

ST. LUKE'S HEALTH CARE FOUNDATION

Financial Statements
With Independent Auditors' Report

December 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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
July 18, 2023

ST. LUKE'S HEALTH CARE FOUNDATION

Statements of Financial Position

	December 31,	
	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 1,868,113	\$ 844,985
Cash held for board designations	130,000	60,000
Accounts receivable	231,803	288,498
Investments	323,344	268,213
Total Assets	\$ 2,553,260	\$ 1,461,696
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 46,793	\$ 13,592
Deferred revenue	1,005,020	82,973
Total liabilities	1,051,813	96,565
Net Assets:		
Without donor restrictions	330,366	443,024
Board designated	130,000	60,000
With donor restrictions:		
Restricted by purpose or time	881,814	704,090
Restricted in perpetuity	159,267	158,017
	1,041,081	862,107
Total net assets	1,501,447	1,365,131
Total Liabilities and Net Assets	\$ 2,553,260	\$ 1,461,696

See notes to financial statements

ST. LUKE'S HEALTH CARE FOUNDATION

Statements of Activities

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:						
Contributions	\$ 558,570	\$ 817,051	\$ 1,375,621	\$ 408,854	\$ 867,750	\$ 1,276,604
Grants	-	369,205	369,205	-	753,601	753,601
In Kind donations	164,307	-	164,307	251,797	-	251,797
Investment income	7,317	-	7,317	3,153	-	3,153
Other income	12,217	-	12,217	3,080	-	3,080
	<u>742,411</u>	<u>1,186,256</u>	<u>1,928,667</u>	<u>666,884</u>	<u>1,621,351</u>	<u>2,288,235</u>
Net assets released from restrictions	1,007,282	(1,007,282)	-	1,598,683	(1,598,683)	-
Total support and revenues	<u>1,749,693</u>	<u>178,974</u>	<u>1,928,667</u>	<u>2,265,567</u>	<u>22,668</u>	<u>2,288,235</u>
EXPENSES:						
Program services	1,629,572	-	1,629,572	1,931,450	-	1,931,450
Management and general	112,128	-	112,128	76,214	-	76,214
Fundraising	50,651	-	50,651	1,136	-	1,136
Total expenses	<u>1,792,351</u>	<u>-</u>	<u>1,792,351</u>	<u>2,008,800</u>	<u>-</u>	<u>2,008,800</u>
Change in Net Assets	(42,658)	178,974	136,316	256,767	22,668	279,435
Net Assets, Beginning of Year	<u>503,024</u>	<u>862,107</u>	<u>1,365,131</u>	<u>246,257</u>	<u>839,439</u>	<u>1,085,696</u>
Net Assets, End of Year	<u>\$ 460,366</u>	<u>\$ 1,041,081</u>	<u>\$ 1,501,447</u>	<u>\$ 503,024</u>	<u>\$ 862,107</u>	<u>\$ 1,365,131</u>

See notes to financial statements

ST. LUKE'S HEALTH CARE FOUNDATION

Statements of Functional Expenses

Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Project grants	\$ 824,203	\$ -	\$ -	\$ 824,203
In Kind expense	164,307	-	-	164,307
Benevolence	154,546	-	-	154,546
Medical and training supplies	294,002	-	-	294,002
Medical equipment	135,990	-	-	135,990
Salaries	22,545	44,352	30,000	96,897
Professional fees and services	14,000	45,382	-	59,382
Bank charges and fees	-	15,999	4,290	20,289
Supplies	16,622	2,013	256	18,891
Travel and meals	3,357	751	14,995	19,103
Other	-	3,631	1,110	4,741
Total Expenses	\$ 1,629,572	\$ 112,128	\$ 50,651	\$ 1,792,351

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
Medical and training supplies	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
Travel and meals	9,982	367	-	10,349
Supplies	-	1,290	-	1,290
Total Expenses	\$ 1,931,450	\$ 76,214	\$ 1,136	\$ 2,008,800

See notes to financial statements

ST. LUKE'S HEALTH CARE FOUNDATION

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 136,316	\$ 279,435
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized losses	1,717	402
Change in:		
Accounts receivable	56,695	(96,088)
Accounts payable	33,201	(158,092)
Deferred revenue	922,047	82,973
Net Cash Provided by Operating Activities	1,149,976	108,630
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(56,848)	(114,398)
Proceeds from sale of securities	-	9,023
Net Cash Used by Investing Activities	(56,848)	(105,375)
Change in Cash, Cash Equivalents, and Designated Cash	1,093,128	3,255
Cash, Cash Equivalents, and Designated Cash, Beginning of Year	904,985	901,730
Cash, Cash Equivalents, and Designated Cash, End of Year	\$ 1,998,113	\$ 904,985

See notes to financial statements

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

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 (the 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.

SLHCF maintains cash balances at several financial institutions. From time to time cash accounts may exceed federally insured limits. At December 31, 2022 and 2021, SLHCF's cash balances exceeded federally insured limits by \$231,752 and \$303,298, respectively.

