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**CENTER FOR SCIENCE IN THE PUBLIC INTEREST
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2017 AND 2016**

MATTHEWS, CARTER & BOYCE
RESPECT. CONFIDENCE. TRUST.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Center for Science in the Public Interest, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Science in the Public Interest as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Fairfax, Virginia
November 13, 2017

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

ASSETS	<u>2017</u>	<u>2016</u>	LIABILITIES AND NET ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents	\$ 2,211,413	\$ 1,657,446	Accounts payable	\$ 414,065	\$ 205,576
Investments - current portion:			Accrued payroll and leave	752,942	603,184
Certificates of deposit	397,535	193,058	Current portion of deferred rent	150,360	132,139
Accounts receivable - trade, net	80,746	57,267	Current portion of charitable gift annuity liability	24,386	23,436
Grants and contributions receivable	515,000	407,500	<u>Total Current Liabilities</u>	<u>\$ 1,341,753</u>	<u>\$ 964,335</u>
List rent receivable, net	55,332	84,307			
Other receivables	-	25	OTHER LIABILITIES:		
Direct mail supplies	221,209	130,127	Deferred rent	\$ 694,432	\$ 844,792
Prepaid expenses	114,974	141,254	Deferred compensation liabilities	562,087	551,836
Total Current Assets	<u>\$ 3,596,209</u>	<u>\$ 2,670,984</u>	Sublease deposit	7,002	21,004
			Charitable gift annuity liability	156,128	163,029
			<u>Total Other Liabilities</u>	<u>\$ 1,419,649</u>	<u>\$ 1,580,661</u>
INVESTMENTS, LONG-TERM:			TOTAL LIABILITIES	<u>\$ 2,761,402</u>	<u>\$ 2,544,996</u>
U.S. agency securities	\$ 627,814	\$ 575,809			
Mutual funds	3,286,549	2,775,397	NET ASSETS:		
Stock	988	890	Unrestricted:		
Certificates of deposit	3,427,887	3,183,955	Operating	\$ 5,954,565	\$ 4,953,992
Total Investments, Long-Term	<u>\$ 7,343,238</u>	<u>\$ 6,536,051</u>	Board-designated reserve fund	1,000,000	1,000,000
			Foreign currency translation adjustment from		
PROPERTY AND EQUIPMENT, AT COST:			Canadian operations	849,073	849,660
Furniture and equipment	\$ 428,270	\$ 451,880	<u>Total Unrestricted</u>	<u>\$ 7,803,638</u>	<u>\$ 6,803,652</u>
Leasehold improvements	1,223,706	1,223,706	Temporarily restricted	1,340,358	777,798
Less, accumulated depreciation	(1,226,767)	(1,106,380)	Permanently restricted (endowment)	375,831	373,831
Property and Equipment - Net	<u>\$ 425,209</u>	<u>\$ 569,206</u>	<u>Total Net Assets</u>	<u>\$ 9,519,827</u>	<u>\$ 7,955,281</u>
OTHER ASSETS:			TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,281,229</u>	<u>\$ 10,500,277</u>
Deposits	\$ 244,486	\$ 62,200			
Deferred compensation assets	562,087	551,836			
Bequests receivable - long term	110,000	110,000			
Total Other Assets	<u>\$ 916,573</u>	<u>\$ 724,036</u>			
TOTAL ASSETS	<u>\$ 12,281,229</u>	<u>\$ 10,500,277</u>			

