

**Physicians Committee for
Responsible Medicine, Inc.
Consolidated Financial Statements
and Supplementary Information
July 31, 2018**

With Independent Auditors' Report Thereon

PhysiciansCommittee for Responsible Medicine

Physicians Committee for Responsible Medicine, Inc.
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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Physicians Committee for Responsible Medicine, Inc. and affiliates which comprise the consolidated statement of financial position as of July 31, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Physicians Committee for Responsible Medicine, Inc. and affiliates as of July 31, 2018, and the 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedule of functional expenses and the consolidating schedules of financial position and activities on pages 35 through 40 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, 2019

Arthur & Company, Chartered

Physicians Committee for Responsible Medicine, Inc.
Consolidated Statement of Financial Position
July 31, 2018

Assets

Current Assets	
Cash	\$ 1,194,635
Investments	13,418,181
Other receivable, net	287,497
Receivable from legacies and bequests	4,462,756
Inventory	118,356
Prepaid expenses	571,439
Total Current Assets	<u>20,052,864</u>
Other Assets, deposit	5,478
Investments Related to Restricted and Designated Funds	7,945,223
Investments Restricted to Charitable Gift Annuity Obligations	2,436,552
Property and Equipment, net	<u>1,854,270</u>
Total Assets	<u><u>\$32,294,387</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable and accrued expenses	\$ 1,475,990
Deferred revenue	616,968
Current portion of annuities payable	86,828
Current portion of deferred rent credit	11,976
Total Current Liabilities	<u>2,191,762</u>
Long-term Liabilities	
Annuities payable, net of current portion	958,060
Deferred rent credit, net of current portion	76,228
Total Long-term Liabilities	<u>1,034,288</u>
Total Liabilities	<u>3,226,050</u>
Net Assets	
Unrestricted	16,308,953
Unrestricted - board designated	4,440,084
Total Unrestricted	<u>20,749,037</u>
Temporarily restricted	6,668,830
Permanently restricted	<u>1,650,470</u>
Total Net Assets	<u>29,068,337</u>
Total Liabilities and Net Assets	<u><u>\$32,294,387</u></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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Public Support				
Contributions and donations	\$ 7,604,789	\$ 3,887,835	\$ 16,210	\$ 11,508,834
Legacies and bequests	4,775,984	3,434,334	-	8,210,318
Grants	45,120	-	-	45,120
Net assets released from restrictions				
Expiration of time restrictions	2,810,610	(2,810,610)	-	-
Satisfaction of program restrictions	3,196,066	(3,196,066)	-	-
	<u>18,432,569</u>	<u>1,315,493</u>	<u>16,210</u>	<u>19,764,272</u>
Total Public Support	<u>18,432,569</u>	<u>1,315,493</u>	<u>16,210</u>	<u>19,764,272</u>
Other Revenue				
Medical services	435,222	-	-	435,222
Investment income	515,156	110,687	-	625,843
Mailing list rental	67,081	-	-	67,081
Rental and other income	58,954	-	-	58,954
Other revenue	7,718	-	-	7,718
Merchandise sales and services				
Gross sales and services	176,289	-	-	176,289
Cost of goods sold	(12,444)	-	-	(12,444)
	<u>1,247,976</u>	<u>110,687</u>	<u>-</u>	<u>1,358,663</u>
Total Other Revenue	<u>1,247,976</u>	<u>110,687</u>	<u>-</u>	<u>1,358,663</u>
Total Support and Revenue	<u>19,680,545</u>	<u>1,426,180</u>	<u>16,210</u>	<u>21,122,935</u>
Expenses				
Program Services				
Research and Regulatory Affairs	3,221,502	-	-	3,221,502
Clinical Research	1,547,658	-	-	1,547,658
Nutrition Education	2,351,546	-	-	2,351,546
Legal Advocacy	390,227	-	-	390,227
Publications	776,793	-	-	776,793
Education and Policy	927,301	-	-	927,301
Medical Services	1,500,013	-	-	1,500,013
Communications	1,952,909	-	-	1,952,909
	<u>12,667,949</u>	<u>-</u>	<u>-</u>	<u>12,667,949</u>
Total Program Services	<u>\$ 12,667,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,667,949</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, 2018
(continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Supporting Services				
Operational expenses	\$ 1,315,141	\$ -	\$ -	\$ 1,315,141
Development expenses	<u>2,207,980</u>	<u>-</u>	<u>-</u>	<u>2,207,980</u>
Total Supporting Services	<u>3,523,121</u>	<u>-</u>	<u>-</u>	<u>3,523,121</u>
Total Expenses	<u>16,191,070</u>	<u>-</u>	<u>-</u>	<u>16,191,070</u>
Change in Net Assets	3,489,475	1,426,180	16,210	4,931,865
Net Assets, Beginning of Year	<u>17,259,562</u>	<u>5,242,650</u>	<u>1,634,260</u>	<u>24,136,472</u>
Net Assets, End of Year	<u><u>\$ 20,749,037</u></u>	<u><u>\$ 6,668,830</u></u>	<u><u>\$ 1,650,470</u></u>	<u><u>\$ 29,068,337</u></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, 2018

Cash Flows from Operating Activities	
Change in net assets	\$ 4,931,865
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Depreciation	291,786
Realized loss on sale of investments	40,528
Unrealized gain on investments	(284,341)
Loss on disposition of property and equipment	22,521
Donated investments	(1,273,743)
Amortization of bond premium and discount	128,385
Income recognized from deceased annuitant	-
Provision for contractual allowance and uncollectible amounts	-
Change in operating assets and liabilities:	
(Increase) in other receivables	(85,402)
(Increase) in receivable from legacies and bequests	(719,796)
(Increase) in inventory	(62,848)
(Increase) in prepaid expenses	(92,145)
(Increase) in other assets	(12)
Increase in accounts payable and accrued expenses	80,980
Increase in deferred revenue	616,968
Increase in deferred rent credit	5,403
Increase in accrued liabilities	125,322
Increase in accrued expenses	42,205
Net Cash Provided By Operating Activities	<u>3,767,676</u>
Cash Flows from Investing Activities	
Reinvestment of matured securities and purchase of investments	(5,912,100)
Proceeds from sale of investments	2,559,669
Purchase of property and equipment	<u>(468,312)</u>
Net Cash Used In Investing Activities	<u>(3,820,743)</u>
Cash Flows from Financing Activities	
Proceeds from annuity contracts	156,782
Principal payments on annuity contract	<u>(81,598)</u>
Net Cash Provided By Financing Activities	<u>75,184</u>
Increase in Cash	22,117
Cash at Beginning of Year	<u>1,172,518</u>
Cash at End of Year	<u><u>\$ 1,194,635</u></u>
Supplemental Disclosure of Cash Flows Information:	
Interest paid during the year	\$ 43,400
Income taxes paid during the year	<u><u>\$ 1,364</u></u>

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

The Physicians Committee promotes alternatives to animal use in research, testing, and education. The Physicians Committee has a full-time team of physicians, scientists, and research staff raising awareness of the ethical and practical research issues and assisting in the implementation of nonanimal methods in research and education.

