



Financial Statements

Union of Concerned Scientists, Inc.

September 30, 2019 and 2018



UNION OF CONCERNED SCIENTISTS, INC.

Financial Statements

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Independent Auditors' Report

Board of Directors
Union of Concerned Scientists, Inc.
Cambridge, Massachusetts

We have audited the accompanying financial statements of Union of Concerned Scientists, Inc. ("UCS"), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union of Concerned Scientists, Inc. as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2019, UCS adopted Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Mayer Hoffmann McCann P.C.

February 18, 2020
Boston, Massachusetts

UNION OF CONCERNED SCIENTISTS, INC.

Statements of Financial Position

September 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 5,271,420	\$ 942,626
Investments	34,341,921	40,984,228
Pledges receivable	20,000	233,918
Grants receivable	2,839,879	2,212,649
Prepaid expenses and other assets	754,291	865,901
Property and equipment, net	<u>9,910,826</u>	<u>9,146,696</u>
Total assets	<u>\$ 53,138,337</u>	<u>\$ 54,386,018</u>
Liabilities		
Accounts payable and accrued expenses	\$ 1,925,474	\$ 2,116,280
Deferred rent	932,902	678,220
Liabilities under annuity agreements	1,960,741	1,868,054
Long-term debt	461,330	706,057
Note payable, other	<u>250,000</u>	<u>250,000</u>
Total liabilities	<u>5,530,447</u>	<u>5,618,611</u>
Net assets		
Unrestricted (without donor restrictions)	40,971,702	42,721,636
Restricted (with donor restrictions)	<u>6,636,188</u>	<u>6,045,771</u>
Total net assets	<u>47,607,890</u>	<u>48,767,407</u>
Total liabilities and net assets	<u>\$ 53,138,337</u>	<u>\$ 54,386,018</u>

UNION OF CONCERNED SCIENTISTS, INC.

Statement of Activities

Year Ended September 30, 2019
(with comparative totals for 2018)

	<u>Unrestricted (Without Donor Restrictions)</u>			<u>Restricted</u>	<u>2019</u>	<u>2018</u>
	<u>General</u>	<u>Board Designated</u>	<u>Total</u>	<u>(With Donor Restrictions)</u>		
Operating revenue and other support						
Membership and contributions	\$ 25,393,921	\$ -	\$ 25,393,921	\$ 1,833,928	\$ 27,227,849	\$ 26,881,597
Foundation and other institutional grants	12,646	-	12,646	7,578,959	7,591,605	8,234,124
Net investment return	-	1,016,887	1,016,887	194,728	1,211,615	2,083,570
Realized planned gifts	1,549,950	1,549,950	3,099,900	-	3,099,900	1,758,873
In-kind contributions	134,916	-	134,916	-	134,916	383,626
Other revenue	231,354	-	231,354	-	231,354	478,868
Interfund transfer	2,876,979	(2,876,979)	-	-	-	-
Spending policy transfers	1,439,792	(1,439,792)	-	-	-	-
Net assets released from restriction	9,017,198	-	9,017,198	(9,017,198)	-	-
Total operating revenue and other support	40,656,756	(1,749,934)	38,906,822	590,417	39,497,239	39,820,658
Operating expenses						
Programs						
Center for science and democracy	5,767,823	-	5,767,823	-	5,767,823	5,704,760
Climate and energy	14,952,014	-	14,952,014	-	14,952,014	12,403,430
Clean transportation	5,308,047	-	5,308,047	-	5,308,047	4,915,383
Global security	4,606,394	-	4,606,394	-	4,606,394	3,864,318
Federal action campaign team	911,321	-	911,321	-	911,321	1,074,736
Food and environment	3,938,840	-	3,938,840	-	3,938,840	3,845,685
Legislative	415,697	-	415,697	-	415,697	419,960
Total program expenses	35,900,136	-	35,900,136	-	35,900,136	32,228,272
Supporting services						
Fundraising	2,811,079	-	2,811,079	-	2,811,079	2,820,895
General and administrative	1,945,541	-	1,945,541	-	1,945,541	1,764,564
Total supporting services expenses	4,756,620	-	4,756,620	-	4,756,620	4,585,459
Total operating expenses	40,656,756	-	40,656,756	-	40,656,756	36,813,731
Change in net assets before transfer for capital expenditures	-	(1,749,934)	(1,749,934)	590,417	(1,159,517)	3,006,927
Spending policy transfer for capital expenditures	795,586	(795,586)	-	-	-	-
Change in net assets	795,586	(2,545,520)	(1,749,934)	590,417	(1,159,517)	3,006,927
Net assets, beginning of year	7,042,145	35,679,491	42,721,636	6,045,771	48,767,407	45,760,480
Net assets, end of year	\$ 7,837,731	\$ 33,133,971	\$ 40,971,702	\$ 6,636,188	\$ 47,607,890	\$ 48,767,407