The accompanying notes are an integral part of these statements.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Membership dues	\$ 5,307,382	\$ -	\$ -	\$ 5,307,382	\$ 6,105,931	\$ -	\$ -	\$ 6,105,931
Contributions	5,030,032	-	2,000	5,032,032	4,923,477	-	-	4,923,477
Foundation grants	536,803	1,623,691	-	2,160,494	664,584	285,167	-	949,751
Publication sales	209,822	-	-	209,822	153,578	-	-	153,578
Investment interest and dividends	138,388	-	-	138,388	127,831	-	-	127,831
Net realized and unrealized gains on investments	380,127	-	-	380,127	53,661	-	-	53,661
Royalty income	355,172	-	-	355,172	532,904	-	-	532,904
Litigation income	215,365	-	-	215,365	920,975	-	-	920,975
Other income	332,283	-	-	332,283	297,032	-	-	297,032
Net assets released from restrictions:								
Satisfaction of program restrictions	1,061,131	(1,061,131)	-	-	1,124,869	(1,124,869)	-	-
Total Support and Revenue	<u>\$ 13,566,505</u>	<u>\$ 562,560</u>	<u>\$ 2,000</u>	<u>\$ 14,131,065</u>	<u>\$ 14,904,842</u>	<u>\$ (839,702)</u>	<u>\$ -</u>	<u>\$ 14,065,140</u>
EXPENSES:								
Program Services:								
Public education	\$ 3,518,623	\$ -	\$ -	\$ 3,518,623	\$ 3,621,266	\$ -	\$ -	\$ 3,621,266
Nutrition Action Healthletter	3,431,550	-	-	3,431,550	4,556,326	-	-	4,556,326
Special projects	3,238,209	-	-	3,238,209	3,522,802	-	-	3,522,802
Total Program Services	<u>\$ 10,188,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,188,382</u>	<u>\$ 11,700,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,700,394</u>
Supporting Services:								
Membership development	\$ 1,175,764	\$ -	\$ -	\$ 1,175,764	\$ 1,398,473	\$ -	\$ -	\$ 1,398,473
Management and general	373,045	-	-	373,045	350,394	-	-	350,394
Fundraising	828,742	-	-	828,742	611,441	-	-	611,441
Total Supporting Services	<u>\$ 2,377,551</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,377,551</u>	<u>\$ 2,360,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,360,308</u>
Total Expenses	<u>\$ 12,565,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,565,933</u>	<u>\$ 14,060,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,060,702</u>
CHANGE IN NET ASSETS	\$ 1,000,572	\$ 562,560	\$ 2,000	\$ 1,565,132	\$ 844,140	\$ (839,702)	\$ -	\$ 4,438
FOREIGN CURRENCY TRANSLATION ADJUSTMENT FROM CANADIAN OPERATIONS	(586)	-	-	(586)	(9,841)	-	-	(9,841)
NET ASSETS, BEGINNING OF YEAR	6,803,652	777,798	373,831	7,955,281	5,969,353	1,617,500	373,831	7,960,684
NET ASSETS, END OF YEAR	<u>\$ 7,803,638</u>	<u>\$ 1,340,358</u>	<u>\$ 375,831</u>	<u>\$ 9,519,827</u>	<u>\$ 6,803,652</u>	<u>\$ 777,798</u>	<u>\$ 373,831</u>	<u>\$ 7,955,281</u>

The accompanying notes are an integral part of these statements.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

(With Comparative Totals for 2016)

