



FINANCIAL STATEMENTS

December 31, 2020 and 2019

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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. (PSR), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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

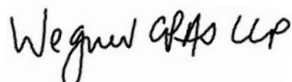
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2020 and 2019, 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.



Wegner CPAs, LLP
Alexandria, Virginia
August 30, 2021

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 202,343	\$ 344,796
Pledges receivable	103,120	135,934
Prepaid expenses	13,810	27,831
Total current assets	319,273	508,561
Furniture and equipment, net	7,557	10,153
OTHER ASSETS		
Investments	3,474	3,474
Cash restricted for endowment	4,000	-
Beneficial interest in assets held by The Philadelphia Foundation	48,731	43,753
Security deposit	8,746	8,746
Total other assets	64,951	55,973
Total assets	\$ 391,781	\$ 574,687
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 78,010	\$ 14,284
Accrued expenses	12,504	43,266
Due to chapters	18,994	37,228
Accrued vacation	19,979	21,956
Total current liabilities	129,487	116,734
LONG-TERM LIABILITIES		
Deferred rent obligation	84,746	92,638
Deferred lease incentive	3,475	4,126
Total long-term liabilities	88,221	96,764
Total liabilities	217,708	213,498
NET ASSETS		
Without donor restrictions	(146,987)	81,659
With donor restrictions	321,060	279,530
Total net assets	174,073	361,189
Total liabilities and net assets	\$ 391,781	\$ 574,687

See accompanying notes.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total	%
SUPPORT AND REVENUE				
Contributions and grants	\$ 500,288	\$ 357,935	\$ 858,223	68.6%
Membership dues	196,666	-	196,666	15.7%
Paycheck Protection Program grant	176,982	-	176,982	14.2%
Agency endowment return	-	4,978	4,978	0.4%
Interest and dividends	1,336	-	1,336	0.1%
Other income	12,162	-	12,162	1.0%
Total support and revenue	887,434	362,913	1,250,347	<u>100%</u>
EXPENSES				
Program services				
Environment and health	368,970	-	368,970	25.7%
Security	231,999	-	231,999	16.1%
Chapter support	90,113	-	90,113	6.3%
Joint programs	407,280	-	407,280	28.3%
Total program services	1,098,362	-	1,098,362	76.4%
Supporting activities				
Management and general	243,727	-	243,727	17.0%
Fundraising	95,374	-	95,374	6.6%
Total supporting activities	339,101	-	339,101	<u>23.6%</u>
Total expenses	1,437,463	-	1,437,463	<u>100%</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Expiration of time restrictions	10,000	(10,000)	-	
Satisfaction of purpose restrictions	311,383	(311,383)	-	
Net assets released from restrictions	321,383	(321,383)	-	
Change in net assets	(228,646)	41,530	(187,116)	
Net assets at beginning of year	81,659	279,530	361,189	
Net assets at end of year	<u>\$ (146,987)</u>	<u>\$ 321,060</u>	<u>\$ 174,073</u>	

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total	%
SUPPORT AND REVENUE				
Contributions and grants	\$ 897,545	\$ 211,213	\$ 1,108,758	80.0%
Membership dues	270,169	-	270,169	19.6%
Agency endowment return	-	5,928	5,928	0.4%
Interest and dividends	21	-	21	0.0%
Other income	658	-	658	0.0%
Total support and revenue	1,168,393	217,141	1,385,534	<u>100%</u>
EXPENSES				
Program services				
Environment and health	288,218	-	288,218	18.3%
Security	221,261	-	221,261	14.0%
Student	76	-	76	0.0%
Chapter support	174,933	-	174,933	11.1%
Joint programs	481,036	-	481,036	30.5%
Total program services	1,165,524	-	1,165,524	73.9%
Supporting activities				
Management and general	277,300	-	277,300	17.5%
Fundraising	135,262	-	135,262	8.6%
Total supporting activities	412,562	-	412,562	<u>26.1%</u>
Total expenses	1,578,086	-	1,578,086	<u>100%</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Expiration of time restrictions	18,000	(18,000)	-	
Satisfaction of purpose restrictions	36,602	(36,602)	-	
Net assets released from restrictions	54,602	(54,602)	-	
Change in net assets	(355,091)	162,539	(192,552)	
Net assets at beginning of year	436,750	116,991	553,741	
Net assets at end of year	<u>\$ 81,659</u>	<u>\$ 279,530</u>	<u>\$ 361,189</u>	

