CONSUMER REPORTS, INC.

Financial Statements

May 31, 2021 and 2020

(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 financial statements of Consumer Reports, Inc., which comprise the balance sheets as of May 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Consumer Reports, Inc. as of May 31, 2021 and 2020, 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 8, 2021

CONSUMER REPORTS, INC.

Balance Sheets

May 31, 2021 and 2020

(Amounts in thousands)

Assets		2021	2020
Current assets:			
Cash, cash equivalents, and restricted cash	$	53,615	25,521
Investments (note 6)		364,539	290,108
Trade receivables, net		7,171	9,229
Inventories		556	1,241
Auto test inventory		1,932	2,219
Grants and other receivables		2,513	1,551
Prepaid expenses and other current assets (note 2)		7,247	7,181
Total current assets		437,573	337,050
Property, equipment, and software, net (note 5)		57,363	59,867
Right-of-use assets (note 4)		1,236	—
Other assets (note 2)		7,107	2,387
Total assets	$	503,279	399,304
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$	15,365	13,194
Accrued compensation		11,026	6,950
Deferred revenue (note 2)		100,282	100,358
Current portion of operating lease liabilities (note 4)		558	—
Current portion of long-term debt (note 9)		1,600	1,550
Total current liabilities		128,831	122,052
Deferred revenue – long term (note 2)		13,011	14,724
Liability under derivative instrument (note 11)		5,041	7,073
Long-term debt (note 9)		32,258	33,841
Operating lease liabilities (note 4)		678	—
Pension obligations (note 7)		17,115	30,738
Other liabilities (note 12)		17,224	13,565
Total liabilities		214,158	221,993
Net assets:			
Without donor restrictions		280,430	169,806
With donor restrictions (note 3)		8,691	7,505
Total net assets		289,121	177,311
Total liabilities and net assets	$	503,279	399,304

See accompanying notes to financial statements.

CONSUMER REPORTS, INC.

Statements of Activities

Years ended May 31, 2021 and 2020

(Amounts in thousands)

		2021	2020
Change in net assets without donor restrictions:			
Operating:			
Revenue and support:			
Subscriptions, newsstand, and other sales (note 2)	$	226,948	212,804
Contributions		30,723	28,745
Net assets released from restrictions		4,633	3,825
Total revenue and support		262,304	245,374
Operating expenses:			
Publication, promotion, and marketing expenses:			
Content development		84,540	86,849
Production and distribution		45,454	46,915
Promotion and marketing		60,430	52,561
		190,424	186,325
Consumer advocacy and education		15,060	15,245
General and administrative (notes 5 and 9)		22,065	21,624
Fundraising		11,354	11,615
Total operating and other expenses		238,903	234,809
Total operating gain		23,401	10,565
Nonoperating:			
Investment return, net (note 6)		74,167	12,791
Unrealized gain (loss) on interest rate swap (note 11)		2,032	(2,044)
Change in value of split-interest agreements (note 12)		(79)	(141)
Pension settlement costs (note 7)		—	(10,722)
Pension-related changes other than net periodic pension cost (note 7)		11,103	(440)
Total nonoperating gain (loss)		87,223	(556)
Increase in net assets without donor restrictions		110,624	10,009
Change in net assets with donor restrictions: (note 3)			
Grants received		5,188	3,022
Net assets released from restrictions		(4,633)	(3,825)
Contribution revenue – other		150	199
Change in value of split-interest agreements		481	(43)
Increase (decrease) in net assets with donor restrictions		1,186	(647)
Increase in net assets		111,810	9,362
Net assets at beginning of year		177,311	167,949
Net assets at end of year	$	289,121	177,311

See accompanying notes to financial statements.

CONSUMER REPORTS, INC.

