

PUBLIC CITIZEN FOUNDATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021



PUBLIC CITIZEN FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

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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. (PCF), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the year ended September 30, 2021, 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 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 PCF as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the year ended September 30, 2021, 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, 2020, and we expressed an unmodified audit opinion on those financial statements in our report dated February 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CaliberCPAGroup, PLLC

Bethesda, MD
February 9, 2022

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,494,964	\$ 4,406,126
Investments	59,996	1,487,067
Accounts receivable	120,224	16,754
Grants receivable	1,872,346	387,500
Interest receivable	2,017	7,425
Prepaid expenses	73,488	49,727
Total current assets	4,623,035	6,354,599
INVESTMENTS, net of current portion	30,748,480	22,679,466
GRANTS RECEIVABLE, net of current portion	-	33,334
PROPERTY AND EQUIPMENT		
Land	1,243,073	1,243,073
Building and improvements	3,598,691	3,523,717
Office furniture and equipment	871,862	791,821
	5,713,626	5,558,611
Less: accumulated depreciation and amortization	(3,196,151)	(3,032,951)
	2,517,475	2,525,660
INVESTMENTS - CHARITABLE GIFT ANNUITIES	3,798,777	3,453,495
Total assets	\$ 41,687,767	\$ 35,046,554

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

SEPTEMBER 30, 2021 AND 2020

	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 441,148	\$ 343,628
Accrued leave	576,490	508,089
Deferred subscription revenue	1,370,746	1,371,302
Deferred event revenue	50,000	-
Charitable gift annuities payable	253,551	253,669
Due to Public Citizen, Inc.	541,193	598,723
Refundable advance (PPP loan)	742,500	742,500
Total current liabilities	3,975,628	3,817,911
LONG-TERM LIABILITIES		
Charitable gift annuities payable, net of current portion	1,322,725	1,252,123
Total liabilities	5,298,353	5,070,034
NET ASSETS		
Without donor restrictions	28,385,649	24,898,565
With donor restrictions	8,003,765	5,077,955
Total net assets	36,389,414	29,976,520
Total liabilities and net assets	\$ 41,687,767	\$ 35,046,554

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2021

(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE				
Contributions	\$ 6,646,386	\$ 1,746,454	\$ 8,392,840	\$ 6,687,224
Grants	-	6,772,168	6,772,168	6,479,540
Publication subscriptions	1,084,188	-	1,084,188	1,264,265
List rental revenue	49,789	-	49,789	70,857
Net investment income	3,599,593	69,565	3,669,158	2,354,084
Court awards	484,160	-	484,160	384,979
Other	2,363	-	2,363	2,892
Change in value of charitable gift annuities	(60,646)	-	(60,646)	(86,063)
Net assets released from restrictions	<u>5,662,377</u>	<u>(5,662,377)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>17,468,210</u>	<u>2,925,810</u>	<u>20,394,020</u>	<u>17,157,778</u>
EXPENSES				
Program				
Public Information and Education	2,039,542	-	2,039,542	2,061,962
Publications	1,683,639	-	1,683,639	1,715,399
Health Research Group	960,428	-	960,428	925,513
Litigation Group	1,768,991	-	1,768,991	1,756,624
Congress Watch	2,165,746	-	2,165,746	1,738,844
Access to Medicines	433,289	-	433,289	511,834
Global Trade Watch	858,966	-	858,966	760,954
Energy Program	1,024,649	-	1,024,649	295,170
PC Texas	944,677	-	944,677	782,770
Total program	<u>11,879,927</u>	<u>-</u>	<u>11,879,927</u>	<u>10,549,070</u>
Supporting				
Management and general	1,023,723	-	1,023,723	1,052,278
Fundraising	1,077,476	-	1,077,476	1,147,836
Total supporting	<u>2,101,199</u>	<u>-</u>	<u>2,101,199</u>	<u>2,200,114</u>
Total expenses	<u>13,981,126</u>	<u>-</u>	<u>13,981,126</u>	<u>12,749,184</u>
CHANGE IN NET ASSETS	3,487,084	2,925,810	6,412,894	4,408,594
NET ASSETS				
Beginning of year	<u>24,898,565</u>	<u>5,077,955</u>	<u>29,976,520</u>	<u>25,567,926</u>
End of year	<u>\$ 28,385,649</u>	<u>\$ 8,003,765</u>	<u>\$ 36,389,414</u>	<u>\$ 29,976,520</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2020)

