

PUBLIC CITIZEN FOUNDATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019



PUBLIC CITIZEN FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

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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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the year ended September 30, 2019, 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 PCF'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 PCF'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, 2019 and 2018, and the changes in its net assets and its cash flows for the year ended September 30, 2019, 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, 2018, and we expressed an unmodified audit opinion on those financial statements in our report dated January 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CaliberCPAGroup, PLLC

Bethesda, MD
February 10, 2020

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,980,955	\$ 1,660,310
Investments	2,708,113	124,092
Accounts receivable	75,843	91,733
Grants receivable	932,834	2,218,167
Interest receivable	14,963	21,124
Bequests receivable	44,628	-
Prepaid expenses	120,270	101,972
Total current assets	6,877,606	4,217,398
INVESTMENTS, net of current portion	16,573,174	19,723,656
GRANTS RECEIVABLE, net of current portion	350,000	-
PROPERTY AND EQUIPMENT		
Land	1,243,073	1,243,073
Building and improvements	3,523,717	3,501,169
Office furniture and equipment	758,473	822,471
	5,525,263	5,566,713
Less: accumulated depreciation and amortization	(2,887,108)	(2,886,998)
	2,638,155	2,679,715
INVESTMENTS - CHARITABLE GIFT ANNUITIES	2,844,844	2,501,073
Total assets	\$ 29,283,779	\$ 29,121,842

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 255,610	\$ 295,064
Accrued leave	397,537	331,487
Deferred subscription revenue	1,443,368	1,571,270
Deferred event revenue	-	450
Charitable gift annuities payable	236,356	176,829
Due to Public Citizen, Inc.	<u>326,721</u>	<u>425,794</u>
Total current liabilities	2,659,592	2,800,894
CHARITABLE GIFT ANNUITIES PAYABLE, net of current portion	<u>1,056,261</u>	<u>997,550</u>
Total liabilities	<u>3,715,853</u>	<u>3,798,444</u>
NET ASSETS		
Without donor restrictions	22,007,053	21,832,765
With donor restrictions	<u>3,560,873</u>	<u>3,490,633</u>
Total net assets	<u>25,567,926</u>	<u>25,323,398</u>
Total liabilities and net assets	<u>\$ 29,283,779</u>	<u>\$ 29,121,842</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2019

(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Contributions	\$ 6,658,338	\$ 209,958	\$ 6,868,296	\$ 17,263,511
Grants	-	3,817,000	3,817,000	4,261,881
Publication subscriptions	1,354,456	-	1,354,456	1,352,701
List rental revenue	84,526	-	84,526	79,854
Net investment income	693,464	9,313	702,777	769,347
Court awards	461,350	-	461,350	490,295
Other	2,725	-	2,725	9,244
Change in value of charitable gift annuities	(114,913)	-	(114,913)	(81,586)
Net assets released from restrictions	3,966,031	(3,966,031)	-	-
Total revenue	<u>13,105,977</u>	<u>70,240</u>	<u>13,176,217</u>	<u>24,145,247</u>
EXPENSES				
Program				
Public Information and Education	2,359,304	-	2,359,304	2,192,389
Publications	1,649,566	-	1,649,566	1,693,072
Health Research Group	917,796	-	917,796	881,348
Litigation Group	1,756,037	-	1,756,037	1,680,413
Congress Watch	1,492,676	-	1,492,676	1,127,809
Access to Medicines	648,458	-	648,458	640,208
Global Trade Watch	1,026,449	-	1,026,449	995,143
Energy Program	276,233	-	276,233	264,105
PC Texas	700,434	-	700,434	686,833
Total program	<u>10,826,953</u>	<u>-</u>	<u>10,826,953</u>	<u>10,161,320</u>
Supporting				
Management and general	1,045,963	-	1,045,963	1,011,387
Fundraising	1,058,773	-	1,058,773	879,432
Total supporting	<u>2,104,736</u>	<u>-</u>	<u>2,104,736</u>	<u>1,890,819</u>
Total expenses	<u>12,931,689</u>	<u>-</u>	<u>12,931,689</u>	<u>12,052,139</u>
CHANGE IN NET ASSETS	174,288	70,240	244,528	12,093,108
NET ASSETS				
Beginning of year	<u>21,832,765</u>	<u>3,490,633</u>	<u>25,323,398</u>	<u>13,230,290</u>
End of year	<u>\$ 22,007,053</u>	<u>\$ 3,560,873</u>	<u>\$ 25,567,926</u>	<u>\$ 25,323,398</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)

