

**Physicians Committee for
Responsible Medicine, Inc.
Consolidated Financial Statements
and Supplementary Information
July 31, 2023**

With Independent Auditors' Report Thereon

PhysiciansCommittee for Responsible Medicine

Physicians Committee for Responsible Medicine, Inc.
Table of Contents

<u>Title</u>	<u>Page</u>
Independent Auditors' Report	1-2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4-5
Consolidated Statement of Functional Expenses	6-7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9-29
Supplementary Information:	
Consolidating Schedule of Financial Position	30-31
Consolidating Schedule of Activities	32-33



(301) 340-1550
(301) 340-0505 Fax

2200 Research Blvd.
Suite 540
Rockville, Maryland 20850

Independent Auditors' Report

To The Board of Directors
Physicians Committee for Responsible Medicine, Inc.
Washington, DC

Opinion

We have audited the accompanying consolidated financial statements of Physicians Committee for Responsible Medicine, Inc. which comprise the consolidated statement of financial position as of July 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Physicians Committee for Responsible Medicine, Inc. as of July 31, 2023, and the results of its changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Physicians Committee for Responsible Medicine, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2022, the Physicians Committee for Responsible Medicine, Inc. adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Physicians Committee for Responsible Medicine, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Physicians Committee for Responsible Medicine, Inc. internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about the Physicians Committee for Responsible Medicine, Inc. ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities on pages 30 through 33 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Rockville, Maryland
January 22, 2024

Arbin & Leary, P.C.

Physicians Committee for Responsible Medicine, Inc.
Consolidated Statement of Financial Position
July 31, 2023

Assets

Current Assets	
Cash	\$ 1,539,043
Investments	18,217,136
Other receivable, net	476,790
Receivable from legacies and bequests	1,151,133
Inventory	84,518
Prepaid expenses	464,972
Total Current Assets	21,933,592
Other Assets, deposit	1,914
Investments Related to Restricted and Designated Funds	9,997,828
Investments Restricted to Charitable Gift Annuity Obligations	4,029,386
Operating Lease Right-Of-Use Asset, net	11,129,912
Property and Equipment, net	1,217,225
Total Assets	\$ 48,309,857

Liabilities and Net Assets

Current Liabilities	
Accounts payable and accrued expenses	\$ 1,570,100
Operating lease liability - current portion	687,928
Deferred revenue	309,219
Current portion of annuities payable	173,409
Total Current Liabilities	2,740,656
Long-term Liabilities	
Annuities payable, net of current portion	1,422,606
Operating lease liability - long-term portion	12,968,993
Total Long-term Liabilities	14,391,599
Total Liabilities	17,132,255
Net Assets	
Without donor restrictions	18,962,432
Board designated	8,061,360
Total Net Assets Without Donor Restrictions	27,023,792
With donor restrictions	4,153,810
Total Net Assets	31,177,602
Total Liabilities and Net Assets	\$ 48,309,857

The accompanying notes are an integral part of the consolidated financial statements

Physicians Committee for Responsible Medicine, Inc.
Consolidated Statement of Activities
For the Year Ended July 31, 2023

	<u>Net Assets</u> <u>Without Donor</u> <u>Restrictions</u>	<u>Net Assets</u> <u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Public Support			
Contributions and donations	\$ 9,074,197	\$ 1,687,552	\$ 10,761,749
Legacies and bequests	6,803,059	1,151,133	7,954,192
Grant income	725,000	-	725,000
Net assets released from restrictions:			
Expiration of time restrictions	1,947,058	(1,947,058)	-
Satisfaction of program restrictions	<u>1,617,258</u>	<u>(1,617,258)</u>	<u>-</u>
Total Public Support	<u>20,166,572</u>	<u>(725,631)</u>	<u>19,440,941</u>
Other Revenue			
Medical services	572,121	-	572,121
Investment income	924,310	96,722	1,021,032
Mailing list rental	37,040	-	37,040
Rental and other income	487,288	-	487,288
Merchandise sales and services			
Gross sales and services	501,562	-	501,562
Cost of goods sold	<u>(17,862)</u>	<u>-</u>	<u>(17,862)</u>
Total Other Revenue	<u>2,504,459</u>	<u>96,722</u>	<u>2,601,181</u>
Total Support and Revenue	<u>22,671,031</u>	<u>(628,909)</u>	<u>22,042,122</u>
Expenses			
Program Services			
Research and Regulatory Affairs	4,557,119	-	4,557,119
Clinical Research	965,057	-	965,057
Nutrition Education	3,446,570	-	3,446,570
Legal Advocacy	828,106	-	828,106
Education and Policy	811,493	-	811,493
Medical Services	1,336,958	-	1,336,958
Communications	<u>3,503,006</u>	<u>-</u>	<u>3,503,006</u>
Total Program Services	<u>\$15,448,309</u>	<u>\$ -</u>	<u>\$ 15,448,309</u>

The accompanying notes are an integral part of the consolidated financial statements

Physicians Committee for Responsible Medicine, Inc.
Consolidated Statement of Activities
For the Year Ended July 31, 2023
(continued)

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	<u>Total</u>
Supporting Services			
Operational expenses	\$ 2,339,911	\$ -	\$ 2,339,911
Development expenses	<u>2,706,791</u>	<u>-</u>	<u>2,706,791</u>
Total Supporting Services	<u>5,046,702</u>	<u>-</u>	<u>5,046,702</u>
Total Expenses	<u>20,495,011</u>	<u>-</u>	<u>20,495,011</u>
Change in Net Assets	2,176,020	(628,909)	1,547,111
Net Assets, Beginning of Year	<u>24,847,773</u>	<u>4,782,718</u>	<u>29,630,491</u>
Net Assets, End of Year	<u><u>\$27,023,793</u></u>	<u><u>\$ 4,153,809</u></u>	<u><u>\$ 31,177,602</u></u>

The accompanying notes are an integral part of the consolidated financial statements

Physicians Committee for Responsible Medicine, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended July 31, 2023