The Physicians Committee has been instrumental in eliminating animal use in medical school curricula, trauma training courses, and residencies in North America and abroad. Many medical schools and centers offer postgraduate residency or other specialized courses, and a minority of these programs use animals. The Physicians Committee is working to end the use of animals in these programs, which will improve physician and paramedic training and ensure healthy patient outcomes. We have focused on trauma training and on pediatrics and emergency medicine residencies in the United States and Canada. As a result of our work, only two of the 322 Advanced Trauma Life Support (ATLS) programs continue to use animals. All of the known pediatrics programs in North America teach critical procedures without the use of animals, and of the 246 responsive emergency medicine residency programs, 229 do not use animals to train residents.

The Physicians Committee is leading the way in urging the National Institutes of Health (NIH) to replace the use of animals in diabetes, Alzheimer's disease, and nutrition research. Physicians Committee scientists and physicians meet with NIH leaders, publish scientific reviews and commentaries, and speak at national and international conferences on these subjects. In 2018, it launched two new initiatives to improve scientific research. The first, Early-career Researchers advancing 21st-Century Research (ERA21) provides outreach, advice, collaborative events, and resources to early-career researchers looking to conduct research with human cells, tissues, and other human-relevant models. The second initiative aims to ensure a sustainable supply of high-quality human tissues for scientific research and testing across the United States by partnering with organ procurement organizations, the NIH, and suppliers and users of human tissue to develop guidelines for the handling and treatment of tissues and other programs to accomplish the aim.

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

Note 1: Organization, (continued)

The Physicians Committee is active in efforts to replace, reduce, and refine animal use in chemical testing in the United States and throughout the world. One major aspect of this effort is the Physicians Committee's role as the Secretariat of the International Coalition for Animal Protection in OECD Programmes (ICAPO). The Organization for Economic Cooperation and Development (OECD) is an intergovernmental standard-setting organization that sets harmonized chemical testing guidelines worldwide. The Physicians Committee coordinates the activities of 10 animal protection organizations in North America, Asia, and Western Europe in addressing animal use in global chemical testing programs. In the past year, the Physicians Committee ensured either internal or external animal protection representation on 10 key panels at OECD as invited experts in efforts to replace animals in the assessment of chemical hazards, and we organized ICAPO expert comments on more than eight guidance documents or test guidelines.

Physicians Committee toxicologists also actively promote the recommendations of the National Research Council's (NRC) June 2007 report for the development and implementation of nonanimal-based tests for chemical toxicity. One way in which this work is manifested is in the co-founding and continued support of the American Society for Cellular and Computational Toxicology (ASCCT). The ASCCT, which has more than 900 scientists on its mailing list, just held its seventh annual meeting, attracting senior scientists from government, academia, and industry, as well as student scientists. All were presenting their work on or discussing issues related to predictive toxicology, the discipline that has evolved from efforts stemming from the NRC's 2007 report.

Finally, this year the Physicians Committee provided training opportunities to more than 300 toxicologists in North America in web and in-person sessions describing new test methods or approaches for safety testing of chemicals, pharmaceuticals, and personal care products. In some cases, we have feedback from specific regulators that the training has resulted in increased acceptance of nonanimal test methods. The Physicians Committee also launched the New Approach Methodologies for Use in Regulatory testing (NURA) training series, designed to teach industry scientists how to use nonanimal approaches to assess the potential hazards of new chemicals they design through annual multiday, hands on training events.

Nutrition Education

The Physicians Committee hosts continuing education opportunities for physicians, nurses, dietitians, and other health care professionals aiming to bring nutrition to the forefront of health care and disease prevention. NutritionCME.org now offers up to 50 free, nutrition-focused continuing medical education courses. In FY18, we reached 948 medical professionals who completed 4,203 courses and hope to double this in the coming year with a new six-course series: Fundamentals of Plant-Based Nutrition, in conjunction with a targeted online ad campaign. More than 4,200 continuing education credits were earned by health care providers in FY 2018. The Physicians Committee also hosted our sixth annual live continuing education conference in Washington, D.C., with nearly 1,000 attendees.

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

Note 1: Organization, (continued)

We also offer a yearly course for Food for Life instructors that awards more than 18 continuing education hours for nurses and dietitians, accommodating 25 attendees per session. The Physicians Committee has 265 instructors and 19 Education Alliance Program partners in 43 states, plus the District of Columbia, and 17 countries.

FY 2018 saw 50,217 participants for our Physician Committee's 21-Day Vegan Kickstart program, which promotes a healthful plant-based diet with daily e-mails, tips and recipes, and webcasts with encouragement from celebrity coaches. We offer the program to both English and Spanish speakers with culturally relevant recipes and nutrition education as well as resources in Mandarin and for those of Indian origin. Since launching in 2009, more than half a million people have participated in the 21-day online program with more than 19,000 installs on our mobile version. Launched in 2016, our Spanish mobile expanded our outreach to Spanish speaking countries such as Spain, Argentina, Mexico, and Colombia. An updated version of the program, complete with a new app now available for both Android and iOS, launches in early FY19.

The Physicians Committee creates modules to educate medical and other health care professional students about the role nutrition plays in chronic disease prevention and treatment. In FY 2018, the Physicians Committee sponsored six lunch-and-learn events reaching hundreds of medical and nursing students. We launched the new Nutrition Guide for Clinicians App to bring evidence-based resources to clinicians' fingertips, and reached more than 65,000 via the app. We attended two medical conferences (American Medical Student Association and Student National Medical Association) and reached 700 medical students. The Physicians Committee continues to promote adoption of nutrition curricula via PowerPoints for medical students on different nutrition related topics.

Our work to address the diabetes epidemic among Native Americans continues. In October 2017, we partnered with the office of the president and vice president of the Navajo Nation in Window Rock, Ariz. Twenty-one employees participated in a successful four-week plant-based eating challenge that saw the vice president extend the challenge for his staff for an additional 12 weeks. Weekly meetings, support materials, and success stories led to an invitation to the Physicians Committee to partner with the Tsehootsooi Medical Center in Fort Defiance, Ariz. In December 2017, we provided plant-based training to 18 cafeteria cooks responsible for preparing 1,000 meals a day. In January, this team offered an employee challenge at the hospital and signed up 50 employees within an hour. Weekly meetings offered opportunities for education and support. Participants recorded weight loss and improvements in blood pressure, blood sugar, and cholesterol. This hospital's cafeteria now offers plant-based meals daily. These efforts were recognized by an article published in the *Journal of Hospital Food Service* in the spring, and a presentation and materials for 200 attendees at the Association of American Indian Physicians in July.

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

Note 1: Organization, (continued)

The Physicians Committee promotes plant-based options in school cafeterias around the country through various channels. HealthySchoolLunches.org offers free resources to assist schools in integrating plant-based meals into the lunch line. In FY 18, we hosted two webinars for food service professionals on the benefits of beans and the risks of dairy. Austin Independent School District was celebrated as the latest recipient of our grant-based Golden Carrot Award for promoting healthful menu options and nutrition education.

The Physicians Committee also works to promote the removal of processed meat from school lunches through distribution of our toolkit and supporting policy initiatives. A New York City resolution to remove processed meat from school lunches saw strong engagement from action alerts and received 18 co-signers with a scheduled hearing from a key council member to occur in fall 2018. The American Medical Association also amended a resolution on racial bias which highlighted the overemphasis of milk in school lunch programming and encouraged the U.S. Department of Agriculture (USDA) to make meat and dairy optional in school meals.

The Physicians Committee works with plant-based leaders in various cities across the nation to further reach their communities. In FY 2018, we visited Detroit, Mich., and St. Louis, Mo., where we partnered with local experts who actively promote plant-based nutrition in their communities. We highlighted them in the media, on billboards, and across several events including a community health fest, *Forks Over Knives* screening, grand rounds in a hospital, Food for Life classes, and lunch-and-learn sessions for medical students. We reached laypersons, medical professionals, and city officials with the aim to remove barriers to nutrition education and long-term support.

