
National Consumers League

Financial Statements
And
Independent Auditor's Report

Year Ended December 31, 2014

(With summarized comparative financial information for the year ended
December 31, 2013)

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 - 14



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, 2014, 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.

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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Abercrombie & Associates, LLC

Abercrombie & Associates, LLC
September 4, 2015
Silver Spring, MD

National Consumers League
Statement of Financial Position
December 31, 2014

(With summarized comparative financial information as of December 31, 2013)

ASSETS	2014	2013
	<u> </u>	<u> </u>
Cash and cash equivalents	\$3,530,969	\$1,461,164
Accounts receivable, net of allowance	144,060	320,926
Prepaid expenses	43,847	14,677
Endowment fund	12,357	12,357
Deposits	6,744	6,744
Other asset	19,279	-
Property and equipment, net	70,201	86,780
TOTAL ASSETS	<u><u>\$3,827,457</u></u>	<u><u>\$1,902,648</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable & accrued expenses	\$ 199,125	\$ 227,796
Deferred rent	59,332	57,824
Total Liabilities	<u>258,457</u>	<u>285,620</u>
NET ASSETS		
Unrestricted:		
Undesignated	2,653,425	691,431
Board designated reserve	500,000	500,000
Total unrestricted net assets	<u>3,153,425</u>	<u>1,191,431</u>
Temporarily restricted	403,218	413,240
Permanently restricted	<u>12,357</u>	<u>12,357</u>
Total Net Assets	<u>3,569,000</u>	<u>1,617,028</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$3,827,457</u></u>	<u><u>\$1,902,648</u></u>

The accompanying notes are an integral part of the financial statements

National Consumers League
Statement of Activities
Year Ended December 31, 2014

(With summarized comparative financial information for the year ended December 31, 2013)

Revenue	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
Grants & contributions	\$ 2,867,287	\$ 1,041,807	\$ -	\$ 3,909,094	\$ 2,305,190
Membership dues	18,625		-	18,625	2,650
Honoraria	6,275		-	6,275	4,850
Publications	377		-	377	375
Trumpeter special event	814,075		-	814,075	802,963
Dividend/interest income	1,320		-	1,320	1,187
Sublease income	41,387		-	41,387	39,836
Other income	19,279		-	19,279	150
Net assets released from restrictions	1,051,829	(1,051,829)	-	-	-
Total Revenue and Support	4,820,454	(10,022)	-	4,810,432	3,157,201
Expenses					
Program Services					
Public education	304,143	-	-	304,143	274,360
Consumer health education	677,700	-	-	677,700	818,108
LifeSmarts program	655,328	-	-	655,328	641,078
Fraud center	255,160	-	-	255,160	162,140
Fair labor	239,581	-	-	239,581	294,511
					-
Total Program Services	2,131,912	-	-	2,131,912	2,190,197
Supporting Services					
Management and general	281,229	-	-	281,229	220,480
Fundraising	445,319	-	-	445,319	391,363
Total Supporting Services	726,548	-	-	726,548	611,843
Total Expenses	2,858,460	-	-	2,858,460	2,802,040
Change in net assets	1,961,994	(10,022)	-	1,951,972	355,161
Net Assets, Beginning of Year	1,191,431	413,240	12,357	1,617,028	1,261,867
Net Assets, End of Year	\$ 3,153,425	\$ 403,218	\$ 12,357	\$ 3,569,000	\$ 1,617,028

The accompanying notes are an integral part of the financial statements

National Consumers League
Statement of Cash Flows
Year Ended December 31, 2014

(With summarized comparative financial information for the year ended December 31, 2013)

Cash flows from operating activities	<u>2014</u>	<u>2013</u>
Change in net assets	\$ 1,951,972	\$ 355,161
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,225	25,812
Bad debt expense	45,626	-
Loss on disposal of equipment	-	1,200
Decrease (increase) in prepaid expenses	(29,170)	47,522
Decrease (increase) in receivables	131,240	301,483
Decrease (increase) in other asset	(19,279)	-
Increase (decrease) in accounts payable & accrued expenses	(28,671)	(101,802)
Increase (decrease) in deferred rent	1,508	6,074
Net cash provided by operating activities	<u>2,086,451</u>	<u>635,450</u>
Cash flows from investing activities		
Purchase of new equipment	<u>(16,646)</u>	<u>(54,400)</u>
Net cash used in investing activities	<u>(16,646)</u>	<u>(54,400)</u>
Cash flows from financing activities		
Net cash used in financing activities	<u>-</u>	<u>-</u>
Increase in cash and cash equivalents	2,069,805	581,050
Cash and cash equivalents, beginning of year	<u>1,461,164</u>	<u>880,114</u>
Cash and cash equivalents, end of year	<u>\$ 3,530,969</u>	<u>\$ 1,461,164</u>
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

