



**BAY ISLANDS COMMUNITY  
HEALTHCARE ASSOCIATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2020**



**BAY ISLANDS COMMUNITY HEALTHCARE ASSOCIATION  
TABLE OF CONTENTS**

---

	<u>Page</u>
Independent Auditor's Report	1
<b><u>Basic Financial Statements</u></b>	
Statement of Financial Position	2
Statement of Activities	3
Statements of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Bay Islands Community Healthcare Association

We have audited the accompanying financial statements of Bay Islands Community Healthcare Association (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, 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**

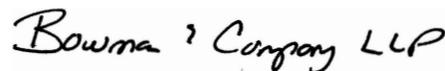
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Bay Islands Community Healthcare Association as of September 30, 2020, 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.



Bowman & Company LLP  
Certified Public Accountants

Voorhees, New Jersey  
December 28, 2020

**BAY ISLANDS COMMUNITY HEALTHCARE ASSOCIATION**  
**Statement of Financial Position**  
**As of September 30, 2020**

---

**ASSETS**

Cash	\$ 262,601
Beneficial interest in assets held by community foundation	<u>54,924</u>
Total assets	<u><u>\$ 317,525</u></u>

**NET ASSETS**

Net assets without donor restrictions	<u><u>\$ 317,525</u></u>
---------------------------------------	--------------------------

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

**BAY ISLANDS COMMUNITY HEALTHCARE ASSOCIATION**

**Statement of Activities**

**For the Year Ended September 30, 2020**

---

Unrestricted revenue, gains, and other support	
Contributions	\$ 163,702
Investment return	<u>832</u>
Total revenue, gains, and other support	<u>164,534</u>
Expenses	
Program	328,907
Management and general	<u>8,767</u>
Total expenses	<u>337,674</u>
Decrease in net assets	<u>(173,140)</u>
Net assets without donor restrictions, beginning of the year	<u>490,665</u>
Net assets without donor restrictions, end of year	<u><u>\$ 317,525</u></u>

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

**BAY ISLANDS COMMUNITY HEALTHCARE ASSOCIATION**  
**Statements of Functional Expenses**  
**For the Year Ended September 30, 2020**

	Program	Management and General	Total Expenses
Grant awards	\$ 327,432	\$ -	\$ 327,432
Business registration fees	-	1,608	1,608
Professional fees	-	6,000	6,000
Insurance	-	1,039	1,039
Internet	-	120	120
Miscellaneous	1,475	-	1,475
Total expenses by function	<u>\$ 328,907</u>	<u>\$ 8,767</u>	<u>\$ 337,674</u>

**BAY ISLANDS COMMUNITY HEALTHCARE ASSOCIATION**

**Statement of Cash Flows**

**For the Year Ended September 30, 2020**

---

Cash flows from operating activities	
Decrease in net assets	\$ (173,140)
Adjustment to reconcile change in net assets to cash	
Change in beneficial interest in assets held by community foundation	<u>(2,832)</u>
Net cash used in operating activities	<u>(175,972)</u>
Cash and cash equivalents - beginning	<u>438,573</u>
Cash and cash equivalents - ending	<u><u>\$ 262,601</u></u>

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

**BAY ISLANDS COMMUNITY HEALTHCARE ASSOCIATION**  
**Notes to Financial Statements**

---

Note 1: **ORGANIZATION**

Description of entity – The Bay Islands Community Healthcare Association (the “Organization”) was formed to support quality medical care, a basic human right, by soliciting, collecting & transferring funds to the Clinica Esperanza in Sandy Bay, Roatan, Honduras, a medical clinic operated by the Honduras NGO “Asociacion de Salud Comunitaria de la Isla de la Bahia.”

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of financial statement presentation – The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management and the board of directors.

*Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization, or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Organization has no funds that are subject to donor restrictions.

Contributions – Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions with donor restrictions that are met in the same period as received are recorded as contributions without donor restrictions.

Cash and cash equivalents – For the purposes of the statement of cash flows, the Organization considers all monies in banks and highly liquid investments with maturity dates of less than three months to be cash equivalents.

Functional allocation of expenses – The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Costs have been presented as either program or management and general.

**BAY ISLANDS COMMUNITY HEALTHCARE ASSOCIATION**  
**Notes to Financial Statements (continued)**

---

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes – The Organization is organized as a Pennsylvania non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, does not record a provision for federal income taxes on related income. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

Newly Adopted Accounting Pronouncements

*Revenue from Contracts with Customers* - In May 2014, the Financial Accounting Standards Board issued guidance that replaces the existing accounting standards for revenue recognition. The guidance requires an organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration it expects to be entitled to receive in exchange for those goods or services. The standard is effective for fiscal years beginning after December 15, 2019 (with early adoption permitted) and may be adopted either by restating all years presented in the organization's financial statements or by recording the impact of adoption as an adjustment to retained earnings at the beginning of the year of adoption. Early adoption is permitted. The ASU has been applied retrospectively with no effect on the current or prior year's financial statements.

*Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* - In June 2018, the Financial Accounting Standards Board issued ASU 2018-08. The new guidance clarifies what is an exchange transaction, of which revenues would be reported under Topic 606, and what is a contribution reported under Topic 958. Non-public entities where the entity serves as the resource recipient are required to apply the changes due to this ASU to annual periods beginning after December 15, 2018. This accounting guidance may be applied on a modified prospective basis. Retroactive application is also permitted. The ASU has been applied retrospectively. The adoption of this standard had no significant effect on the financial statements.

**Note 3: BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

The Organization has funds deposited with the Community Foundation for Southern Arizona (CFSA). These funds were originally transferred to establish the Clinica Esperanza Sustainability Fund (the fund). The Organization granted variance power to CFSA, which allows the community foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of the community foundation's board of directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The asset is recorded as a beneficial interest in assets held by Community Foundation in the accompanying statement of financial position. The fair value of this beneficial interest at September 30, 2020 was \$54,924, and the changes in value of beneficial interest of \$2,832, is included in the investment return on the statements of activities.

**BAY ISLANDS COMMUNITY HEALTHCARE ASSOCIATION**  
**Notes to Financial Statements (continued)**

**Note 4: FAIR VALUE MEASUREMENTS AND DISCLOSURES**

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value 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 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 based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Uses inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Uses unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The fair value of our beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 measurements.

The table below sets forth, by level, financial assets and liabilities that were accounted for at fair value as of September 30, 2020. The table does not include either cash on hand or assets that are measured at historical cost or any basis other than fair value.

	Fair Value Measurements at Report Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interests in assets held by community foundation	\$ 54,924	\$ -	\$ -	\$ 54,924

**BAY ISLANDS COMMUNITY HEALTHCARE ASSOCIATION**  
**Notes to Financial Statements (continued)**

---

**Note 4: FAIR VALUE MEASUREMENTS AND DISCLOSURES (continued)**

The following is a reconciliation of the beginning and ending balance of beneficial interests in assets held by community foundation, which are measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2020:

Balance at beginning of year	\$ 52,092
Investment return, net	2,832
Distributions	<u>-</u>
Balance at end of year	<u>\$ 54,924</u>

**Note 5: CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash in accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. As of September 30, 2020, the Organization had no uninsured balances.

**Note 6: CONCENTRATION OF CONTRIBUTION REVENUE**

For the year ended September 30, 2020, approximately 61%, or \$100,000 of the Organization's contribution revenue came from one donor.

**Note 7: COVID-19 PANDEMIC**

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 commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak 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 the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Authority, its performance, and its financial results.

Management of the Bay Islands Community Healthcare Association has evaluated subsequent events through December 28, 2020, the date the financial statements were available to be issued.