

**Physicians Committee for
Responsible Medicine, Inc.
Consolidated Financial Statements
and Supplementary Information
July 31, 2022**

With Independent Auditors' Report Thereon

PhysiciansCommittee for Responsible Medicine

Physicians Committee for Responsible Medicine, Inc.
Table of Contents

<u>Title</u>	<u>Page</u>
Independent Auditors' Report	1-3
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5-6
Consolidated Statement of Functional Expenses	7-8
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements	10-31
Supplementary Information:	
Consolidating Schedule of Financial Position	32-33
Consolidating Schedule of Activities	34-35



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

2200 Research Blvd.
Suite 540
Rockville, Maryland 20850

Independent Auditors' Report

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

Opinion

We have audited the accompanying consolidated financial statements of Physicians Committee for Responsible Medicine, Inc. which comprise the consolidated statement of financial position as of July 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Physicians Committee for Responsible Medicine, Inc. as of July 31, 2022, and the results of its changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

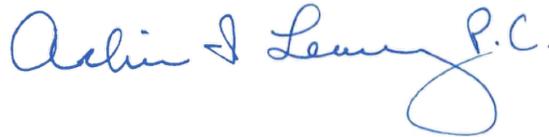
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures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

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities on pages 32 through 35 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Rockville, Maryland
January 31, 2023

A handwritten signature in blue ink that reads "Aclim J. Leung P.C." with a large, stylized loop at the end of the signature.

Physicians Committee for Responsible Medicine, Inc.
Consolidated Statement of Financial Position
July 31, 2022

Assets

Current Assets	
Cash	\$ 2,065,561
Investments	15,069,915
Other receivable, net	1,048,073
Receivable from legacies and bequests	1,721,378
Inventory	84,315
Prepaid expenses	524,923
Total Current Assets	20,514,165
Other Assets, deposit	1,914
Investments Related to Restricted and Designated Funds	9,220,934
Investments Restricted to Charitable Gift Annuity Obligations	3,478,619
Property and Equipment, net	1,255,693
Total Assets	\$ 34,471,325

Liabilities and Net Assets

Current Liabilities	
Accounts payable and accrued expenses	\$ 1,441,076
Deferred revenue	211,898
Current portion of annuities payable	148,104
Total Current Liabilities	1,801,078
Long-term Liabilities	
Annuities payable, net of current portion	1,270,141
Deferred rent credit	1,769,615
Total Long-term Liabilities	3,039,756
Total Liabilities	4,840,834
Net Assets	
Without donor restrictions	15,626,839
Board designated	9,220,934
Total Net Assets Without Donor Restrictions	24,847,773
With donor restrictions	4,782,718
Total Net Assets	29,630,491
Total Liabilities and Net Assets	\$ 34,471,325

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, 2022

	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	\$ 8,992,918	\$ 2,532,863	\$ 11,525,781
Legacies and bequests	2,296,045	1,721,378	4,017,423
Grant income	1,133,413	2,600	1,136,013
Net assets released from restrictions:			
Expiration of time restrictions	581,457	(581,457)	-
Satisfaction of program restrictions	2,108,001	(2,108,001)	-
Total Public Support	<u>15,111,834</u>	<u>1,567,383</u>	<u>16,679,217</u>
Other Revenue			
Medical services	566,441	-	566,441
Investment income	(1,534,673)	(230,049)	(1,764,722)
Mailing list rental	69,409	-	69,409
Rental and other income	357,770	-	357,770
Merchandise sales and services			
Gross sales and services	235,066	-	235,066
Cost of goods sold	(21,357)	-	(21,357)
Total Other Revenue	<u>(327,344)</u>	<u>(230,049)</u>	<u>(557,393)</u>
Total Support and Revenue	<u>14,784,490</u>	<u>1,337,334</u>	<u>16,121,824</u>
Expenses			
Program Services			
Research and Regulatory Affairs	4,446,493	-	4,446,493
Clinical Research	844,623	-	844,623
Nutrition Education	2,854,210	-	2,854,210
Legal Advocacy	608,742	-	608,742
Publications	754,561	-	754,561
Education and Policy	630,571	-	630,571
Medical Services	1,433,597	-	1,433,597
Communications	2,519,131	-	2,519,131
Total Program Services	<u>\$ 14,091,928</u>	<u>\$ -</u>	<u>\$ 14,091,928</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, 2022
(continued)

