



National Consumers League, Inc.

Financial Statements
Years Ended December 31, 2020 and 2019

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



National Consumers League, Inc.

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Years Ended December 31, 2020 and 2019

National Consumers League, Inc.

Contents

Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-16



Tel: 301-354-2500
Fax: 301-354-2501
www.bdo.com

12505 Park Potomac Avenue
Suite 700
Potomac, MD 20854

Independent Auditor's Report

To the Board of Directors
National Consumers League, Inc.
Washington, DC

Opinion

We have audited the financial statements of National Consumers League, Inc. (the League), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the League as of December 31, 2020 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the League and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but



is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 League's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Prior Period Financial Statements

The financial statements of National Consumers League, Inc. as of and for the year ended December 31, 2019 were audited by Hertzbach & Company, P.A. (Hertzbach), whose Maryland partners and professional staff joined BDO USA, LLP as of November 16, 2020. Hertzbach expressed an unmodified opinion on those statements in its report dated July 9, 2020.

BDO USA, LLP

Potomac, Maryland
April 29, 2021

Financial Statements

National Consumers League, Inc.

Statements of Financial Position

<i>December 31,</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 4,159,401	\$ 3,773,471
Investments	1,208,791	1,123,425
Accounts receivable	440,357	429,809
Prepaid expenses	56,637	26,654
Deposits	6,744	6,744
Other assets	27,547	8,854
Property and equipment, net	106,348	112,396
Total assets	\$ 6,005,825	\$ 5,481,353
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 146,019	\$ 152,035
Deferred rent	164,175	153,649
Total liabilities	310,194	305,684
Net assets		
Without donor restrictions	5,190,539	4,829,781
With donor restrictions	505,092	345,888
Total net assets	5,695,631	5,175,669
Total liabilities and net assets	\$ 6,005,825	\$ 5,481,353

See accompanying notes to the financial statements.

National Consumers League, Inc.

Statements of Activities and Changes in Net Assets

Years ended December 31,	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support						
Grants and contributions	\$ 455,746	\$ 2,242,628	\$ 2,698,374	\$ 439,022	\$1,432,100	\$ 1,871,122
Membership dues	351,433	-	351,433	292,468	-	292,468
Trumpeter special event	666,600	-	666,600	881,066	-	881,066
Investment return, net	59,762	-	59,762	118,626	-	118,626
Sublease income	-	-	-	22,602	-	22,602
Other income	18,693	-	18,693	6,171	-	6,171
Gain on extinguishment of debt	293,500	-	293,500	-	-	-
Net assets released from donor restrictions	2,083,424	(2,083,424)	-	1,314,776	(1,314,776)	-
Total revenue, gains, and other support	3,929,158	159,204	4,088,362	3,074,731	117,324	3,192,055
Expenses						
Program services:						
Consumer health education	1,285,517	-	1,285,517	602,534	-	602,534
Public education	560,601	-	560,601	584,495	-	584,495
LifeSmarts program	340,155	-	340,155	601,623	-	601,623
Fraud center	256,414	-	256,414	359,270	-	359,270
Fair labor	175,499	-	175,499	162,469	-	162,469
Total program services	2,618,186	-	2,618,186	2,310,391	-	2,310,391
Supporting services:						
Management and general	505,921	-	505,921	576,453	-	576,453
Fundraising	444,293	-	444,293	447,504	-	447,504
Total supporting services	950,214	-	950,214	1,023,957	-	1,023,957
Total expenses	3,568,400	-	3,568,400	3,334,348	-	3,334,348
Change in net assets	360,758	159,204	519,962	(259,617)	117,324	(142,293)
Net assets, beginning of year	4,829,781	345,888	5,175,669	5,089,398	228,564	5,317,962
Net assets, end of year	\$ 5,190,539	\$ 505,092	\$ 5,695,631	\$ 4,829,781	\$ 345,888	\$ 5,175,669

See accompanying notes to financial statements.

