

# **National Consumers League, Inc.**

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021



# 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 statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits 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. (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.

### **Changes in Accounting Principles**

As discussed in Note 2, the League adopted the requirements of Financial Accounting Standards Board's Accounting Standards Update No 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this adoption.

### **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 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 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.

The logo for WHY LLP is written in a stylized, cursive font. The letters 'W', 'H', and 'Y' are large and connected, with 'LLP' in a smaller, simpler font to the right.

Columbia, Maryland  
April 24, 2023

**NATIONAL CONSUMERS LEAGUE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,942,770	\$ 4,962,922
Grants and contributions receivable	144,109	423,143
Prepaid expenses	76,956	42,536
Investments	1,104,532	1,252,429
Deposits	6,744	6,744
Other assets	27,547	27,547
Property and equipment, net	112,252	96,559
Right-of-use asset - operating, net	1,415,874	-
	<hr/>	<hr/>
Total assets	<u>\$ 8,830,784</u>	<u>\$ 6,811,880</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 213,280	\$ 195,066
Deferred revenue	-	1,050
Deferred rent	-	167,730
Lease liability - operating	1,582,980	-
	<hr/>	<hr/>
Total liabilities	<u>1,796,260</u>	<u>363,846</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions	6,294,565	5,548,654
Net assets with donor restrictions	739,959	899,380
	<hr/>	<hr/>
Total net assets	<u>7,034,524</u>	<u>6,448,034</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 8,830,784</u>	<u>\$ 6,811,880</u>

**NATIONAL CONSUMERS LEAGUE, INC.**  
**STATEMENTS OF ACTIVITIES**  
For the years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>						
Grants and contributions	\$ 640,542	\$ 2,822,998	\$ 3,463,540	\$ 188,013	\$ 2,646,961	\$ 2,834,974
Membership dues	358,600	-	358,600	393,945	-	393,945
Trumpeter Awards Dinner	745,400	-	745,400	847,444	8,950	856,394
Investment income (loss), net	(103,458)	-	(103,458)	69,328	-	69,328
Net assets released from restrictions	2,982,419	(2,982,419)	-	2,261,623	(2,261,623)	-
<b>Total revenue and support</b>	<b>4,623,503</b>	<b>(159,421)</b>	<b>4,464,082</b>	<b>3,760,353</b>	<b>394,288</b>	<b>4,154,641</b>
<b>Expenses</b>						
Program services:						
Consumer health education	1,069,836	-	1,069,836	977,554	-	977,554
Public education	641,119	-	641,119	564,851	-	564,851
LifeSmarts program	616,993	-	616,993	421,076	-	421,076
Fraud center	350,364	-	350,364	305,130	-	305,130
Fair labor	152,217	-	152,217	176,979	-	176,979
Total program services	2,830,529	-	2,830,529	2,445,590	-	2,445,590
Supporting services:						
Management and general	431,002	-	431,002	441,316	-	441,316
Fundraising	616,061	-	616,061	515,332	-	515,332
Total supporting services	1,047,063	-	1,047,063	956,648	-	956,648
<b>Total expenses</b>	<b>3,877,592</b>	<b>-</b>	<b>3,877,592</b>	<b>3,402,238</b>	<b>-</b>	<b>3,402,238</b>
<b>Change in Net Assets</b>	<b>745,911</b>	<b>(159,421)</b>	<b>586,490</b>	<b>358,115</b>	<b>394,288</b>	<b>752,403</b>
<b>Net Assets, Beginning of Year</b>	<b>5,548,654</b>	<b>899,380</b>	<b>6,448,034</b>	<b>5,190,539</b>	<b>505,092</b>	<b>5,695,631</b>
<b>Net Assets, End of Year</b>	<b>\$ 6,294,565</b>	<b>\$ 739,959</b>	<b>\$ 7,034,524</b>	<b>\$ 5,548,654</b>	<b>\$ 899,380</b>	<b>\$ 6,448,034</b>

