

CENTER FOR SCIENCE IN THE PUBLIC INTEREST
CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2022 AND 2021



Strategic, Smart and **Wonderfully Human**

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

INDEX

JUNE 30, 2022 AND 2021

	Page
Independent Auditors' Report	1-2
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Functional Expenses	5-6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-19



Matthews
Carter & Boyce™
CPAs • Advisors

Strategic,
Smart and
Wonderfully Human

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Center for Science in the Public Interest, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Center for Science in the Public Interest as of June 30, 2022 and 2021, and the changes in 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 Center for Science in the Public Interest 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 Center for Science in the Public Interest'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Center for Science in the Public Interest'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.

A handwritten signature in cursive script that reads "Matthew, Carter and Boye".

Fairfax, Virginia
May 12, 2023

CENTER FOR SCIENCE IN THE PUBLIC INTEREST
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

ASSETS	2022	2021	LIABILITIES AND NET ASSETS	2022	2021
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents	\$ 5,852,587	\$ 6,218,371	Accounts payable	\$ 391,198	\$ 233,129
Investments - current portion:			Accrued payroll and leave	1,148,321	940,967
Certificates of deposit	4,471,625	1,060,457	Subgrant liability	491,570	1,099,776
U.S. agency securities	2,542,024	1,510,106	Charitable gift annuity liability, current portion	20,970	20,970
Accounts receivable - trade, net	70,301	54,315	Lease liability - operating lease, current portion	187,010	-
Grants, bequests and contributions receivable	5,455,000	76,577	Total Current Liabilities	<u>\$ 2,239,069</u>	<u>\$ 2,294,842</u>
List rent receivable, net	40,998	47,362			
Other receivables	-	697	OTHER LIABILITIES:		
Direct mail supplies	359,148	120,506	Deferred membership dues	\$ 2,636,074	\$ 2,764,731
Prepaid expenses	175,240	159,218	Deferred rent	-	129,884
Total Current Assets	<u>\$ 18,966,923</u>	<u>\$ 9,247,609</u>	Deferred compensation liabilities	328,945	746,819
			Sublease deposit	-	7,002
INVESTMENTS, LONG-TERM:			Charitable gift annuity liability, net of current portion	117,791	122,793
U.S. agency securities	\$ 963,693	\$ 146,508	Lease liability - operating lease, net of current portion	5,982,257	-
Mutual funds	6,968,371	5,687,876	Total Other Liabilities	<u>\$ 9,065,067</u>	<u>\$ 3,771,229</u>
Money market fund	44,136	52,974			
Stock	1,277	1,307	TOTAL LIABILITIES	<u>\$ 11,304,136</u>	<u>\$ 6,066,071</u>
Certificates of deposit	10,879,644	5,583,502			
Total Investments, Long-Term	<u>\$ 18,857,121</u>	<u>\$ 11,472,167</u>			
			NET ASSETS:		
PROPERTY AND EQUIPMENT, AT COST:			Without donor restrictions:		
Furniture and equipment	\$ 28,866	\$ 270,802	Operating	\$ 17,977,027	\$ 7,123,124
Leasehold improvements	1,529,663	1,223,706	Board-designated reserve fund	1,000,000	1,000,000
Less, accumulated depreciation	(54,360)	(1,494,508)	Foreign currency translation adjustment from Canadian operations	849,359	850,052
Property and Equipment - Net	<u>\$ 1,504,169</u>	<u>\$ -</u>	Total Without Donor Restriction	<u>\$ 19,826,386</u>	<u>\$ 8,973,176</u>
			With donor restrictions	13,314,218	6,593,745
OTHER ASSETS:			Total Net Assets	<u>\$ 33,140,604</u>	<u>\$ 15,566,921</u>
Deposits	\$ 75,784	\$ 166,397			
Deferred compensation assets	328,945	746,819			
Right-of-use asset - operating lease	4,711,798	-			
Total Other Assets	<u>\$ 5,116,527</u>	<u>\$ 913,216</u>			
TOTAL ASSETS	<u><u>\$ 44,444,740</u></u>	<u><u>\$ 21,632,992</u></u>	TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 44,444,740</u></u>	<u><u>\$ 21,632,992</u></u>

