



Financial Statements
Union of Concerned Scientists, Inc.
September 30, 2023 and 2022



UNION OF CONCERNED SCIENTISTS, INC.

Financial Statements

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Union of Concerned Scientists, Inc. ("UCS"), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UCS as of September 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UCS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, UCS changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective October 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UCS's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 UCS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UCS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Maye Haffman McCann P.C.

Boston, Massachusetts
February 28, 2024

UNION OF CONCERNED SCIENTISTS, INC.

Statements of Financial Position

September 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 6,341,829	\$ 13,351,543
Investments	54,071,825	48,855,920
Pledges receivable	500,000	40,000
Grants receivable	787,632	514,326
Prepaid expenses and other assets	1,002,996	699,077
Right-of-use assets	5,335,991	-
Property and equipment, net	<u>7,446,997</u>	<u>8,106,504</u>
Total assets	<u>\$ 75,487,270</u>	<u>\$ 71,567,370</u>
Liabilities		
Accounts payable and accrued expenses	\$ 4,665,417	\$ 3,270,006
Lease liability	5,929,552	-
Deferred rent	-	762,074
Liabilities under annuity agreements	<u>2,977,184</u>	<u>2,880,353</u>
Total liabilities	<u>13,572,153</u>	<u>6,912,433</u>
Net assets		
Unrestricted (without donor restrictions)	58,918,871	58,611,960
Restricted (with donor restrictions)	<u>2,996,246</u>	<u>6,042,977</u>
Total net assets	<u>61,915,117</u>	<u>64,654,937</u>
Total liabilities and net assets	<u>\$ 75,487,270</u>	<u>\$ 71,567,370</u>

UNION OF CONCERNED SCIENTISTS, INC.

Statement of Activities

Year Ended September 30, 2023
(with comparative totals for 2022)

	<i>Unrestricted (Without Donor Restrictions)</i>			<i>Restricted</i>	2023	2022
	<i>General</i>	<i>Board Designated</i>	<i>Total</i>	<i>(With Donor Restrictions)</i>		
Operating revenue and other support						
Membership and contributions	\$ 24,530,820	\$ -	\$ 24,530,820	\$ 6,421,877	\$ 30,952,697	\$ 30,249,810
Foundation and other institutional grants	742,174	-	742,174	5,656,870	6,399,044	4,209,331
Net investment return (loss)	-	5,604,070	5,604,070	677,539	6,281,609	(9,273,581)
Change in annuity agreements	(922,230)	-	(922,230)	-	(922,230)	609,304
Realized planned gifts	1,938,649	1,938,649	3,877,298	-	3,877,298	12,736,382
In-kind contributions	-	-	-	-	-	134,200
Other revenue	66,189	-	66,189	-	66,189	89,055
Interfund Transfer	1,951,957	(1,951,957)	-	-	-	-
Net assets released from restriction	15,803,017	-	15,803,017	(15,803,017)	-	-
Total operating revenue and other support	44,110,576	5,590,762	49,701,338	(3,046,731)	46,654,607	38,754,501
Operating expenses						
Programs						
Center for science and democracy	8,643,964	-	8,643,964	-	8,643,964	13,080,966
Climate and energy	20,433,796	-	20,433,796	-	20,433,796	17,757,407
Clean transportation	6,737,910	-	6,737,910	-	6,737,910	7,961,134
Global security	4,770,655	-	4,770,655	-	4,770,655	3,983,640
Federal action campaign team	-	-	-	-	-	738,410
Food and environment	3,729,530	-	3,729,530	-	3,729,530	4,454,579
Legislative	99,167	-	99,167	-	99,167	372,844
Total program expenses	44,415,022	-	44,415,022	-	44,415,022	48,348,980
Supporting services						
Fundraising	1,988,432	-	1,988,432	-	1,988,432	3,179,808
General and administrative	2,990,973	-	2,990,973	-	2,990,973	2,981,827
Total supporting services expenses	4,979,405	-	4,979,405	-	4,979,405	6,161,635
Total operating expenses	49,394,427	-	49,394,427	-	49,394,427	54,510,615
Change in net assets	(5,283,851)	5,590,762	306,911	(3,046,731)	(2,739,820)	(15,756,114)
Net assets, beginning of year	8,060,164	50,551,796	58,611,960	6,042,977	64,654,937	80,411,051
Net assets, end of year	\$ 2,776,313	\$ 56,142,558	\$ 58,918,871	\$ 2,996,246	\$ 61,915,117	\$ 64,654,937

UNION OF CONCERNED SCIENTISTS, INC.

