



World Pediatric Project

Financial Statements

June 30, 2019 and 2018



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WORLD PEDIATRIC PROJECT

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
World Pediatric Project
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of World Pediatric Project (the "Organization"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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.

Auditor's 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World Pediatric Project as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

A handwritten signature in black ink, appearing to read "Keita", with a long, sweeping horizontal stroke extending to the right.

September 11, 2019
Glen Allen, Virginia

WORLD PEDIATRIC PROJECT

Statements of Financial Position June 30, 2019 and 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 1,813,579	\$ 1,558,115
Pledges receivable, current	500,960	454,417
Other receivables	52,500	40,000
Prepaid expenses	<u>60,538</u>	<u>67,600</u>
Total current assets	<u>2,427,577</u>	<u>2,120,132</u>
Property and equipment:		
Furniture, equipment and website	1,613,234	1,590,182
Less: accumulated depreciation and amortization	<u>(851,018)</u>	<u>(574,895)</u>
Net property and equipment	<u>762,216</u>	<u>1,015,287</u>
Other assets:		
Pledges receivable - net, long-term	309,242	763,858
Investments	<u>378,509</u>	<u>357,979</u>
Total other assets	<u>687,751</u>	<u>1,121,837</u>
	<u>\$ 3,877,544</u>	<u>\$ 4,257,256</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 26,997	\$ 37,871
Accrued rent	21,623	29,625
Funds held for others	<u>6,000</u>	<u>5,000</u>
Total current liabilities	<u>54,620</u>	<u>72,496</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,900,167	2,229,803
Board-designated endowment	<u>142,028</u>	<u>137,131</u>
Total without donor restrictions	2,042,195	2,366,934
With donor restrictions	<u>1,780,729</u>	<u>1,817,826</u>
Total net assets	<u>3,822,924</u>	<u>4,184,760</u>
	<u>\$ 3,877,544</u>	<u>\$ 4,257,256</u>

See accompanying notes to financial statements.

WORLD PEDIATRIC PROJECT

Statement of Activities Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and gains:			
Auction and special events	\$ 2,815,283	\$ -	\$ 2,815,283
Contributions	1,661,921	772,063	2,433,984
In-kind contributions	27,389,417	-	27,389,417
Interest and dividend income	11,116	3,894	15,010
Unrealized investment losses, net	(2,295)	(805)	(3,100)
Realized investment gains	4,691	7,544	12,235
Total revenues and gains	31,880,133	782,696	32,662,829
Net assets released from restrictions	819,793	(819,793)	-
Total revenues, gains, and other support	32,699,926	(37,097)	32,662,829
Expenses:			
Program services	30,463,369	-	30,463,369
Management and general	663,673	-	663,673
Fundraising	1,897,623	-	1,897,623
Total expenses	33,024,665	-	33,024,665
Change in net assets	(324,739)	(37,097)	(361,836)
Net assets, beginning of year	2,366,934	1,817,826	4,184,760
Net assets, end of year	\$ 2,042,195	\$ 1,780,729	\$ 3,822,924

See accompanying notes to financial statements.

WORLD PEDIATRIC PROJECT

Statement of Activities Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and gains:			
Auction and special events	\$ 2,795,843	\$ -	\$ 2,795,843
Contributions	1,587,673	1,205,056	2,792,729
In-kind contributions	25,572,147	-	25,572,147
Interest and dividend income	15,127	9,630	24,757
Unrealized investment gains	6,958	6,018	12,976
Realized investment gains	1,253	2,451	3,704
Other revenue	490	-	490
	29,979,491	1,223,155	31,202,646
Net assets released from restrictions	920,688	(920,688)	-
	30,900,179	302,467	31,202,646
Expenses:			
Program services	28,242,640	-	28,242,640
Management and general	595,762	-	595,762
Fundraising	1,903,740	-	1,903,740
	30,742,142	-	30,742,142
Change in net assets	158,037	302,467	460,504
Net assets, beginning of year	2,208,897	1,515,359	3,724,256
Net assets, end of year	\$ 2,366,934	\$ 1,817,826	\$ 4,184,760

See accompanying notes to financial statements.