	Program Services				
	Research and Regulatory Affairs	Clinical Research	Nutrition Education	Legal Advocacy	Education and Policy
Salaries, benefits and other personnel expenses	\$ 2,270,369	\$ 598,713	\$ 1,699,903	\$ 390,754	\$ 410,484
Member communications	1,017,361	-	22,209	-	-
Professional services	422,076	132,777	283,217	363,756	97,387
General operating expenses	222,743	104,190	723,821	22,258	162,408
Media and promotion expenses	38,427	15,000	68,908	-	30,000
Rent and building expenses	234,026	56,316	190,049	29,513	51,821
Computer, phone, copier	167,036	34,273	164,584	15,973	29,144
Printing	33,875	16,123	86,307	3,100	1,728
Travel and transportation	95,770	6,473	166,685	2,581	13,698
Postage	55,436	1,192	40,887	171	14,823
Total	<u>\$ 4,557,119</u>	<u>\$ 965,057</u>	<u>\$ 3,446,570</u>	<u>\$ 828,106</u>	<u>\$ 811,493</u>
Percent of Total Expenses	<u>22.24%</u>	<u>4.71%</u>	<u>16.82%</u>	<u>4.04%</u>	<u>3.96%</u>

The accompanying notes are an integral part of the consolidated financial statements

Medical Services	Supporting Services					Total Expenses
	Communications	Total	Operational	Development	Total	
\$ 1,049,341	\$ 1,714,271	\$ 8,133,835	\$ 903,604	\$ 1,019,036	\$ 1,922,640	\$ 10,056,475
-	-	1,039,570	21,579	1,032,871	1,054,450	2,094,020
73,812	252,588	1,625,613	144,306	140,946	285,252	1,910,865
65,152	127,116	1,427,688	364,425	74,900	439,325	1,867,013
7,884	771,755	931,974	-	56,465	56,465	988,439
6,123	178,910	746,758	819,192	96,569	915,761	1,662,519
127,289	139,108	677,407	71,215	159,769	230,984	908,391
352	205,960	347,445	14,710	17,809	32,519	379,964
6,040	29,896	321,143	177	32,137	32,314	353,457
965	83,402	196,876	703	76,289	76,992	273,868
<u>\$ 1,336,958</u>	<u>\$ 3,503,006</u>	<u>\$ 15,448,309</u>	<u>\$ 2,339,911</u>	<u>\$ 2,706,791</u>	<u>\$ 5,046,702</u>	<u>\$ 20,495,011</u>
<u>6.52%</u>	<u>17.09%</u>	<u>75.38%</u>	<u>11.42%</u>	<u>13.20%</u>	<u>24.62%</u>	<u>100.00%</u>

The accompanying notes are an integral part of the consolidated financial statements

Physicians Committee for Responsible Medicine, Inc.
Consolidated Statement of Cash Flows
For the Year Ended July 31, 2023

Cash Flows from Operating Activities	
Change in net assets	\$ 1,547,111
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	159,905
Loss on disposition of property and equipment	195
Realized loss on sale of investments	100,584
Unrealized gain on investments	(402,071)
Donated investments	(185,283)
Amortization of bond premium and discount	173,218
Amortization of right-of-use asset	133,969
Principal payments on operating lease	(824,002)
Implementation of lease standard	1,447,427
Change in operating assets and liabilities:	
Decrease in other receivables	571,283
Decrease in receivable from legacies and bequests	570,245
Increase in inventory	(203)
Decrease in prepaid expenses	59,951
Increase in accounts payable and accrued expenses	129,024
Increase in deferred revenue	97,321
Net Cash Provided By Operating Activities	3,578,674
Cash Flows from Investing Activities	
Reinvestment of matured securities and purchase of investments	(10,985,211)
Proceeds from sale of investments	6,823,881
Purchase of property and equipment	(121,632)
Net Cash Used In Investing Activities	(4,282,962)
Cash Flows from Financing Activities	
Proceeds from annuity contracts	332,068
Principal payments on annuity contract	(154,298)
Net Cash Provided By Financing Activities	177,770
Decrease in Cash	(526,518)
Cash at Beginning of Year	2,065,561
Cash at End of Year	\$ 1,539,043
Supplemental Disclosure of Cash Flows Information:	
Interest paid during the year	\$ 48,976
Income taxes paid during the year	\$ -

The accompanying notes are an integral part of the consolidated financial statements

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 1: **Organization**

The Physicians Committee for Responsible Medicine, Inc. (the Physicians Committee), a nonprofit organization, was incorporated under the laws of the state of Delaware on April 16, 1985. The organization is a nationwide group of physicians and laypersons concerned about issues in modern medicine. The Physicians Committee is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation.

The Physicians Committee promotes preventive medicine, particularly good nutrition, conducts clinical research, and encourages higher standards for ethics and effectiveness in research. The following is a description of the various programs currently being conducted by the Physicians Committee.

Research and Regulatory Affairs

We promote human-specific, nonanimal approaches for use in research, testing, and education, through scientific support, policy change, and education and outreach. In FY 2023, our scientists continued our work to overcome barriers to uptake of nonanimal approaches. We provided input to relevant agencies through responses to requests for information, and notices in the Federal Register. To overcome bias toward animal use in research, our scientists established an international collaboration to provide evidence of the bias and implement strategies to overcome it. Our toxicologists actively promote the development and implementation of nonanimal-based tests for product testing, including through training established and early-career scientists. In FY 2023, we published a manuscript on reducing animal use in carcinogenicity studies. We presented to two federal agency advisory committees on the evaluation and integration of nonanimal approaches. We held 29 individual training sessions that included more than 6,000 scientists and professionals attending live, then offered the recordings for free in order to reach many more. To improve physician training, we work to replace animals in residency training programs. As a result of our work, only seven of 292 surveyed emergency medicine residencies in the US and Canada continue to use animals. In FY 2023, we launched new campaigns by filing federal complaints to challenge the use of live animals for medical training at three schools. We held four physician-led demonstrations and also posted advertisements targeting seven institutions. We ended animal use for medical or veterinary training at two schools—the University of California-Davis and Colorado State University.

