CONSUMER REPORTS, INC.

Consolidated Financial Statements

May 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Consumer Reports, Inc.:

We have audited the accompanying consolidated financial statements of Consumer Reports, Inc., which comprise the consolidated balance sheets as of May 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Consumer Reports, Inc. as of May 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 13, 2020

CONSUMER REPORTS, INC.

Consolidated Balance Sheets

May 31, 2020 and 2019

(Amounts in thousands)

Assets		**2020**	**2019**
Current assets:			
Cash, cash equivalents, and restricted cash	$	25,521	16,173
Investments (note 6)		290,108	288,167
Trade receivables, net		9,229	6,665
Inventories (note 4)		1,241	1,890
Auto test inventory		2,219	2,001
Grants and other receivables		1,551	460
Prepaid expenses and other current assets (note 2)		7,181	7,762
Total current assets		337,050	323,118
Property, equipment and software, net (note 5)		59,867	62,458
Other assets (note 2)		2,387	2,154
Grants receivable – long term		—	50
Total assets	$	399,304	387,780
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$	13,194	15,144
Accrued compensation		6,950	8,177
Deferred revenue (note 2)		100,358	98,177
Current portion of long-term debt (note 9)		1,550	1,500
Total current liabilities		122,052	122,998
Deferred revenue – long term (note 2)		14,724	17,943
Liability under derivative instrument (note 11)		7,073	5,029
Long-term debt (note 9)		33,841	35,374
Pension obligations (note 7)		30,738	24,886
Other liabilities (note 12)		13,565	13,601
Total liabilities		221,993	219,831
Net assets:			
Without donor restrictions		169,806	159,797
With donor restrictions (note 3)		7,505	8,152
Total net assets		177,311	167,949
Total liabilities and net assets	$	399,304	387,780

See accompanying notes to consolidated financial statements.

CONSUMER REPORTS, INC.

Consolidated Statements of Activities

Years ended May 31, 2020 and 2019

(Amounts in thousands)

		2020	2019
Change in net assets without donor restrictions:			
Operating:			
Revenue and support:			
Subscriptions, newsstand, and other sales (note 2)	$	212,804	211,302
Contributions		28,745	27,244
Net assets released from restrictions		3,825	3,183
Total revenue and support		245,374	241,729
Operating expenses:			
Publication, promotion, and marketing expenses:			
Content development		86,849	85,198
Production and distribution		46,915	46,121
Promotion and marketing		52,561	62,883
		186,325	194,202
Consumer advocacy and education		15,245	15,339
General and administrative (notes 5 and 9)		21,624	22,882
Fundraising		11,615	11,696
Total operating and other expenses		234,809	244,119
Total operating gain (loss)		10,565	(2,390)
Nonoperating:			
Investment return, net (note 6)		12,791	1,554
Unrealized loss on interest rate swap (note 11)		(2,044)	(913)
Change in value of split-interest agreements (note 12)		(141)	77
Pension settlement costs (note 7)		(10,722)	—
Pension-related changes other than net periodic pension cost (note 7)		(440)	(3,385)
Total nonoperating loss		(556)	(2,667)
Increase (decrease) in net assets without donor restrictions		10,009	(5,057)
Change in net assets with donor restrictions: (note 3)			
Grants received		3,022	7,582
Net assets released from restrictions		(3,825)	(3,183)
Contribution revenue – other		199	102
Change in value of split-interest agreements		(43)	56
(Decrease) increase in net assets with donor restrictions		(647)	4,557
Increase (decrease) in net assets		9,362	(500)
Net assets at beginning of year		167,949	168,449
Net assets at end of year	$	177,311	167,949

See accompanying notes to consolidated financial statements.

CONSUMER REPORTS, INC.

Consolidated Statements of Functional Expenses

Years ended May 31, 2020 and 2019

(Amounts in thousands)

	2020					2019				
	Publication, promotion, and marketing	Consumer advocacy and education	General and administrative	Fundraising	Total	Publication, promotion, and marketing	Consumer advocacy and education	General and administrative	Fundraising	Total
Salaries, employee benefits, and payroll taxes	$ 70,263	9,567	12,158	2,791	94,779	70,248	9,158	12,542	2,911	94,859
Printing and publications	22,322	155	47	2,839	25,363	24,619	8	20	2,879	27,526
Postage and shipping	27,052	14	3	4,868	31,937	28,628	23	5	4,719	33,375
Sales and marketing	26,517	747	33	612	27,909	31,423	646	27	598	32,694
Product testing	3,368	—	—	—	3,368	3,586	—	—	—	3,586
Professional fees	8,078	1,353	2,583	200	12,214	8,572	1,180	2,737	275	12,764
IT Hosting and Maintenance	4,822	332	898	20	6,072	4,703	298	947	19	5,967
Insurance	—	—	1,078	—	1,078	—	—	994	—	994
Fees, licenses, and permits	3,566	3	54	2	3,625	2,815	19	64	2	2,900
Occupancy	2,067	852	235	18	3,172	2,083	974	274	19	3,350
Grants and awards	—	133	127	—	260	—	161	—	—	161
Supplies	646	13	380	8	1,047	734	27	87	7	855
Telephone	459	29	65	4	557	508	39	79	4	630
Travel	570	335	139	49	1,093	837	358	192	66	1,453
Meetings and conferences	161	81	116	13	371	163	45	121	5	334
Dues and subscriptions	370	606	27	10	1,013	352	619	28	3	1,002
Interest (note 9)	—	—	1,331	—	1,331	—	—	1,358	—	1,358
Depreciation and amortization (note 5)	14,212	483	474	37	15,206	14,109	361	583	42	15,095
Sales tax	229	—	—	—	229	77	—	—	—	77
Severance	—	—	862	—	862	—	—	1,962	—	1,962
Other expenses	1,623	542	1,014	144	3,323	745	1,423	862	147	3,177
Total	$ 186,325	15,245	21,624	11,615	234,809	194,202	15,339	22,882	11,696	244,119

See accompanying notes to consolidated financial statements.

CONSUMER REPORTS, INC.

Consolidated Statements of Cash Flows

Years ended May 31, 2020 and 2019

(Amounts in thousands)

		2020	2019
Cash flows from operating activities:			
Increase (decrease) in net assets	$	9,362	(500)
Adjustments to reconcile increase net assets to net cash provided by operating activities:			
Depreciation and amortization		15,206	15,095
Amortization of bond issuance costs		17	19
Pension-related changes other than net periodic pension cost		440	3,385
Net unrealized (gain) loss on investments		(7,590)	6,495
Net realized gain on investments		(4,056)	(6,931)
Unrealized loss on interest rate swap		2,044	913
Change in value of split-interest agreements		43	(56)
Change in allowance for doubtful accounts		(391)	(781)
Service cost recognized as net periodic pension cost		1,787	1,798
(Gain) loss on disposal of property and equipment		(9)	217
Other noncash items		47	131
Actuarial change in charitable gift annuity obligations		141	(77)
Pension contributions		(7,097)	(5,224)
Pension settlement costs		10,722	—
Other changes in assets and liabilities:			
Trade receivable		(2,173)	1,010
Inventories and auto test inventory		431	(289)
Grants and other receivables		(1,041)	120
Prepaid expenses and other current assets		581	2,050
Other noncurrent assets		(77)	265
Receivable from insurance recovery		—	16,375
Claim settlement liability		—	(16,375)
Accounts payable and accrued liabilities		(1,988)	(1,897)
Accrued compensation		(1,227)	(1,206)
Deferred revenue		(1,038)	(7,889)
Other liabilities		(385)	(910)
Net cash provided by operating activities		13,749	5,738
Cash flows from capital investments and other investing activities:			
Purchases of property and equipment		(1,700)	(2,716)
Payments for computer software and development		(10,906)	(10,714)
Purchase of investments		(3,434)	(2,649)
Proceeds from sales of investments		13,139	17,614
Net cash (used in) provided by capital investments and other investing activities		(2,901)	1,535
Cash flows from financing activities:			
Repayment of long-term debt		(1,500)	(1,450)
Net cash used in financing activities		(1,500)	(1,450)
Net increase in cash, cash equivalents and restricted cash		9,348	5,823
Cash, cash equivalents, and restricted cash at beginning of year		16,173	10,350
Cash, cash equivalents, and restricted cash at end of year	$	25,521	16,173
Supplemental data:			
Cash paid for interest	$	1,314	1,340
Cash paid for income taxes		628	846
Donated securities		110	307

See accompanying notes to consolidated financial statements.