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	<u>Total</u>
Supporting Services			
Operational expenses	\$ 2,017,061	\$ -	\$ 2,017,061
Development expenses	<u>2,372,200</u>	<u>-</u>	<u>2,372,200</u>
Total Supporting Services	<u>4,389,261</u>	<u>-</u>	<u>4,389,261</u>
Total Expenses	<u>18,481,189</u>	<u>-</u>	<u>18,481,189</u>
Change in Net Assets	(3,696,699)	1,337,334	(2,359,365)
Net Assets, Beginning of Year	<u>28,544,472</u>	<u>3,445,384</u>	<u>31,989,856</u>
Net Assets, End of Year	<u><u>\$ 24,847,773</u></u>	<u><u>\$ 4,782,718</u></u>	<u><u>\$ 29,630,491</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, 2022

	Program Services					
	Research and Regulatory Affairs	Clinical Research	Nutrition Education	Legal Advocacy	Publications	Education and Policy
Salaries, benefits and other personnel expenses	\$ 1,974,808	\$ 457,511	\$ 1,916,296	\$ 289,913	\$ 417,881	\$ 345,636
Member communications	936,046	-	21,069	-	-	-
Professional services	516,693	184,206	277,553	259,613	24,503	102,831
General operating expenses	483,872	92,140	222,595	18,779	7,541	79,219
Media and promotion expenses	1,586	-	2,281	-	-	26,250
Rent and building expenses	276,023	63,464	238,618	28,244	58,531	23,556
Computer, phone, copier	126,050	23,359	103,336	12,177	13,257	22,932
Printing	27,163	10,750	21,534	-	161,951	6,249
Travel and transportation	60,319	1,518	22,484	-	106	9,853
Postage	43,933	11,675	28,444	16	70,791	14,045
Total	<u>4,446,493</u>	<u>844,623</u>	<u>2,854,210</u>	<u>608,742</u>	<u>754,561</u>	<u>630,571</u>
Percent of Total Expenses	<u>24.06%</u>	<u>4.57%</u>	<u>15.44%</u>	<u>3.29%</u>	<u>4.08%</u>	<u>3.41%</u>

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

Medical Services	Supporting Services					Total Expenses
	Communications	Total	Operational	Development	Total	
\$ 1,089,321	\$ 1,081,327	\$ 7,572,693	\$ 799,393	\$ 848,486	\$ 1,647,879	\$ 9,220,572
-	-	957,115	26,845	1,009,308	1,036,153	1,993,268
107,271	214,379	1,687,049	224,095	140,321	364,416	2,051,465
141,016	33,294	1,078,456	373,685	34,826	408,511	1,486,967
290	917,783	948,190	-	2,485	2,485	950,675
5,973	157,671	852,080	522,505	113,961	636,466	1,488,546
87,530	104,888	493,529	57,538	125,639	183,177	676,706
281	2,620	230,548	12,406	21,306	33,712	264,260
731	7,082	102,093	9	13,373	13,382	115,475
1,184	87	170,175	585	62,495	63,080	233,255
<u>1,433,597</u>	<u>2,519,131</u>	<u>14,091,928</u>	<u>2,017,061</u>	<u>2,372,200</u>	<u>4,389,261</u>	<u>18,481,189</u>
<u>7.76%</u>	<u>13.63%</u>	<u>76.25%</u>	<u>10.91%</u>	<u>12.84%</u>	<u>23.75%</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, 2022

Cash Flows from Operating Activities	
Change in net assets	\$ (2,359,365)
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Forgiveness of debt - Paycheck Protection Program loan (Round II)	(185,000)
Depreciation	172,269
Realized loss on sale of investments	476,140
Unrealized loss on investments	1,679,884
Donated investments	(552,375)
Amortization of bond premium and discount	188,259
Change in operating assets and liabilities:	
Decrease in other receivables	559,504
Increase in receivable from legacies and bequests	(1,234,735)
Decrease in inventory	5,270
Decrease in prepaid expenses	21,965
Increase in accounts payable and accrued expenses	124,901
Increase in deferred revenue	205,649
Increase in deferred rent credit	399,553
Net Cash Used In Operating Activities	<u>(498,081)</u>
Cash Flows from Investing Activities	
Reinvestment of matured securities and purchase of investments	(11,140,801)
Proceeds from sale of investments	12,328,807
Purchase of property and equipment	(88,897)
Net Cash Provided By Investing Activities	<u>1,099,108</u>
Cash Flows from Financing Activities	
Proceeds from annuity contracts	278,132
Principal payments on annuity contract	(164,948)
Net Cash Provided By Financing Activities	<u>113,184</u>
Increase in Cash	714,211
Cash at Beginning of Year	<u>1,351,350</u>
Cash at End of Year	<u><u>\$ 2,065,561</u></u>
Supplemental Disclosure of Cash Flows Information:	
Interest paid during the year	<u>\$ 46,248</u>
Income taxes paid during the year	<u><u>\$ -</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

We promote alternatives to animal use in research, testing, and education. To improve physician training, we work to replace animals in residency training programs. As a result of our work, only eight of 285 surveyed emergency medicine residencies in the U.S. and Canada continue to use animals. In FY 2022, we launched new campaigns by filing federal complaints to challenge the use of live animals for medical training at two schools. We held physician-led demonstrations and posted ads targeting animal use at six schools, including the University of Arizona. We ended animal use for medical or veterinary training at two schools, and in both the paramedic training program and general surgery residency at the University of Washington.