Statement of Activities

Year Ended September 30, 2022

	<u>Unrestricted (Without Donor Restrictions)</u>			<u>Restricted</u>	<u>Total</u>
	<u>General</u>	<u>Board Designated</u>	<u>Total</u>	<u>(With Donor Restrictions)</u>	
Operating revenue and other support					
Membership and contributions	\$ 23,928,166	\$ -	\$ 23,928,166	\$ 6,321,644	\$ 30,249,810
Foundation and other institutional grants	5,000	-	5,000	4,204,331	4,209,331
Net investment return	-	(8,195,904)	(8,195,904)	(1,077,677)	(9,273,581)
Change in annuity agreements	609,304	-	609,304	-	609,304
Realized planned gifts	4,483,133	8,253,249	12,736,382	-	12,736,382
In-kind contributions	134,200	-	134,200	-	134,200
Other revenue	89,055	-	89,055	-	89,055
Interfund transfer	-	-	-	-	-
Net assets released from restriction	25,261,757	-	25,261,757	(25,261,757)	-
Total operating revenue and other support	54,510,615	57,345	54,567,960	(15,813,459)	38,754,501
Operating expenses					
Programs					
Center for science and democracy	13,080,966	-	13,080,966	-	13,080,966
Climate and energy	17,757,407	-	17,757,407	-	17,757,407
Clean transportation	7,961,134	-	7,961,134	-	7,961,134
Global security	3,983,640	-	3,983,640	-	3,983,640
Federal action campaign team	738,410	-	738,410	-	738,410
Food and environment	4,454,579	-	4,454,579	-	4,454,579
Legislative	372,844	-	372,844	-	372,844
Total program expenses	48,348,980	-	48,348,980	-	48,348,980
Supporting services					
Fundraising	3,179,808	-	3,179,808	-	3,179,808
General and administrative	2,981,827	-	2,981,827	-	2,981,827
Total supporting services expenses	6,161,635	-	6,161,635	-	6,161,635
Total operating expenses	54,510,615	-	54,510,615	-	54,510,615
Change in net assets	-	57,345	57,345	(15,813,459)	(15,756,114)
Net assets, beginning of year	8,060,164	50,494,451	58,554,615	21,856,436	80,411,051
Net assets, end of year	\$ 8,060,164	\$ 50,551,796	\$ 58,611,960	\$ 6,042,977	\$ 64,654,937

UNION OF CONCERNED SCIENTISTS, INC.

Statements of Functional Expenses

Years Ended September 30, 2023 and 2022

	2023											
	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	\$ 4,557,944	\$ 14,844,228	\$ 4,701,383	\$ 3,622,398	\$ -	\$ 2,666,597	\$ 6,878	\$ 30,399,428	\$ 420,777	\$ 827,980	\$ 1,248,757	\$ 31,648,185
Contractual expenses	2,876,857	1,910,071	788,358	341,793	-	410,651	65,117	6,392,847	375,157	740,044	1,115,201	7,508,048
Coalition support	114,649	517,815	296,299	63,474	-	56,900	3,000	1,052,137	1,081	2,127	3,208	1,055,345
Publications and mailing costs	396,110	684,191	244,633	78,020	-	140,991	20,387	1,564,332	435,951	8,736	444,687	2,009,019
Event costs	93,261	276,682	84,567	119,346	-	47,731	1,254	622,841	11,921	7,936	19,857	642,698
Office and equipment expenses	339,577	1,134,794	341,385	283,052	-	202,258	-	2,301,066	559,901	1,090,298	1,650,199	3,951,265
Books, periodicals and online services	147,874	508,085	150,850	135,470	-	104,190	-	1,046,469	75,556	111,196	186,752	1,233,221
Travel	93,661	477,660	106,463	107,125	-	86,682	2,531	874,122	66,812	19,697	86,509	960,631
Fees and interest expense	24,031	80,270	23,972	19,977	-	13,530	-	161,780	41,276	182,959	224,235	386,015
Total expenses	\$ 8,643,964	\$ 20,433,796	\$ 6,737,910	\$ 4,770,655	\$ -	\$ 3,729,530	\$ 99,167	\$ 44,415,022	\$ 1,988,432	\$ 2,990,973	\$ 4,979,405	\$ 49,394,427
	2022											
	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	\$ 4,352,896	\$ 10,908,328	\$ 4,493,234	\$ 2,586,071	\$ 478,284	\$ 2,759,589	\$ 237,567	\$ 25,815,969	\$ 1,682,513	\$ 2,386,208	\$ 4,068,721	\$ 29,884,690
Contractual expenses	7,127,414	1,988,329	1,026,816	604,307	115,300	648,870	66,038	11,577,074	365,220	209,522	574,742	12,151,816
Coalition support	152,066	2,254,278	1,210,765	99,891	28,163	191,306	8,615	3,945,084	26,265	17,226	43,491	3,988,575
Publications and mailing costs	531,772	509,586	194,131	94,261	9,007	201,222	752	1,540,731	814,811	2,262	817,073	2,357,804
Event costs	91,822	99,769	45,575	35,544	5,227	34,164	9,082	321,183	7,437	2,786	10,223	331,406
Office and equipment expenses	518,647	1,294,764	654,454	326,217	64,671	388,527	37,089	3,284,369	178,656	296,427	475,083	3,759,452
Books, periodicals and online services	199,119	450,973	221,857	159,557	28,688	166,501	3,731	1,230,426	61,970	33,043	95,013	1,325,439
Travel	57,361	120,069	57,788	43,630	4,112	30,455	7,006	320,421	22,018	2,922	24,940	345,361
Fees and interest expense	49,869	131,311	56,514	34,162	4,958	33,945	2,964	313,723	20,918	31,431	52,349	366,072
Total expenses	\$ 13,080,966	\$ 17,757,407	\$ 7,961,134	\$ 3,983,640	\$ 738,410	\$ 4,454,579	\$ 372,844	\$ 48,348,980	\$ 3,179,808	\$ 2,981,827	\$ 6,161,635	\$ 54,510,615

