

# DHG



**PHYSICIANS  
FOR PEACE**

teach one. heal many.

## Financial Statements

Year Ended December 31, 2020 with Comparative Totals for 2019



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## Independent Auditors' Report

Board of Directors  
Physicians for Peace  
Norfolk, VA

We have audited the accompanying financial statements of Physicians for Peace (Organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year ended December 31, 2020, 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 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, 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.



***Report on Summarized Comparative Information***

We have previously audited Physicians for Peace's 2019 financial statements, and expressed an unmodified opinion on those financial statements in our report dated July 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Dixon Hughes Goodman LLP*

Norfolk, VA  
May 4, 2021

Physicians for Peace  
Statement of Financial Position  
December 31, 2020 with Comparative Totals for 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 378,756	\$ 94,789
Short-term investment	-	50,806
Promises to give	6,510	74,001
Other receivables	<u>219</u>	<u>736</u>
Total current assets	385,485	220,332
Noncurrent assets:		
Beneficial interest in assets held by others	3,497	76,039
Investments	<u>1,185,581</u>	<u>1,406,818</u>
	<u>\$ 1,574,563</u>	<u>\$ 1,703,189</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 36,115	\$ 37,282
Net assets:		
Without restrictions	272,829	117,599
Without restrictions, board designated	1,189,078	1,482,857
With restrictions	<u>76,541</u>	<u>65,451</u>
Total net assets	<u>1,538,448</u>	<u>1,665,907</u>
	<u>\$ 1,574,563</u>	<u>\$ 1,703,189</u>

Physicians for Peace  
Statement of Activities  
Year Ended December 31, 2020 with Comparative Totals for 2019

	Funds Without Restrictions	Funds With Restrictions	Total 2020	Total 2019
Public support, revenue and other income:				
In-kind contributions, services and other	\$ 119,053	\$ -	\$ 119,053	\$ 471,315
Contributions and promises to give income	<u>532,548</u>	<u>169,000</u>	<u>701,548</u>	<u>466,750</u>
	<u>651,601</u>	<u>169,000</u>	<u>820,601</u>	<u>938,065</u>
 Net assets released from restrictions	 <u>157,910</u>	 <u>(157,910)</u>	 <u>-</u>	 <u>-</u>
 Total public support, revenue and other income	 <u>809,511</u>	 <u>11,090</u>	 <u>820,601</u>	 <u>938,065</u>
 Expenses:				
Program services	711,812	-	711,812	1,064,556
Management and general	107,561	-	107,561	76,429
Fundraising	<u>136,555</u>	<u>-</u>	<u>136,555</u>	<u>158,337</u>
 Total expenses	 <u>955,928</u>	 <u>-</u>	 <u>955,928</u>	 <u>1,299,322</u>
 Change in net assets from operations	 <u>(146,417)</u>	 <u>11,090</u>	 <u>(135,327)</u>	 <u>(361,257)</u>
 Investment income:				
Investment income	1,937	-	1,937	5,007
Net realized and unrealized gains	988	-	988	18,976
Gain from beneficial interest in assets held by others	<u>4,943</u>	<u>-</u>	<u>4,943</u>	<u>8,362</u>
	<u>7,868</u>	<u>-</u>	<u>7,868</u>	<u>32,345</u>
 Change in net assets	 <u>(138,549)</u>	 <u>11,090</u>	 <u>(127,459)</u>	 <u>(328,912)</u>
 Net assets, beginning of year	 <u>1,600,456</u>	 <u>65,451</u>	 <u>1,665,907</u>	 <u>1,994,819</u>
 Net assets, end of year	 <u>\$ 1,461,907</u>	 <u>\$ 76,541</u>	 <u>\$ 1,538,448</u>	 <u>\$ 1,665,907</u>

See accompanying notes.

