

PUBLIC CITIZEN FOUNDATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018



PUBLIC CITIZEN FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the year ended September 30, 2018, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the year ended September 30, 2018, 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, 2017, and we expressed an unmodified audit opinion on those financial statements in our report dated January 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Calibre CPA Group, PLLC

Bethesda, MD
January 23, 2019

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,660,310	\$ 968,641
Investments	124,092	93,766
Accounts receivable	91,733	103,909
Grants and pledges receivable	2,218,167	1,340,000
Interest receivable	21,124	9,635
Prepaid expenses	101,972	40,058
Total current assets	<u>4,217,398</u>	<u>2,556,009</u>
INVESTMENTS, net of current portion	<u>19,723,656</u>	<u>9,302,210</u>
PROPERTY AND EQUIPMENT		
Land	1,243,073	1,243,073
Building and improvements	3,501,169	3,483,551
Office furniture and equipment	822,471	799,165
	<u>5,566,713</u>	<u>5,525,789</u>
Less: accumulated depreciation and amortization	<u>(2,886,998)</u>	<u>(2,678,499)</u>
	<u>2,679,715</u>	<u>2,847,290</u>
INVESTMENTS - CHARITABLE GIFT ANNUITIES	<u>2,501,073</u>	<u>2,221,736</u>
Total assets	<u>\$ 29,121,842</u>	<u>\$ 16,927,245</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 295,064	\$ 299,425
Accrued leave	331,487	289,053
Deferred subscription revenue	1,571,270	1,628,586
Deferred event revenue	450	2,950
Charitable gift annuities payable	176,829	186,544
Due to Public Citizen, Inc.	<u>425,794</u>	<u>468,976</u>
Total current liabilities	2,800,894	2,875,534
CHARITABLE GIFT ANNUITIES PAYABLE, net of current portion	<u>997,550</u>	<u>821,421</u>
Total liabilities	<u>3,798,444</u>	<u>3,696,955</u>
NET ASSETS		
Unrestricted	21,832,765	9,880,134
Temporarily restricted	<u>3,490,633</u>	<u>3,350,156</u>
Total net assets	<u>25,323,398</u>	<u>13,230,290</u>
Total liabilities and net assets	<u>\$ 29,121,842</u>	<u>\$ 16,927,245</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions	\$ 17,193,766	\$ 69,745	\$ 17,263,511	\$ 6,973,560
Grants	-	4,261,881	4,261,881	3,938,509
Publication subscriptions	1,352,701	-	1,352,701	1,395,728
List rental revenue	79,854	-	79,854	80,518
Interest and dividends	349,308	8,255	357,563	209,008
Gain on investments	477,780	13,555	491,335	538,705
Court awards	490,295	-	490,295	376,200
Other	9,244	-	9,244	2,042
Change in value of charitable gift annuities	(81,586)	-	(81,586)	(50,517)
Net assets released from restriction	4,212,959	(4,212,959)	-	-
Total revenue	<u>24,084,321</u>	<u>140,477</u>	<u>24,224,798</u>	<u>13,463,753</u>
EXPENSES				
Program				
Public Information and Education	2,192,389	-	2,192,389	1,916,854
Publications	1,693,072	-	1,693,072	1,549,692
Health Research Group	881,348	-	881,348	883,924
Litigation Group	1,680,413	-	1,680,413	1,310,436
Congress Watch	1,127,809	-	1,127,809	1,006,678
Access to Medicines	640,208	-	640,208	452,919
Global Trade Watch	995,143	-	995,143	989,287
Energy Program	264,105	-	264,105	216,903
PC Texas	686,833	-	686,833	647,636
Total program	<u>10,161,320</u>	<u>-</u>	<u>10,161,320</u>	<u>8,974,329</u>
Supporting				
Management and general	1,090,938	-	1,090,938	967,408
Fundraising	879,432	-	879,432	873,021
Total supporting	<u>1,970,370</u>	<u>-</u>	<u>1,970,370</u>	<u>1,840,429</u>
Total expenses	<u>12,131,690</u>	<u>-</u>	<u>12,131,690</u>	<u>10,814,758</u>
CHANGE IN NET ASSETS	11,952,631	140,477	12,093,108	2,648,995
NET ASSETS				
Beginning of year	<u>9,880,134</u>	<u>3,350,156</u>	<u>13,230,290</u>	<u>10,581,295</u>
End of year	<u>\$ 21,832,765</u>	<u>\$ 3,490,633</u>	<u>\$ 25,323,398</u>	<u>\$ 13,230,290</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018

