

---

National Consumers League

Financial Statements  
And  
Independent Auditor's Report

Year Ended December 31, 2016

(With summarized comparative financial information for the year ended  
December 31, 2015)

---

## 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 - 15



## **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, 2016, and the related statements of activities and change 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Abercrombie & Associates, LLC*

Abercrombie & Associates, LLC  
October 26, 2017  
Silver Spring, MD

National Consumers League  
Statement of Financial Position  
December 31, 2016

(With summarized comparative financial information as of December 31, 2015)

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$3,623,913	\$3,781,802
Investments	1,038,938	501,667
Accounts receivable, net of allowance	331,651	214,596
Prepaid expenses	38,678	19,966
Endowment fund	12,357	12,357
Deposits	6,744	6,744
Other asset	12,336	19,279
Property and equipment, net	15,451	33,172
<b>TOTAL ASSETS</b>	<b><u>\$5,080,068</u></b>	<b><u>\$4,589,583</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts payable & accrued expenses	\$ 170,374	\$ 240,479
Deferred revenue	25,000	-
Deferred rent	48,149	56,150
<b>Total Liabilities</b>	<b><u>243,523</u></b>	<b><u>296,629</u></b>
 <b>NET ASSETS</b>		
<b>Unrestricted:</b>		
Undesignated	3,402,120	2,856,326
Board designated reserve	500,000	500,000
<b>Total unrestricted net assets</b>	<b><u>3,902,120</u></b>	<b><u>3,356,326</u></b>
<b>Temporarily restricted</b>	<b>922,068</b>	<b>924,271</b>
<b>Permanently restricted</b>	<b><u>12,357</u></b>	<b><u>12,357</u></b>
<b>Total Net Assets</b>	<b><u>4,836,545</u></b>	<b><u>4,292,954</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$5,080,068</u></b>	<b><u>\$4,589,583</u></b>

The accompanying notes are an integral part of the financial statements

National Consumers League  
Statement of Activities  
Year Ended December 31, 2016

(With summarized comparative financial information for the year ended December 31, 2015)

Revenue	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Grants & contributions	\$ 249,065	\$ 1,606,550	\$ -	\$ 1,855,615	\$ 2,086,513
Membership dues	319,064	-	-	319,064	282,240
Honoraria	1,051	-	-	1,051	1,350
Publications	150	-	-	150	550
Trumpeter special event	745,000	-	-	745,000	781,050
Investment income	38,344	-	-	38,344	3,221
Sublease income	7,264	-	-	7,264	43,291
Other (loss) income	(6,944)	-	-	(6,944)	7,520
Net assets released from restrictions	1,608,753	(1,608,753)	-	-	-
<b>Total Revenue and Support</b>	<u>2,961,747</u>	<u>(2,203)</u>	<u>-</u>	<u>2,959,544</u>	<u>3,205,735</u>
<b>Expenses</b>					
<b>Program Services</b>					
Public education	365,644	-	-	365,644	314,839
Consumer health education	347,293	-	-	347,293	546,670
LifeSmarts program	519,509	-	-	519,509	571,925
Fraud center	279,646	-	-	279,646	176,100
Fair labor	160,656	-	-	160,656	155,384
					-
<b>Total Program Services</b>	<u>1,672,748</u>	<u>-</u>	<u>-</u>	<u>1,672,748</u>	<u>1,764,918</u>
<b>Supporting Services</b>					
Management and general	330,607	-	-	330,607	300,894
Fundraising	412,598	-	-	412,598	415,969
<b>Total Supporting Services</b>	<u>743,205</u>	<u>-</u>	<u>-</u>	<u>743,205</u>	<u>716,863</u>
<b>Total Expenses</b>	<u>2,415,953</u>	<u>-</u>	<u>-</u>	<u>2,415,953</u>	<u>2,481,781</u>
<b>Change in net assets</b>	545,794	(2,203)	-	543,591	723,954
<b>Net Assets, Beginning of Year</b>	<u>3,356,326</u>	<u>924,271</u>	<u>12,357</u>	<u>4,292,954</u>	<u>3,569,000</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,902,120</u>	<u>\$ 922,068</u>	<u>\$ 12,357</u>	<u>\$ 4,836,545</u>	<u>\$ 4,292,954</u>

The accompanying notes are an integral part of the financial statements

National Consumers League  
Statement of Cash Flows  
Year Ended December 31, 2016

(With summarized comparative financial information for the year ended December 31, 2015)

<b>Cash flows from operating activities</b>	<u>2016</u>	<u>2015</u>
Change in net assets	\$ 543,591	\$ 723,954
<b>Adjustment to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	27,352	37,029
Dividends on investments	(14,625)	(5,506)
Net realized and unrealized (gain) loss on investments	(22,646)	3,839
(Increase) decrease in prepaid expenses	(18,712)	23,881
Decrease in receivables	(117,055)	(70,536)
Decrease in other asset	6,943	-
(Decrease) increase in accounts payable & accrued expenses	(45,104)	41,354
Decrease in deferred rent	(8,002)	(3,182)
<b>Net cash provided by operating activities</b>	<u>351,742</u>	<u>750,833</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(500,000)	(500,000)
Purchase of new equipment	(9,631)	-
<b>Net cash used in investing activities</b>	<u>(509,631)</u>	<u>(500,000)</u>
<b>(Decrease) increase in cash and cash equivalents</b>	(157,889)	250,833
<b>Cash and cash equivalents, beginning of year</b>	<u>3,781,802</u>	<u>3,530,969</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$3,623,913</u>	<u>\$3,781,802</u>

The accompanying notes are an integral part of the financial statements

National Consumers League  
Statement of Functional Expenses  
Year Ended December 31, 2016

