Kevin P. Martin & Associates, P.C

KPM

Clinica Esperanza/Hope Clinic

Financial Statements

December 31, 2020

CLINICA ESPERANZA/HOPE CLINIC

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December 31, 2020

Independent Auditors' Report

To the Board of Directors of
Clinica Esperanza/Hope Clinic

Report on Financial Statements

We have audited the accompanying financial statements of Clinica Esperanza/Hope Clinic (a nonprofit organization), (the Agency), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, 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.

Auditors' 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 Agency as of December 31, 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.

Braintree, Massachusetts
November 15, 2021

CLINICA ESPERANZA/HOPE CLINIC

Statement of Financial Position

As of December 31, 2020

Assets

Current Assets		
Cash and cash equivalents	$	565,161
Accounts receivable		10,000
Short-term Grants receivable		121,530
Total current assets		696,691
Fixed Assets		
Computer equipment		6,592
Leasehold improvements		155,834
Total fixed assets		162,426
Less: accumulated depreciation		(150,097)
Total net fixed assets		12,329
Other Assets		
Security deposits		3,672
Total other assets		3,672
Total Assets	$	712,692

Liabilities and Net Assets

Current Liabilities		
Accounts payable	$	20,702
Accrued expenses		10,764
Note payable - Paycheck Protection Program		85,550
Total current liabilities		117,016
Total Liabilities		117,016
Net Assets		
Without Donor Restrictions		372,457
With Donor Restrictions		223,219
Total net assets		595,676
Total Liabilities and Net Assets	$	712,692

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

CLINICA ESPERANZA/HOPE CLINIC

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	$ 785,123	$ 447,450	$ 1,232,573
Contributed services and gifts in kind	349,851	-	349,851
Fees for services	40,000	-	40,000
Other income	1,855	-	1,855
Released from restriction	299,496	(299,496)	-
Total revenue and support	1,476,325	147,954	1,624,279
Expenses			
Program services	1,183,701	-	1,183,701
Administration	45,494	-	45,494
Total expenses	1,229,195	-	1,229,195
Change in Net Assets	247,130	147,954	395,084
Net Assets, Beginning of Year	125,327	75,265	200,592
Net Assets, End of Year	$ 372,457	$ 223,219	$ 595,676

CLINICA ESPERANZA/HOPE CLINIC

Statement of Cash Flows

For the Year Ended December 31, 2020

Cash Flows from Operating Activities		
Change in net assets	$	395,084
Adjustments to reconcile the change in net assets to cash provided by operating activities:		
Depreciation		1,956
(Increase) decrease in assets		
Account receivable		(10,000)
Grants receivable		(94,550)
Prepaid expenses		3,491
Increase (decrease) in liabilities		
Accounts payable		14,759
Accrued expenses		7,372
Net Cash Provided by Operating Activities		318,112
Cash Flows from Investing Activities		
Purchase of fixed assets		(14,285)
Net Cash Used in Investing Activities		(14,285)
Cash Flows from Financing Activities		
Proceeds from note payable		85,550
Net Cash Provided by Financing Activities		85,550
Increase in Cash and Cash Equivalents		389,377
Cash and Cash Equivalents, Beginning of Year		175,784
Cash and Cash Equivalents, End of Year	$	565,161

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

CLINICA ESPERANZA/HOPE CLINIC

Statement of Functional Expenses

For the Year Ended December 31, 2020

Functional Expenses	Programs Services	General and Administration	Total
Salary and related expenses	$ 807,314	$ 21,128	$ 828,442
Payroll taxes	53,106	1,390	54,496
Fringe benefits	19,645	-	19,645
Total salaries and related expenses	880,065	22,518	902,583
Continuing education	14,985	-	14,985
Insurance	10,562	200	10,762
Occupancy	42,325	1,240	43,565
Medical records and supplies	144,054	-	144,054
Waste disposal and other operational expenses	9,149	-	9,149
Program stipends and other direct costs	22,071	-	22,071
Advertising and promotion	-	1,392	1,392
Office expenses	54,930	1,643	56,573
Professional services	3,604	17,159	20,763
Depreciation expense	1,956	-	1,956
Board meetings	-	1,342	1,342
Total Functional Expenses	$ 1,183,701	$ 45,494	$ 1,229,195

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

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The significant accounting policies followed by Clinica Esperanza/Hope Clinic (the Agency) are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

The Agency is a Rhode Island non-profit organization formed on August 16, 2007 by a group of medical volunteers and is committed to providing healthcare services to residents of Rhode Island who do not have health insurance coverage with an emphasis on culturally accustomed and linguistically appropriate care. The Agency offers continuity of care and healthy lifestyle interventions for uninsured participants who have chronic health problems and primarily serves patients through its urgent medical care walk-in clinic CHEER. The Agency empowers others through a variety of health education and outreach programs including women's health care, childhood obesity prevention, domestic violence and health screenings.