(1) Organization and Presentation of Financial Statements

(a) Organization

Consumer Reports, Inc. (CR or the Organization) is the publisher of *Consumer Reports,* ConsumerReports.org, as well as other periodicals, publications, and consumer services. CR conducts consumer advocacy and education programs for public health and safety. CR is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (the Code).

The Organization follows the standards of accounting and financial reporting for not-for-profit organizations as prescribed by the American Institute of Certified Public Accountants. The following significant accounting policies are in accordance with U.S. generally accepted accounting principles.

(b) Basis of Presentation

These consolidated financial statements are prepared on the accrual basis of accounting and include the accounts of CR and that of Consumers Union Action Fund, Inc. (CUAF). CUAF is an affiliated organization incorporated in April 2006 as a nonmembership Delaware not-for-profit corporation. CUAF's operations focused on consumer-related grassroots legislative campaigns, and it is recognized by the Internal Revenue Service (IRS) as a tax-exempt organization under Section 501(c)(4) of the Code. CUAF ceased operations and the company was dissolved in April 2019. As a result, the statement of activities, statement of functional expenses, and statement of cash flows for the year ending May 31, 2019 are on a consolidated basis, whereas the statement of activities, statement of functional expenses, and statement of cash flows for the year ending May 31, 2020 solely represent the activities and cash flows of Consumer Reports, Inc. Furthermore, the balance sheets as of May 31, 2020 and 2019 solely represents the assets, liabilities, and net assets of Consumer Reports, Inc.

CR's fiscal year ends on May 31 for the respective year. Any references made to 2019 or 2020 in the notes contained herein represent for the year ending May 31, 2020 or 2019, respectively.

All intercompany balances and transactions have been eliminated in consolidation.

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets available for use for general operations and not subject to donor-imposed restrictions. All revenues, gains, losses that are not restricted by a donor are included in this classification.
>
> *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that will be met by either by actions of CR or the passage of time.

Nonoperating items have been segregated in the accompanying consolidated statements of activities and include net investment return, unrealized losses on interest rate swap, change in value of split-interest agreements, pension settlement costs and pension-related changes other than net periodic pension cost.

In the consolidated statements of functional expenses for the years ended May 31, 2020 and 2019, information technology and facilities costs are allocated in the functional expense categories based on a percentage of the square foot usage of the Organization's facilities. All other costs are directly charged.

(2) Significant Accounting Policies

(a) Revenue Recognition

In accordance with ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), CR accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable CR will collect substantially all of the consideration to which it is entitled.

Revenue is measured based on a consideration specified in a contract with a customer. CR recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Shipping costs associated with the distribution of print products after control over the products has transferred to a customer are accounted for as a fulfillment cost when incurred and are included in production and distribution costs in the accompanying consolidated statements of activities.

Taxes assessed by a government authority that are both imposed and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from sales.

(i) Nature of Goods and Services

The following is a description of principal activities from which CR generates its revenue.

Products and services	Nature, timing of satisfaction of performance obligations, significant payment terms and revenue recognition methods
Digital Products	Digital products consist of subscriptions to Consumerreports.org, access to other digital content on a tablet, and video content. CR recognizes subscription sales revenue on a ratable basis over the contract (subscription) period as the customer has access to the product for a specified length of time, at least monthly, but not exceeding one year. Payment occurs up front prior to obtaining access. Certain digital products are recognized at a point in time as access is granted to the customer through 3rd parties such as the App store. Digital products contain a portion of bundled transactions of digital and print products allocated based on stand alone selling prices.

($ Amounts in thousands)

Products and services	Nature, timing of satisfaction of performance obligations, significant payment terms and revenue recognition methods
Print Products	Print products consist of subscription or newsstand sales of Consumer Reports Magazine, a Health based newsletter, and special interest publications. CR recognizes subscription sales revenue on a ratable basis over the contract (subscription) period as the customer receives issues of the product via USPS. Subscriptions can be for multiple years. Payment for the total order occurs either up front with the order, or is billed shortly after the order process at the customer's discretion. Revenue for newsstand sales is recognized at a point in time when the magazines are shipped to the wholesaler. Print products contain a portion of bundled transactions of digital and print products allocated based on stand alone selling prices.
Other Revenue	Other revenue primarily consists of referral fees received from contracts with a 3rd parties to remit a portion of revenue based on consummated transactions by customers directed to their products from our digital products. This category also contains revenue associated with the licensing of CR's content. Other revenue is typically recognized at a point in time when delivery of the content to the customer occurs, or the referral fees are earned based on the date of the underlying sale.

(ii) Disaggregation of Revenue

Revenue from contracts with customers as disaggregated by major product line across timing of revenue recognition is presented in the following tables:

	Major product categories May 31, 2020			
	Digital products	Print products	Other revenue	Total
Timing of revenue recognition:				
Transferred over time	$ 105,163	86,340	306	191,809
Point in time	1,810	3,418	15,767	20,995
Total	$ 106,973	89,758	16,073	212,804

($ Amounts in thousands)

		Major product categories May 31, 2019			
		Digital products	Print products	Other revenue	Total
Timing of revenue recognition:					
Transferred over time	$	101,487	89,757	232	191,476
Point in time		1,895	5,130	12,801	19,826
Total	$	103,382	94,887	13,033	211,302

(iii) Transaction Price Allocated to the Remaining Performance Obligations

Estimated deferred revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) is presented in the below tables:

		Expected recognition of deferred revenue May 31, 2020					
		2021	2022	2023	2024	2025 to 2030	Total
Digital products	$	41,967	—	—	—	—	41,967
Print products		58,391	10,728	2,193	755	1,048	73,115
Total	$	100,358	10,728	2,193	755	1,048	115,082

		Expected recognition of deferred revenue May 31, 2019					
		2020	2021	2022	2023	2024 to 2029	Total
Digital products	$	37,048	—	—	—	—	37,048
Print products		61,129	12,723	3,073	944	1,203	79,072
Total	$	98,177	12,723	3,073	944	1,203	116,120

(iv) Contract Costs

CR expects that incremental commission fees paid to sales agents as a result of obtaining contracts for print subscriptions with customers are recoverable and therefore CR capitalized them as contract costs. Unamortized capitalized contract costs were $2,021 and $2,160 as of May 31, 2020 and 2019, respectively. Amounts expected to amortize in less than a year are included in prepaid expenses and other current assets and amounts expected to amortize beyond one-year are included in other assets in the accompanying consolidated balance sheets. Capitalized commission fees are amortized based on the transfer of goods to which the assets relate. Commission fees of $2,244 and $2,383 were amortized into promotion and marketing expense in 2020 and 2019, respectively. There were no impairment losses in relation to the costs capitalized.

($ Amounts in thousands)

Expected amortization of capitalized contract costs is presented in the following tables:

		2021	2022	2023	2024	2025 to 2029	Total
Contract costs	$	1,338	306	136	70	171	2,021

		May 31, 2019					
		2020	2021	2022	2023	2024 to 2028	Total
Contract costs	$	1,442	315	145	78	180	2,160

(b) Accounts Receivable

Trade receivables are based on invoiced amounts and do not bear interest, net of an estimated allowance for cancellations and nonpayment. This allowance is based on historical experience and was approximately $5,375 and $5,766 at May 31, 2020 and 2019, respectively. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. As of May 31, 2020, trade receivables primarily consist of receivables from subscriptions (50%), referral fees (27%), licensing of content (11%) and other sales (12%). The Organization does not have any off-balance-sheet credit exposure related to its customers.

