CONSUMER REPORTS, INC.

Financial Statements

May 31, 2022 and 2021

(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.:

Opinion

We have audited the financial statements of Consumer Reports, Inc. (the Organization) which comprise the balance sheets as of May 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of May 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

KPMG LLP

New York, New York
October 7, 2022

CONSUMER REPORTS, INC.

Balance Sheets

May 31, 2022 and 2021

(Amounts in thousands)

Assets		**2022**	**2021**
Current assets:			
Cash, cash equivalents, and restricted cash	$	44,117	53,615
Investments (note 6)		364,660	364,539
Trade receivables, net		5,867	7,171
Inventories		779	556
Auto test inventory		2,433	1,932
Grants and other receivables		1,449	2,513
Prepaid expenses and other current assets (note 2)		8,337	7,247
Total current assets		427,642	437,573
Property, equipment and software, net (note 5)		54,499	57,363
Right-of-use assets (note 4)		699	1,236
Other assets (note 2)		6,437	7,107
Total assets	$	489,277	503,279
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$	15,098	15,365
Accrued compensation		10,214	11,026
Deferred revenue (note 2)		97,562	100,282
Current portion of operating lease liabilities (note 4)		467	558
Current portion of long-term debt (note 9)		1,675	1,600
Total current liabilities		125,016	128,831
Deferred revenue – long term (note 2)		12,099	13,011
Liability under derivative instrument (note 11)		2,742	5,041
Long-term debt (note 9)		30,600	32,258
Operating lease liabilities (note 4)		232	678
Pension obligations (note 7)		11,176	17,115
Other liabilities (note 12)		16,930	17,224
Total liabilities		198,795	214,158
Net assets:			
Without donor restrictions		278,804	280,430
With donor restrictions (note 3)		11,678	8,691
Total net assets		290,482	289,121
Total liabilities and net assets	$	489,277	503,279

See accompanying notes to financial statements.

CONSUMER REPORTS, INC.

Statements of Activities

Years ended May 31, 2022 and 2021

(Amounts in thousands)

	2022	2021
Change in net assets without donor restrictions:		
Operating:		
Revenue and support:		
Subscriptions, newsstand, and other sales (note 2)	$ 223,317	226,948
Contributions	31,351	30,723
Net assets released from restrictions	6,303	4,633
Total revenue and support	260,971	262,304
Operating expenses:		
Publication, promotion, and marketing expenses:		
Content development	86,179	84,540
Production and distribution	47,649	45,454
Promotion and marketing	65,214	60,430
	199,042	190,424
Consumer advocacy and education	16,110	15,060
General and administrative (notes 5 and 9)	23,222	22,065
Fundraising	11,830	11,354
Total operating and other expenses	250,204	238,903
Total operating gain	10,767	23,401
Nonoperating:		
Investment return, net (note 6)	(17,677)	74,167
Unrealized gain on interest rate swap (note 11)	2,299	2,032
Change in value of split-interest agreements (note 12)	(281)	(79)
Pension-related changes other than net periodic pension cost (note 7)	3,266	11,103
Total nonoperating (loss) gain	(12,393)	87,223
(Decrease) Increase in net assets without donor restrictions	(1,626)	110,624
Change in net assets with donor restrictions: (note 3)		
Grants received	9,315	5,188
Net assets released from restrictions	(6,303)	(4,633)
Contribution revenue – other	—	150
Change in value of split-interest agreements	(25)	481
Increase in net assets with donor restrictions	2,987	1,186
Increase in net assets	1,361	111,810
Net assets at beginning of year	289,121	177,311
Net assets at end of year	$ 290,482	289,121

See accompanying notes to financial statements.

CONSUMER REPORTS, INC.

Statements of Functional Expenses

Years ended May 31, 2022 and 2021

(Amounts in thousands)

