

# TRANSFORMATION 2011



2011 ANNUAL REPORT

## FROM PRESIDENT JIM GUEST



For 75 years, Consumer Reports has helped foster transformation in the marketplace. And I'm proud to say that we've contributed to more improvements over the past 18 months than in any other time in my 30 years here.

The country's first-ever financial watchdog was unleashed to safeguard borrowers from predatory practices. Congress at last brought needed reforms to the food-safety system requiring more inspections and giving the Food and Drug Administration the authority to recall tainted food. Health insurers will have to cover certain preventive screenings without requiring consumers to pay a deductible or co-pay.

Other highlights include drivers getting some relief through higher fuel-efficiency standards for cars and light trucks and new vehicle window stickers that give them the information to compare gas costs right on the car lot. Those are advancements we've strongly championed. Our lab testing led to the government recalling problematic car seats and strollers.

Our efforts did not go unnoticed. The Society of Professional Journalists gave Consumer Reports a Sigma Delta Chi Award for Magazine Investigative Reporting—a top honor in the field—for our cutting-edge work on food and supplement safety. We're proud to be the kind of organization that has the courage and expertise to test for contaminants in chicken and protein drinks, identify the 12 worst dietary supplements, and report the information to readers in our signature pull-no-punches style.

We also focused on transforming our media products, so that we can get our ratings and advice out even faster: The new Consumer Reports Mobile Shopper allows you to scan an item's bar code and get the latest test results, and versions of Consumer Reports for e-readers and tablets are now available.

Everything we do is characterized by an unrivaled independence and scientific rigor, which together ensure we tell the truth each and every time—saving you time, money, and sometimes even your life. We're so thankful for your support; it will allow us to continue this kind of transformative work for many years to come.

# > 2011 HIGHLIGHTS

**More than 1.2 million brochures** on the dangers of distracted driving were published by CR, in partnership with the Department of Transportation. They were distributed to states to help curb the growing epidemic.

**More than 230,000 votes** came from irritated consumers in our Worst Company in America contest on our Consumerist.com website. Oil giant BP edged out Bank of America for “top honors.”

**More than 120 consumers** told us about their own experiences with shattering glass bakeware after our January 2011 story. And manufacturer World Kitchen initiated a public safety campaign.

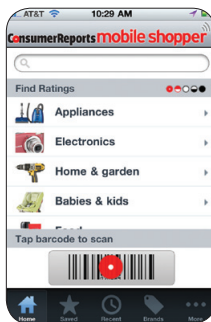
## Product Safety

Thanks in part to our intense lobbying efforts, the Consumer Product Safety Commission rolled out a public-safety incident database, at [www.saferproducts.gov](http://www.saferproducts.gov), in March 2011. It allows consumers to file safety complaints about products and read about problems others have had. The agency also banned drop-side cribs—a reform we’ve long sought.



## Marketplace Impact

We introduced our first holiday Naughty & Nice list, which identified companies whose policies hurt or help consumers. The initiative prompted widespread traditional and social-media coverage and an immediate response from no fewer than six “naughty” companies. After our list came out, one company changed its return policy.



## New Digital Services

We launched several shopping applications that allow consumers to get ratings and advice at the point of sale. Our new buying services include Build & Buy, which has helped more than 20,000 car shoppers so far to purchase a new car at a fair price. Our partnership with the website BillShrink lets consumers find a better deal on their credit cards and telecom services.

## Food Safety

Our testing, reporting, and advocacy have helped 10 states pass laws banning bisphenol-A (BPA) in baby bottles. BPA has been linked to health problems in children and adults. After a nearly 20-year battle, a global agreement cleared the way for the labeling of genetically modified food, so that consumers can know what they are eating.



## Health Care

We played a key role in the development and consumer testing of uniform, easy-to-read health insurance coverage forms. Those disclosures will help 180 million Americans with private plans understand their health insurance options. Our patient safety campaign didn’t let up, either; 30 states now require hospitals to report patient infections to the public, and hospitals nationwide will also begin disclosing that information.



Dear Shopper,

We're happy to introduce our first ever Naughty & Nice Holiday List. We took a look at the policies of some large companies. Here's a peek at a few of those that made it.

### Naughty

**Verizon Wireless**  
Insisted to \$300 to fully terminate for the existing wireless contract after the 30-day grace period.