(c) Cash, Cash Equivalents, and Restricted Cash

CR considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Restricted cash consists of cash held by the investment manager for the CGA program, of $1,395 and $844 which is included in cash, cash equivalents, and restricted cash on the accompanying consolidated balance sheets as of May 31, 2020 and 2019, respectively.

(d) Investments

Investments are stated at fair value based upon published market prices or readily determined published prices, except for the fair values of certain commingled trust and real estate funds, which, as a practical expedient, are based on net asset values (NAVs) provided by the fund managers and general partners, respectively, based upon the underlying net assets of the funds. These values are reviewed and evaluated by management for reasonableness. Gains and losses, including unrealized amounts, are included in the accompanying consolidated statements of activities and are discussed in greater detail in note 6.

(e) Derivative Instruments

CR follows the provisions of FASB ASC Topic 815, *Derivatives and Hedging*, which requires that all derivative financial instruments be recognized in the consolidated financial statements and measured at fair value regardless of the purpose or intent for holding them. CR uses an interest-rate-related derivative instrument to manage its exposure to rising interest rates on long-term debt. The fair value of the derivative instrument held is based upon values provided by a third-party financial institution, which is reviewed by management for reasonableness and is valued based upon the present value of the discounted expected future cash flows with the swap counterparty according to FASB ASC Topic 820, *Fair Value Measurement*, as discussed in note 2(n). Unrealized gains and losses are included in the accompanying consolidated statements of activities.

(f) Inventories

Inventories, consisting primarily of paper for magazine production and books manufactured for resale, are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

(g) Auto Test Inventory

Auto test inventory represents automobiles used in CR's testing processes, reported at the lower of cost less depreciation or their estimated recoverable value. Costs for other test projects are charged to expense when incurred.

(h) Property, Equipment and Software

Property, equipment and software are stated at cost less depreciation and amortization. Depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the assets. Generally, the estimated useful life of buildings is 30 years; furniture, fixtures, and equipment is 3 to 5 years; and capitalized computer software is 3 years. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the asset. Building improvements are depreciated over the shorter of 30 years or the estimated useful life of the asset. Individually significant capital purchases are evaluated to determine if the respective estimated useful life differs from the aforementioned asset class estimates.

In accordance with the subsections of FASB ASC Subtopic 350-40, *Intangibles – Goodwill and Other Internal-Use Software*, and FASB ASC Subtopic 350-50, *Intangibles – Goodwill and Other Website Development Costs*, CR capitalizes certain computer software costs and enhancements for internal use and for delivery of products and services (primarily Web-based) provided to subscribers. CR capitalizes costs incurred to develop internal-use software after the preliminary project stage and website development costs after the planning stage is completed, prior to deployment. All training costs and data migration or conversion costs are expensed when incurred. CR expenses software maintenance and hosting fees over the period services are provided. CR only capitalizes subsequent additions, modifications or upgrades to internal-use software to the extent that such changes allow the software to perform a task it previously did not perform. CR does not, and has no plans, to market or sell software externally.

(i) Contributions

CR does not knowingly accept contributions from corporations or businesses that present a real or perceived conflict of interest. The Organization accepts individual gifts and gifts from foundations that are not directly or indirectly connected with a corporation, the donation does not raise a conflict of interest, and the mission of the foundation is consistent with the core values of CR. The Organization will accept grants from governmental agencies and other nonprofit organizations with a mission consistent with that of CR.

CR does not solicit pledges for unconditional promises to give in a future period, as such, contributions are recognized as revenue in the period received. All contributions are considered to be without donor restrictions and available for use unless the contribution contains any donor-imposed conditions or restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes, are reported as with donor restrictions. However, if a restriction is fulfilled in the same fiscal year in which the contribution is received, the Organization records the contribution as without donor restrictions. CR did not receive any contributions with donor-imposed conditions in 2020 or 2019. Contributions received with donor-imposed restrictions are further discussed in note 3.

(j) Split-Interest Agreements

The Organization receives contributions of various types of split-interest agreements, including charitable gift annuities (CGA) and charitable remainder unitrusts (CRUTs). Under the CGA program, donors contribute cash to CR in exchange for a promise by CR to pay an annuity for the life of the donor or other beneficiaries. CR recognizes the agreement with the donor in the period in which the contract is executed. Cash received is subsequently invested in fixed income and equity mutual funds and recorded at fair value. Based on requirements under various state laws, CGA investments within certain states have limitations on the amount of equities contained in the respective portfolio. The Organization's CGA investments are in compliance with all states' requirements. Gains and losses, including unrealized amounts, under this program are reported within investment return, net in the accompanying consolidated statements of activities. The annuity payment liability, which is considered Level 3 in the fair value hierarchy, is recognized and subsequently revalued at the actuarially determined present value of future cash flows expected to be paid to the donor. The Applicable Federal Rate, also known as the IRS Discount Rate in effect for the month in which the agreement is entered into, is the discount rate used in determining the present value. Contribution revenue, which is the difference between these two amounts, is reported within contributions in CR's accompanying consolidated statements of activities. Amounts recognized relating to the CGA program are further discussed in note 12.

CRUTs are arrangements in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, CR will receive the assets remaining in the trust. The distributions to the beneficiaries are for a specified percentage of the trust's fair value as determined annually. Obligations to the beneficiaries are limited to the trust's assets. For CRUTs where CR is designated as trustee, the trust assets are recorded at the fair value on the date of the contribution along with the recognition of a liability to the beneficiaries, which represents the present value of the estimated future cash payments to the beneficiaries. The CRUT liabilities are discounted to present value at the prevailing published IRS Discount Rate and the life expectancy of the donors. The difference is recorded as contribution revenue with donor restrictions in CR's accompanying consolidated statements of activities. For CRUTs where CR is not the trustee, the beneficial interest in the trust is recorded as a long-term receivable and revenue with donor restrictions in CR's accompanying consolidated statements of activities. CRUT assets are adjusted to fair value at each subsequent consolidated balance sheet date, and they consist of equity and debt securities, which are measured using quoted market prices. Subsequent changes in the fair value of the trust assets or the present value of the liability to beneficiaries are recorded as changes in value of split-interest agreements in net assets with donor restrictions in the accompanying consolidated statements of activities. The funds are classified as with donor restrictions until the termination of the trust when they are released from restriction.

(k) Impairment of Long-Lived Assets

In accordance with impairment or disposal of long-lived assets subsections of FASB ASC Subtopic 360-10, *Property, Plant, and Equipment – Overall*, long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairments in 2020 and 2019.

(l) Impact of COVID-19

Since March 2020, the coronavirus (COVID-19) pandemic has resulted in widespread economic disruption, market volatility, and uncertainty. As of May 31, 2020, the COVID-19 pandemic did not have a significant adverse effect on CR’s revenues, operations, or balance sheet. See note 14 for additional details on CR’s available liquid assets as of May 31, 2020. The overall impact that the COVID-19 pandemic could have on CR in the future is uncertain and CR will continue to monitor the situation moving forward.

(m) Use of Estimates

Consolidated financial statement preparation requires management to make a number of estimates and assumptions, particularly as it relates to reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and reported amounts of revenue and expenses. Significant estimates that affect the consolidated financial statements include, but are not limited to, collectability of trade receivables and grants, estimated useful lives of property and equipment, valuation of other long-lived assets, valuation of pension liabilities, valuation of derivatives, and valuation of CRUT and CGA liabilities. Actual results could vary from the estimates and assumptions used in the preparation of the accompanying consolidated financial statements.

(n) Fair Value Measurements

CR follows the provisions of ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

(Continued)

ASC Topic 820 establishes 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 or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted or published prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than published prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety. Investments that are measured at fair value using the NAV practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the “Investments reported at NAV” column are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

The fair values of the financial instruments represent management’s best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs.

The estimated fair value for specific groups of financial instruments is presented within the notes applicable to such items. The fair value of financial instruments for which estimated fair value amounts have not been specifically presented is estimated to approximate the related carrying value.

