Financial Statements

Union of Concerned Scientists, Inc.

September 30, 2020 and 2019

UNION OF CONCERNED SCIENTISTS, INC.

Financial Statements

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Union of Concerned Scientists, Inc. ("UCS"), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union of Concerned Scientists, Inc. as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2020, Union of Concerned Scientists, Inc. adopted Accounting Standards Update No. 2018-08*, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Mayer Hoffman McCann P.C.

February 17, 2021
Boston, Massachusetts

UNION OF CONCERNED SCIENTISTS, INC.

Statements of Financial Position

September 30, 2020 and 2019

	2020	*2019*
Assets		
Cash and cash equivalents	$ 11,582,440	$ 5,271,420
Investments	41,856,524	34,341,921
Pledges receivable	600,000	20,000
Grants receivable	2,500,000	2,839,879
Prepaid expenses and other assets	597,987	754,291
Property and equipment, net	9,331,306	9,910,826
Total assets	**$ 66,468,257**	**$ 53,138,337**
Liabilities		
Accounts payable and accrued expenses	$ 3,303,260	$ 1,925,474
Deferred rent	925,351	932,902
Liabilities under annuity agreements	2,680,689	1,960,741
Long-term debt	210,377	461,330
Note payable, other	250,000	250,000
Refundable advance	4,380,847	-
Total liabilities	**11,750,524**	**5,530,447**
Net assets		
Unrestricted (without donor restrictions)	45,954,313	40,971,702
Restricted (with donor restrictions)	8,763,420	6,636,188
Total net assets	**54,717,733**	**47,607,890**
Total liabilities and net assets	**$ 66,468,257**	**$ 53,138,337**

See Independent Auditors' Report and accompanying notes to financial statements.

UNION OF CONCERNED SCIENTISTS, INC.

Statement of Activities

Year Ended September 30, 2020
(with comparative totals for 2019)

	Unrestricted (Without Donor Restrictions)			*Restricted*		
	General	*Board Designated*	*Total*	*(With Donor Restrictions)*	*2020 Total*	*2019 Total*
Operating revenue and other support						
Membership and contributions	$ 26,154,234	$ -	$ 26,154,234	$ 3,319,871	$ 29,474,105	$ 27,227,849
Foundation and other institutional grants	91,250	-	91,250	7,736,371	7,827,621	7,591,605
Net investment return	-	2,882,047	2,882,047	526,870	3,408,917	1,211,615
Realized planned gifts	3,751,858	3,751,858	7,503,716	-	7,503,716	3,099,900
In-kind contributions	100,125	-	100,125	-	100,125	134,916
Other revenue	348,429	-	348,429	-	348,429	231,354
Interfund transfer	204,751	(204,751)	-	-	-	-
Spending policy transfers	1,446,543	(1,446,543)	-	-	-	-
Net assets released from restriction	9,455,880	-	9,455,880	(9,455,880)	-	-
Total operating revenue and other support	**41,553,070**	**4,982,611**	**46,535,681**	**2,127,232**	**48,662,913**	**39,497,239**
Operating expenses						
Programs						
Center for science and democracy	6,245,817	-	6,245,817	-	6,245,817	5,767,823
Climate and energy	15,234,868	-	15,234,868	-	15,234,868	14,952,014
Clean transportation	5,310,438	-	5,310,438	-	5,310,438	5,308,047
Global security	4,404,162	-	4,404,162	-	4,404,162	4,606,394
Federal action campaign team	952,729	-	952,729	-	952,729	911,321
Food and environment	4,045,116	-	4,045,116	-	4,045,116	3,938,840
Legislative	353,205	-	353,205	-	353,205	415,697
Total program expenses	36,546,335	-	36,546,335	-	36,546,335	35,900,136
Supporting services						
Fundraising	2,887,751	-	2,887,751	-	2,887,751	2,811,079
General and administrative	2,118,984	-	2,118,984	-	2,118,984	1,945,541
Total supporting services expenses	5,006,735	-	5,006,735	-	5,006,735	4,756,620
Total operating expenses	**41,553,070**	**-**	**41,553,070**	**-**	**41,553,070**	**40,656,756**
Change in net assets before transfer for capital expenditures	**-**	**4,982,611**	**4,982,611**	**2,127,232**	**7,109,843**	**(1,159,517)**
Spending policy transfer for capital expenditures	-	-	-	-	-	-
Change in net assets	**-**	**4,982,611**	**4,982,611**	**2,127,232**	**7,109,843**	**(1,159,517)**
Net assets, beginning of year	7,837,731	33,133,971	40,971,702	6,636,188	47,607,890	48,767,407
Net assets, end of year	**$ 7,837,731**	**$ 38,116,582**	**$ 45,954,313**	**$ 8,763,420**	**$ 54,717,733**	**$ 47,607,890**