	Program Services				Supporting Services				2017 Total Expenses	2016 Total Expenses
	Public Education	Nutrition Action Health- letter	Special Projects	Total	Membership Development	Management and General	Fund- raising	Total		
Salaries	\$ 624,848	\$ 886,454	\$ 2,035,010	\$ 3,546,312	\$ 129,971	\$ 93,483	\$ 233,401	\$ 456,855	\$ 4,003,167	\$ 3,984,930
Payroll taxes	43,695	59,944	135,325	238,964	8,933	7,236	16,888	33,057	272,021	271,746
Employee benefits	58,474	61,932	168,412	288,818	14,091	9,428	17,372	40,891	329,709	319,505
Total Salaries and Related Expenses	\$ 727,017	\$ 1,008,330	\$ 2,338,747	\$ 4,074,094	\$ 152,995	\$ 110,147	\$ 267,661	\$ 530,803	\$ 4,604,897	\$ 4,576,181
Advertising/media campaigns	-	-	119,138	119,138	347	-	50	397	119,535	36,004
Conferences and travel	1,461	9,828	62,315	73,604	3,724	(5,005)	8,948	7,667	81,271	55,791
Consultants, professionals and temporary services	216,746	73,809	63,085	353,640	47,182	12,461	62,584	122,227	475,867	689,025
Data processing	300	134,354	-	134,654	-	-	-	-	134,654	425,445
Depreciation and amortization	-	41,480	69,682	111,162	8,375	24,204	14,337	46,916	158,078	158,576
Equipment rental and maintenance	10,908	37,827	68,339	117,074	16,799	19,090	12,853	48,742	165,816	142,885
Mail list costs	206,419	-	-	206,419	165,926	-	10,977	176,903	383,322	395,042
Occupancy	49,275	134,423	308,591	492,289	37,088	107,469	63,492	208,049	700,338	757,938
Other expenses	2,033	218,664	143,195	363,892	37,659	41,937	34,798	114,394	478,286	652,899
Postage and mailing	1,616,600	946,661	2,354	2,565,615	468,670	617	244,422	713,709	3,279,324	3,914,169
Printing and publications	628,141	802,033	2,424	1,432,598	230,099	400	98,595	329,094	1,761,692	1,990,705
Supplies	-	2,704	3,761	6,465	105	301	333	739	7,204	10,373
Telephone, internet and network support	59,723	21,437	56,578	137,738	6,795	61,424	9,692	77,911	215,649	255,669
Totals	<u>\$ 3,518,623</u>	<u>\$ 3,431,550</u>	<u>\$ 3,238,209</u>	<u>\$ 10,188,382</u>	<u>\$ 1,175,764</u>	<u>\$ 373,045</u>	<u>\$ 828,742</u>	<u>\$ 2,377,551</u>	<u>\$ 12,565,933</u>	<u>\$ 14,060,702</u>

The accompanying notes are an integral part of this statement.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>				<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Public Education</u>	<u>Nutrition Action Health-letter</u>	<u>Special Projects</u>	<u>Total</u>	<u>Membership Development</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>	
Salaries	\$ 645,858	\$ 807,561	\$ 2,144,764	\$ 3,598,183	\$ 146,126	\$ 85,866	\$ 154,755	\$ 386,747	\$ 3,984,930
Payroll taxes	45,308	53,689	144,273	243,270	10,373	6,867	11,236	28,476	271,746
Employee benefits	68,813	42,781	170,191	281,785	14,499	8,153	15,068	37,720	319,505
Total Salaries and Related Expenses	\$ 759,979	\$ 904,031	\$ 2,459,228	\$ 4,123,238	\$ 170,998	\$ 100,886	\$ 181,059	\$ 452,943	\$ 4,576,181
Advertising/media campaigns	-	-	35,483	35,483	272	-	249	521	36,004
Conferences and travel	604	4,736	36,645	41,985	2,150	1,071	10,585	13,806	55,791
Consultants, professionals and temporary services	54,372	220,745	298,587	573,704	47,130	46,389	21,802	115,321	689,025
Data processing	-	424,941	504	425,445	-	-	-	-	425,445
Depreciation and amortization	-	39,268	74,296	113,564	9,581	23,510	11,921	45,012	158,576
Equipment rental and maintenance	7,128	36,352	64,053	107,533	14,218	11,010	10,124	35,352	142,885
Mail list costs	213,589	-	-	213,589	180,359	-	1,094	181,453	395,042
Occupancy	52,968	131,007	347,934	531,909	44,869	125,334	55,826	226,029	757,938
Other expenses	21,873	463,391	103,721	588,985	24,246	22,009	17,659	63,914	652,899
Postage and mailing	1,861,199	1,342,243	13,088	3,216,530	500,116	715	196,808	697,639	3,914,169
Printing and publications	580,054	961,624	15,556	1,557,234	341,054	171	92,246	433,471	1,990,705
Supplies	-	1,361	2,220	3,581	188	6,239	365	6,792	10,373
Telephone, internet and network support	69,500	26,627	71,487	167,614	63,292	13,060	11,703	88,055	255,669
Totals	<u>\$ 3,621,266</u>	<u>\$ 4,556,326</u>	<u>\$ 3,522,802</u>	<u>\$ 11,700,394</u>	<u>\$ 1,398,473</u>	<u>\$ 350,394</u>	<u>\$ 611,441</u>	<u>\$ 2,360,308</u>	<u>\$ 14,060,702</u>