Our toxicologists actively promote the development and implementation of nonanimal-based tests for chemical toxicity, including training students and career toxicologists. In FY 2022, we published two peer-reviewed manuscripts making progress on human-based approaches for acute lethal toxicity and occupational allergic asthma. We also led a case study, which was approved and published by the Organization for Economic Cooperation and Development, on a human-based approach for assessing the toxicity of chemicals to the respiratory system. Our training offerings in FY 2022 reached over 6,000 professionals. A monthly webinar series attracted hundreds of scientists, students, and regulators from around the world. We also launched a concurrent discussion series featuring leaders in the field, attracting over 1,000 attendees in the first four sessions. To support students and early career scientists, we held the second North American Summer School for Innovative Approaches in Science, which offered an educational program for toxicology and biomedical research students interested in nonanimal science.

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

Note 1: Organization, (continued)

Nutrition Education

Nutrition experts grew a variety of educational programs to promote plant-based diets for health. To educate clinicians, we bookended FY 2022 with two International Conference on Nutrition in Medicine events, reaching 1,500 people. The Nutrition Guide for Clinicians, a diagnostic and treatment mobile application, reached 6,079 new users, with over 57,000 total users to date. NutritionCME.org brought in 1,929 health care professionals through novel and practical educational content, and we provided lectures at 28 medical, nursing, and dental schools, reaching 1,678 students. The clinician referral network brought in 44 new providers, for a total of 402 worldwide. The Let's Beat Breast Cancer Campaign reached 5,000 pledges, appeared over 6 million times on social media, and garnered the support of renowned experts and celebrities who joined together to promote breast cancer risk reduction through four easy nutrition and lifestyle steps. The bilingual 21-Day Vegan Kickstart mobile application has now reached over 400,000 people with menus, recipes, and education and cooking videos to support individuals transitioning to a plant-based diet. Online educational offerings allowed us to reach tens of thousands of people: The Fight Diabetes with Food program reached over 6,500 live participants, and our Fight Diabetes with Food India program reached 2,600 people. Fight Hot Flashes with Food reached 792 live participants. One Healthy World, our new multilingual online program, reached over 100,000 people. In China, we reached more than 11,200 people through a total of 98 lectures across 40 cities. The Native American Food for Life Online course taught by community leaders continues to expand into new communities across the United States. The Food for Life Nutrition and Education Program, via our global network of 300 instructors, reached 7,500 students through more than 1,000 individual classes.

Clinical Research

We design and conduct clinical health and nutrition research studies, with the goal of motivating more attention in diet and prevention among healthcare professionals, medical researchers, policymakers, and patients. Research staff and colleagues published 12 papers in peer-reviewed journals and presented their research at the American Diabetes Association's Scientific Sessions and at the International Symposium on Diabetes and Nutrition of the Diabetes and Nutrition Study Group of the European Association for the Study of Diabetes. We finished a 12-week clinical study for postmenopausal women with hot flashes, tracking their body weight and frequency and intensity of hot flashes. This study helped reduce the frequency and intensity of postmenopausal hot flashes. We started a clinical trial, testing the effects of a vegan diet in women with endometriosis and its ability to reduce pain. We are currently comparing a vegan diet with a standard portion-controlled diet in people with type 1 diabetes, tracking insulin requirements. 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)**

Communications

Working with physicians, health experts, and celebrities who serve as spokespeople, we inform, persuade, and inspire readers through strategic media relations, social media, digital communications, and advertisements. Our work was featured in traditional news outlets, including The Washington Post, CNN, CBS News, Politico, New York Daily News, Bloomberg, and many others. Each month, we reached a potential audience of 83 million by appearing in an average of 105 news outlets. Our social media content created conversations daily among more than 1.6 million followers on 13 social media accounts. In FY 2022, 4.6 million people engaged with our content, up 25.4% from FY 2021. We reached 230 million accounts, up 37% from FY 2021. Our YouTube channel received 16.4 million views in FY 2022 and gained 148.3 thousand subscribers, bringing our total to 337 thousand. The Exam Room podcast was downloaded more than 4.9 million times in FY 2022 and 10 million from its 2018 launch through FY 2022. Our website received 8,702,880 total page views in FY 2022.

