

National Consumers League, Inc.

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020



National Consumers League, Inc.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
National Consumers League, Inc.
Washington, D.C.

We have audited the financial statements of National Consumers League, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, 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 referred to above present fairly, in all material respects, the financial position of the National Consumers League, Inc. as of December 31, 2021, 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. 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 National Consumers League, Inc. 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 National Consumers League, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 National Consumers League, Inc.'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 National Consumers League, Inc.'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. for the year ended December 31, 2020 were audited by other auditors who expressed an unmodified opinion on those statements in their report dated April 29, 2021.

UHY LLP

Columbia, Maryland
April 26, 2022

NATIONAL CONSUMERS LEAGUE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 4,962,922	\$ 4,159,401
Grants and contributions receivable	423,143	440,357
Prepaid expenses	42,536	56,637
Investments	1,252,429	1,208,791
Deposits	6,744	6,744
Other assets	27,547	27,547
Property and equipment, net	<u>96,559</u>	<u>106,348</u>
 Total assets	 <u><u>\$ 6,811,880</u></u>	 <u><u>\$ 6,005,825</u></u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 195,066	\$ 146,019
Deferred revenue	1,050	972
Deferred rent	<u>167,730</u>	<u>163,203</u>
 Total liabilities	 <u>363,846</u>	 <u>310,194</u>
NET ASSETS		
Net assets without donor restrictions	5,548,654	5,190,539
Net assets with donor restrictions	<u>899,380</u>	<u>505,092</u>
 Total net assets	 <u>6,448,034</u>	 <u>5,695,631</u>
 Total liabilities and net assets	 <u><u>\$ 6,811,880</u></u>	 <u><u>\$ 6,005,825</u></u>

NATIONAL CONSUMERS LEAGUE, INC.
STATEMENTS OF ACTIVITIES
For the years ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains						
Grants and contributions	\$ 188,013	\$ 2,646,961	\$ 2,834,974	\$ 455,746	\$ 2,242,628	\$ 2,698,374
Membership dues	393,945	-	393,945	351,433	-	351,433
Trumpeter special event	847,444	8,950	856,394	666,600	-	666,600
Investment return, net	69,328	-	69,328	59,762	-	59,762
Other income	-	-	-	18,693	-	18,693
Gain on extinguishment of debt	-	-	-	293,500	-	293,500
Net assets released from donor restrictions	2,261,623	(2,261,623)	-	2,083,424	(2,083,424)	-
Total revenue, support and gains	3,760,353	394,288	4,154,641	3,929,158	159,204	4,088,362
Expenses						
Program services:						
Consumer health education	977,554	-	977,554	1,285,517	-	1,285,517
Public education	564,851	-	564,851	560,601	-	560,601
LifeSmarts program	421,076	-	421,076	340,155	-	340,155
Fraud center	305,130	-	305,130	256,414	-	256,414
Fair labor	176,979	-	176,979	175,499	-	175,499
Total program services	2,445,590	-	2,445,590	2,618,186	-	2,618,186
Supporting services:						
Management and general	441,316	-	441,316	505,921	-	505,921
Fundraising	515,332	-	515,332	444,293	-	444,293
Total supporting services	956,648	-	956,648	950,214	-	950,214
Total expenses	3,402,238	-	3,402,238	3,568,400	-	3,568,400
Change in Net Assets	358,115	394,288	752,403	360,758	159,204	519,962
Net Assets, Beginning of Year	5,190,539	505,092	5,695,631	4,829,781	345,888	5,175,669
Net Assets, End of Year	\$ 5,548,654	\$ 899,380	\$ 6,448,034	\$ 5,190,539	\$ 505,092	\$ 5,695,631

See notes to financial statements.