The accompanying notes are an integral part of this statement.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,565,132	\$ 4,438
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	\$ 158,078	\$ 158,576
Realized and unrealized gains on investments	(380,123)	(53,661)
Loss on disposal of property and equipment	686	3,777
Foreign currency translation adjustment from Canadian operations	(586)	(9,841)
(Increase) Decrease in Assets:		
Accounts receivable - trade	(23,479)	(20,177)
Grants and contributions receivable	(107,500)	903,000
List rent receivable	28,975	(6)
Other receivables	25	168
Direct mail supplies	(91,082)	188,928
Prepaid expenses	26,280	549
Office lease security deposit	(182,286)	-
Deferred compensation assets	(10,251)	(78,925)
Increase (Decrease) in Liabilities:		
Accounts payable	208,489	(45,485)
Accrued payroll and leave	149,758	(172,373)
Sublease deposit	(14,002)	21,004
Deferred rent	(132,139)	(114,320)
Deferred compensation liabilities	10,251	78,925
Charitable gift annuity liability	(5,951)	(7,243)
Total Adjustments	\$ (364,857)	\$ 852,896
Net Cash Provided by Operating Activities	\$ 1,200,275	\$ 857,334
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	\$ (14,767)	\$ -
Investment sales	23,793	649,467
Investment purchases	(655,334)	(684,522)
Net Cash Used by Investing Activities	\$ (646,308)	\$ (35,055)
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 553,967	\$ 822,279
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,657,446	835,167
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,211,413	\$ 1,657,446

There was no non-cash financing or investing activity in 2017 or 2016.

The accompanying notes are an integral part of these statements.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 1. Organization and Summary of Significant Accounting Policies

Organization:

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

Basis of Accounting:

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

Grants and Contributions:

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 "Not for Profit Entities", CSPI records grants and contributions as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. Additionally, contributions are recognized when a donor makes a promise to give to CSPI that is, in substance, unconditional.

Investments:

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

Inventories:

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

Property and Equipment and Depreciation:

Property and equipment are recorded at cost. CSPI follows the practice of capitalizing all individual expenditures for property and equipment in excess of \$2,000. Depreciation expense is provided on a straight-line basis over the estimated useful lives (3-10 years) of the assets.

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

Membership Dues:

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

Deferred Rent:

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

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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

Income Taxes:

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

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

CSPI files its information returns for federal reporting purposes. CSPI is not 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.

Grants Receivable:

Grants are recognized when the grantor makes a promise to give to CSPI that is, in substance, unconditional. Grantor-restricted grants are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Unconditional promises to give that are due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give that are due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, discounted using risk-free interest rates applicable to the years in which the promises are received. No discount was recorded in 2017 or 2016 as the amount was not material. All grants are considered collectible at June 30, 2017 and 2016.

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, 2017 and 2016 for both list rental and accounts receivable.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 2. Description of Programs

CSPI program service activities are as follows:

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

Nutrition Action Healthletter consists of editing and publishing ten issues per year of Nutrition Action Healthletter, a periodical for members and subscribers containing current information on nutrition, food safety, and related health issues. Current circulation is approximately 525,000 in the U.S. CSPI ceased publication in Canada during fiscal year 2016.

Special Projects include efforts to:

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

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 3. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and liquid investments with original maturities of three months or less and contain the following balances at June 30, 2017 and 2016:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 1,168	\$ 1,186
Cash in banks	2,193,605	1,642,487
Money market funds	16,640	13,773
Total	<u>\$ 2,211,413</u>	<u>\$ 1,657,446</u>

Note 4. Temporarily Restricted Net Assets

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as an increase in temporarily restricted assets. If the restriction is fulfilled in the same time period in which the contribution is received, it may be classified as an increase in unrestricted assets; however, CSPI will generally report these amounts initially as an increase in temporarily restricted assets and show their release to unrestricted net assets when the restrictions are satisfied.