Nutrition Education

Nutrition experts grew a variety of educational programs to promote plant-based diets for health. To educate clinicians, the Nutrition Guide for Clinicians, a diagnostic and treatment mobile application, reached 5,849 new users, with nearly 61,000 total users to date. NutritionCME.org brought in 1,768 health care professionals through novel and practical educational content, and we provided lectures at 33 medical, nursing, and dental schools, reaching 2,300 students. The clinician referral network brought in 47 new providers, for a total of 449 worldwide. The Let's Beat Breast Cancer campaign launched, reaching thousands of new people through our online campaign along with weekly online education

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 1: Organization, (continued)

Nutrition Education, (continued)

to spread the word about using four lifestyle steps to reduce breast cancer risk. The bilingual 21-Day Vegan Kickstart mobile application reached 22,800 people with menus, recipes, education, and cooking videos to support individuals transitioning to a plant-based diet. Online educational offerings allowed us to reach tens of thousands of people: The Fight Diabetes With Food program reached more than 7,000 live participants. One Healthy World, our new multilingual online program, reached more than 320,000 people across the world in English, French, and Spanish languages. In India we held 25 in-person and virtual lunch-and-learn events reaching 2,475 people. In China, we reached more than 11,200 people through a total of 106 lectures across 40 cities. The Food for Life nutrition and cooking program, via our global network of nearly 350 instructors and institutions, reached 16,500 students through nearly 1,800 individual classes.

Clinical Research

We design and conduct clinical health and nutrition research studies, with the goal of motivating more attention in diet and prevention among health care professionals, medical researchers, policymakers, and patients. Research staff and colleagues published 11 papers in peer-reviewed journals and presented their research at the American Diabetes Association's Scientific Sessions and at the International Symposium on Diabetes and Nutrition of the Diabetes and Nutrition Study Group of the European Association for the Study of Diabetes. We finished a 12-week clinical study for people with type 1 diabetes, tracking their insulin use and insulin sensitivity, and comparing a portion-controlled with a low-fat vegan diet. We are continuing a clinical trial, testing the effects of a vegan diet in women with endometriosis and its ability to reduce pain. We are currently conducting a study in partnership with Blue Cross Blue Shield, tracking not only clinical outcomes, such as body weight and glycemic control, but also health care expenditures in people with type 2 diabetes. Our goal is to build upon the body of knowledge of the value of plant-based diets and generate wider acceptance, among the medical and scientific communities, policymakers, and the press, of the power of plant-based diets to prevent and treat disease.

Communications

Working with physicians, health experts, and celebrities who serve as spokespeople, we inform, persuade, and inspire readers through strategic media relations, social media, digital communications, print publications, and advertisements. Our work was featured in traditional news outlets, including The Washington Post, The Los Angeles Times, Associated Press, CNN, CNBC, Fox News, Reuters, New York Post, Popular Science, The Guardian, and many more. Our doctor-authored op-eds have been published in major newspapers including the Omaha World-Herald and The Tennessean. Over an average 30-day period in 2023, we placed 816 articles with a total engagement of 33,580 (number of times a link was shared, commented on, or liked on social media networks). Our social media

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 1: Organization, (continued)

Communications, (continued)

content created conversations daily among more than 1.8 million followers on 16 social media accounts. In FY 2023, 29 million accounts were reached across Meta platforms. YouTube's following grew to 430k, up 97.5k followers from the previous year, making it the highest-growing account, and we reached 14.9 million people. The Exam Room podcast was downloaded more than 5.4 million times in FY 2023 and 15 million from its 2018 launch through FY 2023. Our website received 5,597,685 total page views in FY 2023. We completed more than 800 separately tracked print and display materials, promotional merchandise, and electronic graphics and e-publications. Good Medicine, the Physicians Committee's 24-page magazine, keeps members informed and involved. Four issues of Good Medicine were published in FY 2023. Total print distribution was 339,794.

Legal Advocacy

Through litigation and petitions, we promote better health and compassionate research practices. In light of the World Health Organization's determination that processed meat is a carcinogen, we continued our litigation against the California Office of Environmental Health Hazard Assessment for refusing to designate processed meat as a carcinogen, in violation of state law. We initiated a First Amendment lawsuit against the USDA, challenging unlawful restrictions on speech, by students nationwide, critical of dairy milk sold via the National School Lunch Program. On behalf of California members, we pursued two lawsuits to raise public awareness about unethical brain experiments carried out on monkeys at a state institution.

Education and Policy

We lead advocacy efforts to expand the adoption and availability of plant-based diets. We advocated in Congress toward ending the inequitable statutory barriers that prevent students from accessing nondairy milks at schools participating in the National School Lunch Program, increasing the availability of plant-based meals at schools, and pushing back against the dairy industry's efforts to force schools to serve dairy milk. We also work to revise the Dietary Guidelines for Americans to be focused on science, instead of unnecessarily promoting meat and dairy. At the state level, our advocacy resulted in the New York State Legislature unanimously passing legislation to provide physicians in the state educational resources about the benefits of better nutrition, including plant-based diets. We also work in communities around the country to ensure hospitals, schools, and other institutions have the knowledge and resources to maximize the benefits of plant-based foods. We also advocate at the federal and state level to encourage the funding, development, and implementation of human-relevant, nonanimal methods in medical research, education, and product testing. In Congress, our advocacy helped to secure funding in the FY 2023 omnibus spending bill for the FDA's support of cross-cutting initiatives to reduce animal testing through alternative methods, among other provisions supporting human-based testing at the

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 1: Organization, (continued)

Education and Policy, (continued)

agency. We also helped secure in the omnibus report language calling for expanded transparency and accountability for the NIH's use of animals. We worked with legislators in Rhode Island to introduce legislation that would prohibit the use of animals for medical training in cases where nonanimal methods exist, as well as with legislators in Michigan to introduce legislation that would prohibit painful experiments on dogs and cats.

Physicians Committee President Neal Barnard, MD, FACC, oversaw clinical research studies and medical education programs, including the International Conference on Nutrition in Medicine. He presented at medical schools and hospitals and conducted interviews to educate listeners about healthful nutrition and modern ethical research methods. The Physicians Committee's e-commerce and fulfillment operation provides educational literature and merchandise to its members, the health care community, and the public at large on topics relating to nutrition, disease prevention, and ethical science. In FY 2023, we had 596 new customers, 11,000 pieces of literature were downloaded from our website, and we fulfilled more than 1,000 physical orders of 44,834 pieces of literature and merchandise (books, DVDs, educational posters, etc.) to locations around the globe.

