

**Physicians Committee for  
Responsible Medicine, Inc.  
Consolidated Financial Statements  
and Supplementary Information  
July 31, 2020**

**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, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

#### **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, 2020, 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 consolidating schedules of financial position and activities on pages 41 through 44 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  
February 2, 2021

*Arkin & Company, Chartered*

**Physicians Committee for Responsible Medicine, Inc.**  
**Consolidated Statement of Financial Position**  
**July 31, 2020**

Assets

Current Assets	
Cash	\$ 1,341,556
Investments	13,975,306
Other receivable, net	1,090,646
Receivable from legacies and bequests	687,069
Inventory	99,950
Prepaid expenses	368,767
Total Current Assets	<u>17,563,294</u>
Other Assets, deposit	1,811
Investments Related to Restricted and Designated Funds	8,176,385
Investments Restricted to Charitable Gift Annuity Obligations	2,752,943
Property and Equipment, net	<u>1,535,149</u>
Total Assets	<u>\$ 30,029,582</u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable and accrued expenses	\$ 1,120,968
Deferred revenue	316,124
Current portion of annuities payable	103,441
Total Current Liabilities	<u>1,540,533</u>
Long-term Liabilities	
Annuities payable, net of current portion	1,031,495
Paycheck Protection Program loans	1,504,635
Deferred rent credit	574,568
Total Long-term Liabilities	<u>3,110,698</u>
Total Liabilities	<u>4,651,231</u>
Net Assets	
Without donor restrictions	15,204,744
Board designated	5,249,283
Total Net Assets Without Donor Restrictions	<u>20,454,027</u>
With donor restrictions	<u>4,924,324</u>
Total Net Assets	<u>25,378,351</u>
Total Liabilities and Net Assets	<u>\$ 30,029,582</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, 2020**

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Public Support			
Contributions and donations	\$ 9,373,893	\$ 2,098,510	\$ 11,472,403
Legacies and bequests	1,234,108	198,647	1,432,755
Grants	1,332,737	-	1,332,737
Net assets released from restrictions:			
Expiration of time restrictions	2,324,504	(2,324,504)	-
Satisfaction of program restrictions	1,966,793	(1,966,793)	-
Total Public Support	<u>16,232,035</u>	<u>(1,994,140)</u>	<u>14,237,895</u>
Other Revenue			
Medical services	438,813	-	438,813
Investment income	760,145	129,666	889,811
Mailing list rental	34,940	-	34,940
Rental and other income	64,647	-	64,647
Advocacy services	-	-	-
Merchandise sales and services			
Gross sales and services	304,504	-	304,504
Cost of goods sold	(24,023)	-	(24,023)
Total Other Revenue	<u>1,579,026</u>	<u>129,666</u>	<u>1,708,692</u>
Total Support and Revenue	<u>17,811,061</u>	<u>(1,864,474)</u>	<u>15,946,587</u>
Expenses			
Program Services			
Research and Regulatory Affairs	4,214,763	-	4,214,763
Clinical Research	1,034,045	-	1,034,045
Nutrition Education	2,749,594	-	2,749,594
Legal Advocacy	434,891	-	434,891
Publications	755,513	-	755,513
Education and Policy	914,986	-	914,986
Medical Services	1,465,744	-	1,465,744
Communications	2,265,634	-	2,265,634
Total Program Services	<u>\$ 13,835,170</u>	<u>\$ -</u>	<u>\$ 13,835,170</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, 2020**  
**(continued)**

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	<u>Total</u>
Supporting Services			
Operational expenses	\$ 1,495,434	\$ -	\$ 1,495,434
Development expenses	<u>2,072,408</u>	<u>-</u>	<u>2,072,408</u>
Total Supporting Services	<u>3,567,842</u>	<u>-</u>	<u>3,567,842</u>
Total Expenses	<u>17,403,012</u>	<u>-</u>	<u>17,403,012</u>
Change in Net Assets	408,049	(1,864,474)	(1,456,425)
Net Assets, Beginning of Year	<u>20,045,978</u>	<u>6,788,798</u>	<u>26,834,776</u>
Net Assets, End of Year	<u><u>\$ 20,454,027</u></u>	<u><u>\$ 4,924,324</u></u>	<u><u>\$ 25,378,351</u></u>

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

**Physicians Committee for Responsible Medicine, Inc.**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended July 31, 2020**

	Program Services					
	Research and Regulatory Affairs	Clinical Research	Nutrition Education	Legal Advocacy	Publications	Education and Policy
Salaries, benefits and other personnel expenses	\$ 1,887,765	\$ 585,181	\$ 1,538,322	\$ 297,889	\$ 445,543	\$ 428,928
Program communications	1,044,653	-	23,541	-	-	-
Professional services	346,770	169,917	199,710	63,231	21,630	196,201
General operating expenses	340,809	143,017	369,632	28,244	26,915	121,431
Media and promotion expenses	6,967	-	24,777	-	-	12,075
Rent and building expenses	289,678	91,309	232,821	34,310	71,505	67,275
Computer, phone, copier	137,860	28,454	105,178	9,926	16,034	27,549
Printing	21,774	8,005	97,402	3	114,641	19,544
Travel and transportation	91,770	7,436	72,853	1,138	2,531	25,772
Postage	46,717	726	85,358	150	56,714	16,211
<b>Total</b>	<u>\$ 4,214,763</u>	<u>\$ 1,034,045</u>	<u>\$ 2,749,594</u>	<u>\$ 434,891</u>	<u>\$ 755,513</u>	<u>\$ 914,986</u>
Percent of Total Expenses	<u>24.22%</u>	<u>5.94%</u>	<u>15.81%</u>	<u>2.50%</u>	<u>4.34%</u>	<u>5.25%</u>

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



Medical Services	Supporting Services					Total Expenses
	Communications	Total	Operational	Development	Total	
\$ 1,201,744	\$ 974,006	\$ 7,359,378	\$ 728,557	\$ 731,611	\$ 1,460,168	\$ 8,819,546
-	-	1,068,194	23,921	809,303	833,224	1,901,418
78,058	267,839	1,343,356	163,843	114,690	278,533	1,621,889
125,678	66,172	1,221,898	348,343	97,563	445,906	1,667,804
12,891	690,168	746,878	-	7,794	7,794	754,672
3,107	160,318	950,323	201,406	106,133	307,539	1,257,862
25,424	86,896	437,321	27,011	113,661	140,672	577,993
7,348	4,889	273,606	970	16,366	17,336	290,942
9,165	13,583	224,248	458	25,079	25,537	249,785
2,329	1,763	209,968	925	50,208	51,133	261,101
<u>\$ 1,465,744</u>	<u>\$ 2,265,634</u>	<u>\$ 13,835,170</u>	<u>\$ 1,495,434</u>	<u>\$ 2,072,408</u>	<u>\$ 3,567,842</u>	<u>\$ 17,403,012</u>
<u>8.42%</u>	<u>13.02%</u>	<u>79.50%</u>	<u>8.59%</u>	<u>11.91%</u>	<u>20.50%</u>	<u>100.00%</u>

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

**Physicians Committee for Responsible Medicine, Inc.**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended July 31, 2020**