	2022					2021				
	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	$ 76,156	11,567	14,564	2,680	104,967	$ 73,335	10,309	12,758	2,510	98,912
Printing and publications	20,373	10	7	2,967	23,357	21,384	10	12	2,763	24,169
Postage and shipping	27,161	7	5	5,268	32,441	27,382	8	4	5,132	32,526
Sales and marketing	36,001	460	196	527	37,184	30,819	538	104	568	32,029
Product testing	3,432	—	—	—	3,432	3,129	—	—	—	3,129
Professional fees	7,169	1,427	2,647	116	11,359	6,045	1,493	2,663	103	10,304
IT Hosting and Maintenance	5,074	360	1,155	21	6,610	5,133	340	1,176	21	6,670
Insurance	—	—	1,315	—	1,315	—	—	1,088	—	1,088
Fees, licenses, and permits	3,316	8	50	2	3,376	3,356	20	45	3	3,424
Occupancy	1,930	507	373	17	2,827	1,945	822	228	17	3,012
Grants and awards	—	168	88	—	256	—	12	134	—	146
Supplies	223	5	63	3	294	232	3	332	1	568
Telephone	409	22	62	3	496	454	24	66	4	548
Travel	134	42	10	10	196	78	1	1	—	80
Meetings and conferences	88	15	22	5	130	56	—	10	1	67
Dues and subscriptions	502	573	55	4	1,134	343	585	51	7	986
Interest (note 9)	—	—	1,072	—	1,072	—	—	1,085	—	1,085
Depreciation and amortization (note 5)	14,375	519	496	27	15,417	14,163	528	479	30	15,200
Sales tax	77	—	—	—	77	20	—	—	—	20
Severance	—	—	237	—	237	—	—	471	—	471
Other expenses	2,622	420	805	180	4,027	2,550	367	1,358	194	4,469
Total	$ 199,042	16,110	23,222	11,830	250,204	190,424	15,060	22,065	11,354	238,903

See accompanying notes to financial statements.

CONSUMER REPORTS, INC.

Statements of Cash Flows

Years ended May 31, 2022 and 2021

(Amounts in thousands)

		2022	2021
Cash flows from operating activities:			
Increase in net assets	$	1,361	111,810
Adjustments to reconcile increase net assets to net cash provided by operating activities:			
Depreciation and amortization		15,417	15,200
Amortization of bond issuance costs		17	17
Pension-related changes other than net periodic pension cost		(3,266)	(11,103)
Net unrealized loss (gain) on investments		42,193	(61,793)
Net realized gain on investments		(23,175)	(11,734)
Unrealized gain on interest rate swap		(2,299)	(2,032)
Change in value of split-interest agreements		25	(481)
Termination of a charitable remainder trust (note 3)		631	—
Change in allowance for doubtful accounts		(568)	(277)
Service cost recognized as net periodic pension cost		1,686	2,181
Loss on disposal of property and equipment		27	—
Other noncash items		8	(340)
Actuarial change in charitable gift annuity obligations		281	79
Pension contributions		(4,357)	(4,701)
Other changes in assets and liabilities:			
Trade receivable		1,872	2,335
Inventories and auto test inventory		(724)	972
Grants and other receivables		1,064	(962)
Prepaid expenses and other current assets		(1,090)	(4,577)
Other noncurrent assets		(105)	62
Accounts payable and accrued liabilities		(273)	2,273
Accrued compensation		(812)	4,076
Deferred revenue		(3,632)	(1,789)
Other liabilities		(460)	4,028
Net cash provided by operating activities		23,821	43,244
Cash flows from capital investments and other investing activities:			
Purchases of property and equipment		(2,574)	(1,588)
Payments for computer software and development		(10,006)	(11,108)
Purchase of investments		(142,389)	(19,703)
Proceeds from sales of investments		123,250	18,799
Net cash used in capital investments and other investing activities		(31,719)	(13,600)
Cash flows from financing activities:			
Repayment of long-term debt		(1,600)	(1,550)
Net cash used in financing activities		(1,600)	(1,550)
Net (decrease) increase in cash, cash equivalents and restricted cash		(9,498)	28,094
Cash, cash equivalents, and restricted cash at beginning of year		53,615	25,521
Cash, cash equivalents, and restricted cash at end of year	$	44,117	53,615
Supplemental data:			
Cash paid for interest	$	1,056	1,068
Cash paid for income taxes		1,585	1,052
Donated securities		92	55

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 2022 or 2021 in the notes contained herein represent for the year ended May 31, 2022 or 2021, 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, 2022 and 2021, 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, product testing data, and CR Recommended mark. 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, 2022			
		Digital products	Print products	Other revenue	Total
Timing of revenue recognition:					
Transferred over time	$	115,126	81,872	3,763	200,761
Point in time		1,305	3,659	17,592	22,556
Total	$	116,431	85,531	21,355	223,317

(Dollar amounts in thousands)

