

PUBLIC CITIZEN FOUNDATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020



PUBLIC CITIZEN FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

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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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the year ended September 30, 2020, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the year ended September 30, 2020, 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, 2019, and we expressed an unmodified audit opinion on those financial statements in our report dated February 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CaliberCPAGroup, PLLC

Bethesda, MD
February 3, 2021

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,406,126	\$ 2,980,955
Investments	1,487,067	2,708,113
Accounts receivable	16,754	75,843
Grants receivable	387,500	932,834
Interest receivable	7,425	14,963
Bequests receivable	-	44,628
Prepaid expenses	49,727	120,270
Total current assets	<u>6,354,599</u>	<u>6,877,606</u>
INVESTMENTS, net of current portion	<u>22,679,466</u>	<u>16,573,174</u>
GRANTS RECEIVABLE, net of current portion	<u>33,334</u>	<u>350,000</u>
PROPERTY AND EQUIPMENT		
Land	1,243,073	1,243,073
Building and improvements	3,523,717	3,523,717
Office furniture and equipment	791,821	758,473
	<u>5,558,611</u>	<u>5,525,263</u>
Less: accumulated depreciation and amortization	<u>(3,032,951)</u>	<u>(2,887,108)</u>
	<u>2,525,660</u>	<u>2,638,155</u>
INVESTMENTS - CHARITABLE GIFT ANNUITIES	<u>3,453,495</u>	<u>2,844,844</u>
Total assets	<u>\$ 35,046,554</u>	<u>\$ 29,283,779</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 343,628	\$ 255,610
Accrued leave	508,089	397,537
Deferred subscription revenue	1,371,302	1,443,368
Charitable gift annuities payable	253,669	236,356
Due to Public Citizen, Inc.	598,723	326,721
Refundable advance (PPP loan)	742,500	-
	<u>3,817,911</u>	<u>2,659,592</u>
LONG-TERM LIABILITIES		
Charitable gift annuities payable, net of current portion	<u>1,252,123</u>	<u>1,056,261</u>
	<u>5,070,034</u>	<u>3,715,853</u>
NET ASSETS		
Without donor restrictions	24,898,565	22,007,053
With donor restrictions	<u>5,077,955</u>	<u>3,560,873</u>
	<u>29,976,520</u>	<u>25,567,926</u>
	<u>\$ 35,046,554</u>	<u>\$ 29,283,779</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2020

(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE				
Contributions	\$ 6,136,036	\$ 551,188	\$ 6,687,224	\$ 6,868,296
Grants	1,050,000	5,429,540	6,479,540	3,817,000
Publication subscriptions	1,264,265	-	1,264,265	1,354,456
List rental revenue	70,857	-	70,857	84,526
Net investment income	2,337,445	16,639	2,354,084	702,777
Court awards	384,979	-	384,979	461,350
Other	2,892	-	2,892	2,725
Change in value of charitable gift annuities	(86,063)	-	(86,063)	(114,913)
Net assets released from restrictions	4,480,285	(4,480,285)	-	-
Total revenue	<u>15,640,696</u>	<u>1,517,082</u>	<u>17,157,778</u>	<u>13,176,217</u>
EXPENSES				
Program				
Public Information and Education	2,061,962	-	2,061,962	2,359,304
Publications	1,715,399	-	1,715,399	1,649,566
Health Research Group	925,513	-	925,513	917,796
Litigation Group	1,756,624	-	1,756,624	1,756,037
Congress Watch	1,738,844	-	1,738,844	1,492,676
Access to Medicines	511,834	-	511,834	648,458
Global Trade Watch	760,954	-	760,954	1,026,449
Energy Program	295,170	-	295,170	276,233
PC Texas	782,770	-	782,770	700,434
Total program	<u>10,549,070</u>	<u>-</u>	<u>10,549,070</u>	<u>10,826,953</u>
Supporting				
Management and general	1,052,278	-	1,052,278	1,045,963
Fundraising	1,147,836	-	1,147,836	1,058,773
Total supporting	<u>2,200,114</u>	<u>-</u>	<u>2,200,114</u>	<u>2,104,736</u>
Total expenses	<u>12,749,184</u>	<u>-</u>	<u>12,749,184</u>	<u>12,931,689</u>
CHANGE IN NET ASSETS	2,891,512	1,517,082	4,408,594	244,528
NET ASSETS				
Beginning of year	<u>22,007,053</u>	<u>3,560,873</u>	<u>25,567,926</u>	<u>25,323,398</u>
End of year	<u>\$ 24,898,565</u>	<u>\$ 5,077,955</u>	<u>\$ 29,976,520</u>	<u>\$ 25,567,926</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2020

(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2019)

