

**Physicians Committee for
Responsible Medicine, Inc.
Consolidated Financial Statements
and Supplementary Information
July 31, 2025**

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

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, 2025, 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, 2025, 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.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

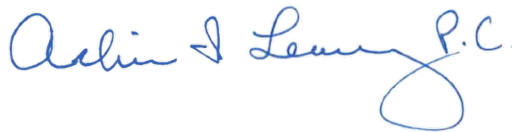
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Physicians Committee for Responsible Medicine, Inc.'s 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.'s ability to continue as a going concern for a reasonable period of time.

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

Other Matter

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

Rockville, Maryland
January 12, 2026

A handwritten signature in blue ink, reading "Arthur J. Lemay P.C.", with a stylized flourish at the end.

Physicians Committee for Responsible Medicine, Inc.
Consolidated Statement of Financial Position
July 31, 2025

Assets

Current Assets	
Cash	\$ 1,594,696
Investments	17,384,953
Other receivable, net	791,676
Receivable from legacies and bequests	124,137
Inventory	76,467
Prepaid expenses	716,554
Total Current Assets	<u>20,688,483</u>
Noncurrent Assets	
Other Assets, deposits	12,647
Investments Related to Restricted and Designated Funds	10,781,928
Investments Restricted to Charitable Gift Annuity Obligations	5,343,097
Operating Lease Right-Of-Use Asset, net	9,383,681
Property and Equipment, net	1,341,178
Total Noncurrent Assets	<u>26,862,531</u>
Total Assets	<u><u>\$ 47,551,014</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable and accrued expenses	\$ 2,103,297
Operating lease liability - current portion	764,521
Deferred revenue	331,333
Current portion of annuities payable	273,596
Total Current Liabilities	<u>3,472,747</u>
Long-term Liabilities	
Annuities payable, net of current portion	2,122,113
Operating lease liability - long-term portion	11,550,195
Total Long-term Liabilities	<u>13,672,308</u>
Total Liabilities	<u>17,145,055</u>
Net Assets	
Without donor restrictions	18,429,227
Board designated	8,682,056
Total Net Assets Without Donor Restrictions	<u>27,111,283</u>
With donor restrictions	3,294,676
Total Net Assets	<u>30,405,959</u>
Total Liabilities and Net Assets	<u><u>\$ 47,551,014</u></u>

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

Physicians Committee for Responsible Medicine, Inc.
Consolidated Statement of Activities
For the Year Ended For the Year Ended For the Year Ended July 31, 2025

	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	\$ 8,294,811	\$ 4,783,571	\$ 13,078,382
Legacies and bequests	6,459,715	124,137	6,583,852
Grant income	770,280	-	770,280
Net assets released from restrictions:			
Expiration of time restrictions	1,902,726	(1,902,726)	-
Satisfaction of program restrictions	4,043,774	(4,043,774)	-
	<u>21,471,306</u>	<u>(1,038,792)</u>	<u>20,432,514</u>
Total Public Support			
Other Revenue			
Medical services	454,481	-	454,481
Investment income	2,154,253	164,821	2,319,074
Rental and other income	653,286	-	653,286
Merchandise sales and services			
Gross sales and services	417,338	-	417,338
Cost of goods sold	(30,344)	-	(30,344)
	<u>3,649,014</u>	<u>164,821</u>	<u>3,813,835</u>
Total Other Revenue			
Total Support and Revenue	<u>25,120,320</u>	<u>(873,971)</u>	<u>24,246,349</u>
Expenses			
Program Services			
Research and Regulatory Affairs	5,104,006	-	5,104,006
Clinical Research	2,201,405	-	2,201,405
Nutrition Education	4,756,428	-	4,756,428
Legal Advocacy	733,508	-	733,508
Education and Policy	894,195	-	894,195
Medical Services	1,341,943	-	1,341,943
Communications	5,554,374	-	5,554,374
	<u>20,585,859</u>	<u>-</u>	<u>20,585,859</u>
Total Program Services			

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 For the Year Ended For the Year Ended July 31, 2025
(continued)

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	<u>Total</u>
Supporting Services			
Operational expenses	2,825,629	-	2,825,629
Development expenses	3,197,568	-	3,197,568
	<u>6,023,197</u>	<u>-</u>	<u>6,023,197</u>
Total Supporting Services			
	<u>6,023,197</u>	<u>-</u>	<u>6,023,197</u>
Total Expenses	<u>26,609,056</u>	<u>-</u>	<u>26,609,056</u>
Change in Net Assets	(1,488,736)	(873,971)	(2,362,707)
Net Assets, Beginning of Year	<u>28,600,019</u>	<u>4,168,647</u>	<u>32,768,666</u>
Net Assets, End of Year	<u><u>\$ 27,111,283</u></u>	<u><u>\$ 3,294,676</u></u>	<u><u>\$ 30,405,959</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, 2025