See Independent Auditors' Report and accompanying notes to financial statements.

UNION OF CONCERNED SCIENTISTS, INC.

Statement of Activities

Year Ended September 30, 2019

	Unrestricted (Without Donor Restrictions)			*Restricted*	
	General	*Board Designated*	*Total*	*(With Donor Restrictions)*	*Total*
Operating revenue and other support					
Membership and contributions	$ 25,393,921	$ -	$ 25,393,921	$ 1,833,928	$ 27,227,849
Foundation and other institutional grants	12,646	-	12,646	7,578,959	7,591,605
Net investment return	-	1,016,887	1,016,887	194,728	1,211,615
Realized planned gifts	1,549,950	1,549,950	3,099,900	-	3,099,900
In-kind contributions	134,916	-	134,916	-	134,916
Other revenue	231,354	-	231,354	-	231,354
Interfund transfer	2,876,979	(2,876,979)	-	-	-
Spending policy transfers	1,439,792	(1,439,792)	-	-	-
Net assets released from restriction	9,017,198	-	9,017,198	(9,017,198)	-
Total operating revenue and other support	**40,656,756**	**(1,749,934)**	**38,906,822**	**590,417**	**39,497,239**
Operating expenses					
Programs					
Center for science and democracy	5,767,823	-	5,767,823	-	5,767,823
Climate and energy	14,952,014	-	14,952,014	-	14,952,014
Clean transportation	5,308,047	-	5,308,047	-	5,308,047
Global security	4,606,394	-	4,606,394	-	4,606,394
Federal action campaign team	911,321	-	911,321	-	911,321
Food and environment	3,938,840	-	3,938,840	-	3,938,840
Legislative	415,697	-	415,697	-	415,697
Total program expenses	35,900,136	-	35,900,136	-	35,900,136
Supporting services					
Fundraising	2,811,079	-	2,811,079	-	2,811,079
General and administrative	1,945,541	-	1,945,541	-	1,945,541
Total supporting services expenses	4,756,620	-	4,756,620	-	4,756,620
Total operating expenses	**40,656,756**	**-**	**40,656,756**	**-**	**40,656,756**
Change in net assets before transfer for capital expenditures	**-**	**(1,749,934)**	**(1,749,934)**	**590,417**	**(1,159,517)**
Spending policy transfer for capital expenditures	795,586	(795,586)	-	-	-
Change in net assets	**795,586**	**(2,545,520)**	**(1,749,934)**	**590,417**	**(1,159,517)**
Net assets, beginning of year	7,042,145	35,679,491	42,721,636	6,045,771	48,767,407
Net assets, end of year	**$ 7,837,731**	**$ 33,133,971**	**$ 40,971,702**	**$ 6,636,188**	**$ 47,607,890**

See Independent Auditors' Report and accompanying notes to financial statements.

UNION OF CONCERNED SCIENTISTS, INC.