Physicians for Peace  
Statement of Functional Expenses  
Year Ended December 31, 2020 with Comparative Totals for 2019

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2020</u>	<u>Total 2019</u>
Staff costs	\$ 501,992	\$ 63,827	\$ 114,510	\$ 680,329	\$ 578,534
Donated services and supplies	119,053	-	-	119,053	475,654
Professional fees	2,579	38,502	1,266	42,347	26,718
Local mission support	40,366	-	-	40,366	51,865
Technology and equipment	10,931	2,991	5,364	19,286	19,856
Office expense	12,738	90	5,876	18,704	43,540
Medical equipment and supplies	12,661	-	-	12,661	2,243
Direct mail, annual report, photo/video	1,165	1,169	7,029	9,363	12,641
Insurance	3,586	982	1,760	6,328	7,039
Mission travel	4,741	-	-	4,741	63,692
Consulting fees	2,000	-	750	2,750	13,578
Special events	-	-	-	-	3,962
	<u>\$ 711,812</u>	<u>\$ 107,561</u>	<u>\$ 136,555</u>	<u>\$ 955,928</u>	<u>\$ 1,299,322</u>

Physicians for Peace  
Statement of Cash Flows  
Year Ended December 31, 2020 with Comparative Totals for 2019

	<u>2020</u>	<u>2019</u>
Cash flows used by operating activities:		
Change in net assets	\$ (127,459)	\$ (328,912)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Gain on beneficial interest in assets held by others	(4,943)	(8,362)
Net realized and unrealized gains on investments	(988)	(18,976)
Change in:		
Promises to give	67,491	(72,801)
Other receivables	517	(427)
Inventory, gifts in kind	-	4,339
Accounts payable and accrued expenses	(1,167)	(3,234)
Net cash used by operating activities	<u>(66,549)</u>	(428,373)
Cash flows from investing activities:		
Transfer to beneficial interest in assets held by others	-	(67,677)
Proceeds from sale of beneficial interest in assets held by others	77,485	-
Proceeds from sale of investments	328,806	533,814
Purchase of investments	(55,775)	(6,137)
Net cash provided by investing activities	<u>350,516</u>	460,000
Net change in cash and cash equivalents	<b>283,967</b>	31,627
Cash and cash equivalents, beginning of year	<u>94,789</u>	63,162
Cash and cash equivalents, end of year	<u><b>\$ 378,756</b></u>	<u><b>\$ 94,789</b></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 healthcare professionals who are working with the world's underserved populations.

### 2. Summary of Significant Accounting Policies

#### ***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.

#### ***Summarized comparative information***

The financial statements include certain 2019 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 (GAAP). Accordingly, such information should be read in conjunction with the Organization's 2019 financial statements, from which the summarized information was derived.

#### ***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 various cash and cash equivalents, and equity securities maintained in investment brokerage accounts, and beneficial interest in assets held by others in community foundations. 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 statement of financial position. Unrealized gains and losses are included in the statement 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, 2020 and 2019.

#### 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, 2020 and 2019. 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, 2020 and 2019.

#### 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.

Physicians for Peace  
Notes to Financial Statements

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Donated services and other are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Donated professional services	\$ 119,053	\$ 471,315
Inventory donated and expensed in following year	<u>-</u>	<u>4,339</u>
Donated expenses	<u>\$ 119,053</u>	<u>\$ 475,654</u>

**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, 2020 and 2019, the Organization's unprotected investments over the SIPC limit of \$500,000 were approximately \$686,000 and \$907,000, respectively.

At December 31, 2020, one promise to give represents 77% of the outstanding promises to give balance. At December 31, 2019, two promises to give represent 77% of the outstanding promises to give.

**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.

**Physicians for Peace**  
**Notes to Financial Statements**

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 378,756	\$ 94,789
Government money market fund	1,185,581	1,346,677
Promises to give	6,510	74,001
Other receivables	219	736
Less: restricted net assets	<u>(76,541)</u>	<u>(65,451)</u>
	<u>\$ 1,494,525</u>	<u>\$ 1,450,752</u>

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 \$533,000 and \$545,000 as of December 31, 2020 and 2019, respectively.

**4. Promises to Give**

At December 31, 2020, promises to give consist of three unconditional promises to give due in 2021 for \$6,510. At December 31, 2019, promises to give consist of eight unconditional promises to give due in 2020 for \$74,001.

