

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.

FINANCIAL STATEMENTS

December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Physicians for Social Responsibility, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Physicians for Social Responsibility, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related statement of functional expenses for the year ended December 31, 2018, 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 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 from 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.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Physicians for Social Responsibility, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
April 25, 2019

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 562,052	\$ 328,844
Pledges receivable	89,858	182,007
Prepaid expenses	42,922	28,772
Total current assets	694,832	539,623
Furniture and equipment - net	17,091	13,558
OTHER ASSETS		
Cash restricted for endowment	-	5,500
Pledges receivable - long-term	-	10,000
Investments	3,474	3,474
Beneficial interest in assets held by The Philadelphia Foundation	32,825	29,496
Security deposit	8,746	8,746
Total other assets	45,045	57,216
Total assets	\$ 756,968	\$ 610,397
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 50,619	\$ 22,897
Accrued expenses	17,722	3,545
Due to chapters	800	18,029
Grant payable	23,311	-
Accrued vacation	18,101	18,863
Current portion of capital leases payable	5,771	6,878
Total current liabilities	116,324	70,212
LONG-TERM LIABILITIES		
Note payable	-	100,000
Deferred rent obligation	80,151	38,978
Deferred lease incentive	4,777	-
Capital leases payable less current portion	1,975	7,747
Total long-term liabilities	86,903	146,725
Total liabilities	203,227	216,937
NET ASSETS		
Without donor restrictions	436,750	119,819
With donor restrictions	116,991	273,641
Total net assets	553,741	393,460
Total liabilities and net assets	\$ 756,968	\$ 610,397

See accompanying notes.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total	%
SUPPORT AND REVENUE				
Contributions and grants	\$ 1,241,295	\$ 51,674	\$ 1,292,969	83.5%
Membership dues	254,713	-	254,713	16.5%
Agency endowment return	-	(2,171)	(2,171)	-0.1%
Interest and dividends	625	969	1,594	0.1%
Other income	896	-	896	0.1%
	<u>1,497,529</u>	<u>50,472</u>	<u>1,548,001</u>	<u>100%</u>
EXPENSES				
Program services				
Environment and health	241,444	-	241,444	17.4%
Security	182,138	-	182,138	13.1%
Student	413	-	413	0.0%
Chapter support	182,947	-	182,947	13.2%
Joint programs	429,982	-	429,982	31.0%
	<u>1,036,924</u>	<u>-</u>	<u>1,036,924</u>	<u>74.7%</u>
Supporting activities				
Management and general	236,977	-	236,977	17.1%
Fundraising	113,819	-	113,819	8.2%
	<u>350,796</u>	<u>-</u>	<u>350,796</u>	<u>25.3%</u>
Total expenses	<u>1,387,720</u>	<u>-</u>	<u>1,387,720</u>	<u>100%</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of time restrictions	107,421	(107,421)	-	
Satisfaction of purpose restrictions	99,701	(99,701)	-	
	<u>316,931</u>	<u>(156,650)</u>	<u>160,281</u>	
Change in net assets	<u>316,931</u>	<u>(156,650)</u>	<u>160,281</u>	
Net assets at beginning of year	<u>119,819</u>	<u>273,641</u>	<u>393,460</u>	
Net assets at end of year	<u>\$ 436,750</u>	<u>\$ 116,991</u>	<u>\$ 553,741</u>	