Statements of Functional Expenses

Years ended May 31, 2021 and 2020

(Amounts in thousands)

	2021					2020				
	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	$ 73,335	10,309	12,758	2,510	98,912	70,263	9,567	12,158	2,791	94,779
Printing and publications	21,384	10	12	2,763	24,169	22,322	155	47	2,839	25,363
Postage and shipping	27,382	8	4	5,132	32,526	27,052	14	3	4,868	31,937
Sales and marketing	30,819	538	104	568	32,029	26,517	747	33	612	27,909
Product testing	3,129	—	—	—	3,129	3,368	—	—	—	3,368
Professional fees	6,045	1,493	2,663	103	10,304	8,078	1,353	2,583	200	12,214
IT Hosting and Maintenance	5,133	340	1,176	21	6,670	4,822	332	898	20	6,072
Insurance	—	—	1,088	—	1,088	—	—	1,078	—	1,078
Fees, licenses, and permits	3,356	20	45	3	3,424	3,566	3	54	2	3,625
Occupancy	1,945	822	228	17	3,012	2,067	852	235	18	3,172
Grants and awards	—	12	134	—	146	—	133	127	—	260
Supplies	232	3	332	1	568	646	13	380	8	1,047
Telephone	454	24	66	4	548	459	29	65	4	557
Travel	78	1	1	—	80	570	335	139	49	1,093
Meetings and conferences	56	—	10	1	67	161	81	116	13	371
Dues and subscriptions	343	585	51	7	986	370	606	27	10	1,013
Interest (note 9)	—	—	1,085	—	1,085	—	—	1,331	—	1,331
Depreciation and amortization (note 5)	14,163	528	479	30	15,200	14,212	483	474	37	15,206
Sales tax	20	—	—	—	20	229	—	—	—	229
Severance	—	—	471	—	471	—	—	862	—	862
Other expenses	2,550	367	1,358	194	4,469	1,623	542	1,014	144	3,323
Total	$ 190,424	15,060	22,065	11,354	238,903	186,325	15,245	21,624	11,615	234,809

See accompanying notes to financial statements.

CONSUMER REPORTS, INC.

Statements of Cash Flows

Years ended May 31, 2021 and 2020

(Amounts in thousands)

		2021	2020
Cash flows from operating activities:			
Increase in net assets	$	111,810	9,362
Adjustments to reconcile increase net assets to net cash provided by operating activities:			
Depreciation and amortization		15,200	15,206
Amortization of bond issuance costs		17	17
Pension-related changes other than net periodic pension cost		(11,103)	1,526
Net unrealized gain on investments		(61,793)	(7,590)
Net realized gain on investments		(11,734)	(4,056)
Unrealized (gain) loss on interest rate swap		(2,032)	2,044
Change in value of split-interest agreements		(481)	43
Change in allowance for doubtful accounts		(277)	(391)
Service cost recognized as net periodic pension cost		2,181	701
Loss (gain) on disposal of property and equipment		—	(9)
Other noncash items		(340)	47
Actuarial change in charitable gift annuity obligations		79	141
Pension contributions		(4,701)	(7,097)
Pension settlement costs		—	10,722
Other changes in assets and liabilities:			
Trade receivable		2,335	(2,173)
Inventories and auto test inventory		972	431
Grants and other receivables		(962)	(1,041)
Prepaid expenses and other current assets		(4,577)	581
Other noncurrent assets		62	(77)
Accounts payable and accrued liabilities		2,273	(1,988)
Accrued compensation		4,076	(1,227)
Deferred revenue		(1,789)	(1,038)
Other liabilities		4,028	(385)
Net cash provided by operating activities		43,244	13,749
Cash flows from capital investments and other investing activities:			
Purchases of property and equipment		(1,588)	(1,700)
Payments for computer software and development		(11,108)	(10,906)
Purchase of investments		(19,703)	(3,434)
Proceeds from sales of investments		18,799	13,139
Net cash used in capital investments and other investing activities		(13,600)	(2,901)
Cash flows from financing activity:			
Repayment of long-term debt		(1,550)	(1,500)
Net cash used in financing activity		(1,550)	(1,500)
Net increase in cash, cash equivalents, and restricted cash		28,094	9,348
Cash, cash equivalents, and restricted cash at beginning of year		25,521	16,173
Cash, cash equivalents, and restricted cash at end of year	$	53,615	25,521
Supplemental data:			
Cash paid for interest	$	1,068	1,314
Cash paid for income taxes		1,052	628
Donated securities		55	110

See accompanying notes to 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).