The accompanying notes are an integral part of these statements.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Membership dues	\$ 4,420,163	\$ -	\$ 4,420,163	\$ 4,838,528	\$ -	\$ 4,838,528
Contributions	20,984,720	-	20,984,720	5,689,942	-	5,689,942
Foundation grants	5,000	12,951,956	12,956,956	624,732	1,570,469	2,195,201
Publication sales	133,522	-	133,522	171,087	-	171,087
Investment interest and dividends	202,571	-	202,571	166,060	-	166,060
Net realized and unrealized gains (losses) on investments	(2,410,435)	-	(2,410,435)	1,640,856	-	1,640,856
Royalty income	200,309	-	200,309	234,681	-	234,681
Litigation income	214,645	-	214,645	103,000	-	103,000
Other income	180,574	-	180,574	192,125	-	192,125
Net assets released from restrictions:						
Satisfaction of program restrictions	6,231,483	(6,231,483)	-	8,163,798	(8,163,798)	-
Total Support and Revenue	<u>\$ 30,162,552</u>	<u>\$ 6,720,473</u>	<u>\$ 36,883,025</u>	<u>\$ 21,824,809</u>	<u>\$ (6,593,329)</u>	<u>\$ 15,231,480</u>
EXPENSES:						
Program Services:						
Public education	\$ 3,884,536	\$ -	\$ 3,884,536	\$ 3,366,552	\$ -	\$ 3,366,552
Nutrition Action Healthletter	3,307,532	-	3,307,532	3,171,402	-	3,171,402
Special projects	8,843,429	-	8,843,429	10,431,759	-	10,431,759
Total Program Services	<u>\$ 16,035,497</u>	<u>\$ -</u>	<u>\$ 16,035,497</u>	<u>\$ 16,969,713</u>	<u>\$ -</u>	<u>\$ 16,969,713</u>
Supporting Services:						
Membership development	\$ 1,805,657	\$ -	\$ 1,805,657	\$ 1,578,751	\$ -	\$ 1,578,751
Management and general	223,830	-	223,830	194,226	-	194,226
Fundraising	1,243,662	-	1,243,662	1,063,201	-	1,063,201
Total Supporting Services	<u>\$ 3,273,149</u>	<u>\$ -</u>	<u>\$ 3,273,149</u>	<u>\$ 2,836,178</u>	<u>\$ -</u>	<u>\$ 2,836,178</u>
Total Expenses	<u>\$ 19,308,646</u>	<u>\$ -</u>	<u>\$ 19,308,646</u>	<u>\$ 19,805,891</u>	<u>\$ -</u>	<u>\$ 19,805,891</u>
CHANGE IN NET ASSETS	\$ 10,853,906	\$ 6,720,473	\$ 17,574,379	\$ 2,018,918	\$ (6,593,329)	\$ (4,574,411)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT FROM CANADIAN OPERATIONS	(696)	-	(696)	2,166	-	2,166
NET ASSETS, BEGINNING OF YEAR	8,973,176	6,593,745	15,566,921	6,952,092	13,187,074	20,139,166
NET ASSETS, END OF YEAR	<u>\$ 19,826,386</u>	<u>\$ 13,314,218</u>	<u>\$ 33,140,604</u>	<u>\$ 8,973,176</u>	<u>\$ 6,593,745</u>	<u>\$ 15,566,921</u>

The accompanying notes are an integral part of these statements.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services				Supporting Services				
	Public Education	Nutrition Action Health- letter	Special Projects	Total	Membership Development	Management and General	Fund- raising	Total	Total Expenses
Salaries	\$ 625,585	\$ 628,136	\$ 4,645,574	\$ 5,899,295	\$ 112,832	\$ 55,163	\$ 323,537	\$ 491,532	\$ 6,390,827
Payroll taxes	53,177	47,267	358,796	459,240	9,594	4,641	24,231	38,466	497,706
Employee benefits	82,065	56,324	462,837	601,226	15,563	6,535	36,495	58,593	659,819
Total Salaries and Related Expenses	\$ 760,827	\$ 731,727	\$ 5,467,207	\$ 6,959,761	\$ 137,989	\$ 66,339	\$ 384,263	\$ 588,591	\$ 7,548,352
Advertising/media campaigns	-	-	318,463	318,463	9,838	-	-	9,838	328,301
Conferences and travel	1,421	3,751	79,607	84,779	2,597	902	4,670	8,169	92,948
Consultants, professionals and temporary services	204,278	105,562	779,263	1,089,103	282,483	28,464	122,123	433,070	1,522,173
Data processing	646	522,502	-	523,148	-	30,006	502	30,508	553,656
Depreciation and amortization	-	3,212	19,131	22,343	699	(87)	2,539	3,151	25,494
Equipment rental and maintenance	-	46,766	316,127	362,893	9,977	33,191	61,971	105,139	468,032
Mail list costs	354,382	-	-	354,382	238,410	-	21,408	259,818	614,200
Occupancy	17,489	48,392	365,000	430,881	14,200	59,599	50,705	124,504	555,385
Other expenses	1,543	96,123	251,620	349,286	6,114	24,892	30,459	61,465	410,751
Postage and mailing	1,736,425	980,253	5,438	2,722,116	709,350	(2,684)	383,857	1,090,523	3,812,639
Printing and publications	807,525	751,645	2,396	1,561,566	390,456	64	166,065	556,585	2,118,151
Subgrants	-	-	1,126,413	1,126,413	-	-	-	-	1,126,413
Supplies	-	4,867	21,552	26,419	818	(26,840)	3,895	(22,127)	4,292
Telephone, internet and network support	-	12,732	91,212	103,944	2,726	9,984	11,205	23,915	127,859
Totals	<u>\$ 3,884,536</u>	<u>\$ 3,307,532</u>	<u>\$ 8,843,429</u>	<u>\$ 16,035,497</u>	<u>\$ 1,805,657</u>	<u>\$ 223,830</u>	<u>\$ 1,243,662</u>	<u>\$ 3,273,149</u>	<u>\$ 19,308,646</u>