The majority of the Agency's services are provided to Greater Providence residents.

(b) Basis of Presentation

The statement of activities and changes in net assets reports all changes in net assets, including changes in net assets without donor restrictions from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Agency's ongoing efforts.

(c) Revenue Recognition

The Agency earns revenue as follows:

When applicable, the Agency applies the five-step revenue model under U.S. GAAP to determine when revenue is earned and recognized. Management has determined that economic factors including type of customer and contract, as well as customer geographic location have a minimal impact on the nature, amount, timing and uncertainty of revenue and cash flows.

<u>Grants and contributions</u> - In accordance with ASC Sub Topic 958-605, Revenue Recognition, the Agency must determine whether a contribution (or a promise) and a grant is conditional or unconditional for transactions deemed to be a contribution and a grant. A contribution and a grant is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Agency should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

(1) Summary of Significant Accounting Policies - continued

(c) Revenue Recognition - continued

Contributions and grants without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions and grants with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse. Contributions and grants with donor restrictions received and satisfied in the same period are included in grants and contributions without donor restrictions.

Contributed Services and Gifts in Kind

Gifts in Kind – Gifts in kind goods are recorded at their estimated fair value when received and included in contributions in the statement of activities.

Contributed Services - Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Agency. Volunteers also provided intake and translation services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. The Agency receives more than 1,600 volunteer hours per year.

Fees for Services- Fees for services revenue is earned and recognized by the Agency when units or services are provided and the performance obligation has been met.

Substantially all of the Agency's revenue is derived from its activities in Rhode Island. During the year ended December 31, 2020, the Agency derived approximately 35% of its total revenue from governmental agencies, 29% from foundation grants, 15% from contributed services, 11% from direct relief and other agencies, 8% from individuals and business and 2% service fees and other sources. All revenue is recorded at the estimated net realizable amounts.

(d) Standards of Accounting and Reporting

The Agency's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statement of activities and changes in net assets display the change in each class of net assets. The classes of net assets applicable to the Agency are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

(1) Summary of Significant Accounting Policies - continued

(d) Standards of Accounting and Reporting - continued

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Agency and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions, gains and investment income that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized.

(e) Income Taxes

The Agency qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Agency's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Agency is not a private foundation under Section 509(a)(1) of the IRC.

U.S. GAAP prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Generally, the Agency's information/tax returns remain open for possible federal income tax examination for three years after the filing date. The Agency is not currently under examination by any taxing jurisdiction.

(f) Advertising and Promotion Costs

The Agency expenses advertising and promotion costs when they are incurred. Advertising and promotion expense amounted to $1,392 for the year ended December 31, 2020.

(g) Use of Estimates

In preparing the Agency's financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Actual results could differ from those estimates.

(h) Cash and Cash Equivalents

The Agency considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(1) Summary of Significant Accounting Policies - continued

(h) Cash and Cash Equivalents - continued

The Agency maintains its cash and deposit balances at Bank of America and Bank of Rhode Island, located in Rhode Island. The cash balances at these financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC). Cash and deposit balances maintained with Bank of America amounted to $559,550. Balances at Bank of Rhode Island did not exceed insured limits as of December 31, 2020.

(i) Capitalization and Depreciation

Fixed assets are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities and changes in net assets.

The Agency computes depreciation using the straight-line method over the following estimated lives:

Computer equipment	5 years
Leasehold improvements	8-10 years

(j) Fair Value Measurements

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant inputs to the valuation model are unobservable.

(1) Summary of Significant Accounting Policies - continued

(j) Fair Value Measurements - continued

Recurring Fair Value Measurements

In accordance with GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Agency's assets that are adjusted to fair value on a recurring basis are described below. The Agency currently has no liabilities that are adjusted to fair value on a recurring basis.

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Agency records assets and liabilities at fair value on a nonrecurring basis as required by GAAP. The Agency currently has no liabilities that are adjusted to fair value on a nonrecurring basis.

The following section describe the valuation methodologies used to measure assets financial assets and liabilities at fair value on a nonrecurring basis.

The Agency's policy is to recognize transfers in and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the year ended December 31, 2020.

(k) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Included in administrative costs on the statement of functional expenses are immaterial amounts of fundraising expense.

Payroll and associated costs are allocated to functions based upon actual time charges. Occupancy costs are allocated based upon associated square footage.

(1) Summary of Significant Accounting Policies - continued

(l) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2020, management has determined any allowance would be immaterial.