	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

(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, 2022					
	2023	2024	2025	2026	2027 to 2032	Total
Digital products	$ 44,085	—	—	—	—	44,085
Print products	52,519	8,579	1,968	683	869	64,618
Other revenue	958	—	—	—	—	958
Total	$ 97,562	8,579	1,968	683	869	109,661

	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

(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 $1,742 and $1,845 as of May 31, 2022 and 2021, 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 $1,847 and $2,049 were amortized into promotion and marketing expense in 2022 and 2021, 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, 2022					
		2023	**2024**	**2025**	**2026**	**2027 to 2031**	**Total**
Contract costs	$	1,134	277	122	61	148	1,742

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

(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 $4,529 and $5,097 at May 31, 2022 and 2021, 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, 2022, trade receivables primarily consist of receivables from subscriptions 39%, referral fees 32%, licensing 15%, newsstand 8%, and other sales 6%. 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 $682 and $1,273, which is included in cash, cash equivalents, and restricted cash on the accompanying balance sheets as of May 31, 2022 and 2021, 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, 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, license, 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. 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 2022 and 2021.

(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, 2022, 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, 2022. 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, 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 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.

(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, 2022 and 2021, provisions for income taxes were $999 and $1,362, 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.

(Continued)

CR's tax returns for the fiscal years ended May 31, 2021, 2020, and 2019 are subject to examination by federal, state, and local authorities.

(p) Leases

CR accounts for leases in accordance with ASC Topic 842, Leases.

Leases arise from contractual obligations that convey the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. At the inception of the contract, CR determines if an arrangement contains a lease based on whether there is an identified asset and whether CR controls the use of the identified asset. CR also determines whether the lease is an operating or financing lease at the commencement date.

A right-of-use asset represents either CR's right to use an underlying asset and a lease liability represents either CR's obligation to make payments during the lease term. Right-of-use assets are recorded and recognized at the commencement in the amount of the lease liability amount. Lease liabilities are recorded at the present value of future lease payments over the lease term at commencement. The implicit rates for CR's leases are not readily determinable, therefore CR generally uses its incremental borrowing rate as the discount rate for the lease liability. The CR's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Because CR does not generally borrow on a collateralized basis, it derives the incremental borrowing rate from the interest rate it pays on its noncollateralized borrowings.

CR's real-estate operating leases typically include non-lease components such as common-area maintenance costs, utilities, and property taxes. CR has elected to include non-lease components with lease payments for the purpose of calculating lease right-to-use assets and liabilities to the extent that they are fixed. Non-lease components that are not fixed are expensed as incurred as occupancy costs.

The lease term for all the CR's leases includes the noncancellable period of the lease plus any additional periods covered by either a CR option to extend (or not to terminate) the lease that CR is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

CR has elected to exclude leases with terms of 12 months or less from the balance sheets. Short-term lease expense is recognized on a straight-line basis over the expected term of the lease.

Amounts recognized relating to CR's leases are further discussed in note 4.

(q) Recent Adopted Accounting Pronouncements

- In August 2018, the FASB issued Accounting Standards Update (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 adopted ASU 2018-14 for the year ended May 31, 2022 on a retrospective basis. CR modified the disclosures in note 7 accordingly and the adoption of ASU 2018-14 did not have a material effect on its financial statements.

(Dollar amounts in thousands)

(r) 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.

(3) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following:

		2022	2021
Split-interest agreements (CRUTs)	$	320	976
Donor-imposed purpose restrictions		11,358	7,715
	$	11,678	8,691

As of May 31, 2022, and 2021, there were $1,100 and $1,874, 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 2022 or 2021. However, $631 was released from restrictions in 2022 due to the termination of a CRUT in October 2021.

Net assets with donor-imposed purpose restrictions at May 31, 2022 and 2021 are available for the following purposes:

		2022	2021
Digital Privacy & Rights	$	6,962	3,988
Sustainability		3,185	3,254
Financial Fairness		943	112
Other donor-restricted funds		268	361
Total	$	11,358	7,715

Digital Privacy & Rights represents unexpended grants 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. In 2022, a $5,000 grant was received to further CRs Digital Privacy initiatives.

(Dollar amounts in thousands)

Sustainability represents unexpended grants 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.

Financial Fairness represents unexpended grants received by CR to improve the digital financial marketplace, and secure the business practices, standards, and laws necessary to protect consumers' financial health and personal data to work towards a fair and inclusive financial marketplace.