NATIONAL CONSUMERS LEAGUE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021

	Program Services					Supporting Services				
	Consumer		LifeSmarts Program	Fraud Center	Fair Labor	Total Program Services	Management and General	Fundraising	Total	
	Health Education	Public Education							Supporting Services	Total Expenses
Personnel costs:										
Salaries	\$ 201,959	\$ 326,734	\$ 213,430	\$ 212,783	\$ 122,523	\$ 1,077,429	\$ 180,652	\$ 282,645	\$ 463,297	\$ 1,540,726
Payroll taxes	15,630	25,539	16,524	16,325	9,428	83,446	16,406	21,641	38,047	121,493
Employee benefits	31,360	52,011	32,788	31,444	20,277	167,880	33,202	42,996	76,198	244,078
Total personnel costs	248,949	404,284	262,742	260,552	152,228	1,328,755	230,260	347,282	577,542	1,906,297
Depreciation and amortization	4,634	7,607	4,826	4,831	2,792	24,690	4,754	6,367	11,121	35,811
Hotel, catering, and events	3,796	630	33,639	148	-	38,213	494	69,084	69,578	107,791
Insurance	2,955	4,783	3,229	2,980	1,693	15,640	2,109	4,564	6,673	22,313
Office expenses	22,682	8,914	7,510	145	1,276	40,527	15,715	5,457	21,172	61,699
Professional fees	656,182	85,519	49,082	5,497	-	796,280	157,434	40,363	197,797	994,077
Rent	27,092	44,632	28,198	28,073	16,291	144,286	27,658	37,078	64,736	209,022
Scholarships and stipends	6,915	-	27,557	-	-	34,472	-	242	242	34,714
Telecommunications	2,815	6,508	4,191	2,879	1,700	18,093	2,872	3,833	6,705	24,798
Travel	1,534	1,974	102	25	999	4,634	20	1,062	1,082	5,716
Total expenses	\$ 977,554	\$ 564,851	\$ 421,076	\$ 305,130	\$ 176,979	\$ 2,445,590	\$ 441,316	\$ 515,332	\$ 956,648	\$ 3,402,238

NATIONAL CONSUMERS LEAGUE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2020

	Program Services					Supporting Services				
	Consumer Health Education	Public Education	LifeSmarts Program	Fraud Center	Fair Labor	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Personnel costs:										
Salaries	\$ 129,165	\$ 358,895	\$ 160,274	\$ 172,770	\$ 121,079	\$ 942,183	\$ 209,091	\$ 260,219	\$ 469,310	\$ 1,411,493
Payroll taxes	9,987	27,750	12,392	13,358	9,362	72,849	16,167	20,120	36,287	109,136
Employee benefits	20,172	55,525	24,952	26,335	19,881	146,865	30,922	39,673	70,595	217,460
Total personnel costs	159,324	442,170	197,618	212,463	150,322	1,161,897	256,180	320,012	576,192	1,738,089
Depreciation and amortization	2,325	6,575	2,923	3,201	2,229	17,253	3,656	4,662	8,318	25,571
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
Office expenses	7,182	7,536	22,519	12	205	37,454	19,528	1,530	21,058	58,512
Professional fees	1,086,374	34,671	48,226	8,582	-	1,177,853	190,831	69,464	260,295	1,438,148
Rent	19,178	55,162	24,419	26,613	18,624	143,996	31,030	39,076	70,106	214,102
Scholarships and stipends	4,870	-	22,024	-	-	26,894	421	776	1,197	28,091
Telecommunications	2,145	7,439	3,898	2,768	1,880	18,130	2,848	3,897	6,745	24,875
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

