



THE LUKE COMMISSION AND THE LUKE
COMMISSION SWAZILAND (ESWATINI)

Combined Financial Statements
With Independent Auditors' Report

December 31, 2018

**THE LUKE COMMISSION AND
THE LUKE COMMISSION SWAZILAND (ESWATINI)**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Luke Commission and
The Luke Commission Swaziland (Eswatini)
Manzini, Eswatini

We have audited the accompanying combined financial statements of The Luke Commission and The Luke Commission Swaziland (Eswatini) (Organization), which comprise the combined statement of financial position as of December 31, 2018, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
The Luke Commission and The Luke Commission Swaziland (Eswatini)
Manzini, Eswatini

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of The Luke Commission and The Luke Commission Swaziland (Eswatini) as of December 31, 2018, and the changes in its combined net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, The Luke Commission and The Luke Commission Swaziland (Eswatini) has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This has had a material effect on the presentation of the December 31, 2018, financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Greenwood, Indiana
October 8, 2019

**THE LUKE COMMISSION AND
THE LUKE COMMISSION SWAZILAND (ESWATINI)**

Combined Statement of Financial Position

December 31, 2018

ASSETS:	
Cash and cash equivalents	\$ 631,535
Accounts and other receivables-net	146,474
Inventory	2,789,874
Prepaid expenses	327,858
Property and equipment-net	<u>2,882,184</u>
Total Assets	<u><u>\$ 6,777,925</u></u>
LIABILITIES AND NET ASSETS:	
Accounts payable and other liabilities	\$ 158,868
Related party accrued expenses and note payable (Note 8)	<u>189,754</u>
	<u>348,622</u>
Net Assets:	
Without donor restrictions	\$ 6,429,303
With donor restrictions	<u>-</u>
Total net assets	<u><u>6,429,303</u></u>
Total Liabilities and Net Assets	<u><u>\$ 6,777,925</u></u>

See notes to combined financial statements

**THE LUKE COMMISSION AND
THE LUKE COMMISSION SWAZILAND (ESWATINI)**

Combined Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Gift-in-kind contributions	\$ 2,670,841	\$ -	\$ 2,670,841
Contributions	494,349	755,750	1,250,099
Grant revenue	2,595,335	-	2,595,335
Other income	144,345	-	144,345
Total Support and Revenue	<u>5,904,870</u>	<u>755,750</u>	<u>6,660,620</u>
NET ASSETS RELEASED:			
Purpose restrictions	<u>755,750</u>	<u>(755,750)</u>	<u>-</u>
EXPENSES:			
Program services	<u>5,730,105</u>	<u>-</u>	<u>5,730,105</u>
Supporting activities:			
General and administrative	386,639	-	386,639
Fundraising	130,164	-	130,164
	<u>516,803</u>	<u>-</u>	<u>516,803</u>
Total Expenses	<u>6,246,908</u>	<u>-</u>	<u>6,246,908</u>
Change in Net Assets	413,712	-	413,712
Net Assets, Beginning of Year	<u>6,015,591</u>	<u>-</u>	<u>6,015,591</u>
Net Assets, End of Year	<u>\$ 6,429,303</u>	<u>\$ -</u>	<u>\$ 6,429,303</u>

See notes to combined financial statements

**THE LUKE COMMISSION AND
THE LUKE COMMISSION SWAZILAND (ESWATINI)**

Combined Statement of Cash Flows

Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 413,712
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	258,532
Loss on disposal of property and equipment	5,826
Donations received for long-term purposes	(440,782)
Bad debt expense	44,861
Change in operating assets and liabilities:	
Accounts receivable and other-net	(70,311)
Inventory	223,044
Prepaid expenses	(38,503)
Accounts payable and other liabilities	57,497
Related party accrued expenses and note payable (Note 8)	(237,426)
Net Cash Provided by Operating Activities	<u>216,450</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of property and equipment-net	2,584
Purchases of property and equipment-net	(630,288)
Net Cash Used by Investing Activities	<u>(627,704)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Donations received for long-term purposes	440,782
Net Cash Provided by Financing Activities	<u>440,782</u>
Change in Cash and Cash Equivalents	29,528
Cash and Cash Equivalents, Beginning of Year	<u>602,007</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 631,535</u></u>

See notes to combined financial statements

THE LUKE COMMISSION AND THE LUKE COMMISSION SWAZILAND (ESWATINI)

Notes to Combined Financial Statements

December 31, 2018

1. NATURE OF ORGANIZATION:

The Luke Commission and The Luke Commission Swaziland (Eswatini) (collectively, TLC) serves on the front lines of the HIV/AIDS and tuberculosis (TB) pandemics in southern Africa. Currently, operations are concentrated in Eswatini, a country in southern Africa with the highest HIV/AIDS and TB rates in the world. Since the lack of transportation is a critical barrier to rural populations receiving healthcare, TLC developed a mobile hospital outreach model to deliver health services directly to remote communities. More than 650 patients are treated at each mobile hospital outreach. TLC offers testing for chronic diseases, such as diabetes, hypertension, TB, and HIV/AIDS, in an integrated healthcare context. In 2018, 66,986 patients were treated at 113 mobile hospital outreaches. Those with sight problems received eyeglasses, all-terrain wheelchairs were given to the disabled, packets of medications were dispensed, and clothing and shoes were given to orphans and vulnerable children. In 2018, approximately 454,000 medical treatments were delivered.