Cash, cash equivalents, and designated cash consists of the following:

	December 31,	
	2022	2021
Cash and equivalents	\$ 1,868,113	\$ 844,985
Cash held for board designations	130,000	60,000
	<u>\$ 1,998,113</u>	<u>\$ 904,985</u>

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

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

DONATED EQUIPMENT AND SERVICES

Donated equipment is recognized as contributions if they are provided to SLHCF at no cost. 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. These contributions are recognized at their estimated fair market value at the date of the donation. These amounts are included in In Kind donations revenue and program expenses on the statement of activities.

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DONATED EQUIPMENT AND SERVICES, continued

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.

For the years ended December 31, gift-in-kind contributions recognized within the statement of activities included:

	December 31,	
	2022	2021
Medical equipment	\$ 164,307	\$ 251,797

Contributions of medical equipment are unrestricted in nature and provided to the hospital in Soddo, Ethiopia. They are recognized in the In Kind program expenses in the year they are received. The equipment donated is normally used and therefore the fair market value is determined using third party retail sites.

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.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

As of January 1, 2022, SLHCF adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07: *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU has been applied retrospectively to all periods presented with no effect on net assets or previously issued financial statements. Additional disclosures with regards to contributed nonfinancial assets were added to the notes to the financial statements.

RECLASSIFICATION

Board restricted cash on the 2021 financial statements has been reclassified to conform with the 2022 presentation. This amount has been reclassified to be presented separately on the statements of financial position.

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

3. INVESTMENTS:

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

	December 31,	
	2022	2021
Money market mutual funds	\$ 1,085	\$ 55,015
Fixed income securities	322,259	213,198
Total investments	<u>\$ 323,344</u>	<u>\$ 268,213</u>

Investment income (loss) consists of:

	Year Ended December 31,	
	2022	2021
Interest and dividends	\$ 9,034	\$ 3,555
Net realized and unrealized loss	(1,717)	(402)
	<u>\$ 7,317</u>	<u>\$ 3,153</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.

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

4. FAIR VALUE MEASUREMENTS, continued:

The table below presents the level within the fair value hierarchy at which investments are measured at December 31, 2022:

	Total	Level 1	Level 2	Level 3
Money market mutual funds	\$ 1,085	\$ 1,085	\$ -	\$ -
Fixed income securities	322,259	-	322,259	-
	\$ 323,344	\$ 1,085	\$ 322,259	\$ -

The table below presents the level within the fair value hierarchy at which investments are measured at December 31, 2021:

	Total	Level 1	Level 2	Level 3
Money market mutual funds	\$ 55,015	\$ 55,015	\$ -	\$ -
Fixed income securities	213,198	-	213,198	-
	\$ 268,213	\$ 55,015	\$ 213,198	\$ -

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

	December 31,	
	2022	2021
Restricted by purpose:		
Building projects and equipment	\$ 608,366	\$ 450,926
Benevolence	173,145	209,048
Special projects	89,027	32,794
Doctor training	10,852	10,902
Permanent endowment earnings not yet expended	424	420
Restricted in perpetuity	159,267	158,017
	\$ 1,041,081	\$ 862,107

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

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.

During the year ended December 31, 2022, approximately \$274,000 in contributions were received from board members.

7. CONCENTRATION:

During the year ended December 31, 2022, SLHCF received 48% of total contributions from four donors. During the year ended December 31, 2021, SLHCF received 27% of total contributions from three donors.

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.

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

8. ENDOWMENT FUND, continued:

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, 2022:

	Restricted by purpose or time	Restricted in perpetuity	Total
Endowment net assets beginning of year	\$ 420	\$ 158,017	\$ 158,437
Investment return, net	54	-	54
Contributions	-	1,250	1,250
Amounts appropriated for expenditure	(50)	-	(50)
	4	1,250	1,254
Endowment net assets end of year	\$ 424	\$ 159,267	\$ 159,691

ST. LUKE'S HEALTH CARE FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

8. ENDOWMENT FUND, continued:

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

	<u>Restricted by purpose or time</u>	<u>Restricted in perpetuity</u>	<u>Total</u>
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>

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, 2022 and 2021.

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, 2022 and 2021

9. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects SLHCF's financial assets as of December 31 2022 and 2021, 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,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 1,868,113	\$ 844,985
Cash held for board designations	130,000	60,000
Accounts receivable	231,803	288,498
Investments	323,344	268,213
Financial assets, at year end	<u>2,553,260</u>	<u>1,461,696</u>
Less those unavailable for general expenditures within one year, due to:		
Board designated	130,000	60,000
Restricted by purpose	881,814	704,090
Restricted in perpetuity	159,267	158,017
	<u>1,171,081</u>	<u>922,107</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,382,179</u>	<u>\$ 539,589</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. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through July 18, 2023, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.