(4) Operating Leases

As of June 1, 2021, Consumer Reports was a lessee for one real estate operating lease of office space with a remaining term greater than a year. This real estate lease does 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.

On February 25, 2022, CR entered into a lease agreement for office space in New York City beginning on April 1, 2022. The agreement provides for a 2-year term, however, CR has the option to cancel the lease after 12 months without any penalty or termination payment. CR performed an analysis on the date of the lease inception and determined that it was not reasonably certain that it would extend the lease beyond the initial 12 months. As such, this lease is being accounted for as a short-term lease and payments are recognized as short-term lease expense.

For the year ended May 31, 2021, operating lease expense was $575, and short-term lease expense was $208. For the year ended May 31, 2022, operating lease expense was $567, and short-term lease expense was $136. Both operating lease expense and short-term lease expense were recorded as occupancy costs and included in consumer advocacy and education in the respective accompanying statements of activities.

Right-of-use assets of $699 and corresponding operating lease liabilities in the same amount (of which $467 was current and $232 was noncurrent) were reported in the accompanying balance sheet as of May 31, 2022.

The following table summarizes the maturity of CR's operating lease liabilities as of May 31, 2022:

Year(s) ending May 31:		
2023	$	474
2024		241
Total undiscounted lease payments		715
Less imputed interest		(16)
Total lease liabilities	$	699

(Dollar amounts in thousands)

(5) Property, Equipment, and Software

Property, equipment, and software at May 31, 2022 and 2021 consist of the following:

		2022	2021
Land	$	11,935	11,935
Buildings and improvements		72,967	72,044
Furniture, fixtures, and equipment		27,661	26,033
Capitalized computer software		127,812	117,819
		240,375	227,831
Less accumulated depreciation and amortization		185,876	170,468
Net property and equipment	$	54,499	57,363

Depreciation and amortization expense for the years ended May 31, 2022 and 2021 was $15,417 and $15,200, respectively. At May 31, 2022 and 2021, capitalized computer software was $18,701 and $20,591, respectively, net of accumulated amortization of $109,111 and $97,228, respectively. Amortization expense for capitalized computer software was $11,890 and $11,553 in 2022 and 2021, respectively.

CR performs reviews of fixed assets to determine if there are assets no longer in service. During the years ended May 31, 2022 and 2021, CR recognized a net loss of $27 and $1, respectively, for retired assets no longer in service in the statements of activities in content development 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 (IPS) governing CR's corporate investment portfolio is reviewed periodically. In August, 2021, a revised IPS was approved. The objective of the revised IPS is to provide sufficient resources to support the Organization. To achieve this objective, the investment portfolio is divided into two sub-portfolios.

1) A short-term liquidity portfolio, expected to comprise between 0% – 15% of the total portfolio, that will be invested conservatively in highly liquid instruments and used to help fund cash needs for CR; and,

2) A long-term portfolio that will be invested in a diversified manner with a long-term time horizon to provide growth in available capital for CR. CR is willing to accept short-term volatility of investment outcomes in this portfolio in exchange for the higher expected returns offered by various investment asset classes. This sub-portfolio reflects a target asset allocation of 30% domestic equity, 30% international equity, 20% fixed income, 10% multi-asset credit, and 10% real estate within a range of 5% of the target percentage. Multi-asset credit investments consist of fixed income investments which can vary in credit quality and duration as part of a diversifying asset strategy, with an expectation of a return greater than core fixed income assets.

(Dollar amounts in thousands)

The previous investment policy reflected a target asset allocation of 30% domestic equity, 25% international equity, 25% fixed income, 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, 2022, 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, 2022. No investments were valued using Level 2 or Level 3 inputs.

The fair value of investments as of May 31, 2022 and 2021 consists of Level 1 investments (funds traded on an active exchange) and investments reported at NAV as follows:

	Level 1	Investments reported at NAV[1]	Total
May 31, 2022:			
Equity funds:			
Domestic	$ 93,693	—	93,693
International	88,484	—	88,484
Fixed income funds:			
Bonds	61,952	—	61,952
Multi-asset	29,516	—	29,516
U.S. Treasury	5,136	—	5,136
Real estate fund	—	37,244	37,244
Total long-term portfolio	$ 278,781	37,244	316,025
Fixed income funds:			
Bonds	$ 48,635	—	48,635
Total short-term portfolio	48,635	—	48,635
Total investments	$ 327,416	37,244	364,660

(Dollar amounts in thousands)

	Level 1	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 investments	$ 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.