(m) Grants Receivable

Conditional promises to give (grants receivable) are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give (grants receivable) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give (grants receivable) that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Unconditional promises to give (grants receivable) are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of December 31, 2020, management has determined any allowance would be immaterial.

(n) Recent Accounting Standards

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today.

The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU was set to be effective on January 1, 2021, with early adoption permitted. The effective date was extended to fiscal years beginning after December 15, 2021. The Agency is currently evaluating the impact the adoption of this new standard will have on its financial statements.

(1) Summary of Significant Accounting Policies - continued

(n) Recent Accounting Standards

In July 2018, FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases* and *ASU 2018-11, Leases (Topic 842), Targeted Improvements*. In December 2018, FASB issued ASU 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors*. Adoption of these ASUs will run concurrent with the Agency's adoption of ASU 2016-02.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets.* The amendments in this update address presentation and disclosure of contributed nonfinancial assets. The ASU is effective for annual periods beginning after June 15, 2021. The Agency is currently evaluating the impact the adoption of this new standard will have on its financial statements.

(o) Paycheck Protection Program Loan

As described at Note 4, the Agency received a Paycheck Protection Program (PPP) loan during the fiscal year ended December 31, 2020. The Agency has elected to follow the guidance regarding Debt found in FASB ASC 470 - *Not-for Profit Entities - Debt* to account for its PPP Loan. As a result, during the year ended December 31, 2020, the Agency recognized $85,550 of debt. During the year ended December 31, 2021, the loan was forgiven.

(2) Promises to Give

Unconditional promises to give consist of the following as of December 31, 2020:

	Gross Promise	Allowance	Net Promise	Unamortized Discount	Total
Receivable less than 1 year	$ 121,530	$ -	$ 121,530	$ -	$ 121,530
	$ 121,530	$ -	$ 121,530	$ -	$ 121,530

(3) Operating Lease Commitments

The Agency occupies program space under a non-cancelable, operating lease agreement with an expiration date of November 30, 2027. The Agency is also liable for certain utility costs and HVAC fees under the lease terms. The facility lease contains an escalation clause. Rent expense is being recorded on the straight-line basis by using the total amount of payments due over the extended life of the lease. Upon entering into the facility lease, the Agency paid security deposits totaling $3,672, which are included in other assets on the accompanying statement of financial position.

(3) Operating Lease Commitments - continued

The minimum annual operating non-cancelable lease commitments on property for the Agency are as follows:

2021	29,305
2022	30,636
2023	30,764
2024	32,172
2025	32,306

Lease expense for the year ended December 31, 2020 was $37,384.

(4) Paycheck Protection Program Loan

During the year ended December 31, 2020, the Agency received a PPP loan in the amount of $85,550 that was established by the Coronavirus Aid, Relief and Economics Security (CARES) Act and administered by the Small Business Administration (SBA). No collateral or personal guarantees are required. The loan bears interest at 1%, which is deferred for the first ten months, and matures on April 7, 2022. The SBA has disclosed criteria for forgiveness which include but is not limited to maintaining the full-time equivalent number of employees over certain time period and expending the funds on eligible expenses over the current period. The Agency will recognize forgiveness of the loan in full or in part when the SBA determines the amount of forgiveness and notifies the Company.

(5) Related Party Transactions

During the year ended December 31, 2020, a Board Member provided medical interpreter training services to the Agency for which she was compensated $13,500.

(6) Net Assets

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of December 31, 2020, net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for a specified purpose	$	173,219
Subject to the expenditure for a specified period		50,000
Total net assets with donor restrictions	$	223,219

Net assets released from restrictions during the year ended December 31, 2020 were $234,496 from purpose restrictions and $65,000 from time restrictions.

(7) Contributed Services and Gifts in Kind

Contributed services and gifts in kind for the year ended December 31, 2020 were as follows:

Volunteer medical services	$	240,913
Gifts in kind:		108,938
Total	$	349,851

(8) Liquidity and Availability of Resources

The following reflects the Agency's financial assets as of December 31, 2020 within one year from the statement of financial position date.

Financial assets at year-end:		
Cash	$	565,161
Accounts receivable		10,000
Grants receivable		121,350
Less: Net assets with donor restrictions		(223,219)
Financial assets available for general expenditures within one year	$	473,472

The Agency is supported by contributions. Because a donor's restriction may require resources to be used in a particular manner or in a future period, the Agency 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 the Agency'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.

(9) Subsequent Events

The Agency has performed an evaluation of subsequent events through November 15, 2021, which is the date the Agency's financial statements were available to be issued. No material subsequent events have occurred since December 31, 2020 that required recognition or disclosure in these financial statements, except for the item disclosed below.

On May 7, 2021, the Agency was notified by the SBA that their PPP loan forgiveness application was improved for the full amount of the loan.