	Program											Supporting		2020 Total	
	Public Information and Education	Publications	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		
Salaries	\$ 1,094,968	\$ 118,839	\$ 691,433	\$ 1,223,530	\$ 1,029,456	\$ 225,811	\$ 594,621	\$ 359,869	\$ 259,961	\$ 5,598,488	\$ 408,109	\$ 304,346	\$ 712,455	\$ 6,310,943	\$ 6,001,370
Payroll taxes and employee benefits	312,871	39,665	179,850	320,588	251,832	65,800	135,812	97,019	89,626	1,493,063	128,487	89,846	218,333	1,711,396	1,587,224
Bank charges	5,980	11,938	-	-	-	-	825	-	-	18,743	22,894	11,062	33,956	52,699	52,405
Caging and database maintenance	8,041	54,135	-	-	-	-	-	-	528	62,704	8,499	15,468	23,967	86,671	113,086
Consulting and professional services	225,924	282,921	-	-	381,738	22,595	25,386	18,022	83,513	1,040,099	282,569	164,080	446,449	1,486,548	1,097,662
Contract labor	685	3,045	-	-	20,500	-	-	-	25,000	49,230	10,892	1,317	12,209	61,439	62,902
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	163,200	-	163,200	163,200	145,843
Fees, licenses and taxes	566	133	-	5,350	17,083	322	16,652	5,932	1,199	47,237	144,283	1,079	145,362	192,599	250,541
Grant distribution	-	-	-	-	292,650	75,000	-	500,000	369,428	1,237,078	-	-	-	1,237,078	501,376
Insurance	-	-	-	-	-	-	-	-	-	-	29,931	-	-	29,931	30,977
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,313
List rental cost	12,171	47,074	-	-	-	-	-	-	-	59,245	12,863	23,412	36,275	95,520	71,600
Mail house	30,653	149,974	-	-	-	-	-	-	-	180,627	32,396	64,358	96,754	277,381	297,786
Meeting fees/conference	360	-	-	175	1,075	280	300	190	588	2,968	-	-	-	2,968	15,754
Miscellaneous	7,866	2,504	4,386	10,787	2,927	602	1,366	121	101	30,660	5,166	2,983	8,149	38,809	35,266
Office supplies	1,540	3	272	1,679	575	352	434	-	17,983	22,838	27,947	593	28,540	51,378	91,337
Postage and shipping	76,957	614,398	40	2,112	-	-	450	22	4,786	698,765	81,012	161,722	242,734	941,499	1,004,281
Printing and publications	79,282	345,374	-	2,956	8,113	-	4,612	35	4,478	444,850	80,581	162,058	242,639	687,489	764,809
Reference materials	32,556	1,438	5,038	73,162	19,353	1,538	7,688	4,088	2,666	147,527	9,211	10,203	19,414	166,941	135,985
Rent	2,295	-	-	-	5,132	-	2,981	1,808	48,201	50,496	74,810	-	-	50,496	48,319
Repairs and maintenance	-	-	-	-	176	-	3,208	68	99	9,921	11,312	199	111,535	84,731	111,411
Software maintenance	1,222	-	6,239	-	-	300	-	-	-	7,107	7,511	13,670	21,181	122,847	106,614
Special events	7,107	-	-	-	479	2,555	608	133	363	13,267	29,633	1,226	30,859	28,288	48,981
Telephone	8,531	-	17	581	-	1,542	1,859	-	1,051	7,957	25	46	71	44,126	45,847
Travel	685	-	(32)	-	3,522	1,836	1,836	1,113	4,611	10,721	37,400	-	37,400	8,028	75,467
Utilities	-	-	73,185	128,071	3,161	36,592	60,998	36,229	30,495	635,024	(684,832)	49,808	(635,024)	48,121	50,028
Allocation of common costs	129,282	12,198	-	-	127,974	-	-	-	-	-	-	-	-	-	-
Total expenses	\$ 2,039,542	\$ 1,683,639	\$ 960,428	\$ 1,768,991	\$ 2,165,746	\$ 433,289	\$ 858,966	\$ 1,024,649	\$ 944,677	\$ 11,879,927	\$ 1,023,723	\$ 1,077,476	\$ 2,101,199	\$ 13,981,126	\$ 12,749,184