Investment returns, net included in nonoperating in the accompanying statements of activities for the years ended May 31, 2022 and 2021 was composed of the following:

	2022	2021
Interest and dividend income	$ 1,704	1,014
Net unrealized (losses) gains	(42,193)	61,793
Net realized gains	23,175	11,734
Investment expenses	(363)	(374)
	$ (17,677)	74,167

(7) Employee Benefits

(a) Defined-Benefit Plans

CR maintains three defined-benefit plans for its employees. Two of these plans are noncontributory defined-benefit plans administered jointly by CR and the NewsGuild of New York (the Union Frozen Plan and Union Adjustable Plan). The third 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 in both 2022 and 2021.

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

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.

The projected benefit obligation for the Union Frozen Plan for the year ended May 31, 2022 decreased by $9,486 due to the change in the discount rate, decreased by $2,174 due to a change in the lump sum rate, and increased by $211 due to the new plan and lump sum mortality tables.

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.

On April 12, 2022, CR and the NewsGuild of NY entered into a memorandum of agreement, which among other changes, suspended benefit accruals for all participants of the Union Adjustable Plan, effective May 31, 2022. The suspension of benefit accruals for participants of the Union Adjustable Plan met the criteria of a curtailment in accordance with the Subsections of FASB ASC Subtopic 715-30. Additionally, CR must fully fund the plan before May 31, 2025 and then terminate the plan within six months of the plan becoming fully funded. As a result of the curtailment, the projected benefit obligation of the Union Adjustable Plan increased by $1,448 for the year ended May 31, 2022.

The projected benefit obligation for the Union Adjustable Plan for year ended May 31, 2022 decreased by $3,092 due to the change in the discount rate, decreased by $85 due to a change in the lump sum rate, increased by $39 due to the new plan and lump sum mortality tables, and increased by $1,285 due to a change in the lump sum offer to participants and the timing of the termination of the plan.

(Dollar amounts in thousands)

(b) Obligations and Funded Status

At May 31:

		Pension benefits 2022	Pension benefits 2021
Change in projected benefit obligation:			
Benefit obligation at the beginning of year	$	96,765	94,617
Service cost		1,686	2,181
Interest cost		2,779	2,552
Actuarial loss		2,012	1,376
Benefits and administrative expenses paid		(2,422)	(3,360)
Change in assumptions		(13,302)	(601)
Curtailment of the Union Adjustable Plan		1,448	—
Settlement of Union Frozen Plan		(3,103)	—
Projected benefit obligation at the end of year		85,863	96,765
Change in plan assets:			
Fair value of plan assets at the beginning of year		79,650	63,879
Actual return on plan assets		(3,795)	14,430
Employer contributions		4,357	4,701
Benefits and administrative expenses paid		(2,422)	(3,360)
Settlement of Union Frozen Plan		(3,103)	—
Fair value of assets at the end of year		74,687	79,650
Funded status	$	(11,176)	(17,115)

The accumulated benefit obligation for all defined-benefit pension plans was $85,863 and $96,765 at May 31, 2022 and 2021, 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, 2022 and 2021, as provided by CR's actuaries, were as follows:

(Dollar amounts in thousands)

		Union Frozen Plan	
		2022	2021
Funded status:			
Accumulated benefit obligation	$	70,813	82,574
Projected benefit obligation		70,813	82,574
Fair value of plan assets available for benefits		61,763	66,492
Funded status	$	(9,050)	(16,082)

		Union Adjustable Plan	
		2022	2021
Funded status:			
Accumulated benefit obligation	$	15,050	14,191
Projected benefit obligation		15,050	14,191
Fair value of plan assets available for benefits		12,924	13,158
Funded status	$	(2,126)	(1,033)

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, 2022 and 2021, as provided by CR's actuaries, were as follows:

		2022	2021
Amounts recognized in the balance sheets consist of:			
Noncurrent liabilities	$	(11,176)	(17,115)
Total	$	(11,176)	(17,115)
Total amounts recognized as an accumulated adjustment to net assets without donor restrictions consist of:			
Unrecognized actuarial loss	$	13,920	17,369
Total accumulated adjustment to net assets without donor restrictions	$	13,920	17,369

(Continued)

(Dollar amounts in thousands)

The adjustment to net assets without donor restrictions of the plans resulted in increases of $3,266 and $11,103 in net assets and is recorded as pension-related changes other than net periodic pension cost in the nonoperating section in the accompanying statements of activities for the years ended May 31, 2022 and 2021, respectively.