Statements of Functional Expenses

Years Ended September 30, 2020 and 2019

	2020											
	Programs								Supporting Services			
	Center for Science and Democracy	Climate and Energy	Clean Transportation	Global Security	Federal Action Campaign Team	Food and Environment	Legislative	Total Programs	Fundraising	General and Administrative	Total Supporting Services	Total Operating Expenses
Personnel costs	$ 3,820,539	$ 10,460,727	$ 3,636,757	$ 2,827,491	$ 548,964	$ 2,769,761	$ 234,074	$ 24,298,313	$ 1,483,689	$ 1,535,552	$ 3,019,241	$ 27,317,554
Contractual expenses	831,892	1,300,281	579,565	829,624	192,840	344,979	59,300	4,138,481	339,801	295,038	634,839	4,773,320
Coalition support	62,955	319,921	72,373	58,252	46,276	103,620	2,585	665,982	21,684	3,291	24,975	690,957
Publications and mailing costs	532,192	610,972	108,337	95,390	9,633	90,593	773	1,447,890	655,759	745	656,504	2,104,394
Event costs	105,002	180,425	48,143	47,072	15,571	42,985	1,460	440,658	13,001	1,543	14,544	455,202
Office and equipment expenses	590,944	1,504,968	600,485	325,802	79,258	464,811	43,603	3,609,871	210,743	231,231	441,974	4,051,845
Books, periodicals and online services	158,122	462,449	149,228	127,729	39,946	124,556	4,577	1,066,607	110,819	18,745	129,564	1,196,171
Travel	79,595	222,126	53,005	45,450	12,618	56,921	2,864	472,579	24,631	1,117	25,748	498,327
Fees and interest expense	64,576	172,999	62,545	47,352	7,623	46,890	3,969	405,954	27,624	31,722	59,346	465,300
Total expenses	**$ 6,245,817**	**$ 15,234,868**	**$ 5,310,438**	**$ 4,404,162**	**$ 952,729**	**$ 4,045,116**	**$ 353,205**	**$ 36,546,335**	**$ 2,887,751**	**$ 2,118,984**	**$ 5,006,735**	**$ 41,553,070**

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

See Independent Auditors' Report and accompanying notes to financial statements.

UNION OF CONCERNED SCIENTISTS, INC.

Statements of Cash Flows

Years Ended September 30, 2020 and 2019

	2020	*2019*
Cash flows from operating activities:		
Change in net assets	$ 7,109,843	$ (1,159,517)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	938,022	913,455
Realized and unrealized gain on investments, net	(3,051,717)	(742,300)
Loss on disposal of property and equipment	-	31,451
Changes in certain assets and liabilities:		
Pledges receivable	(580,000)	213,918
Grants receivable	339,879	(627,230)
Prepaid expenses and other assets	156,304	111,610
Accounts payable and accrued expenses	1,377,786	(190,806)
Deferred rent	(7,551)	254,682
Liabilities under annuity agreements	719,948	92,687
Net cash provided by (used in) operating activities	**7,002,514**	**(1,102,050)**
Cash flows from investing activities:		
Purchases of property and equipment	(358,501)	(1,709,036)
Purchases of investments	(4,930,700)	(2,191,406)
Sales of investments	467,813	9,576,013
Net cash provided by (used in) investing activities	**(4,821,388)**	**5,675,571**
Cash flows from financing activities:		
Repayment of long-term debt	(250,953)	(244,727)
Proceeds from refundable advance	4,380,847	-
Net cash provided by (used in) financing activities	**4,129,894**	**(244,727)**
Net increase in cash and cash equivalents	**6,311,020**	**4,328,794**
Cash and cash equivalents, beginning of year	5,271,420	942,626
Cash and cash equivalents, end of year	**$ 11,582,440**	**$ 5,271,420**

See Independent Auditors' Report and accompanying notes to financial statements.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 1 - Nature of Organization

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

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

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

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

Investments

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

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

Fair Value Measurements

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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