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2021

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED SEPTEMBER 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 8,289,370	\$ 6,790,941
Grants received	5,320,656	7,341,540
Publication subscriptions received	1,133,632	1,192,199
List rental income received	49,789	70,857
Investment income received	753,319	503,529
Court awards received	484,160	384,979
Other operating receipts	2,363	10,392
Payments to vendors, suppliers, employees, and Public Citizen, Inc.	<u>(13,915,495)</u>	<u>(12,222,543)</u>
Net cash provided by operating activities	<u>2,117,794</u>	<u>4,071,894</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(13,307,491)	(13,964,947)
Proceeds from sales of investments	9,423,712	10,481,960
Purchases of property and equipment	<u>(155,015)</u>	<u>(33,348)</u>
Net cash used for investing activities	<u>(4,038,794)</u>	<u>(3,516,335)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Liabilities assumed under charitable gift annuities	251,411	368,298
Payments to charitable gift annuitants	(241,573)	(241,186)
Loan proceeds received	<u>-</u>	<u>742,500</u>
Net cash provided by financing activities	<u>9,838</u>	<u>869,612</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,911,162)	1,425,171
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>4,406,126</u>	<u>2,980,955</u>
End of year	<u>\$ 2,494,964</u>	<u>\$ 4,406,126</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Public Citizen Foundation, Inc. (PCF or the Foundation) was founded in 1982 and is a nonprofit citizen research and educational organization. PCF 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 - PCF reports on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic, *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

Classification of Net Assets - The net assets of PCF are reported as follows:

Net assets without donor restrictions - These net assets are available to finance the general operations of PCF. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of PCF, the environment in which it operates, and the purposes specified in its organizing documents.

Net assets with donor restrictions - These net assets result from contributions and other inflows of assets, the use of which by PCF is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual. Net assets with temporary donor restrictions are specifically restricted by donors or grantors for various programs, or for general support in a future period.

Net assets with perpetual donor restrictions consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of PCF. The restrictions stipulate that resources be maintained permanently but permit PCF to expend income generated in accordance with the provisions of the agreement.

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

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

PCF accounts for income tax uncertainties in accordance with the ASC Topic *Income Taxes*. For the years ended September 30, 2021 and 2020, PCF performed an evaluation of all tax positions taken and determined there were no matters that require recognition or disclosure in the financial statements.

PCF'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 - PCF reports investments at fair value, which generally consist of amounts invested in certificates of deposit, government securities, equities, and mutual and exchange-traded funds. Income earned is derived from interest, dividends and changes in fair value. Purchases and sales of securities are recognized on a trade-date basis. Interest income is recognized on the accrual basis. Dividends are recognized on the ex-dividend date. Unrealized gains (losses) resulting from increases (decreases) in fair value of securities held as well as the net realized gains (losses) arising from sales of securities are included in investment income. Investment income is reported in the statement of activities net of all external and direct internal investment expenses. Investments held for current operating needs are classified as short-term investments.

Accounts Receivable - Accounts receivable consists primarily of amounts due from court awards, list rentals and reimbursements which were not received by PCF at year-end. The management of PCF 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 Receivable - Grants receivable consists primarily of amounts due from organization grants and individual pledges that were not received by PCF at year end. The management of PCF 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 PCF at year end. The management of PCF reviews the collectability of the accounts on a regular basis, and no reserve for doubtful accounts has been established.

Property and Equipment - PCF capitalizes all property and equipment acquisitions of \$1,000 and above. Property and equipment are carried at cost, if purchased, or at fair 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.

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

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 - PCF 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 PCF in exchange for a promise by PCF 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 statements 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. PCF invests the charitable gift annuities in accordance with relevant state laws.

As of September 30, 2021 and 2020, the total assets, at fair value, were approximately \$3,799,000 and \$3,453,000, respectively. The actuarial present value of PCF's liability under all charitable gift annuities was approximately \$1,576,000 as of September 30, 2021, and \$1,506,000 as of September 30, 2020, and were computed using discount rates ranging from 1.2% to 5.5%. PCF is required to maintain a reserve of 110% of the annuity liability for Tennessee and Washington State participants and 115% for New York State participants.

Revenue Recognition - Revenue is derived from both exchange transactions and contribution transactions. Revenue from exchange transactions is recognized when control of promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. All goods and services are transferred at a point in time. Payments are generally required in advance and are reported as deferred revenue until the related revenue is recognized. Unconditional contributions are recognized upon receipt of cash or other assets, or when a donor promises to transfer cash or other assets in the future. Conditional promises to give, that is, those with a measurable performance obligation or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been substantially met.

