

ST. LUKE'S HEALTH CARE FOUNDATION

Financial Statements
With Independent Auditors' Report

December 31, 2021 and 2020

ST. LUKE'S HEALTH CARE FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
St. Luke's Health Care Foundation
Wheaton, Illinois

Opinion

We have audited the accompanying financial statements of St. Luke's Health Care Foundation (an Illinois nonprofit corporation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of St. Luke's Health Care Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Luke's Health Care Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
St. Luke's Health Care Foundation
Wheaton, Illinois

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 St. Luke's Health Care Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Luke's Health Care Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Naperville, Illinois
August 10, 2022

ST. LUKE'S HEALTH CARE FOUNDATION

Statements of Financial Position

	December 31,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 904,985	\$ 901,730
Accounts receivable	288,498	192,410
Investments	268,213	163,240
Total Assets	<u>\$ 1,461,696</u>	<u>\$ 1,257,380</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 13,592	\$ 171,684
Deferred revenue	82,973	-
Total liabilities	<u>96,565</u>	<u>171,684</u>
Net Assets:		
Without donor restrictions	503,024	246,257
With donor restrictions:		
Restricted by purpose or time	704,090	686,122
Restricted in perpetuity	158,017	153,317
	<u>862,107</u>	<u>839,439</u>
Total net assets	<u>1,365,131</u>	<u>1,085,696</u>
Total Liabilities and Net Assets	<u>\$ 1,461,696</u>	<u>\$ 1,257,380</u>

See notes to financial statements

ST. LUKE'S HEALTH CARE FOUNDATION

Statements of Activities

	Year Ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:						
Contributions	\$ 408,854	\$ 867,750	\$ 1,276,604	\$ 375,069	\$ 743,361	\$ 1,118,430
Grants	-	753,601	753,601	-	-	-
In Kind donations	251,797	-	251,797	-	-	-
Investment income	3,153	-	3,153	5,004	-	5,004
Other income	3,080	-	3,080	838	-	838
	666,884	1,621,351	2,288,235	380,911	743,361	1,124,272
Net assets released from restrictions	1,598,683	(1,598,683)	-	482,299	(482,299)	-
Total support and revenues	2,265,567	22,668	2,288,235	863,210	261,062	1,124,272
EXPENSES:						
Program services	1,931,450	-	1,931,450	799,504	-	799,504
Management and general	76,214	-	76,214	48,003	-	48,003
Fundraising	1,136	-	1,136	4,710	-	4,710
Total expenses	2,008,800	-	2,008,800	852,217	-	852,217
Change in Net Assets	256,767	22,668	279,435	10,993	261,062	272,055
Net Assets, Beginning of Year	246,257	839,439	1,085,696	235,264	578,377	813,641
Net Assets, End of Year	\$ 503,024	\$ 862,107	\$ 1,365,131	\$ 246,257	\$ 839,439	\$ 1,085,696

See notes to financial statements

ST. LUKE'S HEALTH CARE FOUNDATION

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Project grants	\$ 1,304,112	\$ -	\$ -	\$ 1,304,112
In Kind expense	251,797	-	-	251,797
Benevolence	129,814	25,000	-	154,814
Supplies, doctor training and other	127,691	-	-	127,691
Medical equipment	104,204	-	-	104,204
Professional fees and services	3,850	36,939	1,136	41,925
Bank charges and fees	-	12,618	-	12,618
Supplies	9,982	367	-	10,349
Travel and meals	-	1,290	-	1,290
Total Expenses	\$ 1,931,450	\$ 76,214	\$ 1,136	\$ 2,008,800

Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Project grants	\$ 299,643	\$ -	\$ -	\$ 299,643
Benevolence	114,883	-	-	114,883
Supplies, doctor training and other	204,729	-	-	204,729
Medical equipment	172,728	-	-	172,728
Professional fees and services	-	37,232	4,710	41,942
Bank charges and fees	-	9,398	-	9,398
Travel and meals	-	1,095	-	1,095
Supplies	7,521	278	-	7,799
Total Expenses	\$ 799,504	\$ 48,003	\$ 4,710	\$ 852,217

See notes to financial statements

ST. LUKE'S HEALTH CARE FOUNDATION

Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 279,435	\$ 272,055
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized losses and (gains)	402	-
Change in:		
Accounts receivable	(96,088)	(43,281)
Accounts payable	(158,092)	146,572
Deferred revenue	82,973	-
Net Cash Provided by Operating Activities	108,630	375,346
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(114,398)	-
Proceeds from investments	-	161,741
Proceeds from sale of securities	9,023	86,449
Net Cash (Used) Provided by Investing Activities	(105,375)	248,190
Change in Cash and Cash Equivalents	3,255	623,536
Cash and Cash Equivalents, Beginning of Year	901,730	278,194
Cash and Cash Equivalents, End of Year	\$ 904,985	\$ 901,730

See notes to financial statements

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

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

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).

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The financial statements of SLHCF have been prepared on the accrual basis of accounting. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. Accordingly, actual results could differ from those estimates. The more significant accounting policies are described below.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking, savings and money market accounts. Certificates of deposit with a maturity of three months or less when purchased are considered cash equivalents. Certain items that meet the definition of cash equivalents, but are part of a larger pool of investments, are included in investments.