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

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

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

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

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

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

Pledges and Grants Receivable

Pledges and grants receivable, including unconditional promises to give, are recognized as receivables when verifiably committed at estimated net realizable value. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Initial recording of contributions expected to be collected in one year or more utilizes a risk adjusted present value to account for the inherent risk associated with the expected future cash flows. The initially recorded value of pledges and grants is considered a Level 2 fair value approach.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

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

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

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

Deferred Rent

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

Liabilities Under Annuity Agreements

UCS enters into charitable gift annuity agreements with donors. Under these arrangements, UCS receives assets and agrees to make scheduled payments to the annuitant(s). The assets received under gift annuity agreements are valued at the fair market value when the assets are received by UCS as trustee, while liabilities equal to the estimated fair value of the obligations using present values of future cash flows expected to be paid to the beneficiaries are recorded based on actuarial expected lives of the beneficiaries. These obligations use Level 2 fair value methods as per the fair value policies described earlier in this section. The difference between the assets received and the obligations recorded is considered contribution revenue and recorded as per the policies below. In addition, certain other like instruments are recorded in this category.

Refundable Advance

Refundable advances relate to amounts advanced under the Paycheck Protection Program as provided under the Federal Coronavirus Aid, Relief and Economic Security Act. Such amounts have been accounted for as obligations given that they have been determined to be a conditional contribution until legally forgiven by the funder. Conditional contributions are recorded as revenue as per the revenue recognition polices in the following section.

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Membership and Contributions

Membership and contributions are recognized as revenues at the earlier of when received or when the donor demonstrates an unconditional commitment to contribute cash or other assets to UCS. Revenue amounts are based on the expected net realizable value of such amounts which includes consideration of ultimate collections and risk adjusted discount rates associated with long-term commitments. Amortization of the discount is included in grants and contributions revenue.

Donor-restricted contributions (that is time, purpose restricted or both) are reported as increases in restricted net assets (with donor restrictions). Contributions without donor restrictions are reported as unrestricted (without donor restrictions). When a restriction expires through the passage of time or the meeting of purpose restrictions, restricted net assets (with donor restrictions) are reclassified to unrestricted net assets (without donor restrictions) and reported in the Statements of Activities as net assets released from restrictions.

All memberships are considered donative and thus have been accounted for as unrestricted contribution revenue (without donor restrictions).

If a contribution is considered conditional, revenues are not recorded until the conditions are met which normally entails the meeting of a barrier, such as a performance obligation or other uncertain event.

Foundations and Other Institutional Grants

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

Realized Planned Gifts

Realized planned gifts include bequests and maturity of gift annuity agreements. Bequests are recognized as revenue when amounts are received, which management has determined is the time uncertainty is eliminated and such realization is assured. Maturity of gift annuity agreements represent gains on those instruments in excess of amounts previously recorded when the annuity obligation is removed from the books.

Net Investment Returns

Net investment returns are reported as revenue based on the fair value of such investments at year end. Such returns are allocated ratably based on the relative proportion of funds invested with donor restrictions and those without donor restrictions. Investment returns allocated to net assets with donor restrictions remain in such category until appropriated by the board under the board approved spending policy unless otherwise required by the terms of the gift that they be added to the principal of the endowment.

Note 2 - Summary of Significant Accounting Policies (Continued)

In-Kind Contributions

Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of physical assets are recognized as unrestricted revenue (without donor restrictions) unless there are explicit donor stipulations that specify how the donated asset must be used in which case such amounts would be considered restricted (with donor restrictions). In-kind contributions for the years ended September 30, 2020 and 2019 are comprised of paid media.

Paid Media

Paid media expenses refer to print or broadcast ads to increase public awareness of issues central to UCS's mission such as renewable energy, clean transportation and climate change. UCS's policy is to expense paid media costs as incurred. These expenses were approximately $807,000 and $969,000 for the years ended September 30, 2020 and 2019, respectively. Included in the paid media expenses is use of an in-kind donation of billboard advertising amounting to approximately $100,000 and $135,000 for the years ended September 30, 2020 and 2019, respectively. Paid media is included in contractual expenses on the Statements of Functional Expenses.