**Macy's**  
Shipping charges based on the dollar amount of the order, not the size and weight of the package.

**CompuSA**  
For requiring unusually punitive marking fee of up to 25 percent of the purchase price on any product that doesn't meet its return criteria.

### Nice

**Zappos.com**  
Free shipping and free return, including prepaid return label.

**L.L.Bean**  
100 percent product satisfaction guarantee. Return any thing at any time for any reason.

**Southwest**  
Two pieces of checked luggage, no charge. And the airline took flight if the golf clubs and ski equipment.

See the full Naughty & Nice Holiday List at [ConsumerReports.org](http://ConsumerReports.org)

Yours truly,  
Consumer Reports

Share your Naughty & Nice Holiday List  
[facebook.com/ConsumerReports](https://www.facebook.com/ConsumerReports)

## > YOUR CONTRIBUTION MAKES A DIFFERENCE

More than 450,000 individuals contributed upward of \$17 million to support Consumer Reports' dedication to changing the marketplace through public information and advocacy.

Those funds provide the resources necessary to address critical issues that affect the quality of life and safety of consumers across the country and around the world.

Contributions to the Consumer Reports Foundation go directly to underwriting our product purchasing, testing, and research, and to programs that support our mission, including public education, public safety, and consumer protection.

All contributions are accepted under a strict ethical code. We ensure that no commercial conflicts of interest taint our work.

## THE CONSUMER REPORTS FOUNDATION FAMILY OF PROGRAMS

### Annual Fund Donations

The Annual Fund program offers contributors three levels of giving to provide critical support for Consumer Reports' general operations.

President's Circle (\$1,000+)

Leadership Circle: — Platinum (\$500–\$999)

— Gold (\$250–\$499)

— Silver (\$100–\$249)

Friend's Circle (\$10–\$99)

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## > PLANNED-GIVING OPPORTUNITIES

Making a planned gift provides considerable financial benefits for the donor and ongoing support for Consumer Reports. That shared opportunity makes a real difference in your life and our work. When considering contributions such as a charitable gift annuity or charitable remainder trust, all donors are encouraged to seek the advice of their financial and legal advisers.

### Please Remember Consumer Reports in Your Will

A bequest will ensure that future generations will enjoy a safe and fair marketplace.

### Giving Opportunities

For information on our Legacy Society, retirement-plan assets, life insurance, Smart Consumer Gift Annuity, and charitable remainder trusts, please contact Ed Pitaro, associate director, at 914-378-2647 or at [epitaro@consumer.org](mailto:epitaro@consumer.org).

For information about our individual donor programs, please contact Heather E. Dennis, vice president of development, at 914-378-2164 or at [hdennis@consumer.org](mailto:hdennis@consumer.org).

For general gift information, please go to [www.ConsumerReports.org](http://www.ConsumerReports.org).

“But the toughest commentary of all might be coming from the Consumers Union, the non-profit group that publishes the influential *Consumer Reports* magazine. The group today put out a critique that has to have all the suits at AT&T winning.”

– DallasNews.com, March 2011

### Smart Consumers Who Established Charitable Gift Annuities

Hari & Sharda Agrawal	Candas Erickson	Cynthia L. Olsen
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### Charitable Remainder Trust Donor

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### Generous Foundations and Institutional Grantors That Supported Consumer Reports

Airborne Cy Pres Fund  
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The California Endowment  
California HealthCare Foundation  
California Wellness Foundation  
The Commonwealth Fund  
CornerStone Campaign  
The Energy Foundation  
FJC—A Foundation of Donor Advised Funds  
Ford Foundation  
Missouri Foundation for Health  
New York State Health Foundation  
Robert Wood Johnson Foundation  
Sea Change Foundation

### Legacy Society Members Who Left a Generous Bequest

Charlotte Casjens	Iva Frances Kraus	Robert Skierski
Joanne J. Gans	Bonnie Rhodes	David M. Zylstra

“You love it. You hate it. You fear it. But ignore *Consumer Reports* magazine at your peril. ... In the interest of remaining objective and not beholden to anyone, it does not sell its data. It does not provide consulting services. Retailers are prevented from using a *Consumer Reports* thumbs-up to sell a car.”