The Physicians Committee's programs in China and India work to decrease rising chronic disease rates with nutrition education. In FY 2018, Physicians Committee India program specialist, Zeeshan Ali, Ph.D., conducted two tours in India, screening *Forks Over Knives* in November 2017 and lecturing in medical schools in July 2018. The November events showed the power of a plant-based diet for diabetes prevention and reversal. The July events focused on nutrition education among medical students to use plant-based nutrition diabetes and heart disease prevention and treatment. Together the two tours reached 3,000 people across seven cities. Indian actress Mallika Sherawat supported the tour with two billboards in Mumbai. The tour received coverage across Hindi and English daily newspapers and national television.

Our China program specialist reached 34,000 people in his lecture tours in FY18. Survey results show that 73 percent of those surveyed are making dietary changes as a direct result of our lecture tour, with 24 percent already being vegan. And the great majority of those who answered the survey agreed or strongly agreed that low fat vegan diet is the optimal diet for health. These tours included more than 800 presentations to more than 110,000 people in 133 cities.

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

Note 1: Organization, (continued)

The Physicians Committee worked with external experts in academia and medical professionals, as well as advocates in other nonprofits organizations, to advocate for improvements to the Supplementary Nutrition Assistance Program (SNAP) during the 2018 reauthorization. These improvements would reduce rates of diet-related disease among economically disadvantaged Americans who rely on the program. Because of our advocacy, the Republican Study Committee (RSC), a caucus of 154 members of Congress, called for SNAP prioritizing healthful foods in their annual budget report. Congressman Tom McClintock (R-CA), in the leadership of the RSC, introduced legislation to do this. In addition, on SNAP, we worked with Congressman Matt Cartwright's (D-PA) office to push a bill that would create incentives for purchasing fruits and vegetables.

The Physicians Committee contracted with another nonprofit and registered lobbyists in California to advocate for legislation that would alert people to the cancer-causing effect of consuming processed meat and to remove processed meat from the menus of hospitals, prisons, and schools, as well as require the availability of a plant-based option. As a result, Sen. Ricardo Lara introduced a resolution to push the California regulator to list processed meat as a carcinogen under Proposition 65, based on the categorization of processed meats as a group 1 carcinogen by the World Health Organization. Sen. Nancy Skinner introduced legislation to require availability of plant-based meals at hospitals and prisons, a bill subsequently passed and signed into law.

Communications

Working with physicians, health experts, and celebrities who serve as spokespersons, we aim to inform, persuade, and inspire readers through strategic media relations, public relations, digital communications, content generation, social media, celebrity engagement, and advertisements. In the past year, our work was featured and referenced in traditional news outlets, including the *New York Times*, *USA Today*, the *Washington Post*, *Chicago Tribune*, *Los Angeles Times*, *Houston Chronicle*, *Seattle Times*, *Baltimore Sun*, *U.S. News and World Report*, *Orlando Sentinel*, Live Science, and *Miami Herald*. Our message has been reported by wires including the Associated Press and Reuters; Capitol Hill papers including *Politico* and the *Hill*; and covered by major television networks including ABC News and CNBC. International outlets such as the *Daily Mail* and the *Toronto Star* have covered our campaigns. Each month, we reach a potential audience of 224 million readers by appearing in an average of 140 news outlets. We further amplify this coverage on social media to empower our followers to make lasting health changes. Our social media content has created conversations daily among more than 1.2 million followers on 11 social media accounts. In 2018, we launched the Exam Room podcast which has reached about 1 million people. These communications combined have reached hundreds of millions of people around the globe. On our websites, we post news about our peer-reviewed medical studies, our medical perspective on cultural commentary, our recommendations to strengthen scientific research standards, and expert-authored consumer health tips. In FY 2018, the Physicians Committee's websites received about 4 million visitors and 10.5 million page views.

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

Note 1: Organization, (continued)

Clinical Research

The Physicians Committee designs and conducts clinical health and nutrition research studies, with the goal of motivating more attention in diet and prevention among health care workers, medical researchers, policymakers, and patients.

The paper entitled ‘A Plant-Based Dietary Intervention Improves Beta-Cell Function and Insulin Resistance in Overweight Adults: A 16-Week Randomized Clinical Trial,’ published in *Nutrients* by the Physicians Committee research staff and colleagues, showed that a plant-based diet may improve beta-cell function and insulin resistance in people with excessive body weight, thus preventing the development of diabetes. This study demonstrates the potential of plant-based diets for the prevention and treatment of diabetes and may influence the dietary recommendations.

A Physicians Committee researcher co-authored a systematic review and meta-analysis on portfolio dietary patterns and cardiovascular disease, published in *Progress in Cardiovascular Diseases*, showing that a combination of several plant food components may reduce blood lipids as effectively as a statin. This paper highlights the usefulness of plant-based diets for people with elevated blood lipids.

The Physicians Committee published a letter to the editor of the *Lancet*, exposing the methodological issues in the PURE study that was trying to prove that eating carbohydrates increases mortality. We showed that increased mortality linked to carbohydrate consumption in the PURE study reflected poverty-related factors like inadequate food availability, poorly ventilated cookstoves, pollution, and limited health care access. The same study showed that eating carbohydrate-rich foods like fruits, vegetables, and legumes was linked to decreased total mortality, further suggesting that refined carbohydrate consumption was a proxy for poverty. Therefore, escaping poverty, accessing medical care, and eating fruits, vegetables, and legumes, all decrease total mortality, both cardiovascular and non-cardiovascular.

A paper in *Nutrients* by the Physicians Committee research staff and colleagues showed that a plant-based diet may prevent almost half of the cardiometabolic deaths in the United States, thus restoring the people’s health, but also saving a lot of money spent each year for the treatment of these cardiometabolic diseases.

Another paper by the Physicians Committee research staff, entitled ‘Vegetarian Dietary Patterns and Cardiovascular Disease,’ published in *Progress in Cardiovascular Diseases*, showed the practical implementation of the research and suggested the use of vegetarian diets in the prevention and treatment of cardiovascular disease.

A Physicians Committee researcher co-authored a systematic review and meta-analysis on vegetarian dietary patterns and cardiometabolic risk factors in diabetes, published in *Clinical Nutrition*. People with diabetes have a four- to five- times higher risk of dying from heart disease compared with people without diabetes. Therefore, people with diabetes can benefit from eating a vegetarian diet even more than the general population.

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

Note 1: Organization, (continued)

Our current randomized clinical trial testing the ability of a low-fat plant-based diet to increase metabolism after a meal will attempt to explain some of the mechanisms responsible for the beneficial effects of plant-based diets on body weight. Using indirect calorimetry, we are measuring metabolism of overweight and/or obese participants in the fasting state, and then for three hours after a standard meal. Dual-energy X-ray absorptiometry (DXA) is used to assess detailed body composition. The participants' insulin sensitivity and glucose metabolism is also tested. A subset of participants gets an MRI spectroscopy to measure the fat content in the liver and muscle cells. All these test are performed at baseline and after 16 weeks of a low-fat vegan versus control diet. Two hundred and seven participants completed the study so far, and another 21 participants were enrolled and started the study. This study will help elucidate the mechanisms of insulin-sensitizing effects of a low-fat vegan diet.

