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**CENTER FOR SCIENCE IN THE PUBLIC INTEREST  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2019 AND 2018**

**MATTHEWS, CARTER & BOYCE**  
RESPECT. CONFIDENCE. TRUST.

# CENTER FOR SCIENCE IN THE PUBLIC INTEREST

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JUNE 30, 2019 AND 2018

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## Independent Auditors' Report

To the Board of Directors of  
Center for Science in the Public Interest  
Washington, DC

We have audited the accompanying financial statements of Center for Science in the Public Interest, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors consider 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 Center for Science in the Public Interest as of June 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.

Fairfax, Virginia  
November 15, 2019

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

| ASSETS   | 2019                 | 2018                 | LIABILITIES AND NET ASSETS                                       | 2019                 | 2018                 |
|--|----------------------|----------------------|--|----------------------|----------------------|
| <b>CURRENT ASSETS:</b>                                 |                      |                      | <b>CURRENT LIABILITIES:</b>                                      |                      |                      |
| Cash and cash equivalents                              | \$ 1,995,365         | \$ 2,475,762         | Accounts payable   | \$ 266,285           | \$ 964,813           |
| Investments - current portion:                         |                      |                      | Accrued payroll and leave  | 675,761              | 741,072              |
| Certificates of deposit                                | 431,321              | 542,092              | Current portion of deferred rent                                 | 188,040              | 168,991              |
| U.S. agency securities                                 | 299,865              | -                    | Current portion of charitable gift annuity liability             | 20,046               | 25,106               |
| Accounts receivable - trade, net                       | 50,166               | 493,822              | <u>Total Current Liabilities</u>                                 | <u>\$ 1,150,132</u>  | <u>\$ 1,899,982</u>  |
| Grants, bequests and contributions receivable, current | 1,042,658            | 247,999              |  |                      |                      |
| List rent receivable, net                              | 47,160               | 48,072               | <b>OTHER LIABILITIES:</b>  |                      |                      |
| Other receivables                                      | 8,763                | 3,179                | Deferred rent  | \$ 337,401           | \$ 525,441           |
| Direct mail supplies                                   | 199,666              | 289,196              | Deferred compensation liabilities                                | 622,281              | 567,614              |
| Prepaid expenses                                       | 133,268              | 131,137              | Sublease deposit   | 7,002                | 7,002                |
| <u>Total Current Assets</u>                            | <u>\$ 4,208,232</u>  | <u>\$ 4,231,259</u>  | Charitable gift annuity liability                                | 123,938              | 147,525              |
|  |                      |                      | <u>Total Other Liabilities</u>                                   | <u>\$ 1,090,622</u>  | <u>\$ 1,247,582</u>  |
| <b>INVESTMENTS, LONG-TERM:</b>                         |                      |                      | <b>TOTAL LIABILITIES</b>   | <u>\$ 2,240,754</u>  | <u>\$ 3,147,564</u>  |
| U.S. agency securities                                 | \$ 602,291           | \$ 608,015           |  |                      |                      |
| Mutual funds   | 3,908,326            | 3,488,410            | <b>NET ASSETS:</b>   |                      |                      |
| Money market fund                                      | 50,033               | -                    | Without donor restrictions:                                      |                      |                      |
| Stock  | 1,167                | 983                  | Operating  | \$ 6,673,007         | \$ 6,767,093         |
| Certificates of deposit                                | 4,084,889            | 3,416,248            | Board-designated reserve fund                                    | 1,000,000            | 1,000,000            |
| <u>Total Investments, Long-Term</u>                    | <u>\$ 8,646,706</u>  | <u>\$ 7,513,656</u>  | Foreign currency translation adjustment from Canadian operations | 848,737              | 848,635              |
|  |                      |                      | <u>Total Without Donor Restriction</u>                           | <u>\$ 8,521,744</u>  | <u>\$ 8,615,728</u>  |
| <b>PROPERTY AND EQUIPMENT, AT COST:</b>                |                      |                      | With donor restrictions  | 2,999,321            | 1,302,331            |
| Furniture and equipment                                | \$ 363,819           | \$ 381,762           | <u>Total Net Assets</u>  | <u>\$ 11,521,065</u> | <u>\$ 9,918,059</u>  |
| Leasehold improvements                                 | 1,223,706            | 1,223,706            |  |                      |                      |
| Less, accumulated depreciation                         | (1,415,710)          | (1,306,860)          | <b>TOTAL LIABILITIES AND NET ASSETS</b>                          | <u>\$ 13,761,819</u> | <u>\$ 13,065,623</u> |
| <u>Property and Equipment - Net</u>                    | <u>\$ 171,815</u>    | <u>\$ 298,608</u>    |  |                      |                      |
|  |                      |                      |  |                      |                      |
| <b>OTHER ASSETS:</b>                                   |                      |                      |  |                      |                      |
| Grants and contributions receivable, long term         | \$ -                 | \$ 100,000           |  |                      |                      |
| Deposits   | 112,785              | 244,486              |  |                      |                      |
| Deferred compensation assets                           | 622,281              | 567,614              |  |                      |                      |
| Bequests receivable - long-term                        | -                    | 110,000              |  |                      |                      |
| <u>Total Other Assets</u>                              | <u>\$ 735,066</u>    | <u>\$ 1,022,100</u>  |  |                      |                      |
| <b>TOTAL ASSETS</b>                                    | <u>\$ 13,761,819</u> | <u>\$ 13,065,623</u> |  |                      |                      |

The accompanying notes are an integral part of these statements.