Medical Services

PCRM Clinic d/b/a Barnard Medical Center (BMC) is a primary care facility providing comprehensive care for adults. Along with providing primary care needs, the clinicians at BMC also offer top-notch specialized care through nutrition and prevention to patients with diabetes, obesity, hypertension, lipid disorders, heart disease, arthritis, and migraines. BMC offers consultations, annual exams, medical office visits, telehealth visits, nutrition counseling, and medical nutrition therapy services. BMC clinicians try to tackle the root causes of the illness by providing extra attention to the patient and help patients adopt a healthier lifestyle. Although BMC's board-certified physicians, nurse practitioners, and registered dietitians provide state-of-the-art medical care, many of the patients still need more support. While lifestyle changes and nutrition can make a huge difference in a patient's health, it can be hard for patients to adapt to a new lifestyle. That is why the experts at BMC offer lifestyle management for patients to help prevent, treat, and in many cases, reverse some chronic conditions. Since opening in January 2016, BMC has had more than 33,245 appointments. BMC offers rotation programs for students and medical residents and has had more than 70 domestic and international participants rotate through the center since January 2018.

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies

Consolidation and Basis of Accounting

The consolidated financial statements include the accounts of the Physicians Committee and its wholly owned and controlled subsidiaries, The PCRM Foundation and BMC. All intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for profit organizations.

Net Assets

The Physicians Committee follows the Not-for-Profit Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). Under this topic, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Physicians Committee and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that may be met either by actions of the Physicians Committee and/or the passage of time or that are subject to donor-imposed stipulations that may be maintained permanently by the Physicians Committee.

In-Kind Contributions and Donated Services

Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated value at the date of receipt. Donated services are recognized as contributions in the accompanying consolidated financial statements to the extent the services received create or enhance non-financial assets or require specialized skills that would be purchased if not provided by donation. During the year ended July 31, 2023, The Physicians Committee received donated consulting services, advertising, and equipment with a calculated fair market value of \$657,229.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid instruments with original maturities of three months or less. Cash and cash equivalents do not include temporary cash held in custodial accounts or restricted investments.

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies, (continued)

Inventory

Inventories are stated at the lower of cost (first in, first out) or market. Cost includes all direct costs to bring inventory to its present location.

Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the Codification establishes a fair value hierarchy that is based on the valuation inputs in the fair value measurements. The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 Quoted market prices in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 Observable market-based or unobservable inputs corroborated by - market data. Investments classified as Level 2 trade in markets that are not considered to be active.
- Level 3 Unobservable inputs that are not corroborated by market data. Valuation is accomplished using management's best estimate of fair value.

Patient Receivables and Bad Debts

Patient receivables are reduced by reserves for contractual allowance and uncollectible accounts. In evaluating the collectability of patient receivables, BMC analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate reserve for contractual allowances and provisions for bad debts.

Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the reserves for contractual allowances and uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, BMC analyzes contractually due amounts and provides a reserve for contractual allowances and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely). The difference between the standard rates (or discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the reserves for contractual allowance and uncollectible accounts. At July 31, 2023, BMC's reserve for contractual allowances and uncollectible accounts was \$60,008.

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies, (continued)

Property and Equipment

The Physicians Committee records property and equipment at cost and depreciated over estimated useful lives of 3 to 27 ½ years using the straight-line method. Leasehold improvements are amortized over the lesser of the term of the related lease or estimated useful life of the asset. Repairs and maintenance costs are expensed as incurred. It is the policy of the Physicians Committee to capitalize all property and equipment acquisitions in excess of \$3,000. However, it is the policy of The PCR Foundation and BMC to capitalize all property and equipment acquisitions in excess of \$1,000.

Annuities

The Physicians Committee has entered into contracts with donors to pay periodic stipulated payments to the donors or other designated individuals that terminates at a specified time. The Physicians Committee records a liability based on the present value of the future payments resulting from the annuity contracts at the date of the gifts. The excess in the amount of each annuity gift over the liability is recorded as contributions and donations in the accompanying statement of activities. The total annuity liability is fully funded by the Physicians Committee with investments separately stated on the consolidated statement of financial position and maintained in a segregated account.

Revenue Recognition

BMC's revenues generally relate to contracts with patients in which the performance obligations are to provide healthcare services. The Organization recognizes revenues in the period in which obligations to provide health care services are satisfied and reports the amount that reflects the consideration to which the organization expects to be entitled. The Organization's performance obligations are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payor (e.g., Medicare, Medicaid, managed care health plans, employers and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for the services provided are dependent upon the terms provided by or negotiated with the third-party payors. The payment arrangements with third-party payors for the services provided to the related patients typically specify payments at amounts less than the Organization's standard charges. BMC continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in contractual terms resulting from contract renegotiations and renewals.

BMC recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by the policy) for uninsured patients that do not qualify for charity care.

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies, (continued)

Contributions

The Physicians Committee records the following types of contributions as revenue when they are received, at their fair value: cash, promises to give, and gifts of long-lived and other assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. At July 31, 2023, no significant conditional contributions existed. All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor.

Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with restriction, which increases the with donor restriction net asset class. Unconditional promises to give are recorded at their net realizable value.

Tax-Exempt Status

At July 31, 2023, and for the year then ended, The Physicians Committee has determined that there were no material unrecognized/derecognized tax benefits, tax penalties or interest. No provision for income taxes has been made in the accompanying consolidated financial statements. At July 31, 2023, the tax filings for the past three years are subject to possible examination by major tax jurisdictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting procedures requires management to make certain estimates and assumptions that affect specific amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The consolidated financial statements report categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries, rent, depreciation, information technology and other expenses are allocated based on estimates of time and effort.

Change in Accounting Principles

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern or expense recognition in the statement of activities. The most significant change in the standard is the recognition of right-of-use (ROU) assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies, (continued)

Change in Accounting Principles, (continued)

assess the amount, timing and uncertainty of cash flows arising from leases.

The Physicians Committee adopted the requirements of the guidance effective August 1, 2022, and has elected to apply the provisions of this standard using a modified retrospective approach, with certain practical expedients available.

