

Society for Science & the Public

Financial Report
December 31, 2019

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Statements of financial position	3
Statements of activities	4
Statement of functional expenses – 2019	5
Statement of functional expenses – 2018	6
Statements of cash flows	7
Notes to financial statements	8-19

Independent Auditor's Report

Board of Trustees
Society for Science & the Public

Report on the Financial Statements

We have audited the accompanying financial statements of Society for Science & the Public (the Society), which comprise the statement of financial position as of December 31, 2019, the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Society for Science & the Public as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Society, as of and for the year ended December 31, 2018, were audited by other auditors, whose report dated February 25, 2019, expressed an unmodified opinion on those statements.

RSM US LLP

Washington, D.C.
April 21, 2020

Society for Sciences & the Public

**Statements of Financial Position
December 31, 2019 and 2018**

	2019	2018
Assets		
Cash and cash equivalents	\$ 12,044,048	\$ 7,560,947
Subscriptions receivable, net	31,130	35,400
Other receivables, net	171,018	172,272
Prepaid expenses	866,333	669,547
Investments	28,643,058	25,237,421
Grants receivable, net	53,366,484	59,779,712
Property and equipment, net	50,839	31,346
	<hr/>	<hr/>
Total assets	\$ 95,172,910	\$ 93,486,645
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,415,260	\$ 929,113
Awards payable	4,512,648	3,750,033
Deferred subscription revenue	4,045,879	3,528,074
Accrued postretirement benefits	2,202,000	1,684,999
	<hr/>	<hr/>
	12,175,787	9,892,219
Commitments and contingencies (Note 12)		
Net assets:		
Without donor restrictions	19,434,160	13,833,505
With donor restrictions	63,562,963	69,760,921
	<hr/>	<hr/>
Total net assets	82,997,123	83,594,426
	<hr/>	<hr/>
Total liabilities and net assets	\$ 95,172,910	\$ 93,486,645

See notes to financial statements.

Society for Science & the Public

Statements of Activities Years Ended December 31, 2019 and 2018

	2019	2018
Activities without donor restrictions:		
Revenue and support:		
Science News:		
Magazine subscriptions	\$ 3,112,225	\$ 3,108,944
Advertising and other	481,098	457,793
Science education programs	5,983,004	1,045,104
Membership and other	1,508,268	1,041,582
Net assets released from donor restriction	20,949,677	22,732,368
Total revenue and support	32,034,272	28,385,791
Expenses:		
Program services:		
Science education programs	17,290,170	17,806,040
Science News	7,280,521	6,811,156
Alumni	696,235	667,197
Special initiatives	702,057	497,801
Total program services	25,968,983	25,782,194
Supporting services:		
Development	2,012,530	1,976,676
General and administrative	1,635,487	1,577,266
Total supporting services	3,648,017	3,553,942
Total expenses	29,617,000	29,336,136
Change in net assets without donor restrictions from operations	2,417,272	(950,345)
Non-operating activity:		
Investment income	3,682,383	(1,165,848)
Accrued postretirement benefit adjustment	(499,000)	384,794
Change in net assets without donor restrictions	5,600,655	(1,731,399)
Activities with donor restrictions:		
Science education programs	12,659,904	13,710,724
Outreach and other	1,819,981	1,297,907
Investment income	271,834	(48,595)
Net assets released from restriction	(20,949,677)	(22,732,368)
Change in net assets with donor restrictions	(6,197,958)	(7,772,332)
Change in net assets	(597,303)	(9,503,731)
Net assets:		
Beginning	83,594,426	93,098,157
Ending	\$ 82,997,123	\$ 83,594,426

See notes to financial statements.

