



Financial Statements

Union of Concerned Scientists, Inc.

September 30, 2018 and 2017



UNION OF CONCERNED SCIENTISTS, INC.

Financial Statements

Table of Contents

Financial Statements:

Independent Auditors' Report	1-2
Statements of Financial Position	3-4
Statements of Activities	5-6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	9-21



Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

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, 2018 and 2017, 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, 2018 and 2017, 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.

Mayer Hoffmann McCann P.C.

February 7, 2019
Boston, Massachusetts

UNION OF CONCERNED SCIENTISTS, INC.

Statement of Financial Position

September 30, 2018
(with comparative totals for 2017)

	<u>Unrestricted</u>			<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
	<u>General</u>	<u>Board Designated</u>	<u>Total Unrestricted</u>				
Assets							
Cash and cash equivalents	\$ 780,105	\$ -	\$ 780,105	\$ 162,521	\$ -	\$ 942,626	\$ 8,173,777
Investments	-	35,679,491	35,679,491	5,119,302	185,435	40,984,228	32,432,825
Pledges receivable	-	-	-	233,918	-	233,918	58,501
Grants receivable	-	-	-	2,212,649	-	2,212,649	1,546,021
Prepaid expenses and other assets	865,901	-	865,901	-	-	865,901	682,802
Property and equipment, net	9,146,696	-	9,146,696	-	-	9,146,696	8,918,785
Total assets	\$ 10,792,702	\$ 35,679,491	\$ 46,472,193	\$ 7,728,390	\$ 185,435	\$ 54,386,018	\$ 51,812,711
Liabilities and Net Assets							
Liabilities:							
Accounts payable and accrued expenses	\$ 2,116,280	\$ -	\$ 2,116,280	\$ -	\$ -	\$ 2,116,280	\$ 1,795,644
Deferred rent	678,220	-	678,220	-	-	678,220	421,614
Liabilities under unitrust and annuity agreements	-	-	-	1,868,054	-	1,868,054	1,894,931
Long-term debt	706,057	-	706,057	-	-	706,057	1,690,042
Note payable, other	250,000	-	250,000	-	-	250,000	250,000
Total liabilities	3,750,557	-	3,750,557	1,868,054	-	5,618,611	6,052,231
Net assets	7,042,145	35,679,491	42,721,636	5,860,336	185,435	48,767,407	45,760,480
Total liabilities and net assets	\$ 10,792,702	\$ 35,679,491	\$ 46,472,193	\$ 7,728,390	\$ 185,435	\$ 54,386,018	\$ 51,812,711

UNION OF CONCERNED SCIENTISTS, INC.

Statement of Financial Position

September 30, 2017

	<u>Unrestricted</u>					
	<u>General</u>	<u>Board Designated</u>	<u>Total Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Assets						
Cash and cash equivalents	\$ 3,734,549	\$ -	\$ 3,734,549	\$ 4,439,228	\$ -	\$ 8,173,777
Investments	-	31,820,920	31,820,920	426,470	185,435	32,432,825
Pledges receivable	-	-	-	58,501	-	58,501
Grants receivable	-	-	-	1,546,021	-	1,546,021
Prepaid expenses and other assets	682,802	-	682,802	-	-	682,802
Property and equipment, net	8,918,785	-	8,918,785	-	-	8,918,785
Total assets	\$ <u>13,336,136</u>	\$ <u>31,820,920</u>	\$ <u>45,157,056</u>	\$ <u>6,470,220</u>	\$ <u>185,435</u>	\$ <u>51,812,711</u>
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	\$ 1,792,601	\$ 3,043	\$ 1,795,644	\$ -	\$ -	\$ 1,795,644
Deferred rent	421,614	-	421,614	-	-	421,614
Liabilities under unitrust and annuity agreements	-	-	-	1,894,931	-	1,894,931
Long-term debt	1,690,042	-	1,690,042	-	-	1,690,042
Note payable, other	250,000	-	250,000	-	-	250,000
Due to (from) other funds	3,128,156	(3,128,156)	-	-	-	-
Total liabilities	<u>7,282,413</u>	<u>(3,125,113)</u>	<u>4,157,300</u>	<u>1,894,931</u>	<u>-</u>	<u>6,052,231</u>
Net assets	<u>6,053,723</u>	<u>34,946,033</u>	<u>40,999,756</u>	<u>4,575,289</u>	<u>185,435</u>	<u>45,760,480</u>
Total liabilities and net assets	\$ <u>13,336,136</u>	\$ <u>31,820,920</u>	\$ <u>45,157,056</u>	\$ <u>6,470,220</u>	\$ <u>185,435</u>	\$ <u>51,812,711</u>

UNION OF CONCERNED SCIENTISTS, INC.