Note 3: Liquidity and Availability of Financial Assets

Physicians Committee has \$19,295,837 available within one year of the balance sheet date to meet cash needs for general expenditure. The amount consists of the following:

Cash and cash equivalents	\$ 1,539,043
Short-term investments	18,065,788
Minimum endowment distribution	300,000
Receivable from legacies and bequests	1,151,133
Donations receivable	314,546
Other receivables	142,669
	<hr/>
	21,513,179
Less: amount subject to donor restrictions and therefore unavailable for general expenditures	<hr/>
	(2,217,342)
	<hr/>
Total financial assets and other liquid resources	<u>\$ 19,295,837</u>

Legacies and bequests receivable and donations receivable are subject to implied time restrictions. Legacies and bequests receivable, donations receivable and accounts receivable are all expected to be collected within one year.

Physicians Committee maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, Physicians Committee maintains three tiers of reserves. Tier 1 reserves (short term) are invested in cash, money market funds and certificates of deposit. Tier 2 reserves (mid-term) are allocated to an investment-grade bond ladder. Tier 3 reserves (long-term) are invested in a quasi-endowed fund.

Although Physicians Committee does not intend to spend from its quasi-endowment (other than amounts appropriated for general expenditure as part of the endowment's annual distribution), amounts from its quasi-endowment could be made available with approval from the board of directors, if necessary. The quasi-endowment had a balance of \$7,762,146 (excluding the minimum amount earmarked for annual distribution within one year) on July 31, 2023 and is not reflected in the total financial assets available within one-year balance of \$19,295,837.

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 3: Liquidity and Availability of Financial Assets, (continued)

In addition to these available financial assets, a significant portion of Physicians Committee's annual expenditures will be funded by current year operating revenues, including contributions and donations, investment income and medical services revenue.

Note 4: Other Receivables

Included in other receivables on the accompanying consolidated statement of financial position are pledges, donations, grants, other miscellaneous receivables, and patient receivables. All balances reflected are expected to be received within one year and are recorded at their net realizable value.

The pledges and contributions referred to above are reduced by an allowance for bad debts, if necessary. Management periodically evaluates the adequacy of the allowance for uncollectible accounts by considering past experiences and taking into consideration the inherent risk pledges provide.

Other receivables are comprised of the following as of July 31, 2023:

Accrued donations	\$ 303,691
Miscellaneous receivables	108,071
Patient accounts receivable	<u>134,393</u>
Subtotal	546,155
Less: Contractual allowance and uncollectible amounts	(59,729)
Less: Allowance for bad debt	<u>(9,636)</u>
Other receivable, net	<u><u>\$ 476,790</u></u>

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 5: Investments

Investments are comprised of the following as of July 31, 2023:

	Other Investments	Endowment and Other Investments with Donor Restrictions	Total
Money funds	\$ 1,102,552	\$ 199,912	\$ 1,302,464
Equity securities	1,915,152	5,097,288	7,012,440
Debt securities	12,191,620	1,848,868	14,040,488
Mutual funds - equities	541,019	2,036,762	2,577,781
Mutual funds - fixed income	147,186	667,294	814,480
Exchange Traded Funds	433,305	147,704	581,009
Limited partnership interest	100,278	-	100,278
Certificates of deposit	5,800,995	-	5,800,995
Cash surrender of life insurance policy	14,415	-	14,415
Total	\$ 22,246,522	\$ 9,997,828	\$ 32,244,350
Less: Investments related to restricted and designated funds	-	9,997,828	9,997,828
Less: Investments restricted to charitable gift annuity obligations	4,029,386	-	4,029,386
Total	\$ 18,217,136	\$ -	\$ 18,217,136

Realized and unrealized gains and losses are included in the consolidated statement of activities as part of investment income. The following summarizes the investment return for the year ended July 31, 2023:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Interest and dividend income	\$ 671,000	\$ 41,533	\$ 712,533
Net realized and unrealized losses	246,298	55,189	301,487
Other investment income	7,012	-	7,012
Investment return	\$ 924,310	\$ 96,722	\$ 1,021,032

As of July 31, 2023, investment advisory fees in the amount of \$110,626 are included in the consolidated schedule of functional expenses which carryover to the consolidated statement of activities. These fees are not included in the investment return presented above.

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 6: Fair Value Measurements

In determining the appropriate levels, the Physicians Committee performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of July 31, 2023:

	Level 1	Level 2	Level 3	Total
Money funds	\$ 1,302,464	\$ -	\$ -	\$ 1,302,464
Equity securities	7,012,440	-	-	7,012,440
Debt securities	14,040,488	-	-	14,040,488
Mutual funds - equities	2,577,781	-	-	2,577,781
Mutual funds - fixed income	814,480	-	-	814,480
Exchange traded funds	581,009	-	-	581,009
Certificates of deposit	5,800,995	-	-	5,800,995
Cash surrender of life insurance policy	-	14,415	-	14,415
Limited partnership interest	-	-	100,278	100,278
Total	\$ 32,129,657	\$ 14,415	\$ 100,278	\$ 32,244,350

Investments included in Level 3 consist of a limited partnership and a limited liability company. The limited partnership was passed through to the Physicians Committee by way of an estate. The value used is that as provided by the estate.

The limited liability company (LLC) is a small privately held company that is developing software that will generate revenue based on transactions fees. The market for this entity is still under development and its future ability to generate profits is not certain at this time. Since there is currently no market for the LLC other than the private equity markets the Physicians Committee has made a significant allowance for the value of this investment as of July 31, 2023.

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 7: Property and Equipment

At July 31, 2023 property and equipment consists of the following:

Building	\$	500,270
Membership list		321,142
Equipment		761,341
Land		545,079
Leasehold improvements		1,125,272
Furniture and fixtures		96,754
Digital assets		<u>500,956</u>
Subtotal		3,850,814
Less: Accumulated depreciation		<u>(2,633,589)</u>
Property and Equipment, net	\$	<u><u>1,217,225</u></u>

Depreciation expense for the year ended July 31, 2023 was \$159,905. Included in digital assets are costs related to the development of short films related to the Physicians Committee's exempt purpose. When the films are completed and ready for release, they will be amortized over their estimated useful life.

Note 8: Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

Endowment Fund	\$	1,940,317
Legacies and bequests receivable for general operations		1,147,284
Donations and pledges receivable for general operations		314,546
Clinical Research, Nutrition Education and Research and Regulatory Affairs		<u>751,663</u>
Total	\$	<u><u>4,153,810</u></u>

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 9: Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

Research and Regulatory Affairs	\$ 1,547,526
Endowment	69,732
Expiration of time restrictions	<u>1,947,058</u>
Total	<u>\$ 3,564,316</u>

Note 10: Endowment Funds

Interpretation of Relevant Law

The Physicians Committee has interpreted the District of Columbia's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Physicians Committee to appropriate for expenditure or accumulate so much of an endowment as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor restricted assets until appropriated for expenditure by the Board of Directors.

