

PUBLIC CITIZEN FOUNDATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

PUBLIC CITIZEN FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Public Citizen Foundation, Inc.

We have audited the accompanying financial statements of Public Citizen Foundation, Inc. (the Foundation), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the year ended September 30, 2016, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 Foundation as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the year ended September 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of Public Citizen Foundation, Inc. as of and for the year ended September 30, 2015, and we expressed an unmodified audit opinion on those financial statements in our report dated February 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Calibre CPA Group, PLLC

Bethesda, MD
January 31, 2017

PUBLIC CITIZEN FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 915,740	\$ 444,051
Investments	148,848	155,103
Accounts receivable	25,722	56,026
Grants and pledges receivable	900,000	427,500
Interest receivable	3,277	2,403
Bequests receivable	138,099	292,905
Prepaid expenses	<u>56,909</u>	<u>51,713</u>
Total current assets	<u>2,188,595</u>	<u>1,429,701</u>
 INVESTMENTS, net of current portion	 <u>6,580,218</u>	 <u>5,166,575</u>
 PROPERTY AND EQUIPMENT		
Land	1,243,073	1,243,073
Building and improvements	3,483,551	3,476,126
Office furniture and equipment	<u>764,291</u>	<u>665,913</u>
	5,490,915	5,385,112
Less: accumulated depreciation and amortization	<u>(2,437,132)</u>	<u>(2,193,340)</u>
	<u>3,053,783</u>	<u>3,191,772</u>
 INVESTMENTS - CHARITABLE GIFT ANNUITIES	 <u>2,289,521</u>	 <u>2,180,314</u>
 Total assets	 <u>\$ 14,112,117</u>	 <u>\$ 11,968,362</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 340,951	\$ 166,928
Accrued leave	313,204	283,040
Deferred subscription revenue	1,627,291	1,709,474
Deferred event revenue	17,800	1,200
Charitable gift annuities payable	198,745	192,159
Due to Public Citizen, Inc.	158,962	176,768
Total current liabilities	<u>2,656,953</u>	<u>2,529,569</u>
CHARITABLE GIFT ANNUITIES PAYABLE, net of current portion	<u>873,869</u>	<u>844,782</u>
Total liabilities	<u>3,530,822</u>	<u>3,374,351</u>
NET ASSETS		
Unrestricted	7,799,781	6,646,345
Temporarily restricted	<u>2,781,514</u>	<u>1,947,666</u>
Total net assets	<u>10,581,295</u>	<u>8,594,011</u>
Total liabilities and net assets	<u>\$ 14,112,117</u>	<u>\$ 11,968,362</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2016

(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions	\$ 5,870,202	\$ 338,073	\$ 6,208,275	\$ 5,009,870
Grants	250,000	3,361,841	3,611,841	3,435,134
Publication subscriptions	1,513,003	-	1,513,003	1,496,644
List rental revenue	89,978	-	89,978	91,517
Interest and dividends	233,134	36,969	270,103	319,937
Gain (loss) on investments	391,752	(7,631)	384,121	(396,800)
Court awards	106,925	-	106,925	90,773
Other	1,110	-	1,110	3,870
Change in value of charitable gift annuities	(115,452)	-	(115,452)	(111,445)
Net assets released from restriction	2,895,404	(2,895,404)	-	-
Total revenue	<u>11,236,056</u>	<u>833,848</u>	<u>12,069,904</u>	<u>9,939,500</u>
EXPENSES				
Program				
Public Information and Education	1,665,882	-	1,665,882	1,347,349
Publications	1,527,329	-	1,527,329	1,607,074
Health Research Group	924,721	-	924,721	912,973
Litigation Group	1,137,150	-	1,137,150	1,095,403
Congress Watch	900,635	-	900,635	947,929
Access to Medicines	333,817	-	333,817	326,423
Global Trade Watch	885,399	-	885,399	1,135,653
Energy Program	265,586	-	265,586	265,685
PC Texas	668,502	-	668,502	909,949
Total program	<u>8,309,021</u>	<u>-</u>	<u>8,309,021</u>	<u>8,548,438</u>
Supporting				
Management and general	1,006,474	-	1,006,474	888,141
Fundraising	767,125	-	767,125	762,420
Total supporting	<u>1,773,599</u>	<u>-</u>	<u>1,773,599</u>	<u>1,650,561</u>
Total expenses	<u>10,082,620</u>	<u>-</u>	<u>10,082,620</u>	<u>10,198,999</u>
CHANGE IN NET ASSETS	1,153,436	833,848	1,987,284	(259,499)
NET ASSETS				
Beginning of year	<u>6,646,345</u>	<u>1,947,666</u>	<u>8,594,011</u>	<u>8,853,510</u>
End of year	<u>\$ 7,799,781</u>	<u>\$ 2,781,514</u>	<u>\$ 10,581,295</u>	<u>\$ 8,594,011</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2015)