The weighted average assumptions used to determine the benefit obligations in the actuarial valuations at May 31, 2022 and 2021 measurement dates were as follows:

	2022	2021
Discount rate:		
Union Frozen Plan (preretirement and postretirement)	4.40 %	3.00 %
Union Adjustable Plan (preretirement and postretirement)	3.35	3.20
Future salary increases:		
Union Frozen Plan	N/A	N/A
Union Adjustable Plan	N/A	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.

As of May 31, 2022, future salary increases are not applicable for the calculation of the projected benefit obligation for the Union Frozen Plan and the Union Adjustable Plan because plan benefits are frozen.

(Dollar 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 Union Frozen Plan and Union Adjustable Plan on a combined basis for the years 2022 and 2021 were as follows:

		2022	2021
Service cost recognized as net periodic benefit cost	$	1,686	2,181
Adjustments to net assets without donor restrictions:			
Interest cost		2,779	2,553
Expected return on plan assets		(3,413)	(3,056)
Amortization of net loss		689	2,569
Net gain		(4,409)	(13,169)
Effect due to curtailment of Union Adjustable Plan		768	—
Effect due to settlement of Union Frozen Plan		320	—
Total adjustment to net assets without donor restrictions		(3,266)	(11,103)
Total recognized in net periodic benefit cost and as an adjustment to net assets without donor restrictions	$	(1,580)	(8,922)

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 pension-related changes other than net periodic pension cost in the nonoperating section in the accompanying statements of activities.

(Dollar amounts in thousands)

The weighted average assumptions used to determine net periodic benefit cost (beginning of the year) for the years 2022 and 2021 were as follows:

	2022	2021
Discount rate:		
Union Frozen Plan	3.00 %	2.85 %
Union Adjustable Plan	3.20	3.00
Expected return on plan assets:		
Union Frozen Plan	4.65	5.30
Union Adjustable Plan	3.80	4.25
Future salary increases:		
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 Union Frozen Plan’s assets at May 31, 2022 and 2021 was as follows:

	Union Frozen Plan’s assets	
	2022	2021
Asset category:		
Domestic equities	34.0 %	40.5 %
International equities	9.9	10.3
Fixed income	33.5	29.3
Marketable alternative	15.6	13.5
Real estate equities	6.1	4.7
Other (money market)	0.9	1.7
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% marketable alternative funds, 10% international equity securities, and 5% real estate equity securities, within a range of 5% of the target percentage.

(Dollar amounts in thousands)

As of May 31, 2022, 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, 2022. The Union Frozen Plan's assets were fair valued as of May 31, 2022 and 2021 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, 2022:			
Domestic equity – commingled funds	$ 21,003	—	21,003
International equity funds	4,118	—	4,118
International equity – commingled funds	1,946	—	1,946
Fixed income funds	20,660	—	20,660
Multialternative funds	9,635	—	9,635
Real estate fund	—	3,767	3,767
Other (money market)	634	—	634
Total	$ 57,996	3,767	61,763

	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

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, 2022 and 2021 was as follows:

	Union Adjustable Plan's assets	
	2022	2021
Asset category:		
Domestic commingled equities	16.8 %	18.9 %
International commingled equities	7.0	7.4
Fixed income – commingled bonds	44.5	45.3
Multialternative funds	25.6	24.8
Other (money market)	6.1	3.6
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, 2022 and 2021 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	
	2022	2021
Domestic equity – commingled funds	$ 2,163	2,488
International equity – commingled funds	905	980
Fixed income – commingled bond funds	5,751	5,961
Multialternative funds	3,311	3,250
Other (money market)	794	479
Total	$ 12,924	13,158

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.

(Dollar amounts in thousands)

(d) Cash Flows

CR expects to contribute $3,000 to the Union Frozen Plan, and $0 to the Union Adjustable Plan for the fiscal year ending May 31, 2023.

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 or the estimated date of the termination of the Union Adjustable Plan are as follows:

		Union Frozen Plan	Union Adjustable Plan
Year(s) ending May 31:			
2023	$	9,757	330
2024		5,668	353
2025		4,599	391
2026		4,172	15,721
2027		3,980	—
2028–2032		20,216	—

The expected benefits are based on the same assumptions used to measure CR’s benefit obligation at May 31, 2022 and do not include estimated future employee service because the benefit accruals for both plans are frozen.