	Program Services				
	<u>Research and Regulatory Affairs</u>	<u>Clinical Research</u>	<u>Nutrition Education</u>	<u>Legal Advocacy</u>	<u>Education and Policy</u>
Salaries, benefits and other personnel expenses	\$ 3,116,410	\$ 1,263,727	\$ 2,258,061	\$ 466,289	\$ 582,865
Member communications	1,028,194	-	20,459	-	-
Professional services	303,721	462,279	502,237	208,850	101,844
General operating expenses	148,413	157,159	1,220,540	21,278	70,660
Media and promotion expenses	1,200	-	89,582	-	25,000
Rent and building expenses	208,053	100,366	177,312	23,140	55,704
Computer, phone, copier	135,846	83,843	138,446	13,324	26,965
Printing	24,660	36,044	147,280	52	4,250
Travel and transportation	94,698	96,175	156,589	123	14,850
Postage	<u>42,811</u>	<u>1,812</u>	<u>45,922</u>	<u>452</u>	<u>12,057</u>
Total	<u>\$ 5,104,006</u>	<u>\$ 2,201,405</u>	<u>\$ 4,756,428</u>	<u>\$ 733,508</u>	<u>\$ 894,195</u>
Percent of Total Expenses	<u>19.18%</u>	<u>8.27%</u>	<u>17.88%</u>	<u>2.76%</u>	<u>3.36%</u>

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

			Supporting Services			Total Expenses
Medical Services	Communications	Total	Operational	Development	Total	
\$ 1,082,503	\$ 2,404,315	\$ 11,174,170	\$ 1,208,450	\$ 1,346,893	\$ 2,555,343	\$ 13,729,513
-	-	1,048,653	17,645	1,266,913	1,284,558	2,333,211
71,035	811,779	2,461,745	171,629	169,677	341,306	2,803,051
65,128	95,415	1,778,593	488,302	50,597	538,899	2,317,492
-	1,574,654	1,690,436	-	-	-	1,690,436
4,818	160,081	729,474	864,190	88,127	952,317	1,681,791
111,983	241,982	752,389	59,024	153,128	212,152	964,541
385	149,983	362,654	12,106	14,349	26,455	389,109
5,790	13,504	381,729	267	32,588	32,855	414,584
301	102,661	206,016	4,016	75,296	79,312	285,328
<u>\$ 1,341,943</u>	<u>\$ 5,554,374</u>	<u>\$ 20,585,859</u>	<u>\$ 2,825,629</u>	<u>\$ 3,197,568</u>	<u>\$ 6,023,197</u>	<u>\$ 26,609,056</u>
<u>5.04%</u>	<u>20.88%</u>	<u>77.36%</u>	<u>10.62%</u>	<u>12.02%</u>	<u>22.64%</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, 2025

Cash Flows from Operating Activities	
Change in net assets	\$ (2,362,707)
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Depreciation	116,866
Gain on disposition of property and equipment	(684)
Realized gain on sale of investments	(303,452)
Unrealized gain on investments	(739,300)
Donated investments	(674,144)
Amortization of bond premium and discount	(287,240)
Amortization of right-of-use asset	741,065
Non-cash lease expense adjustment	193,891
Change in operating assets and liabilities:	
Increase in other receivables	(462,461)
Decrease in receivable from legacies and bequests	1,566,436
Decrease in inventory	8,195
Increase in prepaid expenses	(325,074)
Decrease in other assets	6,500
Decrease in accounts payable and accrued expenses	(51,646)
Decrease in operating lease liability	(654,274)
Increase in deferred revenue	71,095
Net Cash Used In Operating Activities	<u>(3,156,934)</u>
Cash Flows from Investing Activities	
Reinvestment of matured securities and purchase of investments	(16,497,034)
Proceeds from sale of investments	19,368,792
Proceeds from sale of fixed assets	1,500
Purchase of property and equipment	<u>(126,481)</u>
Net Cash Provided By Investing Activities	<u>2,746,777</u>
Cash Flows from Financing Activities	
Proceeds from annuity contracts	924,926
Principal payments on annuity contract	<u>(340,007)</u>
Net Cash Provided By Financing Activities	<u>584,919</u>
Increase in Cash	174,762
Cash at Beginning of Year	<u>1,419,934</u>
Cash at End of Year	<u><u>\$ 1,594,696</u></u>
Supplemental Disclosure of Cash Flows Information:	
Interest paid during the year	<u>\$ 766,849</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