(b) Basis of Presentation

These financial statements are prepared on the accrual basis of accounting and CR's fiscal year ends on May 31 for the respective year. Any references made to 2021 or 2020 in the notes contained herein represent for the year ended May 31, 2021 or 2020, respectively.

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 statements of activities and include net investment return, unrealized gains (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 statements of functional expenses for the years ended May 31, 2021 and 2020, 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

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.

(a) Revenue Recognition

In accordance with Accounting Standards Codification (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 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 Organization 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 third 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.

(Dollar 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 third 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, 2021			
	Digital products	**Print products**	**Other revenue**	**Total**
Timing of revenue recognition:				
Transferred over time	$ 115,132	84,841	1,435	201,408
Point in time	1,762	3,216	20,562	25,540
Total	$ 116,894	88,057	21,997	226,948

(Dollar amounts in thousands)

	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

(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, 2021					
	2022	2023	2024	2025	2026 to 2031	Total
Digital products	$ 44,313	—	—	—	—	44,313
Print products	55,510	9,312	2,035	725	939	68,521
Other revenue	459	—	—	—	—	459
Total	$ 100,282	9,312	2,035	725	939	113,293

	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

(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 $1,845 and $2,021 as of May 31, 2021 and 2020, 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 balance sheets. Capitalized commission fees are amortized based on the transfer of goods to which the assets relate. Commission fees of $2,049 and $2,244 were amortized into promotion and marketing expense in 2021 and 2020, respectively. There were no impairment losses in relation to the costs capitalized.

(Dollar amounts in thousands)

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

		May 31, 2021					
		2022	**2023**	**2024**	**2025**	**2026 to 2030**	**Total**
Contract costs	$	1,212	289	126	64	154	1,845

		May 31, 2020					
		2021	**2022**	**2023**	**2024**	**2025 to 2029**	**Total**
Contract costs	$	1,338	306	136	70	171	2,021

(b) Trade Receivable, net

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 $5,097 and $5,375 at May 31, 2021 and 2020, respectively. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the statements of cash flows. As of May 31, 2021, trade receivables primarily consist of receivables from subscriptions (44%), referral fees (39%), newsstand (9%), and other sales (8%). 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 $1,273 and $1,395, which is included in cash, cash equivalents, and restricted cash on the accompanying balance sheets as of May 31, 2021 and 2020, 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 statements of activities and are discussed in greater detail in note 6.

(e) Derivative Instruments

CR follows the provisions of Financial Accounting Standards Board (FASB) ASC Topic 815, *Derivatives and Hedging*, which requires that all derivative financial instruments be recognized in the 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

(Continued)

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 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.

The Organization evaluates contributions to determine if it is conditional based upon whether the agreement includes both: (1) one or more barriers that must be overcome before CR is entitled to the assets transferred, and; and (2) a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. Contribution revenue is recognized when an unconditional contribution is received, or when conditions are satisfied.

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 2021 or 2020. 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 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. A generational mortality table developed by the Society of Actuaries Committee and the Applicable Federal Rate, also known as the IRS Discount Rate in effect for the month in which the agreement is entered into, is used in determining the present value. Contribution revenue, which is the difference between these two amounts, is reported within contributions in CR's accompanying 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 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 statements of activities. CRUT assets are adjusted to fair value at each subsequent 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 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 2021 and 2020.