The accompanying notes are an integral part of these statements.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				Supporting Services				
	Public Education	Nutrition Action Health- letter	Special Projects	Total	Membership Development	Management and General	Fund- raising	Total	Total Expenses
Salaries	\$ 618,008	\$ 609,869	\$ 4,615,635	\$ 5,843,512	\$ 108,231	\$ 47,770	\$ 293,949	\$ 449,950	\$ 6,293,462
Payroll taxes	44,958	44,035	322,565	411,558	7,650	3,061	20,844	31,555	443,113
Employee benefits	71,968	56,374	414,346	542,688	15,079	7,068	30,804	52,951	595,639
Total Salaries and Related Expenses	\$ 734,934	\$ 710,278	\$ 5,352,546	\$ 6,797,758	\$ 130,960	\$ 57,899	\$ 345,597	\$ 534,456	\$ 7,332,214
Advertising/media campaigns	-	-	57,147	57,147	127	-	-	127	57,274
Conferences and travel	1,074	3,066	99,665	103,805	969	1,837	4,285	7,091	110,896
Consultants, professionals and temporary services	197,672	110,091	881,757	1,189,520	390,072	14,899	124,649	529,620	1,719,140
Data processing	3,031	459,321	-	462,352	-	13,492	3,589	17,081	479,433
Depreciation and amortization	-	5,194	29,118	34,312	1,110	3,807	3,980	8,897	43,209
Equipment rental and maintenance	-	29,578	190,588	220,166	6,323	21,537	40,170	68,030	288,196
Mail list costs	335,917	-	3,628	339,545	251,133	-	24,216	275,349	614,894
Occupancy	20,523	58,679	444,095	523,297	16,931	58,067	60,704	135,702	658,999
Other expenses	1,796	84,149	173,540	259,485	4,056	18,636	23,972	46,664	306,149
Postage and mailing	1,335,849	940,317	3,025	2,279,191	486,546	392	286,638	773,576	3,052,767
Printing and publications	733,769	754,150	3,305	1,491,224	287,463	422	133,360	421,245	1,912,469
Subgrants	-	-	3,095,745	3,095,745	-	-	-	-	3,095,745
Supplies	-	3,763	8,511	12,274	321	(9,742)	1,288	(8,133)	4,141
Telephone, internet and network support	1,987	12,816	89,089	103,892	2,740	12,980	10,753	26,473	130,365
Totals	<u>\$ 3,366,552</u>	<u>\$ 3,171,402</u>	<u>\$ 10,431,759</u>	<u>\$ 16,969,713</u>	<u>\$ 1,578,751</u>	<u>\$ 194,226</u>	<u>\$ 1,063,201</u>	<u>\$ 2,836,178</u>	<u>\$ 19,805,891</u>