Statement of Activities

Year Ended September 30, 2018
(with comparative totals for 2017)

	Unrestricted			Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
	General	Board Designated	Total Unrestricted				
Operating revenue and other support							
Membership and contributions	\$ 25,349,107	\$ -	\$ 25,349,107	\$ 1,532,490	\$ -	\$ 26,881,597	\$ 28,273,010
Foundation and other institutional grants	113,333	-	113,333	8,120,791	-	8,234,124	6,829,387
Net investment return	-	1,968,864	1,968,864	114,706	-	2,083,570	3,339,608
Bequests and annuities	830,397	928,476	1,758,873	-	-	1,758,873	1,092,412
In-kind contributions	383,626	-	383,626	-	-	383,626	329,698
Other revenue	478,868	-	478,868	-	-	478,868	370,277
Spending policy transfer	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	36,813,731	1,721,880	38,535,611	1,285,047	-	39,820,658	40,234,392
Operating expenses							
Programs							
Center for science and democracy	5,704,760	-	5,704,760	-	-	5,704,760	4,852,579
Climate and clean energy	12,403,430	-	12,403,430	-	-	12,403,430	11,543,723
Clean vehicles	4,915,383	-	4,915,383	-	-	4,915,383	3,987,829
Global security	3,864,318	-	3,864,318	-	-	3,864,318	3,379,363
Federal defense	1,074,736	-	1,074,736	-	-	1,074,736	240,224
Food and environment	3,845,685	-	3,845,685	-	-	3,845,685	3,876,971
Legislative	419,960	-	419,960	-	-	419,960	373,209
Total program expenses	32,228,272	-	32,228,272	-	-	32,228,272	28,253,898
Supporting services							
Fundraising and member communications	2,820,895	-	2,820,895	-	-	2,820,895	3,277,890
General and administrative	1,764,564	-	1,764,564	-	-	1,764,564	1,298,989
Total supporting services expenses	4,585,459	-	4,585,459	-	-	4,585,459	4,576,879
Total operating expenses	36,813,731	-	36,813,731	-	-	36,813,731	32,830,777
Change in net assets before transfer for capital expenditures	-	1,721,880	1,721,880	1,285,047	-	3,006,927	7,403,615
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	7,403,615
Net assets, beginning of year	6,053,723	34,946,033	40,999,756	4,575,289	185,435	45,760,480	38,356,865
Net assets, end of year	\$ 7,042,145	\$ 35,679,491	\$ 42,721,636	\$ 5,860,336	\$ 185,435	\$ 48,767,407	\$ 45,760,480

UNION OF CONCERNED SCIENTISTS, INC.