Cash Flows from Operating Activities	
Change in net assets	\$ (1,456,425)
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Depreciation	389,243
Realized loss on sale of investments	149,018
Unrealized gain on investments	(495,083)
Donated investments	(356,103)
Amortization of bond premium and discount	68,008
Income recognized from deceased annuitant	(78,341)
Change in operating assets and liabilities:	
Increase in other receivables	(793,230)
Decrease in receivable from legacies and bequests	1,995,104
Decrease in inventory	10,040
Increase in prepaid expenses	(12,861)
Decrease in other assets	3,667
Decrease in accounts payable and accrued expenses	(315,635)
Increase in deferred revenue	316,124
Increase in deferred rent credit	498,340
	<hr/>
Net Cash Used In Operating Activities	<u>(78,134)</u>
Cash Flows from Investing Activities	
Reinvestment of matured securities and purchase of investments	(6,247,511)
Proceeds from sale of investments	4,921,492
Purchase of property and equipment	(202,506)
	<hr/>
Net Cash Used In Investing Activities	<u>(1,528,525)</u>
Cash Flows from Financing Activities	
Proceeds from Paycheck Protection Program loans	1,504,635
Proceeds from annuity contracts	140,295
Principal payments on annuity contract	(105,777)
	<hr/>
Net Cash Provided By Financing Activities	<u>1,539,153</u>
Decrease in Cash	(67,506)
Cash at Beginning of Year	1,409,062
Cash at End of Year	<u><u>\$ 1,341,556</u></u>
Supplemental Disclosure of Cash Flows Information:	
Interest paid during the year	\$ 43,566
Income taxes paid during the year	<u><u>\$ 8,653</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 residency programs in the United States and Canada. Many medical schools and centers offer postgraduate residency or other specialized courses, and some of these programs use live animals for training. The Physicians Committee is working to end the use of animals in these programs, which will improve physician training and ensure healthy patient outcomes. As a result of our work, only nine of 285 surveyed emergency medicine residencies continue to use animals. In addition, we have recently begun focusing our efforts on general surgery programs and have discovered that 63 of 259 surveyed U.S. programs are using live animals to train residents. In FY 2020, we launched new campaigns by filing federal complaints to target the use of live animals for advanced medical training at Naval Medical Center Portsmouth, the University of Virginia, the Medical College of Georgia, the Medical University of South Carolina, and the University of Colorado Anschutz Medical Campus. We held physician-led demonstrations at the University of Washington and the University of Missouri-Columbia. We posted advertisements urging Brown University, the University of Washington, and the University of Missouri-Columbia to modernize their medical training, in addition to coordinating multiple digital advertising campaigns.

The Physicians Committee had planned to hold the first ever North American Summer School on Innovative Approaches in Science at Johns Hopkins University School of Public Health in June of 2020; the program offered information and education on the latest methodologies for toxicology and medical research. Given the pandemic-associated restrictions, we moved the weeklong program online, with great success. We made the sessions open for individual registration, and more than 600 students and early-career scientists from around the world participated in various lectures from 45 expert speakers, panel discussions, hands-on trainings, and virtual lab tours. The move to a virtual format, while unexpected, was an advantage, with every continent represented in the participant list.

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

**Note 1:        Organization, (continued)**

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). In 2020 the ASCCT grew significantly; there are now more than 2,300 scientists on its mailing list, and its annual meeting, which was held in October 2020, has more than 85 presenters and 350 registrants for the three-day online meeting. All will be 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. The ASCCT's monthly webinar series attracts between 150 and 300 scientists, students, and regulators from around the world to each session. Because of the switch to online learning and the need for ready learning resources, in March 2020 the ASCCT made its online library of more than 50 webinars available to the general public, and these videos have been viewed more than 1,200 times since Jan. 1, 2020.

The Physicians Committee has been working to push the Environmental Protection Agency (EPA) to incorporate more alternatives to the use of animals in pesticide and chemical testing for more than a decade, and in 2019 we saw the latest evidence that a real change is taking place. The EPA administrator announced that the agency was setting specific goals to reduce its reliance on mammalian tests for assessing chemical safety by 35% by 2025, and by 100% by 2035. This is a direct result of scientific advocacy the Physicians Committee has undertaken with the EPA and the toxicological community at large.

Finally, this year the Physicians Committee provided training opportunities to more than 2,500 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 continued to schedule New Approach Methodology Use for Regulatory Application (NURA) training series events, designed to teach industry scientists how to use nonanimal approaches to assess the potential hazards of new chemicals they design through multiday, hands-on training events. Two events open to all toxicologists were held, and the presentations were videotaped and posted to an online portal. We were also invited to provide a training on Adverse Outcome Pathways for the Food and Drug Administration (FDA) in 2019, and 40 FDA staff attended this four-hour training. Additionally, due to the COVID-19-related lockdowns, we had to modify a number of planned trainings. Two were postponed and were held online in October 2020.

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

**Note 1:        Organization, (continued)**

*Nutrition Education*

The Physicians Committee Nutrition Department, made up of nutrition experts and project managers, grew a variety of educational programming and outreach centered on promoting a plant-based diet for health. Our first objective was to make vegan diets an integral part of medical care, starting by involving 50,000 clinicians and medical students in our educational programs by 2020 and by promoting vegan meals and the elimination of processed meat in hospitals.

To achieve this objective, we maintained key educational resources for clinicians to support their understanding and promotion of plant-based diets. We reached 913 health care professionals through attendance at our 2020 International Conference on Nutrition in Medicine, which took place shortly after the end of the fiscal year. We provided ongoing support and content through our Nutrition Guide for Clinicians, a diagnostic and treatment mobile application tool highlighting the importance of bringing nutrition into clinical practice, reaching a cumulative 42,197 health care professionals and medical students, up from 30,976 in FY 2019. To ensure we stay up to date with the very latest and evolving information in health care, we coordinated an annual information review process and added critical chapters related to COVID-19.

To support health care professionals in acquiring mandatory continuing medical education, we host 40+ free credits on NutritionCME.org and reached more than 1,704 professionals by incorporating new content and bolstering digital advertising. We taught nutrition and metabolic maintenance classes to 82 Barnard Medical Center patients on Monday evenings. Our diabetes experts delivered plant-based nutrition education to diabetes professionals in 10 states reaching 1,685 clinicians. The team of diabetes educators delivered individualized diabetes self-management education and support to 38 people through live and online offerings in the Barnard Medical Center. These new programs are recognized by the American Diabetes Association. We also support an active diabetes educator community of interest in coordination with American Association of Diabetes Educators, increasing membership this year to more than 450 diabetes educators committed to using plant-based nutrition in their practice.

Another approach we took to meet this objective was through conducting outreach and sharing lifesaving resources and education with medical students. The Physicians Committee facilitated educational lectures at 20 medical schools, reaching 945 students, and conducted two 21-Day Kickstart programs at medical schools which encouraged students to adopt a plant-based diet. Through strategic outreach at medical student conferences, we reached 50 medical students with information about how to use plant-based nutrition in patient care. This strategy had limited reach this year due to many conferences being canceled due to the pandemic.

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

**Note 1:        Organization, (continued)**

The second objective of the Nutrition Department was to promote an understanding of the risks of meat and dairy products through intensive media promotion and education programs by educating 100,000 people. The Physicians Committee launched a health care provider referral network to connect the broader community with clinicians who have an interest and experience in plant-based nutrition. Since our launch in early 2020, we've added 300 providers worldwide. We have held community-based nutrition education kickstart programs in the United States across multiple cities reaching nearly 1,500 people in Chicago, Wilmington, and Milwaukee. We offered similar programming in a two-day intensive nutrition education immersion format in Washington, D.C., and an online version reaching a total of 400 people.

