

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2009

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
December 31, 2009

<b>CONTENTS</b>	<b>PAGE(S)</b>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2-3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-17
Additional Information to Financial Statements:	
Independent Auditors' Report on Additional Information	18
Statement of Functional Expenses	19



## INDEPENDENT AUDITORS' REPORT

July 20, 2010

Board of Directors  
**Physicians for Social Responsibility, Inc.**  
Washington, DC

We have audited the accompanying statements of financial position of the **Physicians for Social Responsibility, Inc.** (a nonprofit organization) as of December 31, 2009, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Physicians for Social Responsibility, Inc.** as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Lydon Fetterolf Corydon, P.A.*

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2009

**ASSETS**

CURRENT ASSETS	<u>2009</u>
Cash and cash equivalents - NOTES A, B and E	\$ 30,097
Investments - NOTES A, C and E	506,459
Accounts receivable - NOTE A	
Contributions	25,530
Grants	455,000
Members and other	133,499
Prepaid expenses	<u>54,308</u>
<b>TOTAL CURRENT ASSETS</b>	<u><b>1,204,893</b></u>

**PROPERTY AND EQUIPMENT - NOTES A, D and E**

Furniture and fixtures	47,226
Office and computer equipment	146,687
Leasehold improvements	<u>115,973</u>
	309,886
Less: Accumulated depreciation and amortization	<u>(237,258)</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u><b>72,628</b></u>

**OTHER ASSETS**

Security deposit	<u>24,664</u>
<b>TOTAL OTHER ASSETS</b>	<u><b>24,664</b></u>

**TOTAL ASSETS** \$ 1,302,185

See Notes to Financial Statements

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2009

**LIABILITIES AND NET ASSETS**

	<u>2009</u>
<b>CURRENT LIABILITIES</b>	
Accounts payable - trade	\$ 82,066
Accrued expenses and other current liabilities	42,854
Deferred rent incentive - current - NOTES A, E and L	31,384
Note payable - 3rd party - NOTE F	100,000
Note payable - capital lease - current - NOTES D and E	<u>11,896</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>268,200</u>
<b>LONG-TERM LIABILITIES</b>	
Deferred rent incentive - long-term - NOTES A, E and L	36,731
Note payable - capital lease - long-term - NOTES D and E	20,214
Security deposit - sublease	<u>8,323</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>65,268</u>
<b>TOTAL LIABILITIES</b>	<u>333,468</u>
<b>COMMITMENTS AND CONTINGENCIES - NOTES A, E, G, J and M</b>	
<b>NET ASSETS - NOTES A, H and L</b>	
Unrestricted net assets	
Undesignated (deficit)	(413,682)
Designated by the Board	<u>619,803</u>
<b>UNRESTRICTED NET ASSETS</b>	<u>206,121</u>
Temporarily restricted - NOTE H	762,596
Permanently restricted	<u>0</u>
<b>RESTRICTED NET ASSETS</b>	<u>762,596</u>
<b>TOTAL NET ASSETS</b>	<u>968,717</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,302,185</u></u>

See Notes to Financial Statements

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2009

December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	%
<b>REVENUES - NOTES A and J</b>					
Affinity card income	\$ 7,645	\$ 0	\$ 0	\$ 7,645	0.2
Contributions	533,893	2,119	0	536,012	17.0
Grants	13,550	1,565,250	0	1,578,800	50.2
List rental income	50,168	0	0	50,168	1.6
Member dues	850,369	0	0	850,369	27.0
Miscellaneous income	2,568	0	0	2,568	0.1
Interest and dividend income	11,866	0	0	11,866	0.4
Gain(loss) on investments - NOTE C	110,458	0	0	110,458	3.5
Net assets released from restrictions:					
Satisfaction of program restrictions	1,080,480	(1,080,480)	0	0	0.0
<b>TOTAL REVENUES</b>	<b>2,660,997</b>	<b>486,889</b>	<b>0</b>	<b>3,147,886</b>	<b>100.0</b>
<b>EXPENSES - NOTES A and K</b>					
<b>PROGRAM EXPENSES</b>					
Program services	2,335,132	0	0	2,335,132	74.2
<b>TOTAL PROGRAM EXPENSES</b>	<b>2,335,132</b>	<b>0</b>	<b>0</b>	<b>2,335,132</b>	<b>74.2</b>
<b>SUPPORTING SERVICES</b>					
Fund raising activities	295,514	0	0	295,514	9.4
General and administrative	262,007	0	0	262,007	8.3
<b>TOTAL SUPPORTING SERVICES</b>	<b>557,521</b>	<b>0</b>	<b>0</b>	<b>557,521</b>	<b>17.7</b>
<b>TOTAL EXPENSES</b>	<b>2,892,653</b>	<b>0</b>	<b>0</b>	<b>2,892,653</b>	<b>91.9</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(231,656)</b>	<b>486,889</b>	<b>0</b>	<b>255,233</b>	<b>8.1</b>
<b>NET ASSETS AT BEGINNING OF YEAR, AS RESTATED - NOTE L</b>	<b>437,777</b>	<b>275,707</b>	<b>0</b>	<b>713,484</b>	
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 206,121</b>	<b>\$ 762,596</b>	<b>\$ 0</b>	<b>\$ 968,717</b>	