Effective June 1, 2008, the Organization adopted the provisions of the subsections of FASB ASC Subtopic 825-10, *Financial Instruments – Overall.* ASC Subtopic 825-10 permits entities to elect to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. As permitted by ASC Subtopic 825-10 implementation options, the Organization chose not to elect the fair value option for its financial assets and liabilities that had not been previously measured at fair value. Therefore, material financial assets and liabilities, such as the Organization’s long-term debt obligations, are reported at their historical carrying amounts.

(o) Income Taxes

Under the provisions of Section 501(c)(3) of the Code, CR is exempt from taxes on income, except for unrelated business income related to referral fees described in note 2(a). For the years ended May 31, 2020 and 2019, provisions for income taxes were $993 and $639 respectively.

In accordance with ASC Topic 740, *Income Taxes*, CR evaluated its tax positions and determined that all are more likely than not to be sustained upon examination. Accordingly, CR believes that there are no unrecognized benefits or applicable interest and penalties that should be recorded.

CR's tax returns for the fiscal years ended May 31, 2017, 2018, and 2019 are subject to examination by federal, state, and local authorities.

(p) Reclassifications

Certain reclassifications have been made to the 2019 reported amounts to retrospectively adopt accounting standards to conform to the 2020 presentation.

(q) Recent Adopted Accounting Pronouncements

- During 2020, CR adopted Accounting Standards Update (ASU) 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which clarifies how entities will determine whether to account for a transfer of assets as exchange transaction or contribution. The distinction is important because contributions are accounted for under Accounting Standards Codification (ASC) 958-605, Not-For-Profit Entities – Revenue Recognition, while exchange transactions are accounted for under other guidance such as ASC 606, Revenue from Contracts with Customers. The guidance also clarifies the criteria to be used to determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon whether a contribution is conditional or unconditional. CR adopted the ASU on a modified prospective basis for all uncompleted agreements as of June 1, 2019 in addition to all new agreements entered into after June 1, 2019 which did not have a significant impact on the accompanying consolidated financial statements.
- On June 1, 2019, CR adopted the provisions of ASU 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Costs*. ASU 2017-07 changes how employers that sponsor defined benefit pension and/or other postretirement plans present the cost of the benefits on the statement of activities. The FASB developed the new guidance as part of its effort to improve employers' financial reporting for defined benefit plans. It amends Accounting Standards Codification (ASC) 715, Compensation – Retirement Benefits, which previously required employers to aggregate the various components for presentation purposes but did not prescribe where they should be presented in the statement of activities. CR applied the changes for the adoption of ASU 2017-07 retrospectively herein and are discussed in greater detail in Note 7, Employee Benefits.
- On June 1, 2019, CR adopted the provisions of ASU 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash*. ASU 2016-18 requires that organizations include in its cash and cash equivalent balances in the statement of cash flows amounts that are deemed to be restricted cash, and that changes in restricted cash that are a result of transfers between cash and restricted cash are not to be presented as cash flow activities in the statement of cash flows. ASU 2016-18 also requires that an entity with a material balance of restricted cash must disclose information about the nature of the restrictions. CR applied the changes for the adoption of ASU 2016-18 retrospectively herein.

- In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which makes targeted improvements to the accounting for, and presentation and disclosure of, financial instruments. ASU 2016-01 requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in changes in net assets. The new standard also affects the presentation and disclosure requirements for financial instruments. Subsequent to the issuance of ASU 2016-01, the FASB issued additional technical amendments related to ASU 2016-01. On June 1, 2019, CR adopted the provisions of ASU 2016-01 which did not have a significant impact on the accompanying consolidated financial statements.

(r) Recent Accounting Pronouncements Not Yet Adopted

- In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in ASU 2016-02 create the FASB ASC Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, *Leases*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for all leases, including operating leases, with a term greater than 12 months. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet, a liability to make lease payments (lease liability) and a right–of-use asset representing its right to use the underlying asset for the lease term.

  In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606*) *and Leases Topic (842): Effective Dates for Certain Entities*. This ASU deferred the effective date for adopting the provisions of Topic 842 for one year for certain entities, including CR. As a result, Topic 842 is effective for CR for the year ended May 31, 2021. CR is currently in the process of evaluating the impact of the new standard on its consolidated financial statements.

- In June 2016, The FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. This standard, along with its amendments, update the current financial statement impairment model requiring entities to use a forward looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. ASU 2016-13 is effective for CR for the year ended May 31, 2021. CR is currently in the process of evaluating the impact of the new standard on its consolidated financial statements.
- In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820):Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which adds, removes, and modifies certain disclosures required by ASC 820. ASU 2018-13 is effective for CR for the year ended May 31, 2021 and will result in new disclosures related to this standard in future financial statements.
- In August 2018, the FASB issued ASU 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General: Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans*. This standard eliminates requirements for certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and adds additional disclosures under defined benefit pension plans and other postretirement plans. CR is required to adopt this guidance for the year ended May 31, 2023. Early adoption is permitted. The amendments in the standard would need to be applied on a retrospective basis and will result in new disclosures related to this standard in future financial statements.

(Continued)

($ Amounts in thousands)

(3) Net Assets With Donor Restrictions

Net assets with donor restrictions were $7,505 and $8,152 as of May 31, 2020 and 2019, respectively, and consist of the following:

		2020	2019
Split-interest agreements (CRUTs)	$	496	440
Donor-imposed purpose restrictions		7,009	7,712
	$	7,505	8,152

As of May 31, 2020 and 2019, there were $1,603 and $1,347, respectively, in CRUT assets that were presented at fair value using Level 1 inputs according to the fair value hierarchy of ASC Topic 820. CR entered into one new CRUT agreement in 2020 and accordingly recorded $99 of contribution revenue as an increase in net assets with donor restrictions. CR did not enter into any CRUT agreements in 2019. However, in 2019 $240 was released from restrictions due to the termination of a CRUT in September 2018.

Net assets with donor-imposed restrictions at May 31, 2020 and 2019 are available for the following purposes:

		2020	2019
Digital Privacy	$	4,443	6,000
Other donor-restricted funds outstanding less than $400 individually		2,566	1,712
Total	$	7,009	7,712

Digital Privacy represents an unexpended grant received by CR to launch a digital lab to conduct market analysis, establish new scisence and research capacity, and build the tools and infrastructure required to drive consumer voice and agency in the digital market.

(4) Inventories

Inventories at May 31, 2020 and 2019 consist of the following:

		2020	2019
Paper	$	926	1,242
Published books and periodicals		315	648
	$	1,241	1,890

($ Amounts in thousands)

(5) Property, Equipment and Software

Property, equipment and software at May 31, 2020 and 2019 consist of the following:

		2020	2019
Land	$	11,935	11,935
Buildings and improvements		71,908	71,196
Furniture, fixtures, and equipment		24,724	24,884
Capitalized computer software		106,711	95,804
		215,278	203,819
Less accumulated depreciation and amortization		155,411	141,361
Net property and equipment	$	59,867	62,458

Depreciation and amortization expense for the years ended May 31, 2020 and 2019 was $15,206 and $15,095 respectively. At May 31, 2020 and 2019, capitalized computer software was $21,037 and $21,107 respectively, net of accumulated amortization of $85,674 and $74,697 respectively. Amortization expense for capitalized computer software was $10,977 and $10,362 in 2020 and 2019, respectively.

CR performs reviews of fixed assets to determine if there are assets no longer in service. During the years ended May 31, 2020 and 2019, CR recognized a net gain of $9 and a net loss of $217 respectively, for retired assets no longer in service in the consolidated statements of activities in general and administrative expenses.