National Consumers League, Inc.

Statement of Functional Expenses

<i>Year ended December 31, 2020</i>	Program Services					Supporting Services				
	Consumer Health Education	Public Education	LifeSmart Program	Fraud Center	Fair Labor	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 139,152	\$ 386,645	\$ 172,666	\$ 186,128	\$ 130,441	\$ 1,015,032	\$ 225,258	\$ 280,339	\$ 505,597	\$ 1,520,629
Professional fees	1,086,374	34,671	48,226	8,582	-	1,177,853	190,831	69,464	260,295	1,438,148
Employee benefits	20,172	55,525	24,952	26,335	19,881	146,865	30,922	39,673	70,595	217,460
Rent	19,178	55,162	24,419	26,613	18,624	143,996	31,030	39,076	70,106	214,102
Office expenses	7,182	7,536	22,519	12	205	37,454	19,528	1,530	21,058	58,512
Scholarships and stipends	4,870	-	22,024	-	-	26,894	421	776	1,197	28,091
Depeciation and amortization	2,325	6,575	2,923	3,201	2,229	17,253	3,656	4,662	8,318	25,571
Telecommunications	2,145	7,439	3,898	2,768	1,880	18,130	2,848	3,897	6,745	24,875
Hotel, catering, and events	2,228	1,510	15,657	-	-	19,395	841	1,043	1,884	21,279
Insurance	1,834	5,538	2,614	2,678	1,824	14,488	535	3,800	4,335	18,823
Travel	57	-	257	97	415	826	51	33	84	910
Total expenses	\$ 1,285,517	\$ 560,601	\$ 340,155	\$ 256,414	\$ 175,499	\$ 2,618,186	\$ 505,921	\$ 444,293	\$ 950,214	\$ 3,568,400

See accompanying notes to the financial statements.

National Consumers League, Inc.

Statement of Functional Expenses

<i>Year ended December 31, 2019</i>	Program Services					Supporting Services				
	Consumer Health Education	Public Education	LifeSmart Program	Fraud Center	Fair Labor	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 184,379	\$ 386,278	\$ 214,367	\$ 263,013	\$ 119,947	\$ 1,167,984	\$ 212,275	\$ 189,470	\$ 401,745	\$ 1,569,729
Professional fees	328,297	19,683	69,096	5,312	-	422,388	261,098	81,073	342,171	764,559
Hotel, catering, and events	6,261	13,848	134,598	358	94	155,159	3,864	99,113	102,977	258,136
Employee benefits	29,452	61,818	35,674	43,421	19,627	189,992	34,534	30,078	64,612	254,604
Rent	24,486	52,261	28,900	35,754	16,262	157,663	26,631	25,350	51,981	209,644
Office expenses	13,932	31,598	40,007	807	2,096	88,440	25,443	11,309	36,752	125,192
Scholarships and stipends	5,230	-	48,437	-	-	53,667	638	334	972	54,639
Travel	3,847	4,856	20,378	1,043	69	30,193	2,296	3,886	6,182	36,375
Telecommunications	2,732	6,032	5,099	3,969	1,836	19,668	3,982	3,047	7,029	26,697
Insurance	2,681	5,679	3,694	3,889	1,756	17,699	4,183	2,584	6,767	24,466
Depeciation and amortization	1,237	2,442	1,373	1,704	782	7,538	1,509	1,260	2,769	10,307
Total expenses	\$ 602,534	\$ 584,495	\$ 601,623	\$ 359,270	\$ 162,469	\$ 2,310,391	\$ 576,453	\$ 447,504	\$ 1,023,957	\$ 3,334,348

See accompanying notes to the financial statements.

National Consumers League, Inc.