UNION OF CONCERNED SCIENTISTS, INC.

Statement of Activities

Year Ended September 30, 2018

	<u>Unrestricted (Without Donor Restrictions)</u>			<u>Restricted (With Donor Restrictions)</u>	<u>2018 Total</u>
	<u>General</u>	<u>Board Designated</u>	<u>Total</u>		
Operating revenue and other support					
Membership and contributions	\$ 25,349,107	\$ -	\$ 25,349,107	\$ 1,532,490	\$ 26,881,597
Foundation and other institutional grants	113,333	-	113,333	8,120,791	8,234,124
Net investment return	-	1,968,864	1,968,864	114,706	2,083,570
Realized planned gifts	830,397	928,476	1,758,873	-	1,758,873
In-kind contributions	383,626	-	383,626	-	383,626
Other revenue	478,868	-	478,868	-	478,868
Spending policy transfers	1,175,460	(1,175,460)	-	-	-
Net assets released from restriction	8,482,940	-	8,482,940	(8,482,940)	-
Total operating revenue and other support	<u>36,813,731</u>	<u>1,721,880</u>	<u>38,535,611</u>	<u>1,285,047</u>	<u>39,820,658</u>
Operating expenses					
Programs					
Center for science and democracy	5,704,760	-	5,704,760	-	5,704,760
Climate and energy	12,403,430	-	12,403,430	-	12,403,430
Clean transportation	4,915,383	-	4,915,383	-	4,915,383
Global security	3,864,318	-	3,864,318	-	3,864,318
Federal action campaign team	1,074,736	-	1,074,736	-	1,074,736
Food and environment	3,845,685	-	3,845,685	-	3,845,685
Legislative	419,960	-	419,960	-	419,960
Total program expenses	<u>32,228,272</u>	<u>-</u>	<u>32,228,272</u>	<u>-</u>	<u>32,228,272</u>
Supporting services					
Fundraising	2,820,895	-	2,820,895	-	2,820,895
General and administrative	1,764,564	-	1,764,564	-	1,764,564
Total supporting services expenses	<u>4,585,459</u>	<u>-</u>	<u>4,585,459</u>	<u>-</u>	<u>4,585,459</u>
Total operating expenses	<u>36,813,731</u>	<u>-</u>	<u>36,813,731</u>	<u>-</u>	<u>36,813,731</u>
Change in net assets before transfer for capital expenditures	-	1,721,880	1,721,880	1,285,047	3,006,927
Spending policy transfer for capital expenditures	988,422	(988,422)	-	-	-
Change in net assets	988,422	733,458	1,721,880	1,285,047	3,006,927
Net assets, beginning of year	6,053,723	34,946,033	40,999,756	4,760,724	45,760,480
Net assets, end of year	<u>\$ 7,042,145</u>	<u>\$ 35,679,491</u>	<u>\$ 42,721,636</u>	<u>\$ 6,045,771</u>	<u>\$ 48,767,407</u>

UNION OF CONCERNED SCIENTISTS, INC.

