



**PHYSICIANS
FOR PEACE**

teach one. heal many.

Financial Statements

For the Period January 1, 2021 to June 30, 2022

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Independent Auditor's Report

Board of Directors
Physicians for Peace
Norfolk, VA

Opinion

We have audited the financial statements of Physicians for Peace (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the period from January 1, 2021 to June 30, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the results of its operations and its cash flows for the period from January 1, 2021 to June 30, 2022, 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 ("GAAS"). 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 the Organization 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 GAAS 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 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.

FORVIS

In performing an audit in accordance with GAAS, 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 the Organization'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 the Organization'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.

FORVIS,LLP

**Norfolk, VA
September 29, 2022**

Physicians for Peace
Statement of Financial Position
June 30, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$	16,370
Promises to give, net		42,000
Other receivables		65

Total current assets 58,435

Noncurrent assets:

Long-term promises to give, net		114,525
Investments		788,763

\$ 961,723

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$	43,736
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Net assets:

Without restrictions, board designated		683,300
With restrictions		234,687

Total net assets 917,987

\$ 961,723

Physicians for Peace
Statement of Activities
For the Period from January 1, 2021 to June 30, 2022

	Funds Without Restrictions	Funds With Restrictions	Total
Public support, revenue and other income:			
Contributions and promises to give income	\$ 540,461	\$ 291,000	\$ 831,461
Contributed nonfinancial services	57,420	-	57,420
	597,881	291,000	888,881
Net assets released from restrictions	132,854	(132,854)	-
Total public support, revenue and other income	730,735	158,146	888,881
Expenses:			
Program services	1,131,125	-	1,131,125
Management and general	155,567	-	155,567
Fundraising	223,199	-	223,199
Total expenses	1,509,891	-	1,509,891
Change in net assets from operations	(779,156)	158,146	(621,010)
Other income:			
Investment income	549	-	549
Change in net assets	(778,607)	158,146	(620,461)
Net assets, January 1, 2021	1,461,907	76,541	1,538,448
Net assets, June 30, 2022	\$ 683,300	\$ 234,687	\$ 917,987

Physicians for Peace
Statement of Functional Expenses
For the Period from January 1, 2021 to June 30, 2022

	Program Expenses	Management and General	Fundraising	Total
Staff costs	\$ 889,193	\$ 105,591	\$ 175,728	\$ 1,170,512
Local mission support	102,112	-	-	102,112
Contributed nonfinancial services and supplies	57,419	-	-	57,419
Office expense	27,374	1,164	16,774	45,312
Professional fees	-	38,456	-	38,456
Technology and equipment	16,826	4,076	7,582	28,484
Direct mail, annual report, photo/video	5,008	4,019	14,550	23,577
Consulting fees	9,608	1,260	5,590	16,458
Mission travel	14,915	-	-	14,915
Insurance	4,916	1,001	1,859	7,776
Medical equipment and supplies	3,754	-	-	3,754
Special events	-	-	1,116	1,116
	<u>\$ 1,131,125</u>	<u>\$ 155,567</u>	<u>\$ 223,199</u>	<u>\$ 1,509,891</u>

See accompanying notes.

Physicians for Peace
Statement of Cash Flows
For the Period from January 1, 2021 to June 30, 2022

Cash flows used by operating activities:	
Change in net assets	\$ (620,461)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Change in:	
Promises to give	(150,015)
Other receivables	154
Accounts payable and accrued expenses	<u>7,621</u>
Net cash used by operating activities	<u>(762,701)</u>
Cash flows from investing activities:	
Proceeds from redemption of beneficial interest in assets held by others	3,497
Proceeds from sale of investments	474,904
Purchase of investments	<u>(78,086)</u>
Net cash provided by investing activities	<u>400,315</u>
Net change in cash and cash equivalents	(362,386)
Cash and cash equivalents, beginning of period	<u>378,756</u>
Cash and cash equivalents, end of period	<u><u>\$ 16,370</u></u>

Notes to Financial Statements

1. Organization and Nature of Activities

Physicians for Peace (“Organization”) is a private, not-for-profit, organization founded in 1989. Based in Virginia, the Organization works to end inequalities in global healthcare by training, supporting and empowering surgical care professionals who are working with the world’s underserved populations.

2. Summary of Significant Accounting Policies

Basis of presentation and year end change

Due to the change in the Organization’s year end from December 31 to June 30, these financial statements are presented for the eighteen-month period from January 1, 2021 to June 30, 2022.

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use in general operations unless designated by the Board of Directors.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is stipulated by donors for specific operating purposes and time restricted promises to give. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets with donor restrictions may also consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. The restrictions stipulate that resources be maintained permanently but permits the Organization to expend the income generated in accordance with the provisions of the agreement.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

Investments

The Organization’s investments consist of a money market fund maintained in an investment brokerage account. The Organization’s investments are reported at their fair values. Unrealized and realized gains and losses on investments are recognized in the statement of activities as increases or decreases in net assets without donor restrictions. Investments in money market accounts were \$788,763 at June 30, 2022.