(6) Investments

CR's investment policies restrict CR's investments to those issued, collateralized, insured, or guaranteed by the U.S. government, U.S. agencies, or U.S. instrumentalities and other respective branches, as well as debt, equity, real estate, and commodity commingled trust funds. The investment policy statement governing CR's corporate investment portfolio is reviewed periodically. The current policy reflects a target asset allocation of 25% fixed income, 30% domestic equity, 25% international equity, 10% Treasury Inflation-Protected Securities, 5% real estate, and 5% commodities within a range of 5% of the target percentage. CR's investments are generally invested in broadly diversified commingled trust funds that employ an index replication approach. Commingled funds give the investors the right, subject to predetermined redemption procedures, to redeem their investment at NAV per share. As of May 31, 2020, the real estate fund has quarterly redemption frequencies, and the remaining commingled funds are valued daily and have daily redemption frequencies, with redemption periods of two days or less. There are no redemption restrictions as of May 31, 2020. No investments were valued using Level 3 inputs.

(Continued)

($ Amounts in thousands)

The fair value of investments as of May 31, 2020 and 2019 consists of Level 1 investments (funds traded on an active exchange) and Level 2 investments and investments reported at NAV as follows:

		Level 1	Level 2	Investments reported at NAV[1]	Total
May 31, 2020:					
Equity funds:					
Domestic	$	90,797	—	—	90,797
International		63,026	—	—	63,026
Fixed income funds:					
Bonds		74,136	—	—	74,136
U.S. Treasury		33,451	—	—	33,451
Commodities fund		10,723	—	—	10,723
Real estate fund		—	—	17,471	17,471
U.S. government agency bonds		—	504	—	504
Total	$	272,133	504	17,471	290,108

		Level 1	Level 2	Investments reported at NAV[1]	Total
May 31, 2019:					
Equity funds:					
Domestic	$	86,599	—	—	86,599
International		705	—	64,524	65,229
Fixed income funds:					
Bonds		73,934	—	—	73,934
U.S. Treasury		32,344	—	—	32,344
Commodities fund		12,365	—	—	12,365
Real estate fund		—	—	17,047	17,047
U.S. government agency bonds		—	649	—	649
Total	$	205,947	649	81,571	288,167

[1] Investments that are measured at fair value using the NAV practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the "Investments reported at NAV" column are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

($ Amounts in thousands)

Investment returns, net included in nonoperating in the accompanying consolidated statements of activities for the years ended May 31, 2020 and 2019 was composed of the following:

		2020	2019
Interest and dividend income	$	1,496	1,438
Net unrealized gains (losses)		7,590	(6,495)
Net realized gains		4,056	6,931
Investment expenses		(351)	(320)
	$	12,791	1,554

(7) Employee Benefits

(a) Defined-Benefit Plans

CR maintains four defined-benefit plans for its employees. Three of these plans are noncontributory defined-benefit plans: one plan is administered by CR (the Management Frozen Plan) and the other two plans are administered jointly by CR and the NewsGuild of New York (the Union Frozen Plan and Union Adjustable Plan). The fourth plan is a noncontributory multiemployer pension plan providing supplemental pension benefits for all guild-represented employees (the Multiemployer Plan). Contributions to the Multiemployer Plan and the related expense recognized were $73 and $71 in 2020 and 2019, respectively.

The measurement date used to determine pension plan assets and benefit obligations for the Management Frozen Plan, the Union Frozen Plan, and the Union Adjustable Plan is May 31 of the respective year.

On May 15, 2009, CR's board of directors approved a resolution suspending benefit accruals for all participants of the Management Frozen Plan, effective July 31, 2009. On Oct 18, 2019, CR's Board of Directors authorized the termination of the Management Frozen Plan effective on January 30, 2020. On December 19, 2019, the plan was amended to provide for the termination of the plan as of January 30, 2020. The amendment provided beneficiary payment options, including a lump sum or annuity payments, and granted CR as named fiduciary the authority to select an annuity provider (or providers) or retain an independent fiduciary to discharge its duties. A notice was sent to all plan participants with vested benefits requesting that they select their preferred method of benefit payments.

On April 29, 2020, CR entered into an irrevocable agreement with CMFG Life Insurance Company (CMFG) to provide annuity payments to the 52 plan participants that opted to receive annuities in exchange for $14,119, satisfying CR's pension obligation for those beneficiaries. On April 30th, 2020 CR contributed $2,386 to the Management Frozen Plan to fully fund it for all payments due to its plan participants. In May 2020, the plan made payments of $14,119 to CFMG and $20,613 in lump sum payments to another 53 plan participants.

As a result of the termination of the Management Frozen Plan, a $10,722 loss on plan settlement was recognized and is included in nonoperating losses in the accompanying statements of activities.

($ Amounts in thousands)

On April 5, 2013, CR and the NewsGuild of New York entered into an agreement, which suspended benefit accruals for all participants of the Union Frozen Plan, effective May 31, 2013. CR intends to continue to make contributions to the Union Frozen Plan in amounts sufficient to meet applicable funding requirements.

On June 1, 2013, as part of the collective bargaining agreement, CR adopted a low-volatility, defined-benefit pension plan (the Union Adjustable Plan), and began accruing benefits for Union-represented employees. Beginning in 2016, CR's contributions to the plan were equal to 5% of eligible participant salaries. Based on the amount of investment returns from plan assets, the benefit rate is adjusted in subsequent years to maintain the same level of employer contributions.

(b) Obligations and Funded Status

At May 31:

		Pension benefits	
		2020	2019
Change in projected benefit obligation:			
Benefit obligation at the beginning of year	$	115,289	114,166
Service cost		1,787	1,798
Interest cost		3,999	4,380
Actuarial loss		1,815	578
Benefits and administrative expenses paid		(4,516)	(6,633)
Change in assumptions		11,397	1,000
Settlement of Management Plan		(35,154)	—
Projected benefit obligation at the end of year		94,617	115,289
Change in plan assets:			
Fair value of plan assets at the beginning of year		90,403	89,239
Actual return on plan assets		6,049	2,573
Employer contributions		7,097	5,224
Benefits and administrative expenses paid		(4,516)	(6,633)
Settlement of Management Plan		(35,154)	—
Fair value of assets at the end of year		63,879	90,403
Funded status	$	(30,738)	(24,886)

($ Amounts in thousands)

The accumulated benefit obligation for all defined-benefit pension plans was $94,617 and $115,289 at May 31, 2020 and 2019, respectively. The actuarial present value of the benefit obligations and the funded status of the Management Frozen Plan, Union Frozen Plan, and Union Adjustable Plan on a combined basis, then each plan broken out individually as of May 31, 2020 and 2019, as provided by CR's actuaries, were as follows:

	2020	2019
Funded status:		
Accumulated benefit obligation	$ 94,617	115,289
Projected benefit obligation	94,617	115,289
Fair value of plan assets available for benefits	63,879	90,403
Funded status	$ (30,738)	(24,886)

	Management Frozen Plan	
	2020	2019
Funded status:		
Accumulated benefit obligation	$ —	33,087
Projected benefit obligation	—	33,087
Fair value of plan assets available for benefits	—	29,958
Funded status	$ —	(3,129)

	Union Frozen Plan	
	2020	2019
Funded status:		
Accumulated benefit obligation	$ 81,617	72,315
Projected benefit obligation	81,617	72,315
Fair value of plan assets available for benefits	53,247	51,678
Funded status	$ (28,370)	(20,637)

($ Amounts in thousands)

		Union Adjustable Plan	
		2020	**2019**
Funded status:			
Accumulated benefit obligation	$	13,000	9,887
Projected benefit obligation		13,000	9,887
Fair value of plan assets available for benefits		10,632	8,767
Funded status	$	(2,368)	(1,120)

The amounts recognized in the consolidated balance sheets and as an accumulated adjustment to net assets without donor restrictions for the Management Frozen Plan, Union Frozen Plan, and Union Adjustable Plan on a combined basis as of May 31, 2020 and 2019, as provided by CR's actuaries, were as follows:

		2020	**2019**
Amounts recognized in the consolidated balance sheets consist of:			
Noncurrent liabilities	$	(30,738)	(24,886)
Total	$	(30,738)	(24,886)
Total amounts recognized as an accumulated adjustment to net assets without donor restrictions consist of:			
Unrecognized actuarial loss	$	28,472	28,032
Total accumulated adjustment to net assets without donor restrictions	$	28,472	28,032

The adjustment to net assets without donor restrictions of the plans resulted in a decrease of $440 and an decrease of $3,385 ($2,299 prior to the adoption of ASU 2017-07) in net assets and is recorded as pension-related changes other than net periodic pension cost in the nonoperating section on the accompanying consolidated statements of activities for the years ended May 31, 2020 and 2019, respectively.