**CENTER FOR SCIENCE IN THE PUBLIC INTEREST**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

|   | 2019                          |                            |                      | 2018                          |                            |                      |
|---|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
|   | Without<br>Donor Restrictions | With<br>Donor Restrictions | Total                | Without<br>Donor Restrictions | With<br>Donor Restrictions | Total                |
| <b>SUPPORT AND REVENUE:</b>   |                               |                            |                      |                               |                            |                      |
| Membership dues   | \$ 5,086,851                  | \$ -                       | \$ 5,086,851         | \$ 5,490,250                  | \$ -                       | \$ 5,490,250         |
| Contributions   | 5,502,224                     | -                          | 5,502,224            | 5,849,058                     | -                          | 5,849,058            |
| Foundation grants   | 276,281                       | 2,977,715                  | 3,253,996            | 565,000                       | 1,077,500                  | 1,642,500            |
| Publication sales   | 123,605                       | -                          | 123,605              | 199,160                       | -                          | 199,160              |
| Investment interest and dividends   | 179,042                       | -                          | 179,042              | 172,203                       | -                          | 172,203              |
| Net realized and unrealized gains<br>on investments                             | 387,312                       | -                          | 387,312              | 241,376                       | -                          | 241,376              |
| Royalty income  | 249,236                       | -                          | 249,236              | 276,762                       | -                          | 276,762              |
| Litigation income   | 383,662                       | -                          | 383,662              | -                             | -                          | -                    |
| Other income  | 236,103                       | -                          | 236,103              | 659,797                       | -                          | 659,797              |
| Net assets released from restrictions:  |                               |                            |                      |                               |                            |                      |
| Satisfaction of program restrictions  | 1,280,725                     | (1,280,725)                | -                    | 1,491,358                     | (1,491,358)                | -                    |
| Total Support and Revenue   | <u>\$ 13,705,041</u>          | <u>\$ 1,696,990</u>        | <u>\$ 15,402,031</u> | <u>\$ 14,944,964</u>          | <u>\$ (413,858)</u>        | <u>\$ 14,531,106</u> |
| <b>EXPENSES:</b>  |                               |                            |                      |                               |                            |                      |
| Program Services:   |                               |                            |                      |                               |                            |                      |
| Public education  | \$ 3,949,144                  | \$ -                       | \$ 3,949,144         | \$ 3,989,760                  | \$ -                       | \$ 3,989,760         |
| Nutrition Action Healthletter   | 3,264,323                     | -                          | 3,264,323            | 3,399,414                     | -                          | 3,399,414            |
| Special projects  | 3,753,513                     | -                          | 3,753,513            | 4,106,324                     | -                          | 4,106,324            |
| Total Program Services  | <u>\$ 10,966,980</u>          | <u>\$ -</u>                | <u>\$ 10,966,980</u> | <u>\$ 11,495,498</u>          | <u>\$ -</u>                | <u>\$ 11,495,498</u> |
| Supporting Services:  |                               |                            |                      |                               |                            |                      |
| Membership development  | \$ 1,518,001                  | \$ -                       | \$ 1,518,001         | \$ 1,283,332                  | \$ -                       | \$ 1,283,332         |
| Management and general  | 335,103                       | -                          | 335,103              | 354,444                       | -                          | 354,444              |
| Fundraising   | 979,044                       | -                          | 979,044              | 999,179                       | -                          | 999,179              |
| Total Supporting Services   | <u>\$ 2,832,148</u>           | <u>\$ -</u>                | <u>\$ 2,832,148</u>  | <u>\$ 2,636,955</u>           | <u>\$ -</u>                | <u>\$ 2,636,955</u>  |
| Total Expenses  | <u>\$ 13,799,128</u>          | <u>\$ -</u>                | <u>\$ 13,799,128</u> | <u>\$ 14,132,453</u>          | <u>\$ -</u>                | <u>\$ 14,132,453</u> |
| <b>CHANGE IN NET ASSETS</b>   | \$ (94,087)                   | \$ 1,696,990               | \$ 1,602,903         | \$ 812,511                    | \$ (413,858)               | \$ 398,653           |
| <b>FOREIGN CURRENCY TRANSLATION<br/>ADJUSTMENT FROM CANADIAN<br/>OPERATIONS</b> | 103                           | -                          | 103                  | (421)                         | -                          | (421)                |
| <b>NET ASSETS, BEGINNING OF YEAR</b>  | 8,615,728                     | 1,302,331                  | 9,918,059            | 7,803,638                     | 1,716,189                  | 9,519,827            |
| <b>NET ASSETS, END OF YEAR</b>  | <u>\$ 8,521,744</u>           | <u>\$ 2,999,321</u>        | <u>\$ 11,521,065</u> | <u>\$ 8,615,728</u>           | <u>\$ 1,302,331</u>        | <u>\$ 9,918,059</u>  |

The accompanying notes are an integral part of these statements.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

(With Comparative Totals for 2018)