Statements of Cash Flows

<i>Years ended December 31,</i>	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 519,962	\$ (142,293)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	25,571	10,307
Net unrealized gain on investments	(34,429)	(88,814)
Loss on disposal of property and equipment	-	230
Change in operating assets and liabilities:		
Accounts receivable	(10,548)	169,845
Prepaid expenses	(29,983)	16,998
Other assets	(18,693)	-
Accounts payable and accrued expenses	(6,016)	(7,929)
Deferred rent	10,526	80,640
Net cash and cash equivalents provided by operating activities	456,390	38,984
Cash flows from investing activities		
Proceeds from sale of investments	223,277	-
Purchases of investments	(274,214)	(34,526)
Purchases of property and equipment	(19,523)	(105,623)
Net cash and cash equivalents used in investing activities	(70,460)	(140,149)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program	293,500	-
Extinguishment of debt under Paycheck Protection Program	(293,500)	-
Net cash and cash equivalents provided by financing activities	-	-
Net change in cash and cash equivalents	385,930	(101,165)
Cash and cash equivalents at the beginning of year	3,773,471	3,874,636
Cash and cash equivalents at the end of year	\$ 4,159,401	\$ 3,773,471

See accompanying notes to the financial statements.

National Consumers League, Inc.

Notes to Financial Statements

1. Nature of Organization and Summary of Significant Accounting Policies

The National Consumers League, Inc. (the League) is a nonprofit organization founded in 1899 and originally incorporated under the laws of New York in 1902. In 1982, the League reincorporated under the laws of Maryland. The purpose of the League is to educate and assist the public in improving the conditions and protecting their rights in the market and work environments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Such estimates affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

Management considers all money market funds and highly liquid investments with original maturity dates of three months or less, to be cash equivalents.

Investments

Investments are reported at fair value. 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. See Note 2 for discussion of fair value measurements. Realized and unrealized gains and losses and investment expenses are included in investment return, net, in the statements of activities and change in net assets.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect. In reviewing receivables, management considers their knowledge of customers and historical activity in establishing an allowance for doubtful accounts. Management is of the opinion that all accounts receivable are fully collectible within one year, and therefore no allowance for doubtful accounts is provided.

Property and Equipment

Property and equipment are recorded at cost, or if donated, the assets are capitalized at the estimated fair value at the date of receipt. Property and equipment expenditures in excess of \$1,000 are capitalized and depreciated using the straight-line method over the estimated useful lives of three to seven years. Expenditures for maintenance and repairs, which do not extend the lives of assets beyond their original estimated useful lives, are charged to expense. Major expenditures for betterments which extend the lives of assets are capitalized.

National Consumers League, Inc.

Notes to Financial Statements

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the League are classified in the following two classes:

Net assets without donor restrictions represents funds that are available for support of the operations of the League, and that are not subject to donor stipulation.

Net assets with donor restrictions consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources are to be maintained in perpetuity, but permit the League to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. Donor-imposed restrictions are initially reported in the net assets with donor restrictions class, even if it is anticipated such restrictions will be met in the current reporting period.

Board-designated net assets are net assets without donor restrictions that are used only for the specific purpose by Board resolution (see Note 5).

Revenue Recognition

Contributions and grants are recognized as revenues when they are received or unconditionally promised (pledged). Membership dues and sponsorships for the Trumpeter Special Event are deemed contributions without donor restrictions and are recognized as revenue when pledged or received.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the League. Those expenses include salaries, employee benefits, rent, office expenses, telecommunications, insurance, and depreciation and amortization. All such costs are allocated based on estimates and specific utilization.

Income Taxes

The League qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). As a result, the League is not subject to federal income taxes, except for taxes on unrelated business income. There was no unrelated business income during the years ended December 31, 2020 and 2019. The League is not a private organization pursuant to 509(a)(1) of the IRC.

National Consumers League, Inc.