WORLD PEDIATRIC PROJECT

Statement of Functional Expenses Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and related expenses	\$ 1,102,692	\$ 481,650	\$ 899,670	\$ 2,484,012
Nonemployee compensation	24,820	-	20,806	45,626
Payroll processing	3,655	730	2,260	6,645
Recruitment expenses	370	55	15,114	15,539
Staff development	80	1,305	2,461	3,846
In-country personnel	403,336	-	-	403,336
Patient expenses	463,497	-	-	463,497
International sponsorships	19,487	-	-	19,487
Volunteer program	1,936	-	53	1,989
Missouri Kids	20,000	-	-	20,000
Capacity building programs	84,876	-	-	84,876
Medical missions	505,640	-	-	505,640
Program development	31,813	-	-	31,813
Special events expense	-	-	507,160	507,160
Professional fees	48,004	45,194	64,583	157,781
Marketing	278	161	24,235	24,674
Communications expense	13,884	3,491	6,859	24,234
Facility and equipment	124,065	36,165	81,250	241,480
Office expenses	9,526	5,504	53,017	68,047
Travel and related expenses	30,309	20,672	37,517	88,498
Other business expense	39,856	33,419	88,467	161,742
Depreciation and amortization	150,898	32,216	93,009	276,123
Medical fees - in-kind	27,383,767	-	-	27,383,767
Miscellaneous	580	3,111	1,162	4,853
	<u>\$ 30,463,369</u>	<u>\$ 663,673</u>	<u>\$ 1,897,623</u>	<u>\$ 33,024,665</u>

See accompanying notes to financial statements.

WORLD PEDIATRIC PROJECT

Statement of Functional Expenses Year Ended June 30, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and related expenses	\$ 1,038,144	\$ 261,507	\$ 929,089	\$ 2,228,740
Nonemployee compensation	21,350	1,220	6,108	28,678
Payroll processing	3,451	565	2,259	6,275
Recruitment expenses	437	150	5,590	6,177
Staff development	877	30	155	1,062
In-country personnel	270,457	-	129,481	399,938
Patient expenses	486,210	-	-	486,210
International sponsorships	14,811	-	-	14,811
Volunteer program	3,178	-	55	3,233
Missouri Kids	17,650	-	-	17,650
Capacity building programs	103,271	-	-	103,271
Medical missions	433,437	-	-	433,437
Program development	30,479	-	-	30,479
Special events expense	-	-	486,871	486,871
Professional fees	26,895	20,725	20,005	67,625
Marketing	2,416	157	21,006	23,579
Communications expense	7,230	13,631	3,183	24,044
Facility and equipment	8,141	196,254	9,724	214,119
Office expenses	21,638	2,298	37,946	61,882
Travel and related expenses	11,272	35,663	38,467	85,402
Other business expense	75,545	23,685	109,135	208,365
Depreciation and amortization	142,303	27,366	103,991	273,660
Medical fees - in-kind	25,519,437	-	-	25,519,437
Miscellaneous	4,011	12,511	675	17,197
	<u>\$ 28,242,640</u>	<u>\$ 595,762</u>	<u>\$ 1,903,740</u>	<u>\$ 30,742,142</u>

See accompanying notes to financial statements.

WORLD PEDIATRIC PROJECT

Statements of Cash Flows Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (361,836)	\$ 460,504
Adjustments to reconcile the change in net assets to net cash from operations:		
Depreciation and amortization	276,123	273,660
Contributions restricted for endowment	-	(35,000)
Reinvested interest and dividends	(6,395)	(12,986)
Realized gain on investments	(12,235)	(3,704)
Unrealized loss (gain) on investments	3,100	(12,976)
Changes in operating assets and liabilities:		
Pledges receivable - net	408,073	(391,735)
Other receivables	(12,500)	(40,000)
Prepaid expenses	7,062	(21,044)
Accounts payable and accrued expenses	(10,874)	(22,782)
Accrued rent	(8,002)	(212)
Funds held for others	1,000	310
	<u>283,516</u>	<u>194,035</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(23,052)	(27,126)
Proceeds from sales of investments	-	327,060
Purchase of investments	(5,000)	(332,060)
	<u>(28,052)</u>	<u>(32,126)</u>
Net cash used in investing activities		
Cash flows provided by financing activities:		
Contributions restricted for endowment	-	35,000
	<u>-</u>	<u>35,000</u>
Net change in cash and cash equivalents	255,464	196,909
Cash and cash equivalents, beginning of year	<u>1,558,115</u>	<u>1,361,206</u>
Cash and cash equivalents, end of year	<u>\$ 1,813,579</u>	<u>\$ 1,558,115</u>

See accompanying notes to financial statements.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization: World Pediatric Project (the “Organization”) is a nonprofit humanitarian organization linking worldwide pediatric surgical, diagnostic and preventative resources to heal critically ill children in developing countries. World Pediatric Project also helps build indigenous health care capacity – saving lives now while transforming pediatric health outcomes for years to come.

