
National Consumers League

Financial Statements
And
Independent Auditor's Report

Year Ended December 31, 2018

TABLE OF CONTENTS

Independent Auditor's Report	3 - 4
Statement of Financial Position	5
Statement of Activities	6
Statement of Cash Flows	7
Statement of Functional Expense	8
Notes to Financial Statements	9 - 16



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, 2018, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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.

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, 2018, 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.

Abercrombie & Associates, LLC

Abercrombie & Associates, LLC
August 19, 2019
Silver Spring, MD

National Consumers League
Statement of Financial Position
December 31, 2018

ASSETS	2018
Cash and cash equivalents	\$3,862,279
Investments	1,000,085
Accounts receivable	499,404
Prepaid expenses	43,652
Endowment fund	12,357
Deposits	6,744
Other asset	8,854
Property and equipment, net	17,310
TOTAL ASSETS	<u><u>\$5,450,685</u></u>
LIABILITIES AND NET ASSETS	
Accounts payable & accrued expenses	\$ 159,964
Deferred rent	73,009
Total Liabilities	<u>232,973</u>
NET ASSETS	
Without Donor Restrictions:	
Undesignated	4,539,147
Board designated reserve	<u>500,000</u>
Total Without Donor Restrictions	5,039,147
 With Donor Restrictions	 <u>178,564</u>
 Total Net Assets	 <u>5,217,711</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$5,450,685</u></u>

The accompanying notes are an integral part of the financial statements

National Consumers League
Statement of Activities
Year Ended December 31, 2018

Revenue	Without Donor Restrictions	With Donor Restrictions	2018 Total
Grants & contributions	\$ 1,139,838	\$ 544,493	\$ 1,684,331
Membership dues	346,935	-	346,935
Trumpeter special event	884,650	-	884,650
Investment loss, net of fees	(14,299)	-	(14,299)
Sublease income	32,344	-	32,344
Miscellaneous income	21,056	-	21,056
Net assets released from restrictions	1,022,322	(1,022,322)	-
Total Revenue and Support	3,432,846	(477,829)	2,955,017
Expenses			
Program Services			
Public education	461,185	-	461,185
Consumer health education	312,781	-	312,781
LifeSmarts program	581,806	-	581,806
Fraud center	355,272	-	355,272
Fair labor	186,928	-	186,928
Total Program Services	1,897,972	-	1,897,972
Supporting Services			
Management and general	429,879	-	429,879
Fundraising	410,318	-	410,318
Total Supporting Services	840,197	-	840,197
Total Expenses	2,738,169	-	2,738,169
Changes in Net Assets	694,677	(477,829)	216,848
Net Assets, Beginning of Year	4,344,470	656,393	5,000,863
Net Assets, End of Year	\$ 5,039,147	\$ 178,564	\$ 5,217,711

The accompanying notes are an integral part of the financial statements

National Consumers League
Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities	<u>2018</u>
Change in net assets	\$ 216,848
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized loss on investments	37,171
Increase in prepaid expenses	(17,766)
Increase in receivables	(288,891)
Increase in other asset	(2,200)
Decrease in accounts payable & accrued expenses	(24,405)
Decrease in deferred revenue	(25,000)
Increase in deferred rent	37,815
Net cash used by operating activities	<u>(66,428)</u>
Cash flows from investing activities	
Proceeds from sale of investments	18,384
Purchase of new equipment	<u>(12,554)</u>
Net cash provided in investing activities	<u>5,830</u>
Increase (decrease) in cash and cash equivalents	(60,598)
Cash and cash equivalents, beginning of year	<u>3,922,877</u>
Cash and cash equivalents, end of year	<u><u>\$3,862,279</u></u>

The accompanying notes are an integral part of the financial statements

National Consumers League
Statement of Functional Expenses
Year Ended December 31, 2018

	Consumer					Total	Management		Total	
	Public	Health	LifeSmarts	Fraud	Fair	Program	& General	Fundraising	Supporting	2018
	Education	Education	Program	Center	Labor	Services			Services	Total
Payroll expenses	\$ 265,328	\$ 198,869	\$ 218,391	\$ 226,278	\$ 123,439	\$1,032,305	\$ 249,641	\$ 152,641	\$ 402,282	\$1,434,587
Employee benefits	40,646	30,717	33,498	34,552	18,870	158,283	35,310	23,308	58,618	216,901
Professional fees	48,876	29,082	93,211	45,586	13,200	229,955	85,274	90,056	175,330	405,285
Rent	30,894	23,156	25,429	26,348	14,373	120,200	28,940	17,774	46,714	166,914
Office expenses	50,142	10,619	24,286	8,239	5,114	98,400	7,807	17,113	24,920	123,320
Telecommunications	6,097	3,534	5,944	4,000	2,117	21,692	4,395	2,663	7,058	28,750
Insurance	4,639	3,177	3,670	3,615	1,972	17,073	3,971	2,602	6,573	23,646
Hotel/caterer/event	6,566	6,286	132,067	4,312	5,748	154,979	12,626	103,284	115,910	270,889
Scholarships/stipends	-	5,242	33,004	20	-	38,266	20	-	20	38,286
Travel	7,997	2,099	12,306	2,322	2,095	26,819	1,895	877	2,772	29,591
	<u>\$ 461,185</u>	<u>\$ 312,781</u>	<u>\$ 581,806</u>	<u>\$ 355,272</u>	<u>\$ 186,928</u>	<u>\$1,897,972</u>	<u>\$ 429,879</u>	<u>\$ 410,318</u>	<u>\$ 840,197</u>	<u>\$2,738,169</u>

The accompanying notes are an integral part of the financial statements

National Consumers League
Notes to Financial Statements
December 31, 2018

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 presentation

The financial statements of National Consumers League are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively. The League's net assets previously reported as temporarily restricted and permanently restricted are now reported as net assets with donor restrictions. The net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

Income taxes

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. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended December 31, 2018 is immaterial.