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Program Services				Supporting Activities		Total
	Environment and Health	Security	Chapter Support	Joint Programs	Management and General	Fundraising	
Personnel	\$ 233,309	\$ 200,013	\$ 59,530	\$ 181,689	\$ 101,730	\$ 43,157	\$ 819,428
Professional fees	88,677	-	2,955	47,061	103,152	13,415	255,260
Grants and assistance	-	-	15,811	-	-	-	15,811
Office expenses	8,731	1,013	-	57,441	20,979	19,320	107,484
Conferences and meetings	796	225	-	-	-	-	1,021
Insurance	3,190	2,735	814	2,484	1,391	590	11,204
Occupancy	30,947	26,531	7,896	24,100	13,494	5,724	108,692
Advertising	400	-	-	13,081	-	-	13,481
Information technology	586	848	2,918	80,848	2,027	13,032	100,259
Travel	1,595	-	-	-	606	-	2,201
Interest	-	-	-	-	3	-	3
Depreciation	739	634	189	576	322	136	2,596
Miscellaneous	-	-	-	-	23	-	23
Total expenses	\$ 368,970	\$ 231,999	\$ 90,113	\$ 407,280	\$ 243,727	\$ 95,374	\$ 1,437,463

See accompanying notes.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Program Services					Supporting Activities		Total
	Environment and Health	Security	Student	Chapter Support	Joint Programs	Management and General	Fundraising	
Personnel	\$ 221,566	\$ 177,082	\$ -	\$ 54,940	\$ 289,044	\$ 103,137	\$ 56,813	\$ 902,582
Professional fees	28,830	2,041	-	1,500	18,668	93,547	5,227	149,813
Grants and assistance	-	-	-	98,096	-	-	-	98,096
Office expenses	1,067	11,122	-	94	81,166	27,859	22,964	144,272
Conferences and meetings	1,770	760	-	12,500	-	-	916	15,946
Insurance	2,919	2,333	-	724	3,808	1,359	748	11,891
Occupancy	26,454	21,143	-	6,560	34,511	12,315	6,783	107,766
Advertising	-	1,353	-	-	-	5,798	182	7,333
Information technology	-	127	-	-	50,852	4,775	8,330	64,084
Travel	3,692	3,773	76	45	284	9,107	32,809	49,786
Interest	-	-	-	-	-	225	-	225
Depreciation	1,911	1,527	-	474	2,493	890	490	7,785
Bad debt expense	-	-	-	-	-	18,000	-	18,000
Miscellaneous	9	-	-	-	210	288	-	507
Total expenses	\$ 288,218	\$ 221,261	\$ 76	\$ 174,933	\$ 481,036	\$ 277,300	\$ 135,262	\$ 1,578,086

See accompanying notes.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (187,116)	\$ (192,552)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for investment in endowment	(4,000)	(5,000)
Loss on disposal of equipment	-	1,838
Depreciation	2,596	7,785
Forgiveness of capital lease payable	-	(1,975)
Investment return retained in agency endowment	(4,978)	(5,928)
(Increase) decrease in assets		
Pledges receivable	32,814	(46,076)
Prepaid expenses	14,022	15,091
Increase (decrease) in liabilities		
Accounts payable	63,725	(36,335)
Accrued expenses	(30,762)	25,544
Due to chapters	(18,234)	36,428
Grant payable	-	(23,311)
Accrued vacation	(1,977)	3,855
Deferred rent obligation	(7,892)	12,487
Deferred lease incentive	(651)	(651)
Net cash flows from operating activities	(142,453)	(208,800)
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer of cash to be invested in agency endowment	-	(5,000)
Purchases of equipment	-	(2,685)
Net cash flows from investing activities	-	(7,685)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases payable	-	(5,771)
Proceeds from contributions restricted for investment in endowment	4,000	5,000
Net cash flows from financing activities	4,000	(771)
Change in cash and restricted cash	(138,453)	(217,256)
Cash and restricted cash at beginning of year	344,796	562,052
Cash and restricted cash at end of year	\$ 206,343	\$ 344,796
SUPPLEMENTAL DISCLOSURES		
Cash and restricted cash at end of year is comprised of the following:		
Cash	\$ 202,343	\$ 344,796
Cash restricted for endowment	4,000	-
Cash paid for interest	3	225
Noncash financing transactions		
Forgiveness of capital lease payable	-	1,975

See accompanying notes.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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. PSR is supported primarily by contributions and grants.