See Notes to Financial Statements

(4)

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**

**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2009

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2009</u>
Increase (decrease) in net assets	\$ 255,233
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:	
Depreciation and amortization - NOTE D	33,463
Realized (gain)/loss on investments	88,392
Unrealized (gain)/loss on investments	(198,850)
(Increase) decrease in operating assets	
Contributions, grants, and other receivables	(393,407)
Prepaid expenses	9,047
Increase (decrease) in operating liabilities	
Accounts payable	30,449
Accrued expenses and other liabilities	(66,850)
Deferred rent incentive	(30,009)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(272,532)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchase of furniture, fixtures, and equipment	(44,753)
Purchase of investments	(19,208)
Proceeds from sale of investments	220,983
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>157,022</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from capital lease obligation	41,569
Repayment of capital lease obligation	(16,725)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>24,844</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(90,666)</u>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>120,763</u>
<b>ENDING CASH AND CASH EQUIVALENTS - NOTES A and B</b>	<u><u>\$ 30,097</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>	
Cash paid during the year for:	
Interest	<u><u>\$ 9,444</u></u>

See Notes to Financial Statements

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the **Physicians for Social Responsibility** is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Purpose of the Organization:

The **Physicians for Social Responsibility** (the "Organization") is a non-profit organization located in Washington, D.C. The Organization is dedicated to bringing a medical and public health perspective in its efforts to prevent nuclear war, reverse global warming, and promote clean and renewable energy. The Organization's significant accounting policies are as follows:

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, prepaid expenses, payables, accruals and other liabilities.

ASC Codification:

During June 2009, the FASB issued SFAS No. 168 *"The FASB Accounting Standards Codification (ASC) and the Hierarchy of Generally Accepted Accounting Principles - A Replacement of FASB Statement No. 162,"* (now codified within ASC No. 105, Generally Accepted Accounting Principles (GAAP) (ASC No. 105)). ASC No. 105 establishes the Codification as the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. All guidance contained in the Codification carries an equal level of authority. Following this statement, FASB will not issue new standards in the form of statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates, which will serve only to: (1) update the Codification; (2) provide background information about the guidance; and (3) provide the bases for conclusions on the change(s) in the Codification. ASC No. 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of ASC No. 105 did not have any impact on the results of operations or financial position.

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 Not-for-Profit Entities (formerly Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*). Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents:

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable:

Member dues, contributions and grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management closely monitors outstanding balances throughout the year, and writes off any balances it deems will not be collected. Based on management's assessment of the members' payment history and the Organization's close relationship with grantors, it has concluded that realization of losses on balances outstanding at year-end will be immaterial, if any.

Restricted and Unrestricted Revenue and Support:

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and Equipment, Depreciation and Amortization:

Effective January 1, 2006, the Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the useful life of the asset or length of lease, whichever is shorter.

Donated Services:

The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended December 31, 2009, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Income Tax Status:

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities during the year. Therefore, no provision for federal income taxes has been made in the accompanying financial statements as of December 31, 2009. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a)(2).

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Rent Incentive:

Rent concessions under the Organization's office space lease are being accounted for ratably over the life of the lease and have been reflected as deferred rent incentive in the Statement of Financial Position.

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments:

The Organization has adopted Accounting Standards Codification (ASC) 958 Not-for-Profit Entities (formerly Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*). Under FASB ASC 958-320, investments in marketable equity securities with readily determinable fair values and all investments in marketable debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets.

