PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2014
PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
AUDITED FINANCIAL STATEMENTS
December 31, 2014

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INDEPENDENT AUDITORS’ REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Physicians for Social Responsibility, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
INDEPENDENT AUDITORS' REPORT

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Physicians for Social Responsibility, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

[Signature]

Rockville, MD
April 5, 2015
PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents - NOTES A, B and E $ 698,234
Investments - NOTES A, C and E 13,028
Accounts receivable - NOTE A
 Contributions and pledges 80,860
 Members and other 44,876
 Prepaid expenses 29,905

TOTAL CURRENT ASSETS 866,903

PROPERTY AND EQUIPMENT - NOTES A, D and E

Furniture and fixtures 25,914
Office and computer equipment 68,562

94,476

Less: Accumulated depreciation and amortization (75,075)

TOTAL PROPERTY AND EQUIPMENT 19,401

OTHER ASSETS

Security deposit 8,746

TOTAL OTHER ASSETS 8,746

TOTAL ASSETS $ 895,050

See Notes to Financial Statements
(3)
PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2014

LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT LIABILITIES</td>
<td></td>
</tr>
<tr>
<td>Accounts payable - trade</td>
<td>$23,680</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>29,915</td>
</tr>
<tr>
<td>Deferred rent incentive - current - NOTES A and E</td>
<td>5,729</td>
</tr>
<tr>
<td>Note payable - 3rd party - NOTE F</td>
<td>100,000</td>
</tr>
<tr>
<td>Note payable - capital lease - current - NOTES D and E</td>
<td>7,622</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>166,946</td>
</tr>
<tr>
<td>LONG-TERM LIABILITIES</td>
<td></td>
</tr>
<tr>
<td>Deferred rent incentive - long-term - NOTES A and E</td>
<td>10,044</td>
</tr>
<tr>
<td>Note payable - capital lease - long-term - NOTES D and E</td>
<td>5,843</td>
</tr>
<tr>
<td><strong>TOTAL LONG-TERM LIABILITIES</strong></td>
<td>15,887</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>182,833</td>
</tr>
</tbody>
</table>

COMMITMENTS AND CONTINGENCIES - NOTES E, G, I and L

NET ASSETS - NOTES A, H and K

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted net assets</td>
<td>438,257</td>
</tr>
<tr>
<td><strong>UNRESTRICTED NET ASSETS</strong></td>
<td>438,257</td>
</tr>
<tr>
<td>Temporarily restricted - NOTE H</td>
<td>273,960</td>
</tr>
<tr>
<td><strong>TEMPORARY RESTRICTED NET ASSETS</strong></td>
<td>273,960</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td>712,217</td>
</tr>
</tbody>
</table>

**TOTAL LIABILITIES AND NET ASSETS** $895,050

See Notes to Financial Statements

(4)
PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

December 31, 2014

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES - NOTE A</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$ 523,284</td>
<td>$ 48,000</td>
<td>$ 571,284</td>
<td>38.3</td>
</tr>
<tr>
<td>Grants</td>
<td>68,050</td>
<td>386,684</td>
<td>454,734</td>
<td>30.4</td>
</tr>
<tr>
<td>Member dues</td>
<td>465,720</td>
<td></td>
<td>465,720</td>
<td>31.2</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>370</td>
<td></td>
<td>370</td>
<td>0.0</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>1,155</td>
<td></td>
<td>1,155</td>
<td>0.1</td>
</tr>
<tr>
<td>Net assets released from restrictions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of program restrictions</td>
<td>453,919</td>
<td>(453,919)</td>
<td>-</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>1,512,498</td>
<td>(19,235)</td>
<td>1,493,263</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**EXPENSES - NOTES A and J**

**PROGRAM EXPENSES**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>1,353,906</td>
<td></td>
<td>1,353,906</td>
<td>90.7</td>
</tr>
<tr>
<td><strong>TOTAL PROGRAM EXPENSES</strong></td>
<td>1,353,906</td>
<td></td>
<td>1,353,906</td>
<td>90.7</td>
</tr>
</tbody>
</table>

