



PUBLIC CITIZEN FOUNDATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023





PUBLIC CITIZEN FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

CONTENTS

	PAGE
Independent Auditor's Report	1
Statements of Financial Position	4
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9





7501 WISCONSIN AVENUE | SUITE 1200 WEST
BETHESDA, MD 20814
T: 202.331.9880 | F: 202.331.9890

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Public Citizen Foundation, Inc.

Opinion

We have audited the accompanying financial statements of Public Citizen Foundation, Inc. (PCF), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the year ended September 30, 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PCF as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the year ended September 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of PCF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PCF's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PCF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PCF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



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, 2022, and we expressed an unmodified audit opinion on those financial statements in our report dated February 17, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Calibre CPA Group, PLLC

Bethesda, MD
March 19, 2024



PUBLIC CITIZEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,116,999	\$ 2,005,994
Investments	247,500	231,164
Accounts receivable	8,824	253,841
Grants receivable	1,615,000	1,672,167
Bequests receivable	-	58,306
Interest receivable	13,401	2,609
Due from Public Citizens, Inc.	136,474	-
Prepaid expenses	84,297	90,805
Total current assets	<u>3,222,495</u>	<u>4,314,886</u>
Investments, net of current portion	<u>24,895,161</u>	<u>25,294,971</u>
Grants receivable, net of current portion	<u>75,000</u>	<u>-</u>
Property and equipment		
Land	1,243,073	1,243,073
Building and improvements	3,610,104	3,610,104
Office furniture and equipment	888,175	883,516
	<u>5,741,352</u>	<u>5,736,693</u>
Less: accumulated depreciation and amortization	<u>(3,499,122)</u>	<u>(3,355,707)</u>
	<u>2,242,230</u>	<u>2,380,986</u>
Investments - charitable gift annuities	<u>3,302,124</u>	<u>3,129,003</u>
Total assets	<u>\$ 33,737,010</u>	<u>\$ 35,119,846</u>

See accompanying notes to financial statements.



PUBLIC CITIZEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 791,752	\$ 238,100
Accrued leave	593,208	612,459
Deferred subscription revenue	1,112,774	1,123,617
Charitable gift annuities payable	245,455	247,318
Due to Public Citizen, Inc.	-	17,140
Total current liabilities	<u>2,743,189</u>	<u>2,238,634</u>
Long-term liabilities		
Charitable gift annuities payable, net of current portion	<u>1,394,808</u>	<u>1,403,997</u>
Total liabilities	<u>4,137,997</u>	<u>3,642,631</u>
Net assets		
Without donor restrictions	22,881,295	23,361,543
With donor restrictions	<u>6,717,718</u>	<u>8,115,672</u>
Total net assets	<u>29,599,013</u>	<u>31,477,215</u>
Total liabilities and net assets	<u>\$ 33,737,010</u>	<u>\$ 35,119,846</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue				
Contributions	\$ 5,306,553	\$ 698,303	\$ 6,004,856	\$ 5,900,352
Grants	200,000	6,071,247	6,271,247	8,189,250
Publication subscriptions	920,015	-	920,015	1,089,373
List rental revenue	37,576	-	37,576	68,100
Net investment income (loss)	2,857,447	115,639	2,973,086	(5,902,152)
Court awards	161,272	-	161,272	483,728
PPP loan forgiveness	-	-	-	742,500
Other	1,164	-	1,164	2,132
Change in value of charitable gift annuities	(44,509)	-	(44,509)	(14,880)
Net assets released from restrictions	<u>8,283,143</u>	<u>(8,283,143)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>17,722,661</u>	<u>(1,397,954)</u>	<u>16,324,707</u>	<u>10,558,403</u>
Expenses				
Program				
Public Information and Education	2,694,104	-	2,694,104	2,341,682
Publications	1,610,714	-	1,610,714	1,602,445
Health Research Group	1,262,017	-	1,262,017	969,510
Litigation Group	1,845,110	-	1,845,110	1,646,125
Congress Watch	3,047,082	-	3,047,082	2,291,734
Access to Medicines	437,714	-	437,714	772,010
Global Trade Watch	863,441	-	863,441	699,342
Energy Program	2,654,072	-	2,654,072	1,769,055
PC Texas	<u>1,220,947</u>	<u>-</u>	<u>1,220,947</u>	<u>868,703</u>
Total program	<u>15,635,201</u>	<u>-</u>	<u>15,635,201</u>	<u>12,960,606</u>
Supporting				
Management and general	1,227,639	-	1,227,639	1,276,897
Fundraising	<u>1,340,069</u>	<u>-</u>	<u>1,340,069</u>	<u>1,233,099</u>
Total supporting	<u>2,567,708</u>	<u>-</u>	<u>2,567,708</u>	<u>2,509,996</u>
Total expenses	<u>18,202,909</u>	<u>-</u>	<u>18,202,909</u>	<u>15,470,602</u>
Change in net assets	(480,248)	(1,397,954)	(1,878,202)	(4,912,199)
Net assets				
Beginning of year	<u>23,361,543</u>	<u>8,115,672</u>	<u>31,477,215</u>	<u>36,389,414</u>
End of year	<u>\$ 22,881,295</u>	<u>\$ 6,717,718</u>	<u>\$ 29,599,013</u>	<u>\$ 31,477,215</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2022)

