



PUBLIC CITIZEN FOUNDATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022





PUBLIC CITIZEN FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

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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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the year ended September 30, 2022, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the year ended September 30, 2022, 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, 2021, and we expressed an unmodified audit opinion on those financial statements in our report dated February 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CalibreCPAGroup, PLLC

Bethesda, MD
February 17, 2023



PUBLIC CITIZEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,005,994	\$ 2,494,964
Investments	231,164	59,996
Accounts receivable	253,841	120,224
Grants receivable	1,672,167	1,872,346
Bequests receivable	58,306	-
Interest receivable	2,609	2,017
Prepaid expenses	90,805	73,488
Total current assets	<u>4,314,886</u>	<u>4,623,035</u>
Investments, net of current portion	<u>25,294,971</u>	<u>30,748,480</u>
Property and equipment		
Land	1,243,073	1,243,073
Building and improvements	3,610,104	3,598,691
Office furniture and equipment	883,516	871,862
	<u>5,736,693</u>	<u>5,713,626</u>
Less: accumulated depreciation and amortization	<u>(3,355,707)</u>	<u>(3,196,151)</u>
	<u>2,380,986</u>	<u>2,517,475</u>
Investments - charitable gift annuities	<u>3,129,003</u>	<u>3,798,777</u>
Total assets	<u>\$ 35,119,846</u>	<u>\$ 41,687,767</u>

See accompanying notes to financial statements.



PUBLIC CITIZEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 238,100	\$ 441,148
Accrued leave	612,459	576,490
Deferred subscription revenue	1,123,617	1,370,746
Deferred event revenue	-	50,000
Charitable gift annuities payable	247,318	253,551
Due to Public Citizen, Inc.	17,140	541,193
Refundable advance (PPP loan)	<u>-</u>	<u>742,500</u>
Total current liabilities	2,238,634	3,975,628
Long-term liabilities		
Charitable gift annuities payable, net of current portion	<u>1,403,997</u>	<u>1,322,725</u>
Total liabilities	<u>3,642,631</u>	<u>5,298,353</u>
Net assets		
Without donor restrictions	23,361,543	28,385,649
With donor restrictions	<u>8,115,672</u>	<u>8,003,765</u>
Total net assets	<u>31,477,215</u>	<u>36,389,414</u>
Total liabilities and net assets	<u>\$ 35,119,846</u>	<u>\$ 41,687,767</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue				
Contributions	\$ 5,732,226	\$ 168,126	\$ 5,900,352	\$ 8,392,840
Grants	1,150,000	7,039,250	8,189,250	6,772,168
Publication subscriptions	1,089,373	-	1,089,373	1,084,188
List rental revenue	68,100	-	68,100	49,789
Net investment income (loss)	(5,680,701)	(221,451)	(5,902,152)	3,669,158
Court awards	483,728	-	483,728	484,160
PPP loan forgiveness	742,500	-	742,500	-
Other	2,132	-	2,132	2,363
Change in value of charitable gift annuities	(14,880)	-	(14,880)	(60,646)
Net assets released from restrictions	<u>6,874,018</u>	<u>(6,874,018)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>10,446,496</u>	<u>111,907</u>	<u>10,558,403</u>	<u>20,394,020</u>
Expenses				
Program				
Public Information and Education	2,341,682	-	2,341,682	2,039,542
Publications	1,602,445	-	1,602,445	1,683,639
Health Research Group	969,510	-	969,510	960,428
Litigation Group	1,646,125	-	1,646,125	1,768,991
Congress Watch	2,291,734	-	2,291,734	2,165,746
Access to Medicines	772,010	-	772,010	433,289
Global Trade Watch	699,342	-	699,342	858,966
Energy Program	1,769,055	-	1,769,055	1,024,649
PC Texas	<u>868,703</u>	<u>-</u>	<u>868,703</u>	<u>944,677</u>
Total program	<u>12,960,606</u>	<u>-</u>	<u>12,960,606</u>	<u>11,879,927</u>
Supporting				
Management and general	1,276,897	-	1,276,897	1,023,723
Fundraising	<u>1,233,099</u>	<u>-</u>	<u>1,233,099</u>	<u>1,077,476</u>
Total supporting	<u>2,509,996</u>	<u>-</u>	<u>2,509,996</u>	<u>2,101,199</u>
Total expenses	<u>15,470,602</u>	<u>-</u>	<u>15,470,602</u>	<u>13,981,126</u>
Change in net assets	(5,024,106)	111,907	(4,912,199)	6,412,894
Net assets				
Beginning of year	<u>28,385,649</u>	<u>8,003,765</u>	<u>36,389,414</u>	<u>29,976,520</u>
End of year	<u>\$ 23,361,543</u>	<u>\$ 8,115,672</u>	<u>\$ 31,477,215</u>	<u>\$ 36,389,414</u>

See accompanying notes to financial statements.

PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2022 (WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2021)

	Program											Supporting		2021 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		2022 Total
Salaries	\$ 1,269,665	\$ 131,901	\$ 694,031	\$ 1,152,813	\$ 1,165,041	\$ 406,795	\$ 487,963	\$ 820,005	\$ 280,776	\$ 6,406,990	\$ 433,706	\$ 335,797	\$ 769,503	\$ 7,176,493	\$ 6,310,943
Payroll taxes and employee benefits	347,381	42,267	179,298	267,155	308,309	100,936	126,966	189,675	90,146	1,652,133	146,730	107,888	254,618	1,906,751	1,711,396
Bank charges	6,064	11,522	-	-	-	2,027	-	-	-	19,613	22,898	12,010	34,908	54,521	52,699
Caging and database maintenance	9,302	48,367	-	-	-	-	-	-	-	57,669	8,532	18,424	26,956	84,625	86,671
Consulting and professional services	244,708	284,558	3,651	-	360,935	92,444	3,901	120,289	142,145	1,252,631	291,884	193,448	485,332	1,737,963	1,486,548
Contract labor	779	4,305	14,100	-	-	-	-	-	-	19,184	10,696	1,543	12,239	31,423	61,439
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	159,556	-	159,556	159,556	163,200
Fees, licenses and taxes	996	266	-	4,440	12,766	373	8,053	9,132	-	36,046	162,403	800	163,203	199,249	192,599
Grant distribution	50,500	-	-	-	208,050	115,000	-	513,650	221,364	1,108,564	33,773	-	-	1,108,564	1,237,078
Insurance	-	-	-	-	-	-	-	-	-	34,052	11,841	25,569	37,410	71,462	95,520
List rental cost	30,713	108,747	-	-	-	-	-	-	-	139,460	28,171	65,713	93,884	233,344	277,381
Mail house	531	-	-	-	7,814	12,971	62	403	2,564	24,345	8,807	2,457	-	24,345	2,968
Meeting fees/conference	4,159	1,880	4,955	16,641	2,382	630	973	2,019	109	33,748	8,807	2,457	11,264	45,012	38,809
Miscellaneous	958	1	11	164	2,666	295	435	167	22,438	27,135	40,637	83	40,720	67,855	51,378
Office supplies	82,579	537,385	12	3,030	49	11	223	-	11,056	634,345	75,738	174,595	250,333	884,678	941,499
Postage and shipping	108,921	396,029	-	5,329	23,079	297	90	206	12,012	545,963	100,109	231,292	331,401	877,364	687,489
Printing and publications	32,613	2,106	7,618	76,153	35,964	1,112	7,529	4,013	1,813	168,921	8,359	3,700	12,059	180,980	166,941
Reference materials	2,344	-	-	-	-	-	-	476	43,370	46,190	-	-	-	46,190	50,496
Rent	239	-	-	5,917	6,484	-	2,780	4,585	-	20,005	77,937	473	78,410	98,415	84,731
Repairs and maintenance	245	-	-	-	190	318	2,194	11	122	3,080	125,950	71	126,021	129,101	122,847
Software maintenance	1,314	-	-	-	-	-	-	-	-	1,314	1,355	2,602	3,957	5,271	28,288
Special events	1,998	-	10	492	489	2,345	642	143	535	6,654	41,956	1,518	43,474	50,128	44,126
Telephone	5,081	-	-	290	21,351	3,541	8,149	6,848	5,850	51,110	1,726	3,727	5,453	56,563	8,028
Travel	-	-	-	-	3,519	-	1,508	2,488	4,482	11,997	15,000	-	15,000	56,976	48,121
Utilities	-	-	-	-	-	-	-	-	-	-	150,000	-	150,000	150,000	-
Bad debt	-	-	-	-	-	-	-	-	-	-	(710,846)	51,389	(659,457)	-	-
Allocation of common costs	127,683	11,968	65,824	113,701	134,646	32,915	47,874	94,925	29,921	659,457	(710,846)	51,389	(659,457)	-	-
Total expenses	\$ 2,341,682	\$ 1,602,445	\$ 969,510	\$ 1,646,125	\$ 2,291,734	\$ 772,010	\$ 699,342	\$ 1,769,055	\$ 868,703	\$ 12,960,606	\$ 1,276,897	\$ 1,233,099	\$ 2,509,996	\$ 15,470,602	\$ 13,981,126

See accompanying notes to financial statements.



