PHYSICIANS FOR PEACE

teach one. heal many.

Financial Statements

Years Ended December 31, 2019 and 2018

DHG

DIXON HUGHES GOODMAN LLP

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DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

Board of Directors
Physicians for Peace
Norfolk, Virginia

We have audited the accompanying financial statements of Physicians for Peace (Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statement of activities and the statement of functional expenses for the year ended December 31, 2019 and the statements of cash flows for the years ended December 31, 2019 and 2018, 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 audits. We conducted our audits 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 auditors' 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 Physicians for Peace as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the year ended December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

DIXON HUGHES GOODMAN LLP

Report on Summarized Comparative Information

We have previously audited Physicians for Peace's 2018 financial statements, and expressed an unmodified opinion on those financial statements in our report dated June 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dixon Hughes Goodman LLP

Norfolk, Virginia
May 8, 2020

Physicians for Peace
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ **94,789**	$ 63,162
Short-term investment	**50,806**	50,603
Promises to give	**74,001**	1,200
Other receivables	**736**	309
Inventory, gift in kind	**-**	4,339
Total current assets	**220,332**	119,613
Noncurrent assets:		
Beneficial interest in assets held by others	**76,039**	-
Investments	**1,406,818**	1,915,722
	$ **1,703,189**	$ 2,035,335
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ **37,282**	$ 40,516
Net assets:		
Without restrictions	**117,599**	20,846
Without restrictions, board designated	**1,482,857**	1,915,722
With restrictions	**65,451**	58,251
Total net assets	**1,665,907**	1,994,819
	$ **1,703,189**	$ 2,035,335

See accompanying notes.

Physicians for Peace
Statement of Activities
Year Ended December 31, 2019 with Comparative Totals for 2018

	Funds Without Restrictions	Funds With Restrictions	Total 2019	Total 2018
Public support, revenue and other income:				
In-kind contributions, services and other	$ 471,315	$ -	$ 471,315	$ 679,479
Contributions and promises to give income	397,550	69,200	466,750	226,256
	868,865	69,200	938,065	905,735
Net assets released from restrictions	62,000	(62,000)	-	-
Total public support, revenue and other income	930,865	7,200	938,065	905,735
Expenses:				
Program services	1,064,556	-	1,064,556	1,242,574
Management and general	76,429	-	76,429	87,265
Fundraising	158,337	-	158,337	270,071
Total expenses	1,299,322	-	1,299,322	1,599,910
Change in net assets from operations	(368,457)	7,200	(361,257)	(694,175)
Investment income:				
Investment income	5,007	-	5,007	16,030
Net realized and unrealized gains	18,976	-	18,976	35,081
Gain from beneficial interest in assets held by others	8,362	-	8,362	-
	32,345	-	32,345	51,111
Change in net assets	(336,112)	7,200	(328,912)	(643,064)
Net assets, beginning of year	1,936,568	58,251	1,994,819	2,637,883
Net assets, end of year	$ 1,600,456	$ 65,451	$ 1,665,907	$ 1,994,819

Physicians for Peace
Statement of Functional Expenses
Year Ended December 31, 2019 with Comparative Totals for 2018

	Program Expenses	Management and General	Fundraising	Total 2019	Total 2018
Staff costs	$ 428,290	$ 44,517	$ 105,727	$ 578,534	$ 672,840
Donated services and supplies	475,654	-	-	475,654	675,140
Mission travel	63,692	-	-	63,692	86,520
Local mission support	51,865	-	-	51,865	52,230
Office expense	25,408	1,373	16,759	43,540	21,430
Professional fees	-	26,718	-	26,718	26,012
Technology and equipment	12,350	2,977	4,529	19,856	35,273
Consulting fees	144	-	13,434	13,578	8,350
Direct mail, annual report, photo/video	-	-	12,641	12,641	7,698
Insurance	4,910	844	1,285	7,039	7,022
Special events	-	-	3,962	3,962	2,536
Medical equipment and supplies	2,243	-	-	2,243	2,624
Other	-	-	-	-	2,235
	$ 1,064,556	$ 76,429	$ 158,337	$ 1,299,322	$ 1,599,910

Physicians for Peace
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows used by operating activities:		
Change in net assets	$ (328,912)	$ (643,064)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Gain on beneficial interest in assets held by others	(8,362)	-
Net realized and unrealized gains on investments	(18,976)	(35,081)
Change in:		
Promises to give	(72,801)	1,620
Other receivables	(427)	1,358
Inventory, gifts in kind	4,339	(4,339)
Accounts payable and accrued expenses	(3,234)	(32,048)
Net cash used by operating activities	(428,373)	(711,554)
Cash flows from investing activities:		
Transfer to beneficial interest in assets held by others	(67,677)	-
Proceeds from sale of investments	533,814	475,000
Purchase of investments	(6,137)	(15,812)
Net cash provided by investing activities	460,000	459,188
Net change in cash and cash equivalents	31,627	(252,366)
Cash and cash equivalents, beginning of year	63,162	315,528
Cash and cash equivalents, end of year	$ 94,789	$ 63,162

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 healthcare professionals who are working with the world's underserved populations.