Legal Advocacy

Through litigation and petitions, we promote better health and compassionate research practices. In light of the World Health Organization’s determination that processed meat is a carcinogen, we pursued litigation against the California Office of Environmental Health Hazard Assessment for refusing to designate processed meat as a carcinogen, in violation of state law. On behalf of our nationwide membership, we continued a federal lawsuit, and petitioned Offices of the Inspector General, to challenge improprieties in the development of the most recent Dietary Guidelines for Americans. On behalf of California members, we pursued two lawsuits to raise public awareness about unethical brain experiments carried out on monkeys at a state institution.

Publications

We support nutrition and research ethics educational efforts through the design and production of print and electronic materials. In FY 2022, we completed more than 1,200 separately tracked projects, including print and display materials, promotional merchandise, and electronic graphics and e-publications. Good Medicine, the Physicians Committee’s 24-page magazine, keeps members informed and involved. Four issues of Good Medicine were published in FY 2022. Total print distribution was 335,731.

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

Note 1: Organization, (continued)

Education and Policy

We partner to conduct advocacy for plant-based diets. At the federal level, we advocated in Congress to end the inequitable statutory barriers that prevent students from accessing nondairy milks at schools participating in the National School Lunch Program. In California, we supported funding to incentivize plant-based meals in public schools, leading to the passage of a state budget that includes historic investments in the state's school meal program to expand healthy, plant-based meal options. We advocated and built support in the state legislature for two bills to advance better nutrition in New York: a measure to expand access to plant-based meals in schools and a bill to require physicians to take nutrition education. We supported a bill in the District of Columbia to make plant-based foods available to patients, staff, and visitors in all hospitals.

We also conduct 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, we advocated for legislation aimed at convincing Brown University to halt the use of pigs for training emergency medicine residents. The Physicians Committee testified in support of this legislation and will continue to advocate for its passage. In Michigan, we supported legislation to outlaw the use of dogs in painful experiments at public institutions. At the federal level, we lobbied Congress to include report language in the Labor HHS Appropriations bill that calls for expanded transparency and accountability for NIH's use of animals in experiments. We also sought appropriations language directing FDA to modify regulations mandating animal testing and establish a pathway for regulatory acceptance of nonanimal approaches.

Physicians Committee president Neal Barnard, MD, FACC, oversaw clinical research studies and medical education programs, including the International Conference on Nutrition in Medicine. He presented at medical schools and hospitals and conducted interviews to educate listeners about healthful nutrition and modern ethical research methods.

The Physicians Committee's 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. In FY 2022, more than 15,000 pieces of literature were downloaded from our website, and we fulfilled more than 1,000 physical orders of 31,617 pieces of literature and merchandise (books, DVDs, educational posters, etc.) to locations around the globe.

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 consultations, annual exams, medical office visits, telehealth visits, nutrition counseling, and medical nutrition therapy services. BMC clinicians tackle the root causes of the illness by providing extra attention to the patient and help patients adopt a healthier lifestyle. Although BMC's board-certified physicians, nurse practitioners, and registered dietitians provide state-of-the-art medical care, many of the patients still need more support. While lifestyle changes and nutrition can make a huge difference in a patient's health, it can be hard for patients to adapt to a new lifestyle. That is why the experts at BMC offer lifestyle management for patients to help prevent, treat, and, in many cases, reverse some chronic conditions. Since opening in January 2016, BMC has had more than 26,800 appointments. BMC offers rotation programs for students and medical residents and has had more than 70 domestic and international participants rotate through the center since January 2018.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

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

Net Assets

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

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

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

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

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

In-Kind Contributions and Donated Services

Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated value at the date of receipt. Donated services are recognized as contributions in the accompanying consolidated financial statements to the extent the services received create or enhance non-financial assets or require specialized skills that would be purchased if not provided by donation. During the year ended July 31, 2022, The Physicians Committee received donated consulting services, advertising, and equipment with a calculated fair market value of \$563,808.

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)

Patient Receivables and Bad Debts

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

Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the reserves for contractual allowances and uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, BMC analyzes contractually due amounts and provides a reserve for contractual allowances and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely). The difference between the standard rates (or discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the reserves for contractual allowance and uncollectible accounts. At July 31, 2022, BMC's reserve for contractual allowances and uncollectible accounts was \$51,479.

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 consolidated statement of financial position.

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

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

Revenue Recognition

In May 2014 and March 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09 and ASU 2016-08, Revenue from Contracts with Customers (Topic 606) and Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net), respectively, which provides guidance for revenue recognition. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. Under the new standards, the estimate for amounts not expected to be collected based on historical experience will continue to be recognized as a reduction to net revenue. However, subsequent changes in estimate of collectability due to a change in the financial status of a payor, for example bankruptcy, will be recognized as bad debt expense in operational expenses.