	Program										Supporting			2023 Total	2022 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	\$ 1,415,269	\$ 147,992	\$ 927,609	\$ 1,273,050	\$ 1,432,804	\$ 257,778	\$ 554,864	\$ 1,215,199	\$ 409,824	\$ 7,634,389	\$ 447,455	\$ 384,799	\$ 832,254	\$ 8,466,643	\$ 7,176,493
Payroll taxes and employee benefits	391,986	47,036	227,794	310,096	339,586	59,924	144,692	302,351	120,717	1,944,182	204,401	128,337	332,738	2,276,920	1,906,751
Bank charges	9,903	12,675	-	-	-	-	99	-	118	22,795	27,718	23,626	51,344	74,139	54,521
Caging and database maintenance	7,093	45,944	-	-	-	-	-	-	-	53,037	7,703	16,956	24,659	77,696	84,625
Consulting and professional services	236,727	281,879	868	321	361,815	2,650	51,301	412,142	90,981	1,438,684	314,805	155,365	470,170	1,908,854	1,737,963
Contract labor	927	2,970	-	2,790	-	-	-	-	94	6,781	22,637	2,216	24,853	31,634	31,423
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	143,415	-	143,415	143,415	159,556
Fees, licenses and taxes	193	272	-	3,417	14,032	-	9,628	12,307	10,871	50,720	159,756	462	160,218	210,938	199,249
Grant distribution	132,975	-	-	-	659,100	75,000	-	537,500	431,743	1,836,318	-	-	-	1,836,318	1,108,564
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,773
List rental cost	5,413	22,354	-	-	-	-	-	-	-	27,767	5,878	12,939	18,817	46,584	71,462
Mail house	22,537	102,667	-	-	-	-	-	-	-	125,204	24,474	57,925	82,399	207,603	233,344
Meeting fees/conference	29,709	-	-	27	14,561	(2,665)	1,466	5,499	4,313	52,910	810	1,782	2,592	55,502	24,345
Miscellaneous	3,477	1,191	7,859	26,505	877	1,824	237	1,535	2,367	45,872	7,020	2,804	9,824	55,696	45,012
Office supplies	2,573	5	425	875	97	1,176	50	798	19,065	25,064	50,121	808	50,929	75,993	67,855
Postage and shipping	63,553	500,861	38	3,160	2,369	-	-	3,388	6,501	579,870	62,140	146,857	208,997	788,867	884,678
Printing and publications	83,714	421,045	265	6,205	2,897	-	759	3,135	15,207	533,227	59,347	147,790	207,137	740,364	877,364
Reference materials	39,801	11,007	8,029	83,031	29,744	5,072	5,616	5,102	3,773	191,175	12,144	3,698	15,842	207,017	180,980
Rent	2,335	-	-	-	-	-	-	-	44,153	46,488	-	-	-	46,488	46,190
Repairs and maintenance	-	-	-	-	15,697	-	6,084	13,362	392	35,535	104,420	-	104,420	139,955	98,415
Software maintenance	3,307	-	484	-	-	-	10	-	-	3,801	164,995	318	165,313	169,114	129,101
Special events	78,272	-	-	-	250	22	54	447	-	79,045	84,853	186,775	271,628	350,673	5,271
Telephone	11,135	-	4	489	2,013	767	612	1,132	397	16,549	31,779	856	32,635	49,184	50,128
Travel	26,387	-	-	2,107	35,394	13,772	38,647	32,084	15,351	163,742	3,707	8,159	11,866	175,608	56,563
Utilities	-	-	-	-	4,190	-	1,624	3,566	4,695	14,075	53,629	-	53,629	67,704	56,976
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,000
Allocation of common costs	126,818	12,816	88,642	133,037	131,656	22,394	47,698	104,525	40,385	707,971	(765,568)	57,597	(707,971)	-	-
Total expenses	\$ 2,694,104	\$ 1,610,714	\$ 1,262,017	\$ 1,845,110	\$ 3,047,082	\$ 437,714	\$ 863,441	\$ 2,654,072	\$ 1,220,947	\$ 15,635,201	\$ 1,227,639	\$ 1,340,069	\$ 2,567,708	\$ 18,202,909	\$ 15,470,602