2. Summary of Significant Accounting Policies

Adoption of new accounting standards

During 2019, the Organization adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance as described below and (2) determining whether a contribution is conditional.

In May 2014, the FASB issued ASU No. 2014-09: Revenue from Contracts with Customers (Topic 606). ASU 2014-09 and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP, excluding nonreciprocal contribution transactions describe above and some other specific exclusions such as Leases (Topic 840) and Investments (Topic 320). The ASU No. 2014-09 also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted this new standard effective January 1, 2019, the first day of the Organization's year using the modified retrospective approach.

As part of the adoption of the ASU No. 2014-09, the Organization elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption of these standards did not result in a material difference from the previous policy and therefore, the Organization's beginning net assets has not been adjusted to reflect any adjustments.

Basis of presentation

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.

Summarized comparative information

The financial statements include certain 2018 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's 2018 financial statements, from which the summarized information was derived.

Investments

The Organization's investments consist of various cash and cash equivalents, bonds (2018 only), and equity securities maintained in different investment brokerage accounts, an investment in a limited partnership (2018 only), and beneficial interest in assets held by others in two community foundations (2019 only). The Organization's investments are reported at their fair values or net asset 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.

Certificates of deposit with an original maturity of three months or more are reported as investments. Certificates of deposit are reported at cost plus accrued interest earned which approximates fair value.

Beneficial interest in assets held by others

Beneficial interest in assets held by others are investments that are reported at their fair value in the statements of financial position. Unrealized gains and losses are included in the statements of activities as increases or decreases in net assets without donor restrictions.

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 December 31, 2019 and 2018.

Grants

Grants are promises to give, that may be conditioned on future events. Grant income is not recognized until the donor conditions are met. Grants receivable represents amounts due to the Organization upon meeting the grant requirements. None of the grants were considered reciprocal contracts at December 31, 2019 and 2018. Receivables are stated at the amount management expects to collect from balances outstanding. Management closely monitors outstanding balances throughout the year, and writes off all balances that are considered uncollectible. Management has determined that no allowance was needed as of December 31, 2019 and 2018.

Donated services and other

The Organization receives donations of professional services, which consist primarily of time spent by doctors, nurses, and other health practitioners in clinical and educational areas, in addition to donated medical supplies and program related expenses. These donations are recorded at their respective fair values when received.

The Organization also receives donations of items and professional services related to their fundraising activities and daily operations. Such items include donated grant research services and online site development. These gifts are recorded at their estimated fair value at the date of donation.

Donated services and other are as follows at December 31:

	2019	2018
Donated professional services	**$ 471,315**	$ 659,677
Donated items for fundraising activities and operations	**-**	12,492
Donated medical supplies	**-**	4,339
Donated program related expenses	**-**	2,971
Donated revenue	**471,315**	679,479
Donated (inventory) expense	**4,339**	(4,339)
Donated expenses	**$ 475,654**	$ 675,140

Advertising costs

The Organization follows the policy of charging the costs of advertising to expense as incurred. There were no advertising expenses in 2019 and 2018.

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 December 31, 2019 and 2018, the Organization's unprotected investments over the SIPC limit of $500,000 were $906,817 and $1,411,931, respectively.

At December 31, 2019, two promise to give represents 77% of the outstanding promises to give. At December 31, 2018, 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.

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.

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 short-term investments, certificates of deposit, and 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:

	2019	2018
Government money market fund	**$ 1,346,677**	$ 1,571,176
Promises to give	**74,001**	1,200
Other receivables	**736**	309
	$ 1,421,414	$ 1,572,685

In addition, as part of the Board's annual budget approval, and as required, the Board designates a portion of Board designated reserves to operations, which was $545,000 and $675,000 as of December 31, 2019 and 2018, respectively.

4. Promises to Give

At December 31, 2019, promises to give consist of eight unconditional promises to give due in 2020 for $74,001. At December 31, 2018, promises to give consist of two unconditional promises to give due in 2019 for $1,200.

5. Investments

Investments consist of the following:

	2019	2018
Government money market fund	**$ 1,346,677**	$ 1,571,176
Fixed income securities	**-**	274,571
Equity securities	**60,141**	65,684
Alternative investment	**-**	4,291
	$ 1,406,818	$ 1,915,722

In 2018 the Organization was a limited partner in a private limited partnership (shown as an alternative investment above). The investment in this limited partnership was valued at the respective limited partner's share of the net asset values as reported by the private limited partnership. The organization is no longer invested in this private limited partnership as of December 31, 2019.

Investment return consists of the following:

	2019	2018
Interest and dividends	**$ 5,007**	$ 16,030
Net realized (losses) gains	**(637)**	36,290
Net unrealized gains (losses)	**19,613**	(1,209)
	$ 23,983	$ 51,111

In November 2016, the Board purchased a $50,000 certificate of deposit (CD). The CD earns interest at .4% and matures November 2020. The balance at December 31, 2019 and 2018 was $50,806 and $50,603, respectively.

