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**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**



## **Independent Auditor's Report**

The Board of Directors  
Honduras Compassion Partners, Inc.

### **Opinion**

We have audited the accompanying financial statements of Honduras Compassion Partners, Inc. (HCP), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year 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 Honduras Compassion Partners, Inc. as of December 31, 2023, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HCP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the 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 HCP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **Auditor's 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 auditor's 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, including omissions, 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 HCP'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 HCP'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.

## **Report on Summarized Comparative Information**

We have previously audited the 2022 financial statements of Honduras Compassion Partners, Inc., and our report dated September 5, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the 2022 audited financial statements from which it has been derived.



Certified Public Accountants

Bethesda, Maryland  
August 6, 2024

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**Honduras Compassion Partners, Inc.**

**Statement of Financial Position  
December 31, 2023  
With Comparative Totals As Of December 31, 2022**

|                                   | <u>2022</u>       | <u>2023</u>       |
|-----------------------------------|-------------------|-------------------|
| <b>Assets</b>                     |                   |                   |
| Cash                              | \$ 88,556         | \$ 236,074        |
| Accounts Receivable               | 4,344             | -                 |
| Investments                       | 500               | 500               |
| Property and Equipment - Net      | 528,208           | 637,581           |
| <b>Total Assets</b>               | <u>\$ 621,608</u> | <u>\$ 874,155</u> |
| <b>Liabilities and Net Assets</b> |                   |                   |
| <b>Liabilities</b>                |                   |                   |
| Accounts Payable                  | \$ 20,690         | \$ 875            |
| Notes Payable                     | 322,453           | 592,052           |
| <b>Total Liabilities</b>          | <u>343,143</u>    | <u>592,927</u>    |
| <b>Net Assets</b>                 |                   |                   |
| Without Donor Restrictions        | 268,454           | 260,913           |
| With Donor Restrictions           | 10,011            | 20,315            |
| <b>Total Net Assets</b>           | <u>\$ 278,465</u> | <u>\$ 281,228</u> |
| <b>Total Net Assets</b>           | <u>\$ 621,608</u> | <u>\$ 874,155</u> |

**See Accompanying Notes to Financial Statements**

**Honduras Compassion Partners, Inc.**

**Statement of Activities  
For The Year Ended December 31, 2023  
With Comparative Totals For The Year Ended December 31, 2022**

|  | 2022              | 2023                       |                         |                   |
|--|-------------------|----------------------------|-------------------------|-------------------|
|  | Total             | Without Donor Restrictions | With Donor Restrictions | Total             |
| <b>Support and Revenues</b>  |                   |                            |                         |                   |
| Individual Contributions   | \$ 242,686        | \$ 151,373                 | \$ 63,908               | <b>\$ 215,281</b> |
| Corporate Contributions  | 38,851            | 109,177                    | -                       | <b>109,177</b>    |
| Grants   | 36,208            | 34,171                     | -                       | <b>34,171</b>     |
| Contributions - Shared Services  | 94,829            | 45,918                     | -                       | <b>45,918</b>     |
| Donated Equipment and Supplies (In-Kind)                               | 13,758            | -                          | -                       | -                 |
| Other Income   | 9                 | 3,315                      | -                       | <b>3,315</b>      |
| Net Assets Released From Restrictions                                  | -                 | 53,604                     | (53,604)                | -                 |
| <b>Total Support and Revenues</b>                                      | <b>426,341</b>    | <b>397,558</b>             | <b>10,304</b>           | <b>407,862</b>    |
| <b>Expenses</b>  |                   |                            |                         |                   |
| Program Services (Including Shared Service Expense of \$37,653)        | 315,559           | 367,208                    | -                       | <b>367,208</b>    |
| Supporting Services  |                   |                            |                         |                   |
| General & Administrative (Including Shared Service Expense of \$5,969) | 56,335            | 35,175                     | -                       | <b>35,175</b>     |
| Fundraising (Including Shared Service Expense of \$2,296)              | 8,750             | 2,716                      | -                       | <b>2,716</b>      |
| <b>Total Supporting Services</b>                                       | <b>65,085</b>     | <b>37,891</b>              | <b>-</b>                | <b>37,891</b>     |
| <b>Total Expenses</b>  | <b>380,644</b>    | <b>405,099</b>             | <b>-</b>                | <b>405,099</b>    |
| Changes in Net Assets  | 45,697            | (7,541)                    | 10,304                  | <b>2,763</b>      |
| Net Assets, Beginning of Year  | 232,768           | 268,454                    | 10,011                  | <b>278,465</b>    |
| <b>Net Assets, End of Year</b>   | <b>\$ 278,465</b> | <b>\$ 260,913</b>          | <b>\$ 20,315</b>        | <b>\$ 281,228</b> |