**SUPPORTING SERVICES**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fundraising activities</td>
<td>164,371</td>
<td></td>
<td>164,371</td>
<td>11.0</td>
</tr>
<tr>
<td>General and administrative</td>
<td>129,970</td>
<td></td>
<td>129,970</td>
<td>8.7</td>
</tr>
<tr>
<td><strong>TOTAL SUPPORTING SERVICES</strong></td>
<td>294,341</td>
<td></td>
<td>294,341</td>
<td>19.7</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>1,648,247</td>
<td></td>
<td>1,648,247</td>
<td>110.4</td>
</tr>
</tbody>
</table>

**INCREASE (DECREASE) IN NET ASSETS BEFORE INVESTMENT GAINS(LOSSES)**

(135,749) (19,235) (154,984) (10.4)

**NET GAIN(LOSS) ON MARKET VALUE OF SECURITIES - NOTES A and C**

(190) - (190) (0.0)

**INCREASE (DECREASE) IN NET ASSETS**

(135,939) (19,235) (155,174) (10.4)

**NET ASSETS AT BEGINNING OF YEAR**

574,196 293,195 867,391

**NET ASSETS AT END OF YEAR**

$ 438,257 $ 273,960 $ 712,217

See Notes to Financial Statements

(5)
PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase (decrease) in net assets</td>
<td>$ (155,174)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization - NOTE D</td>
<td>10,441</td>
</tr>
<tr>
<td>Realized (gain)/loss on investments</td>
<td>3</td>
</tr>
<tr>
<td>Unrealized (gain)/loss on investments</td>
<td>187</td>
</tr>
<tr>
<td>(Increase) decrease in operating assets</td>
<td></td>
</tr>
<tr>
<td>Contributions, pledges, grants, and other receivables</td>
<td>50,940</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>1,459</td>
</tr>
<tr>
<td>Increase (decrease) in operating liabilities</td>
<td></td>
</tr>
<tr>
<td>Accounts payable - trade</td>
<td>(70,926)</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>11,180</td>
</tr>
<tr>
<td>Deferred rent incentive</td>
<td>(2,983)</td>
</tr>
</tbody>
</table>

NET CASH USED BY OPERATING ACTIVITIES

(154,874)

CASH FLOW FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of investments</td>
<td>(37,330)</td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>38,247</td>
</tr>
</tbody>
</table>

NET CASH PROVIDED BY INVESTING ACTIVITIES

917

CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment of capital lease obligation</td>
<td>(6,967)</td>
</tr>
</tbody>
</table>

NET CASH USED BY FINANCING ACTIVITIES

(6,967)

NET DECREASE IN CASH AND CASH EQUIVALENTS

(160,923)

BEGINNING CASH AND CASH EQUIVALENTS

859,157

ENDING CASH AND CASH EQUIVALENTS - NOTES A and B

$ 698,234

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:
Interest                                           | $ 3,086 |
Disposal of fully depreciated property and equipment | $ 56,158 |

See Notes to Financial Statements

(6)
NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of 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:

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 Financial Accounting Standards Board (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.
Basis of Presentation:

Financial statement presentation follows the recommendations of the FASB in its 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, pledges 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. Therefore, an allowance reserve for uncollectible accounts has not been established.

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.
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 the length of the 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. No donated services were received which would meet the requirements for recognition in the financial statements for the year ended December 31, 2014.

Income Taxes:

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, 2014. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a)(2).

The Organization has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2011, 2012 and 2013 tax years. However, the Organization is not currently under audit nor has the Organization been contacted by any jurisdiction. Based on the evaluation of the Organization’s tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the year ended December 31, 2014.

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

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.

Investments:
The Organization has adopted 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.