**NATIONAL CONSUMERS LEAGUE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2022

	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	\$ 320,952	\$ 243,184	\$ 212,630	\$ 245,445	\$ 102,472	\$ 1,124,683	\$ 170,698	\$ 324,540	\$ 495,238	\$ 1,619,921
Payroll taxes	11,273	32,187	16,456	18,891	7,884	86,691	13,695	24,985	38,680	125,371
Employee benefits	23,468	65,484	33,233	37,681	17,235	177,101	27,007	51,055	78,062	255,163
Total personnel costs	355,693	340,855	262,319	302,017	127,591	1,388,475	211,400	400,580	611,980	2,000,455
Depreciation and amortization	3,651	11,225	5,680	6,726	2,784	30,066	4,722	8,686	13,408	43,474
Hotel, catering, and events	5,459	12,284	149,356	2	1,260	168,361	5,903	89,519	95,422	263,783
Insurance	2,740	7,333	4,262	3,624	1,537	19,496	2,684	5,109	7,793	27,289
Occupancy	18,925	53,823	27,263	31,904	13,295	145,210	22,515	41,620	64,135	209,345
Office expenses	5,558	9,362	31,926	216	357	47,419	17,878	14,204	32,082	79,501
Professional fees	670,021	193,046	66,369	2,192	-	931,628	159,999	47,522	207,521	1,139,149
Scholarships and stipends	4,852	-	58,853	-	246	63,951	471	961	1,432	65,383
Telecommunications	2,069	6,753	4,238	3,668	1,523	18,251	2,527	4,761	7,288	25,539
Travel	868	6,438	6,727	15	3,624	17,672	2,903	3,099	6,002	23,674
Total expenses	<u>\$ 1,069,836</u>	<u>\$ 641,119</u>	<u>\$ 616,993</u>	<u>\$ 350,364</u>	<u>\$ 152,217</u>	<u>\$ 2,830,529</u>	<u>\$ 431,002</u>	<u>\$ 616,061</u>	<u>\$ 1,047,063</u>	<u>\$ 3,877,592</u>

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

	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	\$ 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
Occupancy	27,092	44,632	28,198	28,073	16,291	144,286	27,658	37,078	64,736	209,022
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
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	<u>\$ 977,554</u>	<u>\$ 564,851</u>	<u>\$ 421,076</u>	<u>\$ 305,130</u>	<u>\$ 176,979</u>	<u>\$ 2,445,590</u>	<u>\$ 441,316</u>	<u>\$ 515,332</u>	<u>\$ 956,648</u>	<u>\$ 3,402,238</u>



**NATIONAL CONSUMERS LEAGUE, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 586,490	\$ 752,403
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	43,474	35,811
Amortization of right-of-use asset - operating	184,483	-
Realized gains on investments	(23,601)	(1,356)
Unrealized (gains) losses on investments	172,368	(40,883)
Donated stocks	(40,283)	-
Decreases (increases) in assets:		
Grants and contributions receivable	279,034	17,214
Prepaid expenses	(34,420)	14,101
Increases (decreases) in liabilities:		
Accounts payable and accrued expenses	18,214	49,047
Deferred revenue	(1,050)	78
Deferred rent	-	4,527
Payments on operating lease liability	(185,107)	-
	<u>999,602</u>	<u>830,942</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	330,821	19,948
Purchases of investments	(291,408)	(21,347)
Purchases of property and equipment	(59,167)	(26,022)
	<u>(19,754)</u>	<u>(27,421)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Paycheck Protection Program	-	-
Extinguishment of debt for the Paycheck Protection Program Loan	-	-
	<u>-</u>	<u>-</u>
Net cash provided by financing activities	-	-
<b>Net Increase in Cash and Cash Equivalents</b>	979,848	803,521
<b>Cash and Cash Equivalents, Beginning</b>	<u>4,962,922</u>	<u>4,159,401</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 5,942,770</u>	<u>\$ 4,962,922</u>
<b>Non-Cash Activity</b>		
Cost of fully depreciated property disposed	<u>\$ 19,615</u>	<u>\$ 6,472</u>

**Supplemental disclosure of cash flow information:**

On January 1, 2022, an operating right-to-use asset for office space in the amount of \$1,600,357 was recorded

**NATIONAL CONSUMERS LEAGUE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2022 and 2021**

**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, focusing on 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 across the internet. The alliance includes 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 as well as 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).

**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, 2022 and 2021

**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 collectable 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**

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (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) that 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, 2022 and 2021**

**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, exchange-traded funds and corporate bonds, 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.