(Continued)

($ Amounts in thousands)

The weighted average assumptions used to determine the benefit obligations in the actuarial valuations at May 31, 2020 and 2019 measurement dates were as follows:

	2020	2019
Discount rate:		
Management Frozen Plan (preretirement and postretirement)	N/A	3.55 %
Union Frozen Plan (preretirement and postretirement)	2.85 %	3.70
Union Adjustable Plan (preretirement and postretirement)	3.00	3.80
Future salary increases:		
Management Frozen Plan	N/A	N/A
Union Frozen Plan	N/A	N/A
Union Adjustable Plan	3.00	3.00

The discount rate is determined using a method that attempts to match the timing of the pension plan's benefit payouts with the appropriate maturity of the bonds in the FTSE Above Median Pension Discount Yield Curve as of the end of the fiscal year. The individual interest rates in the yield curve are then converted to a single equivalent interest rate that would yield the same discounted value of the benefit payouts. This single equivalent interest rate, subject to rounding to the nearest 0.05%, is the year-end discount rate. The Management Frozen Plan's discount rate as of May 31, 2020 was the actual assumptions used to determine distributions pursuant to the plan termination in May 2020.

As of May 31, 2020, future salary increases are not applicable for the calculation of the projected benefit obligation for the Union Frozen Plan because plan benefits are frozen.

($ Amounts in thousands)

Components for net periodic benefit cost recognized and other changes in plan assets and benefit obligations recognized as an adjustment to net assets without donor restrictions for the Management Frozen Plan, Union Frozen Plan, and Union Adjustable Plan on a combined basis for the years 2020 and 2019 were as follows:

		2020	2019
Service cost recognized as net periodic benefit cost	$	1,787	1,798
Adjustments to net assets without donor restrictions:			
Interest cost		4,000	4,380
Expected return on plan assets		(4,330)	(4,535)
Amortization of net loss		1,539	1,241
Net loss		9,953	2,299
Effect due to settlement of Management Plan		(10,722)	—
Total adjustment to net assets without donor restrictions		440	3,385
Total recognized in net periodic benefit cost and as an adjustment to net assets without donor restrictions	$	2,227	5,183

The service cost component is included in salaries, employee benefits, and payroll taxes in the accompanying consolidated statements of functional expenses and the respective functional expense lines within the accompanying consolidated statements of activities. The adjustment to net assets without donor restrictions is included in nonoperating losses in the accompanying consolidated statements of activities.

CR elected to use the practical expedient under ASC Subtopic 715-20-65-3 and used the amounts disclosed in its 2019 footnote on pension plans in order to use the estimation basis for applying the retrospective presentation requirements. As a result of the adoption of ASU 2017-07, $1,086 of net period benefit cost was reclassified into Pension-related changes other than net periodic pension cost recognized as an adjustment to net assets without donor restrictions. The amounts were reclassified on a proportional basis.

(Continued)

($ Amounts in thousands)

The weighted average assumptions used to determine net periodic benefit cost (beginning of the year) for the years 2020 and 2019 were as follows:

	2020	2019
Discount rate:		
Management Frozen Plan	3.55 %	3.95 %
Union Frozen Plan	3.70 %	4.05
Union Adjustable Plan	3.80	4.10
Expected return on plan assets:		
Management Frozen Plan	4.60 %	5.30 %
Union Frozen Plan	5.35	5.40
Union Adjustable Plan	4.70	4.90
Future salary increases:		
Management Frozen Plan	N/A	N/A
Union Frozen Plan	N/A	N/A
Union Adjustable Plan	3.00	3.00

The Organization's overall expected long-term rate of return on plan assets are based exclusively on historical returns for the asset classes for the holdings of each respective plan, without adjustments.

(c) Plan Assets

The weighted average asset allocation of the Management Frozen Plan's assets at May 31, 2020 and 2019 was as follows:

	Management Frozen Plan's assets	
	2020	2019
Asset category:		
Domestic equities	— %	15.3 %
International equities	—	17.7
Fixed income	—	64.9
Other (money market)	—	2.1
Total	— %	100.0 %

The target allocation for assets of the Management Frozen Plan were changed during 2019 to 65% fixed income securities, 20% domestic equity securities, and 15% international equity securities, within a range of 5% of the target percentage. An investment policy statement was implemented during 2011 to take into consideration that benefit accruals were suspended for all participants in the Management Frozen Plan. The new policy uses an approach, which sets the target asset allocation based upon interest rates and the funded status of the plan. The policy is designed to systematically derisk the portfolio by gradually matching the duration of fixed income plan assets to plan liabilities.

($ Amounts in thousands)

As of May 31, 2020, the Management Frozen was terminated and all plan assets were utilized to pay beneficiaries lump sum payments and purchase annuities from CMFG, an unrelated 3rd party insurance provider to settle all obligations of the plan. As of May 31, 2019, international equity – commingled funds have thrice-monthly redemption frequencies and require a redemption notice of 6 days, and the remaining commingled funds have daily redemption frequencies, with redemption periods of two days or less. The Management Frozen Plan's assets were fair valued as of May 31, 2019 using Level 1 inputs in the fair value hierarchy according to ASC Topic 820. No investments were valued using Level 2 or Level 3 inputs.

	Management Frozen Plan's assets			
	2020 Total	2019 Level 1	2019 Investments reported at NAV[1]	2019 Total
Domestic equity – commingled funds	$ —	$ 4,575	—	4,575
International equity – commingled funds	—	—	5,320	5,320
Fixed income – commingled bond funds	—	19,445	—	19,445
Other (money market)	—	618	—	618
Total	$ —	$ 24,638	5,320	29,958

1 Investments that are measured at fair value using the NAV practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the "Investments reported at NAV" column are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

($ Amounts in thousands)

The weighted average asset allocation of the Union Frozen Plan's assets at May 31, 2020 and 2019 was as follows:

	Union Frozen Plan's assets	
	2020	**2019**
Asset category:		
Domestic equities	35.1 %	38.2 %
International equities	8.8	9.5
Fixed income	34.5	33.1
Multialternative funds	14.2	9.7
Real estate equities	5.8	5.8
Other (money market)	1.6	3.7
Total	100.0 %	100.0 %

The target allocation for assets of the Union Frozen Plan is 35% fixed income securities, 35% U.S. equity securities, 15% multialternative funds, 10% international equity securities, and 5% real estate equity securities, within a range of 5% of the target percentage.

($ Amounts in thousands)

As of May 31, 2020, the Union Frozen Plan's real estate fund has quarterly redemption frequencies, and the remaining commingled funds are valued daily and have daily redemption frequencies, with redemption periods of two days or less and are readily determined Level 1 fair value assets. There are no redemption restrictions as of May 31, 2020. The Union Frozen Plan's assets were fair valued as of May 31, 2020 and 2019 using Level 1 inputs in the fair value hierarchy according to ASC Topic 820. No investments were valued using Level 2 or Level 3 inputs.