Society for Sciences & the Public

**Statement of Functional Expenses
Year Ended December 31, 2019**

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total Expense
	Science Education Programs	Science News	Alumni	Special Initiatives		Development	General and Administrative		
Salaries and benefits	\$ 4,189,859	\$ 4,268,720	\$ 507,790	\$ 119,710	\$ 9,086,079	\$ 881,538	\$ 1,197,946	\$ 2,079,484	\$ 11,165,563
Awards, scholarships, and grants	4,759,448	-	-	-	4,759,448	-	-	-	4,759,448
Professional fees and services	2,682,924	417,006	23,746	211,308	3,334,984	301,645	157,027	458,672	3,793,656
Travel and entertainment and events	3,311,549	93,212	48,856	7,150	3,460,767	43,108	17,516	60,624	3,521,391
Printing, production and postage	143,452	1,687,159	7,765	2,770	1,841,146	436,358	25,996	462,354	2,303,500
Technology	1,090,625	471,977	77,182	350,355	1,990,139	199,835	68,306	268,141	2,258,280
Real estate occupancy and utilities	483,465	180,535	16,725	6,081	686,806	49,863	40,307	90,170	776,976
Marketing and promotion	234,043	82,671	10,256	4,683	331,653	84,249	-	84,249	415,902
Equipment and supplies	297,660	15,161	3,118	-	315,939	4,232	6,450	10,682	326,621
Other administrative costs	97,145	64,080	797	-	162,022	11,702	121,939	133,641	295,663
Total expenses	\$ 17,290,170	\$ 7,280,521	\$ 696,235	\$ 702,057	\$25,968,983	\$ 2,012,530	\$ 1,635,487	\$ 3,648,017	\$ 29,617,000

See notes to financial statements.

Society for Science & the Public

**Statement of Functional Expenses
Year Ended December 31, 2018**

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total Expense
	Science Education Programs	Science News	Alumni	Special Initiatives		Development	General and Administrative		
Salaries and benefits	\$ 3,855,425	\$ 4,016,643	\$ 392,058	\$ 161,402	\$ 8,425,528	\$ 1,060,631	\$ 918,829	\$ 1,979,460	\$ 10,404,988
Awards, scholarships, and grants	4,621,404	266	26	-	4,621,696	76	-	76	4,621,772
Professional fees and services	2,724,141	425,148	23,266	183,409	3,355,964	268,733	337,535	606,268	3,962,232
Travel and entertainment and events	3,822,856	102,877	38,361	1,201	3,965,295	55,579	32,459	88,038	4,053,333
Printing, production and postage	171,032	1,616,736	24,125	331	1,812,224	318,625	34,520	353,145	2,165,369
Technology	1,294,176	368,068	165,262	-	1,827,506	144,581	72,957	217,538	2,045,044
Real estate occupancy and utilities	517,702	164,691	15,147	2,490	700,030	46,942	47,684	94,626	794,656
Marketing and promotion	281,565	48,716	3,618	466	334,365	61,957	-	61,957	396,322
Equipment and supplies	303,479	10,737	2,667	148,280	465,163	4,619	8,775	13,394	478,557
Other administrative costs	214,260	57,274	2,667	222	274,423	14,933	124,507	139,440	413,863
Total expenses	\$ 17,806,040	\$ 6,811,156	\$ 667,197	\$ 497,801	\$ 25,782,194	\$ 1,976,676	\$ 1,577,266	\$ 3,553,942	\$ 29,336,136

See notes to financial statements.

Society for Science & the Public

Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (597,303)	\$ (9,503,731)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,821	121,384
Bad debt expense	14,984	31,701
Accrued postretirement benefit adjustment	499,000	(384,794)
Net (gain) loss on investments	(3,164,736)	1,976,092
Amortization of discount on grants receivable	(1,604,719)	(2,328,445)
Contributions restricted for endowment	(300,000)	(250,000)
Changes in assets and liabilities:		
Subscriptions receivable	4,270	(3,042)
Other receivables	(13,730)	(23,397)
Prepaid expenses	(196,786)	36,833
Grants receivable	8,017,947	9,943,095
Accounts payable and accrued expenses	486,147	(115,495)
Awards payable	762,615	869,273
Deferred subscription revenue	517,805	242,444
Accrued postretirement benefits	18,001	101,793
Net cash provided by operating activities	4,448,316	713,711
Cash flows from investing activities:		
Purchases of investments	(7,568,993)	(3,608,450)
Proceeds from sales of investments	7,328,092	3,525,827
Purchases of property and equipment	(24,314)	-
Net cash used in investing activities	(265,215)	(82,623)
Cash flows from financing activities:		
Proceeds from endowment contributions	300,000	550,000
Net cash provided by financing activities	300,000	550,000
Net change in cash and cash equivalents	4,483,101	1,181,088
Cash and cash equivalents:		
Beginning	7,560,947	6,379,859
Ending	\$ 12,044,048	\$ 7,560,947
Supplemental disclosure of noncash investing activities:		
Donated securities	\$ 62,152	\$ 17,417

See notes to financial statements.