UNION OF CONCERNED SCIENTISTS, INC.

Statements of Cash Flows

Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (2,739,820)	\$ (15,756,114)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	662,691	754,299
Non-cash lease expense	1,586,111	-
Realized and unrealized loss (gain) on investments, net	(6,031,657)	9,319,092
Changes in certain assets and liabilities:		
Pledges receivable	(460,000)	960,000
Grants receivable	(273,306)	2,314,419
Prepaid expenses and other assets	(303,919)	3,538,201
Accounts payable and accrued expenses	1,395,411	(1,022,431)
Other liabilities	-	(3,600,000)
Deferred rent	-	(106,734)
Operating lease liability	(1,754,624)	-
Liabilities under annuity agreements	96,831	(753,093)
	(7,822,282)	(4,352,361)
Net cash used in operating activities		
Cash flows from investing activities:		
Cash paid for purchases of property and equipment	(3,184)	(199,528)
Cash paid for purchases of investments	(7,655,868)	(12,068,807)
Cash received from sales and maturities of investments	8,471,620	16,082,701
	812,568	3,814,366
Net cash provided by investing activities		
Net change in cash and cash equivalents	(7,009,714)	(537,995)
Cash and cash equivalents, beginning of year	13,351,543	13,889,538
	\$ 6,341,829	\$ 13,351,543
Cash and cash equivalents, end of year		

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 businesspeople, 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.

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 those resources be maintained in perpetuity.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

Investments

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

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

Fair Value Measurements

UCS reports certain assets and liabilities at fair value on a recurring and non-recurring basis depending on the underlying accounting policy for the 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 observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect UCS's market assumptions.

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

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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

Level 1 - Quoted market prices in active markets for identical assets or liabilities. For example, quoted prices for identical assets that are 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 receivable 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.

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.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

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

Leases

UCS leases certain space under an operating lease arrangement through July 2028. Lease expense is recognized on the straight-line basis over the lease term.

Effective October 1, 2022, UCS adopted changes required in lease accounting on the modified retrospective method which requires that operating leases be included as operating lease right-of-use ("ROU") assets, and operating lease liabilities on the accompanying Statement of Financial Position as of the date of adoption. The effect of this change was an increase in right-of-use assets of \$6,938,637 and a corresponding liability of \$7,684,177 being recorded as of October 1, 2022. Excluded from ROU assets at inception were deferred rent and lease incentives of \$762,074. This change did not impact amounts recognized in the Statement of Activities. Management determined that any lease extension periods should not be included in the adoption given the uncertainty associated with those future renewals.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As UCS' leases do not provide an implicit rate, UCS uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments.

UCS has included in its computations of its ROU assets and related obligations operating costs included in the base rent agreement of its office space as a single component as permitted under lease accounting standards. These costs are adjusted periodically based on actual period costs and are charged to lease expense as incurred. Lease expense was approximately \$2,215,000 and \$2,157,000 for the years ended September 30, 2023, and 2022, respectively.

Deferred Rent

Deferred rent applies to the 2022 presentation which in this case represented the accrual of rents on the straight-line basis over the lease term. As indicated above, amounts are now accounted for within the lease accounting standards above.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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 recorded at the fair market value when the assets are received by UCS as trustee, while liabilities are recorded based on actuarial expected lives of the beneficiaries which is likewise a fair value measure using level 2 fair value methods as indicated in 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. Liabilities under these agreements are adjusted annually based on current actuarial expectations associated with the underlying annuitants.