As a result of this interpretation, the Physicians Committee classifies as permanently-restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment that is not classified in permanently-restricted net assets is classified as temporarily-restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate endowment funds:

- 1) the duration and preservation of the endowment fund;
- 2) the purposes of the Physicians Committee and the endowment fund;
- 3) general economic conditions;
- 4) the possible effect of inflation and deflation;
- 5) the expected total return from income and the appreciation of investments;
- 6) other resources of the Physicians Committee;
- 7) the investment policies of the Physicians Committee

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 10: Endowment Funds, (continued)

Endowment net asset composition by type of fund as of July 31, 2023:

	<u>Net Assets without donor restrictions</u>	<u>Net Assets with donor restrictions</u>	<u>Total</u>
Donor restricted	\$ -	\$ 1,936,468	\$ 1,936,468
Board designated	<u>8,061,360</u>	<u>-</u>	<u>8,061,360</u>
Total funds	<u>\$ 8,061,360</u>	<u>\$ 1,936,468</u>	<u>\$ 9,997,828</u>

Changes in endowment net assets for fiscal year ended July 31, 2023:

	<u>Net Assets without donor restrictions</u>	<u>Net Assets with donor restrictions</u>	<u>Total</u>
Beginning of year	<u>\$ 7,337,169</u>	<u>\$ 1,883,765</u>	<u>\$ 9,220,934</u>
Contributions	600,000	25,713	625,713
Investment return:			
Investment income	162,860	41,533	204,393
Net appreciation	<u>234,187</u>	<u>55,189</u>	<u>289,376</u>
Total endowment income	<u>997,047</u>	<u>122,435</u>	<u>1,119,482</u>
Distributions	<u>(210,083)</u>	<u>(53,909)</u>	<u>(263,992)</u>
Appropriations for expenditures	<u>(62,773)</u>	<u>(15,823)</u>	<u>(78,596)</u>
End of year	<u>\$ 8,061,360</u>	<u>\$ 1,936,468</u>	<u>\$ 9,997,828</u>

The Physicians Committee's endowment consists of money funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 10: Endowment Funds, (continued)

Return Objectives and Risk Parameters

The Physicians Committee has adopted investment and spending policies that enhance the value of the PCRME Endowment and at the same time provide a dependable, growing source of income that will be used to support various programs of the Physicians Committee, all while assuming a moderate level of risk. Total return shall be the method for measuring the performance of the PCRME Endowment. This refers to the combination of income (interest and dividends) and appreciation in value for a certain period of time. The investment objectives are to enhance total return and achieve real growth in the value of the PCRME Endowment. An appropriate share of total return will be distributed to the Physicians Committee and become part of its operating budget, and an appropriate share of total return will remain invested, preserving the future purchasing power of the endowed assets, resulting in real growth in the value of the PCRME Endowment. It is important to note that although real growth will not be attained every year due to market fluctuations, it is expected to be attained over the long run.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Physicians Committee has adopted a policy requiring diversification of investments so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. Monitoring and adjustment of the mix of assets among investments classes will be a major factor in achieving the desired investment return. As a long-term policy guideline the allocation for each asset class shall fall within the following maximum ranges: Equities 70%; Fixed Income Securities 100%; and Cash/Equivalents 20%. The board of directors may from time to time depart from these parameters.

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

To ensure that the PCRME Endowment strikes a balance between meeting Physicians Committee's current and future needs, its spending policy should both provide a stable source of funding that minimizes year-over-year fluctuations in spending, and be responsive to changes in the PCRME Endowment's value and economic conditions.

Thus the PCRME Endowment spending rate will be determined using the following formula:

$$\text{Spending Rate} = 75\% \times (4\%) + 25\% \times (\text{Inflation-adjusted total return})$$

The 25% component has a floor of 0%. The total spending rate is not to exceed 7% and must be approved by the board of directors each year.

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 10: Endowment Funds, (continued)

Annual distributions will be determined by multiplying the Spending Rate x the average market value of the PCRM Endowment for the previous 4 quarters. To facilitate equitable allocation of investment returns, income distribution and expenses among the various funds that participate in and comprise the PCRM Endowment, the Physicians Committee employs unitized fund accounting. Each fund that is part of the PCRM Endowment will receive a distribution per the spending policy, based on participating units assigned to the fund for a given period.

This Endowment Spending Policy is effective for fiscal years 2022 through 2026 (five years in total), and replaces the previous policy which expired in fiscal year 2021. The investment committee will propose a replacement to the board of directors prior to its expiration in 2026.

The spending policy is consistent with the Physicians Committee's objectives to have the Endowment achieve real growth, while at the same time providing a dependable growing source of income to the Physicians Committee's budget.

Note 11: Operating Leases

The Physicians Committee leases office and storage space in Washington, DC.

Effective July 1, 2022, the Physicians Committee entered into the second amendment of their lease arrangement for office space. The amended lease has several conditions that affect the final outcome and ultimately the amount of lease payments over the lease term. Based on current estimates, the new lease is anticipated to end on October 31, 2034, however, it does also contain an option to extend the lease for one 5 year period.

Total right-of-use assets and lease liabilities at July 31, 2023 are as follows:

Operating lease right-of-use asset	<u>\$ 11,129,912</u>
Operating lease liability	
Operating lease liability - current portion	\$ 687,928
Operating lease liability - long-term portion	<u>12,968,993</u>
Total operating lease liability	<u>\$ 13,656,921</u>

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 11: Operating Leases, (continued)

The following table provides quantitative information concerning the Physicians Committee's lease as of July 31, 2023:

Operating lease costs	
Amortization of right-of-use assets	\$ 133,969
Interest on lease liabilities	<u>690,033</u>
 Total Operating Lease Cost	 <u><u>\$ 824,002</u></u>
 Weighted average remaining lease term	 11.25
 Weighted average discount rate	 5%

The Physicians Committee classifies the total undiscounted lease payments that are due in the next 12 months as current. The maturities of lease liabilities as of July 31, 2023 is as follows:

Year ending July 31,	
2024	\$ 1,371,258
2025	1,387,505
2026	1,361,873
2027	1,454,543
2028	1,654,939
Thereafter	<u>11,317,920</u>
Undiscounted cash flows	18,548,038
Less imputed interest	<u>4,891,117</u>
 Total present value	 <u><u>\$ 13,656,921</u></u>

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 12: Allocation of Joint Costs

In the fiscal year ended July 31, 2023, the Physicians Committee conducted activities that included requests for contributions, as well as program and policy components. Those activities consisted of direct mail campaigns. The cost of conducting those activities totaled \$1,502,298. These costs are not specifically attributable to particular components of the activities (joint costs).