	Program									Supporting			2020 Total	2019 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	\$ 1,093,158	\$ 110,203	\$ 648,120	\$ 1,205,157	\$ 941,727	\$ 344,049	\$ 512,638	\$ 203,571	\$ 279,813	\$ 5,338,436	\$ 380,926	\$ 282,008	\$ 662,934	\$ 6,001,370	\$ 5,735,467
Payroll taxes and employee benefits	307,233	37,571	168,353	284,802	233,901	89,755	117,231	64,983	87,675	1,391,504	119,358	76,362	195,720	1,587,224	1,616,927
Bank charges and investment fees	5,163	16,504	150	944	28	-	-	10	28	22,827	20,039	9,539	29,578	52,405	46,130
Caging and database maintenance	13,045	61,809	-	-	-	-	-	-	-	74,854	13,128	25,104	38,232	113,086	135,339
Consulting and professional services	198,306	278,592	95	95	145,225	4,087	34,000	-	31,858	692,258	252,769	152,635	405,404	1,097,662	1,052,784
Contract labor	1,336	3,030	9,400	-	90	-	-	-	27,490	41,346	18,986	2,570	21,556	62,902	125,704
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	145,843	-	145,843	145,843	161,701
Fees, licenses and taxes	17,275	139	55	9,995	19,253	193	10,156	4,060	228	61,354	156,153	33,034	189,187	250,541	200,425
Grant distribution	-	-	-	-	247,490	15,000	-	-	238,886	501,376	-	-	-	501,376	432,299
Insurance	321	-	-	-	-	-	-	-	-	321	30,039	617	30,656	30,977	29,584
Interest	-	-	-	-	-	-	-	-	-	-	2,313	-	2,313	2,313	-
List rental cost	6,019	47,939	-	-	-	-	-	-	-	53,958	6,058	11,584	17,642	71,600	71,575
Mail house	35,250	154,101	-	-	-	-	-	-	-	189,351	35,103	73,332	108,435	297,786	298,021
Meeting fees/conference	4,808	-	576	-	2,641	1,437	2,346	39	3,525	15,372	131	251	382	15,754	41,280
Miscellaneous	8,719	2,899	3,946	9,709	281	552	486	-	283	26,875	5,305	3,086	8,391	35,266	48,326
Office supplies	2,534	46	865	2,546	2,810	378	1,738	65	24,817	35,799	54,388	1,150	55,538	91,337	93,455
Postage and shipping	89,943	631,719	284	2,066	143	-	-	-	98	724,253	189,971	90,057	280,028	1,004,281	1,019,956
Printing and publications	96,046	360,250	-	5,828	114	63	1,159	(32)	81	463,509	95,391	205,909	301,300	764,809	907,577
Reference materials	20,424	-	6,579	76,181	5,241	570	7,283	3,826	2,555	122,659	11,731	1,595	13,326	135,985	146,109
Rent	1,639	-	-	-	-	-	-	-	46,680	48,319	-	-	-	48,319	46,312
Repairs and maintenance	-	-	-	-	8,853	-	4,814	1,925	-	15,592	95,819	-	95,819	111,411	233,361
Software maintenance	2,168	1,731	2,054	694	-	38	2,419	-	34	9,138	97,208	268	97,476	106,614	88,116
Special events	10,637	-	4,265	-	-	-	-	-	-	14,902	13,608	20,471	34,079	48,981	82,801
Telephone	6,298	22	384	1,156	3,831	2,871	1,144	169	441	16,316	29,208	323	29,531	45,847	78,012
Travel	18,046	-	257	3,869	7,075	20,789	1,841	1,758	3,412	57,047	6,325	12,095	18,420	75,467	175,879
Utilities	-	-	-	-	6,624	-	3,602	1,441	1,478	13,145	36,883	-	36,883	50,028	64,549
Allocation of common costs	123,594	8,844	80,130	153,582	113,517	32,052	60,097	13,355	33,388	618,559	(664,491)	45,932	(618,559)	-	-
Total expenses	\$ 2,061,962	\$ 1,715,399	\$ 925,513	\$ 1,756,624	\$ 1,738,844	\$ 511,834	\$ 760,954	\$ 295,170	\$ 782,770	\$ 10,549,070	\$ 1,052,278	\$ 1,147,836	\$ 2,200,114	\$ 12,749,184	\$ 12,931,689