	Program										Supporting			2015 Total
	Public Information and Education	Health Research Group	Litigation Group	Congress Watch	Access To Medicines	Global Trade Watch	Energy Program	PC Texas	Total Program	Management and General	Fundraising	Total Supporting	2016 Total	
Salaries	721,980	\$ 612,352	\$ 742,320	\$ 547,267	\$ 215,397	\$ 496,214	\$ 185,998	\$ 222,417	\$ 3,790,111	\$ 344,914	\$ 205,051	\$ 549,965	\$ 4,340,076	
Payroll taxes and employee benefits	189,493	12,422	182,004	138,037	48,225	125,100	46,761	55,842	966,638	106,597	42,838	149,435	1,116,073	
Bank charges and investment fees	11,102	1,305	2,017	55	-	110	96	-	15,055	69,619	10,628	80,619	98,552	
Coping and database maintenance	22,325	63,078	-	-	-	-	-	-	85,403	18,898	22,599	41,497	126,900	
Consulting and professional fees	127,449	253,039	13,141	13,450	4,000	86,244	1,850	153,711	652,904	188,062	85,242	273,304	926,208	
Contract labor	34,967	5,738	-	-	-	-	-	-	53,299	18,350	1,334	19,684	72,983	
Depreciation and amortization	-	-	-	-	-	-	-	-	-	243,792	-	243,792	201,741	
Fees, licenses and taxes	1,458	169	3,930	8,983	584	8,656	3,081	6	32,024	101,536	702	102,238	134,817	
Grant distribution	50,000	-	-	61,784	-	16,578	-	94,280	222,642	-	-	222,642	419,125	
Insurance	344	-	-	-	-	-	-	-	344	31,440	358	31,798	32,142	
List rental cost	13,373	65,566	-	-	-	-	-	-	78,939	11,320	13,537	24,857	103,796	
Mail house	40,806	134,026	-	-	-	-	-	-	174,832	34,542	47,360	81,902	256,734	
Meeting fees/conference	12,060	-	741	3,595	1,204	3,188	-	7,499	28,287	661	774	1,435	29,722	
Miscellaneous	8,655	3,675	2,556	1,156	1,204	1,660	67	53	23,917	6,564	682	7,246	30,254	
Office supplies	7,171	9	3,025	6,003	464	8,792	524	26,972	54,781	34,826	2,293	37,119	91,900	
Postage and shipping	101,617	586,979	499	156	26	1,950	26	25	693,645	85,809	121,218	207,027	900,672	
Printing and publications	127,238	342,639	61,847	5,850	501	15,629	916	12,053	577,411	91,457	124,759	216,216	793,627	
Reference materials	-	-	-	-	-	-	-	-	-	-	-	-	-	
Rent	2,643	-	-	4,439	-	4,030	1,523	26,323	28,966	-	-	-	28,966	
Repairs and maintenance	127	-	-	65	-	474	-	474	10,466	71,473	-	71,473	81,939	
Software maintenance	36,615	-	3,058	1,234	254	-	-	109	301	63,141	-	63,141	63,442	
Special events	9,317	2,414	4,970	3,062	2,328	13,969	647	1,891	43,052	23,587	27,650	51,237	86,912	
Telephone	43,028	998	9,160	5,397	32,231	19,408	2,693	4,670	41,830	16,236	1,156	17,392	59,222	
Travel	-	-	-	3,679	-	3,341	1,262	32,697	146,071	17,163	20,494	37,657	183,728	
Utilities	-	-	-	-	-	8,282	8,282	-	8,282	44,386	-	44,386	52,668	
Allocation of common costs	114,765	13,067	114,423	100,605	28,519	80,530	20,183	29,384	590,472	(621,164)	30,692	(590,472)	-	
Total expenses	\$ 1,676,533	\$ 1,527,329	\$ 1,137,150	\$ 900,635	\$ 333,817	\$ 885,399	\$ 265,586	\$ 668,502	\$ 8,319,672	\$ 1,003,581	\$ 759,367	\$ 1,762,948	\$ 10,082,620	
													\$ 10,198,999	

