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CENTER FOR SCIENCE IN THE PUBLIC INTEREST  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2018 AND 2017

MATTHEWS, CARTER & BOYCE  
RESPECT. CONFIDENCE. TRUST.

# CENTER FOR SCIENCE IN THE PUBLIC INTEREST

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JUNE 30, 2018 AND 2017

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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, 2018 and 2017, 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, 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.

Fairfax, Virginia  
November 13, 2018

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

ASSETS	2018	2017	LIABILITIES AND NET ASSETS	2018	2017
<b>CURRENT ASSETS:</b>			<b>CURRENT LIABILITIES:</b>		
Cash and cash equivalents	\$ 2,475,762	\$ 2,211,413	Accounts payable	\$ 964,813	\$ 414,065
Investments - current portion:			Accrued payroll and leave	741,072	752,942
Certificates of deposit	542,092	397,535	Current portion of deferred rent	168,991	150,360
Accounts receivable - trade, net	493,822	80,746	Current portion of charitable gift annuity liability	25,106	24,386
Grants and contributions receivable, current	247,999	515,000	<b>Total Current Liabilities</b>	<b>\$ 1,899,982</b>	<b>\$ 1,341,753</b>
List rent receivable, net	48,072	55,332			
Other receivables	3,179	-	<b>OTHER LIABILITIES:</b>		
Direct mail supplies	289,196	221,209	Deferred rent	\$ 525,441	\$ 694,432
Prepaid expenses	131,137	114,974	Deferred compensation liabilities	567,614	562,087
<b>Total Current Assets</b>	<b>\$ 4,231,259</b>	<b>\$ 3,596,209</b>	Sublease deposit	7,002	7,002
			Charitable gift annuity liability	147,525	156,128
			<b>Total Other Liabilities</b>	<b>\$ 1,247,582</b>	<b>\$ 1,419,649</b>
<b>INVESTMENTS, LONG-TERM:</b>			<b>TOTAL LIABILITIES</b>	<b>\$ 3,147,564</b>	<b>\$ 2,761,402</b>
U.S. agency securities	\$ 608,015	\$ 627,814			
Mutual funds	3,488,410	3,286,549	<b>NET ASSETS:</b>		
Stock	983	988	Unrestricted:		
Certificates of deposit	3,416,248	3,427,887	Operating	\$ 6,767,093	\$ 5,954,565
<b>Total Investments, Long-Term</b>	<b>\$ 7,513,656</b>	<b>\$ 7,343,238</b>	Board-designated reserve fund	1,000,000	1,000,000
			Foreign currency translation adjustment from		
<b>PROPERTY AND EQUIPMENT, AT COST:</b>			Canadian operations	848,635	849,073
Furniture and equipment	\$ 381,762	\$ 428,270	<b>Total Unrestricted</b>	<b>\$ 8,615,728</b>	<b>\$ 7,803,638</b>
Leasehold improvements	1,223,706	1,223,706	Temporarily restricted	926,500	1,340,358
Less, accumulated depreciation	(1,306,860)	(1,226,767)	Permanently restricted (endowment)	375,831	375,831
<b>Property and Equipment - Net</b>	<b>\$ 298,608</b>	<b>\$ 425,209</b>	<b>Total Net Assets</b>	<b>\$ 9,918,059</b>	<b>\$ 9,519,827</b>
<b>OTHER ASSETS:</b>					
Grants and contributions receivable, long term	\$ 100,000	\$ -			
Deposits	244,486	244,486			
Deferred compensation assets	567,614	562,087			
Bequests receivable - long-term	110,000	110,000			
<b>Total Other Assets</b>	<b>\$ 1,022,100</b>	<b>\$ 916,573</b>			
<b>TOTAL ASSETS</b>	<b>\$ 13,065,623</b>	<b>\$ 12,281,229</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,065,623</b>	<b>\$ 12,281,229</b>