Functional Allocation of Expenses

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

Income Taxes

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Newly Adopted Accounting Pronouncement

In 2020, UCS adopted Accounting Standards Update No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The contribution standard addresses inconsistency in revenue recognition when an item should be considered a contribution versus an exchange transaction. It also provides guidance as to when a contribution should be considered conditional which, for example, the case is often when funds are received and requires specific performance barriers to be met. Conditional contributions have different revenue recognition when compared to nonreciprocal transfers of resources in that amounts are reflected as earned when barriers to entitlement are overcome with any difference being deferred or a receivable as applicable. The contribution standard was applied using the modified retrospective method. This method was applied to transactions that were not complete or had otherwise already been recognized as of the beginning of fiscal year 2020. There was no impact on the 2020 results in adopting this standard. As such, no disclosures have been provided on the effect on the September 30, 2020 financial statements.

Pending Accounting Pronouncements

A number of other accounting standards are pending in future years. Management believes the most significant of these is the lease accounting standard which will require the recording of a right of use asset and right of use obligation for operating leases. Management is currently evaluating this standard which will be effective in the fiscal year 2023. Management does not expect other pending accounting pronouncements to have a significant impact.

Subsequent Events

UCS has evaluated subsequent events through February 17, 2021, the date the financial statements were issued.

On November 13, 2020, UCS was awarded a grant for $15 million from a foundation, which is expected to be used over a two-year term. Full payment was received on November 19, 2020.

Note 3 - Liquidity and Availability

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

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

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

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

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

	2020	*2019*
Financial assets at year end:		
Cash and cash equivalents	$ 11,581,665	$ 5,271,420
Investments convertible to cash in the next 12 months	41,856,525	34,341,921
Pledges receivable	600,000	20,000
Grants receivable	2,500,000	2,839,879
Total financial assets at year end	**$ 56,538,190**	**$ 42,473,220**
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents not encumbered by donor restrictions	$ 9,075,966	$ 3,941,819
Investments not encumbered by donor restrictions	36,018,115	29,934,472
Pledges receivable for general expenditure due in one year or less	400,000	20,000
Grants receivable for general expenditure due in one year or less	2,400,000	2,597,500
Total financial assets available to meet general expenditures over the next 12 months	**$ 47,894,081**	**$ 36,493,791**
Total financial assets with donor restrictions over the next 12 months	**$ 8,644,109**	**$ 5,979,429**

Note 4 - Investments

The purpose of the reserve funds of UCS is to contribute to the long-term financial stability of the organization. The portfolio is managed prudently and productively on a total return basis with a long-term horizon. The investments are diversified between short-term reserves, fixed income securities and equity securities with a long-term target allocation. UCS utilizes professional investment advisory services to manage the portfolio. In its choice of investments and investment managers, UCS considers the broad environmental mission of the organization as well as the need for strong financial performance. To align with the organization's responsibility for the environment, UCS screens for and mitigates its exposure to investments in carbon intensive companies. The UCS Investment Policy Statement directs the Investment Committee to screen for and mitigate exposure to carbon intensive companies. Following this policy, UCS has built an investment portfolio that includes 1% or less of total carbon intensive investments for the years ended September 30, 2020 and 2019.

Investments consist of the following at September 30:

	2020	*2019*
Equity Funds	$ 23,962,799	$ 19,474,706
Bond Funds	15,759,030	13,107,511
Money Market Funds	783,637	674,142
Liquid Alternatives	1,351,058	1,085,562
	$ 41,856,524	**$ 34,341,921**

Included in investments are investments held on behalf of gift annuities, which total $5,161,130 and $3,774,857 at September 30, 2020 and 2019, respectively. All investments are valued at Level 1, but for liquid alternatives which are at NAV. Liquid alternatives generally have a redemption notice period of thirty days. UCS has no plans or intentions to liquidate any NAV practical expedient investment at other than NAV per share. Under unusual circumstances, fund managers can reserve the right to limit distributions to shareholders, however UCS has not experienced any changes or limits over fund distributions.