Statements of Functional Expenses

Years Ended September 30, 2019 and 2018

	2019											
	Programs								Supporting Services			
	Center for Science and Democracy	Climate and Energy	Clean Transportation	Global Security	Federal Action Campaign Team	Food and Environment	Legislative	Total Programs	Fundraising	General and Administrative	Total Supporting Services	Total Operating Expenses
Personnel costs	\$ 3,316,559	\$ 9,252,847	\$ 3,415,240	\$ 2,671,299	\$ 512,770	\$ 2,459,237	\$ 244,673	\$ 21,872,625	\$ 1,369,728	\$ 1,472,072	\$ 2,841,800	\$ 24,714,425
Contractual expenses	827,674	1,733,839	540,440	870,646	168,790	396,193	95,979	4,633,561	377,113	193,207	570,320	5,203,881
Coalition support	51,045	235,265	60,250	49,029	40,951	92,269	120	528,929	20,679	727	21,406	550,335
Publications and mailing costs	472,888	622,842	171,407	113,246	13,083	99,161	1,301	1,493,928	595,662	1,137	596,799	2,090,727
Event costs	176,806	434,560	145,650	197,224	34,898	118,832	1,670	1,109,640	34,266	5,895	40,161	1,149,801
Office and equipment expenses	562,244	1,519,873	629,056	411,981	89,620	469,015	51,057	3,732,846	191,056	201,205	392,261	4,125,107
Books, periodicals and online services	132,568	405,748	130,489	116,990	14,443	106,826	6,728	913,792	131,082	35,811	166,893	1,080,685
Travel	157,549	548,253	141,282	116,261	27,298	144,143	9,030	1,143,816	60,110	2,769	62,879	1,206,695
Fees and interest expense	70,490	198,787	74,233	59,718	9,468	53,164	5,139	470,999	31,383	32,718	64,101	535,100
Total expenses	\$ 5,767,823	\$ 14,952,014	\$ 5,308,047	\$ 4,606,394	\$ 911,321	\$ 3,938,840	\$ 415,697	\$ 35,900,136	\$ 2,811,079	\$ 1,945,541	\$ 4,756,620	\$ 40,656,756

	2018											
	Programs								Supporting Services			
	Center for Science and Democracy	Climate and Energy	Clean Transportation	Global Security	Federal Action Campaign Team	Food and Environment	Legislative	Total Programs	Fundraising	General and Administrative	Total Supporting Services	Total Operating Expenses
Personnel costs	\$ 3,308,196	\$ 7,812,855	\$ 3,191,286	\$ 2,541,223	\$ 545,070	\$ 2,261,663	\$ 200,886	\$ 19,861,179	\$ 1,326,688	\$ 1,383,592	\$ 2,710,280	\$ 22,571,459
Contractual expenses	855,720	1,470,664	582,740	397,720	233,197	422,647	148,083	4,110,771	379,564	155,846	535,410	4,646,181
Coalition support	66,529	218,419	88,952	63,903	55,629	195,546	3,902	692,880	30,243	1,043	31,286	724,166
Publications and mailing costs	545,769	430,400	105,125	91,325	71,160	80,563	1,600	1,325,942	695,820	1,196	697,016	2,022,958
Event costs	156,996	410,002	119,207	179,664	37,363	237,654	4,814	1,145,700	41,366	16,704	58,070	1,203,770
Office and equipment expenses	438,002	1,163,537	543,176	327,235	77,700	381,626	39,784	2,971,060	179,690	146,281	325,971	3,297,031
Books, periodicals and online services	129,250	290,740	108,185	100,302	17,568	92,262	5,491	743,798	63,579	29,763	93,342	837,140
Travel	151,547	473,868	124,379	118,750	29,202	135,509	12,040	1,045,295	78,839	6,728	85,567	1,130,862
Fees and interest expense	52,751	132,945	52,333	44,196	7,847	38,215	3,360	331,647	25,106	23,411	48,517	380,164
Total expenses	\$ 5,704,760	\$ 12,403,430	\$ 4,915,383	\$ 3,864,318	\$ 1,074,736	\$ 3,845,685	\$ 419,960	\$ 32,228,272	\$ 2,820,895	\$ 1,764,564	\$ 4,585,459	\$ 36,813,731

UNION OF CONCERNED SCIENTISTS, INC.