The Luke Commission is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state law. The Luke Commission has been classified as a publicly supported organization, which is not a private foundation under section 509(a) of the Code. The Luke Commission's primary source of revenue is from cash contributions, grant revenue and gift-in-kind contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

TLC maintains its accounts and prepares its combined financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the combined financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the combined financial statements to the reader.

PRINCIPLES OF COMBINATION

The accompanying combined financial statements also include the accounts of The Luke Commission Swaziland (Eswatini) (TLCS), which had been incorporated as a not-for-profit under Section 21 of the Eswatini Companies Act of 1912. This act was repealed with the Eswatini Companies Act of 2009 to which Section 17 of the new act applies. TLCS has an independent board but exists in common ministry to fund and support TLC's operations. Due to lack of common board control, TLCS is not consolidated, but with the collaborative nature of this structure, combined financial statements are presented for this non-controlled affiliate. All intercompany balances and transactions have been eliminated.

**THE LUKE COMMISSION AND
THE LUKE COMMISSION SWAZILAND (ESWATINI)**

Notes to Combined Financial Statements

December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. TLC adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe the categories of net assets throughout the combined financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 3), and disclosures related to functional allocation of expenses were expanded.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in checking and savings accounts and money market accounts, some of which are located in foreign countries. U.S. based accounts, which are covered by FDIC insurance, may exceed federally insured limits at times. Further, TLC maintains foreign accounts which are not covered by insurance. Uninsured foreign cash amounts approximated \$427,000. TLC has not experienced any losses in its domestic or foreign accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

ACCOUNTS AND OTHER RECEIVABLES-NET

The accounts receivable are recognized as assets and revenue when the revenue is earned. Other receivables represent reimbursement contributions and other receivables recognized as assets and contributions when committed or when conditions for the commitment are fulfilled. Accounts receivable are reported net of any anticipated losses due to uncollectible accounts. Uncollectible accounts are recognized as additions to bad debt expense in the period it is determined the amounts could become uncollectible.

PROPERTY AND EQUIPMENT-NET

Property and equipment-net is stated at cost, or if donated, at the estimated fair market value at the date of donation. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is recorded using the straight-line method over estimated useful lives ranging between four and forty years. Property and equipment purchases exceeding \$5,000 are capitalized.

**THE LUKE COMMISSION AND
THE LUKE COMMISSION SWAZILAND (ESWATINI)**

Notes to Combined Financial Statements

December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The net assets of TLC are reported according to class as follows:

Net assets without donor restrictions- are those resources that are used to support current operations and those resources invested in property and equipment.

Net assets with donor restrictions- are those contributed with donor stipulations for specific purposes and programs.

SUPPORT AND REVENUE

Revenue is recognized when earned. Amounts received as grant revenue in advance but not earned are reported as deferred revenue liability. Support is recorded when contributions are made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions. All contributions are considered available for general use unless specifically restricted by the donor or grantor.

Contributed services are recorded at the fair values of the services received. The *Not-for-Profit* topic of the FASB ASC requires recording the value of donated services that create or enhance nonfinancial assets or require specialized skills. TLC benefits from the services of a substantial number of volunteers that donate their time and efforts generously. However, only the services that meet the criteria above have been recorded as contributed services on the combined statement of activities. Gift-in-kind contributions are recorded at fair value at the date of donation.

Other income is recorded when earned.

**THE LUKE COMMISSION AND
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Notes to Combined Financial Statements

December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

EXPENSES, ADVERTISING AND JOINT COSTS

Expenses are reported when incurred and reports on the functional basis on the combined statement of activities. Accordingly, certain costs, such as salaries and benefits, and depreciations have been allocated among the program services and supporting activities benefited. For the year ended December 31, 2018, expenses were allocated among the functional categories on the basis of specific identification and estimates of time spent and benefits derived. TLC does not have any advertising expense and incurred no joint costs for the year ended December 31, 2018.