Uncertain tax positions

For the year ended December 31, 2018, the National Consumers League has documented its consideration of FASB ASC 740-10, *Income Taxes* that provides guidance for reporting uncertainty in income taxes and has 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, 2017, 2016 and 2015 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. Interest, dividends, investment fees, realized and unrealized gains and losses, net of any investment fees, are included in investment income (loss) in the accompanying Statement of Activities.

National Consumers League
Notes to Financial Statements
December 31, 2018

Classification of net assets

Net assets without donor restrictions represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's operations. Included in net assets without donor restrictions are funds that have been designated by the organization's Board of Directors to be used as reserves.

Net assets with donor restrictions represent funds subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue recognition

Contributions and grants received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Revenue from all other sources is recognized when earned.

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, 2018

Functional allocation of expenses

The costs of providing services and other activities are summarized on a functional basis in the statement of activities. Expenses directly attributable to specific functional areas of the organization are reported as expenses of those functional areas, while indirect costs that benefit multiple functional areas have been allocated among the various functional areas on a basis of time and effort, such as salary dollars based on labor hours of employees, or other reasonable basis.

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.

New accounting pronouncements (not yet adopted)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The League has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments to this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The League has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value

National Consumers League
Notes to Financial Statements
December 31, 2018

of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The League plans to adopt the new ASUs at the respective required implementation dates.

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, 2018, allowance for uncollectible receivables was zero as all receivables were deemed collectible.

Accounts receivable due in less than one year	\$ <u>499,404</u>
---	-------------------

Note 3 – Other Asset

National Consumers League is a participant (“subscriber”) in a reciprocal insurance exchange for health insurance purposes. The League accounts for this asset using the fair value method. As a subscriber, the League received an allocation to its subscriber savings account (SSA) for its annual share of net gains from the reciprocal's underwriting and investment activity. The League's share of net gain was \$ 2,200 and is recorded as other income on the Statement of Activities. The accumulated balance as of December 31, 2018 is \$8,854 which is included in the Statement of Financial Position.

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 consist of the following at December 31, 2018:

Furniture, Equipment, Software	\$ 140,455
Accumulated Depreciation, Amortization	<u>(123,145)</u>
Book Value	<u>\$ 17,310</u>

Note 5 - Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2018:

Public education	116,207
Time restriction	50,000
Endowments to be invested in perpetuity	<u>12,357</u>
Total	<u>\$ 178,564</u>

National Consumers League
Notes to Financial Statements
December 31, 2018

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, 2018.

LifeSmarts	\$ 239,344
Consumer health education	295,149
Fraud center	190,000
Public education	267,829
Fair labor	<u>30,000</u>
Total	<u>\$ 1,022,322</u>

Note 7 - Commitments

The League leases their office space in Washington, DC under a non-cancelable operating lease through February 28, 2030. Rent expense for the year ended December 31, 2018 was \$166,914.

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

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

2019	\$ 135,749
2020	203,935
2021	206,059
2022	211,211
2023	216,491
Thereafter	<u>1,459,822</u>
Total	<u>\$ 2,433,267</u>

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.

National Consumers League
Notes to Financial Statements
December 31, 2018

- 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 and related expenses were \$35,464 for 2018.

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, 2018. 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 – Board Designated Reserves

Included in net assets without donor restrictions at December 31, 2018 are Board designated reserves in the amount of \$500,000.

Note 11- Liquidity

Financial assets available for general expenditure, that is without donor restrictions or other restrictions limiting their use, within one year of the current Statement of Financial Position date, comprise the following:

Cash and cash equivalents	\$3,874,636
Investments	1,000,085
Account receivable	499,404
Less: amounts restricted by donors	<u>(178,564)</u>
Total financial assets available for use for general purposes within one year	<u>\$5,195,561</u>

The League has financial assets of approximately \$5.2 million to conduct its mission during the next fiscal year. This total includes board designated restricted cash of \$500,000 for operating reserves. As of December 31, 2018 the League can meet its financial obligations and fulfill its mission for the next 22 months. In addition to the reserve fund, the League's policy is to structure its financial assets to become available as general expenditures, liabilities, and other obligations become due.

National Consumers League
Notes to Financial Statements
December 31, 2018

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 donor-restricted in perpetuity. 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 at December 31, 2018 and \$12,357 at December 31, 2017. The interest earned was immaterial and was classified as unrestricted net assets.

Note 13 – Investments

Short-term investments, carried at fair market value based on quoted prices in active markets, consisted of the following at December 31, 2018:

	<u>Market Value</u>
Mutual funds and exchange-traded funds	<u>\$ 1,000,085</u>

Included in investment income are the following:

Interest and dividends	\$ 27,137
Realized and unrealized losses	(37,171)
Investment fees	<u>(4,265)</u>
Total investment income	<u>\$ (14,299)</u>

National Consumers League
Notes to Financial Statements
December 31, 2018

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, 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Mutual funds, exchange-traded funds	\$ <u>1,000,085</u>	-	-	\$ <u>1,000,085</u>

Note 15 - Subsequent events

In preparing these financial statements, the League has evaluated events and transactions for potential recognition or disclosure through August 19, 2019 the date the financial statements were issued.