Statements of Cash Flows

Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (1,159,517)	\$ 3,006,927
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	913,455	757,584
Realized and unrealized gain on investments, net	(742,300)	(1,550,104)
Loss on disposal of property and equipment	31,451	510
Changes in certain assets and liabilities:		
Pledges receivable	213,918	(175,417)
Grants receivable	(627,230)	(666,628)
Prepaid expenses and other assets	111,610	(183,099)
Accounts payable and accrued expenses	(190,806)	320,636
Deferred rent	254,682	256,606
Liabilities under annuity agreements	92,687	(26,877)
	<u>(1,102,050)</u>	<u>1,740,138</u>
Net cash provided by (used in) operating activities	<u>(1,102,050)</u>	<u>1,740,138</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,709,036)	(986,005)
Purchases of investments	(2,191,406)	(11,507,367)
Sales of investments	9,576,013	4,506,068
	<u>5,675,571</u>	<u>(7,987,304)</u>
Net cash provided by (used in) investing activities	<u>5,675,571</u>	<u>(7,987,304)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(244,727)	(983,985)
	<u>(244,727)</u>	<u>(983,985)</u>
Net cash provided by (used in) financing activities	<u>(244,727)</u>	<u>(983,985)</u>
Net increase (decrease) in cash and cash equivalents	4,328,794	(7,231,151)
Cash and cash equivalents, beginning of year	942,626	8,173,777
	<u>942,626</u>	<u>8,173,777</u>
Cash and cash equivalents, end of year	\$ <u>5,271,420</u>	\$ <u>942,626</u>

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 1 - Nature of Organization

Union of Concerned Scientists, Inc. (“UCS”) is an independent not-for-profit organization that was incorporated in the District of Columbia on September 19, 1973. UCS’s support comes primarily through contributions from individuals including membership, major gifts, bequests and other planned gifts, foundations grants, as well as investment returns.

UCS puts rigorous, independent science to work to solve our planet’s most pressing problems. Joining with people across the country, UCS combines technical analysis and effective advocacy to create innovative, practical solutions for a healthy, safe and sustainable future.

What began as a collaboration between students and faculty members at the Massachusetts Institute of Technology in 1969 is now an alliance of more than 500,000 individuals. UCS members are people from all walks of life: parents and business people, biologists and physicists, teachers and students. UCS members understand that scientific analysis - not political calculations or corporate hype - should guide our efforts to secure responsible changes in government policy, corporate practices and consumer choices.

UCS experts work on some of the world’s most complex and daunting problems: stemming the tide of global warming, finding sustainable ways to feed, power and transport ourselves, and reducing the threat of catastrophic war. UCS’s achievements over the decades show that thoughtful action based on the best available science can help safeguard our future and the future of our planet.

UCS’s major programs include Center for Science and Democracy, Climate and Energy, Clean Transportation, Global Security, Food and Environment, Federal Action Campaign Team, and Legislative.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America which require that UCS report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets (Without Donor Restrictions) – Net assets available for general use and not subject to donor restrictions. The Board of Directors has designated from unrestricted net assets (without donor restrictions), net assets for endowment, operating cash and for strategic initiatives. Unrestricted net assets (without donor restrictions) also include the investment in property and equipment, net of accumulated depreciation and amortization, as well as related long-term debt.

Restricted Net Assets (With Donor Restrictions) – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time, events specified by the donor, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits and money market accounts with initial maturities of ninety days or less. Such amounts are stated at cost plus accrued interest. Cash and cash equivalents held by investment managers are considered part of investment balances. At times, balances exceed federally insured limits. Management monitors such exposure and has not experienced any losses in such accounts.

Investments

Investments are carried at fair value as per the fair value policies outlined later in this section. Interest, dividends and net gains or losses on investments are reported as investment return in the period earned net of external investment expenses as follows:

- as increases or decreases in restricted net assets (with donor restrictions) if the terms of the gift require that they be applied to the principal of a permanent endowment fund;
- as increases or decreases in restricted net assets (with donor restrictions) if the terms of the gift or state law impose restrictions on the current use of the income or net gains and losses;
- as increases or decreases in unrestricted net assets (without donor restrictions) in all other cases.

Fair Value Measurements

UCS reports certain assets and liabilities at fair value on a recurring and non-recurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include investments. Non-recurring fair value measures include pledge and grant receivables and liabilities under annuity agreements. Accounting principles define 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. Accounting rules specify a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect UCS's market assumptions.

In addition, UCS reports certain investments using the net asset value ("NAV") per share using the so called practical expedient. The practical expedient allows NAV per share to represent fair value for reporting purposes when criteria for this method are met. These investments are generally redeemable at NAV per share per the subscription agreements for the underlying assets. Under certain circumstances, redemption rights may be restricted.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

This hierarchy requires the use of observable market data when available but for items measured using the NAV method. The valuation methods used over fair value items are then summarized based on the preponderance of valuation methods used which are summarized into the following categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities. For example, quoted prices for identical assets that are publically traded on a stock exchange.