National Consumers League
Statement of Functional Expenses
December 31, 2014

(With summarized comparative financial information for the year ended December 31, 2013)

	Public	Consumer				Total			Total		
	Education	Health	LifeSmarts	Fraud	Fair	Program	Management		Supporting	2014	2013
		Education	Program	Center	Labor	Services	& General	Fundraising	Services	Total	Total
Payroll expenses	156,436	230,278	198,006	118,583	157,928	861,231	192,943	177,503	370,446	1,231,677	1,134,076
Employee benefits	26,365	38,192	32,469	19,383	25,984	142,393	29,076	28,788	57,864	200,257	159,059
Professional fees	44,923	287,779	89,827	58,621	15,509	496,659	14,122	65,581	79,703	576,362	673,501
Hotel/caterer/event	8,286	6,350	102,533	11,731	290	129,190	1,118	74,508	75,626	204,816	215,365
Rent	22,494	33,298	28,494	16,385	23,527	124,198	26,960	25,220	52,180	176,378	172,579
Supplies	7,221	12,944	92,464	3,186	2,434	118,249	2,285	12,649	14,934	133,183	130,525
Travel & meetings	8,646	21,084	51,644	5,859	2,879	90,112	1,493	7,210	8,703	98,815	82,273
Telecommunications	12,464	9,790	11,955	1,887	2,455	38,551	3,099	2,954	6,053	44,604	56,412
Printing & reproduction	5,144	21,170	16,024	1,109	1,254	44,701	1,296	14,571	15,867	60,568	56,200
Equip/service contracts	1,468	2,275	2,366	1,113	1,484	8,706	1,747	6,940	8,687	17,393	36,912
Depreciation	3,647	5,453	9,197	2,733	3,651	24,681	4,380	4,164	8,544	33,225	25,812
Bad debt expense	-	-	12,500	12,500	-	25,000	-	20,626	20,626	45,626	24,120
Postage & delivery	5,294	5,159	3,613	566	512	15,144	609	2,702	3,311	18,455	17,049
Insurance	1,216	1,776	1,525	892	1,241	6,650	1,444	1,355	2,799	9,449	8,445
Fees & licenses	165	251	202	188	260	1,066	225	200	425	1,491	6,073
Misc. expenses	374	1,901	2,509	424	173	5,381	432	348	780	6,161	3,639
	<u>304,143</u>	<u>677,700</u>	<u>655,328</u>	<u>255,160</u>	<u>239,581</u>	<u>2,131,912</u>	<u>281,229</u>	<u>445,319</u>	<u>726,548</u>	<u>2,858,460</u>	<u>2,802,040</u>

The accompanying notes are an integral part of the financial statements

National Consumers League
Notes to Financial Statements
December 31, 2014

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, 2013, 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, 2014, 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, 2013, 2012 and 2011 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.

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.

National Consumers League
Notes to Financial Statements
December 31, 2014

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.

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, 2014, allowance for uncollectible receivables was \$25,000.

Accounts receivable due in less than one year	\$ 169,060
Less: allowance for doubtful accounts	<u>(25,000)</u>
Accounts receivable, net	<u>\$ 144,060</u>

National Consumers League
Notes to Financial Statements
December 31, 2014

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. The League’s share of net income is recorded 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, 2014:

Furniture, Equipment, Software	\$ 142,665
Accumulated Depreciation, Amortization	<u>(72,464)</u>
Book Value 12/31/14	<u>\$ 70,201</u>

Depreciation expense was \$ 33,225 for the period ended December 31, 2014.

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2014:

LifeSmarts	\$ 304,965
Consumer health education	57,500
Public education	<u>40,753</u>
Total	<u>\$ 403,218</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, 2014.

LifeSmarts	\$ 419,606
Consumer health education	385,050
Fraud center	157,520
Public education	49,346
Fair labor	<u>40,307</u>
Total	<u>\$ 1,051,829</u>

National Consumers League
Notes to Financial Statements
December 31, 2014

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, 2014 was \$176,378.

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:

2015	\$ 181,425
2016	181,622
2017	185,033
2018	190,122
2019	<u>146,350</u>
Total	<u>\$ 884,552</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.
- 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 \$33,106 for 2014.

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, 2014. Management believed 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 – Line of Credit

The League renewed its line of credit in 2014 for \$400,000 with an interest rate of prime plus 2 percent. The League has not utilized this line of credit as of December 31, 2014.

Note 11 - 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.

Note 12 – Board Designated Reserves

Included in unrestricted net assets at December 31, 2014 are Board designated reserves in the amount of \$500,000.

Note 13 - 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.

National Consumers League
Notes to Financial Statements
December 31, 2014

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, 2014 and December 31, 2013. The interest earned was immaterial and was classified as unrestricted net assets.

Note 14 - Subsequent events

In preparing these financial statements, the League has evaluated events and transactions for potential recognition or disclosure through September 4, 2015, the date the financial statements were issued.