(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 $5,601 and $5,315 in 2022 and 2021, 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 $125 and $111 in 2022 and 2021, 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, and subsequently paid to the settlement administrator in August 2021.

On October 20, 2021, a class action complaint was filed against CR in the United States District Court for the Southern District of New York. The complaint alleges that CR's "list rental" practices violate Ohio's misappropriation of name and likeness statutes. On January 14, 2022, CR filed a motion to dismiss, in response to which plaintiffs amended their complaint to add allegations under the laws of Alabama, California, Hawaii, Indiana, Nevada and Washington. CR filed its amended motion to dismiss on April 29, 2022, and the parties await the court's ruling.

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), on April 12, 2022 CR entered into a memorandum of agreement with the NewsGuild of New York to extend the CBA through May 31, 2025. As of May 31, 2022, CR had 593 employees of which 259 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.

(Dollar amounts in thousands)

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 2022 and 2021 was 0.15% and 0.05%, 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 $1,600 and $1,550 were made in June 2021 and 2020, respectively. Total long-term annual sinking fund requirements for the revenue bonds are as follows:

Year(s) ending May 31:	
2023	$ 1,675
2024	1,725
2025	1,775
2026	1,850
2027	1,925
2028–2036	23,450
	$ 32,400

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 $125 and $142 are presented as a reduction of long-term debt on the accompanying balance sheets as of May 31, 2022 and 2021.

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 line of credit and letter-of-credit fees (note 10), and the net interest rate swap activity (note 11) for long-term debt for 2022 and 2021 was $1,072 and $1,085, 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% for the both years ended May 31, 2022 and 2021, respectively.

(10) Bank Borrowings

Line of Credit

CR has an unused line of credit totaling $10,000 at May 31, 2022. 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 extended the agreement to April 30, 2022. On April 1, 2022, CR entered into the first amendment to the 2021 credit agreement effective April 1, 2022, which amended the non-usage fee of 0.20% to 0.15% and extended he agreement to March 31, 2023. Terms of this line allow CR to draw down on the line with interest at either the CB Floating Rate or Secured Overnight Financing Rate (SOFR). The CB Floating Rate is the higher of the Prime Rate or 2.50% plus no applicable margin. The SOFR is equal to the SOFR plus an applicable margin of 0.65%. As of and for the years ended May 31, 2022 and 2021, CR had not drawn down and had no amount outstanding under the line-of-credit agreement.

Letter of Credit

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, 2025 and decreasing the fee from 0.5% to 0.4%. The fees related to the letter of credit are recorded as interest expense and included in general and administrative expenses in the accompanying statements of activities. As of May 31, 2022, the amount of the letter of credit was $32,762. 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 $32,400 balance of the bonds in addition to $362 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, 2022 and 2021, 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 with an original 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, 2022, the notional principal amount of the Swap is $22,488.

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, 2022 and 2021, 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 $(2,742) and $(5,041), respectively. These amounts are reflected in the accompanying balance sheets, and the associated gain is included as an unrealized gain 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 $14,695 and $18,502 at May 31, 2022 and 2021, respectively. The Organization’s liability associated with CGAs was $9,378 and $9,409, 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, 2022 and 2021, respectively. The weighted average discount rate used to value the liability was 3.1% and 3.3% as of May 31, 2022 and 2021, respectively.

During 2022 and 2021, respectively, CR recognized $94 and $170 in net contribution revenue without donor restrictions attributable to new CGAs. Additionally, the liability increased by $281 and $79 in 2022 and 2021, 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, 2022 and 2021, respectively, and were included in consumer advocacy and education on the accompanying statements of activities.

(Continued)

(Dollar amounts in thousands)

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 $127 and $129 in 2022 and 2021, respectively. In 2022 and 2021, CR made payments of $346 and $393, respectively, for certain product testing results. Additionally, CR received $327 and $121 during 2022 and 2021, 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.

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:

		2022	2021
Financial assets available within one year:			
Cash and cash equivalents	$	33,225	46,722
Investments		350,647	347,327
Trade receivables, net		5,867	7,171
	$	389,739	401,220
Liquidity resources:			
Line of credit	$	10,000	10,000

The above amounts for 2022 exclude $14,013 of investments and $682 of cash included in the CGA program, and $10,210 of cash with donor restrictions, 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. 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 7, 2022, the date at which the financial statements were issued, and determined there are no other items to disclose.