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total	%
SUPPORT AND REVENUE				
Contributions and grants	\$ 833,046	\$ 189,639	\$ 1,022,685	77.2%
Membership dues	293,058	-	293,058	22.1%
Agency endowment return	-	3,527	3,527	0.3%
Interest and dividends	492	969	1,461	0.1%
In-kind contributions	1,670	-	1,670	0.1%
Other income	1,948	-	1,948	0.1%
	<u>1,130,214</u>	<u>194,135</u>	<u>1,324,349</u>	<u>100%</u>
EXPENSES				
Program services				
Environment and health	291,301	-	291,301	20.8%
Security	233,165	-	233,165	16.7%
Student	7,999	-	7,999	0.6%
Chapter support	185,361	-	185,361	13.3%
Joint programs	457,489	-	457,489	32.7%
	<u>1,175,315</u>	<u>-</u>	<u>1,175,315</u>	<u>84.1%</u>
Supporting activities				
Management and general	106,151	-	106,151	7.6%
Fundraising	116,115	-	116,115	8.3%
	<u>222,266</u>	<u>-</u>	<u>222,266</u>	<u>15.9%</u>
Total expenses	1,397,581	-	1,397,581	<u>100%</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of time restrictions	5,000	(5,000)	-	
Satisfaction of purpose restrictions	122,280	(122,280)	-	
	<u>(140,087)</u>	<u>66,855</u>	<u>(73,232)</u>	
Change in net assets	(140,087)	66,855	(73,232)	
Net assets at beginning of year	259,906	206,786	466,692	
Net assets at end of year	\$ 119,819	\$ 273,641	\$ 393,460	

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Services					Supporting Activities		Total
	Environment and Health	Security	Student	Chapter Support	Joint Programs	Management and General	Fundraising	
Personnel	\$ 203,933	\$ 139,004	\$ 250	\$ 50,837	\$ 242,405	\$ 92,688	\$ 46,587	\$ 775,704
Professional fees	340	5,394	-	-	28,568	82,764	13,574	130,640
Grants and assistance	-	-	-	123,955	-	-	-	123,955
Office expenses	1,371	11,219	-	20	62,142	36,093	17,600	128,445
Conferences and meetings	-	-	-	-	-	-	891	891
Insurance	3,665	2,498	4	914	4,357	1,666	837	13,941
Occupancy	26,785	18,257	33	6,677	31,837	12,173	6,119	101,881
Advertising	-	-	-	-	-	5,674	288	5,962
Information technology	-	24	-	-	52,867	892	6,349	60,132
Travel	3,573	4,531	124	101	5,694	2,699	21,168	37,890
Interest	-	-	-	-	-	682	-	682
Depreciation	1,777	1,211	2	443	2,112	809	406	6,760
Miscellaneous	-	-	-	-	-	837	-	837
Total expenses	\$ 241,444	\$ 182,138	\$ 413	\$ 182,947	\$ 429,982	\$ 236,977	\$ 113,819	\$ 1,387,720

See accompanying notes.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 160,281	\$ (73,232)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for investment in endowment	-	(5,500)
Depreciation	6,760	7,176
Forgiveness of note payable	(100,000)	-
Investment return retained in agency endowment	2,171	(3,527)
(Increase) decrease in assets		
Pledges receivable	102,149	3,630
Prepaid expenses	(14,150)	6,226
Increase (decrease) in liabilities		
Accounts payable	27,722	(4,403)
Accrued expenses	14,177	(8,993)
Deferred revenue	-	(942)
Due to chapters	(17,229)	17,229
Grant payable	23,311	-
Accrued vacation	(762)	4,967
Deferred rent obligation	41,173	19,571
Deferred lease incentive	4,777	-
Net cash flows from operating activities	250,380	(37,798)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in cash restricted for endowment	-	(5,500)
Purchases of equipment	(10,293)	-
Net cash flows from investing activities	(10,293)	(5,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases payable	(6,879)	(6,558)
Proceeds from contributions restricted for investment in endowment	-	5,500
Net cash flows from financing activities	(6,879)	(1,058)
Change in cash	233,208	(44,356)
Cash at beginning of year	328,844	373,200
Cash at end of year	\$ 562,052	\$ 328,844
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	\$ 682	\$ 3,271

See accompanying notes.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

Physicians for Social Responsibility, Inc. (PSR) is a non-profit organization located in Washington, D.C. PSR 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pledges Receivable

Unconditional pledges receivable are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional.

Furniture and Equipment

PSR capitalizes all expenditures for furniture and equipment in excess of \$1,000. Purchased furniture and equipment are carried at cost. Depreciation is computed using the straight-line method.

Investments

Investments in limited partnership interests are carried at cost. Investments consist of a 1% interest in 6th & Pacific Company.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, professional fees, office expenses, insurance, occupancy, information technology, travel, and depreciation, which are allocated on the basis of estimates of time and effort.