6. Beneficial Interest in Assets Held by Others

The Organization established funds held at the Hampton Roads Community Foundation (HRCF) and the United Way of South Hampton Roads Foundation (UWSHR) for the benefit of the Organization without restriction. The funds may be withdrawn at any time. The board has restricted the use of funds to be withdrawn and used according to their operating fund budget each year. Beneficial interest in assets held by others is composed of the following at fair market value as of December 31, 2019:

Funds held by HRCF	**$ 54,253**
Funds held by UWSHR	**21,786**
Total beneficial interest in assets held by others	**$ 76,039**

7. Fair Value Measurements

The Organization follows a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability'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 are used to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization's financial instruments consisted of the following at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Investments (at fair value):				
U.S. equity securities	$ 60,141	$ -	$ -	$ 60,141
Beneficial interest in assets held by others	-	-	76,039	76,039
Cash fund	1,346,677	-	-	1,346,677
Total investments	$ 1,406,818	$ -	$ 76,039	$ 1,482,857

The Organization's financial instruments consisted of the following at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Investments (at fair value):				
U.S. equity securities	$ 65,684	$ -	$ -	$ 65,684
Fixed income securities				
Corporate bonds	-	274,571	-	274,571
Cash fund	1,571,176	-	-	1,571,176
	$ 1,636,860	$ 274,571	$ -	1,911,431
Investments measured at net asset value (a):				
Investment in limited partnership				4,291
Total investments				$ 1,915,722

(a) In accordance with ASC 820, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Beneficial interest in assets held by others: These pooled funds invested with two community foundations consist of equities and other securities that have active markets as well as alternative investments that do not have readily determinable fair values, real assets and private equity investments. Collectively, the Organization's investments in the community foundations cannot be traded on active markets. The fair values of the alternative investments that do not have readily determinable fair values are determined by the investment managers and are based on audited financial statements provided to the investment managers or are based on historical cost, appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the investment manager taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

The investment in limited partnership is valued utilizing the net asset valuations provided by the underlying private investment company, without adjustment, when the net asset valuations of the investment is calculated in a manner consistent with generally accepted accounting principles for investment companies. The Organization follows ASU 2015-07. Accordingly, investments for which fair value is measured using net asset value as a practical expedient, which is the investment in the limited partnership at year end, has not been categorized within a fair value hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table summarizes the changes to Level 3 instruments, which include the beneficial interest in assets held by others, for the years ending December 31, 2019:

Fair value, beginning of year	**$ -**
Net transfers	**67,677**
Net realized and unrealized gains	**8,362**
Fair value, end of year	**$ 76,039**

8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	2019	2018
Accounts payable	**$ 17,214**	$ 17,691
Accrued vacation	**20,068**	22,825
	$ 37,282	$ 40,516

9. Net Assets

Net assets consist of the following:

	2019	2018
Net assets without donor restrictions:		
General use	**$ 117,599**	$ 20,846
Board designated	**1,482,857**	1,915,722
Total net assets without donor restrictions	**$ 1,600,456**	$ 1,936,568
Net assets with donor restrictions:		
Program specific	**$ 65,451**	$ 58,251

10. 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. In addition, in 2019 and 2018, the Organization made a discretionary contribution of 2.5% of each eligible employee's eligible compensation. The Organization incurred $17,537 and $18,607 in pension expense for 2019 and 2018, respectively.

11. 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.

12. Subsequent events

Subsequent to the statement of financial position date, the outbreak and spread of the COVID-19 virus was classified as a pandemic by the World Health Organization. The economic uncertainty caused by the virus has not been fully determined but could have a significant impact on the Organization's financial condition, results of operations, and cash flows. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

On April 15, 2020, the Organization received a SBA 7(a) Paycheck Protection Program ("PPP") loan pursuant to Sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act') administered by the U.S. Small Business Administration ("SBA") ("SBA PPP loan"). The SBA PPP loan provides for a $100,500 unsecured promissory note.

Pursuant to the terms of the CARES Act and PPP Regulations all or a portion of the SBA PPP loan may be forgiven. The actual amount of loan forgiveness will depend, in part, on the total amount of payroll costs, payments of interest on mortgage obligations incurred before February 15, 2020, rent payments on leases dated before February 15, 2020, and utility payments under service agreements dated before February 15, 2020, paid by the Organization during the eight week period following the date of the SBA PPP loan ("Forgiveness Period"), provided, however, not more than twenty-five percent (25%) of the loan forgiveness amount may be attributable to non-Payroll Costs. In the event the Organization fails to satisfy the loan forgiveness provisions of the CARES Act and PPP Regulations and some or all of the loan is not forgiven, the unforgiven portion of the loan is an obligation of the Organization that must be paid back in 18 monthly payments of $5,657 plus interest at 1% beginning November 15, 2020.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 8, 2020, the date the financial statements were available to be issued.