– Automotive News, February 7, 2011

## CONSOLIDATED BALANCE SHEETS

May 31, 2011 and 2010

	2011	2010
<b>Assets</b>		
Current assets:		
Cash	\$ 18,761,000	29,172,000
Investments	224,766,000	175,186,000
Trade receivables, net	7,758,000	6,117,000
Inventories	1,939,000	2,690,000
Auto test inventory	2,134,000	1,752,000
Grants and other receivables	2,715,000	3,738,000
Deferred promotion cost	21,096,000	21,773,000
Prepaid expenses and other current assets	9,228,000	9,370,000
Total current assets	<u>288,397,000</u>	<u>249,798,000</u>
Property and equipment, net	63,717,000	63,146,000
Deferred promotion cost—long term	6,317,000	6,356,000
Other assets	3,415,000	4,331,000
Total assets	<u>\$ 361,846,000</u>	<u>323,631,000</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,173,000	10,486,000
Accrued compensation	9,842,000	9,232,000
Unearned subscription revenue	116,410,000	114,182,000
Current portion of long-term debt	1,125,000	—
Total current liabilities	<u>140,550,000</u>	<u>133,900,000</u>
Unearned subscription revenue—long term	34,711,000	34,398,000
Liability under derivative instrument	4,688,000	4,448,000
Long-term debt	46,175,000	47,300,000
Other liabilities	35,447,000	35,925,000
Total liabilities	<u>261,571,000</u>	<u>255,971,000</u>
Net assets:		
Unrestricted	95,869,000	62,878,000
Temporarily restricted	4,406,000	4,782,000
Total net assets	<u>100,275,000</u>	<u>67,660,000</u>
Total liabilities and net assets	<u>\$ 361,846,000</u>	<u>323,631,000</u>

“By far the best program of its kind. We rely on this service above any other automotive buying program. We rely on CR above all others for any purchases ... in our opinion, nothing comes near CR for either car purchases or any other purchases.”

– Satisfied customer of Consumer Reports’ Build & Buy car-shopping service, June 2011

## CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended May 31, 2011 and 2010

	2011	2010
<b>Operating:</b>		
Change in unrestricted net assets:		
Revenue and support:		
Subscriptions, newsstand, online, and other sales	\$ 229,901,000	228,815,000
Contributions	17,432,000	17,221,000
Net assets released from restrictions	4,152,000	3,546,000
Other	960,000	292,000
Total revenue and support	<u>252,445,000</u>	<u>249,874,000</u>
Operating and other expenses:		
Publication, promotion, and marketing expenses:		
Content development	90,724,000	86,091,000
Production and distribution	37,662,000	38,364,000
Promotion and marketing	78,860,000	77,865,000
	<u>207,246,000</u>	<u>202,320,000</u>
Consumer advocacy and education	17,982,000	17,346,000
General and administrative	22,121,000	21,303,000
Fundraising	9,979,000	9,479,000
Total operating and other expenses	<u>257,328,000</u>	<u>250,448,000</u>
Total operating loss	<u>(4,883,000)</u>	<u>(574,000)</u>
<b>Nonoperating:</b>		
Investment gain, net	34,338,000	22,499,000
Unrealized loss on interest rate swap	(240,000)	(238,000)
Pension-related changes other than net periodic pension cost	3,776,000	(8,298,000)
Loss on settlement of management pension plan	—	(1,188,000)
Total nonoperating gain	<u>37,874,000</u>	<u>12,775,000</u>
Increase in unrestricted net assets	<u>32,991,000</u>	<u>12,201,000</u>
Change in temporarily restricted net assets:		
Grants received	3,724,000	553,000
Net assets released from restrictions	(4,152,000)	(3,546,000)
Contribution revenue—split-interest agreements	20,000	—
Contribution revenue—bequest	47,000	79,000
Change in value of split-interest agreements	(15,000)	(197,000)
Decrease in temporarily restricted net assets	<u>(376,000)</u>	<u>(3,111,000)</u>
Increase in net assets	<u>32,615,000</u>	<u>9,090,000</u>
Net assets at beginning of year	<u>67,660,000</u>	<u>58,570,000</u>
Net assets at end of year	<u>\$ 100,275,000</u>	<u>67,660,000</u>

### Board of Directors 2010–2011

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

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