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, 2018 AND 2017**

	2018			2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE:</b>								
Membership dues	\$ 5,490,250	\$ -	\$ -	\$ 5,490,250	\$ 5,307,382	\$ -	\$ -	\$ 5,307,382
Contributions	5,849,058	-	-	5,849,058	5,030,032	-	2,000	5,032,032
Foundation grants	565,000	1,077,500	-	1,642,500	536,803	1,623,691	-	2,160,494
Publication sales	199,160	-	-	199,160	209,822	-	-	209,822
Investment interest and dividends	172,203	-	-	172,203	138,388	-	-	138,388
Net realized and unrealized gains on investments	241,376	-	-	241,376	380,123	-	-	380,123
Royalty income	276,762	-	-	276,762	355,172	-	-	355,172
Litigation income	-	-	-	-	215,365	-	-	215,365
Other income	659,797	-	-	659,797	332,287	-	-	332,287
Net assets released from restrictions:								
Satisfaction of program restrictions	1,491,358	(1,491,358)	-	-	1,061,131	(1,061,131)	-	-
Total Support and Revenue	<u>\$ 14,944,964</u>	<u>\$ (413,858)</u>	<u>\$ -</u>	<u>\$ 14,531,106</u>	<u>\$ 13,566,505</u>	<u>\$ 562,560</u>	<u>\$ 2,000</u>	<u>\$ 14,131,065</u>
<b>EXPENSES:</b>								
Program Services:								
Public education	\$ 3,989,760	\$ -	\$ -	\$ 3,989,760	\$ 3,518,623	\$ -	\$ -	\$ 3,518,623
Nutrition Action Healthletter	3,399,414	-	-	3,399,414	3,431,550	-	-	3,431,550
Special projects	4,106,324	-	-	4,106,324	3,238,209	-	-	3,238,209
Total Program Services	<u>\$ 11,495,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,495,498</u>	<u>\$ 10,188,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,188,382</u>
Supporting Services:								
Membership development	\$ 1,283,332	\$ -	\$ -	\$ 1,283,332	\$ 1,175,764	\$ -	\$ -	\$ 1,175,764
Management and general	354,444	-	-	354,444	373,045	-	-	373,045
Fundraising	999,179	-	-	999,179	828,742	-	-	828,742
Total Supporting Services	<u>\$ 2,636,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,636,955</u>	<u>\$ 2,377,551</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,377,551</u>
Total Expenses	<u>\$ 14,132,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,132,453</u>	<u>\$ 12,565,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,565,933</u>
<b>CHANGE IN NET ASSETS</b>	\$ 812,511	\$ (413,858)	\$ -	\$ 398,653	\$ 1,000,572	\$ 562,560	\$ 2,000	\$ 1,565,132
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENT FROM CANADIAN OPERATIONS</b>	(421)	-	-	(421)	(586)	-	-	(586)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>7,803,638</u>	<u>1,340,358</u>	<u>375,831</u>	<u>9,519,827</u>	<u>6,803,652</u>	<u>777,798</u>	<u>373,831</u>	<u>7,955,281</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 8,615,728</u>	<u>\$ 926,500</u>	<u>\$ 375,831</u>	<u>\$ 9,918,059</u>	<u>\$ 7,803,638</u>	<u>\$ 1,340,358</u>	<u>\$ 375,831</u>	<u>\$ 9,519,827</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, 2018

(With Comparative Totals for 2017)