(With summarized comparative financial information for the year ended December 31, 2015)

	<b>Public</b>	<b>Consumer</b>				<b>Total</b>	<b>Management</b>		<b>Total</b>	<b>2016</b>	<b>2015</b>
	<b>Education</b>	<b>Health</b>	<b>LifeSmarts</b>	<b>Fraud</b>	<b>Fair</b>	<b>Program</b>	<b>&amp; General</b>	<b>Fundraising</b>	<b>Supporting</b>	<b>Total</b>	<b>Total</b>
		<b>Education</b>	<b>Program</b>	<b>Center</b>	<b>Labor</b>	<b>Services</b>			<b>Services</b>		
Payroll expenses	209,886	197,295	177,539	170,462	103,337	858,518	217,408	183,876	401,285	1,259,803	1,135,744
Professional fees	29,780	47,116	75,938	38,361	12,977	204,171	20,736	66,978	87,714	291,885	443,609
Employee benefits	37,148	34,983	31,483	30,013	18,253	151,880	36,393	32,348	68,741	220,621	165,874
Rent	30,185	28,374	25,533	24,515	14,861	123,469	31,267	26,444	57,711	181,180	182,475
Hotel/caterer/event	78	8,959	77,943	9	-	86,990	176	69,335	69,511	156,501	201,554
Travel	8,860	2,755	39,458	1,794	951	53,818	5,725	5,604	11,329	65,146	66,454
Supplies	23,123	6,208	12,289	2,585	1,735	45,940	4,650	9,990	14,640	60,580	65,077
Scholarships/stipends	500	4,651	53,148	-	2,000	60,299	-	-	-	60,299	47,824
Printing & reproduction	10,479	4,477	3,129	2,083	1,096	21,262	2,305	7,308	9,613	30,875	44,520
Telecommunications	6,842	4,424	7,712	2,862	1,720	23,560	3,618	3,232	6,850	30,410	42,126
Depreciation	4,557	4,284	3,855	3,701	2,244	18,640	4,720	3,992	8,713	27,352	37,029
Insurance	2,157	1,699	1,528	1,918	890	8,191	1,872	1,583	3,455	11,646	16,466
Postage & delivery	1,136	1,103	3,970	345	209	6,764	441	699	1,139	7,903	16,056
Equip/service contracts	781	734	1,493	876	384	4,269	809	1,209	2,018	6,286	14,242
Misc. expenses	133	232	4,493	122	-	4,980	487	-	487	5,467	2,731
	<b>365,644</b>	<b>347,293</b>	<b>519,509</b>	<b>279,646</b>	<b>160,656</b>	<b>1,672,748</b>	<b>330,607</b>	<b>412,598</b>	<b>743,205</b>	<b>2,415,953</b>	<b>2,481,781</b>

The accompanying notes are an integral part of the financial statements

National Consumers League  
Notes to Financial Statements  
December 31, 2016

**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, 2015, 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, 2016, 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, 2015, 2014 and 2013 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, 2016

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, 2016

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, 2016, allowance for uncollectible receivables was \$15,657.

Accounts receivable due in less than one year	\$ 347,308
Less: allowance for doubtful accounts	<u>(15,657)</u>
Accounts receivable, net	<u>\$ 331,651</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 share of net loss from the reciprocal's underwriting and investment activity during 2016. The League's share of net loss in 2016 was \$ 6,944 and is recorded as other (loss) income on the Statement of Activities. The accumulated balance as of December 31, 2016 is \$12,336 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 consists of the following at December 31, 2016:

Furniture, Equipment, Software	\$ 152,296
Accumulated Depreciation, Amortization	<u>(136,845)</u>
Book Value 12/31/16	<u>\$ 15,451</u>

Depreciation expense was \$ 27,352 for the period ended December 31, 2016.

National Consumers League  
Notes to Financial Statements  
December 31, 2016

**Note 5 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at December 31, 2016:

LifeSmarts	\$ 323,024
Consumer health education	205,000
Public education	327,264
Fraud center	59,780
Fair labor	7,000
Total	<u>\$ 922,068</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, 2016.

LifeSmarts	\$ 520,137
Consumer health education	267,525
Fraud center	280,245
Public education	527,189
Fair labor	13,657
Total	<u>\$ 1,608,753</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, 2016 was \$181,180.

The League also leases certain office equipment under a non-cancelable operating lease which ended in 2016 and was automatically renewed for consecutive periods of three months.

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

2017	\$ 185,033
2018	190,122
2019	<u>146,350</u>
Total	<u>\$ 521,505</u>

National Consumers League  
Notes to Financial Statements  
December 31, 2016

**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 and related expenses were \$36,312 for 2016.

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, 2016. 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.

**Note 11 – Board Designated Reserves**

Included in unrestricted net assets at December 31, 2016 are Board designated reserves in the amount of \$500,000.

National Consumers League  
Notes to Financial Statements  
December 31, 2016

**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, 2016 and December 31, 2015. 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, 2016:

	<u>Market Value</u>
Short-term bonds	<u>\$ 1,038,938</u>

Included in investment income are the following:

Interest and dividends	\$ 15,698
Realized and unrealized gains	25,990
Investment fees	<u>(3,344)</u>
Total investment income	<u>\$ 38,344</u>

Included in investment income is \$1,067 of interest from the League's cash accounts.

National Consumers League  
Notes to Financial Statements  
December 31, 2016

**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, 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Short-term bonds	\$ <u>1,038,938</u>	-	-	\$ <u>1,038,938</u>

**Note 15 - Subsequent events**

In preparing these financial statements, the League has evaluated events and transactions for potential recognition or disclosure through October 26, 2017, the date the financial statements were issued.