(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017)

	Program									Supporting			2018 Total	2017 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	\$ 1,031,342	\$ 82,617	\$ 600,625	\$ 1,137,477	\$ 751,738	\$ 331,767	\$ 570,080	\$ 179,733	\$ 253,468	\$ 4,938,847	\$ 341,456	\$ 160,615	\$ 502,071	\$ 5,440,918	\$ 4,619,319
Payroll taxes and employee benefits	268,616	27,423	155,691	282,054	189,510	75,517	147,789	45,229	64,069	1,255,898	106,190	47,200	153,390	1,409,288	1,194,052
Bank charges and investment fees	8,608	3,491	205	1,818	55	463	110	105	659	15,514	98,203	9,103	107,306	122,820	100,969
Caging and database maintenance	22,890	59,505	-	-	398	-	-	-	-	82,793	19,027	26,207	45,234	128,027	153,168
Consulting and professional services	252,641	259,544	2,093	350	2,500	6,580	10,182	-	97,467	631,357	252,381	95,720	348,101	979,458	873,506
Contract labor	1,898	4,110	23,500	125	-	-	20,000	-	-	49,633	18,701	1,787	20,488	70,121	90,026
Depreciation & amortization	-	-	-	-	-	-	-	-	-	-	208,500	-	208,500	208,500	241,367
Fees, licenses and taxes	636	-	1,335	12,615	11,691	206	8,404	2,660	4,671	42,218	126,020	728	126,748	168,966	153,190
Grant distribution	-	-	-	-	10,000	32,000	100,000	-	115,906	257,906	-	-	-	257,906	170,492
Insurance	168	-	-	-	-	-	-	-	-	168	28,591	192	28,783	28,951	29,317
List rental cost	9,016	54,873	-	-	-	-	-	-	-	63,889	7,494	10,322	17,816	81,705	133,404
Mail house	50,549	138,108	-	-	-	-	-	-	-	188,657	42,018	78,128	120,146	308,803	316,963
Meeting fees/conference	14,216	-	-	351	8,830	26,027	4,549	114	11,303	65,390	142	195	337	65,727	33,670
Miscellaneous	8,757	3,020	3,026	6,837	662	682	2,530	6	190	25,710	4,359	1,733	6,092	31,802	36,174
Office supplies	4,514	7	694	2,739	1,925	271	4,695	247	32,230	47,322	30,790	1,975	32,765	80,087	81,120
Postage and shipping	137,720	643,400	415	4,386	153	31	30	-	360	786,495	113,607	187,450	301,057	1,087,552	1,060,456
Printing and publications	135,723	406,577	140	4,175	100	93	1,505	63	660	549,036	111,864	189,188	301,052	850,088	904,045
Reference materials	20,004	-	5,672	62,305	2,585	3,357	8,966	10,575	3,274	116,738	1,228	1,692	2,920	119,658	107,329
Rent	2,490	-	-	-	-	-	-	-	30,788	33,278	-	-	-	33,278	33,541
Repairs and maintenance	-	-	-	-	5,281	-	4,006	1,268	35	10,590	104,073	-	104,073	114,663	88,053
Software maintenance	201	-	1,618	146	34	-	106	-	197	2,302	94,145	-	94,145	96,447	84,624
Special events	29,435	-	3,029	-	-	-	-	-	-	32,464	24,350	33,540	57,890	90,354	42,903
Telephone	11,419	186	2,809	4,931	8,552	4,658	8,755	808	4,042	46,160	23,324	934	24,258	70,418	65,694
Travel	36,848	568	1,800	2,711	13,960	117,389	11,974	946	25,811	212,007	4,419	6,081	10,500	222,507	142,416
Utilities	-	-	-	-	4,379	-	3,321	1,051	5,753	14,504	49,142	-	49,142	63,646	58,960
Allocation of common costs	144,698	9,643	78,696	157,393	115,456	41,167	88,141	21,300	35,950	692,444	(719,086)	26,642	(692,444)	-	-
Total expenses	\$ 2,192,389	\$ 1,693,072	\$ 881,348	\$ 1,680,413	\$ 1,127,809	\$ 640,208	\$ 995,143	\$ 264,105	\$ 686,833	\$ 10,161,320	\$ 1,090,938	\$ 879,432	\$ 1,970,370	\$ 12,131,690	10,814,758