Revenue from Exchange Transactions - Revenue from publication subscriptions is recognized as each publication is circulated. Revenue from list rentals is recognized as the list is made available to a customer.

Contributions - Contributions received are reported as increases in net assets without donor restrictions unless received with donor stipulations that require the assets be used for specific purposes or in specific time periods. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

Grants and Similar Agreements - Most grant agreements are accounted for as contribution transactions. When an agreement includes both a barrier and either a right of return of assets to the resource provider or a right of release from obligation by the resource provider, the contribution is considered to be conditional. Amounts received under conditional transfers are reported as a liability (refundable advance) and recognized as contribution revenue only when the conditions are met.

Donated Services - Donated services are recognized if they create or enhance a nonfinancial asset, or if the services require specialized skills, are provided by individuals possessing those skills, and would have to be purchased if they were not contributed to us. Contribution revenue is recognized at the fair value of the nonfinancial asset created or enhanced, or at the fair value of the donated services, whichever is applicable. For the years ended September 30, 2021 and 2020, PCF received no donated services.

Bequests - PCF, if informed that it has been named beneficiary under certain wills, does not include bequest amounts in the financial statements relating to potential distributions if they may be revoked or amended during the makers' lifetimes. The donation is recognized once the will has gone through probate and PCF has been notified of the award.

Functional Allocation of Expenses - The costs of providing the various programs and supporting activities of PCF have been summarized on a functional basis in the statements of activities and functional expenses. Costs that can be specifically identified with a final cost objective are charged directly to that activity. Other costs are allocated among the program and supporting services benefited based on management's best estimates. Salaries and related fringe benefits are allocated based on employee time and effort studies. Information technology costs are allocated based on the relative benefit of related activity use. Other common costs such as occupancy, depreciation and related infrastructure costs are allocated based on employee time and effort studies.

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, 2020. 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 PCF's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

NOTE 2. DESCRIPTION OF PROGRAM SERVICES

Public Information and Education - PCF is active in every public forum: Congress, the courts, government agencies, and the news media. PCF believes that full disclosure of government information empowers citizens and consumers. All of PCF'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, PCF uses the courts to ensure fair access to information.

Publications - PCF 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 in federal and state courts across the country. 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.

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.

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.

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

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation's financial assets available within one year to meet cash needs for general expenditures as of September 30, 2021 and 2020, respectively are as follows:

	<u>2021</u>	<u>2020</u>
Total assets at end of year	\$ 41,687,767	\$ 35,046,554
Less nonfinancial assets		
Prepaid expenses	(73,488)	(49,727)
Net property and equipment	<u>(2,517,475)</u>	<u>(2,525,660)</u>
Total financial assets at year-end	39,096,804	32,471,167
Less amounts unavailable for general expenditures within one year		
Grants receivable due in more than one year	-	(33,334)
Other assets subject to donor restrictions	(8,003,765)	(5,044,621)
Investments held to fund charitable gift annuities	<u>(3,798,777)</u>	<u>(3,453,495)</u>
Financial assets available to fund general expenditures within one year	<u>\$ 27,294,262</u>	<u>\$ 23,939,717</u>

NOTE 4. INVESTMENTS

Investments as of September 30, 2021 and 2020 and net investment income for the years then ended consisted of the following:

	<u>2021</u>	<u>2020</u>
Investments at year-end		
Certificates of deposit	\$ -	\$ 1,456,672
Exchange traded funds	6,450,422	4,692,364
Mutual funds	28,146,521	21,463,547
Common stocks	<u>10,310</u>	<u>7,445</u>
Total investments	<u>\$ 34,607,253</u>	<u>\$ 27,620,028</u>
Net investment income		
Interest and dividends	\$ 747,911	\$ 495,991
Net appreciation	3,103,446	2,010,910
Investment fees	<u>(182,199)</u>	<u>(152,817)</u>
Net investment income	<u>\$ 3,669,158</u>	<u>\$ 2,354,084</u>

NOTE 5. FAIR VALUE MEASUREMENTS

Accounting standards provide the framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that PCF has the ability to access.

Level 2 Inputs to the valuation methodology include other significant observable inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following are descriptions of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at September 30, 2021 and 2020.

Certificates of deposit: Approximates fair value because the instruments are liquid in nature and have short-term maturities.

Mutual funds: Mutual funds are valued at the net asset value that represents the market value of the assets less liabilities. Assets valued at net asset value are reported on the active market on which the individual securities are traded.