NATIONAL CONSUMERS LEAGUE, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 752,403	\$ 519,962
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	35,811	25,571
Realized gains on investments	(1,356)	-
Unrealized gains on investments	(40,883)	(34,429)
Decreases (increases) in assets:		
Grants and contributions receivable	17,214	(10,548)
Prepaid expenses	14,101	(29,983)
Other assets	-	(18,693)
Increases (decreases) in liabilities:		
Accounts payable and accrued expenses	49,047	(6,016)
Deferred revenue	78	973
Deferred rent	4,527	9,553
	<u>830,942</u>	<u>456,390</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	19,948	223,277
Purchases of investments	(21,347)	(274,214)
Purchases of property and equipment	(26,022)	(19,523)
	<u>(27,421)</u>	<u>(70,460)</u>
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program	-	293,500
Extinguishment of debt for the Paycheck Protection Program Loan	-	(293,500)
	<u>-</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	803,521	385,930
Cash and Cash Equivalents, Beginning	<u>4,159,401</u>	<u>3,773,471</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,962,922</u>	<u>\$ 4,159,401</u>
Non-Cash Activity		
Cost of property disposed	<u>\$ 6,472</u>	<u>\$ -</u>

See notes to financial statements.

NATIONAL CONSUMERS LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 1 - DESCRIPTION OF ORGANIZATION

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. Programs offered by the League are as follows:

Consumer Health Education – the League provides government, businesses and other organizations with the consumer perspective on health concerns including medication safety. The League organized a groundbreaking, national multi-media campaign to improve public health by raising consumer awareness of the importance of good medication adherence.

Public Education and Food Policy – the League educates the public about a variety of consumer issues through work with federal agencies and through forums, the media, publications and other outreach. The League is committed to a food policy that ensures a safe, nutritious, and abundant food supply. The League believes consumers should have access to food at reasonable prices, and no person should go hungry or suffer malnutrition. The League supports a system for monitoring and improving the nutritional status of the United States of America, in particular programs that aid low-income families and school children.

LifeSmarts Program - LifeSmarts is an educational program that develops the consumer and marketplace skills of teenagers and promotes this knowledge through competitions run in a game show style, open to all teens in the United States of America.

Fraud Center – the League organizes an alliance against fraud in telemarketing and internet consisting of over seventy government, businesses, union and consumer organizations to educate the public.

Fair Labor – the League conducts major projects on child labor, wage theft and paid sick leave to alert the public concerning rights and responsibilities regarding the Fair Labor Standards Act and international codes of conduct and labor standards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the League have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), whereby revenue is recognized when the performance obligation is met and expenses are recognized when incurred.

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.

NATIONAL CONSUMERS LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions Receivable

Grants and contributions 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 receivables are fully collectible within one year, and therefore no allowance for doubtful accounts is provided.

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. Net investment income is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses. Investment income is recognized when earned.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. 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 the 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 under FASB ASC 820 are described as follows:

- *Level 1*: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date (e.g., equity securities traded on the New York Stock Exchange).
- *Level 2*: Inputs from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).
- *Level 3*: Unobservable inputs (e.g., a company's own data) and are used to measure fair value to the extent that observable inputs are not available.

The 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 the observable inputs and minimize the use of the unobservable inputs. All assets have been valued using a market approach. There were no changes in the valuation techniques during the current year.

NATIONAL CONSUMERS LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value.

Mutual Funds and Exchange Traded Products, which are publicly traded, are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

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.

Net Assets

Net assets, revenue, 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. Board-designated net assets are net assets without donor restrictions that are used only for the specific purpose by Board resolution.
- **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.

Revenue is 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.

NATIONAL CONSUMERS LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions and grants are recognized as revenue when they are received or unconditionally promised (pledged). Membership dues are deemed contributions without donor restrictions and are recognized as revenue when pledged or received.

The Trumpeter Special Event includes conditional contributions, sponsorships and ticket sales which are recognized as revenue when the event occurred.

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. 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 of actual hours worked and specific utilization.

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 and be affected by the severity and duration of the COVID-19 pandemic, the extent of actions to contain or treat COVID-19, how quickly and to what extent normal economic and operating activity can resume, and the severity and duration of the global economic downturn that results from the pandemic.

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, 2021 or 2020. The League is not a private organization pursuant to 509(a)(1) of the IRC.