	Program Services				Supporting Services				2018 Total Expenses	2017 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	\$ 4,003,167
Payroll taxes	42,752	61,870	163,594	268,216	6,781	8,247	21,717	36,745	304,961	272,021
Employee benefits	49,032	68,338	222,323	339,693	10,025	10,163	19,844	40,032	379,725	329,709
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	\$ 4,604,897
Advertising/media campaigns	415,245	-	78,720	493,965	333	-	-	333	494,298	119,535
Conferences and travel	1,108	23,788	101,492	126,388	3,473	12,143	11,970	27,586	153,974	81,271
Consultants, professionals and temporary services	191,459	71,253	393,865	656,577	46,875	15,342	90,390	152,607	809,184	475,867
Data processing	17,788	445,948	-	463,736	600	-	716	1,316	465,052	134,654
Depreciation and amortization	-	30,869	65,091	95,960	4,434	19,648	15,916	39,998	135,958	158,078
Equipment rental and maintenance	4,158	41,048	85,762	130,968	9,374	25,072	22,207	56,653	187,621	165,816
Mail list costs	260,758	-	106,000	366,758	215,318	-	12,459	227,777	594,535	383,322
Occupancy	34,125	122,931	331,172	488,228	22,558	99,968	80,977	203,503	691,731	700,338
Other expenses	45	111,595	106,793	218,433	5,022	25,444	28,070	58,536	276,969	478,286
Postage and mailing	1,651,124	784,478	1,422	2,437,024	570,224	374	255,986	826,584	3,263,608	3,279,324
Printing and publications	718,764	735,458	4,102	1,458,324	287,574	836	136,305	424,715	1,883,039	1,761,692
Supplies	-	2,839	1,706	4,545	49	93	347	489	5,034	7,204
Telephone, internet and network support	4,791	21,128	79,322	105,241	4,784	39,923	13,738	58,445	163,686	215,649
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>	<u>\$ 12,565,933</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, 2017

	Program Services				Supporting Services				Total Expenses
	Public Education	Nutrition Action Health-letter	Special Projects	Total	Membership Development	Management and General	Fund-raising	Total	
Salaries	\$ 624,848	\$ 886,454	\$ 2,035,010	\$ 3,546,312	\$ 129,971	\$ 93,483	\$ 233,401	\$ 456,855	\$ 4,003,167
Payroll taxes	43,695	59,944	135,325	238,964	8,933	7,236	16,888	33,057	272,021
Employee benefits	58,474	61,932	168,412	288,818	14,091	9,428	17,372	40,891	329,709
Total Salaries and Related Expenses	\$ 727,017	\$ 1,008,330	\$ 2,338,747	\$ 4,074,094	\$ 152,995	\$ 110,147	\$ 267,661	\$ 530,803	\$ 4,604,897
Advertising/media campaigns	-	-	119,138	119,138	347	-	50	397	119,535
Conferences and travel	1,461	8,229	62,315	72,005	3,724	(4,620)	10,094	9,198	81,203
Consultants, professionals and temporary services	216,746	73,809	63,085	353,640	47,182	12,461	62,584	122,227	475,867
Data processing	300	134,354	-	134,654	-	-	-	-	134,654
Depreciation and amortization	-	41,480	69,682	111,162	8,375	24,204	14,337	46,916	158,078
Equipment rental and maintenance	10,908	37,827	68,339	117,074	16,799	19,090	12,853	48,742	165,816
Mail list costs	206,419	-	-	206,419	165,926	-	10,977	176,903	383,322
Occupancy	49,275	134,423	308,591	492,289	37,088	107,469	63,492	208,049	700,338
Other expenses	2,033	218,664	143,195	363,892	37,659	41,937	34,798	114,394	478,286
Postage and mailing	1,616,600	946,661	2,354	2,565,615	468,670	617	244,422	713,709	3,279,324
Printing and publications	628,141	803,632	2,424	1,434,197	230,099	15	97,449	327,563	1,761,760
Supplies	-	2,704	3,761	6,465	105	301	333	739	7,204
Telephone, internet and network support	59,723	21,437	56,578	137,738	6,795	61,424	9,692	77,911	215,649
Totals	<u>\$ 3,518,623</u>	<u>\$ 3,431,550</u>	<u>\$ 3,238,209</u>	<u>\$ 10,188,382</u>	<u>\$ 1,175,764</u>	<u>\$ 373,045</u>	<u>\$ 828,742</u>	<u>\$ 2,377,551</u>	<u>\$ 12,565,933</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, 2018 AND 2017