Statement of Activities

Year Ended September 30, 2017

	<u>Unrestricted</u>			<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	<u>General</u>	<u>Board Designated</u>	<u>Total Unrestricted</u>			
Operating revenue and other support						
Membership and contributions	\$ 25,714,295	\$ -	\$ 25,714,295	\$ 2,558,715	\$ -	\$ 28,273,010
Foundation and other institutional grants	148,212	-	148,212	6,681,175	-	6,829,387
Net investment return	-	3,312,701	3,312,701	26,907	-	3,339,608
Bequests and annuities	-	1,092,412	1,092,412	-	-	1,092,412
In-kind contributions	329,698	-	329,698	-	-	329,698
Other revenue	370,277	-	370,277	-	-	370,277
Interfund transfers	(2,606,774)	2,606,774	-	-	-	-
Net assets released from restriction	9,039,216	-	9,039,216	(9,039,216)	-	-
Total operating revenue and other support	<u>32,994,924</u>	<u>7,011,887</u>	<u>40,006,811</u>	<u>227,581</u>	<u>-</u>	<u>40,234,392</u>
Operating expenses						
Programs						
Center for science and democracy	4,852,579	-	4,852,579	-	-	4,852,579
Climate and clean energy	11,543,723	-	11,543,723	-	-	11,543,723
Clean vehicles	3,987,829	-	3,987,829	-	-	3,987,829
Global security	3,379,363	-	3,379,363	-	-	3,379,363
Federal defense	240,224	-	240,224	-	-	240,224
Food and environment	3,876,971	-	3,876,971	-	-	3,876,971
Legislative	373,209	-	373,209	-	-	373,209
Total program expenses	<u>28,253,898</u>	<u>-</u>	<u>28,253,898</u>	<u>-</u>	<u>-</u>	<u>28,253,898</u>
Supporting services						
Fundraising and member communications	3,277,890	-	3,277,890	-	-	3,277,890
General and administrative	1,298,989	-	1,298,989	-	-	1,298,989
Total supporting services expenses	<u>4,576,879</u>	<u>-</u>	<u>4,576,879</u>	<u>-</u>	<u>-</u>	<u>4,576,879</u>
Total operating expenses	<u>32,830,777</u>	<u>-</u>	<u>32,830,777</u>	<u>-</u>	<u>-</u>	<u>32,830,777</u>
Change in net assets before transfer for capital expenditures	164,147	7,011,887	7,176,034	227,581	-	7,403,615
Transfer for capital expenditures	<u>571,029</u>	<u>(571,029)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	735,176	6,440,858	7,176,034	227,581	-	7,403,615
Net assets, beginning of year	<u>5,318,547</u>	<u>28,505,175</u>	<u>33,823,722</u>	<u>4,347,708</u>	<u>185,435</u>	<u>38,356,865</u>
Net assets, end of year	<u>\$ 6,053,723</u>	<u>\$ 34,946,033</u>	<u>\$ 40,999,756</u>	<u>\$ 4,575,289</u>	<u>\$ 185,435</u>	<u>\$ 45,760,480</u>

UNION OF CONCERNED SCIENTISTS, INC.

Statements of Functional Expenses

Years Ended September 30, 2018 and 2017

	2018								Supporting Services			Total Operating Expenses
	Programs							Total Programs	Fundraising	General and Administrative	Total Supporting Services	
	Center for Science and Democracy	Climate and Clean Energy	Clean Vehicles	Global Security	Federal Defense	Food and Environment	Legislative					
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

	2017								Supporting Services			Total Operating Expenses
	Programs							Total Programs	Fundraising	General and Administrative	Total Supporting Services	
	Center for Science and Democracy	Climate and Clean Energy	Clean Vehicles	Global Security	Federal Defense	Food and Environment	Legislative					
Personnel costs	\$ 2,676,442	\$ 7,485,225	\$ 2,589,953	\$ 2,302,166	\$ 165,325	\$ 2,287,332	\$ 197,190	\$ 17,703,633	\$ 1,642,963	\$ 982,278	\$ 2,625,241	\$ 20,328,874
Contractual expenses	768,912	1,295,615	455,919	273,551	6,665	354,324	110,466	3,265,452	380,734	171,021	551,755	3,817,207
Coalition support	16,627	165,732	24,991	10,481	1,382	372,040	3,373	594,626	5,436	118	5,554	600,180
Publications and mailing costs	553,290	419,835	173,904	67,560	1,035	76,815	1,114	1,293,553	858,467	405	858,872	2,152,425
Event costs	109,220	257,154	54,975	182,855	12,028	73,107	2,001	691,340	27,122	2,514	29,636	720,976
Office and equipment expenses	384,532	1,051,593	421,758	283,759	38,199	430,800	39,155	2,649,796	161,945	98,335	260,280	2,910,076
Books, periodicals and online services	144,438	323,851	123,802	104,378	4,123	123,375	5,451	829,418	67,629	23,446	91,075	920,493
Travel	150,301	405,920	93,795	109,340	8,211	114,818	10,789	893,174	104,360	1,851	106,211	999,385
Fees and interest expense	48,817	138,798	48,732	45,273	3,256	44,360	3,670	332,906	29,234	19,021	48,255	381,161
Total expenses	\$ 4,852,579	\$ 11,543,723	\$ 3,987,829	\$ 3,379,363	\$ 240,224	\$ 3,876,971	\$ 373,209	\$ 28,253,898	\$ 3,277,890	\$ 1,298,989	\$ 4,576,879	\$ 32,830,777

UNION OF CONCERNED SCIENTISTS, INC.