Basis of Accounting: The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States (“GAAP”), which require reporting information regarding its financial position and activities according to these two classes of net assets:

Net assets without donor restrictions are net assets that are not subject to donor-imposed stipulations. If the Board of Directors specifies a purpose where none has been stated by the original donor, such assets are classified as Board-designated within net assets without donor restrictions.

Net assets with donors restrictions are net assets which are stipulated by donors for specific purposes, use restrictions, or are restricted in perpetuity. For net assets restricted for specific actions or the passage of time, once a restriction expires, the net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. For net assets restricted in perpetuity, the original fair value of the gift will be maintained permanently by the Organization and use of all or part of the income earned on any related investments is for general or specific purposes.

Estimates: The preparation of financial statements in conformity with 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.

Cash and Cash Equivalents: The Organization considers as cash equivalents all short term, highly liquid investments with maturities of three months or less at date of acquisition.

Pledges Receivable: Unconditional promises to give, which include pledges and grants receivable at their net present value in the year promised, are recognized as contributions with or without donor restrictions as appropriate. Conditional promises are recorded when donor stipulations are substantially met.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Property and Equipment: Property and equipment and website development costs are recorded at cost for purchased assets and at fair value for donated items. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets, which range from three to seven years. Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Investments: The Organization's investments are reported at readily determinable fair value in the statements of financial position. The fair value of marketable equity and debt securities is determined using quoted market prices. Unrealized gains and losses are included in the statements of activities.

Credit Risk: The Organization maintains its cash and cash equivalent balances in multiple financial institutions. The balances in the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. Funds held by brokerage houses are insured by the Securities Investors Protection Corporation up to a ceiling of \$500,000, including cash claims of up to \$250,000. The Organization periodically has balances in excess of insured limits.

Income Taxes: The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Income Tax Uncertainties: Management has evaluated the effects of accounting guidance related to uncertain income tax positions and concluded that the Organization had no significant financial statement exposure to uncertain income tax positions at June 30, 2019 and 2018. The Organization is not currently under audit by any tax jurisdiction.

Contributed Materials, Hospital Charges and Services: The value of contributed materials and the value of contributed services and hospital charges that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and are of the type that would have been purchased if not contributed, amounted to \$27,389,417 for 2019 and \$25,572,147 for 2018 and have been recognized at their fair value as determined either by the donor or estimated by management in the financial statements. In 2018, the Organization devised a method of estimating contributed services by hospitals and medical volunteers traveling to foreign countries on behalf of the Organization. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, campaign solicitations and various committee assignments. The value of these services could not be estimated and is not recognized in the financial statements.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on recording organizational expenses in departmental categories that align with these functions. Program services expenses represents the various costs associated with providing medical services including salaries, patient expenses, medical missions, rent and other program related expenses. Fundraising expenses include the work of the Development team. Management and General expenses reflect a variety of business functions including human resources, professional services, rent, travel, and other business related expenses.

Newly Adopted Accounting Standard: In August 2016, Financial Accounting Standards Board (“FASB”) issued revised guidance for the presentation and disclosure of financial statements of not-for-profit entities. The main changes of the guidance include: (i) replacing of the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets (net assets without donor restrictions and net assets with donor restrictions), (ii) changing the net assets classification of underwater donor-restrictions with additional required disclosure, (iii) requiring all not-for-profits to provide expenses by nature and function as well as an analysis of expenses by nature and function, (iv) removing the requirement to present an indirect cash flow reconciliation when electing the direct method of cash flows, and (v) requiring expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources. The Organization adopted the guidance in 2019, with presentation shown retrospectively to include 2018. The adoption did not have a material impact on the financial statements.