Temporarily restricted net assets (and activity in temporarily restricted net assets) at June 30, 2017 and 2016 were comprised of the following programs:

<u>Purpose</u>	<u>Donor</u>	<u>Balance</u> <u>06/30/16</u>	<u>Revenue/</u> <u>Contributions</u>	<u>Released</u>	<u>Balance</u> <u>06/30/17</u>
Agricultural Biotechnology Project	Davee Foundation	\$ 191,667	\$ -	\$ (100,000)	\$ 91,667
Allergens	Christine Olsen & Robert Small	1,250	-	(1,250)	-
Executive Search	Anonymous	-	15,000	(15,000)	-
Food Additives	Freed Foundation	-	20,000	(15,000)	5,000
Food Additives	Environmental Defense Fund	10,714	-	(10,714)	-
Food Additives	Park Foundation	15,000	15,000	(15,000)	15,000
Food Dyes/Additives	Anonymous	25,000	45,000	(49,167)	20,833
Healthy Checkout	Hess	-	151,191	-	151,191
Healthy Checkout	Simon Family Foundation	-	15,000	-	15,000
Healthy Checkout	Michael & Susan Dell Foundation	280,000	-	(280,000)	-
Healthy Eating Research	The California Endowment	-	10,000	(10,000)	-
Litigation	Anonymous	-	192,500	-	192,500
March for Science	Farvue Foundation	-	5,000	(5,000)	-
Pennsylvania SNAP Pilot Program	Jennifer and Robert McNeil	-	10,000	(10,000)	-
Pennsylvania SNAP Pilot Program	Hillman Family	-	15,000	-	15,000
Pennsylvania SNAP Pilot Program	Jewish Healthcare Foundation	-	10,000	-	10,000
Pennsylvania SNAP Pilot Program	Healthspark Foundation	-	15,000	-	15,000
Pennsylvania SNAP Pilot Program	Pierce Foundation	-	15,000	-	15,000
Public Health Advocacy Fellowship	Mark & Sushma Palmer	4,167	50,000	(50,000)	4,167
Sugary Drinks, Trans Fat & Sodium	Bloomberg Philanthropies	250,000	1,000,000	(500,000)	750,000
Time Restriction	Osprey Foundation	-	40,000	-	40,000
		<u>\$ 777,798</u>	<u>\$ 1,623,691</u>	<u>\$ (1,061,131)</u>	<u>\$1,340,358</u>

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 4. Temporarily Restricted Net Assets (Concluded)

<u>Purpose</u>	<u>Donor</u>	<u>Balance</u> <u>06/30/15</u>	<u>Revenue/</u> <u>Contributions</u>	<u>Released</u>	<u>Balance</u> <u>06/30/16</u>
Additives	Freed Foundation	\$ 8,333	\$ -	\$ (8,333)	\$ -
Agricultural Biotechnology Project	Davee Foundation	291,667	-	(100,000)	191,667
Allergens	Christine Olsen & Robert Small	1,250	15,000	(15,000)	1,250
Dietary Guidelines for Americans	Lisa Roe	-	5,000	(5,000)	-
Dietary Guidelines for Americans	Lucy Waletzky	-	25,000	(25,000)	-
Food Additives	Flora L. Thornton Foundation	25,000	-	(25,000)	-
Food Additives	Environmental Defense Fund	-	25,000	(14,286)	10,714
Food Additives	Park Foundation	-	15,000	-	15,000
Food Day	Center for Communications, Health and the Environment (CECHE)	5,000	-	(5,000)	-
Food Day	Ralph E. Ogden Foundation	10,000	-	(10,000)	-
Food Day	Lucy Waletzky	-	10,000	(10,000)	-
Food Dyes/Additives	Anonymous	-	100,000	(75,000)	25,000
Healthy Checkout	Michael & Susan Dell Foundation	520,000	-	(240,000)	280,000
Nutrition Policy Technical Assistance	Voices/PHI	-	30,167	(30,167)	-
Public Health Advocacy Fellowship	Mark & Sushma Palmer	-	25,000	(20,833)	4,167
School Foods	Park Foundation	6,250	-	(6,250)	-
School Foods/Dietary Guidelines for Americans	Saperstein Foundation	-	10,000	(10,000)	-
School Foods	Simon Family Foundation	-	15,000	(15,000)	-
Strategic Planning	Anonymous	-	10,000	(10,000)	-
Sugary Drinks, Trans Fat & Sodium	Bloomberg Philanthropies	750,000	-	(500,000)	250,000
		<u>\$ 1,617,500</u>	<u>\$ 285,167</u>	<u>\$ (1,124,869)</u>	<u>\$ 777,798</u>