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 restriction.

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.

Foundation and Other Institutional Grants

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

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Realized Planned Gifts

Realized planned gifts include bequests and maturity of gift annuity agreements. Bequests are recognized as revenue when amounts are received, which management has determined is the time uncertainty is eliminated and such realization is assured. 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 Return (Loss)

Net investment (loss) return is 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.

Change in Value of Annuity Agreements

Change in value to split interest represents the effect of actuarial updates in measurement of liabilities under annuity agreements, return on underlying investments and the effect of certain agreements being classified into realized planned gifts.

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, 2023 and 2022 are comprised of media and have been recorded at their estimated fair value using Level 3 methods. Given the limited amounts of in-kind contributions management has determined that further detailed disclosures are not necessary.

Media

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 media costs as incurred. These expenses were approximately \$538,000 and \$995,000 for the years ended September 30, 2023 and 2022, respectively. Included in media expenses is an in-kind donation of billboard advertising amounting to approximately \$0 and \$134,000 for the years ended September 30, 2023, and 2022, respectively. Media is included in contractual expenses on the Statements of Functional Expenses.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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.

Pending Accounting Pronouncements

Management is not aware of any pending standards that it believes would have a material impact on UCS and, accordingly, have not outlined those standards here.

Subsequent Events

UCS has evaluated subsequent events through February 28, 2024, the date the financial statements were issued and determined no matters for adjustment or disclosure were required. Management determined that no items required adjustment or disclosure within these financial statements.

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

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.

Board designated funds are included in the financial assets available to meet general expenditures over the next twelve months. 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:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 6,341,829	\$ 13,351,543
Investments convertible to cash in the next 12 months	54,071,825	48,855,920
Pledges receivable	500,000	40,000
Grants receivable	787,632	514,326
	<u>787,632</u>	<u>514,326</u>
Total financial assets at year end	\$ <u>61,701,286</u>	\$ <u>62,761,789</u>
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents not encumbered by donor restrictions	\$ 6,341,829	\$ 11,503,149
Investments not encumbered by donor restrictions	48,485,482	42,335,310
Pledges receivable for general expenditure due in one year or less	375,000	40,000
Grants receivable for general expenditure due in one year or less	769,167	477,500
	<u>769,167</u>	<u>477,500</u>
Total financial assets available to meet general expenditures over the next 12 months	\$ <u>55,971,478</u>	\$ <u>54,355,959</u>
Total financial assets with donor restrictions over the next 12 months	\$ <u>5,729,808</u>	\$ <u>8,405,830</u>

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 4 - Investments

UCS utilizes professional investment advisory services to manage the portfolio using a long-term horizon. In its choice of investments and investment managers, UCS considers the broad environmental mission as well as the need for strong financial performance. To align with UCS' responsibility for the environment, UCS screens for and mitigates its exposure to investments in carbon intensive entities seeking to have 1% or less of its investments in these types of companies.

Investments consist of the following at September 30:

	2023	2022
Equity Funds	\$ 31,107,715	\$ 26,426,708
Bond Funds	20,186,553	19,952,476
Money Market Funds	1,034,119	991,380
Liquid Alternatives	<u>1,743,438</u>	<u>1,485,356</u>
	<u>\$ 54,071,825</u>	<u>\$ 48,855,920</u>

Included in investments are investments held on behalf of gift annuities, which total \$6,205,635 and \$5,282,801 at September 30, 2023 and 2022, respectively.

All investments are valued using Level 1 methods, 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. There were no unfunded commitments under various investment vehicles at September 30, 2023 or 2022.

Note 5 - Grants Receivable

Grants receivable consist of the following at September 30:

	2023	2022
Due within a year	\$ 769,167	\$ 477,500
Due between one and five years, net of discount	<u>18,465</u>	<u>36,826</u>
Net grants receivable	<u>\$ 787,632</u>	<u>\$ 514,326</u>

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 6 - Property and Equipment

Property and equipment consist of the following at September 30:

	2023	2022
Building and leasehold improvements	\$ 12,801,023	\$ 12,801,023
Equipment, furniture and fixtures	<u>5,551,071</u>	<u>5,547,889</u>
Total property and equipment	18,352,094	18,348,912
Less: accumulated depreciation and amortization	<u>10,905,097</u>	<u>10,242,408</u>
Property and equipment, net	<u>\$ 7,446,997</u>	<u>\$ 8,106,504</u>

Note 7 - Line of Credit

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, 2023 and 2022. The line of credit is subject to annual renewal.

