

**The St. Luke Foundation
for Haiti**
(A Nonprofit Organization)

**Independent Auditor's Report and
Financial Statements
December 31, 2018**

The St. Luke Foundation for Haiti

(A Nonprofit Organization)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The St. Luke Foundation for Haiti
(A Nonprofit Organization)

We have audited the accompanying financial statements of The St. Luke Foundation for Haiti (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements 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 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 The St. Luke Foundation for Haiti as of December 31, 2018, 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.

Kaiser Scherer & Schlegel, PLLC

McLean, VA
November 15, 2019

The St. Luke Foundation for Haiti

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Statement of Financial Position

December 31, 2018

Assets

Cash and cash equivalents	\$	283,130
Investments, at fair value		2,144

Total assets **\$ 285,274**

Net Assets

Without donor restrictions	\$	235,274
With donor restrictions		50,000

Total net assets **\$ 285,274**

The accompanying notes are an integral part of these financial statements.

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Statement of Activities

<i>Year ended December 31, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and support			
Contributions and gifts	\$ 1,035,072	\$ 1,527,445	\$ 2,562,517
Investment return	2,401	-	2,401
Donated services	124,580	-	124,580
Total revenue, gains and support	1,162,053	1,527,445	2,689,498
Net assets released from restrictions			
Satisfaction of program restrictions	1,532,418	(1,532,418)	-
Satisfaction of equipment acquisition restrictions	110,392	(110,392)	-
Satisfaction of construction restrictions	49,600	(49,600)	-
Total net assets released from restrictions	1,692,410	(1,692,410)	-
Total revenue, gains, support and assets released from restrictions	2,854,463	(164,965)	2,689,498
Expenses			
Program services	3,101,126	-	3,101,126
Management and general	48,930	-	48,930
Fundraising	40,540	-	40,540
Total expenses	3,190,596	-	3,190,596
Change in net assets	(336,133)	(164,965)	(501,098)
Net assets, beginning of year	571,407	214,965	786,372
Net assets, end of year	\$ 235,274	\$ 50,000	\$ 285,274

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Statement of Functional Expenses

Year Ended December 31, 2018

	<u>Program</u>	<u>Supporting Services</u>			<u>Total Expenses</u>
		<u>Administration</u>	<u>Fundraising</u>	<u>Total Support</u>	
Donated services	\$ 63,240	\$ 22,580	\$ 38,790	\$ 61,370	\$ 124,610
Program expenses	295,706	-	-	-	295,706
Grant expenditures	2,741,910	-	-	-	2,741,910
Bank charges	-	2,713	-	2,713	2,713
Legal and professional fees	-	1,945	1,780	3,725	3,725
Accounting and audit	-	21,692	-	21,692	21,692
	\$ 3,100,856	\$ 48,930	\$ 40,570	\$ 89,500	\$ 3,190,356

The accompanying notes are an integral part of these financial statements.

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Statement of Cash Flows

Year Ended December 31, 2018

Cash flows from operating activities	
Donations	\$ 2,550,113
Payments to program vendors	(263,433)
Payments to grantee	(2,741,910)
Payments for general and administrative expenses	(33,365)
Payments for fundraising expenses	(1,780)
Net cash used in operating activities:	(490,375)
Cash flows from investing activities	
Proceeds from sale of investments	44,278
Net cash provided by investing activities	44,278
Net decrease in cash	(446,097)
Cash and cash equivalents, beginning of year	729,227
Cash and cash equivalents, end of year	\$ 283,130
Supplemental cash flow information:	
Noncash donated investments	\$ 12,404

The accompanying notes are an integral part of these financial statements.

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Notes to Financial Statements

1. Nature of Activities

Organization

The St. Luke Foundation for Haiti ("the Foundation"), a nonprofit organization, is a religious, educational and charitable organization established in December 2010 by Father Leo Richard Frechette to provide support to capacitate Haitian young adults through funds and training, to set up community school systems and healthcare systems, and to generate employment through creative enterprise in order to improve life in Haiti at the grass root level.

The Foundation raises funds primarily through personal appeals, internet appeals, and direct mail solicitations conducted by volunteers in the United States and Haiti.

During the year ended December 31, 2018, \$3,101,126 of equipment, medicine and cash donations were transferred under various grant agreements to the Foundation to La Fondation St. Luc ("St. Luc"), a like-minded nonprofit charitable organization in Haiti. The St. Luc programs provide medical care, education, employment opportunities and humanitarian aid to the Haitian poor. Certain funds raised by the Foundation are designated for specific St. Luc programs. All St. Luc programs are geared toward education, development, and sustainability. The St. Luc mission also organizes large food and water distribution programs, relief assistance in hurricanes and disasters, mobile medical clinics, job creation programs, virtual online studies including travel abroad, burial of the indigent dead, and other programs.

The president of the Foundation is actively involved in all St. Luc's programs. The funding of the particular projects is based on the designation of the donation as well as on the financial needs. While sharing common goals, the Foundation and St. Luc are economically independent and have separate and distinct boards of directors. Therefore, St. Luc is not included in these financial statements nor was it audited in conjunction with the Foundation's audit.