Note 5. Permanently Restricted Net Assets

An endowment fund was established during the year ended June 30, 1996. Permanently restricted net assets at June 30, 2017 and 2016 consist of endowment funds established to support CSPI's program services and general operations. Contributions to the endowment funds 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 funds are to be expended for certain program services or general operations. CSPI has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2017 and 2016, there were no such donor stipulations. As a result of this interpretation, CSPI classifies as permanently restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. CSPI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 5. Permanently Restricted Net Assets (Concluded)

- 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 funds are invested in certificates of deposit and fixed income funds pursuant to CSPI's investment and spending objectives of subjecting the fund to low investment risk and providing its programs and operations with current income.

The composition of endowment net assets for this fund and the changes in endowment net assets as of and for the years ending June 30, 2017 and 2016 are as follows:

	Permanently Restricted
Donor Restricted Endowment net assets, June 30, 2015	\$ 373,831
Contributions	<u>-</u>
Donor Restricted Endowment net assets, June 30, 2016	\$ 373,831
Contributions	<u>2,000</u>
Donor Restricted Endowment net assets, June 30, 2017	<u>\$ 375,831</u>

Note 6. Investments

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

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

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

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 6. Investments (Concluded)

Investments consisted of the following at June 30:

	2017		
	Cost	Unrealized Appreciation	Fair Market Value
Mutual funds:			
Index funds	\$ 670,678	\$ 681,417	\$ 1,352,095
Value funds	1,039,852	61,511	1,101,363
Growth funds	621,854	114,788	736,642
Other funds	88,539	7,910	96,449
Total Mutual funds	\$ 2,420,923	\$ 865,626	\$ 3,286,549
Certificates of deposit	3,827,900	(2,478)	3,825,422
Stock	471	517	988
U.S. agency securities	599,206	28,608	627,814
Total	\$ 6,848,500	\$ 892,273	\$ 7,740,773
	2016		
	Cost	Unrealized Appreciation	Fair Market Value
Mutual funds:			
Index funds	\$ 645,505	\$ 501,772	\$ 1,147,277
Value funds	983,438	(50,957)	932,481
Growth funds	599,707	(4,822)	594,885
Other funds	81,451	19,303	100,754
Total Mutual funds	\$ 2,310,101	\$ 465,296	\$ 2,775,397
Certificates of deposit	3,302,900	74,113	3,377,013
Stock	471	419	890
U.S. agency securities	524,251	51,558	575,809
Total	\$ 6,137,223	\$ 591,386	\$ 6,729,109

Investment return is summarized as follows:

	2017	2016
Interest and dividends	\$ 138,388	\$ 127,831
Net realized and unrealized gains on investments	380,127	53,661
Total Investment Income	\$ 518,515	\$ 181,492

Note 7. Lease Commitments

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

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

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 7. Lease Commitments (Concluded)

CSPI also entered into an office space agreement in Dallas, Texas. The lease was extended through July 2015 and called for monthly payments of \$1,875. On each August 1, rent increased by \$52 per month. Effective July 31, 2015 CSPI cancelled its office space agreement in Dallas.

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

During April 2016, CSPI entered into a thirty-nine month lease for certain office equipment. Monthly payments under the lease are \$413.