These joint costs were allocated as follows by the Physicians Committee:

Research and Regulatory Affairs	\$ 955,089
Development	<u>547,209</u>
Total	<u>\$ 1,502,298</u>

Note 13: Concentration of Credit Risk

The Physicians Committee maintains bank accounts at institutions that are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time the balance in the account may exceed federally insured limits. The Physicians Committee has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash. The amount in excess of the FDIC as of July 31, 2023 was \$755,206.

The Physicians Committee also maintains accounts with a brokerage firm. The accounts contain cash and securities. Balances are insured up to \$500,000 per organization (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation. The SIPC insurance is limited to \$1,000,000 in aggregate given BMC does not have investments. The amount in excess of the Securities Investor Protection Corporation limit as of July 31, 2023 was \$31,244,352. The Physicians Committee monitors the risk and does not anticipate any credit losses and has not experienced any credit losses on these financial instruments.

Note 14: Defined Contribution Pension Plan

The Physicians Committee sponsors a 403(b) or tax sheltered annuity plan and a profit sharing plan for its employees and the employees of its affiliated organizations. Eligible employees may participate in this plan immediately upon employment. Employer matching commences on the quarter following or coinciding with the employees' date of hire. The Physicians Committee matches 50% of the employee's contribution, with a maximum matching contribution of 3% of the employee's gross annual salary. Pension expense for the year ended July 31, 2023 for the Physicians Committee totaled \$191,490.

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 15: Merchandise Sales and Services

The Physicians Committee’s inventory mainly consists of educational materials that help promote the mission of the organization. Service income is generated from nutrition-themed conferences attended by laypersons and health care professionals. In addition, the Physicians Committee charges a fee for services rendered during the Food for Life instructor training program.

Merchandise sales and services presented on the Consolidated Statement of Activities consist of the following:

Sale of services	\$ 437,995
Merchandise sales	63,567
Gross sales and services	501,562
Cost of goods sold	(17,862)
Gross profit from sales and services	\$ 483,700

Note 16: Reconciliation of The PCR Foundation Program Service to the Physicians Committee Consolidating Statement of Activities

As stated in Note 1 of The PCR Foundation’s financial statements, The PCR Foundation was established to support the Physicians Committee and other related charitable organizations. The financial statements of The PCR Foundation are included in the consolidated financial statements of the Physicians Committee for the year ended July 31, 2023.

The activities of The PCR Foundation individually are presented as program expenses, yet when presented in the consolidated financial statements of the Physicians Committee for the year ended July 31, 2023, these activities become supporting activities. In addition, The PCR Foundation does not incur development costs for itself but incurs expenses related to development for the Physicians Committee. These costs are passed through to the Physicians Committee and ultimately eliminated on the consolidated financial statements.

The following presents reclassification of supporting services presented by The PCR Foundation on the Physicians Committee Consolidating Statement of Activities:

Physicians Committee for Responsible Medicine, Inc.
Notes to Consolidated Financial Statements

Note 16: Reconciliation of The PCRM Foundation Program Service to the Physicians Committee Consolidating Statement of Activities, (continued)

The PCRM Foundation expenses as presented individually and consolidated:

	Statement of Activities per The PCRM Foundation Financial Statements	Consolidating Statement of Activities per the Physicians Committee Financial Statements	Difference
Expenses			
Program Services			
Support services	\$ 222,441	\$ -	\$ 222,441
Contributions to supported organizations	1,022,992	1,022,992	-
Supporting Services			
Operational expenses	-	222,441	(222,441)
Total Expenses	<u>\$ 1,245,433</u>	<u>\$ 1,245,433</u>	<u>\$ -</u>

Note 17: Subsequent Events

In accordance with FASB ASC 855-50-1, *Date Through Which Subsequent Events Have been Evaluated*, management has evaluated the accounts of the Organization from July 31, 2023 through January 22, 2024, the date the financial statements were available to be issued, to determine whether there are any subsequent events that would have an impact on the financial statements that have not been properly disclosed. Management has determined there were no significant subsequent events that were not properly disclosed.

Physicians Committee for Responsible Medicine, Inc.
Consolidating Schedule of Financial Position
July 31, 2023

	<u>Assets</u>				
	Physicians Committee for Responsible Medicine, Inc.	The PCRM Foundation	PCRM Clinic D/B/A Barnard Medical Center	Eliminations	Consolidated
Current Assets					
Cash	\$ 863,342	\$ 113,072	\$ 562,629	\$ -	\$ 1,539,043
Investments	10,477,002	7,740,134	-	-	18,217,136
Other receivable, net	380,856	13,638	97,740	(15,444)	476,790
Receivable from legacies and bequests	1,147,284	3,849	-	-	1,151,133
Inventory	84,518	-	-	-	84,518
Prepaid expenses	442,481	4,241	18,250	-	464,972
	<u>13,395,483</u>	<u>7,874,934</u>	<u>678,619</u>	<u>(15,444)</u>	<u>21,933,592</u>
Other Assets, deposits	<u>1,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,914</u>
Noncurrent Assets					
Investments Related to Restricted and Designated Funds	-	9,997,828	-	-	9,997,828
Investments Restricted to Charitable Gift Annuity Obligations	4,029,386	-	-	-	4,029,386
Operating Lease Right-Of-Use Asset, net	11,129,912				11,129,912
Property and Equipment, net	1,085,388	128,914	2,923	-	1,217,225
	<u>16,244,686</u>	<u>10,126,742</u>	<u>2,923</u>	<u>-</u>	<u>26,374,351</u>
Total Assets	<u>\$ 29,642,083</u>	<u>\$ 18,001,676</u>	<u>\$ 681,542</u>	<u>\$ (15,444)</u>	<u>\$ 48,309,857</u>