2. Significant Accounting Policies

Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP").

New Accounting Pronouncement

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), which is intended to improve how a not-for-profit entity classifies its

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Notes to Financial Statements

net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment return, and cash flows. The guidance replaces the three classes of net assets previously presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. The ASU includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires a not-for-profit entity to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for the Foundation for the year ended December 31, 2018. The Foundation has adopted ASU No. 2016-14 and has implemented its specific requirements on their financial condition, results of operations and disclosures.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. Such cash equivalents consist of interest-bearing money market accounts and certificates of deposit.

Investments

Investments in equity securities are reported at fair value. The Foundation generally does not hold investments and generally sells donated equities as close to the donation date as possible. As of December 31, 2018, the Foundation's investments consisted of equities that were measured at quoted prices in active markets. Unrealized and realized gains and losses are included in the accompanying statement of activities.

Net Assets

GAAP requires classification of net assets and revenues, gains and losses based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions

Net assets without donor restrictions are available for use at the discretion of the Foundation's Board for general operating purposes and may be expended for any purpose in performing the primary objectives of the Foundation. From time to time, the Foundation's Board may designate assets without donor restrictions for specific operational purposes which makes them unavailable for use at management's discretion.

Net assets with donor restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose, restrictions.

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The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Contributions restricted to the purchase of property or equipment are considered to be met when the asset is placed in service.

Some donor restrictions are perpetual in nature, whereby the donor has stipulated the funds or other assets be maintained in perpetuity. As of December 31, 2018, the Foundation had no net assets with permanent donor restrictions.

Public Support, Revenue and Expenses

The Foundation recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made or when ownership of donated assets to be used directly in operations has been transferred to the Foundation. Contributions received are reported as either revenue without donor restrictions or with donor restrictions, depending on the existence and nature of any donor restrictions. All contributions are considered to be without donor restrictions unless specifically restricted by the donor or subject to legal restrictions.

When donor restrictions expire, this is, when the purpose restriction is fulfilled, or the time restriction expires – 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. It is the Foundation's policy to record donor-restricted contributions received and expended in the same accounting period as contributions with donor restrictions and as net assets released from restrictions.

Income earned on net assets with donor restrictions is classified as with restrictions or without restrictions in accordance with the donor's stipulation.

Other revenue is recorded when earned.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. Those expenses include donated services which are allocated based on estimates of time and effort.

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Notes to Financial Statements

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Management evaluated subsequent events through November 15, 2019, the date these financial statements were available to be issued, and there were no subsequent events that required disclosure.

Income Taxes

The Foundation, is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and classified by the US Internal Revenue Service as other than a private foundation.

The Foundation, although a tax-exempt organization, is subject to taxes on unrelated business income. It has been determined that there was no taxable income from unrelated business activities for the year ended December 31, 2018. The Foundation's Forms 990 Return of Organization Exempt from Income Tax, for the year ending 2018 are subject to examination by the IRS generally for three year after they were filed.

3. Donated Services

During the year ended December 31, 2018, the Foundation received donated services with an estimated fair value of approximately \$124,580. Approximately twelve volunteers provide general management, program management, treasury functions, fundraising, donor relationship, and web services. Each volunteer estimates the hours provided, and management estimates the applicable rate based on national wage surveys for like organizations. Each volunteer uses his/her own personal computer and desk space. The value of the office related use has been deemed immaterial and is not included in these financial statements.

Many other volunteers have contributed significant amounts of their time to activities of the Foundation. However, since those donated services neither create or enhance nonfinancial assets nor require specialized skills, the value of those services is not recorded in the accompanying financial statements. Management has not quantified the amount or value of those donated services.

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4. Liquidity

The Foundation's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Financial assets, at year-end	\$285,274
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions:	
Subject to appropriations and satisfaction of donor restrictions	<u>(50,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$285,274</u>

5. Net Assets with Donor Restrictions

Net assets with donor restrictions include contributions restricted for operations, medical related costs, education, disaster relief, schools and hospitals. As of December 31, 2018, \$50,000 of net assets with donor restrictions were available for St. Luke Hospital operations.

6. Related Party Transactions and Concentrations of Funding

The Foundation receives significant support from Our Little Brothers and Sisters, Inc. ("OLBS VA"), whose executive director is the Foundation's Treasurer. During the year ended December 31, 2018, the Foundation received \$653,053 from OLBS, VA which represented approximately 25% of the Foundation's total support.

The Foundation provides most of its funds to St. Luc. During the year ended December 31, 2018, the Foundation provided \$3,101,126 to St. Luc or its vendors, which represented approximately 100% of its total funds provided to recipients.

7. Concentration of Credit Risk

The Foundation maintains cash balances that periodically exceed the federally insured amount of \$250,000, which exposes the Foundation to credit risk in the event of non-performance by the institution. The Foundation monitors its financial institutions' performance to mitigate this risk.