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

At June 30, 2017, the future minimum lease commitments and scheduled sublease income are as follows:

Year Ending June 30,	Rent	Sublease Income	Total
2018	\$ 871,520	\$ (87,519)	\$ 784,001
2019	890,352	(91,895)	798,457
2020	897,531	(96,489)	801,042
2021	895,858	(101,314)	794,544
2022	531,510	(61,700)	469,810
Thereafter	-	-	-
Total Minimum Lease Commitments	<u>\$ 4,086,771</u>	<u>\$ (438,917)</u>	<u>\$ 3,647,854</u>

Rental expense is shown net of sublease income on the statements of functional expenses. For the years ended June 30, 2017 and 2016, gross rent expense was approximately \$851,000 and \$802,000 and sublease income was approximately \$70,000 and \$0, respectively.

Note 8. Allocation of Joint Costs

For the year ended June 30, 2017, CSPI incurred joint costs of \$2,319,824 for informational materials for the purpose of membership development. Of those costs, \$1,252,705 was allocated to Public Education and \$1,067,119 was allocated to Membership Development. For the year ended June 30, 2016, CSPI incurred joint costs of \$2,414,763 for informational materials for the purpose of membership development. Of those costs, \$1,303,972 was allocated to Public Education and \$1,110,791 was allocated to Membership Development.

For the year ended June 30, 2017, CSPI incurred joint costs of \$1,260,204 for informational materials that included fundraising appeals. Of those costs \$642,704 was allocated to Public Education and \$617,500 was allocated to fundraising. For the year ended June 30, 2016, CSPI incurred joint costs of \$1,158,646 for informational materials that included fundraising appeals. Of those costs \$726,215 was allocated to Public Education and \$432,431 was allocated to fundraising.

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 9. Employee Benefits

CSPI maintains a tax sheltered annuity plan for its employees under Section 403(b) of the Internal Revenue Code. Participation is voluntary, and CSPI is obligated to match, on a dollar-for-dollar basis, voluntary employee contributions of up to 1.5% of gross earnings (3% prior to October 1, 2015). Effective July 1, 2016 the contribution increased to 2% of gross earnings. Additionally, CSPI can make discretionary contributions to the Plan. CSPI made contributions for eligible employees of \$62,515 and \$58,342 under the plan during the fiscal years ended June 30, 2017 and 2016, 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, 2017 and 2016:

	2017			
	Total	Level 1	Level 2	Level 3
Deferred compensation assets:				
Mutual Funds	\$ 562,087	\$ 562,087	\$ -	\$ -
Deferred compensation liability	\$ 562,087	\$ 562,087	\$ -	\$ -
	2016			
	Total	Level 1	Level 2	Level 3
Deferred compensation assets:				
Mutual Funds	\$ 551,836	\$ 551,836	\$ -	\$ -
Deferred compensation liability	\$ 551,836	\$ 551,836	\$ -	\$ -

Note 10. Related Party Transactions

In November 1998, CSPI along with the Japan Offspring Fund (of Japan) and the Food Commission (of the United Kingdom) co-founded the International Association of Consumer Food Organizations (IACFO), a related party. IACFO operated out of CSPI's office and, in fiscal years 2016 and 2015, 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 2017 and 2016 were not significant.

Note 11. Concentrations of Credit Risk

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

Note 12. Contingencies

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

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 13. Board Designated Funds

The Board of Directors of CSPI has designated \$1,000,000 of the unrestricted net assets as a reserve fund. The fund was established to ensure at all times the normal operation and financial stability of the organization. The amount in the fund and the uses to which it will be applied are periodically examined and established by the Board.

Note 14. Charitable Gift Annuity

On occasion, CSPI receives charitable gift annuities from donors. In accordance with the terms of the respective agreements, CSPI agrees to make annual annuity payments to the donors for the remainder of the donors' lives beginning at a specific time as stated in each agreement. The present value of the estimated obligations is recorded as a liability. As of June 30, 2017 and 2016, the estimated charitable gift annuity liability totaled \$180,514 and \$186,465 respectively.

Note 15. Presentation of Prior Year Financial Statements

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

Note 16. Subsequent Events

CSPI has evaluated events through November 13, 2017, the date the financial statements were available to be issued, and determined that there was no event occurring subsequent to June 30, 2017 that would have a material impact on CSPI's results of operations or financial position.