The accompanying notes are an integral part of the consolidated financial statements

Physicians Committee for Responsible Medicine, Inc.
Consolidating Schedule of Financial Position
July 31, 2023
(continued)

Liabilities and Net Assets

	Physicians Committee for Responsible Medicine, Inc.	The PCRM Foundation	PCRM Clinic D/B/A Barnard Medical Center	Eliminations	Consolidated
Current Liabilities					
Accounts payable and accrued expenses	\$ 1,472,461	\$ 2,819	\$ 110,264	\$ (15,444)	\$ 1,570,100
Operating lease liability - current portion	687,928	-	-	-	687,928
Deferred revenue	309,219	-	-	-	309,219
Current portion of annuities payable	173,409	-	-	-	173,409
Total Current Liabilities	2,643,017	2,819	110,264	(15,444)	2,740,656
Long-term Liabilities					
Annuities payable, net of current portion	1,422,606	-	-	-	1,422,606
Operating lease liability - long-term portion	12,968,993	-	-	-	12,968,993
Total Long-term Liabilities	14,391,599	-	-	-	14,391,599
Total Liabilities	17,034,616	2,819	110,264	(15,444)	17,132,255
Net Assets					
Without donor restrictions	10,393,974	7,997,180	571,278	-	18,962,432
Board designated	-	8,061,360	-	-	8,061,360
Total Net Assets Without Donor Restrictions	10,393,974	16,058,540	571,278	-	27,023,792
With donor restrictions	2,213,493	1,940,317	-	-	4,153,810
Total Net Assets	12,607,467	17,998,857	571,278	-	31,177,602
Total Liabilities and Net Assets	\$ 29,642,083	\$ 18,001,676	\$ 681,542	\$ (15,444)	\$ 48,309,857

The accompanying notes are an integral part of the consolidated financial statements

Physicians Committee for Responsible Medicine, Inc.
Consolidating Schedule of Activities
For the Year Ended July 31, 2023

	Physicians Committee for Responsible Medicine, Inc.	The PCRM Foundation	PCRM Clinic D/B/A Barnard Medical Center	Eliminations	Consolidated
Change in Net Assets Without Donor Restrictions					
Support and Revenue					
Public Support					
Contributions and donations	\$ 9,384,623	\$ 627,465	\$ 886,411	\$ (1,824,302)	\$ 9,074,197
Legacies and bequests	6,803,059	-	-	-	6,803,059
Grant income	725,000	-	-	-	725,000
Net assets released from restrictions:					
Expiration of time restrictions	1,947,058	-	-	-	1,947,058
Satisfaction of purpose restrictions	1,547,526	69,732	-	-	1,617,258
Total Public Support	<u>20,407,266</u>	<u>697,197</u>	<u>886,411</u>	<u>(1,824,302)</u>	<u>20,166,572</u>
Other Revenue					
Medical services	-	-	572,121	-	572,121
Investment income	533,162	391,148	-	-	924,310
Mailing list rental	-	53,040	-	(16,000)	37,040
Rental and other income	601,882	92,806	-	(207,400)	487,288
Merchandise sales and services					
Gross sales and services	551,962	-	45,100	(95,500)	501,562
Cost of goods sold	(17,862)	-	-	-	(17,862)
Total Other Revenue	<u>1,669,144</u>	<u>536,994</u>	<u>617,221</u>	<u>(318,900)</u>	<u>2,504,459</u>
Total Support and Revenue	<u>22,076,410</u>	<u>1,234,191</u>	<u>1,503,632</u>	<u>(2,143,202)</u>	<u>22,671,031</u>
Expenses					
Program Services					
Research and Regulatory Affairs	4,558,240	-	-	(1,121)	4,557,119
Clinical Research	985,896	-	-	(20,839)	965,057
Nutrition Education	3,487,853	-	-	(41,283)	3,446,570
Legal Advocacy	828,497	-	-	(391)	828,106
Education and Policy	1,613,405	1,022,992	-	(1,824,904)	811,493
Medical Services	-	-	1,454,010	(117,052)	1,336,958
Communications	3,505,377	-	-	(2,371)	3,503,006
Total Program Services	<u>14,979,268</u>	<u>1,022,992</u>	<u>1,454,010</u>	<u>(2,007,961)</u>	<u>15,448,309</u>
Supporting Services					
Operational expenses	2,160,370	222,441	95,429	(138,329)	2,339,911
Development expenses	2,703,703	-	-	3,088	2,706,791
Total Supporting Services	<u>4,864,073</u>	<u>222,441</u>	<u>95,429</u>	<u>(135,241)</u>	<u>5,046,702</u>
Total Expenses	<u>19,843,341</u>	<u>1,245,433</u>	<u>1,549,439</u>	<u>(2,143,202)</u>	<u>20,495,011</u>
Change in Net Assets Without Donor Restrictions	<u>2,233,069</u>	<u>(11,242)</u>	<u>(45,807)</u>	<u>-</u>	<u>2,176,020</u>

The accompanying notes are an integral part of the consolidated financial statements

Physicians Committee for Responsible Medicine, Inc.
Consolidating Schedule of Activities
For the Year Ended July 31, 2023
(continued)

	Physicians Committee for Responsible Medicine, Inc.	The PCR Foundation	PCR Clinic D/B/A Barnard Medical Center	Eliminations	Consolidated
Change in Net Assets With Donor Restrictions					
Contributions and donations	1,661,839	25,713	-	-	1,687,552
Legacies and bequests	1,147,284	3,849	-	-	1,151,133
Grant income	-	-	-	-	-
Investment income	-	96,722	-	-	96,722
Net assets released from restrictions:					
Expiration of time restrictions	(1,947,058)	-	-	-	(1,947,058)
Satisfaction of program restrictions.	(1,547,526)	(69,732)	-	-	(1,617,258)
Change in Net Assets With Donor Restrictions	(685,461)	56,552	-	-	(628,909)
Total Change in Net Assets	\$ 1,547,608	\$ 45,310	\$ (45,807)	\$ -	\$ 1,547,111

The accompanying notes are an integral part of the consolidated financial statements