

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2010

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
AUDITED FINANCIAL STATEMENTS
December 31, 2010

CONTENTS	PAGE(S)
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	6-16
Additional Information to Financial Statements:	
Independent Auditors' Report on Additional Information	17
Statement of Functional Expenses	18



INDEPENDENT AUDITORS' REPORT

March 18, 2011

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, 2010, 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, 2010, 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, 2010

ASSETS

CURRENT ASSETS	<u>2010</u>
Cash and cash equivalents - NOTES A, B and E	\$ 8,415
Investments - NOTES A, C and E	490,228
Accounts receivable - NOTE A	
Contributions	14,199
Grants	103,000
Members and other	168,597
Prepaid expenses	<u>56,297</u>
TOTAL CURRENT ASSETS	<u>840,736</u>

PROPERTY AND EQUIPMENT - NOTES A, D and E

Furniture and fixtures	29,805
Office and computer equipment	140,199
Leasehold improvements	<u>115,973</u>
	285,977
Less: Accumulated depreciation and amortization	<u>(242,637)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>43,340</u>

OTHER ASSETS

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

TOTAL ASSETS \$ 908,740

See Notes to Financial Statements

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2010

LIABILITIES AND NET ASSETS

	<u>2010</u>
CURRENT LIABILITIES	
Accounts payable - trade	\$ 162,512
Accrued expenses and other current liabilities	35,184
Deferred rent incentive - current - NOTES A and E	31,364
Note payable - 3rd party - NOTE F	100,000
Note payable - capital lease - current - NOTES D and E	<u>12,024</u>
TOTAL CURRENT LIABILITIES	<u>341,084</u>
LONG-TERM LIABILITIES	
Deferred rent incentive - long-term - NOTES A and E	5,367
Note payable - capital lease - long-term - NOTES D and E	8,190
Security deposit - sublease	<u>8,323</u>
TOTAL LONG-TERM LIABILITIES	<u>21,880</u>
TOTAL LIABILITIES	<u>362,964</u>
COMMITMENTS AND CONTINGENCIES - NOTES A, E, G, and J	
NET ASSETS - NOTES A, H and L	
Unrestricted net assets	
Undesignated (deficit)	(542,670)
Designated by the Board	<u>619,803</u>
UNRESTRICTED NET ASSETS	<u>77,133</u>
Temporarily restricted - NOTE H	468,643
Permanently restricted	<u>0</u>
RESTRICTED NET ASSETS	<u>468,643</u>
TOTAL NET ASSETS	<u>545,776</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 908,740</u></u>

See Notes to Financial Statements

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	%
REVENUES - NOTES A and J					
Affinity card income	\$ 6,650	\$ 0	\$ 0	\$ 6,650	0.3
Contributions	564,386	6,005	0	570,391	22.5
Grants	14,925	1,169,250	0	1,184,175	46.7
List rental income	43,586	0	0	43,586	1.7
Member dues	702,287	0	0	702,287	27.7
Miscellaneous income	3,034	0	0	3,034	0.1
Interest and dividend income	16,817	0	0	16,817	0.6
Gain(loss) on investments - NOTE C	9,266	0	0	9,266	0.4
Net assets released from restrictions:					
Satisfaction of program restrictions	1,469,208	(1,469,208)	0	0	0.0
TOTAL REVENUES	2,830,159	(293,953)	0	2,536,206	100.0
EXPENSES - NOTES A and K					
PROGRAM EXPENSES					
Membership services	2,464,879	0	0	2,464,879	97.2
TOTAL PROGRAM EXPENSES	2,464,879	0	0	2,464,879	97.2
SUPPORTING SERVICES					
Fund raising activities	290,389	0	0	290,389	11.5
General and administrative	203,879	0	0	203,879	8.0
TOTAL SUPPORTING SERVICES	494,268	0	0	494,268	19.5
TOTAL EXPENSES	2,959,147	0	0	2,959,147	116.7
INCREASE (DECREASE) IN NET ASSETS	(128,988)	(293,953)	0	(422,941)	(16.7)
NET ASSETS AT BEGINNING OF YEAR					
	206,121	\$ 762,596	\$ 0	\$ 968,717	
NET ASSETS AT END OF YEAR	\$ 77,133	\$ 468,643	\$ 0	\$ 545,776	