|  | Program Services    |  |                     |                      | Supporting Services       |                              |                   |                     | 2019<br>Total<br>Expenses | 2018<br>Total<br>Expenses |
|--|---------------------|--|---------------------|----------------------|---------------------------|------------------------------|-------------------|---------------------|---------------------------|---------------------------|
|  | Public<br>Education | Nutrition<br>Action<br>Health-<br>letter | Special<br>Projects | Total                | Membership<br>Development | Management<br>and<br>General | Fund-<br>raising  | Total               |                           |                           |
| Salaries   | \$ 658,545          | \$ 696,279                               | \$ 2,340,618        | \$ 3,695,442         | \$ 118,182                | \$ 95,718                    | \$ 271,786        | \$ 485,686          | \$ 4,181,128              | \$ 4,323,078              |
| Payroll taxes  | 48,983              | 54,446                                   | 175,707             | 279,136              | 9,685                     | 11,599                       | 23,490            | 44,774              | 323,910                   | 304,961                   |
| Employee benefits                                    | 65,429              | 61,384                                   | 257,452             | 384,265              | 14,106                    | 11,634                       | 22,810            | 48,550              | 432,815                   | 379,725                   |
| Total Salaries and<br>Related Expenses               | \$ 772,957          | \$ 812,109                               | \$ 2,773,777        | \$ 4,358,843         | \$ 141,973                | \$ 118,951                   | \$ 318,086        | \$ 579,010          | \$ 4,937,853              | \$ 5,007,764              |
| Advertising/media campaigns                          | 415                 | -  | 34,951              | 35,366               | 429                       | -                            | -                 | 429                 | 35,795                    | 494,298                   |
| Conferences and travel                               | 947                 | 4,885                                    | 72,894              | 78,726               | 1,404                     | 701                          | 9,450             | 11,555              | 90,281                    | 153,974                   |
| Consultants, professionals<br>and temporary services | 201,672             | 111,204                                  | 176,992             | 489,868              | 48,668                    | 18,256                       | 93,950            | 160,874             | 650,742                   | 809,184                   |
| Data processing                                      | 3,279               | 428,349                                  | -                   | 431,628              | -                         | -                            | -                 | -                   | 431,628                   | 465,052                   |
| Depreciation and<br>amortization                     | -                   | 26,128                                   | 63,862              | 89,990               | 5,239                     | 18,983                       | 16,238            | 40,460              | 130,450                   | 135,958                   |
| Equipment rental and<br>maintenance                  | -                   | 54,376                                   | 132,610             | 186,986              | 10,868                    | 25,701                       | 33,687            | 70,256              | 257,242                   | 187,621                   |
| Mail list costs                                      | 310,101             | -  | -                   | 310,101              | 255,161                   | -                            | 10,853            | 266,014             | 576,115                   | 594,535                   |
| Occupancy  | 37,148              | 98,968                                   | 332,692             | 468,808              | 27,293                    | 98,895                       | 84,593            | 210,781             | 679,589                   | 691,731                   |
| Other expenses                                       | 3,100               | 103,097                                  | 112,548             | 218,745              | 5,778                     | 28,186                       | 34,191            | 68,155              | 286,900                   | 276,969                   |
| Postage and mailing                                  | 1,770,189           | 782,825                                  | 1,683               | 2,554,697            | 639,111                   | 458                          | 237,552           | 877,121             | 3,431,818                 | 3,263,608                 |
| Printing and publications                            | 849,336             | 823,133                                  | 2,337               | 1,674,806            | 377,804                   | 276                          | 128,570           | 506,650             | 2,181,456                 | 1,883,039                 |
| Supplies   | -                   | 2,325                                    | 2,935               | 5,260                | 65                        | 541                          | 479               | 1,085               | 6,345                     | 5,034                     |
| Telephone, internet and<br>network support           | -                   | 16,924                                   | 46,232              | 63,156               | 4,208                     | 24,155                       | 11,395            | 39,758              | 102,914                   | 163,686                   |
| Totals   | <u>\$ 3,949,144</u> | <u>\$ 3,264,323</u>                      | <u>\$ 3,753,513</u> | <u>\$ 10,966,980</u> | <u>\$ 1,518,001</u>       | <u>\$ 335,103</u>            | <u>\$ 979,044</u> | <u>\$ 2,832,148</u> | <u>\$ 13,799,128</u>      | <u>\$ 14,132,453</u>      |

The accompanying notes are an integral part of this statement.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

|   | Program Services    |                                |                     |                      | Supporting Services    |                        |                   |                     | Total Expenses       |
|---|---------------------|--------------------------------|---------------------|----------------------|------------------------|------------------------|-------------------|---------------------|----------------------|
|   | Public Education    | Nutrition Action Health-letter | Special Projects    | Total                | Membership Development | Management and General | Fund-raising      | Total               |                      |
| Salaries  | \$ 598,611          | \$ 877,871                     | \$ 2,364,960        | \$ 3,841,442         | \$ 95,908              | \$ 97,191              | \$ 288,537        | \$ 481,636          | \$ 4,323,078         |
| Payroll taxes                                     | 42,752              | 61,870                         | 163,594             | 268,216              | 6,781                  | 8,247                  | 21,717            | 36,745              | 304,961              |
| Employee benefits                                 | 49,032              | 68,338                         | 222,323             | 339,693              | 10,025                 | 10,163                 | 19,844            | 40,032              | 379,725              |
| Total Salaries and Related Expenses               | \$ 690,395          | \$ 1,008,079                   | \$ 2,750,877        | \$ 4,449,351         | \$ 112,714             | \$ 115,601             | \$ 330,098        | \$ 558,413          | \$ 5,007,764         |
| Advertising/media campaigns                       | 415,245             | -                              | 78,720              | 493,965              | 333                    | -                      | -                 | 333                 | 494,298              |
| Conferences and travel                            | 1,108               | 23,788                         | 101,492             | 126,388              | 3,473                  | 12,143                 | 11,970            | 27,586              | 153,974              |
| Consultants, professionals and temporary services | 191,459             | 71,253                         | 393,865             | 656,577              | 46,875                 | 15,342                 | 90,390            | 152,607             | 809,184              |
| Data processing                                   | 17,788              | 445,948                        | -                   | 463,736              | 600                    | -                      | 716               | 1,316               | 465,052              |
| Depreciation and amortization                     | -                   | 30,869                         | 65,091              | 95,960               | 4,434                  | 19,648                 | 15,916            | 39,998              | 135,958              |
| Equipment rental and maintenance                  | 4,158               | 41,048                         | 85,762              | 130,968              | 9,374                  | 25,072                 | 22,207            | 56,653              | 187,621              |
| Mail list costs                                   | 260,758             | -                              | 106,000             | 366,758              | 215,318                | -                      | 12,459            | 227,777             | 594,535              |
| Occupancy   | 34,125              | 122,931                        | 331,172             | 488,228              | 22,558                 | 99,968                 | 80,977            | 203,503             | 691,731              |
| Other expenses                                    | 45                  | 111,595                        | 106,793             | 218,433              | 5,022                  | 25,444                 | 28,070            | 58,536              | 276,969              |
| Postage and mailing                               | 1,651,124           | 784,478                        | 1,422               | 2,437,024            | 570,224                | 374                    | 255,986           | 826,584             | 3,263,608            |
| Printing and publications                         | 718,764             | 735,458                        | 4,102               | 1,458,324            | 287,574                | 836                    | 136,305           | 424,715             | 1,883,039            |
| Supplies  | -                   | 2,839                          | 1,706               | 4,545                | 49                     | 93                     | 347               | 489                 | 5,034                |
| Telephone, internet and network support           | 4,791               | 21,128                         | 79,322              | 105,241              | 4,784                  | 39,923                 | 13,738            | 58,445              | 163,686              |
| Totals  | <u>\$ 3,989,760</u> | <u>\$ 3,399,414</u>            | <u>\$ 4,106,324</u> | <u>\$ 11,495,498</u> | <u>\$ 1,283,332</u>    | <u>\$ 354,444</u>      | <u>\$ 999,179</u> | <u>\$ 2,636,955</u> | <u>\$ 14,132,453</u> |