**See Accompanying Notes to Financial Statements**

**Honduras Compassion Partners, Inc.**

**Statement of Functional Expenses  
For The Year Ended December 31, 2023  
With Comparative Totals For The Year Ended December 31, 2022**

|                               | <u>2022</u>       | <u>2023</u>       |                                   |                    | <u><b>Total</b></u>      |
|-------------------------------|-------------------|-------------------|-----------------------------------|--------------------|--------------------------|
|                               | <u>Total</u>      | <u>Program</u>    | <u>Management<br/>and General</u> | <u>Fundraising</u> |                          |
| Personnel                     | \$ 147,747        | \$ 128,160        | \$ 6,723                          | \$ 2,296           | <b>\$ 137,179</b>        |
| Professional Fees             | 30,224            | 7,662             | 20,767                            | 157                | <b>28,586</b>            |
| Mission Support               | 128,178           | 57,164            | -                                 | -                  | <b>57,164</b>            |
| Occupancy                     | 47,960            | 154,538           | -                                 | -                  | <b>154,538</b>           |
| Depreciation and Amortization | 10,690            | 6,133             | 4,648                             | -                  | <b>10,781</b>            |
| Office Expense                | 15,845            | 13,551            | 3,037                             | 263                | <b>16,851</b>            |
| Total Expenses                | <u>\$ 380,644</u> | <u>\$ 367,208</u> | <u>\$ 35,175</u>                  | <u>\$ 2,716</u>    | <b><u>\$ 405,099</u></b> |

**See Accompanying Notes to Financial Statements**

## Honduras Compassion Partners, Inc.

### Statement of Cash Flows For The Year Ended December 31, 2023 With Comparative Totals For The Year Ended December 31, 2022

|   | 2022             | 2023              |
|---|------------------|-------------------|
| <b>Cash Flows from Operating Activities</b>   |                  |                   |
| Change in Net Assets  | \$ 45,697        | \$ 2,763          |
| Adjustments to Reconcile the Change in Net Assets<br>to Net Cash Provided by (Used in) Operating Activities |                  |                   |
| Depreciation  | 10,595           | 10,781            |
| Note Payable Reinstatement (Forgiveness)  | (11,223)         | 28,996            |
| <u>(Increase) Decrease in Assets</u>  |                  |                   |
| Accounts Receivable   | (2,058)          | 4,344             |
| Deferred Loan Costs   | (5,893)          | 285               |
| <u>Increase (Decrease) in Liabilities</u>   |                  |                   |
| Accounts Payable  | 2,527            | (19,815)          |
| Net Cash Provided by (Used in) Operating Activities   | <u>39,645</u>    | <u>27,354</u>     |
| <b>Cash Flows from Investing Activities</b>   |                  |                   |
| Purchase of Property and Equipment  | (263,516)        | (120,154)         |
| Net Cash Provided by (Used in) Investing Activities   | <u>(263,516)</u> | <u>(120,154)</u>  |
| <b>Cash Flows from Financing Activities</b>   |                  |                   |
| Proceeds from Note Payable  | 253,241          | 246,759           |
| Repayment of Note Payable   | -                | (6,441)           |
| Net Cash Provided by (Used in) Financing Activities   | <u>253,241</u>   | <u>240,318</u>    |
| Increase (Decrease) in Cash   | 29,370           | 147,518           |
| Cash, Beginning of Year   | 59,186           | 88,556            |
| Cash, End of Year   | <u>\$ 88,556</u> | <u>\$ 236,074</u> |

**See Accompanying Notes to Financial Statements**

# Honduras Compassion Partners, Inc.

## Notes to Financial Statements December 31, 2023

### 1. ORGANIZATION AND PURPOSE

Honduras Compassion Partners, Inc. (HCP), in partnership with other non-profits, community organizations, businesses and concerned citizens, provides medical services, clean water systems, self-sufficiency assessments and referral services to families and individuals in need in Honduras.