**NOTE B - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at December 31, 2009 consist of the following:

	<u>2009</u>
Demand deposits	\$ 29,612
Petty cash on hand	<u>485</u>
Total Unrestricted Cash and Cash Equivalents	<u>\$ 30,097</u>

**NOTE C – INVESTMENTS**

The Organization invests in premium investment grade mutual funds, equity securities, debt securities (Bond Funds), and corporate debt securities. Primary emphasis is placed on long-term growth of income and principal through the use of equities. Secondary emphasis is placed on the generation of a high level of income and the preservation of capital through fixed income investments. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions (all level 1 measurements).

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2009**

**NOTE C - INVESTMENTS (Continued)**

Investments at December 31, 2009, are comprised of the following:

	<u>Fair Value</u>
U.S. Government treasury money market	\$ 3,029
U.S. Corporate and municipal bonds	493,059
Mutual funds and corporate securities	<u>10,371</u>
	<u>\$ 506,459</u>

Net gain (loss) on market value of securities is summarized as follows:

Net realized gain (loss) on sales of investments	\$ (88,392)
Net unrealized gain (loss) on market changes in investments	<u>198,850</u>
	<u>\$ 110,458</u>

**NOTE D - PROPERTY AND EQUIPMENT, DEPRECIATION AND AMORTIZATION**

Property and equipment consist of the following:

December 31, 2009

	<u>Cost</u>	<u>Amortization/ Depreciation Expense</u>	<u>Accumulated Amortization/ Depreciation</u>	<u>Net Book Value</u>	<u>Estimated Life (Years)</u>
Office and computer (1) equipment	\$ 146,687	\$ 20,295	\$ 105,623	\$ 41,064	5-7
Furniture and fixtures	47,226	0	47,226	0	5
Leasehold improvements	<u>115,973</u>	<u>13,168</u>	<u>84,409</u>	<u>31,564</u>	11
	<u>\$ 309,886</u>	<u>\$ 33,463</u>	<u>\$ 237,258</u>	<u>\$ 72,628</u>	

<sup>(1)</sup> Includes \$64,346 of office equipment under capital leases. The economic substance of these leases is the Organization is financing the acquisition of this equipment through the leases, and accordingly, they are recorded in the Organization's assets and liabilities as of December 31, 2009 (NOTE E).

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2009**

**NOTE E – COMMITMENTS AND CONTINGENCIES**

Operating Lease:

On February 13, 2001, the Organization entered into a new 11-year office lease agreement. The new lease agreement calls for annual “base” rent which is scheduled to increase approximately 2.2% each year, and also calls for annual “additional” rent that includes the Organization’s pro rata share of real estate taxes and other building operating expenses. Total “base” rental expense (before deferred rent incentive adjustment) for the office space for the year ended December 31, 2009 was \$368,480.

The Organization subleases a portion of its office space under a non-cancelable sublease to the Environmental Defense Fund. The Organization’s total rental income for the non-cancelable sublease for the year ended December 31, 2009 was \$173,443.

	<u>2009</u>
Minimum base rentals	\$ 368,480
Additional real estate taxes and operating expenses	64,816
Add: Change in net deferred rent expense	30,009
Less: Sublease rental income	<u>(173,443)</u>
Total rental expense, net	<u>\$ 229,844</u>

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2009**

**NOTE E – COMMITMENTS AND CONTINGENCIES (Continued)**

Notes Payable - Capital Leases:

The Organization also leases various office equipment under several capital leases through May 2013. The economic substance of these leases is that the Organization is financing the acquisition of the assets through the leases, and accordingly, they are recorded in the Organization's assets and liabilities.

Future minimum rental commitments under capital and operating leases at December 31, 2009, are as follows:

<u>For the Year Ending December 31,</u>	<u>Operating Lease</u> <sup>(A)</sup>	<u>Capital Leases</u> <sup>(B)</sup>
2010	376,758	19,268
2011	385,221	16,337
2012	96,838	8,481
2013	0	1,196
2014 and thereafter	0	0
Total	<u>\$ 858,817</u>	<u>\$ 45,282</u>
Less: Imputed Interest		<u>(13,172)</u>
Present Value of Net Minimum Lease Payments		32,110
Less: Current portion		<u>(11,896)</u>
Notes Payable – Capital Leases-Long-term		<u>\$ 20,214</u>

<sup>(A)</sup> Rent expense related to the office space will be expensed ratably over the term of the lease using the straight-line method, and deferred rent incentive will be amortized over the remaining life of the lease. The unamortized portion of deferred rent incentive is reflected on the Statement of Financial Position. Total deferred rent incentive (net of sublease income) amounted to \$68,115 (current portion \$31,384, long-term portion \$36,731) at December 31, 2009.