We are currently conducting a randomized crossover trial, exploring the power of a plant-based diet to reduce pain and inflammation in rheumatoid arthritis. Patients with rheumatoid arthritis switch to a plant-based diet for 16 weeks. A rheumatologist assesses the changes in their joint pain and inflammation. Ten participants are currently going through the study. This study will show how much can be achieved through diet to relieve the rheumatoid arthritis symptoms.

Our goal is to build upon the body of knowledge of the value of plant-based diets and generate wider acceptance amongst the medical and scientific communities, policymakers, and the press, of the power of plant-based diets to prevent and treat disease.

Legal Advocacy

Through litigation and petitions, the Physicians Committee's legal team promotes better health and compassionate research practices.

During the fiscal year, the Physicians Committee filed petitions with USDA and the Department of Health and Human Services challenging the promotion of dairy-based formula over breast milk and with the Federal Trade Commission challenging deceptive advertisements claiming that beef benefits heart health. The Physicians Committee also submitted regulatory comments opposing proposals by USDA to prohibit the use of the term "milk" on plant-based products; challenging a proposal by USDA to allow animal research facilities to be inspected by private organizations rather than the government; opposing beef industry efforts to ban the use of the term "meat" on plant-based products; and against an effort by the egg industry to change the definition of "healthy" to increase its profits.

In light of the World Health Organization's determination that processed meat is a carcinogen, the Physicians Committee continued to urge the California Office of Environmental Health Hazard Assessment to list processed meat as a carcinogen in accordance with state law. The Physicians Committee also continued its lawsuit seeking to remove processed meat from the menus in California public schools, which serve an average of 3 million lunches to school children each day. Regarding nutrition in general, the Physicians Committee petitioned USDA to update its food diagram, which plays a significant role in federal nutrition recommendations.

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

Note 1: Organization, (continued)

The Physicians Committee routinely uses federal and state open government laws to obtain documents detailing unethical animal experiments at public institutions or the federal government's promotion of unhealthful food products. The Physicians Committee uses these documents to educate the public. When necessary, the Physicians Committee sues public institutions that refuse to disclose such documents, such as a recently concluded lawsuit against the USDA over commodity promotion documents related to food recommendations for infants. The Physicians Committee is also a party in two lawsuits against USDA over documents related to the agency's enforcement of the Animal Welfare Act, which regulates the care and use of animals in thousands of nationwide locations, including research facilities and medical training institutions.

Publications

The publications department supports the Physicians Committee's nutrition and research ethics educational efforts through the design and production of print and electronic materials. In FY 2018, the department completed approximately 382 separately tracked projects. These projects included the *Nutrition Guide for Clinicians* app, ads, fact sheets, brochures, postcards, educational diagrams, posters, billboards, fliers, program booklets, event signage, stationery, program logos, web pages, infographics, and social media graphics. Supported projects included the 2018 International Conference on Nutrition in Medicine, demonstrations at universities and medical centers, Food for Life instructor support, scientific conferences (academic posters), diabetes education curriculum, school nutrition education, Native American diabetes education materials, Capitol Hill events, Kickstart Intensive, Vegan This! events, the Barnard Medical Center, and toxicology education and websites.

Good Medicine, the Physicians Committee's 24-page magazine, keeps members informed and involved. Four issues of *Good Medicine* were published in FY 2018. Total print distribution was 323,600. The magazine also appears in electronic format on our website.

The publications department provided design support for the development of the new Physicians Committee website.

Education and Policy

Dr. Barnard reached thousands of people through his presentations and community events. With the release of his latest books, *Dr. Neal Barnard's Program for Reversing Diabetes 2nd Edition* and the accompanying cookbook, *Dr. Neal Barnard's Cookbook for Reversing Diabetes*, Dr. Barnard highlighted his groundbreaking findings about the impact of diet on diabetes. He explains how nutritional interventions have shown surprising power in both the prevention and management of type 2 diabetes. He spoke on this topic when expanding his outreach to medical professionals and medical students. He presented at grand rounds lectures, continuing medical education (CME) presentations, and medical student lunch-and-learn lectures. He incorporated his diabetes research to reach many more communities like Detroit, Mich., and St. Louis, Mo., through the Physicians Committee's nutrition initiative "10 Cities" and through other vegetarian festivals and conferences in Claverack, N.Y.,

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

Note 1: Organization, (continued)

Pittsburgh, Pa., aboard the Holistic Holiday at Sea Cruise, Milpitas, Calif., Milan, Italy, Vatican City, Rome, and here in Washington D.C.

Dr. Barnard also presents on topics ranging from general nutrition to diabetes, obesity, and other chronic diseases. In the past year, he presented at the Montefiore Preventative Cardiology conference in New York City, Loma Linda's International Congress on Vegetarian Nutrition, Florida South Western State College and Florida Atlantic University in Fort Myers, the American College of Cardiology Conference in Orlando, the Mayo Clinic in Rochester, Vegmed in Berlin, and Hofstra University in New York.

The Physicians Committee advocates for reforms in federal, state, and local policies related to nutrition education for health care providers, dietary guidelines, agriculture and nutrition policy, toxicology testing, and medical research and education. The Physicians Committee team conducts outreach to legislators, policymakers, stakeholders, and the public through events, meetings, informational materials, and online advocacy.

The Physicians Committee worked with external experts in academia and medical professionals, as well as advocates in other nonprofits organizations, to advocate for improvements to the Supplementary Nutrition Assistance Program (SNAP) during the 2018 reauthorization. These improvements would reduce rates of diet-related disease among economically disadvantaged Americans who rely on the program. Because of our advocacy the Republican Study Committee (RSC), a caucus of 154 members of Congress, called for SNAP prioritizing healthful foods in their annual budget report. Congressmen Tom McClintock (R-CA), in the leadership of the RSC, introduced legislation to do this. In addition, on SNAP, we worked with Congressman Matt Cartwright's (D-PA) office to push a bill that would create incentives for purchasing fruits and vegetables.

The Physicians Committee contracted with another nonprofit and registered lobbyists in California to advocate for legislation that would alert people to the cancer-causing effect of consuming processed meats and to remove processed meats from the menus of hospitals, prisons, and schools, as well as require a plant-based option be available. As a result, Sen. Ricardo Lara introduced a resolution to push the California regulator to list processed meats as a carcinogen under Proposition 65, based on the categorization of processed meats as a group 1 carcinogen by the World Health Organization. In addition, Sen. Nancy Skinner introduced legislation to require plant-based meals be available at hospitals and prisons, a bill which was subsequently passed and signed into law.

The Physicians Committee conducts activities to encourage the funding, development, and implementation by federal and state legislatures and agencies of human-relevant, nonanimal test methods for chemical, product, and drug safety. In 2018 it supported two bills in the California legislature in this regard. The first, the California Cruelty-Free Cosmetics Act, prohibits the sale of cosmetics in California that have been tested on animals, or that contain ingredients that have been tested on animals, after Jan. 1, 2020. Along with other nonprofit and registered lobbyist partners, the Physicians Committee created supporting materials, engaged cosmetics companies, celebrities, and influential legislators to support the bill, held events, and organized a letter-writing campaign. As a result of these efforts tens of

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

Note 1: Organization, (continued)

thousands of Californians wrote and called their legislators, and the bill made its way to through the legislature and was signed by the governor in September. The bill requires ingredient and final cosmetics product companies to substantiate the safety of their products using nonanimal, human-relevant test methods, ensuring more humane and safer cosmetics for consumers across the United States.