The Physicians Committee advances human-specific, nonanimal approaches in research, testing, and education through scientific support, policy change, training, and outreach. In fiscal year 2025, our scientists worked to overcome barriers to adoption of nonanimal methods by providing input to federal agencies through responses to Federal Register requests and presentations at agency meetings. We continue to lead a multi-institutional collaboration to document and reduce bias favoring animal use and to promote human-relevant approaches. To expand training, we provided direct instruction to agency staff, continuing education courses, and a regulatory program on nonanimal methods. We also supported scientific society webinars, reaching more than 6,000 scientists live, with many more accessing recordings. Our biennial Summer Immersion training program received the inaugural NIH National Center for Advancing Translational Sciences education and training prize. Recognizing the need for global access, we launched a toxicology training program conducted fully in Spanish and expanded access to recorded trainings with subtitles in multiple languages. Our team published 15 peer-reviewed articles addressing bias in animal research, the limitations of animal ethics committees, xenotransplantation, and advances in new approach methodologies. We also continued efforts to modernize physician training by replacing animal use in residency programs. Largely as a result of our work, 99% of surveyed advanced trauma life support programs in the U.S. and Canada use nonanimal, human-based training methods. In addition, 97% of emergency medicine programs in the U.S. and Canada no longer use animals, and nearly 80% of surgery programs have replaced animals.

Nutrition Education

Nutrition experts grew a variety of educational programs to promote plant-based diets for health. To educate clinicians, the Nutrition Guide for Clinicians, a diagnostic and treatment mobile application, reached 6,165 new users, with nearly 80,000 users to date. NutritionCME.org reached 1,373 health care professionals through online courses, and we reached 706 medical students through our medical school lunch-and-learn program. The clinician referral network brought in 40 new providers, for a total of 590 worldwide, and we added 20 new dietitians for a total of 91 preferred dietitians in our network. The Let's Beat

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

Note 1: Organization, (continued)

Nutrition Education (continued)

Breast Cancer campaign grew to 58 events earning coverage in 75 media outlets with a reach of 83.8 million. The bilingual 21-Day Vegan Kickstart mobile application reached 36,000 people with menus, recipes, education, and cooking videos to support individuals transitioning to a plant-based diet. Our trilingual One Healthy World program reached 398,041 people across the world in English, French, and Spanish languages. In India we reached 5,330 students through lectures at 26 medical, nursing, and culinary schools. In China, we reached more than 1.02 million viewers during our 6th annual virtual conference, 19,540 people through a total of 110 lectures across 35 cities, and 27,307 through our online 21-Day Healthy Challenge program. The Food for Life program grew our network to 450 instructors and institutions and reached more than 21,500 students. Our National Diabetes Program reached 4,370 participants. Our Building Healthy Communities program grew to 440 leaders reaching more than 135,000 members globally.

Clinical Research

We design and conduct clinical health and nutrition research studies, with the goal of bringing more attention to nutrition and prevention among health care professionals, medical researchers, policymakers, and patients. Our team members published 12 papers in peer-reviewed journals and presented the 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. In collaboration with Yale University, we are continuing a clinical trial that tests the effects of a vegan diet on liver and muscle fat in people with type 2 diabetes. We are also continuing a study in partnership with Blue Cross Blue Shield, tracking not only clinical outcomes, such as body weight and glycemic control, but also health care expenditures in people with type 2 diabetes. Our goal is to build upon the body of knowledge of the value of plant-based diets and generate wider acceptance, among the medical and scientific communities, policymakers, and the press, of the power of plant-based diets to prevent and treat disease.

Communications

Working with physicians, health experts, and celebrities who serve as spokespeople, we inform, persuade, and inspire readers through strategic media relations, social media, digital communications, print publications, and advertisements. Our work was featured in traditional news outlets including Washington Post, New York Times, Newsweek, Baltimore Sun, BBC, Detroit News, New York Post, Oregonian, Sun Sentinel, STAT, ABC News, NBC News, Fox News, Science, MedicalXpress, Everyday Health, Woman's World, MedPage Today, Science Magazine, Economic Times, and many more. Our doctor-authored op-eds have been published in major newspapers including Colorado Newline, Detroit News, Cal Matters, Med Central, Med Page Today, Oregonian, and Utah News Dispatch. Print and online news coverage generated 3,024 news articles and an average of 6.57 million unique visitors per month. Our social media content created conversations daily among more than 1.4 million followers on 21 social media accounts. In FY 2025, 20.7 million accounts