Expense Allocation:
The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among programs and supporting services benefitted.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2014 consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand deposits</td>
<td>$533,787</td>
</tr>
<tr>
<td>Money market fund</td>
<td>115,430</td>
</tr>
<tr>
<td>Petty cash on hand</td>
<td>121</td>
</tr>
<tr>
<td>Undeposited funds on hand</td>
<td>48,896</td>
</tr>
<tr>
<td><strong>Total Unrestricted Cash and Cash Equivalents</strong></td>
<td><strong>$698,234</strong></td>
</tr>
</tbody>
</table>

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 (the majority of investments are level 1 measurements – see NOTE I).
PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

NOTE C – INVESTMENTS (Continued)

Investments at December 31, 2014 are comprised of the following:

<table>
<thead>
<tr>
<th>Investment Description</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds and corporate securities</td>
<td>$ 9,914</td>
</tr>
<tr>
<td>Investment in partnership</td>
<td>3,114</td>
</tr>
<tr>
<td></td>
<td>$ 13,028</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net realized gain (loss) on sales of investments</td>
<td>$ (3)</td>
</tr>
<tr>
<td>Net unrealized gain (loss) on market changes in investments</td>
<td>(187)</td>
</tr>
<tr>
<td></td>
<td>$ (190)</td>
</tr>
</tbody>
</table>

NOTE D - PROPERTY AND EQUIPMENT, DEPRECIATION AND AMORTIZATION

Property and equipment consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2014</th>
<th>Amortization/Depreciation</th>
<th>Accumulated Amortization/Depreciation</th>
<th>Net Book Value</th>
<th>Estimated Life (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and fixtures</td>
<td>$ 25,914</td>
<td>$ 1,349</td>
<td>$ 22,767</td>
<td>$ 3,147</td>
<td>5</td>
</tr>
<tr>
<td>Office and computer equipment</td>
<td>$ 68,562</td>
<td>$ 9,092</td>
<td>$ 52,308</td>
<td>$ 16,254</td>
<td>5-7</td>
</tr>
<tr>
<td></td>
<td>$ 94,476</td>
<td>$ 10,441</td>
<td>$ 75,075</td>
<td>$ 19,401</td>
<td></td>
</tr>
</tbody>
</table>

(1) Includes $53,404 of office equipment under capital leases. The economic substance of these leases is that 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, 2014 (see NOTE E).
NOTE E – COMMITMENTS AND CONTINGENCIES

Operating Lease:

In March 2012, the Organization entered into a 5-year lease agreement for new office space in Washington, DC. The lease agreement calls for annual “base” rent which is scheduled to increase approximately 2.5% 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 year ended December 31, 2014 was $109,816.

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum base rentals</td>
<td>$109,816</td>
</tr>
<tr>
<td>Additional real estate taxes and operating expenses</td>
<td>101</td>
</tr>
<tr>
<td>Add: Change in net deferred rent expense</td>
<td>(2,983)</td>
</tr>
<tr>
<td>Total rental expense, net</td>
<td>$106,934</td>
</tr>
</tbody>
</table>

The Organization also rented space in the state of Michigan in connection with a grant under the Environment and Health program. Rental expense for the year ended December 31, 2014 was $6,000. Total rental expense for the year ended December 31, 2014 was $112,934.

Notes Payable - Capital Leases:

The Organization also leases various office equipment under several capital leases through September 2018. 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.
NOTE E – COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum rental commitments under capital and operating leases at December 31, 2014, are as follows:

<table>
<thead>
<tr>
<th>For the Year Ending December 31,</th>
<th>Operating Lease (A)</th>
<th>Capital Leases (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$ 112,562</td>
<td>$ 9,648</td>
</tr>
<tr>
<td>2016</td>
<td>115,375</td>
<td>4,624</td>
</tr>
<tr>
<td>2017</td>
<td>19,308</td>
<td>2,112</td>
</tr>
<tr>
<td>2018 and thereafter</td>
<td>0</td>
<td>1,584</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 247,245</strong></td>
<td><strong>$ 17,968</strong></td>
</tr>
</tbody>
</table>

Less: Imputed Interest               | (4,503)             |

Present Value of Net Minimum Lease Payments | 13,465 |

Less: Current portion                | (7,622)             |

Notes Payable – Capital Leases-Long-term | $ 5,843 |

(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 amounted to $15,773 (current portion $5,729, long-term portion $10,044) at December 31, 2014.

(B) Several office equipment leases, which are scheduled to expire at various times through September 2018, are recorded as fixed assets and capital lease obligations, and are recorded on the financial statements as of December 31, 2014 (see NOTE D).
Concentration 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) 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, 2014 the Organization’s uninsured cash balance totaled $236,572.