<sup>(B)</sup> Several office equipment leases, which are scheduled to expire at various times through May 2013, are recorded as fixed assets and capital lease obligations, and are recorded on the financial statements as of December 31, 2009 (see NOTE D).

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009

**NOTE E – COMMITMENTS AND CONTINGENCIES (Continued)**

Concentrations of Credit Risk - FDIC:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains a significant part of its demand deposits (cash) and money market funds in one financial institution located in Orlando, Florida. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2009 the Organization's uninsured cash balance totaled \$0.

Concentration of Credit Risk – SIPC:

As of December 31, 2009, the Organization maintains a majority of its investments balances in the amount of \$501,049 with one brokerage firm. Balances are insured up to \$500,000, with a limit of \$100,000 for cash, by the Securities Investor Protection Corporation (SIPC). At December 31, 2009, the Company had \$1,049 in excess of SIPC insured limits.

**NOTE F – NOTE PAYABLE – 3<sup>RD</sup> PARTY**

In 2002, the Organization received a loan in the amount of \$100,000 from an unrelated third party. The note is non interest-bearing and is payable on demand with 90-days' notice. The obligation of the Organization to pay the note holder shall terminate with, and be cancelled at, the death of the survivor of the note holder.

**NOTE G – DEFINED CONTRIBUTION PLAN**

Effective January 1, 2009 the Organization established a 403(b) retirement savings plan covering substantially all employees. Participants in the plan may contribute up to the maximum amount permitted by the IRS. At its own discretion, the Organization may elect to contribute an amount which is allocated to participants based on their annual compensation as a percentage of all participants' compensation who are eligible to share. Total contributions for the year ended December 31, 2009 were \$23,093.

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2009**

**NOTE H - TEMPORARILY RESTRICTED NET ASSETS**

It is the Organization’s policy to release temporarily restricted net assets in the period in which the restriction is satisfied. Temporarily restricted net assets at December 31, 2009 consist of the following:

	<u>2009</u>
Environment and Health	670,569
Security Program	86,617
Student PSR	2,500
Leadership Circle	<u>2,910</u>
Total	<u>\$ 762,596</u>

**NOTE I - FAIR VALUE OF FINANCIAL INSTRUMENTS**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – These inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – These are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, default rates and other similar data.

Level 3 – These are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the Organization’s own data.

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009

**NOTE I - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

The carrying amounts reflected in the Statement of Financial Position for cash and cash equivalents, and accounts receivable and payable approximate the respective fair values due to the short maturities of those instruments. The fair values for investments are based primarily on quoted market prices for those instruments. A comparison of the carrying value of these financial instruments is as follows:

<u>December 31, 2009</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Notes payable - Capital leases	\$ 32,110	\$ 22,071

The Organization estimates that the fair value of all financial instruments at December 31, 2009, does not differ materially from the aggregate carrying value of financial instruments recorded in the accompanying Statement of Financial Position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

**NOTE J - SIGNIFICANT REVENUE CONCENTRATIONS**

For the year ended December 31, 2009, three grantors accounted for approximately 67% or \$1,176,000, of the Organization's grant revenues. The Organization does not expect that the membership with these grantors will be lost in the near term.

**NOTE K - FUNCTIONAL EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Organization has allocated general and administrative costs approximating \$223,507 to various programs benefited for the year ended December 31, 2009.

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2009**

**NOTE L – NET ASSET BALANCES AND PRIOR PERIOD ADJUSTMENTS**

The Organization’s Board of Directors approved the designation of all monies in the Fund for the 21<sup>st</sup> Century as unrestricted-board designated as of December 31, 2008. The total of all monies recorded on the Organization’s books as of December 31, 2008 related to the Fund for the 21<sup>st</sup> Century was \$619,803. In addition, the Organization should have been amortizing lease payments related to its office space lease on a straight-line basis. The amount of deferred rent liability related to this operating lease totaled \$98,124 as of December 31, 2008 (See NOTE E). The ending Net Assets for the year ended December 31, 2008 have been restated to reflect the correction of these errors in accordance with (ASC) No. 250, formerly (SFAS) No. 154, *Accounting Changes and Error Corrections*.

The following financial statement line items as of and for the year ended December 31, 2008 were affected by the correction of these errors.