Statements of Cash Flows

	Years Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 3,006,927	\$ 7,403,615
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	757,584	670,060
Realized and unrealized gain on investments, net	(1,550,104)	(2,943,435)
Loss on disposal of property and equipment	510	1,818
Changes in certain assets and liabilities:		
Pledges receivable	(175,417)	49,987
Grants receivable	(666,628)	(62,999)
Prepaid expenses and other assets	(183,099)	(47,769)
Accounts payable and accrued expenses	320,636	677,598
Deferred rent	256,606	147,131
Liabilities under unitrust and annuity agreements	(26,877)	460,695
	<u>1,740,138</u>	<u>6,356,701</u>
Net cash provided by operating activities	1,740,138	6,356,701
Cash flows from investing activities:		
Purchases of property and equipment	(986,005)	(477,478)
Purchases of investments	(11,507,367)	(4,465,230)
Sales of investments	4,506,068	2,224,778
	<u>(7,987,304)</u>	<u>(2,717,930)</u>
Net cash used in investing activities	(7,987,304)	(2,717,930)
Cash flows from financing activities:		
Repayment of long-term debt	(983,985)	(971,412)
	<u>(983,985)</u>	<u>(971,412)</u>
Net cash used in financing activities	(983,985)	(971,412)
Net (decrease) increase in cash and cash equivalents	(7,231,151)	2,667,359
Cash and cash equivalents, beginning of year	<u>8,173,777</u>	<u>5,506,418</u>
Cash and cash equivalents, end of year	\$ <u>942,626</u>	\$ <u>8,173,777</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 Clean Energy, Clean Vehicles, Global Security, Food and Environment, Federal Defense, and Legislative.

Note 2 - Summary of Significant Accounting Policies

UCS uses the accrual basis of accounting as generally accepted in the United States of America attributable to not-for-profit organizations. The more significant of the accounting policies used are summarized as follows:

Classification of Net Assets

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions or for which restrictions have expired. Unrestricted net assets include the following:

General - General includes the revenue and expenses associated with the principal mission of UCS.

Board Designated - Board designated includes certain unrestricted contributions and bequests that have been earmarked by the Board of Directors to build a reserve that will provide a long-term stable funding source for UCS, as well as an operating cash reserve and a fund for strategic initiatives.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Classification of Net Assets (Continued)

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may, or will be, met by actions of UCS and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that the principal be maintained in perpetuity by UCS, with the investment returns available to support the general operations or specific activities, stipulated by the donor.

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.

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, Investment Returns and Related Matters

Investments are carried at fair value as outlined elsewhere in these policies. Interest, dividends and net gains or losses on investments are reported as investment return in the period earned as follows:

- as increases or decreases in permanently restricted net assets if the terms of the gift require that they be applied to the principal of a permanent endowment fund;
- as increases or decreases in temporarily restricted net assets if the terms of the gift or state law impose restrictions on the current use of the income or net gains and losses; and as increases or decreases in unrestricted net assets in all other cases. Losses in excess of accumulated unspent gains on permanently and temporarily restricted net assets are reported as decreases in unrestricted net assets. These amounts will be restored to unrestricted as future gains are earned on the underlying investments. Should future gains exceed the original corpus of the underlying gifts, such amounts would be reflected as accumulated unspent gains in temporarily restricted net assets.

UCS's primary objective is to provide long-term stability while allowing support for current activities. To satisfy its objectives, UCS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). UCS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Spending Policy

UCS utilizes a spending policy whereby a percentage of the historical twelve quarter average market value of the board designated reserves is distributed for program services and capital needs and treated as support for operating activities. The amount distributed is reported as appropriation of cumulative gains. In the event unrestricted general activities has a surplus for the year, UCS will not appropriate any amounts from its board designated reserves. The amount appropriated is up to the operating loss subject to the spending policy limit. UCS appropriated \$1,175,460 and \$0 from board designated reserves for the years ended September 30, 2018 and 2017, respectively.

The Board policy allows for 50% of current year bequests received to be used to support operations if such bequests are unrestricted, with the remainder being designated by the Board for special purposes. In the event unrestricted general activities has a surplus for the year, UCS will not use any bequests to support operations. UCS used bequests of \$830,397 and \$0 to support general operations for the years ended September 30, 2018 and 2017, respectively. Revenue from realized annuities is considered Board designated.