See accompanying notes to financial statements.



PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED SEPTEMBER 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Contributions received	\$ 6,308,179	\$ 5,708,429
Grants received	6,253,414	8,389,429
Publication subscriptions received	909,172	792,244
List rental income received	37,576	68,100
Investment income received	773,932	1,352,933
Court awards received	161,272	483,728
Other operating receipts	1,164	2,132
Payments to vendors, suppliers, employees, and Public Citizen, Inc.	<u>(17,868,650)</u>	<u>(16,229,852)</u>
Net cash provided by (used in) operating activities	<u>(3,423,941)</u>	<u>567,143</u>
Cash flows from investing activities		
Purchases of investments	(9,885,772)	(7,905,901)
Proceeds from sales of investments	12,480,938	6,812,696
Purchases of property and equipment	<u>(4,659)</u>	<u>(23,067)</u>
Net cash provided by (used in) for investing activities	<u>2,590,507</u>	<u>(1,116,272)</u>
Cash flows from financing activities		
Liabilities assumed under charitable gift annuities	182,416	303,742
Payments to charitable gift annuitants	<u>(237,977)</u>	<u>(243,583)</u>
Net cash provided by (used in) financing activities	<u>(55,561)</u>	<u>60,159</u>
Net change in cash and cash equivalents	(888,995)	(488,970)
Cash and cash equivalents		
Beginning of year	<u>2,005,994</u>	<u>2,494,964</u>
End of year	<u>\$ 1,116,999</u>	<u>\$ 2,005,994</u>

See accompanying notes to financial statements.



PUBLIC CITIZEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting - PCF reports on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

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

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

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

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

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



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, 2023 and 2022, 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 money market funds, certificates of deposit, government securities, equities, and mutual and exchange-traded funds. Income earned is derived from interest, dividends and changes in fair value. Purchases and sales of securities are recognized on a trade-date basis. Interest income is recognized on the accrual basis. Dividends are recognized on the ex-dividend date. Unrealized gains (losses) resulting from increases (decreases) in fair value of securities held as well as the net realized gains (losses) arising from sales of securities are included in investment income. Investment income is reported in the statement of activities net of all external and direct internal investment expenses. Investments held for current operating needs are classified as short-term investments.

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

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

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



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 statements of financial position and are reported at fair value. Liabilities for the expected annuity payments are reported at the estimated present value of future cash outflows, based on appropriate discount rates and mortality tables. PCF invests the charitable gift annuities in accordance with relevant state laws.