	<u>As Previously Stated</u>	<u>As Restated</u>	<u>Effect of Correction</u>
Statement of Financial Position at December 31, 2008:			
Deferred rent liability	\$ 0	\$ 98,124	\$98,124
Unrestricted net assets(deficit)	\$ (83,902)	\$ 437,777	\$521,679
Temporarily restricted net assets	895,510	275,707	(619,803)

The Organization has elected to adopt Accounting Standards Codification (ASC) 958 Not-for-Profit Entities (formerly Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*). Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net asset balances as of December 31, 2009 are listed below.

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2009**

**NOTE L – NET ASSET BALANCES AND PRIOR PERIOD ADJUSTMENTS (Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Balance at December 31, 2008, as previously reported	\$ (83,902)	\$ 895,510	\$ 0	\$ 811,608
Prior period adjustment	<u>521,679</u>	<u>(619,803)</u>	<u>0</u>	<u>(98,124)</u>
Balance at December 31, 2008, as restated	\$ 437,777	\$ 275,707	\$ 0	\$ 713,484
2009 increase (decrease) in net assets	<u>(231,656)</u>	<u>486,889</u>	<u>0</u>	<u>255,233</u>
Balance at December 31, 2009	<u>\$ 206,121</u>	<u>\$ 762,596</u>	<u>\$ 0</u>	<u>\$ 968,717</u>

**NOTE M – SUBSEQUENT EVENT**

As of the date of the audit report, the Organization received additional funds from several grantors that will be recognized as FY2010 revenues, in the amount of \$75,000.



**INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION**

July 20, 2010

Board of Directors  
**Physicians for Social Responsibility, Inc.**  
Washington, DC

Our report on our audit of the basic financial statements of **Physicians for Social Responsibility, Inc.** (a nonprofit organization) as of December 31, 2009, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included on page 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lydon Fetterolf Corydon, P.A.*

**PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2009

EXPENSES	ENVIRONMENT PROGRAM	SAFE ENERGY PROGRAM	SECURITY PROGRAM	JOINT PROGRAM SERVICES	TOTAL PROGRAMS	FUNDRAISING	GENERAL AND ADMIN.	TOTAL
Salaries	\$ 229,634	\$ 118,785	\$ 163,038	\$ 322,470	\$ 833,928	\$ 96,175	\$ 85,973	\$ 1,016,076
Employee Benefits	55,451	22,603	28,530	67,827	174,411	19,496	25,807	219,714
Total Salaries and Benefits	\$ 285,085	\$ 141,389	\$ 191,568	\$ 390,297	\$ 1,008,339	\$ 115,671	\$ 111,780	\$ 1,255,790
Advertising	-	-	120	4,320	4,440	-	-	4,440
Chapter Dues & Contributions	-	-	-	94,386	94,386	-	-	94,386
Depreciation	7,027	4,685	4,350	10,708	26,770	3,681	3,012	33,463
Dues & Memberships	375	-	750	12,400	13,525	-	-	13,525
Equipment Rental & Maintenance	3,376	2,251	2,090	5,145	12,862	1,769	3,214	3,214
Insurance - General	-	-	-	-	-	-	1,447	16,078
Interest Expense	-	-	-	-	-	-	9,444	9,444
Library Materials	887	400	-	8,565	9,851	38	272	10,161
List Rental Expense	-	-	-	24,703	24,703	8,297	-	33,000
Office Rent (NOTE E)	48,267	32,178	29,880	73,550	183,875	25,283	20,686	229,844
Office Supply & Expense	369	13,605	13,614	94,192	121,780	1,943	14,049	137,772
Outside Services	1,836	-	-	46,289	48,125	16,529	3,724	68,378
Postage	3,526	273	3,207	63,722	70,728	15,881	12,663	99,273
Printing	8,638	253	5,867	58,757	73,516	37,134	26,360	137,010
Professional Fees	130,792	161,895	13,787	95,074	401,548	65,621	39,690	506,859
Program Materials	2,932	1,690	804	344	5,769	1,399	-	7,168
Special Events	3,483	8,136	-	769	12,388	-	-	12,388
State Organizing	22,495	65,000	5,350	-	92,845	-	-	92,845
State Registration	-	-	-	-	-	-	13,909	13,909
Telephone	5,922	625	2,832	10,065	19,443	2,001	1,494	22,938
Travel & Meetings	31,218	166	52,855	25,998	110,237	269	263	110,769
Overhead Allocation	68,297	25,650	66,066	(160,013)	-	-	-	-
TOTAL EXPENSES	\$ 624,525	\$ 458,196	\$ 393,140	\$ 859,271	\$ 2,335,132	\$ 295,514	\$ 262,007	\$ 2,892,653