The second bill would have replaced the use of live fish as a way to designate waste as hazardous in California, an expensive and lethal practice for tens of thousands of fish every year. After the bill passed both houses of the legislature, Gov. Jerry Brown vetoed the legislation, but left open the possibility for continued work with the state regulatory agency responsible for the regulations.

The societal impact of Alzheimer's disease is significant and growing each year. Despite billions of dollars in research funding there is still no successful treatment available. In order to encourage the National Institutes of Health to fund new lines of research to help prevent and cure this disease, the Physicians Committee gives expert testimony to the National Alzheimer's Prevention Act Council, an advisory body charged with influencing the NIH's funding priorities. After two years of testimony, recommendations by the NAPA Council to include more clinical- and patient-focused research have grown. In September 2018, it held a congressional briefing featuring speakers from Johns Hopkins University, African Americans Against Alzheimer's Disease, the University of Texas at San Antonio, and more. The briefing educated congressional health staffers on the need to shift research funding away from animal experiments and towards more human-relevant lines of inquiry. Direct outreach and educational efforts at federal agencies and international bodies, including NIH, the Food and Drug Administration, and the OECD has led to changes in regulations and guidance which reduce and replace animal tests with more human-relevant and scientifically advanced methods.

The Physicians Committee's 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 ethics in research and education. All of our literature is available to be downloaded for free, or color hard copies can be purchased individually and in themed kits at a nominal cost. In fiscal year 2018, more than 500,000 pieces of literature were downloaded from our website, and we fulfilled more than 1,000 physical orders of 87,814 pieces of literature and merchandise (books, DVDs, educational posters, etc.) to locations around the globe. Our *Vegetarian Starter Kit* continues to be our most popular publication, and we added two new diabetes-focused books by Dr. Neal Barnard to our offering. We are continuing to specifically reach out to physicians and health care professionals to introduce them to our patient education resources including our waiting room literature kits. The fulfillment operation supports the work of other departments by supplying literature and merchandise for special events and Food for Life nutrition classes in communities across the country. In fiscal year 2018, we gathered and shipped supplies for more than 125 outreach events.

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

Note 1: Organization, (continued)

Medical Services

PCRM Clinic d/b/a Barnard Medical Center (BMC) is a primary care facility providing whole body care for adults. Along with providing primary care needs, the clinicians at BMC also offer top-notch specialized care to patients with diabetes, obesity, hypertension, lipid disorders, heart disease, arthritis and migraines through nutrition and prevention. BMC offers consultation, annual exams, 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. BMC offers free 12-week nutrition classes to patients and their families to help provide support and to help guide patients with lifestyle changes. The registered dietitians who facilitate discussions host these 12-week nutrition classes and provide nutrition education and tips on how to manage chronic diseases.

Along with serving communities within Washington, D.C., BMC helps the patients of Maryland and Virginia. BMC accepts all major insurance plans along with seeing patients without insurance. BMC offers a sliding fee scale for patients who qualify for financial assistance. Since the opening of the medical center in January 2016, BMC has had more than 8,592 appointments. Along with providing nutrition education to patients and families, BMC also offers educational opportunities for future clinicians. BMC's physicians current hold faculty appointments at George Washington University School of Medicine and the Uniformed Services University of the Health Sciences (USUHS). BMC's medical director has provided multiple lectures and speaking engagements at USUHS to educate students and residents on how to integrate nutrition in medicine. BMC currently offers rotation programs for students and medical residents and has had more than 17 domestic and international participants rotate through the clinic since January 2018.

BMC clinicians provide nutritional advocacy for the Physicians Committee (controlling organization). They present at national and international medical conferences, such as the American College of Lifestyle Medicine, International Conference on Nutrition in Medicine in Washington, D.C., International Plant-Based Nutrition Healthcare Conference, Medical School Speaking Tour in India, Nutrition Education Lecture at Uniformed Services University of the Health Sciences (USUHS), Kick Start your Health Rochester, and 10 Cities Nutrition Tour in St. Louis.

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

Note 1: Organization, (continued)

BMC offers a robust community outreach program to provide nutrition and lifestyle education to the community. Though BMC primarily serves the Friendship Heights, Chevy Chase, Bethesda, and Tenleytown neighborhoods, in the past year, BMC has expanded its outreach efforts to communities in Maryland and Northern Virginia. BMC's physicians, nurse practitioners, and registered dietitians spoke and tabled at many community health fairs, hospitals, and lunch-and-learn programs. Some of these events include the Georgetown Health Fair, MedStar Georgetown University Hospital, the Physicians Committee's Leadership Summit, Washington D.C., Green Fare, the Uniformed Services University of the Health Sciences, Unity Health, NBC 4 Health and Fitness Expo, Sligo Seventh-day Adventist Church, American University, Capitol Hill Village, and The United States Securities and Exchange Commission.

Note 2: Summary of Significant Accounting Policies

Consolidated Financial Statements

The accompanying 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.

Basis of Presentation

The Physicians Committee follows the Not-for-Profit Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). Under this topic, the Physicians Committee is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The net assets are reported as follows:

Unrestricted

Unrestricted net assets are net assets that are neither temporarily restricted nor permanently restricted by donor-imposed stipulations. Certain unrestricted net assets have been internally designated by the Physicians Committee for use in its "Critical Action Fund."

Temporarily Restricted

The Physicians Committee reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Net assets are released from restrictions when the donor-specified purpose or time restriction is met.

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

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

Permanently Restricted

The Physicians Committee reports gifts of cash as permanently restricted support if they are received with donor stipulations that the corpus shall remain intact in perpetuity. The corpus of these donations is invested and the earnings are recorded in temporarily restricted funds until utilized for the intended purpose. When the donor's purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated value at the date of receipt. If the donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of materials and equipment are recorded as unrestricted support. During the fiscal year ended July 31, 2018, the Physicians Committee received donated materials and advertising, with a calculated fair market value of \$426,941.

The organization recognizes contributed services 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 fiscal year ended July 31, 2018, the Physicians Committee received donated services, with a calculated fair market value of \$205,000. This amount has been recorded in accordance with FASB ASC 958-605-25-16, Contributed Services, as contributions and salary expense in the period rendered.

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.

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.

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

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

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.

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 PCRM 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 statement of financial position.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been either directly charged to the programs and supporting services as incurred or allocated based on usage.

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, 2018, 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 temporarily restricted support, which increases the temporarily restricted net asset class. Unconditional promises to give are recorded at their net realizable value.

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.

Tax-Exempt Status

The Physicians Committee is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Income determined to be from unrelated business income is taxable and to the extent it culminates in taxes due, a provision for income taxes will be provided.

At July 31, 2018, and for the year then ended, there were no material unrecognized/derecognized tax benefits or tax penalties or interest. No provision for income taxes has been made in the accompanying financial statements. At July 31, 2018, the tax filings that are subject to possible examination by major tax jurisdictions are for the years ended July 31, 2017, 2016 and 2015.

In general, when tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority.

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

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

The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets, along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Physicians Committee has determined that no such liabilities were required at July 31, 2018.

Recent accounting pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958), which supersedes the existing accounting standards for presentation of financial statements. This ASU changes the presentation of the financial statements for the net assets. Net assets will be presented in two categories; net assets with donor restrictions and net assets without donor restrictions. The ASU also requires additional disclosure about amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits of the use of resources without donor-imposed restrictions as of the end of the period. Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.