**5. Investments**

Investments consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Government money market fund	\$ 1,185,581	\$ 1,346,677
Equity securities	-	60,141
	<u>\$ 1,185,581</u>	<u>\$ 1,406,818</u>

Investment return consists of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 1,937	\$ 5,007
Net realized gain (loss)	7,856	(637)
Net unrealized (loss) gain	<u>(6,868)</u>	<u>19,613</u>
	<u>\$ 2,925</u>	<u>\$ 23,983</u>

In November 2016, the Board purchased a \$50,000 certificate of deposit (CD). The CD earned interest at 4% and matured November 2020. The CD had a balance of \$50,806 at December 31, 2019 and was not renewed, when it matured in 2020.

## 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:

	<u>2020</u>	<u>2019</u>
Funds held by HRCF	\$ 3,178	\$ 54,253
Funds held by UWSHR	<u>319</u>	<u>21,786</u>
Total beneficial interest in assets held by others	<u>\$ 3,497</u>	<u>\$ 76,039</u>

## 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.

Physicians for Peace  
Notes to Financial Statements

The Organization's financial instruments consisted of the following at December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Investments (at fair value):</b>				
Beneficial interest in assets held by others	\$ -	\$ -	\$ 3,497	\$ 3,497
Cash fund	<u>1,185,581</u>	<u>-</u>	<u>-</u>	<u>1,185,581</u>
Total investments	<u>\$ 1,185,581</u>	<u>\$ -</u>	<u>\$ 3,497</u>	<u>\$ 1,189,078</u>

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

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

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 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.

**Physicians for Peace**  
**Notes to Financial Statements**

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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, 2020:

Fair value, beginning of year	\$ 76,039
Withdrawals	(77,485)
Net realized and unrealized gains	<u>4,943</u>
Fair value, end of year	<u>\$ 3,497</u>

**8. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Accounts payable	\$ 9,000	\$ 17,214
Accrued vacation	<u>27,115</u>	<u>20,068</u>
	<u>\$ 36,115</u>	<u>\$ 37,282</u>

**9. Net Assets**

Net assets consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
General use	\$ 272,829	\$ 117,599
Board designated	<u>1,189,078</u>	<u>1,482,857</u>
Total net assets without donor restrictions	<u>1,461,907</u>	<u>\$ 1,600,456</u>
Net assets with donor restrictions:		
Program specific	<u>\$ 76,541</u>	<u>\$ 65,451</u>

**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 2020 and 2019, the Organization made a discretionary contribution of 2.5% of each eligible employee's eligible compensation. The Organization incurred \$21,010 and \$17,537 in retirement plan expense for 2020 and 2019, 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. COVID-19 and the Payroll Protection Program

In March 2020, the World Health Organization declared the outbreak and spread of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak has had far reaching and unpredictable impacts on the global economy, supply chains, financial markets, and global business operations of a variety of industries. Governments have taken substantial action to contain the spread of the virus including mandating social distancing, suspension of certain gatherings, and shuttering of certain nonessential businesses.

The COVID-19 pandemic has disrupted the operational and financial performance of the organization and there is significant uncertainty in the nature and degree of its continued effects on the organization over time. The extent to which it will impact the organization going forward will depend on a variety of factors including the duration and continued spread of the outbreak, impact on donors and employees, as well as governmental, regulatory and private sector responses. Further, the pandemic may have a significant impact on management's accounting estimates and assumptions.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. The CARES Act provides for the establishment of the Payroll Protection Program (PPP), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

The Organization received PPP loans totaling \$100,500 during 2020. During the year, the Organization spent all funds received under the PPP for qualifying purposes, prepared a forgiveness calculation and submitted an application for forgiveness to its lender. As of the statement of financial position date, the Organization received notification from the lender and Small Business Administration that the loan had been forgiven and the Organization had been relieved of its obligation for the liability. As a result, the Organization recognized the outstanding principal balance with contributions and promises to give income on the statement of activities for the year ended December 31, 2020.

## 13. Subsequent Events

On February 27, 2021, the Board of Directors unanimously voted to change the Organization's by-laws and operating year end from December 31 to June 30, effective July 1, 2021.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 4, 2021, the date the financial statements were available to be issued.