Revenue recognition

Contributions

Contributions, which include unconditional promises to give, are recognized as revenue in the period received. Promises to give consist of unconditional promises to give that are expected to be collected in future years and are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contributions and promises to give revenue. Management reviews promises to give yearly to determine the need for any allowance. Once management determines that a promise to give is unlikely to be collected, an allowance is provided. After all attempts to collect a promise to give have failed, the promise to give is written off against the allowance. Conditional promises to give are not included as support until the conditions are substantially met. Management has determined that no allowance was needed as of June 30, 2022.

New Accounting Pronouncement adopted in 2022 – Contributed Nonfinancial Assets

During 2022, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2020-07, Not-For-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires the Organization to present gifts-in-kind as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires additional disclosures related to contributed nonfinancial assets. The additional disclosure requirements include disclosing the Organization's policy about monetizing rather than utilizing contributed nonfinancial assets, description of any donor-imposed restrictions associated with the contributed nonfinancial asset, description of the valuation techniques and inputs used to arrive at a fair value measure of contributed nonfinancial assets, and to disclose the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

Concentration of credit risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, and promises to give.

The Organization places its cash and cash equivalents with high credit quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, the Organization places deposits in financial institutions that may be in excess of federal insured limits. The Organization has not experienced any financial loss related to such deposits.

The Organization has investments in brokerage accounts in excess of the amount protected by the Securities Investor Protection Corporation (SIPC). In monitoring this credit risk, the Organization periodically evaluates the stability of these brokerage accounts. At June 30, 2022, the Organization's unprotected investments over the SIPC limit of \$500,000 were approximately \$288,763.

At June 30, 2022, one promise to give represents 83% of the outstanding promises to give balance.

Income taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Physicians for Peace
Notes to Financial Statements

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 29, 2022, the date the financial statements were available to be issued.

3. Liquidity and Availability of Financial Assets

The Organization operates on a cash based budget. As part of the Organization's liquidity plan, the Organization invests cash in excess of operating requirements in money market funds.

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 16,370
Investments	788,763
Promises to give, net	156,525
Other receivables	65
Less: restricted net assets	<u>(234,687)</u>
	<u>\$ 727,036</u>

Investments included above are board-designated. The board has voted and approved \$599,412 to be used in general operations for 2023. Additional funds can be released by the board upon their approval.

4. Promises to Give

The following details the timing of expected receipts on promises to give at June 30, 2022:

Pledges receivable due in less than one year	\$ 42,000
Pledges receivable due in one to five years	<u>120,000</u>
	162,000
Time value discount	<u>(5,475)</u>
Unconditional promises to give, net	<u>\$ 156,525</u>

**Physicians for Peace
Notes to Financial Statements**

5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at June 30, 2022:

Accrued vacation	\$ 40,234
Accounts payable	<u>3,502</u>
	<u>\$ 43,736</u>

6. Net Assets

Net assets consist of the following at June 30, 2022:

Net assets without donor restrictions:	
Board designated	<u>\$ 683,300</u>
Net assets with donor restrictions:	
Time restricted	156,525
Program specific	<u>78,162</u>
Total net assets with donor restrictions	<u>\$ 234,687</u>

7. Contributed Nonfinancial Services

For the period from January 1, 2021 to June 30, 2022, contributed nonfinancial assets and services recognized within revenue in the statement of activities included:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
International Medical Educator (IME) services	\$ 35,454	\$ -	\$ 35,454
Non IME services	9,366	-	9,366
Training library hosting	<u>12,600</u>	<u>-</u>	<u>12,600</u>
	<u>\$ 57,420</u>	<u>\$ -</u>	<u>\$ 57,420</u>

Contributed services were utilized in the following programs:

<u>Contributed Items</u>	<u>Programs</u>
IME	General Surgery, Burn Surgery, Critical Care, Anesthesia
Non IME	General Surgery, Burn Surgery, Critical Care, Anesthesia
Training library hosting	General Surgery, Burn Surgery, Critical Care, Anesthesia

**Physicians for Peace
Notes to Financial Statements**

The following basis was used for valuing contributed services:

<u>Contributed Items</u>	<u>Valuation Basis</u>
IME	Volunteer hours are tracked and valued using rates obtained from the Bureau of Labor Statistics Occupation Outlook Handbook.
Non IME	Volunteer hours are tracked and valued using rates obtained from the Bureau of Labor Statistics Occupation Outlook Handbook.
Training library hosting	Invoice or contract for the actual value of the services if purchased in the normal course of business.

8. Employee Retirement Plan

The Organization maintains a 403(b) defined contribution retirement plan for eligible employees. Employees who are 18 years of age and older are eligible to defer a portion of eligible compensation subject to the maximum amounts allowable under the Internal Revenue Code. After one year of service, the Organization matches up to 2.5% of an employee's eligible compensation. The Organization incurred \$36,697 in retirement plan expense for 2022.

9. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office expenses, insurance, and information technology (IT) support, which are allocated on the basis of estimates of time and effort, and accounting fees that are allocated entirely to general and administrative.