The Physicians Committee also offered nutrition education programming about the risks of meat and dairy products and benefits of plant-based eating for health care professionals and the public in India, China, and Native American communities. In India, we delivered a series of educational lectures on a plant-based diet in five cities reaching 1,570 people. In China, we reached more than 20,600 people through a total of 106 lectures across 66 cities. A 21-Day Healthy Challenge was delivered twice in China, reaching about 9,000 participants via an online platform.

We are reaching a variety of Native American communities both directly and indirectly as our intent is to educate and empower Native American health educators and other individuals to share plant-based knowledge, rather than exclusively deliver it ourselves. To that end, we had more than 200 clinicians and lay people attend our Nov. 16, 2019, "Food is Medicine for Diabetes" full-day community and continuing medical education program in Flagstaff, Ariz., hosted by our partner, Native Americans for Community Action (NACA). We sponsored a multiweek course called Native Food for Life at Kinlani Bordertown Dormitory in Flagstaff, with 15 adults and 20 high school students preparing and eating together each week from January – March 2020. We assisted with a 4-Week Healthy Eating Challenge at Tsehootsooi Medical Center in Fort Defiance, Ariz., in January-February 2020, with 30 participants. We sponsored the creation of two new educational videos and several plant-based cooking demonstrations featuring Native Americans, which have been added to the resources at NativePowerPlate.org, which we will continue to promote. We had more than 300 people register for our webinar "Cooking & More to Combat COVID-19," co-hosted by the Navajo Nation Office of the President and Vice President and NACA. We distributed a total of 9,000 six-page recipe booklets featuring Chef Walter Whitewater of the Navajo Nation and reprinted 10,000 more.

The Physicians Committee continued to promote the 21-Day Vegan Kickstart mobile application, available in both English and Spanish, which has now cumulatively reached 200,000 people with menus, recipes, and education and cooking videos to support individuals transitioning to a plant-based diet. Our inaugural 2019 Let's Beat Breast Cancer Campaign reached 12,500 in pledges and 6 million on social media and garnered the support of renowned experts and celebrities who joined together to promote breast cancer prevention through four easy nutrition and lifestyle steps.

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

**Note 1:        Organization, (continued)**

The Physicians Committee expanded the Food for Life program, an award-winning nutrition education and cooking class program that provides an innovative approach to diet-related chronic diseases. In order to reach communities across the world with the lifesaving education of plant-based nutrition, the Food for Life team trained 64 new instructors joining their now 300 instructor counterparts. Together, they reached approximately 6,260 students in community settings through more than 1,346 individual class sessions across 36 U.S. states plus Washington, D.C., and nine other countries. We also expanded our curriculum to offer five new series: heart health, foods for fitness, brain health, hormone health, and, more recently, Cooking to Combat COVID-19, a curriculum delivered virtually to support those with underlying conditions and health disparities in reducing their risk of COVID-19.

Communications

Working with physicians, health experts, and celebrities who serve as spokespeople, 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*, the *Washington Post*, *USA Today*, *Chicago Tribune*, *Forbes*, the *Boston Globe*, *Miami Herald*, and the *Baltimore Sun*. Our message has been reported by wires including the Associated Press, Capitol Hill papers including *The Hill*, and by major television networks including NBC News and ABC News. International outlets such as CBC, *Toronto Star*, the *Vancouver Sun*, and the *Daily Mail* have covered our campaigns. Each month, we reach a potential audience of 218 million readers by appearing in an average of 212 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 1.4 million followers on 12 social media accounts.

In 2018, we launched The Exam Room podcast. Episodes have since been downloaded more than 2.9 million times. In April 2020, we launched The Exam Room LIVE, which airs daily on Facebook and YouTube. As of July 31, 2020, the show had been viewed 1.5 million times.

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 2020, the Physicians Committee's websites received about 8 million visitors and 9.3 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 “The Role of Nutrition in Asthma Prevention and Treatment,” published in *Nutrition Reviews* by the Physicians Committee research staff, showed that plant-based diets can be used in clinical practice in the prevention and treatment of asthma. This paper may influence the dietary recommendations for patients with asthma.

The paper entitled “The Effects of Different Quantities and Qualities of Protein Intake in People with Diabetes Mellitus,” published in *Nutrients* by the Physicians Committee research staff and colleagues, showed that plant protein, as part of a plant-based diet, may play an important role in the treatment of type 2 diabetes.

A Physicians Committee researcher co-authored an umbrella review and meta-analysis on legumes and cardiovascular outcomes, published in *Advances in Nutrition*, showing that legume consumption reduces cardiovascular mortality and incidence. This paper highlights the usefulness of legumes for people with elevated cardiovascular risk.

The Physicians Committee published an editorial on plant-based diets for healthy aging in the *Journal of American College of Nutrition*, giving examples from the Blue Zones around the world that have used plant-based nutrition to stay healthy and live long. The editorial also demonstrates that after implementing a healthy lifestyle intervention, the changes in society can occur in one generation.

Physicians Committee research staff and colleagues published a review paper entitled “Nutrition Interventions in Rheumatoid Arthritis: The Potential Use of Plant-Based Diets. A Review,” in *Frontiers in Nutrition*. A plant-based diet appears to be beneficial for people with rheumatoid arthritis by promoting the development of more diverse and stable gut microbial systems. High fiber intake also encourages the growth of species that ferment fiber into metabolites as short-chain fatty acids, which improve immunity against pathogens, promote blood-brain barrier integrity, provide energy substrates, and regulate critical functions of the intestine. Plant-based diets seem to be an important treatment option for people suffering from rheumatoid arthritis.

Two papers by Physicians Committee research staff and colleagues, entitled “Dietary Patterns and Cardiometabolic Outcomes in Diabetes: A Summary of Systematic Reviews and Meta-Analyses,” and “Prevention of Type 2 Diabetes by Lifestyle Changes: A Systematic Review and Meta-Analysis,” published in *Nutrients*, showed the practical implementation of the research and suggested the use of intense lifestyle interventions including a plant-based diet in the treatment of diabetes.



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

**Note 1:      **Organization, (continued)****

Physicians Committee research staff and colleagues published an editorial entitled “Vegetarian Dietary Patterns in the Prevention and Treatment of Disease” in *Frontiers in Nutrition*. The collection of a dozen papers on this topic published in this issue show clear benefits of plant-based diets in the prevention and treatment of different health conditions. This highlights the usefulness of plant-based diets for human health.

We finished a randomized crossover clinical trial that compared the effects of a low-fat, plant-based diet to a Mediterranean diet, on body weight, metabolism, and body composition. Using indirect calorimetry, we were 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) was used to assess detailed body composition. The participants’ insulin sensitivity and glucose metabolism were also tested. All these tests were performed at baseline and after 16 weeks of a low-fat vegan vs. Mediterranean diet, at week 20 (after a four-week wash-out period), and at week 36 (after 16 weeks of the second intervention). Sixty-two participants were enrolled and started the study and 52 participants completed the whole study. This study will provide important insights for dietary recommendations.

We finished a 12-week clinical study for the employees at the Sibley Hospital, tracking their body weight, blood pressure, blood lipids, and glucose control. This study will help in implementing plant-based nutrition in the hospitals.

Using the design of a randomized crossover trial, we are testing the effects of dietary cholesterol on serum cholesterol levels in vegans who have no baseline dietary cholesterol intake. This study will provide the dose-response information on how much dietary cholesterol affects blood lipids and cardiovascular risk.