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

Note 1: Organization, (continued)

Communications, (continued)

were reached across Meta platforms and X. YouTube's following grew to 491.3K, up 22K subscribers from the previous year, and our videos were viewed 4.3 million times. The Exam Room Podcast was downloaded more than 4.1 million times on podcast platforms in FY 2025 and nearly 25 million from its launch in 2018. Our website received 3,990,751 total page views in FY 2025. We completed more than 800 separately tracked print and display materials, promotional merchandise, and electronic graphics and e-publications. Good Medicine, the Physicians Committee's 24-page magazine, keeps members informed and involved. Four issues of Good Medicine were published in FY 2025. Total print distribution was 303,322.

Legal Advocacy

Through litigation and petitions, we promote better health and ethical research practices. In California, the District of Columbia, Minnesota, Rhode Island, and Texas, we litigated on open government, First Amendment, and consumer protection grounds to raise public awareness about unethical experiments carried out on animals at large institutions. We submitted amicus briefs in nutrition cases and continued our litigation against the California Office of Environmental Health Hazard Assessment for violating state law by refusing to designate processed meat as a carcinogen, despite designation as such by the World Health Organization.

Education and Policy

We lead advocacy efforts to expand the adoption and availability of plant-based diets. We advocate in Congress to end the inequitable statutory barriers that prevent students from accessing nondairy milks at schools, increase the availability of plant-based school meals, and push back against the dairy industry's efforts to force schools to serve dairy. We empower physicians, clinicians, and students to ensure their voices are heard on the need for better nutrition. We advocate to revise the Dietary Guidelines for Americans (DGA) to end its unnecessary promotion of meat and dairy and to instead promote healthy plant-based diets. We work alongside Native American tribal governments to ensure federal agencies consult with tribes regarding the DGA and that indigenous plant-based foods are incorporated. At the state level, we advocate for wider availability of plant-based foods in schools and other institutions. We also advocate at the federal and state level to encourage the funding, development, and implementation of human-relevant, nonanimal methods in medical research, education, and product testing. We consult federal agencies on their initiatives to reduce and end the use of animals in research, and we provide testimony and expertise to Congress on the same. We advocate for federal legislation that would ensure the National Institutes of Health is properly counting animals used in its funded laboratories, as well as legislation to remove requirements for animal testing and research.

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

Note 1: Organization, (continued)

Education and Policy, (continued)

At the state level, we continue to work with legislators in Michigan to support legislation that would prohibit painful experiments on dogs and cats, and we seek an end to egregious and unproductive research on nonhuman primates in Oregon and nationwide. 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. Our e-commerce and fulfillment operation provides educational literature and merchandise on nutrition and disease prevention to its members, the health care community, and the public. In fiscal year 2025, we fulfilled more than 900 physical orders, comprising 48,105 pieces of literature and merchandise (books, educational posters, etc.) shipped to locations worldwide. We welcomed 483 new customers. Additionally, the public downloaded 4,700 pieces of educational literature from our website.

Medical Services

PCRM Clinic d/b/a Barnard Medical Center (BMC) is a primary care facility providing comprehensive care for adults. Along with providing primary care needs, the clinicians at BMC also offer top-notch specialized care through nutrition and prevention to patients with diabetes, obesity, hypertension, lipid disorders, heart disease, arthritis, and migraines. BMC offers consultations, annual exams, medical office visits, telehealth visits, nutrition counseling, and medical nutrition therapy services. BMC clinicians try to tackle the root causes of the illness by providing extra attention to the patient and helping patients adopt a healthier lifestyle.

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

Note 2: Summary of Significant Accounting Policies

Consolidation and Basis of Accounting

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

Net Assets

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

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

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

In-Kind Contributions and Donated Services

Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated value at the date of receipt. Donated services are recognized as contributions in the accompanying consolidated financial statements to the extent the services received create or enhance non-financial assets or require specialized skills that would be purchased if not provided by donation. During the year ended July 31, 2025, the Physicians Committee received donated consulting services, advertising, equipment, bio-material and artwork with a calculated fair market value of \$473,964.

Cash and Cash Equivalents

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

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

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

Inventory

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

Fair Value Measurements

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

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

Patient Receivables and Bad Debts

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

Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the reserves for contractual allowances and uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, BMC analyzes contractually due amounts and provides a reserve for contractual allowances and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely). The difference between the standard rates (or discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the reserves for contractual allowance and uncollectible accounts. At July 31, 2025, BMC's reserve for contractual allowances and uncollectible accounts was \$54,473.