Income Tax Status

PSR is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, PSR qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Adoption of New Accounting Pronouncement

PSR adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Date of Management's Review

Management has evaluated subsequent events through April 25, 2019, the date which the financial statements were available to be issued.

NOTE 2—FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following:

	2018	2017
Furniture	\$ 30,434	\$ 25,914
Equipment	70,126	64,353
Furniture and equipment	100,560	90,267
Less accumulated depreciation	(83,469)	(76,709)
Furniture and equipment - net	\$ 17,091	\$ 13,558

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 3—PLEDGES RECEIVABLE

Pledges receivable are as follows:

	2018	2017
Receivable in less than one year	\$ 89,858	\$ 182,007
Receivable in one to five years	-	10,000
Pledges receivable	<u>\$ 89,858</u>	<u>\$ 192,007</u>

NOTE 4—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

	Assets at Fair Value as of December 31, 2018	
	Fair Value	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by The Philadelphia Foundation	<u>\$ 32,825</u>	<u>\$ 32,825</u>
	Assets at Fair Value as of December 31, 2017	
	Fair Value	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by The Philadelphia Foundation	<u>\$ 29,496</u>	<u>\$ 29,496</u>

PSR's beneficial interest in assets held by The Philadelphia Foundation represents an agreement between PSR and The Philadelphia Foundation in which PSR transfers assets to The Philadelphia Foundation in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to PSR by The Philadelphia Foundation. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 4—FAIR VALUE MEASUREMENTS (continued)

The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs:

	Beneficial Interest in Assets Held by The Philadelphia Foundation	
	2018	2017
Balance at beginning of year	\$ 29,496	\$ 25,969
Contributions	5,500	-
Change in value of beneficial interest included in change in net assets	(2,171)	3,527
Balance at end of year	\$ 32,825	\$ 29,496

NOTE 5—NOTE PAYABLE

In 2002, PSR 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 PSR to pay the note holder shall terminate with, and be cancelled at, the death of the survivor of the note holder. In 2018, the note was forgiven.

NOTE 6—DEFINED CONTRIBUTION PLAN

PSR 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, PSR 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. In 2018 and 2017, there were no contributions made to the plan.

NOTE 7—LEASES

Capital Leases

PSR leases equipment under capital leases that expire at various dates through April 2020. The capital leases require monthly payments of principal and interest of \$674. Interest expense for 2018 and 2017 was \$682 and \$1,530, respectively.

Future minimum payments on PSR's capital leases are as follows:

2019	\$ 5,976
2020	1,992
Total minimum capital leases payments	7,968
Less the amount representing interest	222
Present value of net minimum capital lease payments	\$ 7,746

The leased equipment has a cost of \$49,195 and accumulated depreciation of \$41,843 and \$35,637 at December 31, 2018 and 2017, respectively.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 7—LEASES (continued)

Office Space

Effective May 2016, PSR amended its prior office lease agreement and extended the lease 10 years, expiring in April 2026. The lease agreement calls for annual base rent which is scheduled to increase 2.5% each year and also calls for annual additional rent that includes PSR's pro rata share of real estate taxes and other building operating expenses. The terms of the lease include provisions for a construction allowance up to the amount of \$122,670 and rent abatement, also known as "free rent allowance" for the first two consecutive full months of each of the first four lease years of base rent and additional rent payments.

As of December 31, 2018, PSR has used \$4,520 of the construction allowance. Rent expense for 2018 and 2017 was \$101,881 and \$104,532, respectively.