		Union Frozen Plan's assets		
		Level 1	Investments reported at NAV[1]	Total
May 31, 2020:				
Domestic equity – commingled funds	$	18,669	—	18,669
International equity funds		3,160	—	3,160
International equity – commingled funds		1,547	—	1,547
Fixed income funds		18,352	—	18,352
Multialternative funds		7,571	—	7,571
Real estate fund		—	3,082	3,082
Other (money market)		866		866
Total	$	50,165	3,082	53,247

		Union Frozen Plan's assets		
		Level 1	Investments reported at NAV[1]	Total
May 31, 2019:				
Domestic equity – commingled funds	$	19,735	—	19,735
International equity funds		2,225	—	2,225
International equity – commingled funds		—	2,670	2,670
Fixed income funds		17,101	—	17,101
Multialternative funds		4,993	—	4,993
Real estate fund		—	3,013	3,013
Other (money market)		1,941	—	1,941
Total	$	45,995	5,683	51,678

[1] Investments that are measured at fair value using the NAV practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the "Investments reported at NAV" column are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

($ Amounts in thousands)

The weighted average asset allocation of the Union Adjustable Plan's assets at May 31, 2020 and 2019 was as follows:

	Union Adjustable Plan's assets	
	2020	**2019**
Asset category:		
Domestic commingled equities	16.6 %	16.4 %
International commingled equities	6.5	6.7
Fixed income – commingled bonds	51.3	50.7
Multialternative funds	23.2	24.4
Other (money market)	2.4	1.8
Total	100.0 %	100.0 %

The target allocation for assets of the Union Adjustable Plan is 17.5% domestic equity securities, 7.5% international equity securities, 50% fixed income securities, and 25% multialternative funds, within a range of 10% of the target percentage.

All of the Union Adjustable Plan's assets were fair valued as of May 31, 2020 and 2019 using Level 1 inputs in the fair value hierarchy according to ASC Topic 820. No investments were valued using Level 2 or Level 3 inputs.

	Union Adjustable Plan's assets	
	2020	**2019**
Domestic equity – commingled funds	$ 1,766	1,437
International equity – commingled funds	687	584
Fixed income – commingled bond funds	5,454	4,448
Multialternative funds	2,471	2,141
Other (money market)	254	157
Total	$ 10,632	8,767

CR's investment goal is to prudently maximize the return on investments while maintaining the preservation of capital, consistent with Employee Retirement Income Security Act requirements and the terms of the respective trust agreements and the plans. The investment policies prohibit direct investment in individual equity securities and fixed income obligations of individual companies. Pension assets are diversified by the use of mutual funds and commingled trust funds whose underlying investments are in readily marketable domestic fixed income and equity securities. These funds can be liquidated to fund benefit payments obligations as they become payable.

(Continued)

($ Amounts in thousands)

(d) Cash Flows

CR expects to contribute $3,379 to the Union Frozen Plan, and $1,365 to the Union Adjustable Plan for the fiscal year ending May 31, 2021.

The benefits, primarily in the form of lump sums, expected to be paid out from the pension plans if all active participants were to retire at their assumed retirement age are as follows:

	Management Frozen Plan	Union Frozen Plan	Union Adjustable Plan
Years ending May 31:			
2021	$ —	10,457	239
2022	—	11,000	269
2023	—	8,879	359
2024	—	6,024	384
2025	—	4,845	451
2026–2030	—	21,265	3,417

The expected benefits are based on the same assumptions used to measure CR’s benefit obligation at May 31, 2020 and include estimated future employee service.

(e) Other Benefit Plans

CR administers 401(k) plans for guild-represented and management/exempt employees that allow participants to make pretax contributions to their accounts, which are invested in investments from several alternatives selected by the trustees of the plans. For both plans, CR matches employee contributions up to 2% of the employee’s salary, subject to certain maximum limitations. Employees vest immediately in the employer matching contribution. All eligible management/exempt employees receive an 8% employer nonmatching contribution and guild-represented employees receive a 1% employer nonmatching contribution. These contributions to an employee’s account vest 20% per annum over a five-year period. CR’s total employer contributions to the 401(k) plans were $4,983 and $4,883 in 2020 and 2019, respectively.

Additionally, CR’s board of directors adopted a Supplemental Executive Retirement Plan for certain executive employees effective January 1, 2003 that would qualify under Section 457(b) of the Code. Employer contributions relating to this plan were $111 and $102 in 2020 and 2019, respectively.

(8) Commitments, Contingencies, and Concentrations

(a) Leases

CR leases office facilities for which rental expense was $727 and $805 in 2020 and 2019, respectively. Certain leases obligate CR to reimburse the owners of the office facilities for increases in real estate taxes. The leases have remaining terms of up to four years. Minimum lease payments under operating leases are recognized on a straight-line basis over the term of the lease, including any periods of free rent.

($ Amounts in thousands)

Future minimum cash payments under noncancelable leases are as follows:

Years ending May 31:		
2021	$	748
2022		567
2023		474
2024		241
	$	2,030

In February 2017, the Organization entered into a sublease agreement for an office facility. Future minimum rentals to be received under a noncancelable sublease are as follows:

Year ending May 31:		
2021	$	124
2022		105
	$	229

(b) Legal Proceedings

Various claims and legal threats are made against the Organization in the ordinary course of business. CR establishes an accrued liability for specific matters, such as a legal claim, when it determines both that a loss is probable and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted as appropriate. The amount of any loss ultimately incurred in relation to matters for which an accrual has been established may be higher or lower than the amounts accrued for such matters.

On April 1, 2016, a class action complaint was filed against CR in the Southern District of New York alleging that CR violated a state-based privacy statute. CR filed a motion to dismiss which was denied by the court and the case proceeded to discovery. On April 9, 2018, a $16,375 settlement was agreed to by the parties and approved by the Court. Accordingly, a $16,375 liability was recognized and included as a claim settlement liability in the consolidated balance sheets as of May 31, 2018.

The Organization has insurance coverage and the insurers approved a claim to cover the settlement amount and litigation costs above the $100 retention provided for in the insurance coverage. Accordingly, the settlement amount of $16,375 was recognized as a receivable from insurance recovery in the consolidated balance sheets as of May 31, 2018. In December 2018, the insurers paid the $16,375 settlement directly and the corresponding liability and receivable were released.

On March 2, 2020, a class action complaint was filed against CR in the Superior Court of California, County of San Diego. The complaint alleges that CR engaged in false advertising and violated California's Automatic Renewal Law and other related statutes. CR has moved the case to Federal Court in the Southern District of California and also filed a motion to dismiss, which is presently pending and under consideration by the court. The timeline for resolving this matter is not determinable. CR believes that the case has no merit and is vigorously defending itself in the matter.

In view of the inherent difficulty of predicting the timing and outcome of existing legal proceedings, CR believes that the timing and outcome of these matters cannot be reasonably estimated. It is management's opinion that the ultimate disposition of any open matters will not have a material adverse effect on the Organization's consolidated changes in net assets or liquidity.

(c) Concentration of Business Activity

CR has a concentration of labor subject to a collective bargaining agreement (CBA), which expired on December 31, 2019. CR continues to operate under the terms of the expired CBA and is currently negotiating a new contract with the NewsGuild of New York. As of May 31, 2020, CR had a total of 580 employees of which 261 employees are represented by the union.

(9) Long-Term Debt

On December 22, 2005, CR and the City of Yonkers Industrial Development Agency (IDA) issued $47,300 Series 2005 Multi-Modal Civic Facility Revenue Bonds (2005 Revenue Bonds). The 2005 Revenue Bonds were issued for the purpose of providing funds for the refunding of the prior bonds, which was $34,750 (1989, 1991, and 1994 Revenue Bonds), financing certain costs associated with the reconstructing, renovating, and equipping CR's National Research and Testing Center and headquarters and financing of capital expenditures, including the acquisition and installation of various items of machinery, equipment, and other tangible personal property totaling $9,980, and paying certain costs and expenses incidental to the issuance of the 2005 Revenue Bonds.

The 2005 Revenue Bonds were initially issued as auction rate securities. These bonds were continuously remarketed and the rate was reset weekly. Since these bonds were variable rate debt, they exposed CR to interest rate risk. In order to mitigate this risk, CR entered into an interest rate swap agreement on approximately 70.0% of the bonds at a fixed interest rate. Additional information regarding the interest rate swap is in note 11.

On May 29, 2008, the Second Amendment to the Indenture of Trust was entered into between the City of Yonkers IDA and The Bank of New York, as trustee. The Amendment provides for a mode change from the weekly auction rate mode to a variable rate demand bond mode. The average variable rate for the demand bonds for 2020 and 2019 was 1.34% and 1.56%, respectively. The Amendment provides additional credit enhancement as security for the bonds through a direct-pay letter of credit issued on May 29, 2008 by JPMorgan Chase Bank (JPMorgan). This letter of credit is discussed in more detail in note 10.

