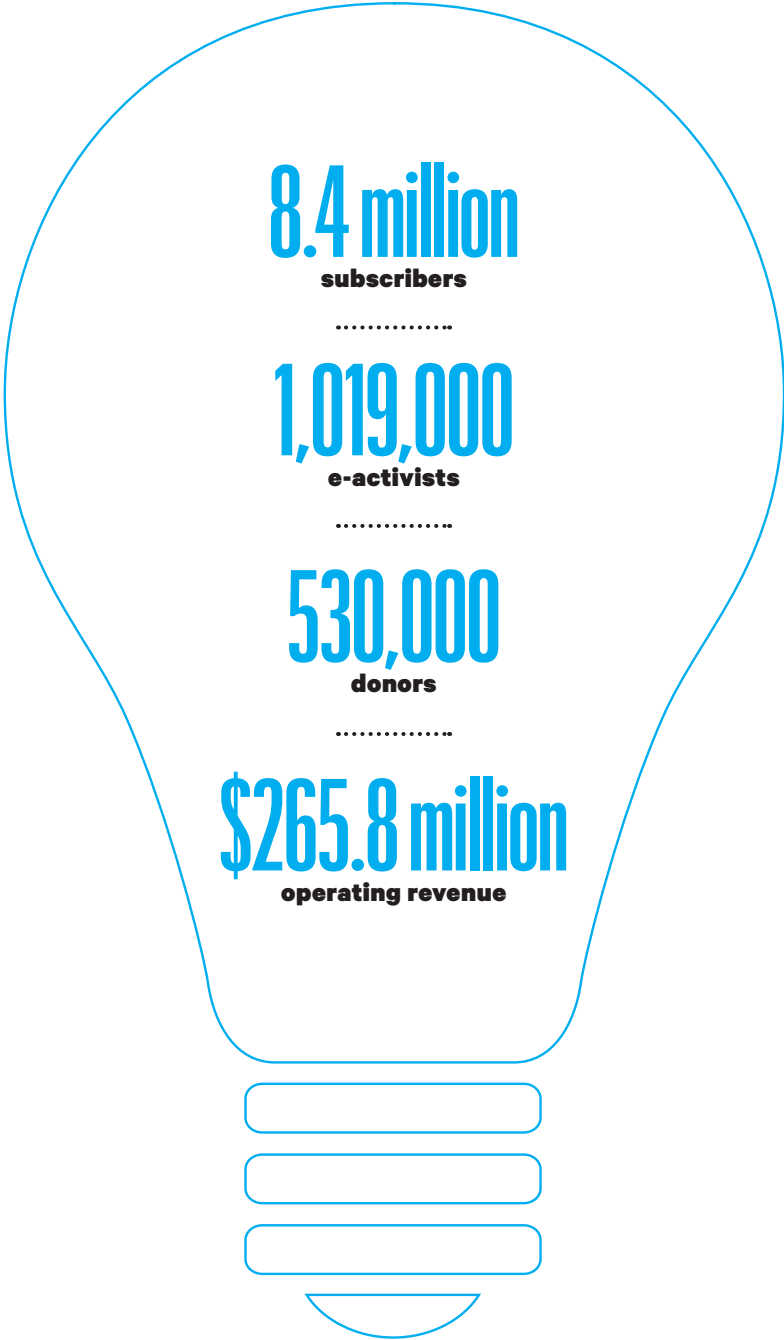


IMPACT

INNOVATION + ENGAGEMENT

Consumer Reports 2014 Annual Report



By combining innovation and engagement in fiscal year '14,
we've had great impact for consumers.

FROM OUR BOARD CHAIR



From Walter Bristol

I am pleased to announce some big changes at Consumer Reports and to introduce you to the next chapter in our ongoing work to empower consumers in America. On Sept. 17, 2014, Marta Tellado became the seventh Chief Executive Officer and President of Consumer Reports. She takes over from James Guest, who faithfully served Consumer Reports for 35 years—22 years on the Board (21 as Chair) and 13 years as our President. We are deeply indebted to Jim upon his retirement, and we thank him for his decades of outstanding service to the organization that he loves. Jim has positioned Consumer Reports to remain the leading voice of a growing consumer movement in a volatile and dynamic time in both the advocacy and media worlds.

Marta is a visionary leader with a dedication to social justice, and the passion and talent to make a difference. She values Consumer Reports' commitment to unbiased intellectual rigor and research. She will help Consumer Reports evolve into an even more vibrant multimedia publishing company and a powerful change agent that gives voice to the consumer. Marta comes to Consumer Reports from the Ford Foundation, where she served as the Vice President of Global Communications and Information Management for 10 years. We are extremely excited to have Marta on board.