The accompanying notes are an integral part of this statement.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

|  | 2019                | 2018                |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                     |                     |
| Change in net assets   | \$ 1,602,903        | \$ 398,653          |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                     |                     |
| Depreciation and amortization  | \$ 130,450          | \$ 135,958          |
| Realized and unrealized gains on investments   | (387,312)           | (241,376)           |
| Loss on disposal of property and equipment   | -                   | 114                 |
| Foreign currency translation adjustment from<br>Canadian operations                            | 103                 | (421)               |
| (Increase) Decrease in Assets:   |                     |                     |
| Accounts receivable - trade  | 443,656             | (413,076)           |
| Grants, bequests and contributions receivable  | (584,659)           | 167,001             |
| List rent receivable   | 912                 | 7,260               |
| Other receivables  | (5,584)             | (3,179)             |
| Direct mail supplies   | 89,530              | (67,987)            |
| Prepaid expenses   | (2,131)             | (16,163)            |
| Deferred compensation assets   | (54,667)            | (5,527)             |
| Deposits   | 131,701             | -                   |
| Increase (Decrease) in Liabilities:  |                     |                     |
| Accounts payable   | (698,528)           | 550,748             |
| Accrued payroll and leave  | (65,311)            | (11,870)            |
| Deferred rent  | (168,991)           | (150,360)           |
| Deferred compensation liabilities  | 54,667              | 5,527               |
| Charitable gift annuity liability  | (28,647)            | (7,883)             |
| Total Adjustments  | \$ (1,144,811)      | \$ (51,234)         |
| Net Cash Provided by Operating Activities  | \$ 458,092          | \$ 347,419          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                     |                     |
| Property and equipment purchases   | \$ (3,657)          | \$ (9,471)          |
| Investment sales   | 627,529             | 427,530             |
| Investment purchases   | (1,562,361)         | (501,129)           |
| Net Cash Used by Investing Activities  | \$ (938,489)        | \$ (83,070)         |
| <b>NET INCREASE (DECREASE) IN CASH AND<br/>CASH EQUIVALENTS</b>                                | <b>\$ (480,397)</b> | <b>\$ 264,349</b>   |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>  | <b>2,475,762</b>    | <b>2,211,413</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>  | <b>\$ 1,995,365</b> | <b>\$ 2,475,762</b> |

There was no non-cash financing or investing activity in 2019 or 2018.

The accompanying notes are an integral part of these statements.



# CENTER FOR SCIENCE IN THE PUBLIC INTEREST

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

### Note 1. Organization and Summary of Significant Accounting Policies

#### **Organization:**

The Center for Science in the Public Interest (CSPI) is a not-for-profit organization operating in the United States that seeks to provide useful, objective information to the public and to conduct research on nutrition, food safety, health, the environment, and other issues; to represent the citizens' interests before legislative, regulatory, and judicial bodies on nutrition, food safety, health, the environment, other issues; to ensure that advances in science are used for the public's good. During the fiscal year ending June 30, 2017, CSPI ceased operations in Canada.

#### **Basis of Accounting:**

The financial statements of CSPI are prepared on the accrual basis of accounting.

#### **Grants and Contributions:**

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 "Not for Profit Entities", CSPI records grants and contributions as with or without donor restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions. Additionally, contributions are recognized when a donor makes a promise to give to CSPI that is, in substance, unconditional.

#### **Investments:**

Investments are stated at fair market value in accordance with FASB ASC 958, "Not for Profit Entities". The unrealized appreciation (depreciation) on those investments is reflected in the Statements of Activities and Changes in Net Assets.

#### **Inventories:**

Inventories consist of direct mail materials and are stated at the lower of cost or market with cost being determined on the first-in, first-out basis.

#### **Property and Equipment and Depreciation:**

Property and equipment are recorded at cost. CSPI follows the practice of capitalizing all individual expenditures for property and equipment in excess of \$3,000. Depreciation expense is provided on a straight-line basis over the estimated useful lives (3-10 years) of the assets.

Leasehold improvements, also recorded at cost, are being amortized over the remaining life of the original lease.

#### **Membership Dues:**

Membership dues are considered contributions and are included in revenue in the period in which the membership fee is received.

#### **Deferred Rent:**

Deferred rent expense (liability) is recorded and amortized to the extent the total minimum rental payments allocated to the current period on a straight-line basis are more than the cash payments required.

# CENTER FOR SCIENCE IN THE PUBLIC INTEREST

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

### Note 1. Organization and Summary of Significant Accounting Policies (Continued)

#### Income Taxes:

CSPI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from the District of Columbia franchise tax, except for taxes on unrelated business income. The Internal Revenue Service has also determined that CSPI is not a private foundation within the meaning of Section 509(a)(1) of the Code. CSPI is also exempt from income taxes on income earned within Canada, but is not exempt from the national goods and services tax and the provincial goods and services harmonized sales tax.

CSPI has analyzed its tax positions and has concluded that no liability should be recorded related to any uncertain tax positions. CSPI is not aware of any tax positions which it believes will change materially in the next twelve months. If this position changes, CSPI will assess the impact of any such matters on its financial position and results of operations.

CSPI files its information returns for federal reporting purposes. CSPI is not under audit by any tax jurisdiction.

#### Advertising Costs:

Advertising costs are charged to operations when advertising first takes place.

#### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Functional Allocation of Expenses:

The costs of providing the various programs and other activities of CSPI have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs on the basis of estimates of time and effort.

#### Grants Receivable:

Grants are recognized when the grantor makes a promise to give to CSPI that is, in substance, unconditional. Grantor-restricted grants are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Unconditional promises to give that are due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give that are due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, discounted using risk-free interest rates applicable to the years in which the promises are received. No discount was recorded in 2019 or 2018 as the amount was not material. All grants are considered collectible at June 30, 2019 and 2018.

#### Accounts Receivable and List Rental Receivable:

Accounts receivable and list rental receivables are stated at the amount CSPI expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Allowance for doubtful accounts is \$0 as of June 30, 2019 and 2018 for both list rental and accounts receivable.

# CENTER FOR SCIENCE IN THE PUBLIC INTEREST

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

### Note 1. Organization and Summary of Significant Accounting Policies (Concluded)

#### Recent Accounting Pronouncements:

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 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. CSPI has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

### Note 2. Description of Programs

CSPI program service activities are as follows:

Public Education includes the distribution of health and nutrition oriented materials, such as books, brochures, letters, articles, and pamphlets to the public; sponsorship of conferences and websites; media interviews.