Qualitative information that communicates how the organization manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date. Quantitative information that communicates the availability of the organization's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet.

Present amount of expenses both by their natural classification and their functional classification. Disclosure of method used to allocate costs among program and support functions.

Reporting of any underwater endowment funds, including policy and any actions taken during the period, aggregate value of such funds, aggregate value of the original gift amount, and the aggregate amount by which the funds are underwater, which are to be classified as part of net assets with donor restrictions.

Report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses.

Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption.

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

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

Recent accounting pronouncements, (continued)

The new standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Physicians Committee is currently evaluating the potential effects on its financial statements as well as its accounting policies and procedures. The Physicians Committee has not elected for early application of the new standards.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the existing accounting standards for revenue recognition. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, resulting in a one-year deferral of the effective date of ASU No. 2014-09, which will become effective for the Organization on August 1, 2019. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 defines a five step process to achieve this principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each performance obligation.

The new standard permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of applying the guidance recognized at the date of initial application (the modified retrospective method). The Physicians Committee is currently evaluating the potential effects on its financial statements as well as its accounting policies and procedures. The Physicians Committee has not selected a transition method for adoption nor determined the potential effects on its financial statements.

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 new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Physicians Committee currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized in the statement of financial position in amounts that will be material.

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

Note 3: 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 uncollectible amounts, 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.

Patient receivables are reduced by reserves for contractual 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 allowance.

Other receivables are comprised of the following as of July 31, 2018:

Accrued donations	\$ 75,689
Miscellaneous receivables	198,805
Patient accounts receivable	<u>44,438</u>
Subtotal	318,932
Less: Contractual allowance and uncollectible amounts	<u>(31,435)</u>
Other receivable, net	<u><u>\$ 287,497</u></u>

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

Note 4: Investments

Investments are comprised of the following as of July 31, 2018:

	Other	Endowment	Total
Money funds	\$ 5,283,493	\$ 197,999	\$ 5,481,492
Equity securities	978,657	3,402,704	4,381,361
Debt securities	6,624,554	1,267,394	7,891,948
Mutual funds - equities	387,720	1,237,668	1,625,388
Mutual funds - fixed income	139,286	497,335	636,621
Exchange traded funds	126,970	341,939	468,909
Limited partnership interest	120,278	-	120,278
Certificates of deposit	3,181,835	-	3,181,835
Cash surrender of life insurance policy	12,124	-	12,124
Total	\$ 16,854,917	\$ 6,945,039	\$ 23,799,956
Less: Investments restricted to investment in building (see Note 6)	-	710,078	710,078
Less: Investments restricted to charitable gift annuity obligations	2,436,553	-	2,436,553
Total	<u>\$ 14,418,364</u>	<u>\$ 6,234,961</u>	<u>\$ 20,653,325</u>

Realized and unrealized gains and losses are included in the statement of activities as part of investment income. The following summarizes the investment return for the year ended July 31, 2018:

	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Total
Interest and dividend income	\$ 214,119	\$ 123,634	\$ 42,689	\$ 380,442
Net realized (loss) gain on investments	(46,059)	4,109	1,422	(40,528)
Net unrealized gain on investments	27,335	190,615	66,391	284,341
Other investment income	1,588	-	-	1,588
Investment return	<u>\$ 196,983</u>	<u>\$ 318,358</u>	<u>\$ 110,502</u>	<u>\$ 625,843</u>

As of July 31, 2018, investment advisory fees in the amount of 88,745 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.

Note 5: 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.

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

Note 5: Fair Value Measurements, (continued)

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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money funds	\$ 5,481,492	\$ -	\$ -	\$ 5,481,492
Equity securities	4,381,361	-	-	4,381,361
Debt securities	7,891,948	-	-	7,891,948
Mutual funds - equities	1,625,388	-	-	1,625,388
Mutual funds - fixed income	636,621	-	-	636,621
Exchange traded funds	468,909	-	-	468,909
Certificates of deposit	3,181,835	-	-	3,181,835
Cash surrender of life insurance policy	-	12,124	-	12,124
Limited partnership interest	-	-	120,278	120,278
Total	<u>\$ 23,667,554</u>	<u>\$ 12,124</u>	<u>\$ 120,278</u>	<u>\$ 23,799,956</u>

Investments included in Level 3 consist of a limited partnership and limited liability company. The limited partnership was passed through to the Physicians Committee by way of an estate. The valued 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 are 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, 2018.

The following is a rollforward of the financial instruments classified by the Physicians Committee within Level 3 of the fair value hierarchy:

	<u>Level 3</u> <u>Investments</u>
Fair value, August 1, 2017	\$ 120,278
Purchase of investment	-
Unrealized gain or (loss)	<u>-</u>
Fair value, July 31, 2018	<u>\$ 120,278</u>

Note 6: Investment Restricted to Investment in Building

In December of 2001 and January of 2003 the Physicians Committee received proceeds of a foundation bequest in the amount of \$1,660,331. A final distribution of \$18,182 was received in January of 2013. As a result of this bequest, the Physicians Committee has created an endowment which shall have a life expectancy of 20 years from each receipt unless certain events occur. Events that would allow the endowment to terminate sooner than 20 years would be acquiring a new building or renovating an existing building and such

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

Note 6: Investment Restricted to Investment in Building, (continued)

building would be designated with the name of the donor. In accordance with all the terms of the bequest, income from the endowment (see Note 10) shall be used solely and exclusively for the charitable purpose of the Physicians Committee. During the fiscal year ended July 31, 2008, the Physicians Committee acquired The Constance Matheson Baker Residence for Responsible Medicine at a cost of \$1,028,718. This residence satisfied a portion of the endowment restriction. As of July 31, 2018, the restricted balance totals \$710,078. The endowment's life has just over 3 years remaining unless events occur to cause an earlier termination.

On June 28, 2018, the Physicians Committee received a restricted donation for their building fund of \$1,000,000. These funds were contributed to The Foundation along with the related donor restrictions. The donor indicated the funds are to be invested in United States treasury debt. The donor also indicated that if an owner-occupied building is not purchased within three years the gift and earned interest can be used for general operating expenses. As of July 31, 2018, the restricted donation had earned \$184 of interest income which is included as part of the temporarily restricted income and net assets.

Note 7: Property and Equipment

At July 31, 2018 property and equipment consists of the following:

Building	\$ 500,270
Membership list	321,142
Equipment	843,780
Land	545,079
Leasehold improvements	1,040,222
Furniture and fixtures	95,468
Digital assets	<u>101,605</u>
Subtotal	3,447,566
Less: Accumulated depreciation	<u>1,593,296</u>
Property and Equipment, net	<u><u>\$ 1,854,270</u></u>

Depreciation expense for the year ended July 31, 2018 was \$291,786.

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

Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Investment in building (See Note 6)	\$ 710,078
Endowment Fund	144,407
Subtotal (See Note 10)	<u>854,485</u>
Legacies and bequests receivable for general operations	4,462,756
Donations	1,000,184
Grants and pledges receivable for general operations	66,367
Clinical Research, Nutrition Education and Research and Regulatory Affairs	<u>285,038</u>
Total	<u><u>\$ 6,668,830</u></u>

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	\$ 3,088,063
Endowment	108,003
Expiration of time restrictions	<u>2,810,609</u>
Total	<u><u>\$ 6,006,675</u></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 the Foundation 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

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

Note 10: Endowment Funds, (continued)

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.