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2016

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED SEPTEMBER 30, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 6,313,606	\$ 4,934,815
Grants received	3,139,341	3,407,634
Publication subscriptions received	1,430,820	1,543,928
List rental income received	89,978	91,517
Investment income received	283,504	319,365
Court awards received	106,925	90,773
Other operating receipts	152,309	(32,580)
Payments to vendors, suppliers, employees, and Public Citizen, Inc.	<u>(9,792,242)</u>	<u>(10,497,921)</u>
Net cash provided by (used for) operating activities	<u>1,724,241</u>	<u>(142,469)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,138,206)	(6,067,616)
Proceeds from sales of investments	2,991,457	6,249,232
Purchases of property and equipment	<u>(105,803)</u>	<u>(287,507)</u>
Net cash used for investing activities	<u>(1,252,552)</u>	<u>(105,891)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	471,689	(248,360)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>444,051</u>	<u>692,411</u>
End of year	<u>\$ 915,740</u>	<u>\$ 444,051</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2016

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED SEPTEMBER 30, 2015)

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED		
BY (USED FOR) OPERATING ACTIVITIES		
Change in net assets	\$ 1,987,284	\$ (259,499)
Adjustments		
Net depreciation (appreciation) of investments	(369,846)	396,800
Depreciation and amortization	243,792	201,741
Decrease (increase) in assets		
Accounts receivable	30,304	26,248
Grants and pledges receivable	(472,500)	(27,500)
Interest receivable	(874)	(572)
Bequests receivable	154,806	(220,904)
Prepaid expenses	(5,196)	36,312
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	174,023	(132,685)
Accrued leave	30,164	(6,274)
Deferred subscription revenue	(82,183)	47,284
Deferred event revenue	16,600	(36,450)
Charitable gift annuities payable	35,673	51,407
Due to Public Citizen, Inc.	<u>(17,806)</u>	<u>(218,377)</u>
Net cash provided by (used for) operating activities	<u>\$ 1,724,241</u>	<u>\$ (142,469)</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Public Citizen Foundation, Inc. (the Foundation) was founded in 1982 and is a nonprofit citizen research and educational organization. The Foundation is based in Washington, D.C. and works for consumer rights in the marketplace, safe products, a healthy environment, clean and safe energy sources, and corporate and government accountability. These activities are funded primarily through contributions, grants, subscriptions and publication sales.

Basis of Accounting - The Foundation reports on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Tax Status - The Foundation is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code (the Code). The Foundation is, however, subject to income taxes on any unrelated business income. In addition, the Internal Revenue Service has determined that the Foundation is not a private foundation within the meaning of Section 509(a) of the Code.