Nutrition Action Healthletter consists of editing and publishing ten issues per year of Nutrition Action Healthletter, a periodical for members and subscribers containing current information on nutrition, food safety, and related health issues. Current circulation is approximately 480,000 in the U.S.

Special Projects include efforts to:

- provide public information on nutrition and diet, provide consumer input on nutrition and food safety laws and regulations, investigate the accuracy of food and beverage advertising and labeling, promote healthier menu items in restaurants;
- promote increased production and availability of food that is free of unsafe ingredients by working with food producers and retailers, monitoring and investigating proposed and approved additives to the food supply, and monitoring and improving the laws and regulations governing food safety, particularly for meat, poultry, seafood and produce;
- promote increased protection from ordinary contamination with microbes through increased appropriations for inspections of imported and domestic foods and food manufacturing facilities; promotion of policies intended to reduce anti-microbial resistance;
- improve the diet of children by promoting more nutritious school food through publications, seminars, and public policy efforts; encourage food producers to improve the nutrient content of the products sold in schools and restaurants; and discourage the advertising of unhealthy foods to children;
- identify and publicize links between industry and science in matters related to health, food, and environmental research; examine how the demands of industry may undermine the public-interest mission of science; and secure a balance of views in the science policy decision-making process which, combined with full disclosure, will enable scientists to provide the public, media, and policy-makers with the best advice about scientific issues;
- assess scientific concerns about the risks and benefits of genetically engineered plants, animals, and other organisms used in agriculture; inform the public about the benefits and risks of engineered crops and foods; strengthen the regulatory system; increase public funding for research on both genetic engineering and sustainable agriculture; and counsel developing nations on the regulation and use of appropriate genetically engineered crops;
- improve both human health and the environment by promoting the consumption of a more plant-based diet and reducing the consumption of meat, milk fat, and other products that have been linked to cancer, heart disease, and other health problems; reduce consumption of sodium to healthy levels;
- promote changes in the American food supply and in food policies through the litigation process;
- improve the public’s ability to make informed decisions about nutrition through, for example, nutrition facts, labels and menu labeling.

**CENTER FOR SCIENCE IN THE PUBLIC INTEREST**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**Note 3. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and liquid investments with original maturities of three months or less and contain the following balances at June 30, 2019 and 2018:

| <u>Description</u> | <u>2019</u>         | <u>2018</u>         |
|--------------------|---------------------|---------------------|
| Cash on hand       | \$ 1,041            | \$ 1,100            |
| Cash in banks      | 1,866,747           | 2,461,232           |
| Money market funds | 127,577             | 13,430              |
| Total              | <u>\$ 1,995,365</u> | <u>\$ 2,475,762</u> |

**Note 4. Information Regarding Liquidity and Availability**

CSPI strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit and other short-term investments.

The following table reflects CSPI's financial assets as of June 30, 2019 and 2018, reduced by the amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Long-term investments are publicly traded and could be exchanged for cash if necessary.

|   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| Cash and cash equivalents   | \$ 1,995,365        | \$ 2,475,762        |
| Investments   | 9,377,892           | 8,055,748           |
| Accounts receivable   | 106,089             | 545,073             |
| Total financial assets  | 11,479,346          | 11,076,583          |
| Net assets with donor restrictions  | (2,999,321)         | (1,302,331)         |
| Board-designated reserve fund   | (1,000,000)         | (1,000,000)         |
| Financial assets available to meet cash needs for<br>general expenditures within one year | <u>\$ 7,480,025</u> | <u>\$ 8,774,252</u> |

**Note 5. Net Assets with Donor Restrictions**

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as an increase in net assets with donor restrictions. If the restriction is fulfilled in the same time period in which the contribution is received, it may be classified as an increase in net assets without donor restrictions; however, CSPI will generally report these amounts initially as an increase in net assets with donor restrictions and show their release to net assets without donor restrictions when the restrictions are satisfied.

Net assets with donor restrictions at June 30, 2019 and 2018 were comprised of the following programs:

| <u>Purpose</u>           | <u>Donor</u>                 | <u>Balance</u><br><u>06/30/18</u> | <u>Revenue/</u><br><u>Contributions</u> | <u>Released</u> | <u>Balance</u><br><u>06/30/19</u> |
|--------------------------|------------------------------|-----------------------------------|---|-----------------|-----------------------------------|
| Antibiotic Effectiveness | Davee Foundation             | \$ 200,000                        | \$ -                                    | \$ (100,000)    | \$100,000                         |
| Antibiotic Effectiveness | Ralph E. Ogden Foundation    | -                                 | 20,000                                  | (20,000)        | -                                 |
| Dietary Guidelines       | The John Sperling Foundation | -                                 | 66,000                                  | -               | 66,000                            |
| Dietary Guidelines       | The Denver Foundation        | -                                 | 50,000                                  | -               | 50,000                            |
| Food Additives           | Flora Thornton Foundation    | 8,333                             | 40,000                                  | (35,000)        | 13,333                            |
| Food Additives           | Park Foundation              | -                                 | 15,000                                  | (3,750)         | 11,250                            |
| Food Additives           | Passport Foundation          | -                                 | 50,000                                  | (8,333)         | 41,667                            |
| Food Service Guidelines  | American Heart Association   | -                                 | 27,500                                  | (27,500)        | -                                 |

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 5. Net Assets with Donor Restrictions (Continued)