Concentration of Credit Risk - SIPC:
As of December 31, 2014, the Organization maintains its investments and money market fund balances in the amount of $112,334 with one brokerage firm. Balances are insured up to $500,000, with a limit of $250,000 for cash, by the Securities Investor Protection Corporation (SIPC). At December 31, 2014, the Organization had no balance 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. There were no contributions to the plan for the year ended December 31, 2014.
PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

NOTE II - 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, 2014 consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment and Health</td>
<td>$175,079</td>
</tr>
<tr>
<td>Radiation and Health</td>
<td>17,813</td>
</tr>
<tr>
<td>50th Anniversary Campaign and Board Giving</td>
<td>5,000</td>
</tr>
<tr>
<td>General Support</td>
<td>75,860</td>
</tr>
<tr>
<td>Student Program</td>
<td>208</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$273,960</strong></td>
</tr>
</tbody>
</table>

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.
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 and fair value of these instruments at December 31, 2014 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2014</th>
<th>Carrying Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>corporate securities</td>
<td>(Level 1)</td>
<td>$ 9,914</td>
<td>$ 9,914</td>
</tr>
<tr>
<td>Notes payable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Capital leases (Level 2)</td>
<td></td>
<td>13,465</td>
<td>10,496</td>
</tr>
<tr>
<td>Investment in</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>partnership (Level 3)</td>
<td></td>
<td>3,114</td>
<td>3,114</td>
</tr>
</tbody>
</table>

The Organization estimates that the fair value of all financial instruments at December 31, 2014, 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 - 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 $318,068 to various programs benefited for the year ended December 31, 2014.
NOTE K – NET ASSET BALANCES

The Organization has elected to adopt 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, 2014 are listed below.

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2013</td>
<td>$ 574,196</td>
<td>$ 293,195</td>
<td>$ 867,391</td>
</tr>
<tr>
<td>2014 increase (decrease) in net assets</td>
<td>(135,939)</td>
<td>(19,235)</td>
<td>(155,174)</td>
</tr>
<tr>
<td>Balance at December 31, 2014</td>
<td>$ 438,257</td>
<td>$ 273,960</td>
<td>$ 712,217</td>
</tr>
</tbody>
</table>

NOTE L – SUBSEQUENT EVENT

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 5, 2015, the date which the financial statements were available to be issued.
INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