For the years ended September 30, 2018 and 2017, UCS transferred \$0 and \$2,606,774, respectively, of its unrestricted general activities surplus to the board designated reserves.

Per UCS's spending policy, the Board will transfer the amount needed for capital expenditures from the board designated reserves which amounted to \$988,422 and \$571,029 for the years ended September 30, 2018 and 2017, respectively.

Gift Annuities and Charitable Remainder Unitrust Agreements

UCS records assets received under gift annuities and charitable remainder unitrust agreements at the fair market value of the assets when the assets are received by UCS as trustee. In conjunction with gift annuity and unitrust 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 with the difference being reported as revenue.

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 unitrust and 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.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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.

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.

Level 2 - Observable inputs other than those included in Level 1. 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. For more information on the fair value of these items, see Note 3.

Pledges and Grants

Unconditional promises to give are recorded at fair value when initially pledged using Level 2 fair value methods. 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.

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, fixtures and equipment	5 - 10 years
Solar equipment	25 years
Computer equipment	3 years

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 are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. All memberships are contributors and such transactions are considered donative.

Foundations and Other Institutional Grants

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

Bequests

Bequests are recognized as revenue when amounts are received, which management has determined is the time uncertainty is eliminated and such realization is assured.

Contributed Services and Assets

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 assets are recognized if the assets would typically need to be purchased if not provided by donation.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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 vehicles and climate change. UCS's policy is to expense paid media costs as incurred. These expenses were approximately \$1,056,000 and \$905,000 for the years ended September 30, 2018 and 2017, respectively. Included in the media expenses is use of an in-kind donation of billboard advertising amounting to approximately \$374,000 and \$330,000 for the years ended September 30, 2018 and 2017, respectively.

Rent Expense and 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.

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 and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. There is no effect on previously reported net assets.

Subsequent Events

UCS has evaluated subsequent events through February 7, 2019, the date the financial statements were issued.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 3 - 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, 2018 and 2017.

Investments consist of the following at September 30:

	2018	2017
Equity Funds	\$ 23,973,270	\$ 21,267,369
Bond Funds	15,100,104	11,131,498
Commodities/Real Estate	-	7,604
Money Market Funds	847,013	26,354
Liquid Alternatives	1,063,841	-
	<u>\$ 40,984,228</u>	<u>\$ 32,432,825</u>

All investments are valued at Level 1, but for liquid alternatives which are valued at NAV. Liquid alternatives generally have a redemption notice period of thirty days.

Investment returns consist of the following for the years ended September 30:

	2018	2017
Interest and dividend income	\$ 631,381	\$ 480,573
Unrealized gains (losses), net	(124,070)	2,799,688
Realized gains, net	1,674,174	143,747
Investment fees and annuity gifts interest expense	(117,135)	(84,400)
	<u>\$ 2,064,350</u>	<u>\$ 3,339,608</u>

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 4 - Grants Receivable

Grants receivable consist of the following at September 30:

	2018	2017
Due within a year	\$ 1,924,150	\$ 1,546,021
Due between one and five years	<u>305,000</u>	<u>-</u>
	2,229,150	1,546,021
Less: present value discount	<u>(16,501)</u>	<u>-</u>
Net grants receivable	<u>\$ 2,212,649</u>	<u>\$ 1,546,021</u>

Note 5 - Property and Equipment

Property and equipment consist of the following at September 30:

	2018	2017
Building and leasehold improvements	\$ 11,729,304	\$ 11,361,555
Equipment, furniture and fixtures	<u>4,308,895</u>	<u>3,797,516</u>
	16,038,199	15,159,071
Less: accumulated depreciation and amortization	<u>6,891,503</u>	<u>6,240,286</u>
Property and equipment, net	<u>\$ 9,146,696</u>	<u>\$ 8,918,785</u>

Note 6 - Line of Credit and Other Debt Instruments

Line of Credit Agreement

UCS has a line of credit agreement with a bank which provides for borrowings of up to \$2,000,000. 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 was no borrowing outstanding under this agreement at September 30, 2018 and 2017.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 6 - Line of Credit and Other Debt Instruments (Continued)

Bonds and Notes Payable

As of September 30, 2017, UCS had two debt instruments outstanding that were collateralized by certain real property. These obligations were incurred to facilitate property acquisitions or the refinancing of such from prior property purchases. During the year ended September 30, 2018, UCS paid the outstanding balance of one of the obligations in full. The remaining obligation bears interest at a fixed rate of 2.52%. 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:

2019	\$	244,447
2020		250,729
2021		<u>210,881</u>
	\$	<u><u>706,057</u></u>

Other Debt

UCS has a non-interest bearing loan in the amount of \$250,000 from an individual. The loan is payable upon request and may be converted to a contribution upon the death of this party. The balance outstanding on the loan was \$250,000 for each of the years ended September 30, 2018 and 2017. 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.