| <u>Purpose</u>                       | <u>Donor</u>                    | <u>Balance<br/>06/30/18</u> | <u>Revenue/<br/>Contributions</u> | <u>Released</u>       | <u>Balance<br/>06/30/19</u> |
|--------------------------------------|---------------------------------|-----------------------------|-----------------------------------|-----------------------|-----------------------------|
| Food Service Guidelines              | Special Olympics Int'l.         | 11,500                      | 17,500                            | (22,333)              | 6,667                       |
| Healthy Checkout                     | Suzanne & Lawrence Hess         | 80,000                      | -                                 | (80,000)              | -                           |
| Healthy Checkout                     | Michael & Susan Dell Foundation | -                           | 400,000                           | (112,000)             | 288,000                     |
| Healthy Retail                       | Johnson Family Foundation       | 4,167                       | 10,000                            | (10,000)              | 4,167                       |
| Healthy Retail                       | Saperstein Family Foundation    | -                           | 25,000                            | (25,000)              | -                           |
| Kids Meals                           | Dr. Lucy Waletzky               | -                           | 20,000                            | (20,000)              | -                           |
| Litigation                           | Anonymous                       | 192,500                     | -                                 | -                     | 192,500                     |
| Nutrition Facts Panel                | Dr. Lucy Waletzky               | 833                         | -                                 | (833)                 | -                           |
| Additives                            | The John Sperling Foundation    | -                           | 184,000                           | -                     | 184,000                     |
| Public Health Advocacy<br>Fellowship | CECHE                           | 4,167                       | 50,000                            | (50,000)              | 4,167                       |
| Sesame                               | Christine Olsen                 | -                           | 20,000                            | (13,333)              | 6,667                       |
| School Foods                         | Tides Foundation                | -                           | 40,000                            | -                     | 40,000                      |
| SNAP Pilot Program                   | Tides Foundation                | -                           | 80,000                            | -                     | 80,000                      |
| SNAP Pilot Program                   | American Heart Association      | -                           | 27,500                            | (27,500)              | -                           |
| SNAP Pilot Program                   | Harkin Institute                | -                           | 30,215                            | (20,143)              | 10,072                      |
| SNAP Pilot Program                   | Boston Foundation               | -                           | 70,000                            | (30,000)              | 40,000                      |
| SNAP Pilot Program                   | Simon Family Foundation         | -                           | 35,000                            | -                     | 35,000                      |
| Sugary Drinks, Trans Fat<br>& Sodium | Bloomberg Philanthropies        | 250,000                     | 500,000                           | (500,000)             | 250,000                     |
| Time Restriction                     | Laura and John Arnold           | -                           | 200,000                           | -                     | 200,000                     |
| Time Restriction                     | Orange Door Fund                | 25,000                      | -                                 | (25,000)              | -                           |
| Time Restriction                     | Suzanne & Lawrence Hess         | 150,000                     | -                                 | (150,000)             | -                           |
| Endowment Funds                      | Various/Davee Foundation        | 375,831                     | 1,000,000                         | -                     | 1,375,831                   |
|                                      |                                 | <u>\$ 1,302,331</u>         | <u>\$ 2,977,715</u>               | <u>\$ (1,280,725)</u> | <u>\$2,999,321</u>          |

| <u>Purpose</u>                        | <u>Donor</u>                    | <u>Balance<br/>06/30/17</u> | <u>Revenue/<br/>Contributions</u> | <u>Released</u> | <u>Balance<br/>06/30/18</u> |
|---------------------------------------|---------------------------------|-----------------------------|-----------------------------------|-----------------|-----------------------------|
| Agricultural Biotechnology<br>Project | Davee Foundation                | \$ 91,667                   | \$ -                              | \$ (91,667)     | \$ -                        |
| Antibiotic Effectiveness              | Davee Foundation                | -                           | 300,000                           | (100,000)       | 200,000                     |
| Executive Search                      | Anonymous                       | -                           | 5,000                             | (5,000)         | -                           |
| Food Additives                        | Freed Foundation                | 5,000                       | -                                 | (5,000)         | -                           |
| Food Additives                        | Flora Thornton Foundation       | -                           | 25,000                            | (16,667)        | 8,333                       |
| Food Additives                        | Park Foundation                 | 15,000                      | -                                 | (15,000)        | -                           |
| Food Dyes/Additives                   | Anonymous                       | 20,833                      | -                                 | (20,833)        | -                           |
| Food Service Guidelines               | Special Olympics                | -                           | 12,500                            | (1,000)         | 11,500                      |
| Healthy Checkout                      | Suzanne & Lawrence Hess         | 151,191                     | 150,000                           | (221,191)       | 80,000                      |
| Healthy Checkout                      | Simon Family Foundation         | 15,000                      | -                                 | (15,000)        | -                           |
| Healthy Checkout                      | Michael & Susan Dell Foundation | -                           | 280,000                           | (280,000)       | -                           |
| Healthy Retail                        | Johnson Family Foundation       | -                           | 10,000                            | (5,833)         | 4,167                       |
| Litigation                            | Anonymous                       | 192,500                     | -                                 | -               | 192,500                     |
| Lower Sodium/Added<br>Sugars          | Simon Family Foundation         | -                           | 30,000                            | (30,000)        | -                           |
| Nutrition Facts Panel                 | Dr. Lucy Waletzky               | -                           | 10,000                            | (9,167)         | 833                         |
| Pennsylvania SNAP Pilot<br>Program    | Hillman Family                  | 15,000                      | -                                 | (15,000)        | -                           |
| Pennsylvania SNAP Pilot<br>Program    | Jewish Healthcare Foundation    | 10,000                      | -                                 | (10,000)        | -                           |

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

**Note 5. Net Assets with Donor Restrictions (Concluded)**

| <u>Purpose</u>                    | <u>Donor</u>                               | <u>Balance<br/>06/30/17</u> | <u>Revenue/<br/>Contributions</u> | <u>Released</u>       | <u>Balance<br/>06/30/18</u> |
|-----------------------------------|--|-----------------------------|-----------------------------------|-----------------------|-----------------------------|
| Pennsylvania SNAP Pilot Program   | Healthspark Foundation                     | 15,000                      | -                                 | (15,000)              | -                           |
| Pennsylvania SNAP Pilot Program   | Pierce Foundation                          | 15,000                      | -                                 | (15,000)              | -                           |
| Pennsylvania SNAP Pilot Program   | Partnership for Better Health              | -                           | 15,000                            | (15,000)              | -                           |
| Pennsylvania SNAP Pilot Program   | Pottstown Area Health & Welfare Foundation | -                           | 15,000                            | (15,000)              | -                           |
| Public Health Advocacy Fellowship | CECHE                                      | 4,167                       | 50,000                            | (50,000)              | 4,167                       |
| Sugary Drinks, Trans Fat & Sodium | Bloomberg Philanthropies                   | 750,000                     | -                                 | (500,000)             | 250,000                     |
| Time Restriction                  | Osprey Foundation                          | 40,000                      | -                                 | (40,000)              | -                           |
| Time Restriction                  | Orange Door Fund                           | -                           | 25,000                            | -                     | 25,000                      |
| Time Restriction                  | Suzanne & Lawrence Hess                    | -                           | 150,000                           | -                     | 150,000                     |
| Endowment Funds                   | Various                                    | 375,831                     | -                                 | -                     | 375,831                     |
|                                   |  | <u>\$ 1,716,189</u>         | <u>\$ 1,077,500</u>               | <u>\$ (1,491,358)</u> | <u>\$1,302,331</u>          |