Notes to Financial Statements

Concentration of Credit Risk

League assets that are expected to create risk consist primarily of cash and cash equivalents investments and accounts receivables. These balances may, from time to time, exceed amounts insured by the Federal Deposit Insurance Corporation. The League has never experienced any losses with respect to its bank balances in excess of federally insured amounts and management believes that there is no significant concentration of credit risk as a result of maintaining these accounts. At December 31, 2020, cash balances exceeded federal insurance limits by approximately \$3,652,000.

Major Contributors

During the years ended December 31, 2020 and 2019, the League received \$958,000 and \$542,500, respectively, of support from one contributor. This contributor represented approximately 23% and 17% of its total revenue, respectively. The League relies on the support of contributors to ensure the continuing operations of the organization. Any significant reduction in funding from contributors may impact the League's ability to carry out its program and other activities. Historically, the League has not experienced significant losses related to accounts receivable and, therefore, believes that the credit risk related to these receivables is minimal.

Recent Accounting Pronouncements Adopted

In 2019, the League adopted ASU No. 2018-08 - *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The core guidance in ASU 2018-08 is to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Adoption of ASU 2018-08 resulted in no changes in the presentation of the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* The ASU establishes a comprehensive revenue recognition standard for virtually all industries under GAAP, including those that previously followed industry-specific guidance. Under the guidance, all entities should recognize revenue to depict the transfer of promised goods and services under a contract to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is currently effective on January 1, 2020 for the League. Adoption of Topic 606 resulted in no changes in the presentation of the financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This standard relates to leasing for both lessees and lessors. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This standard was updated in 2018, 2019 and 2020, with the last update deferring the effective date for private companies and certain not-for profit entities to fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its financial statements.

2. Investments and Fair Value Measurements

Financial Accounting Standards Board (FASB) ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value for assets and liabilities subject to fair value

National Consumers League, Inc.

Notes to Financial Statements

measurement. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- **Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.
- **Level 2** - Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
 - If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- **Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation methodology used for assets measured at fair value is noted below. There have been no changes in the methodology used at December 31, 2020 and 2019.

Mutual Funds and Exchange Traded Funds

Valued at quoted market prices in an active market. The following table sets forth by level, within the fair value hierarchy, the League's investments at fair value as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 423,322	\$ -	\$ -	\$ 423,322
Exchange traded funds	785,469	-	-	785,469
Total investments, at fair value	\$ 1,208,791	\$ -	\$ -	\$ 1,208,791

The following table sets forth by level, within the fair value hierarchy, the League's investments at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 489,804	\$ -	\$ -	\$ 489,804
Exchange traded funds	633,621	-	-	633,621
Total investments, at fair value	\$ 1,123,425	\$ -	\$ -	\$ 1,123,425

National Consumers League, Inc.

Notes to Financial Statements

3. Property and Equipment

The League held the following property and equipment as of December 31, 2020 and 2019:

	2020	2019
Furniture and equipment	\$ 157,945	\$ 155,691
Software	102,684	85,415
	260,629	241,106
Less: accumulated depreciation and amortization	(154,281)	(128,710)
Property and equipment, net	\$ 106,348	\$ 112,396

During the years ended December 31, 2020 and 2019, the League recorded depreciation and amortization expense related to property and equipment of \$25,571 and \$10,307, respectively.

4. Commitments and Contingencies

The League has a noncancelable operating lease agreement for its office space in Washington, DC which expires in February 2030. The League records rent expense on the straight-line method over the term of the lease and includes cash paid for rent plus amortization of deferred rent. Rent expense for the years ended December 31, 2020 and 2019 was \$214,102 and \$209,644, respectively.

The League also leases certain office equipment under a non-cancelable operating lease which terminates in 2020.

Future minimum rent payments under the leases are as follows.

Year Ending December 31,

2021	\$	206,060
2022		211,211
2023		216,491
2024		221,903
2025		227,451
Thereafter		1,010,467
Total future minimum lease payments	\$	2,093,583

5. Board Designated Net Assets

As of December 31, 2020 and 2019, \$500,000 of net assets have been designated by the Board of Directors for an operating reserve, and is included in net assets without donor restriction in the accompanying statements of financial position.