The Foundation accounts for income tax uncertainties in accordance with the Accounting Standards Codification (ASC) Topic *Income Taxes*. For the years ended September 30, 2016 and 2015, the Foundation performed an evaluation of all tax positions taken and determined there were no matters that require recognition or disclosure in the financial statements.

The Foundation's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities, generally for three years after filing.

Cash and Cash Equivalents - Cash consists of monies held in checking and money market accounts, except for money market funds held in charitable gift annuity investment accounts. Cash equivalents are all highly liquid, short-term investments with initial maturities of three months or less when purchased.

Investments - The Foundation reports investments at fair value, which generally consist of amounts invested in certificates of deposit, government securities, equities, and mutual and exchange-traded funds.

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Accounts Receivable - Accounts receivable consists primarily of amounts due from court awards, list rentals and reimbursements which were not received by the Foundation at year-end. The management of the Foundation reviews the collectability of the accounts receivable on a monthly basis. No reserve for doubtful accounts has been established because management expects to collect all accounts receivable in full.

Grants and Pledge Receivable - Grants and pledges receivable consists primarily of amounts due from organization grants and individual pledges that were not received by the Foundation at year end. The management of the Foundation reviews the collectability of the accounts on a regular basis, and no reserve for doubtful accounts has been established. Contributions are recognized when the donor makes an unconditional promise to give.

Bequests Receivable - Bequests receivable consists of amounts due from bequests that were not received by the Foundation at year end. The management of the Foundation reviews the collectability of the accounts on a regular basis, and no reserve for doubtful accounts has been established.

Property and Equipment - The Foundation capitalizes all property and equipment acquisitions of \$1,000 and above. Property and equipment are carried at cost, if purchased, or at fair market value at date of donation, if contributed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance, including planned major maintenance activities, are charged to expense as incurred.

Deferred Subscription Revenue - Revenue from publication subscriptions is recognized ratably over the subscription period. Accordingly, the portion of each year's subscription revenue attributable to periods after September 30 is reported as deferred subscription revenue.

Charitable Gift Annuities - The Foundation has entered into a number of charitable gift annuity (CGA) agreements with its donors. Under the terms of these agreements, the donor contributes assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time (usually the donor's lifetime) to the donor or to individuals or organizations designated by the donor. At the inception of a CGA agreement, the excess of the fair value of assets received over the present value of annuity payments to be made to the donor or beneficiary is recognized as a charitable contribution. Subsequent changes to the present value of annuity payments are reported as change in value of charitable gift annuities in the statement of activities. The assets held for all charitable gift annuities are reported as charitable gift annuity investments in the statement of financial position and are reported at fair value. Liabilities for the expected annuity payments are reported at the estimated present value of future cash outflows, based on appropriate discount rates and mortality tables. The Foundation invests the charitable gift annuities in accordance with relevant state laws.

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

As of September 30, 2016 and 2015, the total assets, at fair value, were approximately \$2,290,000 and \$2,180,000, respectively. The actuarial present value of the Foundation's liability under all charitable gift annuities was approximately \$1,073,000 as of September 30, 2016, and \$1,037,000 as of September 30, 2015, and were computed using discount rates ranging from 1.2% to 5.5%. The Foundation is required to maintain a reserve of 110% of the annuity liability for New York, Tennessee and Washington State participants.

Contributions - The Foundation reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Information - The financial statements include certain prior year summarized comparative totals as of and for the year ended September 30, 2015. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

Donated Services - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. For the year ended September 30, 2016 and 2015, the Foundation received no donated services.

NOTE 2. DESCRIPTION OF PROGRAM SERVICES

Public Information and Education - The Foundation is active in every public forum: Congress, the courts, government agencies, and the news media. The Foundation believes that full disclosure of government information empowers citizens and consumers. All of the Foundation's communication and outreach efforts aim to make information about health care, transportation, international trade, nuclear waste and reactor safety, renewable energy, government and corporate accountability and related issues accessible to ordinary citizens. If necessary, the Foundation uses the courts to ensure fair access to information.