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable at the reporting date. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets.

Level 3 - Unobservable inputs reflecting management's own assumptions about the inputs used in estimating the value of the asset.

In some instances, the input used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effect of market, interest and credit risk. Instruments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

It is reasonably possible that different assumptions or changes in values of these instruments could occur which could materially affect amounts reported in these financial statements.

Pledges and Grants Receivable

Unconditional promises to give are recorded as assets at fair value when initially pledged using Level 2 fair value methods as per the fair value policies described earlier in this section with a corresponding entry to revenue. Amounts that will be received within one year are recorded at net realizable value while amounts expected to be received over longer periods are recorded at the present value of expected future cash flows using a risk adjusted discount rate. Amortization of discounts is included as revenue as accreted. Conditional promises are not included in revenue until the conditions are met. Gift intentions are not recorded as receivables or assets.

Pledges and grants are assessed for collectability at periodic intervals and management has determined that it expects to collect substantially all amounts pledged and granted, and accordingly, no allowance has been provided over these amounts.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost, or if donated, are recorded at fair value at the date of the gift. The cost of normal maintenance and repairs is charged to expense as incurred; significant additions and improvements are capitalized.

The straight-line method is used to depreciate the cost of property and equipment over their estimated useful lives as follows:

Building and building improvements	40 years
Leasehold improvements	Term of Lease
Furniture and fixtures	5 - 10 years
Equipment	5 - 10 years
Solar equipment	25 years
Computer equipment	3 years

Deferred Rent

Rent expense is recorded on a straight-line basis over the lease term. Differences between amounts paid and amounts accrued are accounted for as deferred rent.

Liabilities Under Annuity Agreements

UCS records assets received under gift annuity agreements at the fair market value of the assets when the assets are received by UCS as trustee. In conjunction with gift annuity contributions, UCS records a liability equal to the estimated fair value of the obligation using present value of future cash flows expected to be paid to the beneficiaries based on actuarial expected lives of the beneficiaries using Level 2 fair value methods as per the fair value policies described earlier in this section, with the difference being reported as revenue. In addition, certain other like instruments are recorded in this category.

Membership and Contributions

Membership and contribution revenues are recognized at the earlier of when received or when the donor declares an unconditional intent to contribute cash or other assets to UCS. Donor-restricted contributions (that is time, purpose restricted or both) are reported as increases in restricted net assets (with donor restrictions). Contributions without donor restrictions are reported as unrestricted (without donor restrictions). When a restriction expires through the passage of time or the meeting of purpose restrictions, restricted net assets (with donor restrictions) are reclassified to unrestricted net assets (without donor restrictions) and reported in the Statements of Activities as net assets released from restrictions. All memberships are contributors and such transactions are considered donative and thus have been accounted for as unrestricted contribution revenue (without donor restrictions).

Foundations and Other Institutional Grants

Foundations and other institutional grants follow the same revenue recognition practices as membership and contributions noted above.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Realized Planned Gifts

Realized planned gifts include bequests and maturity of gift annuity agreements. Bequests are recognized as revenue when amounts are received, which management has determined is the time uncertainty is eliminated and such realization is assured. Annuity agreements are realized at the point payments are no longer required under the agreement.

In-Kind Contributions

Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of physical assets are recognized as unrestricted revenue (without donor restrictions) unless there are explicit donor stipulations that specify how the donated asset must be used in which case such amounts would be considered restricted (with donor restrictions). In-kind contributions for the years ended September 30, 2019 and 2018 are comprised of paid media.

Paid Media

Paid media expenses refer to print or broadcast ads to increase public awareness of issues central to UCS's mission such as renewable energy, clean transportation and climate change. UCS's policy is to expense paid media costs as incurred. These expenses were approximately \$969,000 and \$1,056,000 for the years ended September 30, 2019 and 2018, respectively. Included in the media expenses is use of an in-kind donation of billboard advertising amounting to approximately \$135,000 and \$374,000 for the years ended September 30, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such amounts have been allocated based on factors that management has deemed as rational and systematic.