National Consumers League, Inc.

Notes to Financial Statements

6. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2020:

	Beginning balance	Additions	Released from restriction	Ending balance
LifeSmarts	\$ -	\$ 387,100	\$ (189,600)	\$ 197,500
Consumer health education	247,324	1,196,500	(1,443,824)	-
Fraud center	-	360,000	(210,000)	150,000
Public education	86,207	50,000	(50,000)	86,207
Vaccine support program	-	15,000	(15,000)	-
Taxpayer service standards	-	25,000	-	25,000
Counterfeit drug education campaign	-	125,000	(125,000)	-
Future of video project	-	25,000	-	25,000
Medication awareness adherence campaign	-	50,000	(50,000)	-
Endowments to be invested in perpetuity (Note 7)	12,357	-	-	12,357
Time restricted	-	9,028	-	9,028
Total	\$ 345,888	\$ 2,242,628	\$ (2,083,424)	\$ 505,092

Net assets with donor restrictions consisted of the following at December 31, 2019:

	Beginning balance	Additions	Released from restriction	Ending balance
LifeSmarts	\$ -	\$ 382,100	\$ (382,100)	\$ -
Consumer health education	-	685,000	(437,676)	247,324
Fraud center	-	85,000	(85,000)	-
Public education	116,207	80,000	(110,000)	86,207
Fair labor	-	10,000	(10,000)	-
Vaccine support program	50,000	25,000	(75,000)	-
Taxpayer service standards	-	25,000	(25,000)	-
Counterfeit drug education campaign	-	65,000	(65,000)	-
White paper on intel CPU	-	25,000	(25,000)	-
Content shifting project	-	25,000	(25,000)	-
Medication awareness adherence campaign	-	25,000	(25,000)	-
Endowments to be invested in perpetuity (Note 7)	12,357	-	-	12,357
Time restricted	50,000	-	(50,000)	-
Total	\$ 228,564	\$ 1,432,100	\$ (1,314,776)	\$ 345,888

National Consumers League, Inc.

Notes to Financial Statements

7. Endowment

The League's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the League classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the League in a manner consistent with the standard of prudence prescribed by UPMIFA.

The League's endowment fund was donor-created to provide income to support the League's mission and purposes. The board chairperson and board treasurer are endowment trustees responsible for the management of the funds and for regular reporting to the board. The trustees evaluate any potential investments based on return, risk, liquidity and the League's mission. In accordance with UPMIFA, the League considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the League and the donor-restricted endowment fund;
- General economic conditions and the possible effect on inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the League.

The use of income generated from such funds is subject to board approval through the normal budgeting process. The League has adopted investment and spending policies that seek to maintain the purchasing power of the endowment assets. The donor-restricted endowment net asset balance was \$12,357 and reported as cash equivalents at December 31, 2020 and 2019. The interest earned was immaterial and was classified as net assets without donor restrictions. There were no distributions or releases from restriction during the years ended December 31, 2020 and 2019.

In accordance with the League's objective to maintain the purchasing power of the endowment assets and/or unless agreed by the donor, spending from donor-restricted funds is suspended when the fair market value of the endowment is less than the original gift until the asset market value exceeds the value of the original gift.

8. Retirement Plan

The League sponsors a 401(k) plan for eligible employees who have attained the age of 18 years old and completed three months of service. Employees are fully vested in salary deferrals and employer nonelective contributions. The League's contributions and related expenses for the years ended December 31, 2020 and 2019 were \$43,850 and \$42,529, respectively.

National Consumers League, Inc.