Society for Sciences & the Public

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Society for Science & the Public (the Society) is a not-for-profit organization incorporated in 1921 under the laws of the state of Delaware for the purpose of promoting public understanding of science. The Society's operations are financed primarily through subscription revenues and grants from private foundations and corporations. The Society's principal activities include the publication of the bi-weekly news magazine *Science News* and the administration of science competitions for middle school and high school students.

A summary of the Society's significant accounting policies is as follows:

Income taxes: The Society is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and applicable regulations of the District of Columbia, except on net income derived from unrelated business activities. The Society has been classified as other than a private foundation.

Basis of accounting: The Society prepares its financial statements on the accrual basis of accounting. Revenue is recognized when earned and expense is recognized when the obligation is incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, the Society is required to report information regarding its financial position and activities according to two classes of net assets, as follows:

Net assets without donor restrictions: Net assets without donor restrictions include undesignated funds that are available for the support of the Society's activities and not subject to donor-imposed restrictions. Also included in net assets without donor restrictions are board designated and certain amounts not available to support general activities.

Net assets with donor restrictions: Net assets with donor restrictions result from unconditional contributions whose use is limited by donor-imposed stipulations that are fulfilled and removed by actions of the Society pursuant to these stipulations.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Cash and cash equivalents: For financial statement purposes, the Society considers demand deposits held at financial institutions to be cash and cash equivalents.

Subscriptions receivable: Subscriptions receivable consists of amounts owed from customers for subscriptions to *Science News* magazine and is presented net of an allowance for doubtful accounts in the accompanying statements of financial position. The allowance for doubtful accounts is estimated based on an analysis of future cash receipts and historical write-offs. The allowance related to subscriptions was \$0 as of December 31, 2019 and 2018.

Other receivables: Other receivables consists primarily of amounts owed from customers for membership and services such as advertising and list rental and are presented net of an allowance for doubtful accounts in the accompanying statements of financial position. The allowance for doubtful accounts is estimated based on an analysis of future cash receipts and historical write-offs. The allowance related to other receivables was \$48,406 and \$48,299 as of December 31, 2019 and 2018, respectively.

Society for Sciences & the Public

Notes to Financial Statements

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

Awards payable: Awards payable are recorded when awarded to middle and high school students each year under the Regeneron Science Talent Search (STS), Broadcom MASTERS (MASTERS), Intel International Science and Engineering Fair (ISEF), and other award programs. Awards are generally paid out in installments over a four-year period. However, because substantially all payments are available to be paid out to the winner immediately upon the submission of proper documentation, the awards are not discounted to present value. To receive the payment, students must generally be enrolled in a college or university.

Grants and contributions: Grants and unconditional contributions are recognized as revenue when received or promised. Contributions received with conditions are recognized when the conditions are met. Contributions are recorded as support with or without donor restrictions depending upon the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. Within net assets with donor restrictions, amounts are reclassified to net assets without donor restrictions when restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished).

Program service revenue: Revenue from contracts with customers is derived primarily from *Science News* and scientific education programs. *Science News* consists of primarily subscription, advertising, and licensing revenue. Subscription revenue relates to publications periodically through the year and is recognized as income over the term of the subscription, generally one to two years. Deferred subscription revenue represents the unearned portion of subscriptions received by the Society as of December 31. Advertising revenue relates to advertising in those publications and is recognized as the respective issues are published. Scientific education programs consist primarily of revenue derived from fees related to ISEF. Revenue is recognized over the period when the services are provided. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. The Society did not have any impairments from contracts with customers. There are no incremental costs on obtaining a contract and no significant financing components. In addition, there were no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

Contributed services: During each of the years ended December 31, 2019 and 2018, the Society received \$720,000 in contributed services. A donor contributed web site security and monitoring services at no charge to the Society. The Society recorded the estimated fair value of the contributed services as contribution revenue and a corresponding expense on the statements of activities.