The income tax positions taken by the League for any years open under the various statutes of limitations are that the League continues to be exempt from income taxes and that they have properly reported unrelated business income that is subject to income taxes. The League believes that there are no tax positions taken or expected to be taken that would significantly increase unrecognized tax liabilities within 12 months of the reported date. None of the League's federal or state income tax returns are currently under examination.

NATIONAL CONSUMERS LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Not Yet Adopted

The FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU changes the accounting treatment for operating leases by recognizing both a lease asset and a lease liability, at the present value of the lease payments, in the statement of financial position. Additional disclosures regarding key information about the leasing arrangements will also be required. The FASB also issued ASU 2019-10, which deferred the effective date until the year ended December 31, 2022.

NOTE 3 - INVESTMENTS

The following table summarizes the valuation of the League's investments within the fair value hierarchy as of December 31, 2021 and 2020, using quoted prices in active markets for identical assets (Level 1). There have been no changes in valuation techniques and related inputs.

	<u>2021</u>	<u>2020</u>
Exchange traded funds	\$ 238,062	\$ 212,357
Mutual funds - bonds	567,457	573,112
Mutual funds - equity	<u>446,910</u>	<u>423,322</u>
Total	<u>\$ 1,252,429</u>	<u>\$ 1,208,791</u>

Net investment income consists of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Interest, dividends and capital gains	\$ 31,614	\$ 23,031
Realized gains	1,356	6,496
Unrealized gains	40,883	34,429
Investment expenses	<u>(4,525)</u>	<u>(4,194)</u>
Total	<u>\$ 69,328</u>	<u>\$ 59,762</u>

NATIONAL CONSUMERS LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 4 - PROPERTY AND EQUIPMENT

The cost of property and equipment and the related accumulated depreciation consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 172,862	\$ 157,945
Software	<u>107,324</u>	<u>102,684</u>
	280,186	260,629
Less, accumulated depreciation and amortization	<u>(183,627)</u>	<u>(154,281)</u>
Property and equipment, net	<u>\$ 96,559</u>	<u>\$ 106,348</u>

During the years ended December 31, 2021 and 2020, the League recorded depreciation and amortization expense related to property and equipment of \$35,811 and \$25,571, respectively.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

The League has a non-cancelable operating lease agreement for its office space in Washington, D.C. 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, 2021 and 2020 totaled \$209,022 and \$214,102, respectively.

Future minimum payments are as follows for the office lease for the years ending December 31:

2022	\$ 211,211
2023	216,491
2024	221,903
2025	227,451
2026	233,137
Thereafter	<u>777,330</u>
Total	<u>\$ 1,887,523</u>

The League also leases certain office equipment under a non-cancelable operating lease which terminates in 2023. Future minimum payments are as follows for the copier lease: 2022 - \$2,774 and 2023 - \$1,850.

The League has entered into agreements with several hotels for the annual LifeSmarts competition and Trumpeter fundraising event in 2022. The facility contracts contain contingency clauses whereby the League is liable for cancellations. The monetary restitution varies among contracts, but generally is based on expenses incurred by the vendor up to the date of cancellation.

NATIONAL CONSUMERS LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 6 - BOARD DESIGNATED NET ASSETS

As of December 31, 2021 and 2020, \$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 restrictions in the accompanying statements of financial position.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Temporarily restricted:				
Purpose restrictions:				
LifeSmarts	\$ 197,500	\$ 514,661	\$ (424,000)	\$ 288,161
Consumer health education	-	1,415,300	(1,312,800)	102,500
Fraud center	150,000	452,000	(350,795)	251,205
Public education	86,207	240,000	(140,000)	186,207
Taxpayer service standards	25,000	-	-	25,000
Future of video project	25,000	-	-	25,000
Medication awareness adherence campaign	-	25,000	(25,000)	-
Time restricted	<u>9,028</u>	<u>8,950</u>	<u>(9,028)</u>	<u>8,950</u>
Total temporarily restricted	492,735	2,655,911	(2,261,623)	887,023
Endowments to be invested in perpetuity	<u>12,357</u>	<u>-</u>	<u>-</u>	<u>12,357</u>
Total	<u>\$ 505,092</u>	<u>\$ 2,655,911</u>	<u>\$ (2,261,623)</u>	<u>\$ 899,380</u>