Interest expense was approximately \$23,000 and \$41,000 for the years ended September 30, 2018 and 2017, respectively. Cash paid for interest was approximately equivalent to these amounts.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30:

	2018	2017
Center for Science and Democracy Program	\$ 1,301,987	\$ 556,728
Climate and Clean Energy Program	1,474,772	1,569,837
Clean Vehicles Program	830,021	1,099,123
Global Security Program	262,500	355,417
Food and Environment Program	877,083	469,240
Federal Defense Program	-	13,896
Cross Programmatic Collaboration	403,334	-
Accumulated unspent gains on permanently restricted net assets	202,488	182,858
Other	508,151	328,190
	<u>5,860,336</u>	<u>4,575,289</u>

Note 8 - Permanently Restricted Net Assets

Permanently restricted net assets consist of the following at September 30:

	2018	2017
Fund for Ongoing Scientific Research	\$ 51,362	\$ 51,362
Victor F. Weisskopf Fund for New Initiatives	41,248	41,248
Fund for Activist and Media/Outreach	1,968	1,968
General Endowment	90,857	90,857
	<u>185,435</u>	<u>185,435</u>

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 9 - 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 classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent 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 temporarily restricted net assets until those amounts are appropriated for expenditure by UCS.

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

1. The duration and preservation of the fund
2. The purposes of UCS and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of UCS
7. The investment policies of UCS

The endowment net asset composition by type of fund as of September 30, 2018 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ <u>202,488</u>	\$ <u>185,435</u>	\$ <u>387,923</u>

The endowment net asset composition by type of fund as of September 30, 2017 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ <u>182,858</u>	\$ <u>185,435</u>	\$ <u>368,293</u>

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 9 - Endowment (Continued)

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

	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Balance at October 1, 2016	\$ 163,664	\$ 185,435	\$ 349,099
Investment return, net	<u>19,194</u>	<u>-</u>	<u>19,194</u>
Balance at September 30, 2017	182,858	185,435	368,293
Investment return, net	<u>19,630</u>	<u>-</u>	<u>19,630</u>
Balance at September 30, 2018	<u><u>\$ 202,488</u></u>	<u><u>\$ 185,435</u></u>	<u><u>\$ 387,923</u></u>

Note 10 - Leases

UCS leases 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 \$1,593,000 and \$1,346,000 for the years ended September 30, 2018 and 2017, respectively.

Aggregate approximate future minimum lease payments and lease rentals under non-cancelable operating leases are as follows at September 30, 2018:

<i>Years Ending</i>	<i>Lease Commitments</i>
2019	\$ 2,061,663
2020	2,109,089
2021	2,158,201
2022	2,208,509
2023	2,220,225
Thereafter	<u>6,504,922</u>
	<u><u>\$ 17,262,609</u></u>

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 11 - Retirement Plan

UCS has a 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 services. 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 limits as established from time to time for such a qualified plan. Pension plan expense was \$1,231,155 and \$1,100,546 for the years ended September 30, 2018 and 2017, 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:

	2018	2017
Center for Science and Democracy	\$ 740,023	\$ 689,106
Climate and Clean Energy	327,460	343,393
Clean Vehicles	22,201	143,854
Global Security	14,801	4,640
Federal Defense	99,903	-
Food and Environment	5,550	11,601
	<u>1,209,938</u>	<u>1,192,594</u>
Fundraising	926,879	1,074,263
	<u>2,136,817</u>	<u>2,266,857</u>
Total joint costs	\$ 2,136,817	\$ 2,266,857

Note 13 - Significant Donors

Contributions from one donor amounted to approximately 10% and 12% of total operating revenue for the years ended September 30, 2018 and 2017, respectively.