The accompanying notes are an integral part of this statement.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS - OPERATING ACTIVITIES:		
Change in net assets	\$ 17,574,379	\$ (4,574,411)
Adjustments to reconcile change in net assets to net cash flows - operating activities:		
Depreciation and amortization	\$ 25,494	\$ 43,209
Forgiveness of Payroll Protection Program loan	-	(668,732)
Realized and unrealized (gains) losses on investments	2,410,435	(1,640,856)
Amortization of right-of-use asset - operating lease	72,516	-
Foreign currency translation adjustment from Canadian operations	(696)	2,166
Lease liability	15,326	-
(Increase) Decrease in Assets:		
Accounts receivable - trade	(15,986)	(32,016)
Grants, bequests and contributions receivable	(5,378,423)	6,153,727
List rent receivable	6,364	(5,102)
Other receivables	697	9,755
Direct mail supplies	(238,642)	133,857
Prepaid expenses	(16,022)	(3,935)
Deposits	90,613	5,351
Deferred compensation assets	417,874	(80,846)
Increase (Decrease) in Liabilities:		
Accounts payable	158,069	(152,729)
Accrued payroll and leave	207,354	111,161
Subgrant liability	(608,206)	1,099,776
Sublease deposit	(7,002)	-
Deferred membership dues	(128,657)	(129,438)
Deferred rent	(129,884)	(207,518)
Deferred compensation liabilities	(417,874)	80,846
Charitable gift annuity liability	(5,002)	(8,042)
Total Adjustments	\$ (3,541,652)	\$ 4,710,634
Net Cash Flows - Operating Activities	\$ 14,032,727	\$ 136,223
CASH FLOWS - INVESTING ACTIVITIES:		
Investment sales	\$ 1,215,673	\$ 210,357
Investment purchases	(15,454,148)	(2,411,036)
Purchases of property and equipment	(160,036)	-
Net Cash Flows - Investing Activities	\$ (14,398,511)	\$ (2,200,679)
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (365,784)	\$ (2,064,456)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,218,371	8,282,827
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,852,587	\$ 6,218,371
NON-CASH INVESTING AND FINANCING ACTIVITY		
Forgiveness of Payroll Protection Program loan	\$ -	\$ 668,732
Leasehold improvements acquired with buildout allowance paid by landlord	\$ 1,369,627	\$ -
Right-of-use asset acquired with lease liability	\$ 6,153,941	\$ -
Reclassification of buildout allowance to reduce right-of-use asset	\$ 1,369,627	\$ -

The accompanying notes are an integral part of these statements.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1. Organization and Summary of Significant Accounting Policies

Organization:

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

CSPI Action Fund was incorporated on January 13, 2022 for the purposes for advocating for government policies that promote healthy diets, prevent deceptive marketing practices, and ensure that science is used to promote the public good.

Principles of Consolidation:

The consolidated financial statements include the accounts of CSPI and affiliate, CSPI Action Fund, (together, CSPI). All significant intercompany accounts and balances have been eliminated.

Basis of Accounting:

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

Revenue recognition:

CSPI follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* and FASB Accounting Standards Updated 2018-08 , *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* when recording its revenue from the various sources as further described below:

Contributions and grants

CSPI recognizes contributions and grants when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions and grants are recorded as support with or without donor restrictions, depending upon the existence and/or nature of any donor restrictions. For contributions with donor restrictions, amounts are reclassified as net assets without donor restrictions when the time restriction expires or when the purpose restriction is satisfied.

Membership dues

Membership dues, which are nonrefundable, are considered to be exchange transactions based on the value of benefits provided. CSPI recognizes the membership dues over the membership period.

Publications

Revenue from publication sales are recognized when the publications are delivered to the customer.

Royalties

Royalties are generally received from the sale of member mailing lists and royalty income is recognized at the time of the sale.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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

Investments:

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

Inventories:

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

Property and Equipment and Depreciation:

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

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

Income Taxes:

Center for Science in the Public Interest and CSPI Action Fund are exempt from federal income tax under Section 501(c)(3) and Section 501(c)(4), respectively, of the Internal Revenue Code and from the District of Columbia franchise tax, except for taxes on unrelated business income. The Internal Revenue Service has also determined that Center for Science in the Public Interest and CSPI Action Fund are not private foundations within the meaning of Section 509(a)(1) of the Code. Center for Science in the Public Interest is also exempt from income taxes on income earned within Canada, but is not exempt from the national goods and services tax and the provincial goods and services harmonized sales tax.

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

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

Advertising Costs:

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

Use of Estimates:

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

Functional Allocation of Expenses:

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

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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

Grants, Bequests and Contributions Receivable:

Unconditional promises to give that are due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give that are due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, discounted using risk-free interest rates applicable to the years in which the promises are received. No discount was recorded in 2022 and 2021 as the amounts were not material. All grants are considered collectible at June 30, 2022 and 2021.

Accounts Receivable and List Rental Receivable:

Accounts receivable and list rental receivables are stated at the amount CSPI expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Allowance for doubtful accounts is \$0 as of June 30, 2022 and 2021 for both list rental and accounts receivable.

Recently Adopted Accounting Pronouncements:

In March 2018, the FASB issued ASU No. 2016-02, *Leases*. The main difference between the provisions of ASU No. 2016-02 and previous U.S. GAAP is the recognition of right-of-use assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. ASU No. 2016-02 retains a distinction between finance leases and operating leases, and the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous U.S. GAAP. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election, by class of underlying asset, not to recognize right-of-use assets and lease liabilities. The accounting applied by a lessor is largely unchanged from that applied under previous U.S. GAAP. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. CSPI adopted the standard for the fiscal year ended June 30, 2022 using a modified retrospective approach. As a result, CSPI recorded a right-of-use asset and a lease liability related to its operating leases as of the beginning of the fiscal year. The impact of the transition to this new standard is reflected in the consolidated statements of financial position, consolidated statements of cash flows, and Note 8 of these consolidated financial statements.