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

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

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

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

Contributions

The Physicians Committee records the following types of contributions as revenue when they are received, at their fair value: cash, promises to give, and gifts of long-lived and other assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. At July 31, 2022, no significant conditional contributions existed. All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor.

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

Tax-Exempt Status

At July 31, 2022, and for the year then ended, The Physicians Committee has determined that there were no material unrecognized/derecognized tax benefits, tax penalties or interest. No provision for income taxes has been made in the accompanying consolidated financial statements. At July 31, 2022, the tax filings for the past three years are subject to possible examination by major tax jurisdictions.

Estimates

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

Functional Allocation of Expenses

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

Recent accounting pronouncements

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, (continued)

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 consolidated statement of financial position in amounts that will be material.

Note 3: Liquidity and Availability of Financial Assets

Physicians Committee has \$16,789,535 available within one year of the balance sheet date to meet cash needs for general expenditure. The amount consists of the following:

Cash and cash equivalents	\$ 2,065,563
Short-term investments	14,640,309
Minimum endowment distribution	275,000
Receivable from legacies and bequests	1,721,378
Donations receivable	287,271
Other receivables	760,608
	<hr/>
	19,750,129
Less: amount subject to donor restrictions and therefore unavailable for general expenditures	<hr/>
	(2,960,594)
	<hr/>
Total financial assets and other liquid resources	<u>\$ 16,789,535</u>

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

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

Although Physicians Committee does not intend to spend from its quasi-endowment (other than amounts appropriated for general expenditure as part of the endowment's annual distribution), amounts from its quasi-endowment could be made available with approval from the board of directors, if necessary. The quasi-endowment had a balance of \$7,062,956 (excluding the minimum amount earmarked for annual distribution within one year) on July 31, 2022 and is not reflected in the total financial assets available within one-year balance of \$16,789,535.

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

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

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

Note 4: Other Receivables

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

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

Other receivables are comprised of the following as of July 31, 2022:

Grants receivable	\$ 550,189
Accrued donations	296,969
Miscellaneous receivables	144,205
Patient accounts receivable	<u>114,230</u>
Subtotal	1,105,593
Less: Contractual allowance and uncollectible amounts	(51,479)
Less: Allowance for bad debt	<u>(6,236)</u>
Other receivable, net	<u><u>\$ 1,047,878</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, 2022:

	Other Investments	Endowment and Other Investments with Donor Retrictions	Total
Money funds	\$ 558,866	\$ 173,026	\$ 731,892
Equity securities	1,316,037	4,373,990	5,690,027
Debt securities	11,065,668	1,939,922	13,005,590
Mutual funds - equities	538,858	1,952,793	2,491,651
Mutual funds - fixed income	143,076	654,846	797,922
Exchange Traded Funds	229,577	126,357	355,934
Limited partnership interest	349,511	-	349,511
Certificates of deposit	4,333,028	-	4,333,028
Cash surrender of life insurance policy	13,913	-	13,913
	<u>18,548,534</u>	<u>9,220,934</u>	<u>27,769,468</u>
Total	\$ 18,548,534	\$ 9,220,934	\$ 27,769,468
Less: Investments related to restricted and designated funds	-	9,220,934	9,220,934
Less: Investments restricted to charitable gift annuity obligations	3,478,619	-	3,478,619
	<u>3,478,619</u>	<u>-</u>	<u>3,478,619</u>
Total	<u>\$ 15,069,915</u>	<u>\$ -</u>	<u>\$ 15,069,915</u>

Realized and unrealized gains and losses are included in the consolidated statement of activities as part of investment income. The following summarizes the investment return for the year ended July 31, 2022:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Interest and dividend income	\$ 332,542	\$ 38,332	\$ 370,874
Net realized and unrealized losses	(1,887,643)	(268,381)	(2,156,024)
Other investment income	20,429	-	20,429
	<u>15,069,915</u>	<u>9,220,934</u>	<u>24,290,849</u>
Investment return	<u>\$ (1,534,673)</u>	<u>\$ (230,049)</u>	<u>\$ (1,764,722)</u>

As of July 31, 2022, investment advisory fees in the amount of \$117,591 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, 2022:

	Level 1	Level 2	Level 3	Total
Money funds	\$ 731,892	\$ -	\$ -	\$ 731,892
Equity securities	5,690,027	-	-	5,690,027
Debt securities	13,005,590	-	-	13,005,590
Mutual funds - equities	2,491,651	-	-	2,491,651
Mutual funds - fixed income	797,922	-	-	797,922
Exchange traded funds	355,934	-	-	355,934
Certificates of deposit	4,333,028	-	-	4,333,028
Cash surrender of life insurance policy	-	13,913	-	13,913
Limited partnership interest	-	-	349,511	349,511
Total	<u>\$ 27,406,044</u>	<u>\$ 13,913</u>	<u>\$ 349,511</u>	<u>\$ 27,769,468</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, 2022.