See Notes to Financial Statements

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2010</u>
Increase (decrease) in net assets	\$ (422,941)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:	
Depreciation and amortization - NOTE D	29,289
Realized (gain)/loss on investments	(23,506)
Unrealized (gain)/loss on investments	14,240
(Increase) decrease in operating assets	
Contributions, grants, and other receivables	328,233
Prepaid expenses	(1,989)
Increase (decrease) in operating liabilities	
Accounts payable	80,446
Accrued expenses and other liabilities	(7,670)
Deferred rent incentive	<u>(31,384)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(35,282)
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of furniture, fixtures, and equipment	0
Purchase of investments	(17,964)
Proceeds from sale of investments	<u>43,588</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	25,624
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from capital lease obligation	0
Repayment of capital lease obligation	<u>(12,024)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(12,024)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,682)
BEGINNING CASH AND CASH EQUIVALENTS	<u>30,097</u>
ENDING CASH AND CASH EQUIVALENTS - NOTES A and B	<u><u>\$ 8,415</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	<u><u>\$ 29,289</u></u>

See Notes to Financial Statements

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

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, 2010

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, 2010

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, 2010, 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, 2010. 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, 2010

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, 2010 consist of the following:

	<u>2010</u>
Demand deposits	\$ 8,191
Petty cash on hand	<u>224</u>
Total Unrestricted Cash and Cash Equivalents	<u><u>\$ 8,415</u></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, 2010

NOTE C - INVESTMENTS (Continued)

Investments at December 31, 2010, are comprised of the following:

	<u>Fair Value</u>
U.S. Government treasury money market	\$ 13,646
U.S. Corporate and municipal bonds	459,168
Mutual funds and corporate securities	<u>17,414</u>
	<u>\$ 490,228</u>

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

Net realized gain (loss) on sales of investments	\$ 23,506
Net unrealized gain (loss) on market changes in investments	<u>(14,240)</u>
	<u>\$ 9,266</u>

NOTE D - PROPERTY AND EQUIPMENT, DEPRECIATION AND AMORTIZATION

Property and equipment consist of the following:

December 31, 2010

	<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	\$ 140,199	\$ 16,664	\$ 115,798	\$ 24,401	5-7
Furniture and fixtures	29,805	0	29,805	0	5
Leasehold improvements	<u>115,973</u>	<u>12,625</u>	<u>97,034</u>	<u>18,939</u>	11
	<u>\$ 285,977</u>	<u>\$ 29,289</u>	<u>\$ 242,637</u>	<u>\$ 43,340</u>	

⁽¹⁾ 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, 2010 (NOTE E).

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

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, 2010 was \$376,758.

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, 2010 was \$179,465.

	<u>2010</u>
Minimum base rentals	\$ 376,758
Additional real estate taxes and operating expenses	60,971
Add: Change in net deferred rent expense	(31,384)
Less: Sublease rental income	<u>(179,465)</u>
Total rental expense, net	<u>\$ 226,880</u>

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

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, 2010, are as follows:

<u>For the Year Ending December 31,</u>	<u>Operating Lease (A)</u>	<u>Capital Leases (B)</u>
2011	385,221	16,337
2012	96,838	8,481
2013	0	1,196
2014	0	0
2015 and thereafter	0	0
Total	<u>\$ 482,059</u>	\$ 26,014
Less: Imputed Interest		<u>(5,800)</u>
Present Value of Net Minimum Lease Payments		20,214
Less: Current portion		<u>(12,204)</u>
Notes Payable – Capital Leases-Long-term		<u>\$ 8,190</u>

^(A) 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 \$36,731 (current portion \$31,364, long-term portion \$5,367) at December 31, 2010.

^(B) 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, 2010 (see NOTE D).

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

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, 2010 the Organization's uninsured cash balance totaled \$0.

Concentration of Credit Risk – SIPC:

As of December 31, 2010, the Organization maintains a majority of its investments balances in the amount of \$483,222 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, 2010, the Company had \$0 in excess of SIPC insured limits.