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 consolidated statement of financial position and maintained in a segregated account.

Revenue Recognition

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

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

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

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

Contributions

The Physicians Committee records the following types of contributions as revenue when they are received, at their fair value: cash, promises to give, and gifts of long-lived and other assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. At July 31, 2025, 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, 2025, 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, 2025, 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.

Change in Accounting Principles

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. FASB ASC 326 provides guidance for the current expected credit loss (CECL) model. The CECL model applies to most financial assets that are measured at amortized cost (trade and loan receivables, for example) and requires those assets to be presented at the net amount expected to be collected. Under the CECL model, nonprofit organizations develop an estimate of expected credit losses. Credit losses for trade receivables are to be assessed at each reporting date by applying a consistent measurement method. Subsequent changes in the allowance for credit losses should be reported through increases or decreases to the credit loss expense account.

The Physicians Committee adopted the requirements of the guidance effective August 1, 2024, and has elected to apply the provisions of this standard using a modified retrospective approach.

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

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

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.

Note 3: Liquidity and Availability of Financial Assets

Physicians Committee has \$19,130,486 available within one year of the balance sheet date to meet cash needs for general expenditure. The amount consists of the following:

Cash and cash equivalents	\$ 1,594,696
Short-term investments	17,516,066
Minimum endowment distribution	300,000
Receivable from legacies and bequests	124,137
Donations receivable	684,261
Other receivables	106,130
	<hr/> 20,325,290
Less: amount subject to donor restrictions and therefore unavailable for general expenditures	<hr/> (1,194,804) <hr/>
Total financial assets and other liquid resources	<hr/> <u>\$ 19,130,486</u> <hr/>

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.

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

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

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 \$8,682,056 on July 31, 2025 and is not reflected in the total financial assets available within one-year balance of \$19,130,486.

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, 2025:

Accrued donations	\$ 689,831
Miscellaneous receivables	42,101
Patient accounts receivable	<u>122,702</u>
Subtotal	854,634
Less: Allowance for expected credit losses on patient receivables	(54,473)
Less: Allowance for bad debt on pledges receivable	<u>(8,569)</u>
Other receivable, net	<u><u>\$ 791,592</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, 2025:

	Other Investments	Endowment and Other Investments with Donor Restrictions	Total
Money funds	\$ 2,008,686	\$ 176,559	\$ 2,185,245
Equity securities	2,980,906	6,092,671	9,073,577
Debt securities	11,887,443	2,152,329	14,039,772
Mutual funds - equities	283,962	1,093,232	1,377,194
Mutual funds - fixed income	162,690	1,042,341	1,205,031
Exchange Traded Funds	142,694	224,796	367,490
Limited partnership interest	61,278	-	61,278
Certificates of deposit	5,184,887	-	5,184,887
Cash surrender of life insurance policy	15,504	-	15,504
	<hr/>	<hr/>	<hr/>
Total	\$ 22,728,050	\$ 10,781,928	\$ 33,509,978
Less: Investments related to restricted and designated funds	-	10,781,928	10,781,928
Less: Investments restricted to charitable gift annuity obligations	5,343,097	-	5,343,097
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 17,384,953</u>	<u>\$ -</u>	<u>\$ 17,384,953</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, 2025:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Interest and dividend income	\$ 1,228,726	\$ 40,456	\$ 1,269,182
Net realized and unrealized gains	918,387	124,365	1,042,752
Other investment income	7,140	-	7,140
	<hr/>	<hr/>	<hr/>
Investment return	<u>\$ 2,154,253</u>	<u>\$ 164,821</u>	<u>\$ 2,319,074</u>

As of July 31, 2025, investment advisory fees in the amount of \$130,542 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, 2025:

	Level 1	Level 2	Level 3	Total
Money funds	\$ 2,185,245	\$ -	\$ -	\$ 2,185,245
Equity securities	9,073,577	-	-	9,073,577
Debt securities	14,039,772	-	-	14,039,772
Mutual funds - equities	1,377,194	-	-	1,377,194
Mutual funds - fixed income	1,205,031	-	-	1,205,031
Exchange traded funds	367,490	-	-	367,490
Certificates of deposit	5,184,887	-	-	5,184,887
Cash surrender of life insurance policy	-	15,504	-	15,504
Limited partnership interest	-	-	61,278	61,278
Total	<u>\$ 33,433,196</u>	<u>\$ 15,504</u>	<u>\$ 61,278</u>	<u>\$ 33,509,978</u>

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

The limited liability company (LLC) is a small privately held company that is developing software that will generate revenue based on transactions fees. The market for this entity is still under development and its future ability to generate profits is not certain at this time. Since there is currently no market for the LLC other than the private equity markets the Physicians Committee has made a significant allowance for the value of this investment as of July 31, 2025.