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. All expenses specifically identifiable to a grant, program activity or project are charged directly to the department for that activity. Expenses specifically for general and administrative organizational support, such as finance, human resources and positions of executive office and board costs are directly charged to departments which are included as general and administrative. Other costs not readily associated with a specific grant or program activity, nor general and administrative expenses, are pooled as common support costs and allocated to each program based on the total direct expenses for each function. Common costs are those support costs that apply across the organization such as information technology, facilities, internal marketing and design, communications and part of executive support.

Operations: The Society considers investment income, the accrued postretirement benefit adjustment, and other significant incidental activities as non-operating activities. All other activities are considered operating activities.

Society for Sciences & the Public

Notes to Financial Statements

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

New accounting principles: The FASB issued the Accounting Standards Update (ASU) 2014-09 (as amended), *Revenue from Contracts with Customers* (ASU 2014-09) and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Society adopted the provisions of ASUs 2014-09 and 2018-08 during the year ended December 31, 2019.

ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows from contracts with customers. The Society adopted the standard using the modified retrospective method, which allows the Society to evaluate open contracts upon adoption and adjust beginning net assets for any difference. There was no effect on net assets as of January 1, 2019, as a result of adopting ASU 2014-09. The Society's revenue arrangements are recognized over time and consist of performance obligations that are satisfied ratably over a period of no more than two years. *Science News* and scientific education programs are those line items affected by this standard. Based on the Society's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under ASU 2014-09. The adoption of this standard had no impact on the statements of financial position, statements of activities, or the change in net assets, but resulted in additional disclosures. See the revenue section of this note for enhanced disclosures.

ASU 2018-08 clarifies requirements on how to determine reciprocal and non-reciprocal transactions. Reciprocal transactions generally follow the contract accounting standards under. Non-reciprocal transactions generally follow the contribution accounting standards. ASU 2018-08 also clarified and revised the definition of conditional contributions. The Society adopted the standard using the modified prospective method as permitted by ASU 2018-08.

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In January 2018, the FASB issued ASU 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*, which amends the new lease guidance to add an optional transition practical expedient that permits an entity to continue applying its current accounting policy for land easements that exist or expire before the ASC Topic 842 effective date. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Society expects to adopt the guidance retrospectively at the beginning of the period of adoption, January 1, 2021, through a cumulative-effect adjustment, and will not apply the new standard to comparative periods presented. The new standard provides a number of practical expedients. Upon adoption, the Society expects to elect all the practical expedients available. The Society is currently evaluating the impact of the pending adoption of the new standard will have on its financial statements.

Society for Sciences & the Public

Notes to Financial Statements

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

Reclassifications: Certain 2018 expense amounts on the statements of activities have been reclassified to conform to 2019 presentation. There was no impact to the change in net assets related to these reclassifications.

Subsequent events: Subsequent events have been evaluated through April 21, 2020, which is the date the financial statements were available to be issued.

Note 2. Concentrations

Credit risk: The Society maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of these accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Society.

Market value risk: The Society also invests funds in professionally managed portfolios containing various marketable debt and equity securities. Such investments are exposed to market and credit risks and may be subject to fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Grants receivable: The Society is the recipient of several significant grants from Regeneron Pharmaceuticals, Inc. (Regeneron), Broadcom Foundation, and Intel Foundation. The sponsorship with Intel Foundation ended in 2019. At December 31, 2019, substantially all of the Society's unconditional grants receivable were comprised of amounts due from Regeneron and Broadcom Foundation.

