
National Consumers League

Financial Statements
And
Independent Auditor's Report

Year Ended December 31, 2015

(With summarized comparative financial information for the year ended
December 31, 2014)

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Independent Auditor's Report

To the Board of Directors
National Consumers League
Washington, DC

We have audited the accompanying financial statements of the National Consumers League (a non-profit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Consumers League as of December 31, 2015, and the change 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.

Report on Summarized Comparative Information

We have previously audited National Consumers League's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 4, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Abercrombie & Associates, LLC

Abercrombie & Associates, LLC
August 5, 2016
Silver Spring, MD

National Consumers League
Statement of Financial Position
December 31, 2015

(With summarized comparative financial information as of December 31, 2014)

ASSETS	2015	2014
	<u> </u>	<u> </u>
Cash and cash equivalents	\$3,781,802	\$3,530,969
Investments	501,667	-
Accounts receivable, net of allowance	214,596	144,060
Prepaid expenses	19,966	43,847
Endowment fund	12,357	12,357
Deposits	6,744	6,744
Other asset	19,279	19,279
Property and equipment, net	33,172	70,201
 TOTAL ASSETS	 <u><u>\$4,589,583</u></u>	 <u><u>\$3,827,457</u></u>
 LIABILITIES AND NET ASSETS		
Accounts payable & accrued expenses	\$ 240,479	\$ 199,125
Deferred rent	56,150	59,332
 Total Liabilities	 <u>296,629</u>	 <u>258,457</u>
 NET ASSETS		
Unrestricted:		
Undesignated	2,856,326	2,653,425
Board designated reserve	500,000	500,000
Total unrestricted net assets	<u>3,356,326</u>	<u>3,153,425</u>
Temporarily restricted	924,271	403,218
Permanently restricted	<u>12,357</u>	<u>12,357</u>
 Total Net Assets	 <u>4,292,954</u>	 <u>3,569,000</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$4,589,583</u></u>	 <u><u>\$3,827,457</u></u>

The accompanying notes are an integral part of the financial statements

National Consumers League
Statement of Activities
Year Ended December 31, 2015

(With summarized comparative financial information for the year ended December 31, 2014)

Revenue	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Grants & contributions	\$ 318,662	\$ 1,767,851	\$ -	\$ 2,086,513	\$ 3,909,094
Membership dues	282,240		-	282,240	18,625
Honoraria	1,350		-	1,350	6,275
Publications	550		-	550	377
Trumpeter special event	781,050		-	781,050	814,075
Investment income	3,221		-	3,221	1,320
Sublease income	43,291		-	43,291	41,387
Other income	7,520		-	7,520	19,279
Net assets released from restrictions	1,246,798	(1,246,798)	-	-	-
Total Revenue and Support	2,684,682	521,053	-	3,205,735	4,810,432
Expenses					
Program Services					
Public education	314,839	-	-	314,839	304,143
Consumer health education	546,670	-	-	546,670	677,700
LifeSmarts program	571,925	-	-	571,925	655,328
Fraud center	176,100	-	-	176,100	255,160
Fair labor	155,384	-	-	155,384	239,581
					-
Total Program Services	1,764,918	-	-	1,764,918	2,131,912
Supporting Services					
Management and general	300,894	-	-	300,894	281,229
Fundraising	415,969	-	-	415,969	445,319
Total Supporting Services	716,863	-	-	716,863	726,548
Total Expenses	2,481,781	-	-	2,481,781	2,858,460
Change in net assets	202,901	521,053	-	723,954	1,951,972
Net Assets, Beginning of Year	3,153,425	403,218	12,357	3,569,000	1,617,028
Net Assets, End of Year	\$ 3,356,326	\$ 924,271	\$ 12,357	\$ 4,292,954	\$ 3,569,000

The accompanying notes are an integral part of the financial statements

National Consumers League
Statement of Cash Flows
Year Ended December 31, 2015

(With summarized comparative financial information for the year ended December 31, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 723,954	\$ 1,951,972
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,029	33,225
Bad debt expense	-	45,626
Dividends on investments	(5,506)	-
Unrealized loss on investments	3,839	-
Decrease (increase) in prepaid expenses	23,881	(29,170)
Decrease (increase) in receivables	(70,536)	131,240
Decrease (increase) in other asset	-	(19,279)
Increase (decrease) in accounts payable & accrued expenses	41,354	(28,671)
Increase (decrease) in deferred rent	(3,182)	1,508
Net cash provided by operating activities	750,833	2,086,451
Cash flows from investing activities		
Purchase of investments	(500,000)	-
Purchase of new equipment	-	(16,646)
Net cash used in investing activities	(500,000)	(16,646)
Cash flows from financing activities		
Net cash used in financing activities	-	-
Increase in cash and cash equivalents	250,833	2,069,805
Cash and cash equivalents, beginning of year	3,530,969	1,461,164
Cash and cash equivalents, end of year	\$3,781,802	\$3,530,969
Cash paid during the year for:		
Interest	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

National Consumers League
Statement of Functional Expenses
December 31, 2015

(With summarized comparative financial information for the year ended December 31, 2014)