NOTE F – NOTE PAYABLE – 3RD 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 were \$0 for the year ended December 31, 2010.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2010

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, 2010 consist of the following:

	<u>2010</u>
Environment and Health	289,519
Security Program	109,392
Student PSR	39,732
Leadership Circle	<u>30,000</u>
Total	<u>\$ 468,643</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, 2010

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, 2010</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Notes payable - Capital leases	\$ 20,214	\$ 16,127

The Organization estimates that the fair value of all financial instruments at December 31, 2010, 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, 2010, three grantors accounted for approximately 61% or \$729,000, 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 \$219,921 to various programs benefited for the year ended December 31, 2010.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE L – NET ASSET BALANCES

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, 2010 are listed below.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Balance at December 31, 2009	\$ 206,121	\$ 762,596	\$ 0	\$ 968,717
2010 increase (decrease) in net assets	<u>(128,988)</u>	<u>(293,953)</u>	<u>0</u>	<u>(422,941)</u>
Balance at December 31, 2010	<u>\$ 77,133</u>	<u>\$ 468,643</u>	<u>\$ 0</u>	<u>\$ 545,776</u>

NOTE M – SUBSEQUENT EVENT

As of the date of the audit report, the Organization received additional funds from a grantor in the amount of \$245,000 as part of the renewal of a \$490,000 grant. The Organization also received approval of a \$125,000 grant.



INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

March 18, 2011

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, 2010, 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 18 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, 2010

EXPENSES	ENVIRONMENT PROGRAM	SAFE ENERGY PROGRAM	SECURITY PROGRAM	JOINT PROGRAM SERVICES	TOTAL PROGRAMS	FUNDRAISING	GENERAL AND ADMIN.	TOTAL
Salaries	\$ 284,163	\$ 120,916	\$ 172,509	\$ 270,750	\$ 848,338	\$ 102,148	\$ 85,320	\$ 1,035,806
Employee Benefits	54,674	20,495	24,068	55,973	155,211	22,108	19,118	196,437
Total Salaries and Benefits	\$ 338,837	\$ 141,411	\$ 196,577	\$ 326,723	\$ 1,003,549	\$ 124,256	\$ 104,438	\$ 1,232,243
Advertising	-	\$ 4,086	\$ 560	\$ 180	\$ 4,826	-	-	\$ 4,826
Chapter Dues & Contributions	-	-	-	96,972	96,972	-	-	96,972
Depreciation	6,151	4,393	5,272	7,908	23,724	2,929	2,636	29,289
Dues & Memberships	450	-	750	3,600	4,800	-	-	4,800
Equipment Rental & Maintenance	-	-	-	-	-	-	4,450	4,450
Insurance - General	3,221	2,301	2,761	4,141	12,424	1,534	1,380	15,338
Interest Expense	-	-	-	-	-	-	5,910	5,910
Library Materials	-	1,203	592	1,219	3,014	-	-	3,014
Office Rent (NOTE E)	47,645	34,032	40,838	61,258	183,773	22,688	20,419	226,880
Office Supply & Expense	3,283	983	4,845	7,931	17,043	1,630	1,222	19,895
Outside Services	5,200	3,771	10,532	118,055	137,558	20,413	11,606	169,576
Postage	685	372	3,184	40,029	44,270	20,992	1,126	66,388
Printing	6,754	92	677	39,671	47,194	18,365	86	65,645
Professional Fees	192,934	299,279	4,609	133,736	630,558	75,094	31,882	737,533
Program Materials	4,043	5,065	4,350	9,368	22,826	-	-	22,826
Special Events	-	7,000	1,834	-	8,834	-	-	8,834
State Organizing	36,990	50,260	53,000	-	140,250	-	-	140,250
State Registration	-	-	-	-	-	-	-	-
Telephone	3,573	3,035	4,896	4,663	16,167	1,594	16,374	16,374
Travel & Meetings	4,817	19,404	21,823	21,054	67,098	895	2,349	20,110
Overhead Allocation	80,202	33,500	80,000	(193,702)	-	-	-	67,993
TOTAL EXPENSES	\$ 734,784	\$ 610,188	\$ 437,102	\$ 682,806	\$ 2,464,879	\$ 290,389	\$ 203,879	\$ 2,959,147