Reclassifications: Certain prior year balances have been reclassified to conform with the current year presentation.

Subsequent Events: Management has evaluated subsequent events through September 11, 2019, the date the financial statements were available to be issued, and has determined that there are no subsequent events to be reported in the accompanying financial statements.

2. Net Assets with Donor Restrictions:

In 2019 and 2018, the Organization received donor-imposed restricted contributions for direct costs of program services for children needing critical care and time-restricted contributions. Accordingly, the Organization recorded restricted gifts of \$772,063 during 2019 and \$1,205,056 during 2018. The amounts released from restrictions and expended for children needing critical care were \$547,611 during 2019 and \$571,392 during 2018. The amounts released from time restrictions due to collecting of pledges receivable were \$272,182 during 2019 and \$349,296 during 2018.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

3. Pledges Receivable:

The present value of estimated future cash flows of pledges receivable, discounted at the risk-free rate of 1.76% at June 30, 2019 and 2.76% at June 30, 2018, are expected to be received as follows at June 30:

	2019	2018
Amounts due in:		
Less than one year	\$ 500,960	\$ 454,417
One to five years	320,000	797,400
	820,960	1,251,817
Less:		
Discount on pledges receivable	10,758	33,542
	\$ 810,202	\$ 1,218,275

Two donors accounted for 75% of net pledges receivable at June 30, 2019 and two donors accounted for 79% of net pledges receivable at June 30, 2018.

4. Investments:

The costs of investments and their related carrying values (market) by major investment type were as follows at June 30:

	2019		2018	
	Cost	Market	Cost	Market
Equity securities	\$ 365,848	\$ 378,509	\$ 345,003	\$ 357,979

5. Endowment Funds:

The Organization's endowment consists of two endowed named funds established to support the cause of the Organization. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate funds in the endowment funds designated by the Board of Directors:

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

5. Endowment Funds, Continued:

Interpretation of Relevant Law: The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts given to the permanent endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate funds in the endowment fund designated by the Board:

- The duration and preservation of the fund
- The purposes of the Organization and a donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment funds that attempt to provide a predictable stream of funding to the Organization’s programs supported by endowments. In addition to providing a predictable stream of funding, the adopted investment and spending policies also seek to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds over time to provide an average rate of return of more than five percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

5. Endowment Funds, Continued:

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Organization has a policy of limiting spending to generally five percent of the value of endowment funds. In establishing this policy, the Organization considered the long-term expected return on endowments. Accordingly, over the long term, the Organization expects the current spending policy to allow the endowment fund to grow consistent with the objective of maintaining the purchasing power of the endowment assets.

Endowment net asset composition by type of fund was as follows as of June 30, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund:			
Original donor-restricted gift	\$ -	\$ 196,499	\$ 196,499
Accumulated investment gains	-	64,982	64,982
Board-designated fund	142,028	-	142,028
Total funds	\$ 142,028	\$ 261,481	\$ 403,509
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund:			
Original donor-restricted gift	\$ -	\$ 196,499	\$ 196,499
Accumulated investment gains	-	54,349	54,349
Board-designated fund	137,131	-	137,131
Total funds	\$ 137,131	\$ 250,848	\$ 387,979

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

5. Endowment Funds, Continued:

Changes in endowment funds were as follows for the years ended June 30, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, July 1, 2017	\$ 125,532	\$ 197,781	\$ 323,313
Investment income	3,388	9,630	13,018
Unrealized investment gains	6,958	5,986	12,944
Realized investment gains	1,253	2,451	3,704
New contributions	-	35,000	35,000
Net assets, June 30, 2018	137,131	250,848	387,979
Investment income	2,501	3,894	6,395
Realized investment gains	4,691	7,544	12,235
Unrealized investment gains	(2,295)	(805)	(3,100)
Net assets, June 30, 2019	<u>\$ 142,028</u>	<u>\$ 261,481</u>	<u>\$ 403,509</u>

The balance of endowment funds with donor restrictions shown above includes \$25,000 of pledges receivable to be collected between 2020 and 2024.