Note 2. Description of Programs

CSPI program service activities are as follows:

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

Nutrition Action Healthletter consists of editing and publishing ten issues per year of Nutrition Action Healthletter, a periodical for members and subscribers containing current information on nutrition, food safety, and related health issues. Circulation as of June 30, 2022 and 2021 was approximately 380,000 and 420,000, respectively, in the U.S.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2. Description of Programs (Concluded)

Special Projects include efforts to:

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

Note 3. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and liquid investments with original maturities of three months or less and consist of the following balances at June 30, 2022 and 2021:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Cash on hand	\$ -	\$ 995
Cash in banks	2,827,138	6,200,496
Money market funds	<u>3,025,449</u>	<u>16,880</u>
Total	<u>\$ 5,852,587</u>	<u>\$ 6,218,371</u>

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 4. Information Regarding Liquidity and Availability

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

The following table reflects CSPI's financial assets as of June 30, 2022 and 2021, reduced by the amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Long-term investments are publicly traded and could be exchanged for cash if necessary.

	2022	2021
Cash and cash equivalents	\$ 5,852,587	\$ 6,218,371
Investments	25,870,770	14,042,730
Accounts receivable and other receivables	111,299	102,374
Total financial assets	\$ 31,834,656	\$ 20,363,475
Net assets with donor restrictions	(13,314,218)	(6,593,745)
Board-designated reserve fund	(1,000,000)	(1,000,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,520,438</u>	<u>\$ 12,769,730</u>

Note 5. Net Assets with Donor Restrictions

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

Net assets with donor restrictions at June 30, 2022 and 2021 were comprised of the following programs:

Purpose	Donor	Balance 06/30/21	Revenue/ Contributions	Released	Balance 06/30/22
Anti-Poverty	From Now On Fund/ Tides Foundation	\$ -	\$ 16,838	\$ (15,435)	\$ 1,403
Dietary Guidelines	Sarah Murray	3,349	-	(3,349)	-
Digital Strategy	Suzanne & Lawrence Hess	129,217	146,956	(118,109)	158,064
Food Additives	Park Foundation	-	15,000	(11,250)	3,750
Food Additives	Passport Foundation	25,000	100,000	(58,333)	66,667
Food Additives/Supplements	John Sperling Foundation	330,000	-	(315,028)	14,972
Food Banks	From Now On Fund/Tides Foundation	-	94,276	(56,234)	38,042
Healthy Checkout	Michael & Susan Dell Foundation	70,000	-	(35,000)	35,000
Healthy Food Purchasing	de Beaumont Foundation	-	75,000	(50,000)	25,000
Healthy Retail	Johnson Family Foundation	4,167	10,000	(10,000)	4,167
N Koran	Corn Masa	-	25,000	(10,000)	15,000
Poppy Seeds	Steve & Betty Hacala	60,392	-	(48,314)	12,078
Pouring Rights	From Now On Fund/Tides Foundation	9,000	20,160	(16,160)	13,000
Public Health Advocacy Fellowship	CECHE	4,167	50,000	(50,000)	4,167
Sesame	Christine & Robert Small	18,750	-	(18,750)	-
School Foods	From Now On Fund/Tides Foundation	16,440	40,000	(56,440)	-

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 5. Net Assets with Donor Restrictions (Concluded)

Purpose	Donor	Balance 06/30/21	Revenue/ Contributions	Released	Balance 06/30/22
School Foods	Simon Family Foundation	\$ 40,000	\$ 50,000	\$ (40,000)	\$ 50,000
Science Initiative	Harvey Motulsky & Lisa Norton Fund	250,000	-	(101,400)	148,600
SNAP Pilot Program	From Now On Fund/Tides Foundation	20,000	43,726	(50,082)	13,644
Coordinated Food Policy Campaigns	Bloomberg Family Foundation, Inc.	3,364,782	12,000,000	(4,380,750)	10,984,032
Adoption of Obesity Prevention Policies	Fernwood Group Fund	702,650	-	(621,849)	80,801
Time Restriction	Arnold Ventures	-	200,000	-	200,000
Training DEI	Fore River Foundation	60,000	65,000	(60,000)	65,000
Rhode Island Campaign	Michael R. Bloomberg	105,000	-	(105,000)	-
Endowment Funds	Various/Davee Foundation	1,380,831	-	-	1,380,831
		<u>\$ 6,593,745</u>	<u>\$ 12,951,956</u>	<u>\$ (6,231,483)</u>	<u>\$13,314,218</u>