Endowment net asset composition by type of fund as of July 31, 2018:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor Restricted	\$ -	\$ 854,485	\$ 1,650,470	\$ 2,504,955
Board-designated	<u>4,440,084</u>	<u>-</u>	<u>-</u>	<u>4,440,084</u>
Total funds	<u>\$ 4,440,084</u>	<u>\$ 854,485</u>	<u>\$ 1,650,470</u>	<u>\$ 6,945,039</u>

Changes in endowment net assets for fiscal year ended July 31, 2018:

	<u>Unrestricted board designated</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Beginning of year	<u>\$ 4,437,595</u>	<u>\$ 851,985</u>	<u>\$ 1,634,260</u>	<u>\$ 6,923,840</u>
Contributions	-	-	16,210	16,210
Investment return:				
Investment income	123,634	42,689	-	166,323
Net Appreciation (Depreciation) (Realized and Unrealized)	<u>194,723</u>	<u>67,814</u>	<u>-</u>	<u>262,537</u>
Total endowment income	318,357	110,503	16,210	445,070
Distributions	(265,647)	(90,644)	-	(356,291)
Appropriations for expenditures	<u>(50,221)</u>	<u>(17,359)</u>	<u>-</u>	<u>(67,580)</u>
End of year	<u>\$ 4,440,084</u>	<u>\$ 854,485</u>	<u>\$ 1,650,470</u>	<u>\$ 6,945,039</u>

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

Note 10: Endowment Funds, (continued)

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.

Return Objectives and Risk Parameters

The Physicians Committee has adopted investment and spending policies that enhance the value of the PCRM 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 PCRM 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 PCRM 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 PCRM 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 Foundation 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 PCRM 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 PCRM Endowment's value and economic conditions.

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

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

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

Note 10: Endowment Funds, (continued)

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.

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 Foundation 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 2017 through 2021 (five years in total), and replaces the previous policy which expired in fiscal year 2016. The investment committee will propose a replacement to the board of directors prior to its expiration in 2022. 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: Leases

Operating Leases

The Physicians Committee leases office and storage space in Washington, DC. The lease was amended in September of 2016, extending it for another year, and is now set to expire in July 2021. Although the Physicians Committee assumed the lease agreement during 2011 from The PCRM Foundation, the Foundation still maintains ultimate responsibility for the lease through the end of the lease term which will be July 21, 2021.

The Physicians Committee leases photocopying equipment which began in April 2018. As part of the lease agreement, the Physicians Committee will make payments of \$1,711 per month through the end of the lease term which is March 2023.

The Physicians Committee leases data storage and data backup equipment with an off-site vendor which began in January 2018. As part of the lease agreement, the Physicians Committee will make payments of \$2,111 per month through the end of the lease term which is December 2018.

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

Note 11: Leases, (continued)

Total rent expense pertaining to space and equipment for the year ended July 31, 2018 was \$671,470. Future minimum lease payments under noncancelable leases having remaining terms in excess of 1 year as of July 31, 2018 are as follows:

July 31, 2019	\$ 680,451
July 31, 2020	687,755
July 31, 2021	687,182
July 31, 2022	20,536
July 31, 2023	<u>13,690</u>
Total	<u><u>\$ 2,089,614</u></u>

Note 12: Allocation of Joint Costs

In the fiscal year ended July 31, 2018, 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 \$1,205,453. 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	\$ 826,693
Development	<u>378,760</u>
Total	<u><u>\$ 1,205,453</u></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, 2018 was \$585,028.

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, 2018 was \$22,667,554. The Physicians Committee monitors the risk, and does not anticipate any credit losses and has not experienced any credit losses on these financial instruments.

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

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, 2018 for the Physicians Committee totaled \$117,212.

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	\$ 109,833
Merchandise sales	66,456
	<hr/>
Gross sales and services	176,289
Cost of goods sold	(12,444)
	<hr/>
Gross profit from sales and services	<u>\$ 163,845</u>

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

As noted in Note 1 of The PCRM Foundation's financial statements, The PCRM Foundation was established to support the Physicians Committee and other related charitable organizations. The financial statements of The PCRM Foundation are included in the consolidated financial statements of the Physicians Committee for the year ended July 31, 2018.

The activities of The PCRM 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, 2018, these activities become supporting activities. In addition, The PCRM 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.

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

Total Supporting Services as presented on the Statement of Activities for The PCRM Foundation	<u>\$ 256,189</u>
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The PCRM Foundation supporting services are reclassified as follows for the purposes of presentation on the Physicians Committee Consolidating Statement of Activities:

Operational expenses	\$ 256,189
Development expenses	<u>-</u>
	<u>\$ 256,189</u>

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	\$ 256,189	\$ -	\$ 256,189
Contributions to supported organizations	1,479,291	-	1,479,291
Supporting Services			
Operational expenses	-	256,189	(256,189)
Contributions to supported organizations	<u>-</u>	<u>1,479,291</u>	<u>(1,479,291)</u>
Total Expenses	<u>\$ 1,735,480</u>	<u>\$ 1,735,480</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, 2018 through January 22, 2019, 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. From their review, management has determined there were no significant subsequent events that were not properly disclosed.

Physicians Committee for Responsible Medicine, Inc.
Consolidated Schedule of Functional Expenses
For the Year Ended July 31, 2018

	Program Services					
	<u>Research and Regulatory Affairs</u>	<u>Clinical Research</u>	<u>Nutrition Education</u>	<u>Legal Advocacy</u>	<u>Publications</u>	<u>Education and Policy</u>
Salaries, benefits and other personnel expenses	\$ 1,502,409	\$ 510,050	\$ 1,274,062	\$ 258,455	\$ 492,407	\$ 401,746
Program communications	875,281	-	19,959	-	-	-
Professional services	160,094	525,226	194,807	74,537	24,397	172,581
General operating expenses	191,130	127,390	226,538	24,929	26,150	184,124
Media and promotion expenses	13,454	238,687	175,333	-	-	6,105
Rent and building expenses	175,364	87,153	149,889	23,163	51,338	40,929
Computer, phone, copier	127,035	27,145	88,051	6,031	15,864	38,126
Printing	33,652	7,154	82,743	617	108,445	29,194
Travel and transportation	97,241	22,169	66,477	2,417	2,425	43,014
Postage	<u>45,842</u>	<u>2,684</u>	<u>73,687</u>	<u>78</u>	<u>55,767</u>	<u>11,482</u>
Total	<u>\$ 3,221,502</u>	<u>\$ 1,547,658</u>	<u>\$ 2,351,546</u>	<u>\$ 390,227</u>	<u>\$ 776,793</u>	<u>\$ 927,301</u>
Percent of total expenses	<u>19.90%</u>	<u>9.56%</u>	<u>14.52%</u>	<u>2.41%</u>	<u>4.80%</u>	<u>5.73%</u>