I complete my term as Chair of the Consumer Reports Board of Directors in October 2014. Diane Archer succeeds me as the new Chair of the Board. Diane joined the Consumer Reports Board in 2008. She has built her professional career around consumer advocacy and health care policy. She is perfectly positioned to lead the Board through our next phase of change and growth.

My term as Chair of the Board has been exciting, challenging, and deeply satisfying. Consumer Reports is a true icon, with limitless potential to create a robust public voice for consumers. I leave Consumer Reports with full confidence that the new leadership will take the organization to unprecedented heights. CR's future is indeed bright.

A handwritten signature in black ink that reads "Walter Bristol". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

INNOVATION **IMPACT** ENGAGEMENT



All revved up

Our display at the New York International Auto Show engaged visitors and showcased our extensive testing and car-buying expertise for more than 1 million consumers. (See photo above.) The booth's Twitter efforts reached 224,000 accounts, and our experts engaged with hundreds of consumers in person and through our Google hang-outs. More than 6,500 consumers spun the "Smart Shopper" prize wheel, 3,000 children were deputized as "Deputy Testers," and 2,500 people sat in our test car for a snapshot, the sharing of which resulted in more than 52,500 social media impressions.

Consumers at the core

Recently we've been working to engage more with consumers, including soliciting their questions for CEOs of influential companies, asking shoppers at a mall to pour a bowl of cereal to uncover how much they really eat, and chatting with folks at the beach about how they select and use sunscreen.

First prize

We took first place in the Robert Wood Johnson Foundation Hospital Price Transparency Challenge for our prototype, CR Hospital Adviser: Hip & Knee Web tool. It's a personalized application for health care consumers who are searching for the

best hospital for hip or knee surgery. The goal is to move from a prototype to a product that's available to all consumers.

Fitbit Force recall

Consumerist, our consumer news website, broke the story that the activity tracker was linked to rashes, which ultimately led to a recall by the company and the Consumer Product Safety Commission.

Backup cameras

The Department of Transportation finally issued its rule mandating rear-visibility technology in all vehicles less than 10,000 pounds, which will be required

"You [CR] seem nonthreatening, but you're threatening. You're a bully for the people."
—Russell Simmons, cultural icon, activist, entrepreneur, and music mogul

in all new vehicles by May 2018. We have long pushed for better visibility standards to address the problem of blind zones behind cars and trucks. We joined with other safety advocates to file a lawsuit against the DOT to address the long delays and to force implementation of the rule. The DOT's decision came out one day before the case was scheduled to be heard in court.

No more surprise medical bills

Our advocacy arm, Consumers Union, had a win in New York when Governor Andrew Cuomo signed a new state law to help prevent surprise medical bills for out-of-network care. It requires health plans to provide an adequate number of in-network doctors and specialists to treat patients under their care. We had more than 4,000 of our local activists send e-mails to legislators in support of the law and more than 100 shared

stories, including a concert pianist with a \$97,000 bill for neck surgery that was not covered by her insurance.

Southern hospitality

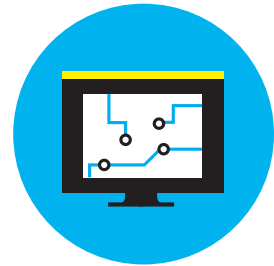
The Robert Wood Johnson Foundation (RWJF) funded a successful Consumers Union convening at Tulane University of more than 60 advocates to discuss skyrocketing health care costs. Advocates left excited to apply some of the lessons learned and to just “start.” This success led to a large follow-up grant from RWJF to create a health care cost hub for advocates. It also linked us with the issue in the minds of stakeholders, leading to several speaking engagements among health influencers, and requests for help from state advocates.

People's Pick on Facebook

Looking to engage more with our audience, we asked Consumer Reports' Facebook followers to name the best car on the market today. The winner? The Subaru Outback wagon, which just edged out the Ford Mustang.

Oh, baby

For the first time, our Health Ratings Center reported on hospitals' C-section rates. The analysis of more than 1,500 hospitals in 22 states found that some hospitals do a better job than others at helping moms avoid unnecessary C-sections. The one-stop shopping to compare hospitals for expectant parents was part of an effort to attract new audiences.



Tech gurus.

Our electronics secret shoppers, testers, and editors are focused on testing more TVs than any other outlet while also staying on the cutting edge of new technology, such as smart watches. We also launched a new streaming media lab to try out devices including Roku and services including Netflix. And in case you're wondering, our testers definitely don't sit around watching “The Price Is Right” all day as part of their work. Check out our testing at ConsumerReports.org/tvtesting.