Common stocks and exchange traded funds: Valued at the closing price reported on the active market on which the individual securities or funds are traded.

Charitable gift annuities: 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.

NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present PCF's assets and liabilities measured at fair value on a recurring basis as of September 30, 2021 and 2020, and the changes in fair value of liabilities measured using Level 3 inputs during the year then ended:

	September 30, 2021			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Exchange traded funds	\$ 6,450,422	\$ 6,450,422	\$ -	\$ -
Mutual funds	28,146,521	28,146,521	-	-
Common stocks	<u>10,310</u>	<u>10,310</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 34,607,253</u>	<u>\$ 34,607,253</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Charitable gift annuities	<u>\$ 1,576,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,576,276</u>
Changes in value using Level 3 inputs				
Balance, beginning of year				\$ 1,505,792
Additional charitable gift annuities				251,411
Change in value of charitable gift annuities				60,646
Payments to charitable gift annuitants				<u>(241,573)</u>
Balance, end of year				<u>\$ 1,576,276</u>
	September 30, 2020			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Certificates of deposit	\$ 1,456,672	\$ -	\$ 1,456,672	\$ -
Exchange traded funds	4,692,364	4,692,364	-	-
Mutual funds	21,463,547	21,463,547	-	-
Common stocks	<u>7,445</u>	<u>7,445</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 27,620,028</u>	<u>\$ 26,163,356</u>	<u>\$ 1,456,672</u>	<u>\$ -</u>
Liabilities				
Charitable gift annuities	<u>\$ 1,505,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,505,792</u>
Changes in value using Level 3 inputs				
Balance, beginning of year				\$ 1,292,617
Additional charitable gift annuities				368,298
Change in value of charitable gift annuities				86,063
Payments to charitable gift annuitants				<u>(241,186)</u>
Balance, end of year				<u>\$ 1,505,792</u>

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30 were available for the following programs:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions		
Congress Watch	\$ 1,413,012	\$ 1,451,949
Energy Program	1,990,699	436,711
Essay Contest Fund	133,324	140,120
Global Trade Watch	418,842	146,970
Health Research Group	15,000	50,000
Lang Endowment	1,019,597	-
Litigation Group	59,172	50,000
Morrison Fellowship Fund	202,636	69,591
PC Texas	1,103,979	1,345,749
Access to Medicines	928,711	700,931
Phyllis McCarthy Fund	24,450	24,513
Public Information and Education	286,007	517,474
Development - Gala Restricted	365,365	101,762
Sophia Wolfe Teacher Award Fund	<u>42,971</u>	<u>42,185</u>
Total net assets with donor restrictions	<u>\$ 8,003,765</u>	<u>\$ 5,077,955</u>

For the year ended September 30, 2021, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

Net assets released from donor restrictions	
Congress Watch	\$ 1,829,829
Essay Contest Fund	6,050
Energy program	885,060
Global Trade Watch	486,407
Health Research Group	109,948
Lang Endowment	10,952
Litigation Group	265,614
Morrison Fellowship Fund	84,788
PC Texas	870,871
Access to Medicines	391,388
Phyllis McCarthy Fund	150
Public Information and Education	573,084
Development - Gala Restricted	148,086
Sophia Wolfe Teacher Award Fund	<u>150</u>
Total net assets released from donor restrictions	<u>\$ 5,662,377</u>

NOTE 7. CONTRACT BALANCES

The timing of billings, cash collections, and revenue recognition result in contract assets and contract liabilities associated with revenue from exchange transactions. Contract assets consist entirely of trade accounts receivable, which are recognized only to the extent it is probable that we will collect substantially all of the consideration to which we are entitled in exchange for the goods or services that will be or have been transferred. Contract liabilities consist entirely of deferred revenue that results when we receive advance payments from customers before revenue is recognized. Balances in these accounts as of the beginning and end of the years ended September 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable	<u>\$ 120,224</u>	<u>\$ 16,754</u>	<u>\$ 75,843</u>
Deferred subscription revenue	\$ 1,370,746	\$ 1,371,302	\$ 1,443,368
Deferred event revenue	<u>50,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,420,746</u>	<u>\$ 1,371,302</u>	<u>\$ 1,443,368</u>

NOTE 8. ENDOWMENT FUNDS

PCF's endowment consists of donor-restricted funds established to provide for the long-term support of PCF and its programs. As required by U.S. generally accepted accounting principles, 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, PCF classifies as net assets with perpetual donor restrictions (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 remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, PCF 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 PCF 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;
- Investment policies of PCF; and
- Other resources of PCF.

