
National Consumers League

Financial Statements
And
Independent Auditor's Report

Year Ended December 31, 2017

(With summarized comparative financial information for the year ended
December 31, 2016)

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, 2017, 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.

Helping Businesses Develop, Grow and Succeed

8609 Second Avenue, Suite 507B • Silver Spring, MD 20910 • Phone: 301.585.5050 • Fax: 202.318.9147 • www.abercrombiellc.com

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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Abercrombie & Associates, LLC

Abercrombie & Associates, LLC
September 12, 2018
Silver Spring, MD

National Consumers League
Statement of Financial Position
December 31, 2017

(With summarized comparative financial information as of December 31, 2016)

ASSETS	2017	2016
Cash and cash equivalents	\$3,876,874	\$3,623,913
Investments	1,101,642	1,038,938
Accounts receivable, net of allowance	210,513	331,651
Prepaid expenses	25,886	38,678
Endowment fund	12,357	12,357
Deposits	6,744	6,744
Other asset	6,654	12,336
Property and equipment, net	4,756	15,451
TOTAL ASSETS	<u>\$5,245,426</u>	<u>\$5,080,068</u>
 LIABILITIES AND NET ASSETS		
Accounts payable & accrued expenses	\$ 184,368	\$ 170,374
Deferred revenue	25,000	25,000
Deferred rent	35,194	48,149
Total Liabilities	<u>244,563</u>	<u>243,523</u>
 NET ASSETS		
Unrestricted:		
Undesignated	3,844,470	3,402,120
Board designated reserve	500,000	500,000
Total unrestricted net assets	<u>4,344,470</u>	<u>3,902,120</u>
Temporarily restricted	644,036	922,068
Permanently restricted	<u>12,357</u>	<u>12,357</u>
Total Net Assets	<u>5,000,863</u>	<u>4,836,545</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$5,245,426</u>	<u>\$5,080,068</u>

The accompanying notes are an integral part of the financial statements

National Consumers League
Statement of Activities
Year Ended December 31, 2017

(With summarized comparative financial information for the year ended December 31, 2016)

Revenue	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Grants & contributions	\$ 250,831	\$ 1,380,584	\$ -	\$ 1,631,415	\$ 1,855,615
Membership dues	306,575	-	-	306,575	319,064
Honoraria	1,275	-	-	1,275	1,051
Publications	-	-	-	-	150
Trumpeter special event	762,875	-	-	762,875	745,000
Investment income, net of fees	65,107	-	-	65,107	38,344
Sublease income	28,600	-	-	28,600	7,264
Other (loss)	(5,682)	-	-	(5,682)	(6,944)
Net assets released from restrictions	1,658,616	(1,658,616)	-	-	-
Total Revenue and Support	3,068,197	(278,032)	-	2,790,166	2,959,544
Expenses					
Program Services					
Public education	403,299	-	-	403,299	365,644
Consumer health education	398,750	-	-	398,750	347,293
LifeSmarts program	606,282	-	-	606,282	519,509
Fraud center	263,832	-	-	263,832	279,646
Fair labor	166,725	-	-	166,725	160,656
					-
Total Program Services	1,838,888	-	-	1,838,887	1,672,748
Supporting Services					
Management and general	297,641	-	-	297,641	330,607
Fundraising	489,318	-	-	489,318	412,598
Total Supporting Services	786,959	-	-	786,960	743,205
Total Expenses	2,625,847	-	-	2,625,847	2,415,953
Change in net assets	442,350	(278,032)	-	164,318	543,591
Net Assets, Beginning of Year	3,902,120	922,068	12,357	4,836,545	4,292,954
Net Assets, End of Year	\$ 4,344,470	\$ 644,036	\$ 12,357	\$ 5,000,863	\$ 4,836,545

The accompanying notes are an integral part of the financial statements

National Consumers League
Statement of Cash Flows
Year Ended December 31, 2017

(With summarized comparative financial information for the year ended December 31, 2016)

Cash flows from operating activities	2017	2016
Change in net assets	\$ 164,318	\$ 543,591
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,050	27,352
Net unrealized (gain) on investments	(35,994)	(22,646)
Decrease (increase) in prepaid expenses	12,792	(18,712)
Decrease (increase) in receivables	121,138	(117,055)
Decrease in other asset	5,682	6,943
Increase (decrease) in accounts payable & accrued expenses	13,994	(45,104)
(Decrease) in deferred rent	(12,955)	(8,002)
Net cash provided by operating activities	<u>288,026</u>	<u>366,367</u>
Cash flows from investing activities		
Purchase of investments	(26,709)	(514,625)
Purchase of new equipment	(8,356)	(9,631)
Net cash used in investing activities	<u>(35,065)</u>	<u>(524,256)</u>
Increase (decrease) in cash and cash equivalents	252,961	(157,889)
Cash and cash equivalents, beginning of year	<u>3,623,913</u>	<u>3,781,802</u>
Cash and cash equivalents, end of year	<u><u>\$3,876,874</u></u>	<u><u>\$3,623,913</u></u>

The accompanying notes are an integral part of the financial statements

National Consumers League
Statement of Functional Expenses
Year Ended December 31, 2017

(With summarized comparative financial information for the year ended December 31, 2016)