	Consumer				Fair	Total	Management		Total	2015	2014
	Public	Health	LifeSmarts	Fraud	Labor	Program	& General	Fundraising	Supporting	Total	Total
	Education	Education	Program	Center		Services			Services		
Payroll expenses	156,668	198,891	187,923	111,006	103,322	757,810	198,795	179,139	377,934	1,135,744	1,231,677
Employee benefits	22,945	29,178	27,635	16,132	15,062	110,952	28,889	26,033	54,922	165,874	200,257
Professional fees	38,457	210,634	95,880	16,873	8,231	370,075	16,951	56,583	73,534	443,609	576,362
Hotel/caterer/event	1,161	9,521	102,500	327	313	113,822	586	87,146	87,732	201,554	204,816
Rent	25,171	31,955	30,193	17,835	16,600	121,754	31,939	28,782	60,721	182,475	176,378
Supplies	19,956	5,553	21,898	1,754	1,396	50,557	3,032	11,488	14,520	65,077	70,746
Scholarships/stipends	797	5,835	41,192	-	-	47,824	-	-	-	47,824	63,928
Travel	11,411	11,962	34,269	1,244	1,123	60,009	2,706	3,739	6,445	66,454	98,815
Telecommunications	13,133	8,870	8,486	2,365	1,947	34,801	3,747	3,578	7,325	42,126	44,604
Printing & reproduction	12,369	16,238	4,409	1,415	1,124	35,555	1,961	7,004	8,965	44,520	60,568
Equip/service contracts	1,839	2,263	2,289	1,212	1,128	8,731	2,171	3,340	5,511	14,242	17,393
Depreciation	5,108	6,484	6,127	3,619	3,369	24,707	6,481	5,841	12,322	37,029	33,225
Bad debt expense	-	-	-	-	-	-	-	-	-	-	45,626
Postage & delivery	1,625	5,614	6,186	610	429	14,464	826	766	1,592	16,056	18,455
Insurance	3,765	2,580	2,438	1,440	1,340	11,563	2,579	2,324	4,903	16,466	9,449
Misc. expenses	434	1,092	500	268	-	2,294	231	206	437	2,731	6,161
	<u>314,839</u>	<u>546,670</u>	<u>571,925</u>	<u>176,100</u>	<u>155,384</u>	<u>1,764,918</u>	<u>300,894</u>	<u>415,969</u>	<u>716,863</u>	<u>2,481,781</u>	<u>2,858,460</u>

The accompanying notes are an integral part of the financial statements

National Consumers League
Notes to Financial Statements
December 31, 2015

Note 1 – Organization and Summary of Accounting Policies

Organization

The National Consumers League, (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.

Basis of accounting

The financial statements of National Consumers League have been prepared on the accrual basis of accounting in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the League's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Tax status

The National Consumers League has been granted exemption by the Internal Revenue Service (IRS) from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the National Consumers League is not a private foundation. The League is required to report unrelated business income to the Internal Revenue Service and the District of Columbia.

Uncertain tax positions

The Financial Accounting Standards Board (FASB) has released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2015, the National Consumers League has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the Internal Revenue Service generally for three years after it is filed. Tax years ending December 31, 2014, 2013 and 2012 remain open with both Federal and state taxing authorities.

Cash and Cash equivalents

For financial statement purposes, cash and cash equivalents include operating cash accounts, petty cash and highly liquid, short-term instruments with original maturities of three months or less.

Investments

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the accompanying statement of activities.

National Consumers League
Notes to Financial Statements
December 31, 2015

Net Assets

The National Consumers League has established the following net asset categories:

Unrestricted net assets include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the League.

Temporarily restricted net assets include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the League and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets are subject to donor-imposed stipulations that they be permanently maintained by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on these assets.

Revenue recognition

National Consumers League recognizes revenue when it is earned. Revenues are recorded at the time pledges are made, corporate support is pledged, products are shipped, services are performed, or obligations are fulfilled. Contributions are reported in accordance with the provisions of FASB ASC 958-605, *Revenue Recognition* (SFAS No. 116).

Property and equipment

Property and equipment consist of furniture, office equipment, computer equipment and intangible assets recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. The League's capitalization policy currently records property and equipment acquisitions over \$1,000 with an expected life of more than a year.

Donated services, goods and facilities

Donated professional services are reflected in the statement of activities at their fair value. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Advertising Costs

Advertising costs are expensed as incurred.

Use of estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

National Consumers League
Notes to Financial Statements
December 31, 2015

Fair value measurement

The League adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurement. The League accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Note 2 - Accounts Receivable

The League uses the allowance method to account for uncollectible receivables. Receivables are determined uncollectible based on management's review. As of December 31, 2015, allowance for uncollectible receivables was \$16,794.

Accounts receivable due in less than one year	\$ 231,390
Less: allowance for doubtful accounts	<u>(16,794)</u>
Accounts receivable, net	<u>\$ 214,596</u>

Note 3 – Other Asset

National Consumers League is a participant (“subscriber”) in a reciprocal insurance exchange for health insurance purposes. As a subscriber the League received an allocation to its subscriber savings account (SSA) for its share of net income from the reciprocal's underwriting and investment activity during 2014, but no income was received during 2015. The League's share of net income in 2014 is included as Other Income on the Statement of Activities.