NOTE 8. ENDOWMENT FUNDS (CONTINUED)

As of September 30, 2021, the temporary portion of the donor-restricted endowment funds was \$39,893 and the perpetual portion was \$979,704. Changes in endowment net assets for the year ended September 30, 2021:

	2021			
	Without Donor Restrictions	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	979,704	979,704
Investment return				
Interest income, net of fees	-	1,050	-	1,050
Net appreciation (realized and unrealized)	-	38,843	-	38,843
Total investment return	-	39,893	-	39,893
Appropriation of endowment earnings for expenditure	-	-	-	-
Endowment net assets, end of year	\$ -	\$ 39,893	\$ 979,704	\$ 1,019,597

Return Objectives and Risk Parameters

PCF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that PCF must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of key benchmarks while assuming a moderate level of investment risk. PCF's objective is that total investment returns shall exceed the U.S. Consumer Price Index. Actual experience in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, PCF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yields (interest and dividends) utilizing a strategy of fixed income, equities and cash equivalents in a mix conducive to participation in rising markets and allowing for protection in falling markets within prudent risk constraints. In addition, PCF utilizes the services of experienced investment managers to achieve its objectives.

NOTE 8. ENDOWMENT FUNDS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The spending rate policy will be a minimum of four percent (4%). However, should the value of the Endowment Fund ever drop below the fund's corpus, all spending shall be suspended until such time that the value of the fund exceeds the fund's corpus. The spending rate will be reviewed periodically by the Finance Committee prior to the preparation of the budget and adjusted as appropriate and recommended to the Executive Board for approval.

NOTE 9. JOINT COST ALLOCATION

PCF incurred joint costs of \$2,062,700 in 2021 for informational materials and other activities that included fundraising appeals. The costs were allocated as follows:

Program	\$ 518,218
Management and general	547,675
Fundraising	<u>996,807</u>
Total	<u>\$ 2,062,700</u>

NOTE 10. COLLECTIVE BARGAINING AGREEMENT

The employees of PCF 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. PCF's management and SEIU ratified a new collective bargaining agreement (the Agreement) in December 2021. The Agreement is in effect until September 30, 2024.

NOTE 11. PENSION PLANS

PCF and its affiliate PCI maintain an Internal Revenue Code Section 401(k) plan (the 401(k) Plan). The 401(k) Plan requires PCF to make a safe harbor contribution equal to 3% of the total compensation for all eligible employees. Pension expense for the year ended September 30, 2021 was approximately \$249,000.

NOTE 12. RELATED PARTY TRANSACTIONS

PCF is affiliated with Public Citizen, Inc. (PCI), a nonprofit organization exempt under Section 501(c)(4) of the IRC. PCF and PCI are under common control. As such, the financial position and activities of PCF and PCI are presented in separately issued combined financial statements as of and for the year ended September 30, 2021. PCF 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. Amounts due to PCI were \$541,193 and \$598,723 as of September 30, 2021 and 2020, respectively.

NOTE 13. REFUNDABLE ADVANCE (PPP LOAN)

On June 5, 2020, PCF received a Paycheck Protection Program (PPP) loan in the amount of \$742,500, made available under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Provided PCF complies with applicable provisions of the CARES Act, the PPP loan is eligible to be forgiven in full. Management believes PCF complied with the applicable provisions of the CARES Act and applied for forgiveness of the loan. The U.S. Small Business Administration formally forgave the loan in its entirety in December 2021, which will be recognized as revenue during the fiscal year ending September 30, 2022. The liability at September 30, 2021 is reported as a refundable advance in the statements of financial position.

NOTE 14. CONCENTRATIONS

As of September 30, 2021, approximately 75% of grants receivable were due from two donors.

PCF 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, 2021, approximately 79% of PCI's employees are members of SEIU, Local 500 AFL-CIO.

NOTE 15. SIGNIFICANT UNCERTAINTIES

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of the pandemic on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Foundation's donors, employees and vendors, all of which, at present, cannot be determined. Accordingly, the extent to which the pandemic may impact the Foundation's financial position, changes in net assets, and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

NOTE 16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 9, 2022, which is the date the financial statements were available to be issued. This review and evaluation revealed no events requiring adjustment to or disclosure in the accompanying financial statements.