PUBLIC CITIZEN FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED SEPTEMBER 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Contributions received	\$ 5,708,429	\$ 8,289,370
Grants received	8,389,429	5,320,656
Publication subscriptions received	792,244	1,133,632
List rental income received	68,100	49,789
Investment income received	1,352,933	753,319
Court awards received	483,728	484,160
Other operating receipts	2,132	2,363
Payments to vendors, suppliers, employees, and Public Citizen, Inc.	<u>(16,229,852)</u>	<u>(13,915,495)</u>
Net cash provided by operating activities	<u>567,143</u>	<u>2,117,794</u>
Cash flows from investing activities		
Purchases of investments	(7,905,901)	(13,307,491)
Proceeds from sales of investments	6,812,696	9,423,712
Purchases of property and equipment	<u>(23,067)</u>	<u>(155,015)</u>
Net cash used for investing activities	<u>(1,116,272)</u>	<u>(4,038,794)</u>
Cash flows from financing activities		
Liabilities assumed under charitable gift annuities	303,742	251,411
Payments to charitable gift annuitants	<u>(243,583)</u>	<u>(241,573)</u>
Net cash provided by financing activities	<u>60,159</u>	<u>9,838</u>
Net change in cash and cash equivalents	(488,970)	(1,911,162)
Cash and cash equivalents		
Beginning of year	<u>2,494,964</u>	<u>4,406,126</u>
End of year	<u>\$ 2,005,994</u>	<u>\$ 2,494,964</u>

See accompanying notes to financial statements.



PUBLIC CITIZEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

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, 2022 and 2021, 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, 2022 and 2021, the total assets, at fair value, were approximately \$3,129,000 and \$3,799,000, respectively. The actuarial present value of PCF's liability under all charitable gift annuities was approximately \$1,651,000 as of September 30, 2022, and \$1,576,000 as of September 30, 2021, 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, 2022 and 2021, 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, 2021. 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, 2021, 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, 2022 and 2021, respectively are as follows:

	2022	2021
Total assets at end of year	\$ 35,119,846	\$ 41,687,767
Less nonfinancial assets		
Prepaid expenses	(90,805)	(73,488)
Net property and equipment	<u>(2,380,986)</u>	<u>(2,517,475)</u>
Total financial assets at year-end	32,648,055	39,096,804
Less amounts unavailable for general expenditures within one year		
Amounts subject to donor restrictions	(8,115,672)	(8,003,765)
Investments held to fund charitable gift annuities	<u>(3,129,003)</u>	<u>(3,798,777)</u>
Financial assets available to fund general expenditures within one year	<u>\$ 21,403,380</u>	<u>\$ 27,294,262</u>

NOTE 4. INVESTMENTS

Investments as of September 30, 2022 and 2021 and net investment income for the years then ended consisted of the following:

	<u>2022</u>	<u>2021</u>
Investments at year-end		
Money market funds	\$ 150,015	\$ 160,135
Certificates of deposit	99,828	-
Exchange traded funds	7,083,014	6,450,422
Mutual funds	21,080,211	27,801,454
U.S. Government securities	231,164	184,932
Common stocks	<u>10,906</u>	<u>10,310</u>
Total investments	<u>\$ 28,655,138</u>	<u>\$ 34,607,253</u>
Net investment income (loss)		
Interest and dividends	\$ 1,353,525	\$ 747,911
Net appreciation (depreciation)	(7,045,320)	3,103,446
Investment fees	<u>(210,357)</u>	<u>(182,199)</u>
Net investment income (loss)	<u>\$ (5,902,152)</u>	<u>\$ 3,669,158</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, 2022 and 2021.