(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, 2021, the COVID-19 pandemic did not have a significant adverse effect on CR's revenues, operations, or balance sheets. See note 14 for additional details on CR's available liquid assets as of May 31, 2021. 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

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. Estimates that affect the financial statements include, but are not limited to, collectibility of trade receivables and grants, estimated useful lives of property and equipment, valuation of other long-lived assets, valuation of pension liabilities, valuation of lease right-of-use assets and 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 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 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.

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 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.

(Continued)

(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, 2021 and 2020, provisions for income taxes were $1,362 and $993, 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, 2020, 2019, and 2018 are subject to examination by federal, state, and local authorities.

(p) Recent Adopted Accounting Pronouncements

- In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which requires lessees to recognize leases on-balance-sheet and disclose key information about leasing arrangements. Topic 842 establishes a Right of Use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities.

  The FASB issued ASUs in 2018 and 2019 related to Topic 842, which were effective for CR at the same time as it adopts ASU 2016-02. These amendments did not have a material effect on the Organization's 2021 and 2020 financial statements.

  CR adopted ASU 2016-02 on June 1, 2020 using a modified retrospective transition approach as of the effective date. As a result, the Organization was not required to adjust its comparative period financial information for effects of the standard or make the new required lease disclosures for periods before the date of adoption (i.e., June 1, 2020). The Organization has elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease or (2) lease classification for existing or expired leases. The Organization did not elect the practical expedient to use hindsight for leases existing at the adoption date.

  The adoption of ASU 2016-02 did not materially affect the balance sheet or statement of activities. The most significant changes to the balance sheet relate to the recognition of new ROU assets and lease liabilities for operating leases, and CR does not have any finance leases. The adoption of ASU 2016-02 also had no material effect on operating, investing, or financing cash flows in the statement of cash flows. Additionally, the Organization's lease-related disclosures have expanded as of and for the year ended May 31, 2021 as compared to prior years. See note 4.

  As a result of adopting ASU 2016-02, the Organization recognized additional operating liabilities of $1,763 with corresponding ROU assets of the same amount as of June 1, 2020.

(Dollar amounts in thousands)

- 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 Topic 820. CR adopted ASU 2018-13 for the year ended May 31, 2021, which did not have a significant impact in the accompanying financial statements.

(q) Recent Accounting Pronouncements Not Yet Adopted

- 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. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*, which provided clarification on the effective date. ASU 2016 13 is effective for CR for the year ended May 31, 2023. CR is currently in the process of evaluating the impact of the new standard on its 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.

(3) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following:

	2021	2020
Split-interest agreements (CRUTs)	$ 976	496
Donor-imposed purpose restrictions	7,715	7,009
	$ 8,691	7,505

As of May 31, 2021 and 2020, there were $1,874 and $1,603, 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 did not enter into any CRUT agreements in 2021. 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.

(Continued)

(Dollar amounts in thousands)

Net assets with donor-imposed purpose restrictions at May 31, 2021 and 2020 are available for the following purposes:

		2021	2020
Sustainability	$	2,928	—
Digital Privacy		2,722	4,443
Other donor-restricted funds outstanding less than $600 individually		2,065	2,566
Total	$	7,715	7,009

Sustainability represents an unexpended grant received by CR to leverage the Organization's uniquely consumer-centric market-driven approach to reduce the impact of consumption on the environment and public health.

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

(4) Operating Leases

As described in note 2(q), CR adopted ASU 2016-02, *Leases (Topic 842)*, effective June 1, 2020, using the optional modified retrospective method. As a result, the comparative 2020 information has not been adjusted and is reported under the prior lease standard (Topic 840). Under the new lease standard, assets and liabilities that arise from all leases must be recognized on the statements of financial position for lessees.

As of June 1, 2020, Consumer Reports was a lessee for two real estate operating leases of office space with a remaining term greater than a year. These real estate leases do not contain options for extensions or terminations. Therefore, lease term options were not considered in the calculation, as they are not reasonably certain. As a result, the leases did not have an implicit interest rate and CR utilized its incremental borrowing rate of 3.25% to present value the ROU asset and lease liability.