**Note 6. Donor-Restricted Endowment Funds**

An endowment fund was established during the year ended June 30, 1996. Donor-restricted endowment funds at June 30, 2019 and 2018 consist of an endowment fund established to support CSPI's program services and general operations. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by CSPI indefinitely, and income from the fund is to be expended for certain program services or general operations. In fiscal year 2019, CSPI received a \$1,000,000 endowment from The Davee Foundation. Annual fund expenditures are limited to four percent of the value fund and the fund can only be expended for charitable or educational activities. CSPI has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, CSPI classifies as donor-restricted endowment funds (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment, and (c) accumulations or expenditures to/from the endowment made in accordance with the direction of the applicable donor gift instrument. CSPI 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 the organization 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 the organization
- The investment policies of the organization

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

**Note 6. Donor-Restricted Endowment Funds (Concluded)**

CSPI has adopted investment and spending policies for the endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the original principal of the endowment assets. The donor-restricted endowment fund is invested in equity funds, certificates of deposit and fixed income funds pursuant to CSPI's investment and spending objectives of subjecting the fund to low investment risk and providing its programs and operations with current income.

The composition of endowment net assets for this fund and the changes in endowment net assets as of and for the years ending June 30, 2019 and 2018 are as follows:

|  |                     |
|--|---------------------|
| Donor Restricted Endowment net assets, June 30, 2017 | \$ 375,831          |
| Contributions  | <u>-</u>            |
| Donor Restricted Endowment net assets, June 30, 2018 | \$ 375,831          |
| Contributions  | <u>1,000,000</u>    |
| Donor Restricted Endowment net assets, June 30, 2019 | <u>\$ 1,375,831</u> |

**Note 7. Investments**

CSPI values its investments in accordance with the "Fair Value Measurement" Topic of FASB ASC 820. FASB ASC 820 establishes a consistent definition of fair value and a hierarchy that encourages and is based on the use of observable inputs, but allows for unobservable inputs when observable inputs do not exist. Inputs are classified into one of three categories:

- Level 1 - Inputs to the valuation methodology are quoted in an active market.
- Level 2 - Inputs to the valuation methodology are inputs other than quoted prices in an active market that are observable.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

All of CSPI's investments, except certificates of deposit, are valued using Level 1 inputs. Certificates of deposit are valued using level 2 inputs.

Investments consisted of the following at June 30:

|                         | 2019                |                         | Fair Market Value   |
|-------------------------|---------------------|-------------------------|---------------------|
|                         | Cost                | Unrealized Appreciation |                     |
| Mutual funds:           |                     |                         |                     |
| Index funds             | \$ 485,590          | \$ 646,347              | \$ 1,131,937        |
| Value funds             | 1,407,373           | (15,535)                | 1,391,838           |
| Growth funds            | 1,055,581           | 213,710                 | 1,269,291           |
| Other funds             | 135,869             | (20,609)                | 115,260             |
| Total mutual funds      | <u>\$ 3,084,413</u> | <u>\$ 823,913</u>       | <u>\$ 3,908,326</u> |
| Certificates of deposit | 4,510,000           | 6,210                   | 4,516,210           |
| Stock                   | 471                 | 696                     | 1,167               |
| Money market fund       | 50,033              | -                       | 50,033              |
| U.S. agency securities  | 884,357             | 17,799                  | 902,156             |
| Total                   | <u>\$ 8,529,274</u> | <u>\$ 848,618</u>       | <u>\$ 9,377,892</u> |

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

**Note 7. Investments (Concluded)**

|                         | 2018         |                            |                      |
|-------------------------|--------------|----------------------------|----------------------|
|                         | Cost         | Unrealized<br>Appreciation | Fair Market<br>Value |
| Mutual funds:           |              |                            |                      |
| Index funds             | \$ 583,171   | \$ 706,800                 | \$ 1,289,971         |
| Value funds             | 1,199,638    | (11,147)                   | 1,188,491            |
| Growth funds            | 657,468      | 254,642                    | 912,110              |
| Other funds             | 105,911      | (8,073)                    | 97,838               |
| Total mutual funds      | \$ 2,546,188 | \$ 942,222                 | \$ 3,488,410         |
| Certificates of deposit | 4,092,900    | (134,560)                  | 3,958,340            |
| Stock                   | 471          | 512                        | 983                  |
| U.S. agency securities  | 599,206      | 8,809                      | 608,015              |
| Total                   | \$ 7,238,765 | \$ 816,983                 | \$ 8,055,748         |

Investment return is summarized as follows:

|   | 2019       | 2018       |
|---|------------|------------|
| Interest and dividends                              | \$ 179,042 | \$ 172,203 |
| Net realized and unrealized gains<br>on investments | 387,312    | 241,376    |
| Total Investment Income                             | \$ 566,354 | \$ 413,579 |

**Note 8. Lease Commitments**

During the fiscal year ending June 30, 2010, CSPI entered into a long-term lease for office space. The lease commenced on November 1, 2010 and terminates on January 31, 2022. The lease calls for monthly base rent of \$59,486 and includes provisions for annual rental increases each November 1. The lease also includes provisions for additional rent based on increased operating expenses and real estate taxes. As part of the lease agreement the landlord granted a \$1,223,706 build out allowance as well as a three month rent abatement. In order to more accurately reflect the annual lease costs in the proper period, deferred rent has been accrued to provide a constant rent over the life of the lease.

During April 2014, CSPI entered into a thirty-six month lease for certain office equipment. Monthly payments under the lease are \$2,172. Beginning in April 2017, CSPI extended this lease for an additional 36 months with monthly payments of \$2,373.

During April 2016, CSPI entered into a thirty-nine month lease for certain office equipment. Monthly payments under the lease are \$413. Beginning in May 2019, CSPI extended this lease for an additional 36 months with monthly payments of \$125.

In September 2016, CSPI entered into a sublease for a portion of its U.S. office space. Rent is \$7,002 per month and increases by 5.0% per year, and the sublease expires on January 28, 2022.