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. The units of ownership were sold subsequent to July 31, 2022.

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, 2021	\$ 204,736	\$ 120,278	\$ 325,014
Unrealized gains (losses)	44,497	(20,000)	24,497
Fair value, July 31, 2022	\$ 249,233	\$ 100,278	\$ 349,511

Note 7: Property and Equipment

At July 31, 2022 property and equipment consists of the following:

Building	\$ 500,270
Membership list	321,142
Equipment	820,311
Land	545,079
Leasehold improvements	1,125,272
Furniture and fixtures	96,754
Digital assets	420,619
Subtotal	3,829,447
Less: Accumulated depreciation	2,573,754
Property and Equipment, net	\$ 1,255,693

Depreciation expense for the year ended July 31, 2022 was \$172,269. 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.

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

Note 8: Paycheck Protection Program Loan and Employee Retention Credit

BMC received a second loan with proceeds in the amount of \$185,000 under the Paycheck Protection Program (“PPP”) on January 25, 2021. The debt, funded through the Small Business Administration (SBA), is required to fund payroll, benefits, rent and utilities.

The loan was forgiven in full on February 2, 2022. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty. Management is of the opinion that any review will not have a material adverse impact on BMC’s financial position.

BMC applied for Employee Retention Credits (ERC) during the fiscal year ended July 31, 2022 and recognized \$79,381 of grant income related to the performance requirements being met in compliance with the program.

Eligibility and conditions for the ERC program may be audited by the Internal Revenue Service. Any potential liability from noncompliance cannot be determined with certainty. Management is of the opinion that any review will not have a material adverse impact on BMC’s financial position.

Note 9: Net Assets With Donor Restrictions

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

Endowment Fund	\$	1,883,765
Legacies and bequests receivable for general operations		1,721,378
Donations and pledges receivable for general operations		225,680
Clinical Research, Nutrition Education and Research and Regulatory Affairs		951,895
Total	\$	4,782,718

Note 10: Net Assets Released From Restrictions

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

Research and Regulatory Affairs	\$	2,008,355
Endowment		82,834
Expiration of time restrictions		598,269
Total	\$	2,689,458

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

Note 11: 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.

Endowment net asset composition by type of fund as of July 31, 2022:

	Net Assets without donor restrictions	Net Assets with donor restrictions	Total
Donor restricted	\$ -	\$ 1,883,765	\$ 1,883,765
Board-designated	7,337,169	-	7,337,169
Total funds	\$ 7,337,169	\$ 1,883,765	\$ 9,220,934

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

Note 11: Endowment Funds, (continued)

Changes in endowment net assets for fiscal year ended July 31, 2022:

	<u>Net Assets without donor restrictions</u>	<u>Net Assets with donor restrictions</u>	<u>Total</u>
Beginning of year	\$ 8,556,643	\$ 2,195,623	\$ 10,752,266
Contributions	-	1,025	1,025
Investment return:			
Investment income	149,443	38,332	187,775
Net (depreciation)	<u>(1,045,960)</u>	<u>(268,381)</u>	<u>(1,314,341)</u>
Total endowment income	<u>(896,517)</u>	<u>(229,024)</u>	<u>(1,125,541)</u>
Distributions	<u>(252,561)</u>	<u>(64,777)</u>	<u>(317,338)</u>
Appropriations for expenditures	<u>(70,396)</u>	<u>(18,057)</u>	<u>(88,453)</u>
End of year	<u>\$ 7,337,169</u>	<u>\$ 1,883,765</u>	<u>\$ 9,220,934</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.

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.

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

Note 11: Endowment Funds, (continued)

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.

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

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

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

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

Note 12: Operating Leases

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

Effective July 1, 2022, the Physicians Committee entered into the second amendment of their lease arrangement for office space. The amended lease has several conditions that affect the final outcome and ultimately the amount of lease payments over the lease term. Based on current estimates, the new lease is anticipated to end on October 31, 2034.