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.

We are currently testing the ability of a vegan diet in combination with soybeans (1/2 cup a day) to reduce the number of hot flashes experienced by postmenopausal women. In this 12-week randomized clinical trial, women are tracking their hot flashes, using the MyLuna smartphone app. This study may have a great impact on the current nutrition recommendations for these women.

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

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

**Note 1:        Organization, (continued)**

Legal Advocacy

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

In light of the World Health Organization’s determination that processed meat is a carcinogen, the Physicians Committee sued the California Office of Environmental Health Hazard Assessment due to its unlawful refusal to recognize processed meat as a carcinogen despite a state law requiring the agency to do so. The Physicians Committee 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. The Physicians Committee also submitted an amicus curiae brief supporting plaintiffs in a successful lawsuit challenging the U.S. Department of Agriculture’s (USDA’s) unlawful rollback of school lunch standards.

The Physicians Committee uses federal and state open government laws to obtain documents detailing unethical animal experiments at public institutions or the federal government’s promotion of unhealthy food products. The Physicians Committee then uses these documents to educate the public. When necessary, the Physicians Committee sues public institutions that refuse to disclose such documents, such as two lawsuits, settled this fiscal year, 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.

The Physicians Committee regularly submits petitions and regulatory comments on research practices and nutrition. This fiscal year, the Physicians Committee submitted petitions to FDA seeking improved labeling for dairy products and erectile dysfunction drugs, to state and federal authorities regarding false claims about health risks inherent to consuming processed meat, and to six state and federal institutions regarding coronavirus prevention and management. The Physicians Committee also submitted comments regarding various rules under consideration.

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 2020, the department completed approximately 676 separately tracked projects. These projects included e-books and e-cookbooks, ads, fact sheets, brochures, postcards, educational diagrams, posters, billboards, flyers, program booklets, event signage, stationery, program logos, web pages, infographics, and social media graphics.

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

**Note 1:        Organization, (continued)**

Supported projects included the 2019 and 2020 International Conferences on Nutrition in Medicine, demonstrations at universities and medical centers, Food for Life curriculum updates, scientific conferences (academic posters), diabetes education curriculum, school nutrition education, Native American nutrition education materials, Kickstart Intensive/Plant-Based Immersion events, the Barnard Medical Center, recruitment for clinical studies, Universal Meals, New York and Michigan lobbying efforts, additional Spanish language materials, COVID-19 education, Exam Room podcast promotion, development events and outreach, India outreach, 10-Cities Kickstart events, Let's Beat Breast Cancer campaign, and toxicology and research conferences.

*Good Medicine*, the Physicians Committee's 24-page magazine, keeps members informed and involved. Four issues of *Good Medicine* were published in FY 2020. Total print distribution was 320,315. The magazine also appears in electronic format on our website.

*Education and Policy*

Physicians Committee president Neal Barnard, M.D., FACC, reached thousands of people through his presentations and community events. With the release of his latest book, *Your Body in Balance: The New Science of Food, Hormones, and Health*, Dr. Barnard shared the science behind how common hormone-related conditions can be affected by and improved by simple diet changes. He spoke on this topic during a countrywide book tour in early 2020, which later pivoted to a series of online lectures once the COVID-19 pandemic hit. He lectured to communities in Richmond, Va., Washington, D.C., Baltimore, Md., New York, N.Y., Bonita Springs, Fla., Fort Myers, Fla., aboard the Holistic Holiday at Sea Cruise, Los Angeles, Calif., San Diego, Calif., and Portland, Ore. He also presented at grand rounds lectures, CME presentations, and medical student lunch-and-learn lectures. He reached health professionals and medical students in many communities including through the VegMed conference in London, the Plantrician Conference in Oakland, Calif., the National Organization for Blacks in Dietetics annual reception in Philadelphia, Pa., and the Nutrition and Cardiovascular Health Workshop in Birmingham, Ala. He also spoke to communities in Chicago, Ill., and Wilmington, Del., through the Physicians Committee's nutrition initiative "10 Cities."

The Physicians Committee works with external experts in academia and medical professionals, as well as advocates in other nonprofit organizations, to advocate for policy that encourages healthful plant-based diets. As part of this effort, we advocated for legislation in California, Oregon, New York, Maryland, and the District of Columbia. These bills would require or facilitate the offering of plant-based meals and plant-based beverages in hospitals, prisons, schools, and other facilities. These improvements would reduce rates of diet-related disease among patients and consumers in institutions where food is regularly served. In addition, they would improve the food environment generally, leading to improved health outcomes for others.

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

**Note 1:        Organization, (continued)**

We advocated for a bill in California, AB479 introduced by Assemblymember Adrin Nazarian, which would provide incentives to public schools that offer additional plant-based food and beverage options, in addition to grants to schools for implementation of this program. The legislation passed the Assembly, passed through the Senate Health Committee, and then stalled in the Senate Budget Committee for reasons related to the budget, economy, and COVID-19. We will assess the feasibility of moving forward in the year ahead.

We advocated for an Oregon bill that would have required plant-based options in hospitals, prisons, and long-term care facilities. This bill, HB3342 introduced by Rep. Marty Wilde in the House and Sen. Rob Wagner in the Senate, passed the Oregon House but ultimately died in the Senate Committee on Health Care in the summer of 2019. As part of this effort, we generated positive momentum, achieved positive media and grassroots attention on the merits of this legislation, and stayed in touch with lobbyists to prepare for the introduction of new legislation in January 2021.

We advocated for a bill in New York that would require hospitals to provide plant-based meals and list these items anywhere food options are listed (e.g., printed menus). The bill (S1471A/A4072), introduced by Sen. Brad Hoylman and Assemblymember Richard Gottfried, passed the full legislature and was signed into law by the governor on Dec. 6, 2019.

We advocated for a bill in Maryland that would require hospitals and prisons to make available plant-based meal options. Named the 2020 Maryland Plant-based Meal Bill and introduced by Delegate Terri Hill, MD, this bill aimed to reduce chronic disease in the state of Maryland. Although it died when the legislative session ended early, we will look for ways to build on this legislation in the midst of COVID-19 priorities.

We advocated for a bill in the District of Columbia that would make plant-based foods available to patients, staff, and visitors in all hospitals within the District while eliminating processed meat from all menus and reducing sugar-sweetened beverages. This bill, the Healthy Hospitals Amendment Act of 2019, introduced in October 2019 by Councilmember Mary Cheh, aims to curb the chronic disease rates in the District. Due to other priorities, this bill will be reintroduced in January 2021.

We advocated for a bill in New York that would require public schools to make plant-based food and beverages available to students upon request. The bill (S1472/A1624), introduced by Sen. Hoylman and Assemblymember Gottfried, awaits a hearing in the Education Committees of both chambers. Meetings with all relevant committee staff (more than 60 members) were mostly positive. Due to COVID-19, this bill will be reintroduced in January 2021.

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

**Note 1:        Organization, (continued)**

The Physicians Committee has continually applied pressure through direct communication and media work on the California regulatory body (OEHHA) responsible for listing processed meat as a carcinogen under Proposition 65. After meeting with legislators to discuss potential legislation that would require OEHHA move forward, we instead sought judicial review of OEHHA's unlawful actions, as discussed elsewhere in this Schedule.