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

Note 7: Property and Equipment

At July 31, 2025 property and equipment consists of the following:

Building	\$ 500,270
Membership list	321,142
Equipment	740,647
Land	545,080
Leasehold improvements	1,150,464
Furniture and fixtures	96,754
Digital assets	<u>703,827</u>
Subtotal	4,058,184
Less: Accumulated depreciation	<u>(2,717,006)</u>
Property and Equipment, net	<u><u>\$ 1,341,178</u></u>

Depreciation expense for the year ended July 31, 2025 was \$116,866. Included in digital assets are costs related to the development of short films related to the Physicians Committee's exempt purpose. When the films are completed and ready for release, they will be amortized over their estimated useful life.

Note 8: Net Assets With Donor Restrictions

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

Endowment Fund	\$ 2,099,872
Legacies and bequests receivable for general operations	124,137
Donations and pledges receivable for general operations	684,261
Clinical Research, Nutrition Education and Research and Regulatory Affairs	<u>386,406</u>
Total	<u><u>\$ 3,294,676</u></u>

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

Note 9: Net Assets Released From Restrictions

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

Clinical Research, Nutrition Education and Research and Regulatory Affairs	\$ 3,962,849
Endowment	80,925
Expiration of time restrictions	<u>1,902,726</u>
Total	<u>\$ 5,946,500</u>

Note 10: Endowment Funds

Interpretation of Relevant Law

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

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

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

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

Note 10: Endowment Funds, (continued)

Endowment net asset composition by type of fund as of July 31, 2025:

	Net Assets without donor restrictions	Net Assets with donor restrictions	Total
Donor restricted	\$ -	\$ 2,099,872	\$ 2,099,872
Board designated	8,682,056	-	8,682,056
Total funds	<u>\$ 8,682,056</u>	<u>\$ 2,099,872</u>	<u>\$ 10,781,928</u>

Changes in endowment net assets for fiscal year ended July 31, 2025:

	Net Assets without donor restrictions	Net Assets with donor restrictions	Total
Beginning of year	\$ 8,336,539	\$ 2,014,651	\$ 10,351,190
Contributions	-	1,325	1,325
Investment return:			
Investment income	167,343	40,456	207,799
Net appreciation	514,202	124,365	638,567
Total endowment income	681,545	166,146	847,691
Distributions	(255,929)	(61,560)	(317,489)
Appropriations for expenditures	(80,099)	(19,365)	(99,464)
End of year	<u>\$ 8,682,056</u>	<u>\$ 2,099,872</u>	<u>\$ 10,781,928</u>

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

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

Note 10: Endowment Funds, (continued)

Return Objectives and Risk Parameters

The Physicians Committee has adopted investment and spending policies that enhance the value of the 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 10: Endowment Funds, (continued)

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

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

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

Note 11: Operating Leases

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

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

Effective June 1, 2025, The Physicians Committee entered into a new 60-month operating lease for a copier. Lease payments are made monthly in equal instalments. The lease does not include an option to purchase. The lease is anticipated to end on May 31, 2030.

Total right-of-use assets and lease liabilities at July 31, 2025 are as follows:

	<u>Office Lease</u>	<u>Copier Lease</u>	<u>Total</u>
Operating lease right-of-use asset	<u>\$ 9,299,359</u>	<u>\$ 84,322</u>	<u>\$ 9,383,681</u>
Operating lease liability			
Operating lease liability - current portion	\$ 749,920	\$ 14,601	\$ 764,521
Operating lease liability - long-term portion	<u>11,480,474</u>	<u>69,721</u>	<u>11,550,195</u>
Total operating lease liability	<u>\$ 12,230,394</u>	<u>\$ 84,322</u>	<u>\$ 12,314,716</u>

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

Note 11: Operating Leases, (continued)

The following table provides quantitative information concerning the Physicians Committee's lease as of July 31, 2025:

	<u>Office Lease</u>	<u>Copier Lease</u>	<u>Total</u>
Operating lease costs			
Amortization of right-of-use assets	\$ 738,596	\$ 2,469	\$ 741,065
Interest on lease liabilities	<u>648,909</u>	<u>1,440</u>	<u>650,349</u>
Total Operating Lease Cost	<u>\$ 1,387,505</u>	<u>\$ 3,909</u>	<u>\$ 1,391,414</u>
Weighted average remaining lease term	9.25	4.83	
Weighted average discount rate	5%	9.25%	