HCP organizes short-term medical mission teams to serve in rural clinics in Honduras. These teams provide hands-on patient care as well as training classes for Honduran medical personnel. HCP also provides relief services, educational services and assistance to the poor, distressed and underprivileged of Honduras.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The financial statements of HCP have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires HCP 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 HCP. 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 HCP or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. When the restrictions on contributions are met in the same period that the contribution is received, the contribution is reported in the statement of activities as revenues without donor restrictions.

#### Use of Estimates

The preparation of financial statements in conformity with US 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. Actual results could differ from those estimates.



## **Honduras Compassion Partners, Inc.**

### **Notes to Financial Statements December 31, 2023**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Investments**

Investments in equity securities with readily determinable fair values are reported at their fair values in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as an increase or decrease in unrestricted net assets unless the income or loss is restricted by donor or law.

##### **Property and Equipment**

HCP capitalizes expenditures over \$2,500 for property and equipment. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets. Property and equipment is depreciated or amortized when placed in service. When assets are retired or sold, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is reflected in the statements of activities.

##### **Contributions and Grants**

Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field. Management considers all outstanding contributions receivable amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

There were no unrecognized conditional contributions as of December 31, 2023.

##### **Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, the categories of expenses that are attributable to more than one program or supporting function been allocated among the programs and supporting services on the basis of time and effort.

##### **Income Taxes**

HCP is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code.

HCP follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), which provides guidance on accounting for uncertainty in income taxes recognized in HCP's financial statements. As of December 31, 2023, HCP had no unrecognized tax benefits related to uncertain tax positions in its tax return that would qualify for either recognition or disclosure in its financial statements.

## **Honduras Compassion Partners, Inc.**

### **Notes to Financial Statements December 31, 2023**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Income Taxes (Continued)**

HCP's policy would be to recognize interest and penalties on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. For the year ended December 31, 2023, there were no matters that would have resulted in an accrual for interest and/or penalties.

HCP's information returns that have been filed as of December 31, 2023, for the years ended December 31, 2022, 2021 and 2020 are subject to examination by federal, state, or local taxing authorities, generally for three years after they were filed.

##### **New Accounting Pronouncements**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This guidance requires Organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard was adopted in the current fiscal year and did not have a significant impact on the financial statements.

##### **Comparative Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with HCP's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

##### **Subsequent Events**

Management has evaluated subsequent events through August 6, 2024 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

## Honduras Compassion Partners, Inc.

### Notes to Financial Statements December 31, 2023

#### 3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2023, consisted of the following:

|   |                   |
|---|-------------------|
| Land                                      | \$ 145,849        |
| Construction In Progress                  | 454,458           |
| Vehicles                                  | 52,010            |
| Website                                   | <u>13,280</u>     |
|   | 665,597           |
| Accumulated Depreciation and Amortization | <u>(28,016)</u>   |
|   | <u>\$ 637,581</u> |

Depreciation and amortization expense was \$10,781 in 2023.

The land is reported at cost and not depreciated. Originally, HCP purchased the 17.5 acres of land for \$131,573 and in 2020, HCP purchased another 1.72 acres for \$14,276. An adjacent property sold with a per acre valuation of approximately \$13,781. Using this sale as a comparable, HCP believes the value of its land to be approximately \$240,000. The appreciated value and the calculated gain based on the recent sale are not recorded because GAAP requires that property be recorded at cost.

#### 4. NET ASSETS

Net assets with donor restrictions were as follows for the year ended December 31, 2023:

|               | Beginning of<br>Year | Contributions    | Releases           | End of Year      |
|---------------|----------------------|------------------|--------------------|------------------|
| Welding Class | \$ 2,197             | \$ -             | \$ (2,197)         | \$ -             |
| Vehicles      | 3,000                | -                | (3,000)            | -                |
| Catalog Items | <u>4,814</u>         | <u>63,908</u>    | <u>(48,407)</u>    | <u>20,315</u>    |
| Total         | <u>\$ 10,011</u>     | <u>\$ 63,908</u> | <u>\$ (53,604)</u> | <u>\$ 20,315</u> |

As of December 31, 2023, net assets without donor restrictions were included \$52,000 of amounts designated as a reserve to provide for four months of HCP's expenses.