The Physicians Committee worked with external experts in academia and medical professionals, as well as advocates in other nonprofit organizations, to advocate for addressing a gap in the nutrition education of health professionals, especially licensed medical doctors (MDs). As part of this effort, we advocated for legislation in New York, Maryland, the District of Columbia, and the federal Congress. These bills would require or encourage some amount of continuing medical education credits in nutrition (nutrition CME).

We advocated for a bill in New York that would require six nutrition CME credits per licensing cycle. We worked with consultants in Albany to find sponsors, drafted the legislation, and succeeded in having a bill introduced in both the Senate and Assembly. The bill (A7695/S5887), introduced by Assemblymember Linda Rosenthal and Sen. Toby Ann Stavisky, was expected to come up for a vote in early 2020, but with COVID-19, we now plan to reintroduce the legislation in January 2021. We also succeeded in getting positive media on this issue, conducted a poll of N.Y. physicians, and had mostly receptive legislative staff during lobby meetings.

We advocated for a bill in the DC Council that would require mandatory nutrition CME and succeeded in introducing a bill that would require two nutrition CME credits per licensing cycle for MDs, as well as for nurse practitioners and other health professionals. We have had lobby meetings with all members of the DC Council, and none are opposed. We have met and discussed nutrition CME policy with officers with DC Department of Health. We have generated grassroots support, as well as support from DC medical professionals, and due to COVID-19 will reintroduce the bill in early 2021.

We advocated for a bill in the federal House of Representatives that would require the Secretary of Health and Human Services (HHS) to issue guidance to all federal agencies, requiring some amount of nutrition CME for federally employed physicians. We succeeded in finalizing a draft bill, which Rep. Raul Grijalva will introduce with a Republican co-sponsor. We have met with several potential republican co-sponsors of the bill and with the onset of COVID-19; we are unsure of the future of this bill, but we are standing by to see if we can move it in 2021.

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

**Note 1:      Organization, (continued)**

In an effort to support the continued promotion of plant-based diets and the de-emphasis of meat and dairy products, we nominated experts to the Dietary Guidelines Advisory Committee, and we were glad to see one vegetarian nutrition expert was selected. Our team coordinated comments and testimony leading up to the draft release of the 2020 report and was pleased to see that the draft indicated continued support of plant-based diets as the basis for all healthy eating patterns. We continue to engage health advocates nationwide to be involved in this process and will continue to share evidence with the USDA and HHS that meat and dairy products should be discouraged in the guidelines.

In an effort to control spread of COVID-19, believed to have initiated in bats and passed to humans via live animal markets, we advocated for a bill in New York that would prohibit the operation of live animal markets and create a task force to conduct examinations of the shutdown markets for potential public health risks. The bill, S8291/A10399, was sponsored by Assemblymember Rosenthal and Sen. Luis Sepúlveda. Due to economic priorities for New York State, this bill will be reintroduced in January 2021.

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 Rhode Island, Rep. Joseph Solomon introduced H 7211 and Sen. Bridget Valverde introduced S 2341 aimed at convincing Brown University to halt the use of pigs for training emergency medicine residents. Rep. Solomon hoped his bill would make Brown's animal use illegal. The Physicians Committee sent physicians to testify in support of the House bill. The bills stalled in committee, and the Physicians Committee plans to work on them again in 2021.

In Michigan, the Physicians Committee supported the efforts of Rep. Sara Cambensy and Sen. Michael MacDonald who introduced HB 5090 and SB 971 to outlaw the use of dogs in painful experiments at public institutions. The bills did not get hearings, and we plan to work on similar legislation in 2021.

At the federal level, the Physicians Committee partnered with Sen. Cory Booker's office to write the FDA and encourage it to adopt human-based methods for checking injectable pharmaceuticals for contamination from fever-causing bacteria. Current methods use either live rabbits or the blood of horseshoe crabs and are not as accurate as the human-blood-based method. We are awaiting the FDA's response.

We partnered with Rep. Brendan Boyle to submit language for the FY 2021 Appropriations report that directs FDA to review and modify regulations to clearly reflect FDA's discretion to accept valid nonclinical approaches and to consider expanding its Drug Development Tools Qualification Program to include a program for evaluating and integrating in vitro computational approaches. We worked with Sen. Booker to submit companion report language. Our language was included in the House passed Appropriations bill. The Senate has yet to begin its Appropriations process.

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

**Note 1:        Organization, (continued)**

We hosted a briefing virtually to educate Capitol Hill staff about the need for prioritization of nonanimal human-based approaches in National Institutes of Health (NIH) and FDA funding strategies for COVID-19 research and beyond to increase speed and access to vaccines and therapies, reduce health disparities, and shape effective public health responses. Experts from the Physicians Committee, UsAgainstAlzheimer's, University of Toronto, and Safer Medicines Trust presented on the issue. Approximately 80 people attended, including staff from eight offices, Physicians Committee members, and the public. We formed a strong working relationship with Rep. Tony Cardenas' office as a result of the briefing.

We partnered with Rep. Cardenas to send a letter to Appropriations Committee leadership asking for funding and prioritization of human-based approaches in COVID-19 research at the NIH and the FDA. The letter had five members of Congress as signatories and four supporting organizations, in addition to the Physicians Committee. We will continue to pursue future partnerships with the Congressman.

We will be hosting a Hill Day in November to engage our membership to lobby their members of Congress to support nonanimal research and testing and work that reduces and replaces animal experiments. The event will include advocacy training sessions, guest speakers, and group meetings with participants' members of Congress. The Hill Day will be an effective way to reach a large number of congressional offices by empowering Physicians Committee members to advocate for the Physicians Committee's mission as constituents.

The Physicians Committee's ecommerce and fulfillment operation provides educational literature and merchandise to its members, the health care community, and the public at large on topics relating to nutrition, disease prevention, and ethical science. All 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 FY 2020, our top 25 pieces of literature were downloaded 23,000 times and viewed on our website more than 193,000 times. We fulfilled more than 1,282 physical orders of 81,137 pieces of literature and merchandise (books, DVDs, educational posters, etc.) to locations around the globe. The Physicians Committee Shop was introduced to more than 758 new customers. Our *Vegetarian Starter Kit* continues to be our most popular publication, and we added Dr. Barnard's newest book, *Your Body in Balance: The New Science of Food, Hormones, and Health*. 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 FY 2020, we gathered and shipped educational materials for more than 80 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 comprehensive care for adults. Along with providing primary care needs, the clinicians at BMC also offer top-notch specialized care through nutrition and prevention to patients with diabetes, obesity, hypertension, lipid disorders, heart disease, arthritis, and migraines. BMC offers 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.

Along with serving communities within Washington, D.C., BMC helps the patients who reside in Maryland and Northern Virginia. Our providers also provide telehealth visits to patients in the following states: Arizona, California, Colorado, Florida, Georgia, Illinois, Indiana, Kentucky, Massachusetts, Missouri, New York, Pennsylvania, Texas, and Washington. BMC accepts various major insurance plans, along with seeing patients without insurance. BMC also offers a sliding fee scale for patients who qualify for financial assistance. Since opening in January 2016, BMC has had more than 17,379 appointments. Along with providing nutrition education to patients and families, BMC also offers educational opportunities for future clinicians. The physicians at BMC currently hold faculty appointments at the George Washington University Medicinal School 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 69 domestic and international participants rotate through the center 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 USUHS, and Kickstart Your Health Immersions. They have also participated in numerous podcasts, webinars, and print/broadcast media interviews.



