \$79,813 in excess of the FDIC insured limit, respectively. This concentration of credit risk was managed by maintaining all deposits in high quality financial institutions.

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

(9) Subsequent Events

A novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of SLHCF could be materially adversely affected. The extent to which the coronavirus (or any other disease or epidemic) may impact business activity and financial assets will depend on future developments. These future developments are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

Management has performed an analysis of the activities and transactions subsequent to December 31, 2019, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2019. Management has performed their analysis through October 30, 2020, the date the financial statements were available to be issued. Activities subsequent to this date have not been evaluated by management.