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

Medical Services	Communications	Total	Supporting Services			Total Expenses
			Operational	Development	Total	
\$ 1,190,251	\$ 777,705	\$ 6,407,085	\$ 691,570	\$ 764,648	\$ 1,456,218	\$ 7,863,303
-	-	895,240	23,503	857,337	880,840	1,776,080
95,686	153,913	1,401,241	182,147	104,977	287,124	1,688,365
128,022	59,711	967,994	305,671	115,641	421,312	1,389,306
20,061	796,487	1,250,127	-	19,420	19,420	1,269,547
8,773	95,594	632,203	78,186	83,048	161,234	793,437
36,186	51,553	389,991	29,635	136,213	165,848	555,839
10,628	3,791	276,224	2,701	23,779	26,480	302,704
8,510	13,536	255,789	908	44,514	45,422	301,211
1,896	619	192,055	820	58,403	59,223	251,278
<u>\$ 1,500,013</u>	<u>\$ 1,952,909</u>	<u>\$ 12,667,949</u>	<u>\$ 1,315,141</u>	<u>\$ 2,207,980</u>	<u>\$ 3,523,121</u>	<u>\$ 16,191,070</u>
<u>9.26%</u>	<u>12.06%</u>	<u>78.24%</u>	<u>8.12%</u>	<u>13.64%</u>	<u>21.76%</u>	<u>100.00%</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, 2018

Assets

	Physicians Committee for Responsible Medicine, Inc.	The PCRM Foundation	PCRM Clinic D/B/A Barnard Medical Center	Eliminations	Consolidated
Current Assets					
Cash	\$ 572,908	\$ 87,804	\$ 533,923	\$ -	\$ 1,194,635
Investments	7,250,372	6,167,809	-	-	13,418,181
Other receivable, net	237,810	22,022	34,632	(6,967)	287,497
Receivable from legacies and bequests	4,462,756	-	-	-	4,462,756
Inventory	118,356	-	-	-	118,356
Prepaid expenses	528,302	-	43,137	-	571,439
Total Current Assets	13,170,504	6,277,635	611,692	(6,967)	20,052,864
Other Assets, deposits	5,478	-	-	-	5,478
Noncurrent Assets					
Investments Related to Restricted and Designated Funds	-	7,945,223	-	-	7,945,223
Investments Designated for Charitable Gift Annuity Obligations	2,436,552	-	-	-	2,436,552
Property and Equipment, net	1,388,135	421,372	44,763	-	1,854,270
Total Noncurrent Assets	3,824,687	8,366,595	44,763	-	12,236,045
Total Assets	\$ 17,000,669	\$ 14,644,230	\$ 656,455	\$ (6,967)	\$ 32,294,387

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, 2018
(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	\$ 1,335,072	\$ 11,628	\$ 136,257	\$ (6,967)	\$ 1,475,990
Deferred revenue	616,968	-	-	-	616,968
Current portion of annuities payable	86,828	-	-	-	86,828
Current portion of deferred rent credit	11,976	-	-	-	11,976
Total Current Liabilities	2,050,844	11,628	136,257	(6,967)	2,191,762
Long-term Liabilities					
Annuities payable, net of current portion	958,060	-	-	-	958,060
Deferred rent credit, net of current portion	76,228	-	-	-	76,228
Total Long-term Liabilities	1,034,288	-	-	-	1,034,288
Total Liabilities	3,085,132	11,628	136,257	(6,967)	3,226,050
Net Assets					
Unrestricted	9,101,376	6,687,379	520,198	-	16,308,953
Unrestricted - board designated	-	4,440,084	-	-	4,440,084
Total Unrestricted	9,101,376	11,127,463	520,198	-	20,749,037
Temporarily restricted	4,814,161	1,854,669	-	-	6,668,830
Permanently restricted	-	1,650,470	-	-	1,650,470
Total Net Assets	13,915,537	14,632,602	520,198	-	29,068,337
Total Liabilities and Net Assets	\$ 17,000,669	\$ 14,644,230	\$ 656,455	\$ (6,967)	\$ 32,294,387

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, 2018

	Physicians Committee for Responsible Medicine, Inc.	The PCRM Foundation	PCRM Clinic D/B/A Barnard Medical Center	Eliminations	Consolidated
Change in Unrestricted Net Assets					
Support and Revenue					
Public Support					
Contributions and donations	\$ 7,856,588	\$ 217,548	\$ 1,295,929	\$ (1,765,276)	\$ 7,604,789
Legacies and bequests	4,775,984	-	-	-	4,775,984
Grants	45,120	-	-	-	45,120
Net assets released from restrictions:					
Expiration of time restrictions	2,810,610	-	-	-	2,810,610
Satisfaction of purpose restrictions.	4,088,063	108,003	-	(1,000,000)	3,196,066
Total Public Support	19,576,365	325,551	1,295,929	(2,765,276)	18,432,569
Other Revenue					
Medical services	-	-	435,222	-	435,222
Investment income	167,045	348,111	-	-	515,156
Mailing list rental	-	83,081	-	(16,000)	67,081
Rental and other income	159,861	107,093	-	(208,000)	58,954
Advocacy services	-	-	31,389	(31,389)	-
Other revenue	6,628	-	1,090	-	7,718
Merchandise sales and services					-
Gross sales and services	286,038	-	-	(109,749)	176,289
Cost of goods sold	(12,444)	-	-	-	(12,444)
Total Other Revenue	607,128	538,285	467,701	(365,138)	1,247,976
Total Support and Revenue	20,183,493	863,836	1,763,630	(3,130,414)	19,680,545
Expenses					
Program Services					
Research and Regulatory Affairs	3,208,559	-	-	12,943	3,221,502
Clinical Research	1,580,578	-	-	(32,920)	1,547,658
Nutrition Education	2,371,157	-	-	(19,611)	2,351,546
Legal Advocacy	389,144	-	-	1,083	390,227
Publications	772,397	-	-	4,396	776,793
Education and Policy	2,209,781	-	-	(1,282,480)	927,301
Medical Services	-	-	1,656,769	(156,756)	1,500,013
Communications	1,944,723	-	-	8,186	1,952,909
Total Program Services	12,476,339	-	1,656,769	(1,465,159)	12,667,949
Supporting Services					
Operational expenses	1,153,516	1,735,480	85,929	(1,659,784)	1,315,141
Development expenses	2,213,123	-	328	(5,471)	2,207,980
Total Supporting Services	3,366,639	1,735,480	86,257	(1,665,255)	3,523,121
Total Expenses	15,842,978	1,735,480	1,743,026	(3,130,414)	16,191,070
Change in Unrestricted Net Assets	4,340,515	(871,644)	20,604	-	3,489,475

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, 2018
(continued)

	Physicians Committee for Responsible Medicine, Inc.	The PCRM Foundation	PCRM Clinic D/B/A Barnard Medical Center	Eliminations	Consolidated
Change in Temporarily Restricted Net Assets					
Contributions and donations	3,887,835	1,000,000	-	(1,000,000)	3,887,835
Legacies and bequests	3,434,334	-	-	-	3,434,334
Grants	-	-	-	-	-
Investment income	-	110,687	-	-	110,687
Net assets released from restrictions:					
Expiration of time restrictions	(2,810,610)	-	-	-	(2,810,610)
Satisfaction of program restrictions.	<u>(4,088,063)</u>	<u>(108,003)</u>	<u>-</u>	<u>1,000,000</u>	<u>(3,196,066)</u>
Change in Temporarily Restricted Net Assets	<u>423,496</u>	<u>1,002,684</u>	<u>-</u>	<u>-</u>	<u>1,426,180</u>
Change in Permanently Restricted Net Assets					
Contributions and donations	<u>-</u>	<u>16,210</u>	<u>-</u>	<u>-</u>	<u>16,210</u>
Total Change in Net Assets	<u>\$ 4,764,011</u>	<u>\$ 147,250</u>	<u>\$ 20,604</u>	<u>\$ -</u>	<u>\$ 4,931,865</u>

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