**Adoption of New Accounting Standards for Leases**

Effective January 1, 2022, the League adopted the requirements of FASB ASC 842, *Leases*. This new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as finance leases when the League expects to consume a major part of the economic benefits of the leased assets over the remaining lease term. Conversely, if the League is not expected to consume a major part of the economic benefits of the leased assets, then they are classified as operating leases. The lease classification affects both the pattern and presentation of expense recognized in the statements of activities, the categorization of assets and liabilities in the statements of financial position, and classification of cash flows in the statements of cash flows. Leases with a term of less than 12 months will not be recorded as the ROU asset and lease liability, and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The League elected to adopt FASB ASC 842, *Leases*, by applying the optional transition method, which allows the League to initially apply the new lease standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. As a result, the League's reporting for leases in the prior year (2021) is presented in accordance with the prior historical accounting treatment.

The League elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The League also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the ROU assets.

**NATIONAL CONSUMERS LEAGUE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2022 and 2021

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Adoption of New Accounting Standards for Leases (Continued)**

The adoption of the new standards had no impact on net assets. As of January 1, 2022, the League recorded an operating lease right-of-use asset, net of accumulated amortization, of \$1,600,357 and an operating lease liability of \$1,768,087.

Total lease cost consists of two components; amortization expense related to the write-off of the ROU assets and interest expense from lease liabilities. For operating leases, total lease cost is measured and recorded on a straight-line basis over the lease term. Lease liabilities are measured and recorded at the present value of future lease payments using a discount rate. Because the League generally does not have access to the rate implicit in each lease, lease liabilities are measured using the risk-free rate as the discount rate. ROU assets are generally measured and recorded at the sum of the lease liability, any initial direct costs to consummate the lease, and any lease payments made on or before the commencement date.

**Net Assets**

Net assets, revenue, 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, 2022 and 2021

**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 Annual Dinner 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.

**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, 2022 or 2021. 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. The League evaluated its uncertainty in income taxes and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. 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, 2022 and 2021

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The following table summarizes the cash and cash equivalents as of December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Checking accounts and petty cash	\$ 1,899,729	\$ 803,367
Overnight sweep accounts	1,051,591	1,300,020
Money market accounts	2,896,375	2,787,171
Cash equivalents held by investment custodians	82,718	60,007
Cash held for endowment - restricted in perpetuity	<u>12,357</u>	<u>12,357</u>
Total cash and cash equivalents	<u>\$ 5,942,770</u>	<u>\$ 4,962,922</u>

**NOTE 4 - INVESTMENTS**

The following table summarizes the valuation of the League's investments within the fair value hierarchy as of December 31, 2022 and 2021, using quoted prices in active markets for identical assets (Level 1). There have been no changes in valuation techniques and related inputs.

	<u>Value Using Level 1 Inputs</u>	
	<u>2022</u>	<u>2021</u>
Exchange-traded funds	\$ 91,606	\$ 238,062
Mutual funds - bonds	535,528	567,457
Mutual funds - equity	279,354	446,910
Corporate bonds	<u>198,044</u>	<u>-</u>
Total	<u>\$ 1,104,532</u>	<u>\$ 1,252,429</u>

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

	<u>2022</u>	<u>2021</u>
Interest, dividends and capital gains	\$ 50,404	\$ 31,614
Realized gains	23,601	1,356
Unrealized gains (losses)	(172,368)	40,883
Investment expenses	<u>(5,095)</u>	<u>(4,525)</u>
Total net investment income (loss)	<u>\$ (103,458)</u>	<u>\$ 69,328</u>

**NATIONAL CONSUMERS LEAGUE, INC.**  
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**NOTE 5 - PROPERTY AND EQUIPMENT**

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

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 172,813	\$ 172,862
Software	<u>146,924</u>	<u>107,324</u>
	319,737	280,186
Less, accumulated depreciation and amortization	<u>(207,485)</u>	<u>(183,627)</u>
Property and equipment, net	<u>\$ 112,252</u>	<u>\$ 96,559</u>

During the years ended December 31, 2022 and 2021, the League recorded depreciation and amortization expense related to property and equipment of \$43,474 and \$35,811, respectively.

**NOTE 6 - OFFICE LEASE**

The League has a non-cancelable operating lease agreement for its office space in Washington, D.C. which expires in February 2030.

As of December 31, 2022, the right-of-use asset related to the operating lease was as follows:

Right-of-use asset - operating	
Cost	\$ 1,600,357
Less: accumulated amortization	<u>(184,483)</u>
Right-of-use asset, net	<u>\$ 1,415,874</u>

As of December 31, 2022, the liability related to the operating lease was as follows:

Lease liability - operating	<u>\$ 1,582,980</u>
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The weighted-average remaining lease term for the operating lease as of December 31, 2022 was 7.17 years. The weighted-average discount rate for the operating lease as of December 31, 2022 was 1.55%.