Purpose	Donor	Balance 06/30/20	Revenue/ Contributions	Released	Balance 06/30/21
Antibiotic Effectiveness	Davee Foundation	\$ 56,667	\$ -	\$ (56,667)	\$ -
COVID-19	Simon Family Foundation	35,000	-	(35,000)	-
Dietary Guidelines	Sarah Murray	-	20,095	(16,746)	3,349
Digital Strategy	Suzanne & Lawrence Hess	-	148,747	(19,530)	129,217
Food Additives	Flora L Thornton Foundation	13,333	-	(13,333)	-
Food Additives	Park Foundation	-	15,000	(15,000)	-
Food Additives	Passport Foundation	-	100,000	(75,000)	25,000
Food Additives/Supplements	John Sperling Foundation	250,000	300,000	(220,000)	330,000
Food Banks	Johns Hopkins Lerner Center	38,485	-	(38,485)	-
Food Banks	RWJF HER	40,730	-	(40,730)	-
Food Banks	From Now on Fund/Tides Foundation	-	58,558	(58,558)	-
Food Service Guidelines in NY State	American Heart Association	16,712	-	(16,712)	-
Food Service Guidelines in Correctional Facilities	American Heart Association	15,000	-	(15,000)	-
Food Service Guidelines in NY State	Lucy R Waletzky, M.D.	-	15,000	(15,000)	-
Healthy Checkout	Michael & Susan Dell Foundation	96,000	-	(26,000)	70,000
Healthy Retail	Johnson Family Foundation	4,167	10,000	(10,000)	4,167
Litigation	Anonymous	192,500	-	(192,500)	-
Poppy Seeds	Steve & Betty Hacala	-	96,627	(36,235)	60,392
Pouring Rights	From Now On Fund/Tides Foundation	-	20,000	(11,000)	9,000
Public Health Advocacy Fellowship	CECHE	4,167	50,000	(50,000)	4,167
Sesame	Christine & Robert Small	10,000	25,000	(16,250)	18,750
School Foods	From Now On Fund/Tides Foundation	-	32,519	(16,079)	16,440
School Foods	Simon Family Foundation	-	40,000	-	40,000
School Foods	American Heart Association	20,500	-	(20,500)	-
Science initiative	Harvey Motulsky & Lisa Norton Fund	-	250,000	-	250,000
SNAP Pilot Program	From Now On Fund/Tides Foundation	-	28,923	(8,923)	20,000
Coordinated Food Policy Campaigns	Bloomberg Family Foundation, Inc.	9,630,205	-	(6,265,423)	3,364,782
Adoption of Obesity Prevention Policies	Fernwood Group Fund	1,324,444	-	(621,794)	702,650
Warning Labels	Saperstein Family Fund	8,333	-	(8,333)	-
Time Restriction	The John Sperling Foundation	50,000	-	(50,000)	-
Training DEI	Fore River Foundation	-	60,000	-	60,000
Rhode Island Campaign	Michael R. Bloomberg	-	300,000	(195,000)	105,000
Endowment Funds	Various/Davee Foundation	1,380,831	-	-	1,380,831
		<u>\$ 13,187,074</u>	<u>\$ 1,570,469</u>	<u>\$ (8,163,798)</u>	<u>\$6,593,745</u>

CENTER FOR SCIENCE IN THE PUBLIC INTEREST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 6. Donor-Restricted Endowment Funds

An endowment fund was established during the year ended June 30, 1996. Donor-restricted endowment funds at June 30, 2022 and 2021 consist of an endowment fund established to support CSPI's program services and general operations. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by CSPI indefinitely, and income from the fund is to be expended for certain program services or general operations. In fiscal year 2019, CSPI received a \$1,000,000 endowment from The Davee Foundation. Annual fund expenditures are limited to four percent of the value fund and the fund can only be expended for charitable or educational activities. CSPI has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, CSPI classifies as donor-restricted endowment funds (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment, and (c) accumulations or expenditures to/from the endowment made in accordance with the direction of the applicable donor gift instrument. CSPI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

CSPI has adopted investment and spending policies for the endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the original principal of the endowment assets. The donor-restricted endowment fund is invested in equity funds, certificates of deposit and fixed income funds pursuant to CSPI's investment and spending objectives of subjecting the fund to low investment risk and providing its programs and operations with current income. Donor restricted endowment net assets were \$1,380,831 as of June 30, 2022 and 2021.