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2020

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED SEPTEMBER 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 6,790,941	\$ 6,829,901
Grants received	7,341,540	4,752,333
Publication subscriptions received	1,192,199	1,226,104
List rental income received	70,857	84,526
Investment income received	503,529	415,747
Court awards received	384,979	461,350
Other operating receipts	10,392	2,725
Payments to vendors, suppliers, employees, and Public Citizen, Inc.	<u>(12,222,543)</u>	<u>(12,851,106)</u>
Net cash provided by operating activities	<u>4,071,894</u>	<u>921,580</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(13,964,947)	(12,265,206)
Proceeds from sales of investments	10,481,960	12,781,087
Purchases of property and equipment	<u>(33,348)</u>	<u>(120,141)</u>
Net cash provided by (used for) investing activities	<u>(3,516,335)</u>	<u>395,740</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Liabilities assumed under charitable gift annuities	368,298	223,539
Payments to charitable gift annuitants	(241,186)	(220,214)
Loan proceeds received	<u>742,500</u>	<u>-</u>
Net cash provided by financing activities	<u>869,612</u>	<u>3,325</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,425,171	1,320,645
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,980,955</u>	<u>1,660,310</u>
End of year	<u><u>\$ 4,406,126</u></u>	<u><u>\$ 2,980,955</u></u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

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), *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.

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.

PCF accounts for income tax uncertainties in accordance with the ASC Topic *Income Taxes*. For the years ended September 30, 2020 and 2019, PCF performed an evaluation of all tax positions taken and determined there were no matters that require recognition or disclosure in the financial statements.

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

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 recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded 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.

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.

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

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 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. PCF invests the charitable gift annuities in accordance with relevant state laws.

As of September 30, 2020 and 2019, the total assets, at fair value, were approximately \$3,453,000 and \$2,845,000, respectively. The actuarial present value of PCF's liability under all charitable gift annuities was approximately \$1,506,000 as of September 30, 2020, and \$1,293,000 as of September 30, 2019, 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.

Revenue Recognition - Revenue from contracts with customers consists primarily of publication subscriptions. Revenue is recognized when control of the 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. The revenue is recognized net of discounts, waivers, and refunds. Revenue is recognized using the five-step approach required by ASC Topic 606 *Revenue from Contracts with Customers*, as follows:

- Identification of the contract with a customer.
- Identification of the performance obligations in the contract.
- Determination of the transaction price.
- Allocation of the transaction price to the performance obligations in the contract.
- Recognition of revenue when, or as, performance obligations are satisfied.

Performance Obligations and Significant Judgments - A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service and recognized as revenue when, or as, the performance obligation is satisfied. If a distinct good or service does not have an observable standalone selling price, then the primary method used to estimate the standalone selling price is the adjusted market assessment approach, under which we evaluate the market and estimate a price that a customer would be willing to pay for the goods and services we provide.

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

Contributions and Grants - Contributions and grants received are reported as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

Support, including investment income which is restricted by the donor, is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is 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.

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 PCF. For the years ended September 30, 2020 and 2019, 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, 2019. 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, 2019, from which the summarized information was derived.

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

New Accounting Pronouncements Adopted - During the year ended September 30, 2020, PCF adopted the provisions of Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (the Update). The Update provides a framework for determining whether a particular transaction is an exchange or a contribution, including how to evaluate whether a resource provider receives commensurate value in an exchange transaction, and guidance to assist entities in determining whether a contribution is either conditional or unconditional. The adoption of this Update did not have a material impact on PCF's financial statements.

During the year ended September 30, 2020, PCF adopted the provisions of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606). Topic 606 prescribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized, including performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. It also requires expanded disclosures about the nature, amount, and timing of revenues and cash flows. The adoption of Topic 606 did not have a material impact on PCF's financial statements

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.

NOTE 2. DESCRIPTION OF PROGRAM SERVICES (CONTINUED)

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, 2020 and 2019, respectively are as follows:

	2020	2019
Total assets at end of year	\$ 35,046,554	\$ 29,283,779
Less nonfinancial assets		
Prepaid expenses	(49,727)	(120,270)
Net property and equipment	(2,525,660)	(2,638,155)
Total financial assets at year-end	32,471,167	26,525,354
Less amounts unavailable for general expenditures within one year		
Grants receivable due in more than one year	(33,334)	(350,000)
Other assets subject to donor restrictions	(5,044,621)	(3,210,873)
Investments held to fund charitable gift annuities	(3,453,495)	(2,844,844)
Financial assets available to fund general expenditures within one year	<u>\$ 23,939,717</u>	<u>\$ 20,119,637</u>

NOTE 4. INVESTMENTS

Investments as of September 30, 2020 and 2019 and net investment income for the years then ended consisted of the following:

	<u>2020</u>	<u>2019</u>
Investments at year-end		
Certificates of deposit	\$ 1,456,672	\$ 2,730,745
Government securities	234,414	276,053
Exchange traded funds	4,692,364	3,677,384
Mutual funds	21,229,133	15,436,117
Common stocks	<u>7,445</u>	<u>5,832</u>
Total investments	<u>\$ 27,620,028</u>	<u>\$ 22,126,131</u>
Net investment income		
Interest and dividends	\$ 495,991	\$ 606,440
Net appreciation	2,010,910	216,720
Investment fees	<u>(152,817)</u>	<u>(120,383)</u>
Net investment income	<u>\$ 2,354,084</u>	<u>\$ 702,777</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.

NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

Following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2020 and 2019.

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.

Government securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

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.

The following tables present PCF's assets and liabilities measured at fair value on a recurring basis as of September 30, 2020 and 2019, and the changes in fair value of liabilities measured using Level 3 inputs during the year then ended:

	September 30, 2020			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Certificates of deposit	\$ 1,456,672	\$ -	\$ 1,456,672	\$ -
Government securities	234,414	234,414	-	-
Exchange traded funds	4,692,364	4,692,364	-	-
Mutual funds	21,229,133	21,229,133	-	-
Common stocks	7,445	7,445	-	-
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 5. FAIR VALUE MEASUREMENTS (CONTINUED)

	September 30, 2019			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Certificates of deposit	\$ 2,730,745	\$ -	\$ 2,730,745	\$ -
Government securities	276,053	276,053	-	-
Exchange traded funds	3,677,384	3,677,384	-	-
Mutual funds	15,436,117	15,436,117	-	-
Common stocks	5,832	5,832	-	-
	<u>5,832</u>	<u>5,832</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 22,126,131</u>	<u>\$ 19,395,386</u>	<u>\$ 2,730,745</u>	<u>\$ -</u>
Liabilities				
Charitable gift annuities	<u>\$ 1,292,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,292,617</u>
Changes in value using Level 3 inputs				
Balance, beginning of year				\$ 1,174,379
Additional charitable gift annuities				223,539
Change in value of charitable gift annuities				114,913
Payments to charitable gift annuitants				<u>(220,214)</u>
Balance, end of year				<u>\$ 1,292,617</u>

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Net assets with donor restrictions		
Congress Watch	\$ 1,451,949	\$ 808,274
Energy Program	436,711	47,944
Essay Contest Fund	140,120	145,869
Global Trade Watch	146,970	438,113
Health Research Group	50,000	15,000
Litigation Group	50,000	378,404
Morrison Fellowship Fund	69,591	103,968
PC Texas	1,345,749	857,108
Access to Medicines	700,931	294,148
Phyllis McCarthy Fund	24,513	28,902
Public Information and Education	517,474	356,180
Bequest Restricted	-	44,628
Development - Gala Restricted	101,762	-
Sophia Wolfe Teacher Award Fund	42,185	42,335
	<u>42,185</u>	<u>42,335</u>
Total net assets with donor restrictions	<u>\$ 5,077,955</u>	<u>\$ 3,560,873</u>

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

For the year ended September 30, 2020, 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	\$ 1,404,077
Essay Contest Fund	6,695
Energy program	11,897
Global Trade Watch	492,725
Health Research Group	79,889
Litigation Group	660,420
Morrison Fellowship Fund	75,771
PC Texas	683,859
Access to Medicines	433,461
Phyllis McCarthy Fund	4,991
Public Information and Education	497,925
Bequest Restricted	44,628
Development - Gala Restricted	83,797
Sophia Wolfe Teacher Award Fund	<u>150</u>
Total net assets released from donor restrictions	<u>\$ 4,480,285</u>

NOTE 7. JOINT COST ALLOCATION

PCF incurred joint costs of \$2,127,545 in 2020 for informational materials and other activities that included fundraising appeals. The costs were allocated as follows:

Program	\$ 541,237
Management and general	544,702
Fundraising	<u>1,041,606</u>
Total	<u>\$ 2,127,545</u>

NOTE 8. 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 collective bargaining agreement (the Agreement) as of June 17, 2017. The Agreement is in effect until September 30, 2021.

NOTE 9. 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, 2020 was approximately \$249,000.

NOTE 10. 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, 2020. 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 \$598,723 and \$326,721 as of September 30, 2020 and 2019, respectively.

NOTE 11. 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. As of the date these financial statements were available to be issued, management believes PCF has complied with the applicable provisions of the CARES Act and, even though the application for forgiveness has not yet been submitted, that the entire amount of the PPP loan will be forgiven during the fiscal year ending September 30, 2021. Accordingly, the liability is reported as a refundable advance in the statement of financial position. Should the loan not be forgiven (in full or in part), PCF is obligated to begin making equal monthly principal payments of \$43,676 beginning in April 2021, plus accrued interest at the annual rate of 1%.

NOTE 12. CONCENTRATIONS

As of September 30, 2020, approximately 75% of grants receivable were due from four 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, 2020, approximately 73% of PCI's employees are members of SEIU, Local 500 AFL-CIO.

NOTE 13. 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 14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 3, 2021, which is the date the financial statements were available to be issued. This review and evaluation revealed no additional events requiring adjustment to or disclosure in the accompanying financial statements.