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**NOTE 6 – OFFICE LEASE (Continued)**

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

2023	\$ 216,491
2024	221,903
2025	227,451
2026	233,137
2027	238,966
Thereafter	<u>538,365</u>
Total undiscounted cash flows	1,676,313
Less: present value discount	<u>(93,333)</u>
Total	<u>\$ 1,582,980</u>

The League records occupancy expense on the straight-line method over the term of the lease and includes cash paid for rent plus amortization of the operating lease liability. Occupancy expense for the years ended December 31, 2022 and 2021 totaled \$209,345 and \$209,022, respectively.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

The League has entered into agreements with several hotels for the annual LifeSmarts competition and the Trumpeter Annual Dinner special event in 2023. 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.

**NOTE 8 - BOARD DESIGNATED NET ASSETS**

As of December 31, 2022 and 2021, \$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.

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**NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Temporarily restricted:				
Purpose restrictions:				
LifeSmarts	\$ 288,161	\$ 789,998	\$ (771,159)	\$ 307,000
Consumer Health Education	102,500	1,580,500	(1,523,000)	160,000
Fraud Center	251,205	200,000	(367,205)	84,000
Public education	186,207	242,500	(262,105)	166,602
Taxpayer service standards	25,000	-	(25,000)	-
Future of video project	25,000	-	(25,000)	-
Time restricted	<u>8,950</u>	<u>10,000</u>	<u>(8,950)</u>	<u>10,000</u>
Total temporarily restricted	887,023	2,822,998	(2,982,419)	727,602
Endowments to be invested in perpetuity	<u>12,357</u>	<u>-</u>	<u>-</u>	<u>12,357</u>
Total	<u>\$ 899,380</u>	<u>\$ 2,822,998</u>	<u>\$ (2,982,419)</u>	<u>\$ 739,959</u>

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.**  
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**NOTE 10 - 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, 2022 and 2021. 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, 2022 and 2021. 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.

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**NOTE 11 - SPECIAL EVENTS**

For the year ended December 31, 2022, gross revenue from the Trumpeter Awards Dinner special event, an annual fundraising dinner, totaled \$745,400 and expenses totaled \$95,956, which included direct donor benefits of \$69,633. For the year ended December 31, 2021, gross revenue from the Trumpeter Awards Dinner event totaled \$856,394 and expenses totaled \$74,547, which included direct donor benefits of \$45,750.

**NOTE 12 - 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, 2022 and 2021 totaled \$63,154 and \$52,778, respectively.

**NOTE 13 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following reflects the League's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use within one year because of donor-imposed restrictions and board designations:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,942,770	\$ 4,962,922
Grants and contributions receivable	144,109	423,143
Investments	<u>1,104,532</u>	<u>1,252,429</u>
Total financial assets available within one year	7,191,411	6,638,494
Less, amounts unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	(739,959)	(899,380)
Board designations	<u>(500,000)</u>	<u>(500,000)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 5,951,452</u>	<u>\$ 5,239,114</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 sweep accounts and money market funds. To help manage unanticipated liquidity needs, the Board established an operating reserve. The balance of the operating reserve was \$500,000 as of both December 31, 2022 and 2021 and 2021.

**NATIONAL CONSUMERS LEAGUE, INC.**  
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**NOTE 14 - RISKS AND CONCENTRATIONS**

**Credit Risk**

The League's assets that are expected to create risk consist primarily of cash and cash equivalents, which are held by three separate banks. These balances may, from time to time, exceed amounts insured by the Federal Deposit Insurance Corporation. As of December 31, 2022, the League had approximately \$4 million of uninsured cash and cash equivalents.

**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.

**Major Donors**

The League received approximately 29% of total revenue and support from two donors during the years ended December 31, 2022 and 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 grants and contributions receivable and management believes that the credit risk related to these receivables is minimal.

**NOTE 15 - SUBSEQUENT EVENTS**

In preparing these financial statements, the League has evaluated events and transactions for potential recognition or disclosure through April 24, 2023, which is the date the financial statements are available to be issued. There were no subsequent events noted that required adjustments to, or disclosure in, these financial statements.