The following tables presents expenses by both their nature and function for the year ended December 31, 2018:

	Program	Management and General	Fundraising	Total
Medical and clothing supplies	\$ 3,135,606	\$ -	\$ -	\$ 3,135,606
Salary and benefits	1,252,507	147,354	73,678	1,473,539
Supplies, equipment and maintenance	674,584	41,761	7,071	723,416
Professional fees and IT	291,080	118,905	33,514	443,499
Depreciation	237,849	15,512	5,171	258,532
Miscellaneous	138,479	63,107	10,730	212,316
Total	<u>\$ 5,730,105</u>	<u>\$ 386,639</u>	<u>\$ 130,164</u>	<u>\$ 6,246,908</u>

FOREIGN OPERATIONS

TLC's operations are located in Eswatini, Africa. All account balances relating to foreign operations are reflected in the combined financial statements in United States Dollars. As of December 31, 2018, assets held in Eswatini, consisting of cash accounts, inventory and property and equipment, totaled \$6,069,815. As of December 31, 2018, payroll liabilities related to activities in Eswatini totaled \$103,012.

**THE LUKE COMMISSION AND
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Notes to Combined Financial Statements

December 31, 2018

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects TLC's financial assets as of December 31, 2018:

Financial assets	
Cash and cash equivalents	\$ 631,535
Accounts and other receivables-net	146,474
Financial assets, at year end	<u>778,009</u>
Less those unavailable for general expenditures within one year, due to:	
Accounts and other receivables-net collectible beyond one year	<u>(70,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 708,009</u>

TLC is supported by contributions, which at times are received with restrictions. These contributions with donor restrictions require resources to be used in a particular manner or in a future period. TLC must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of TLC'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.

4. ACCOUNTS AND OTHER RECEIVABLES-NET:

Accounts receivable consists of the following at December 31, 2018:

Accounts receivable	\$ 181,474
Allowance for accounts receivable	<u>(35,000)</u>
Accounts receivable-net	<u>\$ 146,474</u>

**THE LUKE COMMISSION AND
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Notes to Combined Financial Statements

December 31, 2018

5. INVENTORY:

Inventory usually consists primarily of donated medical supplies, as well as other items used in the operation of TLC's programs, such as household and office supplies, clothing and books. Inventory is stated at first-in-first-out and is valued at the lower of cost or net realizable value for December 31, 2018. TLC reports its donated inventory and related revenue and expenses based on the estimated fair market value at the date of donation. Management has determined that there is no obsolete inventory. Inventory consists of the following at December 31, 2018:

Pharmaceutical and medical supplies	\$ 1,425,077
Shoes	1,059,392
Clothes and office supplies	<u>305,405</u>
	<u><u>\$ 2,789,874</u></u>

6. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net, consists of the following at December 31, 2018:

Building	\$ 1,578,338
Vehicles	864,785
Equipment	912,307
Website	<u>50,000</u>
	3,405,430
Less: accumulated depreciation and amortization	<u>(1,293,070)</u>
	2,112,360
Land	150,000
Construction in progress	<u>619,824</u>
	<u><u>\$ 2,882,184</u></u>

All fixed assets owned by TLC are located in Eswatini. Depreciation expense was \$258,532 for the year ended December 31, 2018.

Management has reviewed the assets held in Eswatini and has determined that they are under the control and ownership of TLC. While for this reason such items are recognized as assets of TLC, it should be noted that the political and economic situation may change. Therefore, the reader should be aware that while TLC believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely effect the realizable value of the assets in Eswatini. In addition, it should be understood that the carrying value of the assets in Eswatini may not be representative of the amount that would be realized should the assets be sold.

**THE LUKE COMMISSION AND
THE LUKE COMMISSION SWAZILAND (ESWATINI)**

Notes to Combined Financial Statements

December 31, 2018

7. SUPPORT AND REVENUE CONCENTRATION:

During the year ended December 31, 2018, 100 percent of grant revenue was provided by one organization. During the year ended December 31, 2018, three organizations provided 70% percent of gift-in-kind contributions.

8. RELATED PARTY TRANSACTIONS:

TLC has recorded related party liabilities payable to the executive directors of \$185,556 for the year ended December 31, 2018. The liabilities consist of \$116,228 for services provided by the executive directors and an additional \$69,328 for a note payable and other accrued expenses, as of December 31, 2018. TLC's board of directors has an agreement with the executive directors, which contains a repayment schedule for minimum monthly payments of \$5,000. No interest is charged on the outstanding balance.

9. OPERATING LEASES:

TLC entered into operating leases for residential housing. Total lease expense for the year ended December 31, 2018, was approximately \$40,000. Approximate future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2019	<u>\$ 25,000</u>

10. COMMITMENTS:

TLC has agreed to purchase land for \$357,853, for which it has paid approximately \$313,000 as of December 31, 2018, which is recorded as a deposit. TLC expects to complete the purchase during 2019.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 8, 2019, which represents the date the combined financial statements were available to be issued. Subsequent events after that date have not been evaluated.