6. Fair Value Measurements:

The Organization follows FASB guidance, which provides a framework for measuring fair value under GAAP, for all financial assets and liabilities measured at fair value on a recurring basis.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of the three levels.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

6. Fair Value Measurements, Continued:

These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 assets and liabilities include debt and equity securities traded in an active exchange market, as well as certain U.S. Treasury securities that are traded by dealers or brokers in active markets.

Level 2 – Valuation 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 or liabilities.

Level 3 – Valuation is determined using model-based techniques that use significant assumptions not observable in the market and significant to the fair value measurement.

The fair value of the Organization's investments in securities of \$378,509 at June 30, 2019 and \$357,979 at June 30, 2018 was determined based upon Level 1 valuation criteria.

7. Leases:

The Organization leases office space and equipment under operating lease agreements. Rental expense was \$246,686 for 2019 and \$211,728 for 2018. Rental expense is included in the accompanying statements of functional expenses within in-country personnel and facility and equipment.

The Organization leases office space in Richmond through December 31, 2021 and in St. Louis through June 30, 2020. These leases provide for certain rent holidays and annual rent escalations. The Organization recognizes rent expense on a straight-line basis over the life of the leases. This policy resulted in the recognition of accrued rent of \$21,623 at June 30, 2019 and \$29,625 at June 30, 2018.

Future minimum payments under operating lease obligations consisted of the following at June 30, 2019:

Year Ending June 30,	Amount
2020	\$ 220,577
2021	145,497
2022	<u>73,647</u>
Total	<u>\$ 439,721</u>

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

8. Contingencies:

From time to time, the Organization may be involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial position or results of operations.

Pursuant to its Articles of Incorporation, the Organization has certain obligations to indemnify its officers and directors for certain events or occurrences while serving at the Organization's request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia. The Organization's insurance policies serve to further limit its exposure. The Organization believes that the estimated fair value of these indemnification obligations is minimal.

9. Liquidity and Availability of Financial Assets:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,813,579	\$ 1,558,115
Pledges receivable	500,960	454,417
Other receivables	52,500	40,000
Investments	<u>378,509</u>	<u>357,979</u>
Total financial assets available within one year	2,745,548	2,410,511
Less:		
Donor-imposed restrictions	(1,104,647)	(725,865)
Board-designated endowment	<u>(142,028)</u>	<u>(137,131)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,498,873</u>	<u>\$ 1,547,515</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures become due. In addition, the Organization has board-designated net assets without donor restrictions that, while not intended to spend for purposes other than those identified, could be made available for current operations, if necessary.

WORLD PEDIATRIC PROJECT

Notes to Financial Statements, Continued

10. **Defined Contribution Retirement Plan:**

The Organization sponsors a defined contribution retirement plan which covers all employees who meet eligibility requirements. The plan enables participants to make contributions, and the Organization may elect to match the employee's contribution. The Organization did not make any matching contributions to the plan during 2019 or 2018.

11. **New Accounting Guidance:**

Leases: In February 2016, the FASB issued new guidance over leases which requires that all leasing activity with initial terms in excess of twelve months be recognized on the balance sheet with a right of use asset and a lease liability. The standard will require entities to classify leases as either a finance, or operating lease based upon the contractual terms. For finance leases, the right to use asset and lease liability will be calculated based upon the present value of the lease payments. The asset will then be amortized and the interest on the obligation will be recognized separately within the statement of operations. On the statement of cash flows, the principal portion of the finance lease payments will be classified as a financing activity. For operating leases, the right to use asset and lease liability will also be calculated based upon the present value of the lease payments. However, the cost of the lease will generally be allocated over the lease term on a straight-line basis and presented as a single expense on the statement of operations. On the statement of cash flows, all cash payments for operating leases will be classified as an operating activity. The new standard will be effective for periods beginning after December 15, 2019, and will require entities to use a modified retrospective approach to the earliest period presented. The Organization is currently evaluating the reporting and economic implications of the new standard.

Contributions: In June 2018, the FASB issued ASU No. 2018-08, "Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made", which presents a new methodology for determining whether a grant or contribution received or made by a not-for-profit entity should be accounted for as an exchange transaction or as a contribution. This new standard is effective for fiscal years beginning after December 15, 2018, for entities receiving contributions and fiscal years beginning after December 15, 2019, for entities providing contributions, with early adoption permitted. The Organization is currently evaluating the reporting and economic implications of the new standard.