Publications - The Foundation publishes books, periodicals, special reports, and expert testimony on current issues in health and safety, the law, energy policy, transportation, and government and corporate accountability. This information is available to the public.

Health Research Group - The Health Research Group fights for safe foods, drugs, and medical devices; for universal access to quality health care; and for full disclosure of information that will empower consumers and inform their personal health care decisions.

Litigation Group - Litigation Group attorneys have argued landmark lawsuits on behalf of citizens in virtually every federal court as well as many state courts. Their efforts to represent principled, rather than profitable, positions in legal disputes have preserved the vital checks and balances of the separation of powers in the federal government, prevented the destruction of presidential records, and forced regulatory agencies to issue important health and safety standards.

Congress Watch - Congress Watch provides information to the public on the influence of special interest dollars that corrupt the political process and on corporate welfare expenditures that lard the federal budget; on a wide range of consumer protection measures, including health and safety standards, access to the courts, and financial services regulation.

Global Trade Watch - Acting on its belief that so called "free trade" treaties cost U.S. jobs, reduce wages, undermine our democratic rights, and jeopardize health, safety, and the environment, Global Trade Watch provides information to the public on the damaging impact of the corporate push for globalization through treaties such as the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) agreements.

Energy Program - The Energy Program provides information to the public on the threat of catastrophic climate change, the dangers of nuclear and fossil fuels, and the opportunities available to advance energy efficiency and develop renewable energy sources.

Access to Medicines - Public Citizen's Access to Medicines group works with partners worldwide to improve health outcomes and save lives, through use of pharmaceutical cost-lowering measures including generic competition. They help civil society groups and public agencies overcome patent-based and other drug monopolies. Their work challenges Big Pharma's economic and political power.

PC Texas - PC Texas informs Texans on important energy, trade, campaign finance reform, ethics, transportation, and utility issues.

NOTE 3. RELATED PARTY TRANSACTIONS

The Foundation is affiliated with Public Citizen, Inc. (PCI), a nonprofit organization exempt under Section 501(c)(4) of the Internal Revenue Code. The Foundation and PCI are under common control. As such, the financial position and activities of the Foundation and PCI are presented in separately issued combined financial statements as of and for the year ended September 30, 2016. The Foundation and PCI share certain resources, incurring costs on behalf of each other. These costs are reviewed on a regular basis and reimbursed consistently throughout the year.

NOTE 4. COLLECTIVE BARGAINING AGREEMENT

The employees of the Foundation elected to be covered by a collective bargaining agreement and to have the Service Employees International Union (SEIU), Local 500 AFL-CIO as their representative. The Foundation's management and SEIU ratified a collective bargaining agreement (the Agreement) as of October 1, 2013. The Agreement will remain in effect until September 30, 2017.

NOTE 5. INVESTMENTS

Investments as of September 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Certificates of deposit	\$ 33,745	\$ 125,000
Government securities	1,373,041	282,333
Exchange traded funds	3,366,579	3,583,764
Mutual funds	4,157,451	3,508,055
Common stocks	<u>87,771</u>	<u>2,840</u>
Total investments	<u>\$ 9,018,587</u>	<u>\$ 7,501,992</u>

NOTE 6. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment.

The following presents the Foundation's assets and liabilities measured at fair value on a recurring basis as of September 30, 2016, and the changes in fair value of liabilities measured using Level 3 inputs during the year then ended:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Assets				
Certificates of deposit	\$ 33,745	\$ -	\$ 33,745	\$ -
Government securities	1,373,041	1,373,041	-	-
Exchange traded funds	3,366,579	3,366,579	-	-
Mutual funds	4,157,451	4,157,451	-	-
Common stocks	<u>87,771</u>	<u>87,771</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 9,018,587</u>	 <u>\$ 8,984,842</u>	 <u>\$ 33,745</u>	 <u>\$ -</u>
Liabilities				
Charitable gift annuities	<u>\$ 1,072,614</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,072,614</u>
 Changes in value using Level 3 inputs				
Balance, beginning of year				\$ 1,036,941
Additional charitable gift annuities				114,058
Change in value of charitable gift annuities				115,452
Payments to charitable gift annuitants				<u>(193,837)</u>
Balance, end of year				<u>\$ 1,072,614</u>

NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)

The following presents the Foundation's assets and liabilities measured at fair value on a recurring basis as of September 30, 2015, and the changes in fair value of liabilities measured using Level 3 inputs during the year then ended:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Assets				
Certificates of deposit	\$ 125,000	\$ -	\$ 125,000	\$ -
Government securities	282,333	282,333	-	-
Exchange traded funds	3,583,764	3,583,764	-	-
Mutual funds	3,508,055	3,508,055	-	-
Common stocks	<u>2,840</u>	<u>2,840</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 7,501,992</u>	 <u>\$ 7,376,992</u>	 <u>\$ 125,000</u>	 <u>\$ -</u>
Liabilities				
Charitable gift annuities	<u>\$ 1,036,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,036,941</u>
 Changes in value using Level 3 inputs				
Balance, beginning of year				\$ 985,534
Additional charitable gift annuities				119,601
Change in value of charitable gift annuities				111,445
Payments to charitable gift annuitants				<u>(179,639)</u>
Balance, end of year				<u>\$ 1,036,941</u>

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2016 and 2015, temporarily restricted net assets were available for the following programs or purposes:

Program or Purpose	<u>2016</u>	<u>2015</u>
Congress Watch	\$ 876,305	\$ 560,341
Essay Contest Fund	161,775	166,230
Global Trade Watch	416,632	516,699
Health Research Group	15,000	15,000
Morrison Fellowship Fund	222,341	232,628
PC Texas	605,162	254,710
Access to Medicines	220,101	-
Phyllis McCarthy Fund	38,082	41,289
Public Information and Education	41,772	114,746
Sophia Wolfe Teacher Award Fund	45,873	46,023
Time Restriction - General Support	<u>138,471</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 2,781,514</u>	<u>\$ 1,947,666</u>

For the year ended September 30, 2016, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

Program or purpose	
Congress Watch	\$ 804,900
Essay Contest Fund	6,402
Energy program	12,750
Global Trade Watch	714,908
Health Research Group	31,945
Litigation Group	45,000
Morrison Fellowship Fund	80,625
PC Texas	549,910
Access to Medicines	321,250
Phyllis McCarthy Fund	3,208
Public Information and Education	324,356
Sophia Wolfe Teacher Award Fund	<u>150</u>
Total releases	<u>\$ 2,895,404</u>

NOTE 8. PENSION PLANS

The Foundation and its affiliate, Public Citizen, Inc. maintain a 401(k) plan (the 401(k) Plan). The 401(k) Plan requires the Foundation to make a safe harbor contribution equal to 3% of the total compensation for all eligible employees. The pension expense for the years ended September 30, 2016 and 2015 were approximately \$180,000 and \$113,000.

NOTE 9. CONCENTRATIONS

As of September 30, 2016, two donors comprised 94% of grants and pledges receivable. As of September 30, 2016, two bequests comprised 100% of bequests receivable.

The Foundation maintains cash balances at financial institutions, which at times during the year exceeded Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

As of September 30, 2016, approximately 77% of Public Citizen's employees are members of SEIU, Local 500 AFL-CIO.

NOTE 10. JOINT COST ALLOCATION

The Foundation incurred joint costs of approximately \$1,836,000 in 2016 for informational materials and other activities that included fundraising appeals. The costs were allocated as follows:

Program	\$ 631,691
Management and general	547,221
Fundraising	<u>657,399</u>
Total	<u>\$ 1,836,311</u>

NOTE 11. SUBSEQUENT EVENTS

Subsequent events were evaluated through January 31, 2017, which is the date the financial statements were available to be issued.