Investment returns were $3,369,989 and $1,183,726 for the years ended September 30, 2020 and 2019, respectively.

Note 5 - Grants Receivable

Grants receivable consist of the following at September 30:

	2020	*2019*
Due within a year	$ 2,400,000	$ 2,597,500
Due between one and five years, net of discount	100,000	242,379
Net grants receivable	**$ 2,500,000**	**$ 2,839,879**

Note 6 - Property and Equipment

Property and equipment consist of the following at September 30:

	2020	2019
Building and leasehold improvements	$ 12,801,023	$ 12,755,047
Equipment, furniture and fixtures	5,183,094	4,877,021
Total property and equipment	17,984,117	17,632,068
Less: accumulated depreciation and amortization	8,652,811	7,721,242
Property and equipment, net	**$ 9,331,306**	**$ 9,910,826**

Note 7 - Line of Credit and Other Debt Instruments

Line of Credit Agreement

UCS has a line of credit agreement with a bank that provides for borrowings of up to $5,000,000. Borrowings under the agreement are due on demand and bear interest at the prime rate, plus one-half percent, with a minimum rate of 4.5%. Borrowings are collateralized by a security interest in substantially all UCS's assets. There were no amounts outstanding under this agreement at September 30, 2020 and 2019. The line of credit is subject to annual renewal.

Long-Term Debt

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

The balance of $210,377 in long-term debt matures during the year ending September 30, 2021.

Interest expense was approximately $9,000 and $15,000 for the years ended September 30, 2020 and 2019, respectively. Cash paid for interest was approximately equivalent to these amounts.

Note Payable, Other

UCS has a non-interest bearing note in the amount of $250,000 from an individual. The note is payable upon request and may be converted to a contribution upon the death or other action of this party. The balance outstanding on the loan was $250,000 for each of the years ended September 30, 2020 and 2019. Subsequent to year end, the note payable obligation was released and the amount was recognized as a contribution.

Note 8 - Refundable Advance

UCS applied for and received a forgivable Paycheck Protection Loan of $4,380,847 as provided under the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act. The loan was funded in August 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs among other requirements. UCS anticipates using all of the proceeds for eligible costs and expects the entire amount to be forgiven in fiscal year 2021. Management determined it would be prudent to defer any recognition of revenue associated with the program until legal forgiveness is attained. A formal request for forgiveness is expected to be submitted by March 2021.

Note 9 - Net Assets

Unrestricted Net Assets (Without Donor Restrictions)

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

	2020	*2019*
Board designated and other	$ 36,833,384	$ 31,522,206
Net investment in property and equipment	9,120,929	9,449,496
	$ 45,954,313	**$ 40,971,702**

Net Assets Released from Restriction

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

	2020	*2019*
Center for Science and Democracy Program	$ 1,260,608	$ 1,402,264
Climate and Energy Program	4,397,505	3,856,286
Clean Transportation Program	2,223,200	1,597,737
Global Security Program	798,231	685,417
Food and Environment Program	620,375	795,541
Federal Action Campaign Team	1,000	7,000
Cross Programmatic Collaboration	61,667	406,667
Other purpose and time restrictions	93,294	266,286
	$ 9,455,880	**$ 9,017,198**

Note 9 - Net Assets (Continued)

Restricted Net Assets (With Donor Restrictions)