#### 5. RELATED PARTY TRANSACTIONS

HCP is affiliated with Chesapeake Church (the Church) through common management and shared administrative functions. As of December 31, 2023 there were no related party receivables or payables.

The Church provided administrative support free of charge to HCP. During 2023, HCP recognized revenue and related expense of \$45,918 for contributed services received from the Church based on an allocation of staff time dedicated to HCP operations. These shared service expenses have been recorded as program, general and administrative and fundraising expenses in the statements of activities and functional expenses.

## Honduras Compassion Partners, Inc.

### Notes to Financial Statements December 31, 2023

#### 5. RELATED PARTY TRANSACTIONS (CONTINUED)

During 2019, the Church loaned \$125,000 to HCP to purchase a property in Honduras. The loan calls for principal payments in the amount of \$935 until June 2031 when the loan terminates and is non-interest bearing. Various loan payments have been forgiven in prior years and in the current year. During the year, HCP reinstated the forgiven principal in the amount of \$7,483 for amounts forgiven in the current year and \$28,995 for amounts forgiven in prior years. Loan payments of \$935 resumed in January 2024 and included a one-time catch-up payment of \$36,477 for all reinstated principal amounts.

As of December 31, 2023, the amount owed to the Church was \$100,358.

#### 7. NOTES PAYABLE

HCP is obligated under a promissory note that was mainly used to renovate the Mission House and land in Honduras. The final draw on this obligation was made during the year and the note converted to a term note. The note bears interest at 4.75% per annum with all principal and interest due in full on August 1, 2043. Principal and interest payments of \$3,231 are due monthly. Commencing September 1, 2023, monthly principal and interest was paid. The outstanding principal as of December 31, 2023 is \$497,302. As part of the note, HCP incurred debt issuance costs of \$5,988 which are being amortized straight-line over the life of the note.

HCP is obligated under a promissory note with a related party as detailed in Note 5.

As of December 31, 2023, future maturities of the note payable are as follows:

|                                      | <u>Related Party</u> | <u>Mission House</u> | <u>Total</u>      |
|--------------------------------------|----------------------|----------------------|-------------------|
| 2024                                 | \$ 11,224            | \$ 26,712            | \$ 37,936         |
| 2025                                 | 11,224               | 27,462               | 38,686            |
| 2026                                 | 11,224               | 28,250               | 39,474            |
| 2027                                 | 11,224               | 29,077               | 40,301            |
| 2028                                 | 11,224               | 29,943               | 41,167            |
| Thereafter                           | 44,239               | 355,858              | 400,097           |
| Less Unamortized Debt Issuance Costs | -                    | (5,608)              | (5,608)           |
|                                      | <u>\$ 100,358</u>    | <u>\$ 491,694</u>    | <u>\$ 592,052</u> |

**Honduras Compassion Partners, Inc.**

**Notes to Financial Statements  
December 31, 2023**

**9. AVAILABILITY AND LIQUIDITY**

The following represents HCP's financial assets at December 31, 2023:

Financial Assets at Year End:

|                        |    |                |
|------------------------|----|----------------|
| Cash                   | \$ | 236,074        |
| Investments            |    | <u>500</u>     |
| Total Financial Assets |    | <u>236,574</u> |

Less Amounts Not Available To Be Used Within One Year:

|  |  |               |
|--|--|---------------|
| Net Assets With Donor Restrictions   |  | (20,315)      |
| Net Assets With Donor Restrictions To Be Used Over the Next<br>Twelve Months |  | <u>20,315</u> |

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Financial Assets Available to Meet General Expenditures

|                             |    |                |
|-----------------------------|----|----------------|
| Over the Next Twelve Months | \$ | <u>236,574</u> |
|-----------------------------|----|----------------|

As part of HCP's liquidity management plan, cash in excess of daily requirements is transferred to income generating accounts, when practical.