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2018

(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 17,546,046	\$ 7,103,949
Grants received	3,383,714	3,498,509
Publication subscriptions received	1,292,885	1,382,173
List rental income received	79,854	80,518
Investment income received	346,075	202,650
Court awards received	490,295	376,200
Other operating receipts	9,244	2,042
Payments to vendors, suppliers, employees, and Public Citizen, Inc.	<u>(12,175,745)</u>	<u>(10,497,846)</u>
Net cash provided by operating activities	<u>10,972,368</u>	<u>2,148,195</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(17,778,397)	(6,370,738)
Proceeds from sales of investments	7,538,623	4,310,318
Purchases of property and equipment	<u>(40,925)</u>	<u>(34,874)</u>
Net cash used for investing activities	<u>(10,280,699)</u>	<u>(2,095,294)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	691,669	52,901
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>968,641</u>	<u>915,740</u>
End of year	<u>\$ 1,660,310</u>	<u>\$ 968,641</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2018

(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017)

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED		
BY OPERATING ACTIVITIES		
Change in net assets	\$ 12,093,108	\$ 2,648,995
Adjustments		
Net appreciation of investments	(491,335)	(538,705)
Depreciation and amortization	208,500	241,367
Decrease (increase) in assets		
Accounts receivable	12,176	(78,187)
Grants and pledges receivable	(878,167)	(440,000)
Interest receivable	(11,489)	(6,358)
Bequests receivable	-	138,099
Prepaid expenses	(61,914)	16,851
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(4,361)	(41,526)
Accrued leave	42,434	(24,151)
Deferred subscription revenue	(57,316)	1,295
Deferred event revenue	(2,500)	(14,850)
Charitable gift annuities payable	166,414	(64,649)
Due to Public Citizen, Inc.	<u>(43,182)</u>	<u>310,014</u>
Net cash provided by operating activities	<u>\$ 10,972,368</u>	<u>\$ 2,148,195</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Public Citizen Foundation, Inc. (PCF) 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.

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 Accounting Standards Codification (ASC) Topic *Income Taxes*. For the years ended September 30, 2018 and 2017, 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.

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.

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

Grants and Pledge Receivable - Grants and pledges 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 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 - 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, 2018 and 2017, the total assets, at fair value, were approximately \$2,501,000 and \$2,222,000, respectively. The actuarial present value of PCF's liability under all charitable gift annuities was approximately \$1,174,000 as of September 30, 2018, and \$1,008,000 as of September 30, 2017, 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.

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

Contributions - PCF 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, 2017. 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, 2017, from which the summarized information was derived. Certain amounts previously reported for 2017 have been reclassified to conform with the 2018 presentation.

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 year ended September 30, 2018 and 2017, PCF received no donated services.

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.

NOTE 2. DESCRIPTION OF PROGRAM SERVICES (CONTINUED)

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

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, 2018. 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 \$425,794 and \$468,976 as of September 30, 2018 and 2017, respectively.

NOTE 4. 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 will remain in effect until September 30, 2020.

NOTE 5. INVESTMENTS

Investments as of September 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ 6,787,372	\$ 2,318,720
Government securities	255,761	343,215
Exchange traded funds	3,115,912	3,805,817
Mutual funds	12,184,151	5,145,255
Common stocks	<u>5,625</u>	<u>4,705</u>
Total investments	<u>\$22,348,821</u>	<u>\$11,617,712</u>

NOTE 6. FAIR VALUE MEASUREMENTS

Accounting standards provides 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.

NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the 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 measured at fair value. There have been no changes in the methodologies used at September 30, 2018 and 2017.

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 liability. Assets valued at net asset value are reported on the active market on which the individual securities are traded.

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

Exchange traded funds: Valued at the closing price reported on the active market on which the individual 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.

NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)

The following presents PCF's assets and liabilities measured at fair value on a recurring basis as of September 30, 2018, 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	\$ 6,787,372	\$ -	\$ 6,787,372	\$ -
Government securities	255,761	255,761	-	-
Exchange traded funds	3,115,912	3,115,912	-	-
Mutual funds	12,184,151	12,184,151	-	-
Common stocks	<u>5,625</u>	<u>5,625</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$22,348,821</u>	 <u>\$ 15,561,449</u>	 <u>\$ 6,787,372</u>	 <u>\$ -</u>
Liabilities				
Charitable gift annuities	<u>\$ 1,174,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,174,379</u>
 Changes in value using Level 3 inputs				
Balance, beginning of year				\$ 1,007,965
Additional charitable gift annuities				270,359
Change in value of charitable gift annuities				81,586
Payments to charitable gift annuitants				<u>(185,531)</u>
Balance, end of year				<u>\$ 1,174,379</u>

NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)

The following presents PCF's assets and liabilities measured at fair value on a recurring basis as of September 30, 2017, 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	\$ 2,318,720	\$ -	\$ 2,318,720	\$ -
Government securities	343,215	343,215	-	-
Exchange traded funds	3,805,817	3,805,817	-	-
Mutual funds	5,145,255	5,145,255	-	-
Common stocks	<u>4,705</u>	<u>4,705</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$11,617,712</u>	 <u>\$ 9,298,992</u>	 <u>\$ 2,318,720</u>	 <u>\$ -</u>
Liabilities				
Charitable gift annuities	<u>\$ 1,007,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,007,965</u>
 Changes in value using Level 3 inputs				
Balance, beginning of year				\$ 1,072,614
Additional charitable gift annuities				70,477
Change in value of charitable gift annuities				50,517
Payments to charitable gift annuitants				<u>(185,643)</u>
Balance, end of year				<u>\$ 1,007,965</u>

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2018 and 2017, temporarily restricted net assets were available for the following programs or purposes:

Program or Purpose	<u>2018</u>	<u>2017</u>
Congress Watch	\$ 812,557	\$ 537,466
Energy Program	13,383	13,995
Essay Contest Fund	150,632	156,749
Global Trade Watch	222,701	470,067
Health Research Group	15,000	15,000
Litigation Group	742,249	241,819
Morrison Fellowship Fund	157,837	201,623
PC Texas	155,818	520,443
Access to Medicines	609,649	669,470
Phyllis McCarthy Fund	33,243	35,917
Public Information and Education	534,219	443,971
Sophia Wolfe Teacher Award Fund	<u>43,345</u>	<u>43,636</u>
Total temporarily restricted net assets	<u>\$ 3,490,633</u>	<u>\$ 3,350,156</u>

For the year ended September 30, 2018, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

Program or purpose	
Congress Watch	\$ 872,403
Essay Contest Fund	6,117
Energy program	40,612
Global Trade Watch	707,366
Health Research Group	29,101
Litigation Group	595,645
Morrison Fellowship Fund	90,063
PC Texas	650,366
Access to Medicines	604,821
Phyllis McCarthy Fund	3,179
Public Information and Education	612,995
Sophia Wolfe Teacher Award Fund	<u>291</u>
Total releases	<u>\$ 4,212,959</u>

NOTE 8. PENSION PLANS

PCF and its affiliate, PCI maintain a 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. The pension expense for the years ended September 30, 2018 and 2017 were approximately \$221,000 and \$178,000, respectively.

NOTE 9. CONCENTRATIONS

As of September 30, 2018, two donors comprised 78% of grants and pledges receivable.

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, 2018, approximately 79% of PCI's employees are members of SEIU, Local 500 AFL-CIO.

NOTE 10. JOINT COST ALLOCATION

PCF incurred joint costs of approximately \$1,888,000 in 2018 for informational materials and other activities that included fundraising appeals. The costs were allocated as follows:

Program	\$ 634,332
Management and general	527,288
Fundraising	<u>726,272</u>
Total	<u>\$ 1,887,892</u>

NOTE 11. SUBSEQUENT EVENTS

Subsequent events were evaluated through January 23, 2019, which is the date the financial statements were available to be issued.