For the year ended May 31, 2020, the total rent expense under the previous lease standard was $727. For the year ended May 31, 2021, operating lease expense was $575, and short-term lease expense was $208. Both rent expense and lease expenses were recorded as occupancy costs and included in consumer advocacy and education in the respective accompanying statements of activities.

Right-of-use assets of $1,236 and corresponding operating lease liabilities in the same amount (of which $558 was current and $678 was noncurrent) were reported in the accompanying balance sheet as of May 31, 2021.

(Continued)

(Dollar amounts in thousands)

The following table summarizes the maturity of CR's operating lease liabilities as of May 31, 2021:

Year(s) ending May 31:		
2022	$	567
2023		474
2024		241
Total undiscounted lease payments		1,282
Less imputed interest		(46)
Total lease liabilities	$	1,236

(5) Property, Equipment, and Software

Property, equipment, and software at May 31, 2021 and 2020 consist of the following:

		2021	2020
Land	$	11,935	11,935
Buildings and improvements		72,044	71,908
Furniture, fixtures, and equipment		26,033	24,724
Capitalized computer software		117,819	106,711
		227,831	215,278
Less accumulated depreciation and amortization		170,468	155,411
Net property and equipment	$	57,363	59,867

Depreciation and amortization expense for the years ended May 31, 2021 and 2020 was $15,200 and $15,206, respectively. At May 31, 2021 and 2020, capitalized computer software was $20,591 and $21,037, respectively, net of accumulated amortization of $97,228 and $85,674, respectively. Amortization expense for capitalized computer software was $11,553 and $10,977 in 2021 and 2020, respectively.

CR performs reviews of fixed assets to determine if there are assets no longer in service. During the years ended May 31, 2021 and 2020, CR recognized a net loss of $1 and a net gain of $9, respectively, for retired assets no longer in service in the statements of activities in general and administrative expenses.

(Dollar amounts in thousands)

(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, 2021, 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, 2021. No investments were valued using Level 3 inputs.

The fair value of investments as of May 31, 2021 and 2020 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, 2021:					
Equity funds:					
Domestic	$	115,775	—	—	115,775
International		87,711	—	—	87,711
Fixed income funds:					
Bonds		85,562	—	—	85,562
U.S. Treasury		39,588	—	—	39,588
Commodities fund		17,842	—	—	17,842
Real estate fund		—	—	18,061	18,061
Total	$	346,478	—	18,061	364,539

[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 balance sheets.

(Dollar amounts in thousands)

	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

[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 balance sheets.

Investment returns, net included in nonoperating in the accompanying statements of activities for the years ended May 31, 2021 and 2020 was composed of the following:

	2021	2020
Interest and dividend income	$ 1,014	1,496
Net unrealized gains	61,793	7,590
Net realized gains	11,734	4,056
Investment expenses	(374)	(351)
	$ 74,167	12,791

(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 $74 and $73 in 2021 and 2020, 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.

Management Frozen Plan

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.

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 30, 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 CMFG 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 in 2020.

Union Frozen Plan

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.

Union Adjustable Plan

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.

 (Continued)

(Dollar amounts in thousands)

(b) Obligations and Funded Status

At May 31:

	Pension benefits	
	2021	**2020**
Change in projected benefit obligation:		
Benefit obligation at the beginning of year	$ 94,617	115,289
Service cost	2,181	1,787
Interest cost	2,552	3,999
Actuarial loss	1,376	1,815
Benefits and administrative expenses paid	(3,360)	(4,516)
Change in assumptions	(601)	11,397
Settlement of Management Frozen Plan	—	(35,154)
Projected benefit obligation at the end of year	96,765	94,617
Change in plan assets:		
Fair value of plan assets at the beginning of year	63,879	90,403
Actual return on plan assets	14,430	6,049
Employer contributions	4,701	7,097
Benefits and administrative expenses paid	(3,360)	(4,516)
Settlement of Management Frozen Plan	—	(35,154)
Fair value of assets at the end of year	79,650	63,879
Funded status	$ (17,115)	(30,738)