The Physicians Committee classifies the total undiscounted lease payments that are due in the next 12 months as current. The maturities of lease liabilities as of July 31, 2025 is as follows:

Year ending July 31,	
2026	\$ 1,384,274
2027	1,476,944
2028	1,677,340
2029	1,718,775
2030	1,757,264
Thereafter	<u>7,882,948</u>
Undiscounted cash flows	15,897,545
Less imputed interest	<u>3,582,829</u>
Total present value	<u>\$12,314,716</u>

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

Note 12: Allocation of Joint Costs

In the fiscal year ended July 31, 2025, 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 \$1,728,178. 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	\$ 976,630
Development	<u>751,548</u>
 Total	 <u><u>\$ 1,728,178</u></u>

Note 13: Concentration of Credit Risk

The Physicians Committee maintains bank accounts at institutions that are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time the balance in the account may exceed federally insured limits. The Physicians Committee has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash. As of July 31, 2025, there were no amounts above the FDIC insured limit.

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, 2025 was \$32,433,197. The Physicians Committee monitors the risk and does not anticipate any credit losses and has not experienced any credit losses on these financial instruments.

Note 14: Defined Contribution Pension Plan

The Physicians Committee sponsors a 403(b) or tax sheltered annuity plan and a profit sharing plan for its employees and the employees of its affiliated organizations. Eligible employees may participate in this plan immediately upon employment. Employer matching commences immediately upon 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, 2025 for the Physicians Committee totaled \$226,132.

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

Note 15: Merchandise Sales and Services

The Physicians Committee's inventory mainly consists of educational materials that help promote the mission of the organization. Service income is generated from nutrition-themed conferences attended by laypersons and health care professionals. In addition, the Physicians Committee charges fees to individuals who attend various online nutrition programs and to Food for Life instructors who attend the training program.

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

Sale of services	\$ 361,458
Merchandise sales	55,880
Gross sales and services	<u>417,338</u>
Cost of goods sold	<u>(30,344)</u>
Gross profit from sales and services	<u><u>\$ 386,994</u></u>

Note 16: 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, 2025.

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, 2025, 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 16: Reconciliation of The PCRM Foundation Program Service to the Physicians Committee Consolidating Statement of Activities, (continued)

The PCRM Foundation expenses as presented individually and consolidated:

	Statement of Activities per The PCRM Foundation Financial Statements	Consolidating Statement of Activities per the Physicians Committee Financial Statements	Difference
Expenses			
Program Services			
Support services	\$ 238,897	\$ -	\$ 238,897
Contributions to supported organizations	1,330,889	-	1,330,889
Supporting Services			
Operational expenses	-	238,897	(238,897)
Contributions to supported organizations	-	1,330,889	(1,330,889)
Total Expenses	<u>\$ 1,569,786</u>	<u>\$ 1,569,786</u>	<u>\$ -</u>

Note 17: Subsequent Events

In accordance with FASB ASC 855-50-1, *Date Through Which Subsequent Events Have been Evaluated*, management has evaluated the accounts of the Organization from July 31, 2025 through January 12, 2026, 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, 2025

	<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	\$ 917,083	\$ 59,601	\$ 618,012	\$ -	\$ 1,594,696
Investments	10,830,503	6,554,450	-	-	17,384,953
Other receivable, net	715,080	4,567	137,673	(65,644)	791,676
Receivable from legacies and bequests	124,137	-	-	-	124,137
Inventory	76,467	-	-	-	76,467
Prepaid expenses	654,687	1,237	60,630	-	716,554
	<u>13,317,957</u>	<u>6,619,855.00</u>	<u>816,315</u>	<u>(65,644)</u>	<u>20,688,483</u>
Total Current Assets					
	<u>12,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,647</u>
Other Assets, deposits					
Noncurrent Assets					
Investments Related to Restricted and Designated Funds	-	10,781,928	-	-	10,781,928
Investments Restricted to Charitable Gift Annuity Obligations	5,343,097	-	-	-	5,343,097
Operating Lease Right-Of-Use Asset, net	9,383,681				9,383,681
Property and Equipment, net	1,207,499	128,804	4,875	-	1,341,178
	<u>15,934,277</u>	<u>10,910,732</u>	<u>4,875</u>	<u>-</u>	<u>26,849,884</u>
Total Noncurrent Assets					
	<u>\$ 29,264,881</u>	<u>\$ 17,530,587</u>	<u>\$ 821,190</u>	<u>\$ (65,644)</u>	<u>\$ 47,551,014</u>
Total Assets					