Income Taxes

UCS is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and state income taxes on related income. Accordingly, no provision for income taxes is made in the financial statements.

UCS has determined that its status as a tax exempt entity and its determinations as to its income being related and unrelated are not uncertain tax positions within the meaning of generally accepted accounting principles for its open tax years. UCS's Federal and state income tax returns are generally open for examination for three years following the date filed.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. UCS has adjusted the presentation to all periods presented, however, such reclassifications had no effect on changes in net assets.

Subsequent Events

UCS has evaluated subsequent events through February 18, 2020, the date the financial statements were issued.

Note 3 - Liquidity and Availability

UCS regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. UCS has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, UCS considers all expenditures related to its ongoing program services as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, UCS seeks to collect sufficient revenue to cover general expenditures, however at times will plan to use its accumulated resources to meet current plans for program and other costs.

Although not expected to be needed, the spendable yet restricted portion of UCS’s net assets could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 3 - Liquidity and Availability (Continued)

As of September 30, 2019, the following tables show the total financial assets held by UCS and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures:

Financial assets at year end:	
Cash and cash equivalents	\$ 5,271,420
Investments convertible to cash in the next 12 months	34,341,921
Pledges receivable	20,000
Grants receivable	<u>2,839,879</u>
Total financial assets at year end	\$ <u>42,473,220</u>
Financial assets available to meet general expenditures over the next 12 months:	
Cash and cash equivalents not encumbered by donor restrictions	\$ 3,941,819
Investments not encumbered by donor restrictions	29,934,472
Pledges receivable for general expenditure due in one year or less	20,000
Grants receivable for general expenditure due in one year or less	<u>2,597,500</u>
Total financial assets available to meet general expenditures over the next 12 months	\$ <u>36,493,791</u>
Total financial assets with donor restrictions over the next 12 months	\$ <u>5,979,429</u>

Note 4 - Investments

The purpose of the reserve funds of UCS is to contribute to the long-term financial stability of the organization. The portfolio is managed prudently and productively on a total return basis with a long-term horizon. The investments are diversified between short-term reserves, fixed income securities and equity securities with a long-term target allocation. UCS utilizes professional investment advisory services to manage the portfolio. In its choice of investments and investment managers, UCS considers the broad environmental mission of the organization as well as the need for strong financial performance. To align with the organization's responsibility for the environment, UCS screens for and mitigates its exposure to investments in carbon intensive companies. The UCS Investment Policy Statement directs the Investment Committee to screen for and mitigate exposure to carbon intensive companies. Following this policy, UCS has built an investment portfolio that includes 1% or less of total carbon intensive investments for the years ended September 30, 2019 and 2018.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 4 - Investments (Continued)

Investments consist of the following at September 30:

	2019	2018
Equity Funds	\$ 19,474,706	\$ 23,973,270
Bond Funds	13,107,511	15,100,104
Money Market Funds	674,142	847,013
Liquid Alternatives	<u>1,085,562</u>	<u>1,063,841</u>
	<u>\$ 34,341,921</u>	<u>\$ 40,984,228</u>

All investments are valued at Level 1, but for liquid alternatives which are at NAV. Liquid alternatives generally have a redemption notice period of thirty days. UCS has no plans or intentions to liquidate any NAV practical expedient investment at other than NAV per share. Under unusual circumstances, fund managers can reserve the right to limit distributions to shareholders, however UCS has not experienced any changes or limits over fund distributions.

Investment returns were \$1,183,726 and \$2,064,350 for the years ended September 30, 2019 and 2018, respectively.

Note 5 - Grants Receivable

Grants receivable consist of the following at September 30:

	2019	2018
Due within a year	\$ 2,597,500	\$ 1,924,150
Due between one and five years	<u>250,000</u>	<u>305,000</u>
	2,847,500	2,229,150
Less: present value discount	<u>(7,621)</u>	<u>(16,501)</u>
Net grants receivable	<u>\$ 2,839,879</u>	<u>\$ 2,212,649</u>

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 6 - Property and Equipment

Property and equipment consist of the following at September 30:

	2019	2018
Building and leasehold improvements	\$ 12,755,047	\$ 11,729,304
Equipment, furniture and fixtures	<u>4,877,021</u>	<u>4,308,895</u>
	17,632,068	16,038,199
Less: accumulated depreciation and amortization	<u>7,721,242</u>	<u>6,891,503</u>
Property and equipment, net	<u>\$ 9,910,826</u>	<u>\$ 9,146,696</u>

Note 7 - Line of Credit and Other Debt Instruments

Line of Credit Agreement

UCS has a line of credit agreement with a bank which previously provided for borrowings of up to \$2,000,000. The borrowing limit increased to \$5,000,000 during 2019 to reflect growth in UCS's operating budget. Borrowings under the agreement are due on demand and bear interest at the prime rate, plus one-half percent, with a minimum rate of 4.5%. Borrowings are collateralized by a security interest in substantially all UCS's assets. There were no amounts outstanding under this agreement at September 30, 2019 and 2018. The line of credit is subject to annual renewal.

Long-Term Debt

The debt obligation contains certain covenants; however, management has concluded that such covenants are incidental given the modest debt levels and the ability of UCS to fund such amounts should they become due and payable earlier than scheduled.

Maturities of long-term debt for the years ending September 30 are as follows:

2020	\$ 250,729
2021	<u>210,601</u>
	<u>\$ 461,330</u>

Interest expense was approximately \$15,000 and \$23,000 for the years ended September 30, 2019 and 2018, respectively. Cash paid for interest was approximately equivalent to these amounts.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 7 - Line of Credit and Other Debt Instruments (Continued)

Note Payable, Other

UCS has a non-interest bearing note in the amount of \$250,000 from an individual. The note is payable upon request and may be converted to a contribution upon the death or other action of this party. The balance outstanding on the loan was \$250,000 for each of the years ended September 30, 2019 and 2018. Such amount has been excluded from the debt maturities table above as management believes it is unlikely that payment will be requested under this arrangement.

Note 8 - Net Assets

Unrestricted Net Assets (Without Donor Restrictions)

Unrestricted net assets (without donor restrictions) are as follows for the years ended September 30:

	2019	2018
Board designated and other	\$ 31,522,206	\$ 34,280,997
Net investment in property and equipment	<u>9,449,496</u>	<u>8,440,639</u>
	<u>\$ 40,971,702</u>	<u>\$ 42,721,636</u>

Net Assets Released from Restriction

Restricted net assets (with donor restrictions) were released from restriction as follows for the years ended September 30:

	2019	2018
Center for Science and Democracy Program	\$ 1,402,264	\$ 1,282,741
Climate and Energy Program	3,856,286	3,214,090
Clean Transportation Program	1,597,737	1,465,603
Global Security Program	685,417	565,257
Food and Environment Program	795,541	1,272,507
Federal Action Campaign Team	7,000	13,896
Cross Programmatic Collaboration	406,667	502,166
Other purpose and time restrictions	<u>266,286</u>	<u>166,680</u>
	<u>\$ 9,017,198</u>	<u>\$ 8,482,940</u>

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 8 - Net Assets (Continued)

Restricted Net Assets (With Donor Restrictions)

Net assets are available for the following purposes at September 30:

	2019	2018
<i>Purpose and time restricted</i>		
Center for Science and Democracy Program	\$ 627,250	\$ 1,301,987
Climate and Energy Program	2,347,832	1,474,772
Clean Transportation Program	1,494,984	830,021
Global Security Program	664,583	262,500
Food and Environment Program	627,042	877,083
Federal Action Campaign Team	1,000	-
Cross Programmatic Collaboration	16,667	403,334
Other purpose and time restrictions	455,735	508,151
Total purpose and time restricted	6,235,093	5,657,848
 <i>Accumulated unspent gains on endowment net assets</i>		
	215,660	202,488
 <i>Endowment corpus</i>		
	185,435	185,435
Total endowment	401,095	387,923
	\$ 6,636,188	\$ 6,045,771

Note 9 - Board Designated Funds and Endowment

Board Designated Funds

The UCS Board has authorized the following related to the board designated funds:

- Net investment returns on invested reserves are recognized when incurred.
- A spending policy whereby 4.25% of the historical twelve quarter average market value of the board designated reserves is the maximum amount available for program services to the extent needed. Need is defined as a loss before spending rate transfer but after consideration of realized planned giving spending (as per below) up to the amount required to balance operating results but not in excess of the amount authorized by the board.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 9 - Board Designated Funds and Endowment (Continued)