As of September 30, 2023 and 2022, the total assets, at fair value, were approximately \$3,302,000 and \$3,129,000, respectively. The actuarial present value of PCF's liability under all charitable gift annuities was approximately \$1,640,000 as of September 30, 2023, and \$1,651,000 as of September 30, 2022, and were computed using discount rates ranging from 0.6% to 5.5%. PCF is required to maintain a reserve of 110% of the annuity liability for Tennessee and Washington State participants and 115% for New York State participants.

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



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

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

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

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

Donated Services - Donated services are recognized if they create or enhance a nonfinancial asset, or if the services require specialized skills, are provided by individuals possessing those skills, and would have to be purchased if they were not contributed to us. Contribution revenue is recognized at the fair value of the nonfinancial asset created or enhanced, or at the fair value of the donated services, whichever is applicable. For the years ended September 30, 2023 and 2022, 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.



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

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, 2022. 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, 2022, from which the summarized information was derived.

NOTE 2. DESCRIPTION OF PROGRAM SERVICES

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

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

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

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

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

NOTE 2. DESCRIPTION OF PROGRAM SERVICES (CONTINUED)

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, 2023 and 2022, respectively are as follows:

	<u>2023</u>	<u>2022</u>
Total assets at end of year	\$ 33,737,010	\$ 35,119,846
Less nonfinancial assets		
Prepaid expenses	(84,297)	(90,805)
Net property and equipment	<u>(2,242,230)</u>	<u>(2,380,986)</u>
Total financial assets at year-end	31,410,483	32,648,055
Less amounts unavailable for general expenditures within one year		
Amounts subject to donor restrictions	(6,642,718)	(8,115,672)
Grants receivable long term portion	(75,000)	-
Investments held to fund charitable gift annuities	<u>(3,302,124)</u>	<u>(3,129,003)</u>
Financial assets available to fund general expenditures within one year	<u>\$ 21,315,641</u>	<u>\$ 21,403,380</u>

NOTE 4. INVESTMENTS

Investments as of September 30, 2023 and 2022 and net investment income for the years then ended consisted of the following:

	<u>2023</u>	<u>2022</u>
Investments at year-end		
Money market funds	\$ 216,135	\$ 150,015
Certificates of deposit	99,629	99,828
Exchange traded funds	8,255,248	7,083,014
Mutual funds	17,180,179	21,080,211
U.S. Government securities	2,678,414	231,164
Common stock	<u>15,180</u>	<u>10,906</u>
Total investments	<u>\$ 28,444,785</u>	<u>\$ 28,655,138</u>
Net investment income (loss)		
Interest and dividends	\$ 784,724	\$ 1,353,525
Net appreciation (depreciation)	2,384,813	(7,045,320)
Investment fees	<u>(196,451)</u>	<u>(210,357)</u>
Net investment income (loss)	<u>\$ 2,973,086</u>	<u>\$ (5,902,152)</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.

NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

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

Following are descriptions of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at September 30, 2023 and 2022.

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.

Money market funds, U.S. Government securities, common stock and exchange traded funds: Valued at the closing price reported on the active market on which the individual securities or funds are traded.

Charitable gift annuities: Liabilities for the expected annuity payments are reported at the estimated present value of future cash outflows, based on appropriate discount rates and mortality tables.

The following table present PCF's assets and liabilities measured at fair value on a recurring basis as of September 30, 2023, and the changes in fair value of liabilities measured using Level 3 inputs during the year then ended:

	September 30, 2023			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Money market funds	\$ 216,135	\$ 216,135	\$ -	\$ -
Certificates of deposit	99,629	-	99,629	-
Exchange traded funds	8,255,248	8,255,248	-	-
Mutual funds	17,180,179	17,180,179	-	-
U.S. Government securities	2,678,414	2,678,414	-	-
Common stock	15,180	15,180	-	-
Total assets	<u>\$ 28,444,785</u>	<u>\$ 28,345,156</u>	<u>\$ 99,629</u>	<u>\$ -</u>
Liabilities				
Charitable gift annuities	<u>\$ 1,640,263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,640,263</u>
Changes in value using Level 3 inputs				
Balance, beginning of year				\$ 1,651,315
Additional charitable gift annuities				182,416
Change in value of charitable gift annuities				44,509
Payments to charitable gift annuitants				<u>(237,977)</u>
Balance, end of year				<u>\$ 1,640,263</u>

NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table present PCF's assets and liabilities measured at fair value on a recurring basis as of September 30, 2022, and the changes in fair value of liabilities measured using Level 3 inputs during the year then ended:

	September 30, 2022			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Money market funds	\$ 150,015	\$ 150,015	\$ -	\$ -
Certificates of deposit	99,828	-	99,828	-
Exchange traded funds	7,083,014	7,083,014	-	-
Mutual funds	21,080,211	21,080,211	-	-
U.S. Government securities	231,164	231,164	-	-
Common stock	10,906	10,906	-	-
Total assets	<u>\$ 28,655,138</u>	<u>\$ 28,555,310</u>	<u>\$ 99,828</u>	<u>\$ -</u>
Liabilities				
Charitable gift annuities	<u>\$ 1,651,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,651,315</u>
Changes in value using Level 3 inputs				
Balance, beginning of year				\$ 1,576,276
Additional charitable gift annuities				303,742
Change in value of charitable gift annuities				14,880
Payments to charitable gift annuitants				<u>(243,583)</u>
Balance, end of year				<u>\$ 1,651,315</u>

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Net assets with donor restrictions		
Congress Watch	\$ 896,216	\$ 2,505,044
Energy Program	2,161,312	1,142,344
Essay Contest Fund	122,449	127,326
Global Trade Watch	356,053	67,585
Health Research Group	15,000	15,000
Lang Endowment	874,619	800,062
Litigation Group	207,162	339,976
Morrison Fellowship Fund	310,059	187,301
PC Texas	990,944	956,442
Access to Medicines	145,975	636,968
Phyllis McCarthy Fund	22,936	22,502
Public Information and Education	574,811	1,239,317
Development - Gala Restricted	-	36,782
Sophia Wolfe Teacher Award Fund	40,182	39,023
Total net assets with donor restrictions	<u>\$ 6,717,718</u>	<u>\$ 8,115,672</u>

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

For the year ended September 30, 2023, 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	\$ 2,208,512
Essay Contest Fund	6,580
Energy program	2,508,987
Global Trade Watch	760,854
Health Research Group	15,000
Lang Endowment	22,142
Litigation Group	135,820
Morrison Fellowship Fund	99,242
PC Texas	1,145,502
Access to Medicines	319,821
Phyllis McCarthy Fund	150
Public Information and Education	1,023,601
Development - Gala Restricted	36,782
Sophia Wolfe Teacher Award Fund	<u>150</u>
Time Restriction - General Support	
Total net assets released from donor restrictions	<u>\$ 8,283,143</u>

NOTE 7. CONTRACT BALANCES

The timing of billings, cash collections, and revenue recognition result in contract assets and contract liabilities associated with revenue from exchange transactions. Contract assets consist entirely of trade accounts receivable, which are recognized only to the extent it is probable that we will collect substantially all of the consideration to which we are entitled in exchange for the goods or services that will be or have been transferred. Contract liabilities consist entirely of deferred revenue that results when we receive advance payments from customers before revenue is recognized. Balances in these accounts as of the beginning and end of the years ended September 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts receivable	<u>\$ 8,824</u>	<u>\$ 253,841</u>	<u>\$ 120,224</u>
Deferred subscription revenue	\$ 1,112,774	\$ 1,123,617	\$ 1,370,746
Deferred event revenue	<u>-</u>	<u>-</u>	<u>50,000</u>
	<u>\$ 1,112,774</u>	<u>\$ 1,123,617</u>	<u>\$ 1,420,746</u>



NOTE 8. ENDOWMENT FUNDS

PCF's endowment consists of donor-restricted funds established to provide for the long-term support of PCF and its programs. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, PCF classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, PCF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of PCF and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Investment policies of PCF; and
- Other resources of PCF.