	Program										Supporting		2018 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	\$ 1,126,489	\$ 90,466	\$ 634,171	\$ 1,171,829	\$ 905,969	\$ 375,375	\$ 450,460	\$ 181,591	\$ 236,401	\$ 5,172,751	\$ 343,022	\$ 219,694	\$ 562,716	\$ 5,735,467	\$ 5,440,918
Payroll taxes and employee benefits	339,105	32,725	167,009	308,529	254,916	87,132	126,126	51,134	67,423	1,434,099	125,926	56,902	182,828	1,616,927	1,409,288
Bank charges and investment fees	6,818	11,858	205	1,458	55	198	66	110	284	21,052	17,240	7,838	25,078	46,130	43,269
Caging and database maintenance	23,161	62,402	-	-	-	-	-	-	-	85,563	16,070	33,706	49,776	135,339	128,027
Consulting and professional services	165,576	273,064	673	2,772	5,825	588	176,362	-	39,743	664,603	266,582	121,599	388,181	1,052,784	979,458
Contract labor	5,318	4,290	9,400	-	-	-	77,400	-	-	96,408	26,268	3,028	29,296	125,704	70,121
Depreciation and amortization	542	461	-	-	-	1,670	8,198	3,323	4,091	45,742	161,701	-	161,701	161,701	208,500
Fees, licenses and taxes	31,411	-	-	10,410	17,047	40,858	50,000	-	200,030	432,299	153,999	684	154,683	200,425	168,966
Grant distribution	-	-	-	-	-	-	-	-	-	109	29,475	-	29,475	432,299	257,906
Insurance	-	51,600	-	-	-	-	-	-	-	58,360	4,690	-	13,215	71,575	81,705
List rental cost	50,993	138,520	-	-	-	-	-	-	-	189,513	35,094	73,414	108,508	298,021	308,803
Mail house	-	-	-	-	-	-	-	-	-	41,108	61	111	172	41,280	65,727
Meeting fees/conference	12,473	3,935	3,095	834	3,865	13,114	4,203	235	6,384	36,377	10,955	994	11,949	48,326	31,802
Miscellaneous	13,583	1,279	1,958	7,660	4,432	905	2,447	92	228	42,762	48,972	1,721	50,693	93,455	80,087
Office supplies	5,483	6	1,279	2,543	2,543	257	3,574	163	27,499	701,551	98,154	220,251	318,405	1,019,956	1,087,552
Postage and shipping	142,359	555,953	350	2,513	130	63	12	1	170	581,075	101,329	225,173	326,502	907,577	850,088
Printing and publications	149,767	413,274	-	3,455	801	747	12,022	-	1,009	132,377	11,219	2,513	13,732	146,109	119,658
Reference materials	26,871	-	7,592	69,440	6,629	1,346	9,724	6,857	3,918	46,312	-	-	-	46,312	33,278
Rent	2,509	-	-	-	10,937	-	5,423	2,198	43,803	18,630	214,731	-	214,731	233,361	114,663
Repairs and maintenance	72	-	-	-	-	218	112	-	-	3,178	84,938	-	84,938	88,116	96,447
Software maintenance	1,194	-	1,654	-	-	-	-	-	-	31,457	18,223	33,121	51,344	82,801	90,354
Special events	26,396	-	5,061	-	-	-	-	-	-	43,854	32,231	1,927	34,158	78,012	70,418
Telephone	11,101	147	2,201	3,577	9,213	3,950	3,206	688	9,771	154,101	11,344	10,434	21,778	175,879	222,507
Travel	32,264	-	400	9,510	12,500	75,153	9,187	3,859	11,228	15,487	49,062	-	49,062	64,549	63,646
Utilities	-	-	-	6,832	140,982	46,884	84,540	24,609	3,895	778,185	(815,323)	37,138	(778,185)	-	-
Allocation of common costs	179,059	10,865	84,706	162,092	140,982	46,884	84,540	24,609	44,448	778,185	(815,323)	37,138	(778,185)	-	-
Total expenses	\$ 2,359,304	\$ 1,649,566	\$ 917,796	\$ 1,756,037	\$ 1,492,676	\$ 648,458	\$ 1,026,449	\$ 276,233	\$ 700,434	\$ 10,826,953	\$ 1,045,963	\$ 1,058,773	\$ 2,104,736	\$ 12,931,689	\$ 12,052,139

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2019

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED SEPTEMBER 30, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 7,053,440	\$ 17,546,046
Grants received	4,752,333	3,383,714
Publication subscriptions received	1,226,104	1,292,885
List rental income received	84,526	79,854
Investment income received	415,747	346,075
Court awards received	461,350	490,295
Other operating receipts	2,725	9,244
Payments to vendors, suppliers, employees, and Public Citizen, Inc.	<u>(13,071,320)</u>	<u>(12,175,745)</u>
Net cash provided by operating activities	<u>924,905</u>	<u>10,972,368</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(12,265,206)	(17,778,397)
Proceeds from sales of investments	12,781,087	7,538,623
Purchases of property and equipment	<u>(120,141)</u>	<u>(40,925)</u>
Net cash provided by (used for) investing activities	<u>395,740</u>	<u>(10,280,699)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,320,645	691,669
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,660,310</u>	<u>968,641</u>
End of year	<u>\$ 2,980,955</u>	<u>\$ 1,660,310</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

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, 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 previously reported as of September 30, 2018 were restated to conform to the presentation and disclosure requirements necessitated by the adoption of Accounting Standards Update (ASU) 2016-14.

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

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, 2019 and 2018, 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 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.

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

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.