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. 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.

Paycheck Protection Program Loan

PSR received a loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. PSR expects to meet the PPP's eligibility criteria and believes the loan is, in substance, a grant that is expected to be forgiven. PSR recognizes amounts expected to be forgiven as revenue when it incurs qualifying expenses.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The following program services and supporting activities are included in the accompanying financial statements:

Environment and Health – Includes advocacy for policies to avert climate change, generate a sustainable energy future, reduce carbon pollution, minimize toxic pollution of air, food and drinking water, and prevent human exposure to toxic substances. We provided the medical voice and scientific authority to communicate the urgency of addressing these threats to survival.

Security – Includes educating the medical and broader community about the need to improve national policy formulation and decision-making on nuclear weapons and technology matters. PSR articulates both the health threats and the threats to peace posed by nuclear weapons and presses for reduced U.S. reliance on nuclear weapons in national security policy.

Student – Includes efforts to inspire medical students to participate in advocacy, activism, and engagement as an essential component of their training and professional life. By introducing medical students to activism, providing them with avenues of engagement, and giving them real-world experience, student PSR prepares future generations of physicians to engage in issues of global importance. The program has gone dormant in 2020.

Chapter Support – PSR's chapters carry out PSR's mission and priorities at the local level. They work to gain support for PSR priorities and legislative goals; promote PSR's presence, programs, and priorities in the local medical community and in the community at large; actively recruit new PSR members, support membership retention, and develop members into activists through mutual support and encouragement and through local outreach and organizing efforts. They mentor and support medical students and student chapters where possible.

Joint Programs – Includes efforts to present PSR messages on safe energy, global warming, nuclear weapons, and security policy online, publication of PSR reports, and encouraging citizen action through public events and PSR's electronic alert system. Also included here is the chapter development program that assists local PSR chapters and student PSR with programmatic and educational activities.

Management and General – Includes accounting and production of financial reports, oversight of the annual budget, management of PSR, maintaining the databases of PSR, and any other administrative and office service necessary for PSR.

Fundraising – Includes the solicitation of membership dues, grants and contributions.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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.

Beneficial Interest in Assets Held by The Philadelphia Foundation

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

Date of Management's Review

Management has evaluated subsequent events through August 30, 2021, the date which the financial statements were available to be issued.

NOTE 2—FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following:

	2020	2019
Furniture	\$ 30,434	\$ 30,434
Equipment	50,755	50,755
	81,189	81,189
Less accumulated depreciation	(73,632)	(71,036)
	\$ 7,557	\$ 10,153

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 3—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, 2020, PSR's cash balances are fully insured with federal depository insurance. At December 31, 2019, PSR's uninsured cash balances total approximately \$104,000.

NOTE 4—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. For the years ended December 31, 2020 and 2019, there were no contributions made to the plan.

NOTE 5—PAYCHECK PROTECTION PROGRAM

On April 20, 2020, PSR received a \$176,982 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). On December 9, 2020, PSR received preliminary forgiveness of the loan and is included with support and revenue on the statement of activities. PSR must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review PSR's good-faith certification concerning the necessity of its loan request, whether PSR calculated the loan amount correctly, whether PSR used loan proceeds for the allowable uses specified in the CARES Act, and whether PSR is entitled to loan forgiveness in the amount claimed on its application. If SBA determines PSR was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 6—NET ASSETS

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

	2020	2019
Subject to donor time and purpose restrictions		
Energy and health	\$ 168,801	\$ 120,626
Security program	2,035	11,659
Subsequent years' operations	97,493	103,492
Subject to PSR spending policy and appropriation		
Endowment earnings - general use	13,231	8,253
Not subject to appropriation or expenditure		
Donor restricted endowment - general use	39,500	35,500
Net assets with donor restrictions	\$ 321,060	\$ 279,530

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 7—LEASES

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, 2020, PSR has used \$4,520 of the construction allowance. Rent expense for the years ended December 31, 2020 and 2019 was \$108,692 and \$107,766, respectively.