The accumulated benefit obligation for all defined-benefit pension plans was $96,765 and $94,617 at May 31, 2021 and 2020, respectively. The actuarial present value of the benefit obligations and the funded status of the Union Frozen Plan and Union Adjustable Plan as of May 31, 2021 and 2020, as provided by CR's actuaries, were as follows:

	Union Frozen Plan	
	2021	**2020**
Funded status:		
Accumulated benefit obligation	$ 82,574	81,617
Projected benefit obligation	82,574	81,617
Fair value of plan assets available for benefits	66,492	53,247
Funded status	$ (16,082)	(28,370)

(Dollar amounts in thousands)

		Union Adjustable Plan	
		2021	**2020**
Funded status:			
Accumulated benefit obligation	$	14,191	13,000
Projected benefit obligation		14,191	13,000
Fair value of plan assets available for benefits		13,158	10,632
Funded status	$	(1,033)	(2,368)

The amounts recognized in the balance sheets and as an accumulated adjustment to net assets without donor restrictions for the Union Frozen Plan and Union Adjustable Plan on a combined basis as of May 31, 2021 and 2020, as provided by CR's actuaries, were as follows:

		2021	**2020**
Amounts recognized in the consolidated balance sheets consist of:			
Noncurrent liabilities	$	(17,115)	(30,738)
Total	$	(17,115)	(30,738)
Total amounts recognized as an accumulated adjustment to net assets without donor restrictions consist of:			
Unrecognized actuarial loss	$	17,369	28,472
Total accumulated adjustment to net assets without donor restrictions	$	17,369	28,472

The adjustment to net assets without donor restrictions of the plans resulted in an increase of $11,103 and a decrease of $440 in net assets and is recorded as pension-related changes other than net periodic pension cost in the nonoperating section on the accompanying statements of activities for the years ended May 31, 2021 and 2020, respectively.

(Dollar amounts in thousands)

The weighted average assumptions used to determine the benefit obligations in the actuarial valuations at May 31, 2021 and 2020 measurement dates were as follows:

	2021	2020
Discount rate:		
Management Frozen Plan (preretirement and postretirement)	N/A	N/A
Union Frozen Plan (preretirement and postretirement)	3.00 %	2.85 %
Union Adjustable Plan (preretirement and postretirement)	3.20	3.00
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, 2021, future salary increases are not applicable for the calculation of the projected benefit obligation for the Union Frozen Plan because plan benefits are frozen.

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

(Dollar amounts in thousands)

Frozen Plan, Union Frozen Plan, and Union Adjustable Plan on a combined basis for the years 2021 and 2020 were as follows:

		2021	2020
Service cost recognized as net periodic benefit cost	$	2,181	1,787
Adjustments to net assets without donor restrictions:			
Interest cost		2,553	4,000
Expected return on plan assets		(3,056)	(4,330)
Amortization of net loss		2,569	1,539
Net (gain) loss		(13,169)	9,953
Effect due to settlement of Management Frozen Plan		—	(10,722)
Total adjustment to net assets without donor restrictions		(11,103)	440
Total recognized in net periodic benefit cost and as an adjustment to net assets without donor restrictions	$	(8,922)	2,227

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

The weighted average assumptions used to determine net periodic benefit cost (beginning of the year) for the years 2021 and 2020 were as follows:

	2021	2020
Discount rate:		
Management Frozen Plan	N/A	3.55 %
Union Frozen Plan	2.85 %	3.70
Union Adjustable Plan	3.00	3.80
Expected return on plan assets:		
Management Frozen Plan	N/A	4.60
Union Frozen Plan	5.30	5.35
Union Adjustable Plan	4.25	4.70
Future salary increases:		
Management Frozen Plan	N/A	N/A
Union Frozen Plan	N/A	N/A
Union Adjustable Plan	3.00	3.00

(Continued)

(Dollar amounts in thousands)

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

As of May 31, 2020, the Management Frozen Plan was terminated and all plan assets were utilized to pay beneficiaries lump-sum payments and purchase annuities from CMFG, an unrelated third-party insurance provider to settle all obligations of the plan.