Note 7. Investments

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

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

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 7. Investments (Concluded)

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

Investments consisted of the following at June 30:

	2022		
	Cost	Unrealized Appreciation (Depreciation)	Fair Market Value
Mutual funds:			
Index funds	\$ 422,235	\$ 741,275	\$ 1,163,510
Value funds	3,748,599	(422,952)	3,325,647
Growth funds	2,513,575	(304,317)	2,209,258
Other funds	277,976	(8,020)	269,956
Total mutual funds	\$ 6,962,385	\$ 5,986	\$ 6,968,371
Certificates of deposit	15,884,417	(533,148)	15,351,269
Stock	457	820	1,277
Money market fund	44,136	-	44,136
U.S. agency securities	3,539,604	(33,887)	3,505,717
Total	<u>\$ 26,430,999</u>	<u>\$ (560,229)</u>	<u>\$ 25,870,770</u>

	2021		
	Cost	Unrealized Appreciation	Fair Market Value
Mutual funds:			
Index funds	\$ 403,599	\$ 898,683	\$ 1,302,282
Value funds	1,744,293	338,255	2,082,548
Growth funds	1,267,057	824,488	2,091,545
Other funds	140,151	71,350	211,501
Total mutual funds	\$ 3,555,100	\$ 2,132,776	\$ 5,687,876
Certificates of deposit	6,429,150	214,809	6,643,959
Stock	458	849	1,307
Money market fund	52,974	-	52,974
U.S. agency securities	1,646,880	9,734	1,656,614
Total	<u>\$ 11,684,562</u>	<u>\$ 2,358,168</u>	<u>\$ 14,042,730</u>

Investment return is summarized as follows:

	2022	2021
Interest and dividends	\$ 202,571	\$ 166,060
Net realized and unrealized gains (losses) on investments	(2,410,435)	1,640,856
Total Investment Income	<u>\$ (2,207,864)</u>	<u>\$ 1,806,916</u>

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 8. Lease Commitments

During the fiscal year ending June 30, 2010, CSPI entered into a long-term lease for office space. The lease commenced on November 1, 2010 and terminated on January 31, 2022. The lease called for monthly base rent of \$59,486 and included provisions for annual rental increases each November 1. The lease also included provisions for additional rent based on increased operating expenses and real estate taxes. As part of the lease agreement the landlord granted a \$1,223,706 build out allowance as well as a three month rent abatement. Under previous U.S. GAAP standards for leases, rent payments were recognized as an expense on a straight-line basis over the term of the lease, and a deferred rent liability was recorded for timing differences associated with rent abatements.

In May 1, 2022, CSPI entered into a new long-term lease for office space which terminates December 31, 2033. The lease calls for monthly base rent of \$53,667 and includes provisions for annual rental increases each May 1. As part of the lease agreement the landlord granted a \$1,369,627 build out allowance as well as a twenty month rent abatement.

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

CSPI adopted ASU 2016-02, *Leases*, at the beginning of the current fiscal year. With the adoption of the new lease standard, all deferred rent and lease incentives were reclassified as a reduction of the right-of-use asset.

CSPI elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and on-going leases to not recognize the right-of-use and lease liability for such leases. Lease payments for short-term leases are recognized on a straight-line basis.

CSPI has elected the option to use a risk-free interest rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. CSPI has applied the risk-free option to the office space lease.

The components of lease expense for the year ended June 30, 2022 are as follows:

Lease Expense:

2022 Operating lease expense	\$	555,385
2021 Operating lease expense		658,999

Other Information – Operating Lease:

Right-of-use asset obtained in exchange for lease liability	\$	\$6,153,941
Weighted average remaining lease term (in years)		11.50
Weighted average discount rate		2.99%

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 8. Lease Commitments (Concluded)

Maturities of the long-term operating lease liabilities are as follows for the years ending June 30:

2023	\$ -
2024	332,800
2025	679,426
2026	696,406
2027	713,818
Thereafter	5,096,159
Total	<u>\$ 7,518,609</u>
Less: present value discount	(1,349,342)
Present value of future minimum lease payments	<u>\$ 6,169,267</u>
Less: current lease liabilities	(187,010)
Net long-term lease liabilities	<u><u>\$ 5,982,257</u></u>

Note 9. Allocation of Joint Costs

For the year ended June 30, 2022, CSPI incurred joint costs of \$3,061,748 for informational materials for the purpose of membership development. Of those costs, \$1,653,344 was allocated to Public Education and \$1,408,404 was allocated to Membership Development. For the year ended June 30, 2021, CSPI incurred joint costs of \$2,362,158 for informational materials for the purpose of membership development. Of those costs, \$1,275,565 was allocated to Public Education and \$1,086,593 was allocated to Membership Development.