	Public	Consumer				Total			Total		
	Education	Health	LifeSmarts	Fraud	Fair	Program	Management	Fundraising	Supporting	2017	2016
		Education	Program	Center	Labor	Services	& General		Services	Total	Total
Payroll expenses	\$ 224,847	\$ 187,701	\$ 201,601	\$ 163,640	\$ 101,414	\$ 879,203	\$ 173,483	\$ 181,029	\$ 354,512	\$1,233,715	\$1,259,803
Professional fees	34,794	93,470	83,497	19,672	12,420	243,852	17,138	94,672	111,810	355,663	291,885
Employee benefits	58,581	49,447	52,651	42,513	26,347	229,539	45,071	47,031	92,102	321,641	220,621
Rent	33,681	28,117	30,199	24,512	15,191	131,700	25,987	27,117	53,104	184,803	181,180
Hotel/caterer/event	482	4,389	99,490	-	-	104,361	9,966	69,681	79,647	184,008	156,501
Scholarships/stipends	-	5,604	60,355	-	2,025	67,984	-	668	668	68,652	60,299
Travel	5,502	2,729	37,689	1,424	1,605	48,949	6,331	8,862	15,193	64,142	65,146
Supplies	19,554	6,051	16,587	2,997	2,129	47,318	2,778	9,589	12,367	59,685	60,580
Printing & reproduction	10,045	10,457	4,876	1,761	1,079	28,219	1,666	5,027	6,693	34,912	30,875
Bad debt expense	-	-	-	-	-	-	2,500	35,000	37,500	37,500	-
Telecommunications	5,659	2,561	7,004	2,116	1,303	18,644	2,229	2,410	4,638	23,282	30,410
Depreciation	3,472	2,898	3,113	2,527	1,566	13,576	2,679	2,795	5,474	19,050	27,352
Insurance	2,614	1,890	2,030	1,700	1,021	9,255	6,747	1,823	8,570	17,825	11,646
Misc. expenses	2,439	248	3,719	146	114	6,666	195	2,704	2,898	9,564	5,467
Postage & delivery	1,204	2,832	3,090	513	318	7,957	544	568	1,112	9,069	7,903
Equip/service contracts	426	355	382	310	192	1,665	329	343	671	2,337	6,286
	\$ 403,299	\$ 398,750	\$ 606,282	\$ 263,832	\$ 166,725	\$1,838,888	\$ 297,641	\$ 489,318	\$ 786,959	\$2,625,847	\$2,415,953

The accompanying notes are an integral part of the financial statements

National Consumers League
Notes to Financial Statements
December 31, 2017

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, 2016, 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, 2017, 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, 2016, 2015 and 2014 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, 2017

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, 2017

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 August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the League's financial statements, it is not expected to alter the League's reported financial position.

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 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 of the lease payments in the Statements 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.

National Consumers League
Notes to Financial Statements
December 31, 2017

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, 2017, allowance for uncollectible receivables was \$15,657.

Accounts receivable due in less than one year	\$ 226,170
Less: allowance for doubtful accounts	<u>(15,657)</u>
Accounts receivable, net	<u>\$ 210,513</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 2017. The League's share of net loss in 2017 was \$ 5,682 and is recorded as other (loss) income on the Statement of Activities. The accumulated balance as of December 31, 2017 is \$6,654 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, 2017:

Furniture, Equipment, Software	\$ 160,652
Accumulated Depreciation, Amortization	<u>(155,896)</u>
Book Value 12/31/17	<u>\$ 4,756</u>

Depreciation expense was \$ 19,050 for the period ended December 31, 2017.

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2017:

LifeSmarts	\$ 55,000
Consumer health education	100,000
Public education	324,036
Fraud center	<u>165,000</u>
Total	<u>\$ 644,036</u>

National Consumers League
Notes to Financial Statements
December 31, 2017

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, 2017.

LifeSmarts	\$ 466,252
Consumer health education	294,975
Fraud center	794,592
Public education	69,780
Fair labor	33,017
Total	<u>\$ 1,658,616</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, 2017 was \$184,803.

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:

2018	\$ 195,924
2019	152,153
2020	2,901
Total	<u>\$ 350,978</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.

National Consumers League
Notes to Financial Statements
December 31, 2017

The League's contribution and related expenses were \$39,226 for 2017.

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, 2017. 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, 2017 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

National Consumers League
Notes to Financial Statements
December 31, 2017

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, 2017 and December 31, 2016. 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, 2017:

	<u>Market Value</u>
Short-term bonds	<u>\$ 1,101,642</u>

Included in investment income are the following:

Interest and dividends	\$ 21,210
Realized and unrealized gains	48,038
Investment fees	<u>(4,141)</u>
Total investment income	<u>\$ 65,107</u>

Included in investment income is \$2,440 of interest from the League's cash accounts.

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,

National Consumers League
Notes to Financial Statements
December 31, 2017

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, 2017.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Short-term bonds	\$ <u>1,101,642</u>	-	-	\$ <u>1,101,642</u>

Note 15 - Subsequent events

In preparing these financial statements, the League has evaluated events and transactions for potential recognition or disclosure through September 12, 2018, the date the financial statements were issued.