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

We have audited the financial statements of Physicians for Social Responsibility, Inc. as of and for the year ended December 31, 2014, and have issued our report on pages 1 and 2 thereon dated April 5, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 19 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Lydon Fetterolf Corydon, P.A.
Rockville, MD
April 5, 2015
<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>ENVIRONMENT &amp; HEALTH PROGRAM</th>
<th>RADIATION &amp; HEALTH PROGRAM</th>
<th>SECURITY PROGRAM</th>
<th>STUDENT PROGRAM</th>
<th>CHAPTER SUPPORT</th>
<th>TOTAL PROGRAMS</th>
<th>FUNDRAISING</th>
<th>GENERAL &amp; ADMIN.</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$245,154</td>
<td>$1,575</td>
<td>$84,829</td>
<td>$11,521</td>
<td>$47,546</td>
<td>$590,188</td>
<td>$63,456</td>
<td>$76,716</td>
<td>$730,360</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>43,805</td>
<td>127</td>
<td>13,500</td>
<td>6,087</td>
<td>6,849</td>
<td>35,424</td>
<td>105,772</td>
<td>13,307</td>
<td>12,768</td>
</tr>
<tr>
<td>Total Salaries and Benefits</td>
<td>288,959</td>
<td>1,702</td>
<td>98,329</td>
<td>17,588</td>
<td>54,395</td>
<td>234,987</td>
<td>695,960</td>
<td>78,763</td>
<td>89,484</td>
</tr>
<tr>
<td>Advertising</td>
<td>180</td>
<td>-</td>
<td>130</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>310</td>
<td>160</td>
<td>80</td>
</tr>
<tr>
<td>Audit &amp; Accounting Fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>85,500</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bank &amp; Interest Fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Chapter Grants</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>85,500</td>
<td>39,912</td>
<td>39,912</td>
</tr>
<tr>
<td>Chapter Revenue Sharing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>39,912</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Conference Registration</td>
<td>-</td>
<td>-</td>
<td>468</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>468</td>
</tr>
<tr>
<td>Database Maintenance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>31,622</td>
<td>31,622</td>
<td>8,647</td>
<td>7,667</td>
<td>47,936</td>
<td></td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,441</td>
<td>10,441</td>
</tr>
<tr>
<td>Dues, Membership &amp; Staff Development</td>
<td>1,273</td>
<td>-</td>
<td>800</td>
<td>-</td>
<td>-</td>
<td>2,073</td>
<td>760</td>
<td>-</td>
<td>2,833</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,000</td>
<td>16,221</td>
<td>16,221</td>
</tr>
<tr>
<td>IPPNW</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16,221</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Office Equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,427</td>
<td>3,427</td>
<td>557</td>
<td>3,984</td>
<td>3,526</td>
<td>29,247</td>
</tr>
<tr>
<td>Operational Expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>19,642</td>
<td>19,924</td>
<td>5,947</td>
<td>3,476</td>
<td>29,247</td>
<td>102,858</td>
</tr>
<tr>
<td>Postage &amp; Shipping</td>
<td>217</td>
<td>-</td>
<td>32</td>
<td>33</td>
<td>-</td>
<td>-</td>
<td>1,723</td>
<td>1,803</td>
<td>3,526</td>
</tr>
<tr>
<td>Printing &amp; Design</td>
<td>1,304</td>
<td>-</td>
<td>311</td>
<td>-</td>
<td>77,462</td>
<td>79,077</td>
<td>18,386</td>
<td>5,395</td>
<td>102,858</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>14,630</td>
<td>-</td>
<td>-</td>
<td>37,451</td>
<td>52,081</td>
<td>6,650</td>
<td>11,046</td>
<td>69,777</td>
<td>112,934</td>
</tr>
<tr>
<td>Rent</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,391</td>
<td>2,391</td>
<td>-</td>
<td>110,543</td>
<td>-</td>
<td>110,543</td>
</tr>
<tr>
<td>Speaker Events &amp; Forums</td>
<td>1,061</td>
<td>-</td>
<td>250</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,311</td>
<td>-</td>
<td>1,311</td>
</tr>
<tr>
<td>State Organizing</td>
<td>2,355</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,355</td>
<td>-</td>
<td>328</td>
<td>-</td>
<td>12,853</td>
</tr>
<tr>
<td>State Registration</td>
<td>328</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>328</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,181</td>
</tr>
<tr>
<td>Supplies</td>
<td>2,880</td>
<td>-</td>
<td>106</td>
<td>59</td>
<td>-</td>
<td>177</td>
<td>3,222</td>
<td>276</td>
<td>2,885</td>
</tr>
<tr>
<td>Telephone</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>7,105</td>
<td>7,110</td>
</tr>
<tr>
<td>Travel, Meetings &amp; Meals</td>
<td>9,812</td>
<td>-</td>
<td>1,571</td>
<td>4,129</td>
<td>4,021</td>
<td>2,927</td>
<td>22,460</td>
<td>58</td>
<td>26,494</td>
</tr>
<tr>
<td>Website &amp; Online Communications</td>
<td>18</td>
<td>-</td>
<td>174</td>
<td>-</td>
<td>22,223</td>
<td>22,415</td>
<td>7,748</td>
<td>54,507</td>
<td>84,670</td>
</tr>
<tr>
<td>Overhead</td>
<td>91,059</td>
<td>485</td>
<td>27,631</td>
<td>6,416</td>
<td>33,457</td>
<td>123,767</td>
<td>282,815</td>
<td>35,253</td>
<td>(318,068)</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$414,081</td>
<td>$2,187</td>
<td>$129,802</td>
<td>$28,225</td>
<td>$217,285</td>
<td>$566,076</td>
<td>$1,357,656</td>
<td>$164,371</td>
<td>$126,220</td>
</tr>
</tbody>
</table>

See Notes to Financial Statements

(19)