Notes to Financial Statements

9. Liquidity Analysis

The following reflects the League's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use within one year because of donor-imposed restrictions:

<i>As of December 31,</i>	2020	2019
Cash and cash equivalents	\$ 4,159,401	\$ 3,773,471
Investments	1,208,791	1,123,425
Accounts receivable	440,357	429,809
Total financial assets	5,808,549	5,326,705
Less those unavailable for general expenditure within one year due to:		
Donor-imposed restrictions	(505,092)	(345,888)
Board designations	(500,000)	(500,000)
Financial assets available to meet cash needs for general expenditure within one year	\$ 4,803,457	\$ 4,480,817

As part of the League's liquidity management, the League has a policy to structure its financial assets to be available and liquid as its obligations become due. The League has no debt on the statement of financial position and typically pays its obligations using cash. The League invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the board established an operating reserve. The balance of the operating reserve as of December 31, 2020 and 2019 was \$500,000. As of December 31, 2020 and 2019, the League has financial assets equal to approximately 14 and 16 months of operating expenses, respectively.

10. Gain on Extinguishment of Debt

During the year ended December 31, 2020, the League received loan proceeds in the amount of \$293,500 under the Paycheck Protection Program (the "PPP") of the Coronavirus Aid Relief and Electronic Security (CARES) Act, which was enacted March 27, 2020. The PPP Loans were evidenced by a promissory note in favor of a financial institution (the Lender), which bore interest at the rate of 1.00% per annum. No payments of principal or interest were due under the note until the date on which the amount of loan forgiveness (if any) under the CARES Act, which could be up to 10 months after the end of the related notes covered period (which is defined as 24 weeks after the date of the loan) (the "Deferral Period"). The note could be prepaid at any time prior to maturity with no prepayment penalties.

Funds from the PPP Loans were to be used only for payroll and related costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations that were incurred prior to February 15, 2020 (the "Qualifying Expenses"). Under the terms of the PPP Loans, certain amounts thereunder could be forgiven if they were used for Qualifying Expenses as described in and in compliance with the CARES Act.

National Consumers League, Inc.

Notes to Financial Statements

During the year ended December 31, 2020, the League received notice from the lender and the Small Business Administration that their PPP loan in the amount of \$293,500 had been fully forgiven. As a result, in accordance with generally accepted accounting principles in the United States, the League wrote off the PPP loan liability and recognized income from the forgiveness of the PPP Loan in the amount of \$293,500.

11. COVID-19 and CARES Act

On January 30, 2020, the World Health Organization (WHO) announced a new strain of coronavirus. As a result of the risks to the international community as the virus has spread globally beyond its point of origin, on March 11, 2020, the WHO declared the novel coronavirus a global pandemic.

In order to further limit health risks associated with the COVID-19 virus, the League has required staff to work remotely and program activities have been transitioned to a virtual environment. The League is complying with State health officials, WHO recommendations, to do its part in reducing the impact on its employees.

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of the League will depend on certain developments, including the duration and spread of the outbreak. Prolonged social gathering restrictions could negatively impact the fiscal outlook for the League. The League's revenue streams have historically included revenues from in-person activities and events which may decrease or may not be available. The fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19. Nevertheless, COVID-19 presents potential material uncertainty and risk with respect to the League, its performance, and its financial results.

On March 27, 2020, the President of the United States, signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act". The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small business harmed by COVID-19. The League did not opt to adopt any provisions under the CARES Act at this date.

The League continues to examine the impact that the COVID-19 and CARES Act may have on its business. Currently, the League is unable to determine the impact that the COVID-19 and CARES Act will have on its financial condition, results of operations, or liquidity.

12. Subsequent Events

On March 11, 2021, the American Rescue Plan Act of 2021 (the 2021 Act) was passed, a \$1.9 trillion stimulus relief package that is intended to provide support to individuals and businesses affected by COVID-19. The League is currently evaluating the impact of the 2021 Act, if any.

The League has evaluated subsequent events through April 29, 2021 which is the date the financial statements were available to be issued. There were no other events noted that required adjustments to, or disclosure in, these financial statements.