SLHCF maintains cash balances at several financial institutions. From time to time cash accounts may exceed federally insured limits. At December 31, 2021 and 2020, SLHCF's cash balances exceeded federally insured limits by \$303,298 and \$183,267, respectively. SLHCF does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

ACCOUNTS RECEIVABLE

Accounts receivable represent amounts due for hospital purchases. SLHCF believes that all amounts are fully collectible within one to two years; therefore, no allowance for uncollectible amounts has been recorded.

INVESTMENTS

Investments are recorded at fair value with gains and losses reported in the statements of activities. Donated investments are recorded at fair value at the date of donation and liquidated immediately. Investment income and realized and unrealized gains and losses are included in investment income without donor restrictions unless a donor or law restricts their use. Certificates of deposit with greater than three months maturity are carried at cost.

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts separately by class of net assets as follows:

Net assets without donor restrictions 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.

Net assets with donor restrictions are 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.

REVENUES

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 statements 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. Unearned grants are recorded as a liability on the statements of financial position.

DONATED SERVICES

Donated services are recognized as contributions if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

A substantial number of individuals regularly provide voluntary services to support SLHCF's programs and supporting services. These services have a significant impact on making SLHCF's program and supporting services effective. However, the value of these services is not reflected in the financial statements because they do not meet the necessary accounting criteria.

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

EXPENSES

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

3. INVESTMENTS:

Investments are presented at fair value based on reference to quoted market prices and consist of the following:

	December 31,	
	2021	2020
Money market funds	\$ 55,015	\$ 31,637
Certificates of deposit	213,198	121,827
Common stock	-	9,776
Total investments	<u>\$ 268,213</u>	<u>\$ 163,240</u>

4. FAIR VALUE MEASUREMENTS:

The Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) established a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

SLHCF uses valuation techniques based on the available inputs to measure the fair value of its investments. When available, SLHCF measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. As of December 31, 2021 and 2020, investment balances of \$55,015 and \$41,413 respectively, were valued at Level 1.

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

	December 31,	
	2021	2020
Restricted by purpose:		
Building projects and equipment	\$ 450,926	\$ 427,917
Benevolence	209,048	103,897
Special projects	32,794	122,563
Doctor training	10,902	5,065
Other program purposes	-	19,658
Permanent endowment earnings not yet expended	420	7,022
Restricted in perpetuity	158,017	153,317
	<u>\$ 862,107</u>	<u>\$ 839,439</u>

6. 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 a 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.

7. CONCENTRATION:

During the year ended December 31, 2021, SLHCF received 27% of total contributions from three donors. During the year ended December 31, 2020, SLHCF received 28% of total contributions from two donors.

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

8. ENDOWMENT FUND:

SLHCF's endowment consists of one account. The endowment includes one donor-restricted endowment fund to support the objectives of Soddo Christian Hospital. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of SLHCF has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SLHCF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Changes in endowment net assets for the year ended December 31, 2021:

	Restricted by purpose or time	Restricted in perpetuity	Total
Endowment net assets beginning of year	\$ 7,022	\$ 153,317	\$ 160,339
Investment return, net	398	-	398
Contributions	-	4,700	4,700
Amounts appropriated for expenditure	(7,000)	-	(7,000)
	<u>(6,602)</u>	<u>4,700</u>	<u>(1,902)</u>
Endowment net assets end of year	<u>\$ 420</u>	<u>\$ 158,017</u>	<u>\$ 158,437</u>

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

8. ENDOWMENT FUND, continued:

Changes in endowment net assets for the year ended December 31, 2020:

	<u>Restricted by purpose or time</u>	<u>Restricted in perpetuity</u>	<u>Total</u>
Endowment net assets beginning of year	\$ 4,161	\$ 137,949	\$ 142,110
Investment return, net	2,861	-	2,861
Contributions	-	15,368	15,368
Amounts appropriated for expenditure	-	-	-
	<u>2,861</u>	<u>15,368</u>	<u>18,229</u>
Endowment net assets end of year	<u>\$ 7,022</u>	<u>\$ 153,317</u>	<u>\$ 160,339</u>

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires SLHCF to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2021 and 2020.

RETURN OBJECTIVES AND RISK PARAMETERS

SLHCF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that SLHCF must hold in perpetuity or for a donor-specified period.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, SLHCF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

9. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects SLHCF's financial assets as of December 31 2021 and 2020, reduced by amounts not available for general expenditure within one year, if any. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, have contractual or donor-imposed restrictions, or because the governing board has set aside the funds for specific contingency reserves and projects. These board designations could be drawn upon if the board approves such action.

	December 31,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 904,985	\$ 901,730
Accounts receivable	288,498	192,410
Investments	268,213	163,240
Financial assets, at year end	<u>1,461,696</u>	<u>1,257,380</u>
Less those unavailable for general expenditures within one year, due to:		
Restricted by purpose:	704,090	686,122
Restricted in perpetuity	158,017	153,317
	<u>862,107</u>	<u>839,439</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 599,589</u>	<u>\$ 417,941</u>

As part of SLHCF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

10. RISKS AND UNCERTAINTIES:

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global economic activity and contributed to significant declines and volatility in financial markets, in addition to significant job loss. COVID-19 could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19. Nevertheless, COVID-19 presents uncertainty and risk with respect to SLHCF and its financial results.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through August 10, 2022, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.