During the 2022 fiscal year, The Physicians Committee subleased their Washington, DC office space to seven subtenants. Total rental income derived from subleases for the year ended July 31, 2022 was \$251,203. This amount excludes in-kind rental income to subsidiaries. Gross rental income per subtenant in Washington, DC office for the year ended July 31, 2022 are as follows:

Suites 401 & 406	\$ 35,050
Baker House	9,600
Suite 251	75,778
Suite 300	7,025
Suite 309	55,802
Suite 310	12,311
Suite 403	<u>55,637</u>
 Total	 <u>\$ 251,203</u>

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, 2022 was \$1,447,690. Future minimum lease payments under noncancelable leases having remaining terms in excess of 1 year as of July 31, 2022 are as follows:

July 31, 2023	\$ 837,692
July 31, 2024	1,371,258
July 31, 2025	1,387,505
July 31, 2026	1,361,873
July 31, 2027	1,454,543
After July 31, 2027	<u>12,972,859</u>
 Total	 <u>\$ 19,385,730</u>

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

Note 13: Allocation of Joint Costs

In the fiscal year ended July 31, 2022, 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 \$1,376,472. 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	\$ 873,664
Development	<u>498,406</u>
Total	<u>\$ 1,372,070</u>

Note 14: 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, 2022 was \$1,276,363.

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, 2022 was \$24,288,543. 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 15: 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, 2022 for the Physicians Committee totaled \$142,607.

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

Note 16: 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	\$ 187,010
Merchandise sales	<u>48,056</u>
Gross sales and services	235,066
Cost of goods sold	<u>(21,357)</u>
Gross profit from sales and services	<u>\$ 213,709</u>

Note 17: 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, 2022.

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, 2022, 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.

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

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

Note 17: Reconciliation of The PCRM Foundation Program Service to the Physicians Committee Consolidating Statement of Activities, (continued)

The PCRM Foundation expenses as presented individually and consolidated:

	Statement of Activities per The PCRM Foundation Financial Statements	Consolidating Statement of Activities per the Physicians Committee Financial Statements	Difference
Expenses			
Program Services			
Support services	\$ 253,312	\$ -	\$ 253,312
Contributions to supported organizations	1,026,338	1,026,338	-
Supporting Services			
Operational expenses	-	253,312	(253,312)
	\$ 1,279,650	\$ 1,279,650	\$ -
Total Expenses	\$ 1,279,650	\$ 1,279,650	\$ -

Note 18: 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, 2022 through January 31, 2023, the date the financial statements were available to be issued, to determine whether there are any subsequent events that would have an impact on the financial statements that have not been properly disclosed. Management has determined there were no significant subsequent events that were not properly disclosed.

Physicians Committee for Responsible Medicine, Inc.
Consolidating Schedule of Financial Position
July 31, 2022

	<u>Assets</u>				
	Physicians Committee for Responsible Medicine, Inc.	The PCRM Foundation	PCRM Clinic D/B/A Barnard Medical Center	Eliminations	Consolidated
Current Assets					
Cash	\$ 1,247,397	\$ 221,914	\$ 596,250	\$ -	\$ 2,065,561
Investments	6,724,648	8,345,267	-	-	15,069,915
Other receivable, net	969,384	9,214	91,903	(22,428)	1,048,073
Receivable from legacies and bequests	1,721,378	-	-	-	1,721,378
Inventory	84,315	-	-	-	84,315
Prepaid expenses	502,309	8,483	14,131	-	524,923
	<u>11,249,431</u>	<u>8,584,878</u>	<u>702,284</u>	<u>(22,428)</u>	<u>20,514,165</u>
Other Assets, deposits	<u>1,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,914</u>
Noncurrent Assets					
Investments Related to Restricted and Designated Funds	-	9,220,934	-	-	9,220,934
Investments Restricted to Charitable Gift Annuity Obligations	3,478,619	-	-	-	3,478,619
Property and Equipment, net	1,073,459	175,117	7,117	-	1,255,693
	<u>4,552,078</u>	<u>9,396,051</u>	<u>7,117</u>	<u>-</u>	<u>13,955,246</u>
Total Assets	<u>\$ 15,803,423</u>	<u>\$ 17,980,929</u>	<u>\$ 709,401</u>	<u>\$ (22,428)</u>	<u>\$ 34,471,325</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, 2022
(continued)