Note 8 - Leases

UCS operating leases have the following other information as follows for the year ended September 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities	\$ 2,067,338
Weighted average remaining lease term	3.28 years
Weighted average discount rate	4.50%

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 8 - Leases (Continued)

Approximate annual minimum non-cancelable rental payments under the operating lease agreements are as follows at September 30:

2024	\$	2,149,841
2025		1,997,640
2026		1,376,139
2027		468,267
2028		394,665
Thereafter		<u>-</u>
Total future minimum lease payments		6,386,552
Less imputed interest		<u>(457,000)</u>
Total	\$	<u><u>5,929,552</u></u>

UCS does not have any financing leases.

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:

	2023	2022
Board designated and other	\$ 51,471,874	\$ 50,505,456
Net investment in property and equipment	<u>7,446,997</u>	<u>8,106,504</u>
	<u><u>\$ 58,918,871</u></u>	<u><u>\$ 58,611,960</u></u>

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 9 - Net Assets (Continued)

Net Assets Released from Restriction

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

	2023	2022
Center for Science and Democracy Program	\$ 4,551,771	\$ 7,579,379
Climate and Energy Program	6,159,373	9,665,189
Clean Transportation Program	3,613,714	6,407,847
Global Security Program	504,583	449,083
Food and Environment Program	811,750	745,545
Other purpose and time restrictions	161,826	414,714
	\$ 15,803,017	\$ 25,261,757

Restricted Net Assets (With Donor Restrictions)

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

	2023	2022
<i>Purpose and time restricted</i>		
Center for Science and Democracy Program	\$ 12,500	\$ 318,971
Climate and Energy Program	725,000	2,503,308
Clean Transportation Program	275,000	1,631,964
Global Security Program	-	89,583
Food and Environment Program	40,000	431,250
Other purpose and time restrictions	1,486,155	660,166
Total purpose and time restricted	2,538,655	5,635,242
<i>Accumulated unspent gains on endowment net assets</i>		
	272,156	222,300
<i>Endowment corpus</i>		
	185,435	185,435
Total endowment	457,591	407,735
	\$ 2,996,246	\$ 6,042,977

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

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 earned.
- 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.
- 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, 2021	\$ 50,494,451
Investment return, net	(8,195,904)
Realized planned gifts allocable to board designated funds	<u>8,253,249</u>
Balance at September 30, 2022	50,551,796
Investment return, net	5,604,070
Realized planned gifts allocable to board designated funds	1,938,649
Withdrawal from board designated funds	<u>(1,951,957)</u>
Balance at September 30, 2023	\$ <u><u>56,142,558</u></u>

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 10 - Board Designated Funds and Endowment (Continued)

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.

In accordance with UPMIFA, UCS considers the following factors in deciding 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, 2021	\$	505,467
Investment return, net		<u>(97,732)</u>
Balance at September 30, 2022		407,735
Investment return, net		<u>49,856</u>
Balance at September 30, 2023	\$	<u>457,591</u>

UNION OF CONCERNED SCIENTISTS, INC.

Notes to Financial Statements

Note 11 - Retirement Plan

UCS has a qualified defined contribution retirement plan (the “plan”) organized under Internal Revenue Service Code Section 403(b). UCS contributes 8% of salaries and wages for employees after the completion of one year of service. UCS funds the plan on a semi-monthly basis and once contributions commence, they are vested. Employees are also allowed to make elective deferrals to the plan upon employment subject to regulatory limits. Expenses incurred under this plan amounted to \$1,538,289 and \$1,568,408 for the years ended September 30, 2023 and 2022, respectively. While UCS expects to continue the plan indefinitely, it has reserved the right to modify, amend or terminate the plan.

Note 12 - Allocation of Joint Costs

UCS conducts joint activities that include fundraising appeals. Those activities primarily include direct mail campaigns. These costs are allocated between program costs and fundraising costs using a percentage method based on the number of lines in each campaign.

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

	2023	2022
Center for Science and Democracy	\$ 434,447	\$ 529,357
Climate and Energy	560,612	289,338
Clean Transportation	219,417	100,282
Global Security	10,971	8,220
Food and Environment	<u>160,175</u>	<u>154,533</u>
Total	1,385,622	1,081,730
Fundraising	<u>466,262</u>	<u>762,800</u>
Total joint costs	<u>\$ 1,851,884</u>	<u>\$ 1,844,530</u>

Note 13 - Significant Donors

Contributions from one donor amounted to approximately 15% of total contributed support for the year ended September 30, 2022. No donor exceeded 10% of total contributed support for the year ended September 30, 2023.