CR also entered into a Remarketing Agreement with Merrill Lynch Pierce, Fenner & Smith Incorporated (Merrill Lynch). As the remarketing agent, Merrill Lynch markets CR's bonds on a weekly basis. The rate of interest CR pays on its debt is reset weekly based upon market conditions.

($ Amounts in thousands)

The 2005 Revenue Bonds are subject to mandatory sinking fund requirements, which began in 2012. Principal payments of $1,500 and $1,450 were made in June 2019 and 2018, respectively. Total long-term annual sinking fund requirements for the revenue bonds are as follows:

Years ending May 31:		
2021	$	1,550
2022		1,600
2023		1,675
2024		1,725
2025		1,775
2026–2036		27,225
	$	35,550

The issuance costs related to the mode change amounted to $416 and were paid out of cash from operations. The issuance costs related to the mode change will continue to be amortized into interest expense using the effective-interest method over the remaining life of the bond. The unamortized issuance costs of $159 and $177 are presented as a reduction of long-term debt on the accompanying consolidated balance sheets as of May 31, 2020 and 2019.

CR is in compliance with certain financial ratios, as well as other financial and operational requirements, in accordance with the applicable bond documents and insurance policy.

Interest expense, including the letter-of-credit fees (note 10) and the net interest rate swap activity (note 11) for long term debt for 2020 and 2019 was $1,331 and $1,358, respectively, and is included in general and administrative expenses in the accompanying consolidated statements of activities. The average rate of debt costs on all outstanding debt was 3.7% for the both years ended May 31, 2020 and 2019.

(10) Bank Borrowings

CR has an unused line of credit totaling $10,000 at May 31, 2020 that expires November 30, 2020. Terms of this line allow CR to draw down on the line with interest at LIBOR plus 0.5% or the prime rate. As of and for the years ended May 31, 2020 and 2019, CR had not drawn down and had no amount outstanding under the line-of-credit agreement.

As part of the May 29, 2008 modification of the bond from auction rate securities to variable rate demand bonds, CR entered into a three-year letter of credit in the amount of $35,947. Amendments have been executed extending the term of the letter of credit through May 31, 2022. A fee of 0.5% on the letter of credit is included in interest expense for long-term debt included in general and administrative expenses in the accompanying consolidated statements of activities. The terms of the letter of credit allow it to be drawn upon only if CR were to default on the existing bonds and represents coverage for the $35,550 balance of the bonds in addition to $397 representing 34 days of interest at the highest rate (12.0%) allowable by the indenture. The applicable rate of any amount drawn upon would be based on the higher of the JPMorgan’s prime rate or the Federal Funds Rate plus 0.5% in addition to 1.0% to 4.0% based on the length of time the letter of credit contained an outstanding balance. As of May 31, 2020 and 2019, there was no amount outstanding under the letter-of-credit agreement.

(11) Derivative Instruments and Hedging Activities

CR entered into an Interest Rate Swap Agreement (the Swap) in order to manage its interest-rate-related exposure on its debt. The Swap is pursuant to an International Swaps and Derivatives Association, Inc. Master Agreement with Morgan Stanley Capital Services, Inc. (Swap Provider) dated November 14, 2005 in a notional principal amount of $32,900. The hedge agreement extends for the period from January 19, 2006 to June 1, 2036 (subject to prior sinking fund redemption). Sinking fund redemptions scheduled for the $47,300 debt issue coincide with the scheduled proportional reductions in the notional principal amount of the Swap. As of May 31, 2020, the notional principal amount of the Swap is $24,693.

The municipal bond insurance policy, which guarantees the payment of principal and interest on the 2005 Revenue Bonds, also insured payments to the Swap Provider. The Swap requires the insurer to maintain certain financial ratings. On November 5, 2008, Moody's downgraded the insurer from Aa3 to Baa1, which is below the threshold required by the Swap. In order to avoid a forced termination of the Swap, CR and the Swap Provider amended the Swap to terminate the insurance and increase the fixed rate payable under the Swap from 3.65% to 3.67%, payable monthly effective December 1, 2008, on the first day of each month until the termination date. The floating rate payable under the Swap by the Swap Provider remains unchanged and is equal to 68.00% of weekly resets of the one-month LIBOR index, payable weekly to CR on each Friday commencing January 27, 2006 through the termination date.

As of May 31, 2020 and 2019, the fair value of the Swap is an estimate of the discounted future cash flows using Level 2 inputs under the fair value hierarchy under ASC Topic 820, including the amendment, is $(7,073) and $(5,029), respectively. These amounts are reflected in the accompanying consolidated balance sheets, and the associated gain or loss is included as an unrealized (loss) gain on interest rate swap in the nonoperating section of the accompanying consolidated statements of activities.

(12) Charitable Gift Annuities

As discussed in note 2(j), the Organization maintains a CGA program. The Organization's cash and investments pertaining to the CGA program were valued at $15,370 and $14,560 at May 31, 2020 and 2019, respectively. The Organization's liability associated with CGAs was $9,545 and $9,715, utilizing the discount rate at the date in which the gift was established at May 31, 2020 and 2019, respectively. During 2020 and 2019, respectively, CR recognized $122 and $71 in net contribution revenue without donor restrictions attributable to new CGAs. Additionally, the liability increased by $141 and decreased by $77 in 2020 and 2019, respectively. These amounts are reflected as a change in value of split-interest agreements in the nonoperating section of the accompanying consolidated statements of activities.

(Continued)

($ Amounts in thousands)

(13) Other Relationships

The Organization is a member of Consumers International (CI), a nonprofit organization headquartered in the United Kingdom, which focuses on global consumer concerns. Acting as the member's representative, an officer of the Organization serves, without compensation, on the board of directors of CI. Membership payments and expenses were $500 and $508 for the years ended May 31, 2020 and 2019, respectively, and were included in consumer advocacy and education on the accompanying consolidated statements of activities.

In May 2005, CR became a member shareholder of International Consumer Research and Testing Limited (ICRT), a United Kingdom company. ICRT is an association of international testing organizations that promotes cooperation in areas such as the regulation of research and testing consumer products, services, and other consumer issues, and the promotion of assistance in joint comparative product testing of its member organizations. Through 2020, CR's investment in ICRT was $93 for two capital shares. CR also paid ICRT membership fees of $128 and $116 in 2020 and 2019, respectively. In 2020 and 2019, CR made payments of $463 and $349 respectively, for certain product testing results. Additionally, CR received $201 and $319 during 2020 and 2019, respectively, from sales of certain product testing results, and this is included in revenue and support in the accompanying consolidated statements of activities. Acting as the shareholder's representative, an officer of CR serves, without compensation, on the board of directors of ICRT.

(14) Liquidity and Availability of Financial Assets for General Expenditures

As part of CR's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. General expenditures include operating expenses incurred in carrying out the Organization's day-to-day activities. CR meets a majority of its liquidity needs from cash received from operations but maintains liquid investments that it can draw upon when needed. To help manage unanticipated liquidity needs, CR maintains an unused $10,000 line of credit. The line of credit is discussed in greater detail in note 10.

CR's financial assets available for general expenditures as of May 31, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprised of the following:

		2020	2019
Financial assets available within one year:			
Cash and cash equivalents	$	18,056	7,799
Investments		276,133	274,451
Trade receivables, net		9,229	6,665
	$	303,418	288,915
Liquidity Resources:			
Line of credit	$	10,000	10,000

The above amounts for 2020 exclude $13,975 of investments and $1,395 of cash included in the CGA program, and $6,070 of cash with donor restrictions, The above amounts for 2019 exclude $13,716 of investments and $844 of cash included in the CGA program, and $7,530 of cash with donor restrictions. There are no other cash or investments included on the balance sheet that are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date.

(15) Subsequent Events

The Organization has evaluated subsequent events from the balance sheet date through October 13, 2020, the date at which the consolidated financial statements were issued, and determined there are no other items to disclose.