Board Designated Funds (Continued)

- A policy allowing for 50% of current year realized planned gifts to be used to support operations if such revenues are unrestricted (without donor restrictions), with the remainder being designated by the Board for special purposes. The 50% is the maximum amount available with the use being determined as any amount required to balance operating results prior to consideration of the spending policy as per the above. No amounts are spent if need is not present.
- Funds available for capital expenditure from the board designated reserves to cover current year fixed asset additions, net of depreciation.
- Additional use of the reserve to support operations as needed.

The changes in board designated funds are as follows at September 30:

Balance at October 1, 2017	\$ 34,946,033
Investment return, net	1,968,864
Spending policy	(1,175,460)
Realized planned gifts allocable to board designated funds	928,476
Transfer for capital expenditures	<u>(988,422)</u>
Balance at September 30, 2018	35,679,491
Investment return, net	1,016,887
Spending policy	(1,439,792)
Realized planned gifts allocable to board designated funds	1,549,950
Transfer for capital expenditures	(795,586)
Additional use in operations	<u>(2,876,979)</u>
Balance at September 30, 2019	\$ <u>33,133,971</u>

Endowment

UCS's endowment consists of individual funds established for a variety of purposes. UCS has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, UCS tracks the original value of gifts donated to the endowment, the original value of subsequent gifts to the endowment, and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets is classified as accumulated unspent gain on net assets until those amounts are appropriated for expenditure by UCS.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 9 - Board Designated Funds and Endowment (Continued)

Endowment (Continued)

In accordance with UPMIFA, UCS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of UCS and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of UCS
- The investment policies of UCS

The changes in endowment net assets are as follows at September 30:

Balance at October 1, 2017	\$	368,293
Investment return, net		<u>19,630</u>
Balance at September 30, 2018		387,923
Investment return, net		<u>13,172</u>
Balance at September 30, 2019	\$	<u><u>401,095</u></u>

Note 10 - Leases

UCS leases office facilities under non-cancelable operating lease agreements that expire at various dates through July 2028. Such leases include provisions for escalation for increases in operating costs to be passed through as additional rent. UCS subleases certain space from time to time, but such amounts are not considered significant. Rent expense was approximately \$2,210,000 and \$1,593,000 for the years ended September 30, 2019 and 2018, respectively.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 10 - Leases (Continued)

Aggregate approximate future minimum lease obligations and lease rentals under non-cancelable operating leases are as follows at September 30, 2019:

Years Ending	Lease Commitments
2020	\$ 2,109,089
2021	2,158,201
2022	2,208,509
2023	2,220,225
2024	2,149,841
Thereafter	<u>4,265,585</u>
	<u>\$ 15,111,450</u>

Note 11 - Retirement Plan

UCS has a qualified defined contribution retirement plan (the “plan”) organized under Internal Revenue Service Code Section 403(b). UCS contributes 8% of salaries and wages for employees after the completion of one year of service. UCS funds the plan on a semi-monthly basis and once contributions commence they are vested. Employees are also allowed to make elective deferrals to the plan upon employment subject to regulatory limits. Expenses incurred under this plan amounted to \$1,334,846 and \$1,231,155 for the years ended September 30, 2019 and 2018, respectively. While UCS expects to continue the plan indefinitely, it has reserved the right to modify, amend or terminate the plan.

Note 12 - Allocation of Joint Costs

Joint costs were allocated as follows for the years ended September 30:

	2019	2018
Center for Science and Democracy	\$ 459,558	\$ 740,023
Climate and Energy	396,384	327,460
Clean Transportation	56,980	22,201
Global Security	4,955	14,801
Federal Action Campaign Team	-	99,903
Food and Environment	<u>-</u>	<u>5,550</u>
	917,877	1,209,938
Fundraising	<u>675,092</u>	<u>926,879</u>
Total joint costs	<u>\$ 1,592,969</u>	<u>\$ 2,136,817</u>

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 13 - Significant Donors

Contributions from one donor amounted to approximately 9% and 10% of total operating revenue for the years ended September 30, 2019 and 2018, respectively.