As of September 30, 2023, the temporary portion of the donor-restricted endowment funds was \$-0- and the perpetual portion was \$874,619. Changes in endowment net assets for the year ended September 30, 2023:

NOTE 8. ENDOWMENT FUNDS (CONTINUED)

	2023			Total
	Without Donor Restrictions	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	
Endowment net assets, beginning of year	\$ -	\$ -	\$ 800,062	\$ 800,062
Contributions	-	-	-	-
Investment return				
Interest income, net of fees	-	-	23,491	23,491
Net appreciation (depreciation) (realized and unrealized)	-	-	73,208	73,208
Total investment return	-	-	96,699	96,699
Appropriation of endowment earnings for expenditure	-	-	(22,142)	(22,142)
Endowment net assets, end of year	\$ -	\$ -	\$ 874,619	\$ 874,619

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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



NOTE 8. ENDOWMENT FUNDS (CONTINUED)

Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires Public Citizen Foundation, Inc. to retain as a fund of perpetual duration. Deficiencies of this nature exist in the Lang donor-restricted endowment fund. That fund has an original gift value of \$979,704, a current fair value of \$874,619, and a deficiency of \$105,085 as of September 30, 2023. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for this donor-restricted endowment fund. But the deficiency also included the first annual draw from the fund of 2.26% which is under the minimum amount of 4% as outlined in the endowment agreement.

Public Citizen Foundation currently does not have a policy on spending from underwater endowment funds, but is currently working on one.

NOTE 9. JOINT COST ALLOCATION

PCF incurred joint costs of \$2,337,660 in 2023 for informational materials and other activities that included fundraising appeals. The costs were allocated as follows:

Program	\$ 522,233
Management and general	567,116
Fundraising	<u>1,248,311</u>
Total	<u>\$ 2,337,660</u>

NOTE 10. COLLECTIVE BARGAINING AGREEMENT

The employees of PCF elected to be covered by a collective bargaining agreement and to have the Service Employees International Union (SEIU), Local 500 AFL-CIO as their representative. PCF's management and SEIU ratified a new collective bargaining agreement (the Agreement) in December 2021. The Agreement is in effect until September 30, 2024.

NOTE 11. PENSION PLANS

PCF and its affiliate PCI maintain an Internal Revenue Code Section 401(k) plan (the 401(k) Plan). The 401(k) Plan requires PCF to make a safe harbor contribution equal to 3% of the total compensation for all eligible employees. In addition, during fiscal year 2023, PCF made an additional 2% discretionary contribution. Pension expense for the year ended September 30, 2023 was approximately \$341,000.



NOTE 12. RELATED PARTY TRANSACTIONS

PCF is affiliated with Public Citizen, Inc. (PCI), a nonprofit organization exempt under Section 501(c)(4) of the IRC. PCF and PCI are under common control. As such, the financial position and activities of PCF and PCI are presented in separately issued combined financial statements as of and for the year ended September 30, 2023. 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 from) due to PCI were \$(136,474) and \$17,140 as of September 30, 2023 and 2022, respectively.

NOTE 13. REFUNDABLE ADVANCE (PPP LOAN)

On June 5, 2020, PCF received a Paycheck Protection Program (PPP) loan in the amount of \$742,500, made available under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Provided PCF complied with applicable provisions of the CARES Act, the PPP loan was eligible to be forgiven in full. Management believes PCF complied with the applicable provisions of the CARES Act and applied for and received forgiveness of the full amount of the loan in December 2021.

PCF initially recorded the note payable as a refundable advance and subsequently recognized contribution income when the debt was formally forgiven. The entire amount of the forgiven loan was recognized as contribution revenue during 2022.

NOTE 14. CONCENTRATIONS

As of September 30, 2023, approximately 83% of grants receivable were due from three 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, 2023, approximately 77% of PCI's employees are members of SEIU, Local 500 AFL-CIO.

NOTE 15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 19, 2024, which is the date the financial statements were available to be issued. This review and evaluation revealed no events requiring adjustment to or disclosure in the accompanying financial statements.