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

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

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 stocks	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 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, 2021, and the changes in fair value of liabilities measured using Level 3 inputs during the year then ended:

	September 30, 2021			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Money market funds	\$ 160,135	\$ 160,135	\$ -	\$ -
Exchange traded funds	6,450,422	6,450,422	-	-
Mutual funds	27,801,454	27,801,454	-	-
U.S. Government securities:	184,932	184,932	-	-
Common stocks	<u>10,310</u>	<u>10,310</u>	-	-
Total assets	<u>\$ 34,607,253</u>	<u>\$ 34,607,253</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Charitable gift annuities	<u>\$ 1,576,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,576,276</u>
Changes in value using Level 3 inputs				
Balance, beginning of year				\$ 1,505,792
Additional charitable gift annuities				251,411
Change in value of charitable gift annuities				60,646
Payments to charitable gift annuitants				<u>(241,573)</u>
Balance, end of year				<u>\$ 1,576,276</u>

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Net assets with donor restrictions		
Congress Watch	\$ 2,505,044	\$ 1,413,012
Energy Program	1,142,344	1,990,699
Essay Contest Fund	127,326	133,324
Global Trade Watch	67,585	418,842
Health Research Group	15,000	15,000
Lang Endowment	800,062	1,019,597
Litigation Group	339,976	59,172
Morrison Fellowship Fund	187,301	202,636
PC Texas	956,442	1,103,979
Access to Medicines	636,968	928,711
Phyllis McCarthy Fund	22,502	24,450
Public Information and Education	1,239,317	286,007
Development - Gala Restricted	36,782	365,365
Sophia Wolfe Teacher Award Fund	<u>39,023</u>	<u>42,971</u>
Total net assets with donor restrictions	<u>\$ 8,115,672</u>	<u>\$ 8,003,765</u>

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

For the year ended September 30, 2022, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

Net assets released from donor restrictions	
Congress Watch	\$ 1,701,691
Essay Contest Fund	6,050
Energy program	1,667,156
Global Trade Watch	351,258
Health Research Group	15,000
Lang Endowment	37,572
Litigation Group	267,074
Morrison Fellowship Fund	89,525
PC Texas	838,528
Access to Medicines	765,493
Phyllis McCarthy Fund	150
Public Information and Education	983,488
Development - Gala Restricted	150,883
Sophia Wolfe Teacher Award Fund	<u>150</u>
Total net assets released from donor restrictions	<u>\$ 6,874,018</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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable	<u>\$ 253,841</u>	<u>\$ 120,224</u>	<u>\$ 16,754</u>
Deferred subscription revenue	\$ 1,123,617	\$ 1,370,746	\$ 1,371,302
Deferred event revenue	<u>-</u>	<u>50,000</u>	<u>-</u>
	<u>\$ 1,123,617</u>	<u>\$ 1,420,746</u>	<u>\$ 1,371,302</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, 2022, the temporary portion of the donor-restricted endowment funds was \$-0- and the perpetual portion was \$800,062. Changes in endowment net assets for the year ended September 30, 2022:

NOTE 8. ENDOWMENT FUNDS (CONTINUED)

	2022			Total
	Without Donor Restrictions	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	
Endowment net assets, beginning of year	\$ -	\$ 39,893	\$ 979,704	\$ 1,019,597
Contributions	-	-	-	-
Investment return				
Interest income, net of fees	-	37,889	-	37,889
Net appreciation (depreciation) (realized and unrealized)	-	(77,782)	(142,070)	(219,852)
Total investment return	-	(39,893)	(142,070)	(181,963)
Appropriation of endowment earnings for expenditure	-	-	(37,572)	(37,572)
Endowment net assets, end of year	\$ -	\$ -	\$ 800,062	\$ 800,062

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 \$800,062, and a deficiency of \$179,642 as of September 30, 2022. 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 4.5% which is slightly above 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 \$2,259,053 in 2022 for informational materials and other activities that included fundraising appeals. The costs were allocated as follows:

Program	\$ 579,563
Management and general	531,600
Fundraising	<u>1,147,890</u>
Total	<u>\$ 2,259,053</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 2022, PCF made an additional 2% discretionary contribution. Pension expense for the year ended September 30, 2022 was approximately \$302,000.



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, 2022. 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 \$17,140 and \$541,193 as of September 30, 2022 and 2021, 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, 2022, approximately 84% 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, 2022, approximately 57% of PCI's employees are members of SEIU, Local 500 AFL-CIO.

NOTE 15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 17, 2023, 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.