**CENTER FOR SCIENCE IN THE PUBLIC INTEREST**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**Note 8. Lease Commitments (Concluded)**

At June 30, 2019, the future minimum lease commitments and scheduled sublease income are as follows:

| Year Ending<br>June 30,            | Rent         | Sublease<br>Income | Total        |
|------------------------------------|--------------|--------------------|--------------|
| 2020                               | \$ 899,031   | \$ (96,489)        | \$ 802,542   |
| 2021                               | 897,358      | (101,314)          | 796,044      |
| 2022                               | 532,760      | (61,700)           | 471,060      |
| 2023                               | -            | -                  | -            |
| Thereafter                         | -            | -                  | -            |
| Total Minimum Lease<br>Commitments | \$ 2,329,149 | \$ (259,503)       | \$ 2,069,646 |

Rental expense is reported net of sublease income on the statements of functional expenses. For the years ended June 30, 2019 and 2018, gross rent expense was approximately \$891,000 and \$885,000 and sublease income was approximately \$92,000 and \$89,000 respectively.

**Note 9. Allocation of Joint Costs**

For the year ended June 30, 2019, CSPI incurred joint costs of \$2,847,992 for informational materials for the purpose of membership development. Of those costs, \$1,511,278 was allocated to Public Education and \$1,336,714 was allocated to Membership Development. For the year ended June 30, 2018, CSPI incurred joint costs of \$2,416,032 for informational materials for the purpose of membership development. Of those costs, \$1,285,015 was allocated to Public Education and \$1,131,017 was allocated to Membership Development.

For the year ended June 30, 2019, CSPI incurred joint costs of \$1,824,271 for informational materials that included fundraising appeals. Of those costs \$1,149,291 was allocated to Public Education and \$674,980 was allocated to fundraising. For the year ended June 30, 2018, CSPI incurred joint costs of \$1,720,421 for informational materials that included fundraising appeals. Of those costs \$997,844 was allocated to Public Education and \$722,577 was allocated to fundraising.

**Note 10. Employee Benefits**

CSPI maintains a tax sheltered annuity plan for its employees under Section 403(b) of the Internal Revenue Code. Participation is voluntary, and CSPI is obligated to match, on a dollar-for-dollar basis, voluntary employee contributions of up to 2% of gross earnings and as of July 1, 2018 the contribution increased to 3% of gross earnings. Additionally, CSPI can make discretionary contributions to the Plan. CSPI made contributions for eligible employees of \$89,766 and \$59,113 under the plan during the fiscal years ended June 30, 2019 and 2018, respectively.

CSPI has a 457(b) private deferred compensation plan for key employees of CSPI. The 457(b) is funded by contributions made by participants and has no ongoing costs to CSPI for continuance.

**CENTER FOR SCIENCE IN THE PUBLIC INTEREST**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**Note 10. Employee Benefits (Concluded)**

The tables below present the balance of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at June 30, 2019 and 2018:

|                                 | 2019              |                   |             |             |
|---------------------------------|-------------------|-------------------|-------------|-------------|
|                                 | Total             | Level 1           | Level 2     | Level 3     |
| Deferred compensation assets:   |                   |                   |             |             |
| Mutual Funds                    | <u>\$ 622,281</u> | <u>\$ 622,281</u> | <u>\$ -</u> | <u>\$ -</u> |
| Deferred compensation liability | <u>\$ 622,281</u> | <u>\$ 622,281</u> | <u>\$ -</u> | <u>\$ -</u> |
|                                 |                   |                   |             |             |
|                                 | 2018              |                   |             |             |
|                                 | Total             | Level 1           | Level 2     | Level 3     |
| Deferred compensation assets:   |                   |                   |             |             |
| Mutual Funds                    | <u>\$ 567,614</u> | <u>\$ 567,614</u> | <u>\$ -</u> | <u>\$ -</u> |
| Deferred compensation liability | <u>\$ 567,614</u> | <u>\$ 567,614</u> | <u>\$ -</u> | <u>\$ -</u> |

**Note 11. Related Party Transactions**

In November 1998, CSPI along with the Japan Offspring Fund (of Japan) and the Food Commission (of the United Kingdom) co-founded the International Association of Consumer Food Organizations (IACFO), a related party. IACFO operated out of CSPI's office and, in fiscal years 2019 and 2018, all operating expenses of the IACFO were borne by CSPI as part of its regular financial operations. The amounts incurred by CSPI on behalf of the IACFO in 2019 and 2018 were not significant.

**Note 12. Concentrations of Credit Risk**

CSPI's financial instruments that are subject to concentrations of credit risk consist primarily of cash and cash equivalents. CSPI places its domestic cash deposits and liquid investments in high quality financial institutions. At times, such deposits may be in excess of the FDIC insurance limit.

**Note 13. Contingencies**

CSPI receives a portion of its revenue from grants. The ultimate determination of amounts received under these programs often is based on allowable costs reported to the donor. In some instances, the donor reserves the right to audit the program costs. Until the final settlement is reached with each donor, there exists a contingency to refund any amount received for costs deemed unallowable in an audit conducted by a donor. CSPI does not believe any such refund is likely and therefore has not accrued a liability for such contingencies.

**Note 14. Board Designated Funds**

The Board of Directors of CSPI has designated \$1,000,000 of the net assets without donor restrictions as a reserve fund. The fund was established to ensure at all times the normal operation and financial stability of the organization. The amount in the fund and the uses to which it will be applied are periodically examined and established by the Board.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

**Note 15. Charitable Gift Annuity**

On occasion, CSPI receives charitable gift annuities from donors. In accordance with the terms of the respective agreements, CSPI agrees to make annual annuity payments to the donors for the remainder of the donors' lives beginning at a specific time as stated in each agreement. The present value of the estimated obligations is recorded as a liability. As of June 30, 2019 and 2018, the estimated charitable gift annuity liability totaled \$143,984 and \$172,631 respectively.

**Note 16. Presentation of Prior Year Financial Statements**

Certain accounts and descriptions in the prior year financial statements have been modified for comparative purposes to conform to the presentation of the current year financial statements.

**Note 17. Subsequent Events**

CSPI has evaluated events through November 15, 2019, the date the financial statements were available to be issued, and determined that there was no event occurring subsequent to June 30, 2019 that would have a material impact on CSPI's results of operations or financial position.