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, 2025
(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	\$ 2,053,957	\$ 6,260	\$ 108,724	\$ (65,644)	\$ 2,103,297
Operating lease liability - current portion	764,521	-	-	-	764,521
Deferred revenue	331,333	-	-	-	331,333
Current portion of annuities payable	273,596	-	-	-	273,596
Total Current Liabilities	3,423,407	6,260	108,724	(65,644)	3,472,747
Long-term Liabilities					
Annuities payable, net of current portion	2,122,113	-	-	-	2,122,113
Operating lease liability - long-term portion	11,550,195	-	-	-	11,550,195
Total Long-term Liabilities	13,672,308	-	-	-	13,672,308
Total Liabilities	17,095,715	6,260	108,724	(65,644)	17,145,055
Net Assets					
Without donor restrictions	10,974,538	6,742,223	712,466	-	18,429,227
Board designated	-	8,682,056	-	-	8,682,056
Total Net Assets Without Donor Restrictions	10,974,538	15,424,279	712,466	-	27,111,283
With donor restrictions	1,194,628	2,100,048	-	-	3,294,676
Total Net Assets	12,169,166	17,524,327	712,466	-	30,405,959
Total Liabilities and Net Assets	\$ 29,264,881	\$ 17,530,587	\$ 821,190	\$ (65,644)	\$ 47,551,014

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, 2025

	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	\$ 8,700,737	\$ 22,963	\$ 1,112,379	\$ (1,541,268)	\$ 8,294,811
Legacies and bequests	6,459,715	-	-	-	6,459,715
Grant income	770,280	-	-	-	770,280
Net assets released from restrictions:					
Expiration of time restrictions	1,902,369	357	-	-	1,902,726
Satisfaction of purpose restrictions	3,962,849	80,925	-	-	4,043,774
Total Public Support	21,795,950	104,245	1,112,379	(1,541,268)	21,471,306
Other Revenue					
Medical services	-	-	454,481	-	454,481
Investment income	1,173,142	981,111	-	-	2,154,253
Rental and other income	660,298	141,031	88,357	(236,400)	653,286
Merchandise sales and services					
Gross sales and services	571,138	-	-	(153,800)	417,338
Cost of goods sold	(30,344)	-	-	-	(30,344)
Total Other Revenue	2,374,234	1,122,142	542,838	(390,200)	3,649,014
Total Support and Revenue	24,170,184	1,226,387	1,655,217	(1,931,468)	25,120,320
Expenses					
Program Services					
Research and Regulatory Affairs	5,103,370	-	-	636	5,104,006
Clinical Research	2,215,177	-	-	(13,772)	2,201,405
Nutrition Education	4,838,866	-	-	(82,438)	4,756,428
Legal Advocacy	741,341	-	-	(7,833)	733,508
Education and Policy	1,119,979	-	-	(225,784)	894,195
Medical Services	-	-	1,464,951	(123,008)	1,341,943
Communications	5,549,776	-	-	4,598	5,554,374
Total Program Services	19,568,509	-	1,464,951	(447,601)	20,585,859
Supporting Services					
Operational expenses	2,604,902	238,897	109,263	(127,433)	2,825,629
Development expenses	3,223,113	-	-	(25,545)	3,197,568
Contributions to supported organizations	-	1,330,889	-	(1,330,889)	-
Total Supporting Services	5,828,015	1,569,786	109,263	(1,483,867)	6,023,197
Total Expenses	25,396,524	1,569,786	1,574,214	(1,931,468)	26,609,056
Change in Net Assets Without Donor Restrictions	(1,226,340)	(343,399.00)	81,003	-	(1,488,736)

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, 2025
(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	4,782,070	1,501	-	-	4,783,571
Legacies and bequests	124,137	-	-	-	124,137
Grant income	-	-	-	-	-
Investment income	-	164,821	-	-	164,821
Net assets released from restrictions:					
Expiration of time restrictions	(1,902,369)	(357)	-	-	(1,902,726)
Satisfaction of program restrictions.	<u>(3,962,849)</u>	<u>(80,925)</u>	<u>-</u>	<u>-</u>	<u>(4,043,774)</u>
Change in Net Assets With Donor Restrictions	<u>(959,011)</u>	<u>85,040</u>	<u>-</u>	<u>-</u>	<u>(873,971)</u>
Total Change in Net Assets	<u>\$ (2,185,351)</u>	<u>\$ (258,359)</u>	<u>\$ 81,003</u>	<u>\$ -</u>	<u>\$ (2,362,707)</u>

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