The weighted average asset allocation of the Union Frozen Plan's assets at May 31, 2021 and 2020 was as follows:

	Union Frozen Plan's assets	
	2021	**2020**
Asset category:		
Domestic equities	40.5 %	35.1 %
International equities	10.3	8.8
Fixed income	29.3	34.5
Marketable alternative	13.5	14.2
Real estate equities	4.7	5.8
Other (money market)	1.7	1.6
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% marketable alternative funds, 10% international equity securities, and 5% real estate equity securities, within a range of 5% of the target percentage.

As of May 31, 2021, 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, 2021. The Union Frozen Plan's assets were fair valued as of

(Dollar amounts in thousands)

May 31, 2021 and 2020 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, 2021:				
Domestic equity – commingled funds	$	26,902	—	26,902
International equity funds		4,660	—	4,660
International equity – commingled funds		2,212	—	2,212
Fixed income funds		19,504	—	19,504
Multialternative funds		8,950	—	8,950
Real estate fund		—	3,158	3,158
Other (money market)		1,106	—	1,106
Total	$	63,334	3,158	66,492

		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

[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 balance sheets.

(Dollar amounts in thousands)

The weighted average asset allocation of the Union Adjustable Plan's assets at May 31, 2021 and 2020 was as follows:

	Union Adjustable Plan's assets	
	2021	**2020**
Asset category:		
Domestic commingled equities	18.9 %	16.6 %
International commingled equities	7.4	6.5
Fixed income – commingled bonds	45.3	51.3
Multialternative funds	24.8	23.2
Other (money market)	3.6	2.4
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, 2021 and 2020 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	
	2021	**2020**
Domestic equity – commingled funds	$ 2,488	1,766
International equity – commingled funds	980	687
Fixed income – commingled bond funds	5,961	5,454
Multialternative funds	3,250	2,471
Other (money market)	479	254
Total	$ 13,158	10,632

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)

(Dollar amounts in thousands)

(d) Cash Flows

CR expects to contribute $3,000 to the Union Frozen Plan, and $1,372 to the Union Adjustable Plan for the fiscal year ending May 31, 2022.

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:

		Union Frozen Plan	Union Adjustable Plan
Year(s) ending May 31:			
2022	$	9,374	223
2023		7,225	293
2024		5,170	333
2025		4,429	378
2026		4,102	434
2027–2031		20,670	3,123

The expected benefits are based on the same assumptions used to measure CR's benefit obligation at May 31, 2021 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 $5,315 and $4,983 in 2021 and 2020, 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 in both 2021 and 2020, respectively.

(Continued)

(8) Commitments, Contingencies, and Concentrations

(a) 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 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 was denied by the court and the case proceeded to discovery. On January 22, 2021, CR entered into a settlement agreement which was recognized and included in accounts payable and accrued liabilities in the balance sheets as of May 31, 2021.

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 changes in net assets or liquidity.

(b) 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, 2021, CR had 584 employees of which 262 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.

(Dollar amounts in thousands)

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 2021 and 2020 was 0.05% and 1.34%, 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 n/k/a BofA Securities. As the remarketing agent, BofA Securities markets CR's bonds on a weekly basis. The rate of interest CR pays on its debt is reset weekly based upon market conditions.