In September 2019, PSR entered into an operating lease for a copier requiring monthly payments of \$259. The lease expires in September 2024. Lease expense under lease for the years ended December 31, 2020 and 2019 was \$3,108 and \$777, respectively.

Future minimum payments on PSR’s operating leases are as follows:

	Office Lease	Copier Lease	Total
2021	\$ 111,904	\$ 3,108	\$ 115,012
2022	114,422	3,108	117,530
2023	116,997	3,108	120,105
2024	119,626	2,331	121,957
2025	122,321	-	122,321
Thereafter	41,075	-	41,075
	\$ 626,345	\$ 11,655	\$ 638,000

NOTE 8—RISKS AND UNCERTAINTIES

In March 2020, the United States economy began suffering adverse effects from the COVID-19 virus global crisis. In response to the crisis, the Coronavirus Aid, Relief and Economic Securities (CARES) Act was signed into law on March 27, 2020. As noted in Note 5, PSR was approved for a loan under the Paycheck Protection Program (PPP), established by the CARES Act. In addition, PSR received an additional PPP loan subsequent to year end, totaling \$149,152, to help support 2021 payroll and rent costs. Management is continuously monitoring the situation to appropriately address the impact on PSR.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 9—ENDOWMENT

PSR's endowment consists of one fund held at The Philadelphia Foundation, as well as cash to be transferred to The Philadelphia Foundation. 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
December 31, 2020 and 2019

NOTE 9—ENDOWMENT (continued)

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

	<u>2020</u>	<u>2019</u>
Donor-restricted endowment funds:		
Original donor-restricted gift amounts	\$ 34,500	\$ 30,500
Accumulated investment gains	<u>18,231</u>	<u>13,253</u>
Total endowment funds	<u>\$ 52,731</u>	<u>\$ 43,753</u>

Change in endowment net assets are as follows:

	<u>2020</u>	<u>2019</u>
Endowment net assets at beginning of year	\$ 43,753	\$ 32,825
Contributions	4,000	5,000
Investment return, net	<u>4,978</u>	<u>5,928</u>
Endowment net assets at end of year	<u>\$ 52,731</u>	<u>\$ 43,753</u>

NOTE 10—LIQUIDITY AND AVAILABILITY

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

	<u>2020</u>	<u>2019</u>
Financial assets at year-end	\$ 361,668	\$ 527,957
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with time or purpose restrictions	(281,560)	(244,030)
Donor-restricted to maintain as an endowment	<u>(39,500)</u>	<u>(35,500)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 40,608</u>	<u>\$ 248,427</u>

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.

PHYSICIANS FOR SOCIAL RESPONSIBILITY, INC.
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NOTE 11—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 2020 and 2019 included a total of \$430,180 and \$451,251, respectively, of joint costs that are not directly attributable to either the program components or the fundraising component of the activities. Those joint costs were allocated as follows:

	2020	2019
Joint programs	\$ 336,010	\$ 361,001
Fundraising	94,170	90,250
Joint costs	\$ 430,180	\$ 451,251

NOTE 12—CONTINGENCY

As indicated in the accompanying financial statements, PSR incurred a net loss of \$187,116 and \$192,552 for the years ended December 31, 2020 and 2019, respectively, and, as of December 31, 2020, had a net deficit without donor restrictions of \$146,987. The net deficit, along with declining support for the past three years and the uncertainty surrounding the overall impact of COVID-19 on operations and future funding, create uncertainty about PSR's ability to continue as a going concern for the year following the date the financial statements are available to be issued. Management has evaluated conditions subsequent to year end and believes the uncertainty about the ability to continue as a going concern has been alleviated.

Management has evaluated these conditions and believes that grants that have been applied for and received in 2021, coupled with being awarded a second draw on PPP funding, will help in reducing the net deficit. In 2021, PSR has received six unbudgeted grants, totaling approximately \$530,000. While these unbudgeted grants are restricted for specific purpose, they are all program and mission aligned with the majority of the grant budgets covering personnel costs at PSR, which is PSR's largest annual expense. To assist in growing its unrestricted revenue streams, PSR's development team is now fully staffed and 2021 unrestricted revenue is trending ahead of 2020 results and closer to pre-pandemic funding. Management also continually assesses costs to determine nonessential expenses that could be reduced or eliminated. The financial statements do not include any adjustments that might be necessary if PSR is unable to continue as a going concern.