**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, BMC has expanded its outreach efforts to communities outside of the District. Within the past year, BMC has extended its outreach efforts to communities in Central and Southern 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. BMC clinicians also participate in several online programs, including a 12-week weight loss program, an eight-week program focusing on mothers, and an eight-week Fight COVID-19 With Food program for high-risk individuals.

**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 PCR 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, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Physicians Committee and changes therein are classified and reported as follows:

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

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

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, 2020, the Physicians Committee received donated materials and advertising, with a calculated fair market value of \$297,808.

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

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

*Donated Materials and Services, continued*

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, 2020, the Physicians Committee received donated services, with a calculated fair market value of \$239,000. 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.

*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.

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

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

Property and Equipment

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

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, 2020, no significant conditional contributions existed. All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor.

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

Tax-Exempt Status

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, 2020, 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, 2020, the tax filings that are subject to possible examination by major tax jurisdictions are for the years ended July 31, 2019, 2018 and 2017.

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

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

*Tax-exempt status, continued*

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.

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, 2020.

*Estimates*

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

*Functional Allocation of Expenses*

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

*Recent accounting pronouncements, not yet adopted*

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, 2021, including interim periods within those fiscal years.

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

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

*Recent accounting pronouncements, not yet adopted*

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.

**Note 3: Liquidity and Availability of Financial Assets**

Physicians Committee has \$16,932,761 available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$15,311,883, an anticipated minimum endowment distribution of \$235,651 (per the endowment spending policy), legacies and bequests receivable of \$518,647, marketable securities of \$841,835, accounts receivable of \$324,330, and donations receivable of \$248,755, the sum of which is reduced by (\$548,341) subject to donor restrictions and therefore unavailable for general expenditure. Legacies and bequests receivable and donations receivable are subject to implied time restrictions. Legacies and bequests receivable, donations receivable and accounts receivable are all expected to be collected within one year.

Physicians Committee maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, Physicians Committee maintains three tiers of reserves. Tier 1 reserves (short term) are invested in cash, money market funds and certificates of deposit. Tier 2 reserves (mid-term) are allocated to an investment-grade bond ladder. Tier 3 reserves (long-term) are invested in a quasi-endowed fund. Although Physicians Committee does not intend to spend from its quasi-endowment (other than amounts appropriated for general expenditure as part of the endowment's annual distribution), amounts from its quasi-endowment could be made available with approval from the board of directors, if necessary. The quasi-endowment had a balance of \$5,118,313 (excluding the minimum amount earmarked for annual distribution within one year) on July 31, 2020 and is not reflected in the total financial assets available within one-year balance of \$16,932,761.

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

**Note 4: Other Receivables**

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

The pledges and contributions referred to above are reduced by an allowance for 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, 2020:

Grants receivable	\$ 550,000
Accrued donations	217,818
Miscellaneous receivables	303,067
Patient accounts receivable	<u>48,119</u>
Subtotal	1,119,004
Less: Contractual allowance and uncollectible amounts	<u>(28,358)</u>
Other receivable, net	<u><u>\$ 1,090,646</u></u>

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

**Note 5: Investments**

Investments are comprised of the following as of July 31, 2020:

	Other Investments	Endowment and Other Investments with Donor Retrictions	Total
Money funds	\$ 1,022,579	\$ 1,254,373	\$ 2,276,952
Equity securities	1,445,650	3,553,451	4,999,101
Debt securities	6,488,553	1,285,115	7,773,668
Mutual funds - equities	556,343	1,302,587	1,858,930
Mutual funds - fixed income	198,863	516,557	715,420
Exchange Traded Funds	211,871	264,302	476,173
Limited Partnership Interest	297,096	-	297,096
Certificates of deposit	6,494,314	-	6,494,314
Cash surrender of life insurance	12,980	-	12,980
<b>Total</b>	<b>\$ 16,728,249</b>	<b>\$ 8,176,385</b>	<b>\$ 24,904,634</b>
Less: Investments related to restricted and designated funds	-	8,176,385	8,176,385
Less: Investments restricted to charitable gift annuity obligations	2,752,943	-	2,752,943
<b>Total</b>	<b>\$ 13,975,306</b>	<b>\$ -</b>	<b>13,975,306</b>

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, 2020:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Interest and dividend income	\$ 496,198	\$ 45,439	\$ 541,637
Net realized and unrealized gains	272,422	73,640	346,062
Other investment income	2,112	-	2,112
<b>Investment return</b>	<b>\$ 770,732</b>	<b>\$ 119,079</b>	<b>\$ 889,811</b>

As of July 31, 2020, investment advisory fees in the amount of \$85,306 are included in the Consolidated Schedule of Functional Expenses which carryover to the Consolidated Statement of Activities. These fees are not included in the investment return presented above.

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

**Note 6: Fair Value Measurements**

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

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of July 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money funds	\$ 2,276,952	\$ -	\$ -	\$ 2,276,952
Equity Securities	4,999,101	-	-	4,999,101
Debt securities	7,773,668	-	-	7,773,668
Mutual funds - equities	1,858,930	-	-	1,858,930
Mutual funds - fixed income	715,420	-	-	715,420
Exchange traded funds	476,173	-	-	476,173
Certificates of deposit	6,494,314	-	-	6,494,314
Cash surrender of life insurance policy	-	12,980	-	12,980
Trust and limited partnership interest	-	-	297,096	297,096
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 24,594,558</u>	<u>\$ 12,980</u>	<u>\$ 297,096</u>	<u>\$ 24,904,634</u>

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

The limited liability company (LLC) is a small privately held company that is developing software that will generate revenue based on transactions fees. The market for this entity is still under development and its future ability to generate profits is not certain at this time. Since there is currently no market for the LLC other than the private equity markets the Physicians Committee has made a significant allowance for the value of this investment as of July 31, 2020.

The Trust consists of units of ownership which were donated. The Trust's primary asset is in insurance policies. There is no current active market for these units. Because of this lack of available market for any potential disposition of the units the Physicians Committee has made an allowance for the value of the holding equal to 20% of the net asset value of the units held.



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

**Note 6: Fair Value Measurements, continued)**

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

	Units in Trust	Private Equity Investment	Total
Fair value, August 1, 2019	\$ -	\$ 120,278	\$ 120,278
Donated security	209,389	-	209,389
Unrealized loss	<u>(32,571)</u>	<u>-</u>	<u>(32,571)</u>
Fair value, July 31, 2020	<u>\$ 176,818</u>	<u>\$ 120,278</u>	<u>\$ 297,096</u>

**Note 7: 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 created an endowment which had a life expectancy of 20 years from the date of the Grantor's death on April 11, 2000. 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 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 12) 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. During the year ended July 31, 2020, the endowment was satisfied and the remaining \$710,078 was released from this restriction.

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 value of the donation plus interest as of July 31, 2020 was \$1,031,436. 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, 2020, the restricted donation had earned \$10,587 of interest income which is included as part of the investment income from net assets with donor restrictions.

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

**Note 8: Property and Equipment**

At July 31, 2020 property and equipment consists of the following:

Building	\$ 500,270
Membership list	321,142
Equipment	964,973
Land	545,080
Leasehold improvements	1,130,797
Furniture and fixtures	96,754
Digital assets	<u>315,876</u>
Subtotal	3,874,892
Less: Accumulated depreciation	<u>2,339,743</u>
Property and Equipment, net	<u>\$ 1,535,149</u>

Depreciation expense for the year ended July 31, 2020 was \$389,243. Included in digital assets are costs related to the development of short films related to the Physicians Committee's exempt purpose. When the films are completed and ready for release, they will be amortized over their estimated useful life.