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, 2019 and 2018, the total assets, at fair value, were approximately \$2,845,000 and \$2,501,000, respectively. The actuarial present value of PCF's liability under all charitable gift annuities was approximately \$1,293,000 as of September 30, 2019, and \$1,174,000 as of September 30, 2018, 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.

Contributions - PCF reports gifts of cash and other assets as increases in net assets with donor restrictions 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, 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)**

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, 2018. 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, 2018, from which the summarized information was derived. Certain amounts previously reported for 2018 have been reclassified to conform with the 2019 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 years ended September 30, 2019 and 2018, PCF received no donated services.

New Accounting Pronouncement Adopted - During the year ended September 30, 2019, PCF adopted the provisions of Accounting Standards Update 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (the Update). The Update amends the reporting model for not-for-profit organizations and enhances required disclosures. The major changes include requiring the presentation of only two classes of net assets - those with donor restrictions and those without donor restrictions; requiring all not-for-profits to present an analysis of expenses by both function and nature in a single location, generally, as a separate financial statement or by disclosure in the notes, and to provide additional information about the methods used to allocate costs across functional reporting categories; requiring disclosure of both quantitative and qualitative information about liquidity and the availability of financial resources; and requiring the presentation of investment return net of all external and direct internal expenses. Accordingly, certain amounts previously reported for the year ended September 30, 2018 were reclassified to conform to the 2019 presentation.

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.

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. 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, 2019 are as follows:

Total assets at end of year	\$ 29,283,779
Less nonfinancial assets	
Prepaid expenses	(120,270)
Net property and equipment	<u>(2,638,155)</u>
Total financial assets at year-end	26,525,354
Less amounts unavailable for general expenditures within one year	
Grants receivable due in more than one year	(350,000)
Other assets subject to donor restrictions	(3,210,873)
Investments held to fund charitable gift annuities	<u>(2,844,844)</u>
Financial assets available to fund general expenditures within one year	<u>\$ 20,119,637</u>

NOTE 4. 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, 2019. 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 \$326,721 and \$425,794 as of September 30, 2019 and 2018, respectively.

NOTE 5. 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 6. INVESTMENTS

Investments as of September 30, 2019 and 2018 and net investment income for the years then ended consisted of the following:

	<u>2019</u>	<u>2018</u>
Investments at year-end		
Certificates of deposit	\$ 2,730,745	\$ 6,787,372
Government securities	276,053	255,761
Exchange traded funds	3,677,384	3,115,912
Mutual funds	15,436,117	12,184,151
Common stocks	<u>5,832</u>	<u>5,625</u>
Total investments	<u>\$ 22,126,131</u>	<u>\$ 22,348,821</u>
Net investment income		
Interest and dividends	\$ 606,440	\$ 357,563
Net appreciation	216,720	491,335
Investment fees	<u>(120,383)</u>	<u>(79,551)</u>
Net investment income	<u>\$ 702,777</u>	<u>\$ 769,347</u>

NOTE 7. 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 term of the asset or liability.

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

NOTE 7. 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, 2019 and 2018.

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.

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

	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	-	-
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 7. 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>	-	-
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 8. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Net assets with donor restrictions		
Congress Watch	\$ 808,274	\$ 812,557
Energy Program	47,944	13,383
Essay Contest Fund	145,869	150,632
Global Trade Watch	438,113	222,701
Health Research Group	15,000	15,000
Litigation Group	378,404	742,249
Morrison Fellowship Fund	103,968	157,837
PC Texas	857,108	155,818
Access to Medicines	294,148	609,649
Phyllis McCarthy Fund	28,902	33,243
Public Information and Education	356,180	534,219
Bequest restricted	44,628	-
Sophia Wolfe Teacher Award Fund	<u>42,335</u>	<u>43,345</u>
Total net assets with donor restrictions	<u>\$ 3,560,873</u>	<u>\$ 3,490,633</u>

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

For the year ended September 30, 2019, 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	\$ 905,066
Essay Contest Fund	6,725
Energy program	15,439
Global Trade Watch	644,788
Health Research Group	15,000
Litigation Group	703,428
Morrison Fellowship Fund	99,940
PC Texas	588,710
Access to Medicines	540,501
Phyllis McCarthy Fund	5,211
Public Information and Education	438,440
Sophia Wolfe Teacher Award Fund	<u>2,783</u>
Total net assets released from donor restrictions	<u>\$ 3,966,031</u>

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 years ended September 30, 2019 and 2018 were approximately \$246,000 and \$221,000, respectively.

NOTE 10. CONCENTRATIONS

As of September 30, 2019, approximately 78% 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, 2019, approximately 75% of PCI's employees are members of SEIU, Local 500 AFL-CIO.

NOTE 11. JOINT COST ALLOCATION

PCF incurred joint costs of approximately \$2,077,000 in 2019 for informational materials and other activities that included fundraising appeals. The costs were allocated as follows:

Program	\$ 703,017
Management and general	487,782
Fundraising	<u>886,593</u>
Total	<u>\$ 2,077,392</u>

NOTE 12. SUBSEQUENT EVENTS

Subsequent events were evaluated through February 10, 2020, which is the date the financial statements were available to be issued.