NATIONAL CONSUMERS LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Released from Restriction</u>	<u>Ending Balance</u>
Temporarily restricted:				
Purpose restrictions:				
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)	-
Time restricted	<u>-</u>	<u>9,028</u>	<u>-</u>	<u>9,028</u>
Total temporarily restricted	333,531	2,242,628	(2,083,424)	492,735
Endowments to be invested in perpetuity	<u>12,357</u>	<u>-</u>	<u>-</u>	<u>12,357</u>
Total	<u>\$ 345,888</u>	<u>\$ 2,242,628</u>	<u>\$ (2,083,424)</u>	<u>\$ 505,092</u>

NOTE 8 - 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.

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NOTE 8 - ENDOWMENT (Continued)

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, 2021 and 2020. 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, 2021 and 2020. 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.

NOTE 9 - SPECIAL EVENTS

For the year ended December 31, 2021, gross revenue from the Trumpeter special event, an annual fundraising dinner, totaled \$856,394, and expenses totaled \$74,547, which included direct donor benefits of \$45,750. For the year ended December 31, 2020, gross revenue from the Trumpeter special event totaled \$666,600, and expenses totaled \$83,337, which did not include direct donor benefits.

NOTE 10 - 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, 2021 and 2020 totaled \$52,778 and \$43,850, respectively.

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NOTE 11 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the League's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use within one year because of donor-imposed restrictions:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,962,922	\$ 4,159,401
Grants and contribution receivable	423,143	440,357
Investments	<u>1,252,429</u>	<u>1,208,791</u>
Total financial assets available within one year	6,638,494	5,808,549
Less, amounts unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	(899,380)	(505,092)
Board designations	<u>(500,000)</u>	<u>(500,000)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 5,239,114</u>	<u>\$ 4,803,457</u>

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, 2021 and 2020 was \$500,000.

NOTE 12 - CONCENTRATIONS

Credit Risk

The League's assets that are expected to create risk consist primarily of cash and cash equivalents. These balances may, from time to time, exceed amounts insured by the Federal Deposit Insurance Corporation. The League has not 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.

Market Risk

The League invests in various securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the amounts reported in the statements of financial position and activities.

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NOTE 12 - CONCENTRATIONS (Continued)

Major Donors

During the years ended December 31, 2021 and 2020, the League received \$735,000 and \$958,000, respectively, of support from one donor. This donor represented approximately 18% and 23% of its total revenue, respectively. The League also received \$445,000 of support from another major donor. This donor represented approximately 11% of the League's total revenue during the year ended December 31, 2021. The League has grants and contributions receivable of \$180,000 from one donor, which represents 43% of its grants and contributions receivable at December 31, 2021. The League relies on the support of donors to ensure the continuing operations of the organization. Any significant reduction in funding from donors 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.

NOTE 13 - 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 Loan was 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 Loan 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 Loan, certain amounts thereunder could be forgiven if they were used for Qualifying Expenses as described in and in compliance with the CARES Act.

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.

According to the rules of the SBA, the League is required to retain PPP Loan documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the League's judgments pertaining to satisfying PPP Loan eligibility or forgiveness conditions, the League may be required to adjust previously reported amounts and disclosures in the financial statements.

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NOTE 14 - IMPACT OF COVID-19 VIRUS

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States of America and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The League is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the League's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the League's donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the League's financial position and changes in net assets and cash flows is uncertain for future years and the accompanying financial statements include no adjustments relating to the future effects of this pandemic.

NOTE 15 - SUBSEQUENT EVENTS

In preparing these financial statements, the League has evaluated events and transactions for potential recognition or disclosure through April 26, 2022 which is the date the financial statements are available to be issued. There were no events noted that required adjustments to, or disclosure in, these financial statements.