**Note 9: Paycheck Protection Program Loans**

On May 20, 2020, the Physicians Committee and BMC each received loans under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying business for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period.

The Physicians Committee received a PPP loan of \$1,319,635 and BMC's PPP loan was for \$185,000 for a total loan amount as of July 31, 2020 of \$1,504,635.

Since the loans were issued prior to June 5, 2020, the unforgiven portion of the PPP loans are payable over two years at an interest rate of 1%, with a deferral of payments for ten months after the end of the covered period. Under the CARES Act, the covered period is defined as the 24 week period from the date the loan proceeds are received. As of July 31, 2020, the application for loan forgiveness has not been submitted. If loan forgiveness is not obtained the loans are due to be repaid beginning in August of 2021 with monthly installments of \$55,559 and \$7,789 for the Physicians Committee and BMC, respectively.

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

**Note 9: Paycheck Protection Program Loans, (continued)**

The following are maturities of the PPP loan payable for each of the next five years:

	Physicians Committee	Barnard Medical Center	Total
July 31, 2021	\$ -	\$ -	\$ -
July 31, 2022	656,520	92,038	748,558
July 31, 2023	663,115	92,962	756,077
July 31, 2024	-	-	-
July 31, 2025	-	-	-
	<u>\$ 1,319,635</u>	<u>\$ 185,000</u>	<u>\$ 1,504,635</u>

The Physicians Committee and BMC intend to use the proceeds for purposes consistent with the CARES Act requirements. As of July 31, 2020, no determination had been made as to whether the loans will be forgiven in whole or in part. However, the Physicians Committee and BMC expect the use of the loan proceeds will meet the conditions to achieve full forgiveness under the CARES Act,

**Note 10: Net Assets With Donor Restrictions**

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

Endowment Fund	\$ 1,895,666
Investment in building	1,031,436
Legacies and bequests receivable for general operations	687,069
Donations and pledges receivable for general operations	761,813
Clinical Research, Nutrition Education and Research and Regulatory Affairs	548,340
Total	\$ 4,924,324

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

**Note 11: Net Assets Released From Restrictions**

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

Research and Regulatory Affairs	\$ 1,170,630
Endowment	796,163
Expiration of time restrictions	<u>2,324,504</u>
Total	<u>\$ 4,291,297</u>

**Note 12: Endowment Funds**

Interpretation of Relevant Law

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

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

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

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

**Note 12: Endowment Funds, (continued)**

Endowment net asset composition by type of fund as of July 31, 2020:

	<u>Net Assets without donor restrictions</u>	<u>Net Assets with donor restrictions</u>	<u>Total</u>
Donor restricted	\$ -	\$ 1,895,666	\$ 1,895,666
Board-designated	<u>5,249,283</u>	<u>-</u>	<u>5,249,283</u>
Total funds	<u>\$ 5,249,283</u>	<u>\$ 1,895,666</u>	<u>\$ 7,144,949</u>

Changes in endowment net assets for fiscal year ended July 31, 2020:

	<u>Net Assets without donor restrictions</u>	<u>Net Assets with donor restrictions</u>	<u>Total</u>
Beginning of year	<u>\$ 5,095,198</u>	<u>\$ 2,555,755</u>	<u>\$ 7,650,953</u>
Net assets released from Contributions	<u>-</u>	<u>(710,078)</u>	<u>(710,078)</u>
Investment return:			
Investment income	142,987	45,439	188,426
Net Appreciation (Realized and Unrealized)	<u>231,594</u>	<u>73,640</u>	<u>305,234</u>
Total endowment income	374,581	119,406	493,987
Distributions	(169,889)	(53,335)	(223,224)
Appropriations for expenditures	<u>(50,607)</u>	<u>(16,082)</u>	<u>(66,689)</u>
End of year	<u>\$ 5,249,283</u>	<u>\$ 1,895,666</u>	<u>\$ 7,144,949</u>

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

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

**Note 12: Endowment Funds, (continued)**

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

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

To ensure that the 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:

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

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

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

**Note 12: Endowment Funds, (continued)**

Annual distributions will be determined by multiplying the Spending Rate x the average market value of the PCRMR 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 PCRMR Endowment, the Physicians Committee employs unitized fund accounting. Each fund that is part of the PCRMR 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 13: Operating Leases**

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

Effective December 16, 2019, the Physicians Committee entered into a new lease arrangement for office space. This new lease has several conditions that affect the final outcome and ultimately the amount of lease payments over the lease term. Based on current estimates, the new lease is anticipated to end on July 31, 2034. There are periods of rent abatement that coincide with the leased space becoming available for occupancy.

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.

Total rent expense pertaining to space and equipment for the year ended July 31, 2020 was \$1,176,000.

Future minimum lease payments under noncancelable leases having remaining terms in excess of 1 year as of July 31, 2020 are as follows:

July 31, 2021	\$ 705,645
July 31, 2022	744,715
July 31, 2023	1,076,571
July 31, 2024	1,508,472
July 31, 2025	1,546,315
After July 31, 2025	<u>15,776,059</u>
Total	<u><u>\$ 21,357,777</u></u>

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

**Note 14: Allocation of Joint Costs**

In the fiscal year ended July 31, 2020, 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 \$1,320,025. 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	\$ 981,611
Development	<u>338,414</u>
Total	<u>\$ 1,320,025</u>

**Note 15: 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, 2020 was \$544,923.

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, 2020 was \$23,594,559. The Physicians Committee monitors the risk, and does not anticipate any credit losses and has not experienced any credit losses on these financial instruments.

**Note 16: 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, 2020 for the Physicians Committee totaled \$138,639.



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

**Note 17: 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	\$ 210,229
Merchandise sales	94,274
	<hr/>
Gross sales and services	304,503
Cost of goods sold	(24,023)
	<hr/>
Gross profit from sales and services	<u>\$ 280,480</u>

**Note 18: Reconciliation of The PCRM Foundation Program Service to the Physicians Committee Consolidating Statement of Activities**

As stated 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, 2020.

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, 2020, 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 18: 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>\$ 247,297</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	\$ 247,297
Development expenses	-
	<u>\$ 247,297</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	\$ 247,297	\$ -	\$ 247,297
Contributions to supported organizations	1,220,224	-	1,220,224
Supporting Services			
Operational expenses	-	247,297	(247,297)
Contributions to supported organizations	-	1,220,224	(1,220,224)
Total Expenses	<u>\$ 1,467,521</u>	<u>\$ 1,467,521</u>	<u>\$ -</u>

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

**Note 19: 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, 2020 through February 2, 2021, 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.**  
**Consolidating Schedule of Financial Position**  
**July 31, 2020**