The 2005 Revenue Bonds are subject to mandatory sinking fund requirements, which began in 2012. Principal payments of $1,550 and $1,500 were made in June 2020 and 2019, respectively. Total long-term annual sinking fund requirements for the revenue bonds are as follows:

Year(s) ending May 31:		
2022	$	1,600
2023		1,675
2024		1,725
2025		1,775
2026		1,850
2027–2036		25,375
	$	34,000

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 $142 and $159 are presented as a reduction of long-term debt on the accompanying balance sheets as of May 31, 2021 and 2020.

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 2021 and 2020 was $1,085 and $1,331, respectively, and is included in general and administrative expenses in the accompanying statements of activities. The average rate of debt costs on all outstanding debt was 3.2% and 3.7% for the both years ended May 31, 2021 and 2020, respectively.

(Continued)

(10) Bank Borrowings

CR has an unused line of credit totaling $10,000 at May 31, 2021. On April 30, 2021, CR entered into a new agreement, which replaced the existing line of credit. The new line of credit is committed and includes a non-usage fee of 0.20% due on the last day of each calendar quarter. Terms of this line allow CR to draw down on the line with interest at either the CB Floating Rate or LIBOR. The CB Floating Rate is the higher of the Prime Rate or the Adjusted One-Month LIBOR plus no applicable margin. The LIBOR is equal to the LIBOR plus an applicable margin of 1.15%. As of and for the years ended May 31, 2021 and 2020, 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, which would cover the outstanding balance of the bonds in addition to 34 days of interest at the highest rate (12.0%) allowable by the indenture. 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 recorded as interest expense for long-term debt and included in general and administrative expenses in the accompanying statements of activities. As of May 31, 2021, the amount of the letter of credit was 34,380. 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 $34,000 balance of the bonds in addition to $380 representing 34 days of interest. 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, 2021 and 2020, 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, 2021, the notional principal amount of the Swap is $23,608.

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, 2021 and 2020, 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 $(5,041) and $(7,073), respectively. These amounts are reflected in the accompanying balance sheets, and the associated gain or loss is included as an unrealized gain (loss) on interest rate swap in the nonoperating section of the accompanying 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 $18,502 and $15,370 at May 31, 2021 and 2020, respectively. The Organization's liability associated with CGAs was $9,409 and $9,545, utilizing the discount rate at the date in which the gift was established, and is included in other liabilities on the accompanying balance sheets at May 31, 2021 and 2020, respectively. The weighted average discount rate used to value the liability was 3.3% and 3.4% as of May 31, 2021 and 2020, respectively.

During 2021 and 2020, respectively, CR recognized $170 and $122 in net contribution revenue without donor restrictions attributable to new CGAs. Additionally, the liability increased by $79 and $141 in 2021 and 2020, respectively. These amounts are reflected as a change in value of split-interest agreements in the nonoperating section of the accompanying statements of activities.

(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 for both the years ended May 31, 2021 and 2020, respectively, and were included in consumer advocacy and education on the accompanying statements of activities.

In May 2005, CR became a member shareholder of International Consumer Research and Testing Limited (ICRT), a U.K. 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 $129 and $128 in 2021 and 2020, respectively. In 2021 and 2020, CR made payments of $393 and $463, respectively, for certain product testing results. Additionally, CR received $121 and $201 during 2021 and 2020, respectively, from sales of certain product testing results, and this is included in revenue and support in the accompanying 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.

(Continued)

(Dollar amounts in thousands)

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:

		2021	2020
Financial assets available within one year:			
Cash and cash equivalents	$	46,722	18,056
Investments		347,327	276,133
Trade receivables, net		7,171	9,229
	$	401,220	303,418
Liquidity resources:			
Line of credit	$	10,000	10,000

The above amounts for 2021 exclude $17,229 of investments and $1,273 of cash included in the CGA program, and $5,620 of cash with donor restrictions, 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. There are no other cash or investments included on the balance sheets 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 8, 2021, the date at which the financial statements were issued, and determined there are no other items to disclose.