Future minimum payments on PSR's office lease are as follows:

	2019	\$ 89,063
	2020	109,442
	2021	111,904
	2022	114,422
	2023	116,997
	Thereafter	<u>283,025</u>
		<u>\$ 824,853</u>

NOTE 8—NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2018	2017
Subject to donor time and purpose restrictions		
Communications	\$ -	\$ 25,481
Energy and health	18,780	35,422
Security program	16,894	40,000
Subsequent years' operations	48,492	137,742
Subject to PSR spending policy and appropriation		
Endowment earnings	2,325	4,496
Not subject to appropriation or expenditure		
Donor restricted endowment	<u>30,500</u>	<u>30,500</u>
Total net assets with donor restrictions	<u>\$ 116,991</u>	<u>\$ 273,641</u>

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9—ENDOWMENT

PSR's endowment consists of one fund held at The Philadelphia Foundation, as well as \$5,500 held in cash at December 31, 2017. The Philadelphia Foundation has governance over the investment of funds and distribution of fund assets. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of PSR has interpreted Massachusetts's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, PSR classifies as net assets with donor restrictions not subject to appropriation or expenditure (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. PSR has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

The remaining portion of the donor-restricted endowment fund that is not restricted in perpetuity is classified as net assets with donor restrictions subject to PSR's spending policy until those amounts are appropriated for expenditure by PSR in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, PSR considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of PSR, and (7) PSR's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies. PSR has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the original investment of the endowment. Endowment assets include those assets of donor-restricted funds that PSR must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to preserve the earning power of the principal and to grow the principal to at least meet inflation.

To satisfy its long-term rate-of-return objectives, PSR relies on a total return strategy in which investment returns are achieved through both realized and unrealized gains/losses and interest and dividends. PSR targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. PSR, as far as possible, invests in funds that are fossil fuel free and free from investment in corporations that build nuclear weapons.

Spending Policy. Annually, PSR's Finance Committee recommends to the Board of Directors the amount of the earnings to be recommended to be disbursed to PSR from The Philadelphia Foundation. Any undistributed income in excess of amounts required to satisfy the spending rule shall be accumulated and added to the principal. PSR has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9—ENDOWMENT (continued)

Endowment net asset composition by type of fund is as follows:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount	\$ -	\$ 30,500	\$ 30,500
Accumulated investment gains	-	2,325	2,325
Total endowment funds	<u>\$ -</u>	<u>\$ 32,825</u>	<u>\$ 32,825</u>

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount	\$ -	\$ 30,500	\$ 30,500
Accumulated investment gains	-	4,496	4,496
Total endowment funds	<u>\$ -</u>	<u>\$ 34,996</u>	<u>\$ 34,996</u>

Change in endowment net assets are as follows:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ -	\$ 34,996	\$ 34,996
Investment return, net	-	(2,171)	(2,171)
Endowment net assets at end of year	<u>\$ -</u>	<u>\$ 32,825</u>	<u>\$ 32,825</u>

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ -	\$ 25,969	\$ 25,969
Contributions	-	5,500	5,500
Investment return, net	-	3,527	3,527
Endowment net assets at end of year	<u>\$ -</u>	<u>\$ 34,996</u>	<u>\$ 34,996</u>

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 10—JOINT COSTS

PSR achieves some of its programmatic goals in direct mail campaigns that include requests for contributions. The costs of conducting those campaigns in 2018 and 2017 included a total of \$346,297 and \$135,538, respectively, of joint costs that are not directly attributable to either the program components or the fundraising component of the activities. Those joint costs in were allocated as follows:

	2018	2017
Joint programs	\$ 277,038	\$ 108,430
Fundraising	69,259	27,108
Joint costs	\$ 346,297	\$ 135,538

NOTE 11—CONCENTRATIONS OF CREDIT RISK

PSR maintains its cash balances in two financial institutions located in Washington, DC. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018, PSR's uninsured cash balances total approximately \$248,000. At December 31, 2017, PSR's cash balances were fully insured with federal depository insurance.

NOTE 12—LIQUIDITY AND AVAILABILITY

The following reflects PSR's financial assets as of the date of the statement of financial position, reduced by amounts not available for general expenditure within one year of the date of the statement of financial position because of donor-imposed or other restrictions.

Financial assets at year-end	\$ 688,209
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with time or purpose restrictions	(86,491)
Donor-restricted to maintain as an endowment	(30,500)
Financial assets available to meet cash needs for general expenditures within one year	\$ 571,218

PSR is substantially supported by contributions, many of which are restricted for a specific purpose or period. Because a donor's restriction requires resources to be used in a particular manner or in a future period, PSR must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of PSR's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and obligations come due.