	<u>Assets</u>				
	Physicians Committee for Responsible Medicine, Inc.	The PCRM Foundation	PCRM Clinic D/B/A Barnard Medical Center	Eliminations	Consolidated
<b>Current Assets</b>					
Cash	\$ 418,354	\$ 272,699	\$ 650,503	\$ -	\$ 1,341,556
Investments	7,213,885	6,761,421	-	-	13,975,306
Other receivable, net	1,010,158	52,699	31,995	(4,206)	1,090,646
Receivable from legacies and bequests	687,069	-	-	-	687,069
Inventory	99,950	-	-	-	99,950
Prepaid expenses	343,253	-	25,514	-	368,767
	<u>9,772,669</u>	<u>7,086,819</u>	<u>708,012</u>	<u>(4,206)</u>	<u>17,563,294</u>
<b>Other Assets, deposits</b>	<u>1,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,811</u>
<b>Noncurrent Assets</b>					
Investments Related to Restricted and Designated Funds	-	8,176,385	-	-	8,176,385
Investments Restricted to Charitable Gift Annuity Obligations	2,752,943	-	-	-	2,752,943
Property and Equipment, net	1,214,872	298,950	21,327	-	1,535,149
	<u>3,967,815</u>	<u>8,475,335</u>	<u>21,327</u>	<u>-</u>	<u>12,464,477</u>
<b>Total Assets</b>	<u>\$ 13,742,295</u>	<u>\$ 15,562,154</u>	<u>\$ 729,339</u>	<u>\$ (4,206)</u>	<u>\$ 30,029,582</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, 2020**  
**(continued)**

Liabilities and Net Assets

	Physicians Committee for Responsible Medicine, Inc.	The PCRM Foundation	PCRM Clinic D/B/A Barnard Medical Center	Eliminations	Consolidated
<b>Current Liabilities</b>					
Accounts payable and accrued expenses	\$ 1,034,935	\$ 3,372	\$ 86,867	\$ (4,206)	\$ 1,120,968
Deferred revenue	316,124	-	-	-	316,124
Current portion of annuities payable	103,441	-	-	-	103,441
<b>Total Current Liabilities</b>	<b>1,454,500</b>	<b>3,372</b>	<b>86,867</b>	<b>(4,206)</b>	<b>1,540,533</b>
<b>Long-term Liabilities</b>					
Annuities payable, net of current portion	1,031,495	-	-	-	1,031,495
Paycheck Protection Program loans	1,319,635	-	185,000	-	1,504,635
Deferred rent credit	574,568	-	-	-	574,568
<b>Total Long-term Liabilities</b>	<b>2,925,698</b>	<b>-</b>	<b>185,000</b>	<b>-</b>	<b>3,110,698</b>
<b>Total Liabilities</b>	<b>4,380,198</b>	<b>3,372</b>	<b>271,867</b>	<b>(4,206)</b>	<b>4,651,231</b>
<b>Net Assets</b>					
Without donor restrictions	7,381,541	7,365,731	457,472	-	15,204,744
Board designated	-	5,249,283	-	-	5,249,283
<b>Total Net Assets Without Donor Restrictions</b>	<b>7,381,541</b>	<b>12,615,014</b>	<b>457,472</b>	<b>-</b>	<b>20,454,027</b>
With donor restrictions	1,980,556	2,943,768	-	-	4,924,324
<b>Total Net Assets</b>	<b>9,362,097</b>	<b>15,558,782</b>	<b>457,472</b>	<b>-</b>	<b>25,378,351</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 13,742,295</b>	<b>\$ 15,562,154</b>	<b>\$ 729,339</b>	<b>\$ (4,206)</b>	<b>\$ 30,029,582</b>

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, 2020**

	Physicians Committee for Responsible Medicine, Inc.	The PCR Foundation	PCR Clinic D/B/A Barnard Medical Center	Eliminations	Consolidated
<b>Change in Net Assets Without Donor Restrictions</b>					
<b>Support and Revenue</b>					
<b>Public Support</b>					
Contributions and donations	\$ 9,267,046	\$ 421,511	\$ 1,211,366	\$ (1,526,030)	\$ 9,373,893
Legacies and bequests	1,234,108	-	-	-	1,234,108
Grants	1,332,737	-	-	-	1,332,737
Net assets released from restrictions:					
Expiration of time restrictions	2,324,504	-	-	-	2,324,504
Satisfaction of purpose restrictions	1,170,630	796,163	-	-	1,966,793
<b>Total Public Support</b>	<b>15,329,025</b>	<b>1,217,674</b>	<b>1,211,366</b>	<b>(1,526,030)</b>	<b>16,232,035</b>
<b>Other Revenue</b>					
Medical services	-	-	438,813	-	438,813
Investment income	208,514	551,631	-	-	760,145
Mailing list rental	-	50,940	-	(16,000)	34,940
Rental and other income	171,948	106,209	490	(214,000)	64,647
Advocacy services	-	-	18,200	(18,200)	-
Merchandise sales and services					
Gross sales and services	454,698	-	-	(150,194)	304,504
Cost of goods sold	(24,023)	-	-	-	(24,023)
<b>Total Other Revenue</b>	<b>811,137</b>	<b>708,780</b>	<b>457,503</b>	<b>(398,394)</b>	<b>1,579,026</b>
<b>Total Support and Revenue</b>	<b>16,140,162</b>	<b>1,926,454</b>	<b>1,668,869</b>	<b>(1,924,424)</b>	<b>17,811,061</b>
<b>Expenses</b>					
<b>Program Services</b>					
Research and Regulatory Affairs	4,213,619	-	-	1,144	4,214,763
Clinical Research	1,032,477	-	-	1,568	1,034,045
Nutrition Education	2,764,926	-	-	(15,332)	2,749,594
Legal Advocacy	434,437	-	-	454	434,891
Publications	754,567	-	-	946	755,513
Education and Policy	1,219,924	1,220,224	-	(1,525,162)	914,986
Medical Services	-	-	1,623,957	(158,213)	1,465,744
Communications	2,263,514	-	-	2,120	2,265,634
<b>Total Program Services</b>	<b>12,683,464</b>	<b>1,220,224</b>	<b>1,623,957</b>	<b>(1,692,475)</b>	<b>13,835,170</b>
<b>Supporting Services</b>					
Operational expenses	1,330,716	247,297	136,049	(218,628)	1,495,434
Development expenses	2,084,113	-	1,616	(13,321)	2,072,408
<b>Total Supporting Services</b>	<b>3,414,829</b>	<b>247,297</b>	<b>137,665</b>	<b>(231,949)</b>	<b>3,567,842</b>
<b>Total Expenses</b>	<b>16,098,293</b>	<b>1,467,521</b>	<b>1,761,622</b>	<b>(1,924,424)</b>	<b>17,403,012</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>41,869</b>	<b>458,933</b>	<b>(92,753)</b>	<b>-</b>	<b>408,049</b>

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, 2020**  
**(continued)**

	Physicians Committee for Responsible Medicine, Inc.	The PCR Foundation	PCR Clinic D/B/A Barnard Medical Center	Eliminations	Consolidated
Change in Net Assets With Donor Restrictions					
Contributions and donations	2,081,516	16,994	-	-	2,098,510
Legacies and bequests	198,647	-	-	-	198,647
Grants	-	-	-	-	-
Investment income	-	129,666	-	-	129,666
Net assets released from restrictions:					
Expiration of time restrictions	(2,324,504)	-	-	-	(2,324,504)
Satisfaction of program restrictions.	(1,170,630)	(796,163)	-	-	(1,966,793)
Change in Net Assets With Donor Restrictions	<u>(1,214,971)</u>	<u>(649,503)</u>	<u>-</u>	<u>-</u>	<u>(1,864,474)</u>
Total Change in Net Assets	<u>\$ (1,173,102)</u>	<u>\$ (190,570)</u>	<u>\$ (92,753)</u>	<u>\$ -</u>	<u>\$ (1,456,425)</u>

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