“In the auto industry, Consumer Reports is widely considered to be the single most influential magazine among car shoppers.” —CNN Money

59%

That's the percentage of consumers who check to see whether the products they are buying are "natural," according to our latest survey. But there are essentially no meaningful standards behind the term. As a result of consumer confusion, we are working to ban the misleading label.



21 million

That's the number of page views our logo got on Sears.com as part of a pilot program that we launched with the retailer this year to help consumers make buying decisions at the point of purchase. Sears.com shoppers looking for large appliances were given a "taste" of our Ratings, which resulted in more than 125,000 visits to ConsumerReports.org and more than 2,000 orders.



21,579

That's the number of ice cubes used in our ongoing blender testing. We applied those tests to a Calphalon XL 9-speed blender that we originally deemed a "Don't Buy: Safety Risk" because of a problem with the blade assembly. After we released our results, the blender was recalled by the Consumer Product Safety Commission. The company provided a free repair kit, which fixed the problem, and encouraged consumers to return their old blade by offering them a free gift.

530,000

Thanks to those individuals who have donated to Consumer Reports to help us fulfill our mission to empower consumers. Turn to page 7 to find out more about the donors and foundations that help us get our jobs done.

40 million

Or about one in five consumers has an error on one of their credit reports. We urged lawmakers in our policy brief on credit-report errors, which included consumer stories, to take steps to resolve the problem. Our report was used by Sens. Brian Schatz, D-Hawaii, and Sherrod Brown, D-Ohio, to introduce a bill in Congress, which we worked together on, calling for better handling of errors and free yearly credit scores.

\$3.3 million

Those funds come through the Consumer and Prescriber Education Grant Program and will cover the next three years of our Best Buy Drugs project, which makes drug recommendations based on effectiveness, safety, and price on everything from Adderall to Zoloft.



TESTING 1, 2, 3

Our recommended bulbs are on for more than 12,000 hours—you wouldn't want to pay our electric bill!



Celebrity visitors

We've had a number of visitors checking out our labs and talking to staff recently, including DonorsChoose.org founder Charles Best, Vanguard CEO Bill McNabb, celebrity chef Aaron McCargo, entrepreneur Russell Simmons, filmmaker and writer David France, and Pulitzer Prize winner Sheri Fink.

Soda alert

In January 2014, we unveiled the results of our recent tests of 4-methylimidazole (4-MeI) in soft drinks. Varying levels of 4-MeI, a potentially carcinogenic chemical byproduct of the production of certain types of caramel color, were found in all of the tested samples that listed caramel color as an ingredient. In the wake

of our test results and risk assessments, the Food and Drug Administration announced that it will further study 4-MeI in food.

Engaging Latinos

Consumer Reports en Español offered two tools related to the Affordable Care Act (ACA), AseguraTuSalud.org and CreditoFiscaldeSalud.org, to provide Spanish-speaking consumers information on health insurance options and the health tax credit. One of the posts from our ACA Latina blogger outreach effort (#AseguraTuSalud) was retweeted by the White House (@lacasablanca), and three of our bloggers participated in a Google Hangout with former Secretary of Health and Human Services Kathleen Sebelius.

Reimagining print

The latest Consumer Reports covers have a contemporary, fresh look. Inside, the magazine has been redesigned to be easier to navigate, with new features to engage and empower readers.



INNOVATION **IMPACT** ENGAGEMENT

Protecting kids in cars

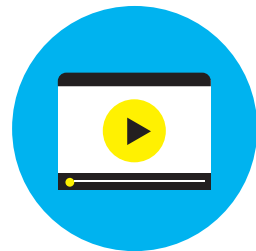
We rolled out a new dynamic crash test for infant car seats, which our experts developed over a 2½-year period to better simulate a more real-world vehicle interior. We also wanted to account for the potential injury caused by the child's head hitting the back of the vehicle's front seat during a frontal impact because head injuries are one of the most common for kids in car crashes. The result is a test that highlights seats that offer an additional margin of safety. There was a successful meeting with key stakeholders before the release of the Ratings, along with media coverage that included a story in the New York Times and on CarSeatBlog.com, a popular site with parents.

Organic victory

We successfully urged the National Organic Standards Board to end the use of antibiotics on organic produce, including presenting our national survey showing that almost nine out of 10 consumers said they believed antibiotics should not be used in organic crop production.

Got service?

As we continue to diversify the products we offer, we launched a mobile-first website, Crowd Signal (crowdsignal.org). This new product gives cell-phone users a chance to share their opinion about their carrier. And by collecting and collating that data, we offer users a picture of the best carrier in their area.