For the year ended June 30, 2022, CSPI incurred joint costs of \$2,304,665 for informational materials that included fundraising appeals. Of those costs, \$1,336,706 was allocated to Public Education and \$967,959 was allocated to fundraising. For the year ended June 30, 2021, CSPI incurred joint costs of \$1,996,427 for informational materials that included fundraising appeals. Of those costs, \$1,157,928 was allocated to Public Education and \$838,499 was allocated to fundraising.

Note 10. Deferred Membership Dues

Membership dues received in advance of the period in which it will be earned is reported as deferred membership dues. Deferred membership dues consists primarily of advance payments for future membership subscriptions.

The following table provides information about significant changes in deferred membership dues for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Deferred membership dues, beginning of year	\$ 2,764,731	\$ 2,894,169
Revenue recognized that was included in		
deferred membership dues at beginning of year	(1,542,379)	(2,290,843)
Deferred membership dues received during the year	<u>1,413,722</u>	<u>2,161,405</u>
Deferred membership dues, end of year	<u>\$ 2,636,074</u>	<u>\$ 2,764,731</u>

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 11. Employee Benefits

CSPI maintains a tax sheltered annuity plan for its employees under Section 403(b) of the Internal Revenue Code. Participation is voluntary, and CSPI is obligated to match, on a dollar-for-dollar basis, voluntary employee contributions of up to 3% of gross earnings. Additionally, CSPI can make discretionary contributions to the Plan. CSPI made contributions for eligible employees of \$117,712 and \$112,319 under the plan during the fiscal years ended June 30, 2022 and 2021, respectively.

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

The tables below present the balance of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at June 30, 2022 and 2021:

		2022			
		Total	Level 1	Level 2	Level 3
Deferred compensation assets:					
Mutual Funds		\$ 328,945	\$ 328,945	\$ -	\$ -
Deferred compensation liability		\$ 328,945	\$ 328,945	\$ -	\$ -
		2021			
		Total	Level 1	Level 2	Level 3
Deferred compensation assets:					
Mutual Funds		\$ 746,819	\$ 746,819	\$ -	\$ -
Deferred compensation liability		\$ 746,819	\$ 746,819	\$ -	\$ -

Note 12. Related Party Transactions

In November 1998, CSPI along with the Japan Offspring Fund (of Japan) and the Food Commission (of the United Kingdom) co-founded the International Association of Consumer Food Organizations (IACFO), a related party. IACFO operated out of CSPI's office and starting in fiscal year 2020, all operating expenses of the IACFO were borne by CSPI as part of its regular financial operations. The amounts incurred by CSPI on behalf of the IACFO in 2022 and 2021 were not significant.

Note 13. Concentrations of Credit Risk

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

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 14. Contingencies

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

In 2020, a pandemic of the Coronavirus (COVID-19) was declared by the World Health Organization. Future events and revenues and expenses of CSPI are uncertain due to the highly contagious nature of the virus, the requirement for social distancing, limited gatherings and restrictions on travel. This could also impact transactions relating to customers and vendors. In addition, both domestic and international equity markets have experienced volatility. The amount and likelihood of any loss relating to these events is not determinable.

Note 15. Board Designated Funds

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

Note 16. Charitable Gift Annuity

On occasion, CSPI receives charitable gift annuities from donors. In accordance with the terms of the respective agreements, CSPI agrees to make annual annuity payments to the donors for the remainder of the donors' lives beginning at a specific time as stated in each agreement. The present value of the estimated obligations is recorded as a liability. As of June 30, 2022 and 2021, the estimated charitable gift annuity liability totaled \$138,761 and \$143,763, respectively.

Note 17. Paycheck Protection Program Loan Payable

In May 2020, CSPI applied for and was approved for a \$668,732 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by The Small Business Administration (SBA). The loan accrued interest at 1%, but payments were not required to begin for six months after the funding of the loan. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan was uncollateralized and is fully guaranteed by the Federal government.

The loan was initially recorded as a loan payable, which was then used to pay eligible expenses such as payroll costs, costs used to continue group health care benefits, rent and utilities. In accordance with available guidance from the AICPA, CSPI accounted for the PPP funds similar to other government grants under FASB ASC 958-605. Due to CSPI incurring the qualified expenses during fiscal year 2021, they recognized the full \$668,732 as grant income in fiscal year 2021. In June 2021, CSPI received full forgiveness of the PPP loan and associated interest from the SBA.

Note 18. Subsequent Events

CSPI has evaluated events through May 12, 2023, the date the financial statements were available to be issued, and determined that there was no event occurring subsequent to June 30, 2022, that requires recognition or disclosure in these financial statements.