Note 4 - Property and Equipment

Furniture, equipment and software are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets, which range from 3 to 5 years on a straight line basis. The League capitalizes property and equipment acquisitions in excess of \$ 1,000. Property and equipment consists of the following at December 31, 2015:

Furniture, Equipment, Software	\$ 142,665
Accumulated Depreciation, Amortization	<u>(109,493)</u>
Book Value 12/31/15	<u>\$ 33,172</u>

Depreciation expense was \$ 37,029 for the period ended December 31, 2015.

National Consumers League
Notes to Financial Statements
December 31, 2015

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2015:

LifeSmarts	\$ 305,961
Consumer health education	72,500
Public education	280,810
Fraud center	255,000
Fair labor	<u>10,000</u>
Total	<u>\$ 924,271</u>

Note 6 - Net Assets Released From Restrictions

Net assets were released from donor imposed restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors for the year ended December 31, 2015.

LifeSmarts	\$ 510,789
Consumer health education	520,230
Fraud center	114,199
Public education	91,259
Fair labor	<u>10,321</u>
Total	<u>\$ 1,246,798</u>

Note 7 - Commitments

The League leases their office space in Washington, DC under a non-cancelable operating lease through September 30, 2019. Rent expense for the year ended December 31, 2015 was \$182,475.

The League also leases certain office equipment under a non-cancelable operating lease which terminates in 2016.

Future minimum lease commitments under all operating leases and agreements are as follows:

2016	\$ 181,622
2017	185,033
2018	190,122
2019	<u>146,350</u>
Total	<u>\$ 703,127</u>

National Consumers League
Notes to Financial Statements
December 31, 2015

Note 8 - Retirement Plan

The League sponsors a 401(k) plan for eligible employees who have completed a one month period of service and have attained the age of 21.

Each year the League will contribute:

- 1) a discretionary matching contribution equal to a uniform percentage of the employee's elected salary deferral. This discretionary percentage will be determined by the League.
- 2) a special discretionary contribution equal to a uniform percentage of the employee's compensation on behalf of each non-highly compensated participant and non-key employee. This percentage will be determined each year by the League and the employee must complete a year of service during the plan year and be actively employed on the last day of the plan year to share in this special contribution.
- 3) a discretionary amount in addition to the special contribution. This amount will be determined each year by the League and the employee must complete a year of service during the plan year and be actively employed on the last day of the plan year to share in this contribution.

The League's contribution was \$33,656 for 2015.

The board of directors approved a 401(k) Safe Harbor Plan commencing January 1, 2005. Under the Safe Harbor Plan, League employees will receive a 3% annual salary contribution from the League regardless of whether or not employees make personal contributions.

Note 9 - Concentration of Credit Risk

Financial instruments that potentially expose the League to concentrations of credit risk consist primarily of cash and cash equivalents. Bank deposit accounts at one institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. The League maintained interest-bearing checking account and money market account balances which were in excess of federally insured limits (FDIC) at December 31, 2015. Management believes the risk is managed by maintaining all deposits with high quality financial institutions. National Consumers League has not experienced, nor does it anticipate any loss of funds from its current concentration of risk.

Note 10 - Functional Allocation of Expenses

The cost of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative costs have been allocated, when appropriate, to the programs and supporting services proportionately based on direct personnel costs.

National Consumers League
Notes to Financial Statements
December 31, 2015

Note 11 – Board Designated Reserves

Included in unrestricted net assets at December 31, 2015 are Board designated reserves in the amount of \$500,000.

Note 12 - 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the League classifies as permanently restricted net assets (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 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. 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 organization and the donor-restricted endowment fund; general economic conditions and the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; and investment policies of the organization. The trustees evaluate any potential investments based on return, risk, liquidity and the League's mission.

The principal of endowed funds is permanently restricted. The use of income generated from such funds is subject to board approval through the normal budgeting process. The permanently restricted endowment net asset balance was \$ 12,357 at December 31, 2015 and December 31, 2014. The interest earned was immaterial and was classified as unrestricted net assets.

Note 13 – Investments

Investments consisted of the following at December 31, 2015:

	<u>Market Value</u>
Short-term bonds	<u>\$ 501,667</u>

Included in investment income are the following:

Unrealized loss	\$ (3,839)
Dividends and interest	<u>7,060</u>
Total investment income	<u>\$ 3,221</u>

National Consumers League
Notes to Financial Statements
December 31, 2015

Note 14 - Fair Value Measurement

In accordance with FASB ASC 820, *Fair Value Measurement*, the League has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active markets the League has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The table below summarizes, by level within the fair value hierarchy, the League's investments as of December 31, 2015.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Short-term bonds	\$ <u>501,667</u>	-	-	\$ <u>501,667</u>

Note 15 - Subsequent events

In preparing these financial statements, the League has evaluated events and transactions for potential recognition or disclosure through August 5, 2016, the date the financial statements were issued.