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 398,653	\$ 1,565,132
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	\$ 135,958	\$ 158,078
Realized and unrealized gains on investments	(241,376)	(380,123)
Loss on disposal of property and equipment	114	686
Foreign currency translation adjustment from Canadian operations	(421)	(586)
(Increase) Decrease in Assets:		
Accounts receivable - trade	(413,076)	(23,479)
Grants and contributions receivable	167,001	(107,500)
List rent receivable	7,260	28,975
Other receivables	(3,179)	25
Direct mail supplies	(67,987)	(91,082)
Prepaid expenses	(16,163)	26,280
Office lease security deposit	-	(182,286)
Deferred compensation assets	(5,527)	(10,251)
Increase (Decrease) in Liabilities:		
Accounts payable	550,748	208,489
Accrued payroll and leave	(11,870)	149,758
Sublease deposit	-	(14,002)
Deferred rent	(150,360)	(132,139)
Deferred compensation liabilities	5,527	10,251
Charitable gift annuity liability	(7,883)	(5,951)
Total Adjustments	\$ (51,234)	\$ (364,857)
Net Cash Provided by Operating Activities	\$ 347,419	\$ 1,200,275
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property and equipment purchases	\$ (9,471)	\$ (14,767)
Investment sales	427,530	23,793
Investment purchases	(501,129)	(655,334)
Net Cash Used by Investing Activities	\$ (83,070)	\$ (646,308)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	\$ 264,349	\$ 553,967
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	2,211,413	1,657,446
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 2,475,762	\$ 2,211,413

There was no non-cash financing or investing activity in 2018 or 2017.

The accompanying notes are an integral part of these statements.



# CENTER FOR SCIENCE IN THE PUBLIC INTEREST

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

### 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 unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets 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 \$2,000. 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, 2018 AND 2017

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

#### 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.

#### 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 temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. 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 2018 or 2017 as the amount was not material. All grants are considered collectible at June 30, 2018 and 2017.

#### 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, 2018 and 2017 for both list rental and accounts receivable.

# CENTER FOR SCIENCE IN THE PUBLIC INTEREST

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

### 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 500,000 in the U.S. CSPI ceased publication in Canada during fiscal year 2017.

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, 2018 AND 2017

**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, 2018 and 2017:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Cash on hand	\$ 1,100	\$ 1,168
Cash in banks	2,461,232	2,193,605
Money market funds	13,430	16,640
Total	<u>\$ 2,475,762</u>	<u>\$ 2,211,413</u>

**Note 4. Temporarily Restricted Net Assets**

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 temporarily restricted assets. If the restriction is fulfilled in the same time period in which the contribution is received, it may be classified as an increase in unrestricted assets; however, CSPI will generally report these amounts initially as an increase in temporarily restricted assets and show their release to unrestricted net assets when the restrictions are satisfied.

Temporarily restricted net assets (and activity in temporarily restricted net assets) at June 30, 2018 and 2017 were comprised of the following programs:

<u>Purpose</u>	<u>Donor</u>	<u>Balance</u> <u>06/30/17</u>	<u>Revenue/</u> <u>Contributions</u>	<u>Released</u>	<u>Balance</u> <u>06/30/18</u>
Agricultural Biotechnology 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	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 Eating Research	The California Endowment	-	-	-	-
Healthy Retail	Johnson Family Foundation	-	10,000	(5,833)	4,167
Litigation	Anonymous	192,500	-	-	192,500
Lower Sodium/Added Sugars	Simon Family Foundation	-	30,000	(30,000)	-
Nutrition Facts Panel	Dr. Lucy Waletzky	-	10,000	(9,167)	833
Pennsylvania SNAP Pilot Program	Hillman Family	15,000	-	(15,000)	-
Pennsylvania SNAP Pilot Program	Jewish Healthcare Foundation	10,000	-	(10,000)	-
Pennsylvania SNAP Pilot Program	Healthspark Foundation	15,000	-	(15,000)	-
Pennsylvania SNAP Pilot Program	Pierce Foundation	15,000	-	(15,000)	-