Liabilities and Net Assets

	Physicians Committee for Responsible Medicine, Inc.	The PCRM Foundation	PCRM Clinic D/B/A Barnard Medical Center	Eliminations	Consolidated
Current Liabilities					
Accounts payable and accrued expenses	\$ 1,343,806	\$ 27,382	\$ 92,316	\$ (22,428)	\$ 1,441,076
Deferred revenue	211,898	-	-	-	211,898
Current portion of annuities payable	148,104	-	-	-	148,104
Total Current Liabilities	1,703,808	27,382	92,316	(22,428)	1,801,078
Long-term Liabilities					
Annuities payable, net of current portion	1,270,141	-	-	-	1,270,141
Deferred rent credit	1,769,615	-	-	-	1,769,615
Total Long-term Liabilities	3,039,756	-	-	-	3,039,756
Total Liabilities	4,743,564	27,382	92,316	(22,428)	4,840,834
Net Assets					
Without donor restrictions	8,160,906	6,848,848	617,085	-	15,626,839
Board designated	-	9,220,934	-	-	9,220,934
Total Net Assets Without Donor Restrictions	8,160,906	16,069,782	617,085	-	24,847,773
With donor restrictions	2,898,953	1,883,765	-	-	4,782,718
Total Net Assets	11,059,859	17,953,547	617,085	-	29,630,491
Total Liabilities and Net Assets	\$ 15,803,423	\$ 17,980,929	\$ 709,401	\$ (22,428)	\$ 34,471,325

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, 2022

	Physicians Committee for Responsible Medicine, Inc.	The PCRM Foundation	PCRM Clinic D/B/A Barnard Medical Center	Eliminations	Consolidated
Change in Net Assets Without Donor Restrictions					
Support and Revenue					
Public Support					
Contributions and donations	\$ 9,326,767	\$ 1,408,585	\$ 866,303	\$ (2,608,737)	\$ 8,992,918
Legacies and bequests	2,296,045	-	-	-	2,296,045
Grant income	869,032	-	264,381	-	1,133,413
Net assets released from restrictions:					
Expiration of time restrictions	581,457	-	-	-	581,457
Satisfaction of purpose restrictions	2,008,355	99,646	-	-	2,108,001
Total Public Support	15,081,656	1,508,231	1,130,684	(2,608,737)	15,111,834
Other Revenue					
Medical services	-	-	566,441	-	566,441
Investment income (loss)	(411,217)	(1,124,117)	661	-	(1,534,673)
Mailing list rental	-	85,409	-	(16,000)	69,409
Rental and other income	465,772	93,127	871	(202,000)	357,770
Merchandise sales and services					
Gross sales and services	329,543	-	41,400	(135,877)	235,066
Cost of goods sold	(21,357)	-	-	-	(21,357)
Total Other Revenue	362,741	(945,581)	609,373	(353,877)	(327,344)
Total Support and Revenue	15,444,397	562,650	1,740,057	(2,962,614)	14,784,490
Expenses					
Program Services					
Research and Regulatory Affairs	4,446,537.00	-	-	(44)	4,446,493
Clinical Research	852,051.00	-	-	(7,428)	844,623
Nutrition Education	2,888,314.00	-	-	(34,104)	2,854,210
Legal Advocacy	609,021.00	-	-	(279)	608,742
Publications	755,138.00	-	-	(577)	754,561
Education and Policy	2,213,383.00	1,026,338.00	-	(2,609,150)	630,571
Medical Services	-	-	1,562,887.00	(129,290)	1,433,597
Communications	2,520,683.00	-	-	(1,552)	2,519,131
Total Program Services	14,285,127.00	1,026,338.00	1,562,887.00	(2,782,424)	14,091,928
Supporting Services					
Operational expenses	1,814,164.00	253,312.00	123,072.00	(173,487)	2,017,061
Development expenses	2,378,903.00	-	-	(6,703)	2,372,200
Total Supporting Services	4,193,067.00	253,312.00	123,072.00	(180,190)	4,389,261
Total Expenses	18,478,194.00	1,279,650.00	1,685,959.00	(2,962,614)	18,481,189
Change in Net Assets Without Donor Restrictions	(3,033,797)	(717,000)	54,098	-	(3,696,699)

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, 2022
(continued)

	Physicians Committee for Responsible Medicine, Inc.	The PCRM Foundation	PCRM Clinic D/B/A Barnard Medical Center	Eliminations	Consolidated
Change in Net Assets With Donor Restrictions					
Contributions and donations	2,531,838	1,025	-	-	2,532,863
Legacies and bequests	1,721,378	-	-	-	1,721,378
Grant income	2,600	-	-	-	2,600
Investment income (loss)	-	(230,049)	-	-	(230,049)
Net assets released from restrictions:					
Expiration of time restrictions	(581,457)	-	-	-	(581,457)
Satisfaction of program restrictions.	(2,008,355)	(99,646)	-	-	(2,108,001)
Change in Net Assets With Donor Restrictions	<u>1,666,004</u>	<u>(328,670)</u>	<u>-</u>	<u>-</u>	<u>1,337,334</u>
Total Change in Net Assets	<u>\$ (1,367,793)</u>	<u>\$ (1,045,670)</u>	<u>\$ 54,098</u>	<u>\$ -</u>	<u>\$ (2,359,365)</u>

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