We work for you

Check out our new YouTube channel video trailer, which gives a behind-the-scenes look at our 50 state-of-the-art labs and 327-acre auto test track. Go to ConsumerReports.org/weworkforyou. There's also a Spanish version at ConsumerReports.org/trabajamosparati.



REST EASY Our experts developed a new test for infant car seats that better simulates the more real-world situations that parents face.

YOUR SUPPORT

We're grateful for the generous support during this fiscal year, in which we received more than \$29 million in gifts and grants. Contributions to the Consumer Reports Foundation go directly to underwriting our product purchasing, testing, and research, and to programs that support our mission, including consumer education, protection, and safety.

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2014 FINANCIALS

Consolidated Balance Sheets

May 31, 2014 and 2013

	2014	2013
ASSETS:		
Current assets:		
Cash and cash equivalents	\$23,870,000	21,509,000
Investments	293,633,000	252,885,000
Trade receivables, net	5,789,000	5,972,000
Inventories	2,206,000	2,261,000
Auto test inventory	2,145,000	1,833,000
Grants and other receivables	2,431,000	3,589,000
Deferred promotion cost	15,831,000	20,081,000
Prepaid expenses and other current assets	8,211,000	8,313,000
Total current assets	<u>354,116,000</u>	<u>316,443,000</u>
Property and equipment, net	57,651,000	59,383,000
Deferred promotion cost – long term	1,925,000	1,816,000
Other assets	3,714,000	3,356,000
Grants receivable – long term	2,736,000	648,000
Total assets	<u>\$420,142,000</u>	<u>381,646,000</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued liabilities	\$12,001,000	10,395,000
Accrued compensation	9,910,000	9,032,000
Unearned subscription revenue	116,728,000	116,397,000
Current portion of long-term debt	1,250,000	1,200,000
Total current liabilities	<u>139,889,000</u>	<u>137,024,000</u>
Unearned subscription revenue – long term	33,742,000	33,239,000
Liability under derivative instrument	5,718,000	6,420,000
Long-term debt	42,550,000	43,800,000
Other liabilities	31,382,000	41,094,000
Total liabilities	<u>253,281,000</u>	<u>261,577,000</u>
Net assets:		
Unrestricted	157,058,000	113,006,000
Temporarily restricted	9,803,000	7,063,000
Total net assets	<u>166,861,000</u>	<u>120,069,000</u>
Total liabilities and net assets	<u>\$420,142,000</u>	<u>381,646,000</u>

2014 FINANCIALS

Consolidated Statements of Activities

Years ended May 31, 2014 and 2013

	2014	2013
OPERATING:		
Change in unrestricted net assets:		
Revenue and support:		
Subscriptions, newsstand, and other sales	\$237,280,000	234,177,000
Contributions	22,966,000	20,723,000
Net assets released from restrictions	4,923,000	3,879,000
Other	622,000	618,000
Total revenue and support	<u>265,791,000</u>	<u>259,397,000</u>
Operating expenses:		
Publication, promotion, and marketing expenses:		
Content development	88,827,000	83,880,000
Production and distribution	44,917,000	47,000,000
Promotion and marketing	74,478,000	78,205,000
	<u>208,222,000</u>	<u>209,085,000</u>
Consumer advocacy and education	16,417,000	15,554,000
General and administrative	24,368,000	20,990,000
Fundraising	9,406,000	9,459,000
Total operating and other expenses	<u>258,413,000</u>	<u>255,088,000</u>
Total operating income	<u>7,378,000</u>	<u>4,309,000</u>
NONOPERATING:		
Investment return, net	26,330,000	31,366,000
Unrealized gain on interest rate swap	702,000	2,516,000
Pension-related changes other than net periodic pension cost	9,642,000	19,465,000
Total nonoperating gain	<u>36,674,000</u>	<u>53,347,000</u>
Increase in unrestricted net assets	<u>44,052,000</u>	<u>57,656,000</u>
Change in temporarily restricted net assets:		
Grants received	7,135,000	4,662,000
Net assets released from restrictions	(4,923,000)	(3,879,000)
Contribution revenue – other	407,000	126,000
Change in value of split-interest agreements	121,000	57,000
Increase in temporarily restricted net assets	<u>2,740,000</u>	<u>966,000</u>
Increase in net assets	46,792,000	58,622,000
Net assets at beginning of year	<u>120,069,000</u>	<u>61,447,000</u>
Net assets at end of year	<u>\$166,861,000</u>	<u>120,069,000</u>

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OUR MISSION

**To work for a fair, just, and safe marketplace for all consumers
and to empower consumers to protect themselves.**

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