**CENTER FOR SCIENCE IN THE PUBLIC INTEREST**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**

**Note 4. Temporarily Restricted Net Assets (Concluded)**

<u>Purpose</u>	<u>Donor</u>	<u>Balance 06/30/17</u>	<u>Revenue/ Contributions</u>	<u>Released</u>	<u>Balance 06/30/18</u>
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	Hess	-	150,000	-	150,000
		<u>\$ 1,340,358</u>	<u>\$ 1,077,500</u>	<u>\$ (1,491,558)</u>	<u>\$ 926,500</u>

<u>Purpose</u>	<u>Donor</u>	<u>Balance 06/30/16</u>	<u>Revenue/ Contributions</u>	<u>Released</u>	<u>Balance 06/30/17</u>
Agricultural Biotechnology Project	Davee Foundation	\$ 191,667	\$ -	\$ (100,000)	\$ 91,667
Allergens	Christine Olsen & Robert Small	1,250	-	(1,250)	-
Executive Search	Anonymous	-	15,000	(15,000)	-
Food Additives	Freed Foundation	-	20,000	(15,000)	5,000
Food Additives	Environmental Defense Fund	10,714	-	(10,714)	-
Food Additives	Park Foundation	15,000	15,000	(15,000)	15,000
Food Dyes/Additives	Anonymous	25,000	45,000	(49,167)	20,833
Healthy Checkout	Hess	-	151,191	-	151,191
Healthy Checkout	Simon Family Foundation	-	15,000	-	15,000
Healthy Checkout	Michael & Susan Dell Foundation	280,000	-	(280,000)	-
Healthy Eating Research	The California Endowment	-	10,000	(10,000)	-
Litigation	Anonymous	-	192,500	-	192,500
March for Science	Farvue Foundation	-	5,000	(5,000)	-
Pennsylvania SNAP Pilot Program	Jennifer and Robert McNeil	-	10,000	(10,000)	-
Pennsylvania SNAP Pilot Program	Hillman Family	-	15,000	-	15,000
Pennsylvania SNAP Pilot Program	Jewish Healthcare Foundation	-	10,000	-	10,000
Pennsylvania SNAP Pilot Program	Healthspark Foundation	-	15,000	-	15,000
Pennsylvania SNAP Pilot Program	Pierce 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	250,000	1,000,000	(500,000)	750,000
Time Restriction	Osprey Foundation	-	40,000	-	40,000
		<u>\$ 777,798</u>	<u>\$ 1,623,691</u>	<u>\$ (1,061,131)</u>	<u>\$ 1,340,358</u>

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 5. Permanently Restricted Net Assets

An endowment fund was established during the year ended June 30, 1996. Permanently restricted net assets at June 30, 2018 and 2017 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. 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 permanently restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment, and (c) accumulations to 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

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 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, 2018 and 2017 are as follows:

	Permanently Restricted
Donor Restricted Endowment net assets, June 30, 2016	\$ 373,831
Contributions	<u>2,000</u>
Donor Restricted Endowment net assets, June 30, 2017	\$ 375,831
Contributions	<u>-</u>
Donor Restricted Endowment net assets, June 30, 2018	<u>\$ 375,831</u>

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 6. 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:

	2018		
	Cost	Unrealized Appreciation	Fair Market 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	<u>\$ 2,546,188</u>	<u>\$ 942,222</u>	<u>\$ 3,488,410</u>
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	<u>\$ 7,238,765</u>	<u>\$ 816,983</u>	<u>\$ 8,055,748</u>
	2017		
	Cost	Unrealized Appreciation	Fair Market Value
Mutual funds:			
Index funds	\$ 670,678	\$ 681,417	\$ 1,352,095
Value funds	1,039,852	61,511	1,101,363
Growth funds	621,854	114,788	736,642
Other funds	88,539	7,910	96,449
Total mutual funds	<u>\$ 2,420,923</u>	<u>\$ 865,626</u>	<u>\$ 3,286,549</u>
Certificates of deposit	3,827,900	(2,478)	3,825,422
Stock	471	517	988
U.S. agency securities	599,206	28,608	627,814
Total	<u>\$ 6,848,500</u>	<u>\$ 892,273</u>	<u>\$ 7,740,773</u>