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

	2020	2019
Purpose and time restricted		
Center for Science and Democracy Program	$ 747,092	$ 627,250
Climate and Energy Program	2,474,432	2,347,832
Clean Transportation Program	3,193,035	1,494,984
Global Security Program	367,917	664,583
Food and Environment Program	206,667	627,042
Federal Action Campaign Team	-	1,000
Cross Programmatic Collaboration	-	16,667
Other purpose and time restrictions	1,341,115	455,735
Total purpose and time restricted	8,330,258	6,235,093
Accumulated unspent gains on endowment net assets	247,727	215,660
Endowment corpus	185,435	185,435
Total endowment	433,162	401,095
	$ 8,763,420	**$ 6,636,188**

Note 10 - Board Designated Funds and Endowment

Board Designated Funds

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

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

Note 10 - Board Designated Funds and Endowment (Continued)

Board Designated Funds (Continued)

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

- Funds available for capital expenditure from the board designated reserves to cover current year fixed asset additions, net of depreciation.

- Additional use of the reserve to support operations as needed.

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

Balance at September 30, 2018	$ 35,679,491
Investment return, net	1,016,887
Spending policy	(1,439,792)
Realized planned gifts allocable to board designated funds	1,549,950
Transfer for capital expenditures	(795,586)
Additional use in operations	(2,876,979)
Balance at September 30, 2019	33,133,971
Investment return, net	2,882,047
Spending policy	(1,446,543)
Realized planned gifts allocable to board designated funds	3,751,858
Transfer for capital expenditures	-
Additional use in operations	(204,751)
Balance at September 30, 2020	**$ 38,116,582**

Endowment

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

Note 10 - Board Designated Funds and Endowment (Continued)

Endowment (Continued)

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

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

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

Balance at September 30, 2018	$	387,923
Investment return, net		13,172
Balance at September 30, 2019		401,095
Investment return, net		32,067
Balance at September 30, 2020	**$**	**433,162**

Note 11 - Leases

UCS leases office facilities under non-cancelable operating lease agreements that expire at various dates through July 2028. Such leases include provisions for escalation for increases in operating costs to be passed through as additional rent. UCS subleases certain space from time to time, but such amounts are not considered significant. Rent expense was approximately $2,187,000 and $2,210,000 for the years ended September 30, 2020 and 2019, respectively.

Note 11 - Leases (Continued)

Aggregate approximate future minimum lease obligations and lease rentals under non-cancelable operating leases are as follows at September 30, 2020:

Years Ending	*Lease Commitments*
2021	$ 2,158,201
2022	2,208,509
2023	2,220,225
2024	2,149,841
2025	1,997,643
Thereafter	2,239,070
	$ 12,973,489

Note 12 - Retirement Plan

UCS has a qualified defined contribution retirement plan (the "plan") organized under Internal Revenue Service Code Section 403(b). UCS contributes 8% of salaries and wages for employees after the completion of one year of service. UCS funds the plan on a semi-monthly basis and once contributions commence they are vested. Employees are also allowed to make elective deferrals to the plan upon employment subject to regulatory limits. Expenses incurred under this plan amounted to $1,487,786 and $1,334,846 for the years ended September 30, 2020 and 2019, respectively. While UCS expects to continue the plan indefinitely, it has reserved the right to modify, amend or terminate the plan.

Note 13 - Allocation of Joint Costs

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

	2020	*2019*
Center for Science and Democracy	$ 493,841	$ 459,558
Climate and Energy	465,034	396,384
Clean Transportation	-	56,980
Global Security	-	4,955
Total	958,875	917,877
Fundraising	674,916	675,092
Total joint costs	**$ 1,633,791**	**$ 1,592,969**

Note 14 - Significant Donors

Contributions from one donor amounted to approximately 9% of total operating revenue for the year ended September 30, 2019. There were no significant concentrations of donors for the year ended September 30, 2020.

Note 15 - Risks and Uncertainties

Management is currently unable to accurately forecast the future impact on revenues resulting from the Coronavirus (COVID-19) pandemic. The COVID-19 pandemic has had minimal impact on UCS's operations through the date of this report. However, it is possible that future financial results and operations may be materially impacted by the uncertainties of the pandemic's duration and global economic impact.