Investment return is summarized as follows:

	2018	2017
Interest and dividends	\$ 172,203	\$ 138,388
Net realized and unrealized gains on investments	<u>241,376</u>	<u>380,123</u>
Total Investment Income	<u>\$ 413,579</u>	<u>\$ 518,511</u>

# CENTER FOR SCIENCE IN THE PUBLIC INTEREST

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

### Note 7. 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.

Additionally, CSPI entered into an office space agreement in Canada beginning on August 31, 2005. The lease was extended through August 31, 2016 at a rate of approximately \$1,419 US dollars per month. The lease terminated on August 31, 2016.

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.

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.

At June 30, 2018, the future minimum lease commitments and scheduled sublease income are as follows:

Year Ending June 30,	Rent	Sublease Income	Total
2019	\$ 890,352	\$ (91,895)	\$ 798,457
2020	897,531	(96,489)	801,042
2021	895,858	(101,314)	794,544
2022	531,510	(61,700)	469,810
Thereafter	-	-	-
Total Minimum Lease Commitments	<u>\$ 3,215,251</u>	<u>\$ (351,398)</u>	<u>\$ 2,863,853</u>

Rental expense is reported net of sublease income on the statements of functional expenses. For the years ended June 30, 2018 and 2017, gross rent expense was approximately \$885,000 and \$851,000 and sublease income was approximately \$89,000 and \$70,000 respectively.



**CENTER FOR SCIENCE IN THE PUBLIC INTEREST**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**

**Note 8. Allocation of Joint Costs**

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, 2017, CSPI incurred joint costs of \$2,319,824 for informational materials for the purpose of membership development. Of those costs, \$1,252,705 was allocated to Public Education and \$1,067,119 was allocated to Membership Development.

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. For the year ended June 30, 2017, CSPI incurred joint costs of \$1,260,204 for informational materials that included fundraising appeals. Of those costs \$642,704 was allocated to Public Education and \$617,500 was allocated to fundraising.

**Note 9. 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 1.5% of gross earnings (3% prior to October 1, 2015). Effective July 1, 2016 the contribution increased to 2% of gross earnings. Additionally, CSPI can make discretionary contributions to the Plan. CSPI made contributions for eligible employees of \$59,113 and \$62,515 under the plan during the fiscal years ended June 30, 2018 and 2017, 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.

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, 2018 and 2017:

	2018			
	Total	Level 1	Level 2	Level 3
Deferred compensation assets:				
Mutual Funds	\$ 567,614	\$ 567,614	\$ -	\$ -
Deferred compensation liability	\$ 567,614	\$ 567,614	\$ -	\$ -
	2017			
	Total	Level 1	Level 2	Level 3
Deferred compensation assets:				
Mutual Funds	\$ 562,087	\$ 562,087	\$ -	\$ -
Deferred compensation liability	\$ 562,087	\$ 562,087	\$ -	\$ -

**Note 10. 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 2018 and 2017, 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 2018 and 2017 were not significant.

# CENTER FOR SCIENCE IN THE PUBLIC INTEREST

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

### **Note 11. 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 12. 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 13. Board Designated Funds**

The Board of Directors of CSPI has designated \$1,000,000 of the unrestricted net assets 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.

### **Note 14. 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, 2018 and 2017, the estimated charitable gift annuity liability totaled \$172,631 and \$180,514 respectively.

### **Note 15. Presentation of Prior Year Financial Statements**

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

### **Note 16. Subsequent Events**

CSPI has evaluated events through November 13, 2018, the date the financial statements were available to be issued, and determined that there was no event occurring subsequent to June 30, 2018 that would have a material impact on CSPI's results of operations or financial position.