Note 3. Investments

In accordance with U.S. GAAP, the Society uses the following prioritized input levels to measure investments carried at fair value. The input levels used for valuing financial instruments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes

Level 2: Includes inputs other than Level 1 that are directly or indirectly observable in the marketplace, such as yield curves or other market data

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, such as bid/ask spreads and liquidity discounts

Equity securities, exchange-traded funds and mutual funds are classified as Level 1 instruments because they are actively traded on public exchanges. Money market funds included in the investment portfolio are not subject to the provisions of the fair value measurement standard as they are recorded at cost.

Society for Sciences & the Public

Notes to Financial Statements

Note 3. Investments (Continued)

The following is a summary of investments at December 31:

	2019	2018
Money market funds	\$ 304,525	\$ 337,566
Fixed income funds	12,576,904	12,529,100
Equity funds	9,182,818	6,653,082
Equity securities	6,578,811	5,717,673
	<u>\$ 28,643,058</u>	<u>\$ 25,237,421</u>

Investment income consists of the following for the years ended December 31:

	2019	2018
Interest and dividends	\$ 922,779	\$ 887,190
Net gain (loss) on investments	3,164,736	(1,976,092)
Investment fees	(133,298)	(125,541)
	<u>\$ 3,954,217</u>	<u>\$ (1,214,443)</u>

Note 4. Grants Receivable

The Society receives several significant contributions from Regeneron and Broadcom Foundation in support of its science competitions. The Society also has received certain other promises to give from individuals and institutions. Grants receivable are discounted to net present value in the period promised, using discount rates ranging from 2.20% to 5.05%. Grants receivable are reported net of the related present value discount.

During 2016, sponsorship of STS was transferred from Intel Foundation to Regeneron. The Intel Foundation sponsorship ended in 2019. Regeneron entered into a 10-year grant commitment with the Society to sponsor STS. Due to potential uncertainties, total potential gross payments of \$15,600,282 due from Regeneron during the years ended December 31, 2025 and 2026, have not been included within the grants receivable balance as of December 31, 2019, due to uncertainty.

Under the terms of the sponsorship agreement, Regeneron placed \$7,000,000 into an escrow account held by a third-party escrow agent. The balance in the escrow account will be paid to either the Society or Regeneron, depending on the occurrence of certain events. Interest accruing on the amount in escrow will be paid to Regeneron. The Society's financial statements do not reflect any balances related to the amount in escrow.

Regeneron also has a remaining grant commitment of up to \$17,178,000 conditioned upon the funding of ISEF and \$2,545,000 for reimbursement of ISEF expenses incurred. These amounts are to be paid in periodic payments through 2024.

Society for Sciences & the Public

Notes to Financial Statements

Note 4. Grants Receivable (Continued)

Grants receivable consists of the following at December 31:

	2019	2018
Receivable in less than one year	\$ 11,105,706	\$ 16,097,002
Receivable in one to five years	47,576,359	48,500,283
	<u>58,682,065</u>	<u>64,597,285</u>
Less discount to net present value	(5,315,581)	(4,817,573)
	<u>\$ 53,366,484</u>	<u>\$ 59,779,712</u>

Note 5. Property and Equipment

Acquisitions of property and equipment greater than \$5,000 are recorded at cost and depreciated using the straight-line method over their respective estimated useful lives, ranging from 3 to 35 years. Property and equipment consists of the following at December 31:

	2019	2018
Land	\$ 26,946	\$ 26,946
Building	1,521,182	1,521,182
Office furniture and equipment	577,236	552,923
Computer equipment	725,666	725,666
Capitalized software	797,881	797,881
Vehicles	24,945	24,945
	<u>3,673,856</u>	<u>3,649,543</u>
Less accumulated depreciation and amortization	(3,623,017)	(3,618,197)
	<u>\$ 50,839</u>	<u>\$ 31,346</u>

Note 6. Liquidity and Availability

Financial assets available for general expenditure within one year as of December 31, 2019 and 2018, are as follows:

	2019	2018
Cash and cash equivalents	\$ 12,044,048	\$ 7,560,947
Subscription and other receivables	202,148	207,672
Investments	28,643,058	25,237,421
Grants receivable	53,366,484	59,779,712
Subtotal financial assets	<u>94,255,738</u>	<u>92,785,752</u>
Amounts not available for general expenditures within one year:		
Net assets with donor restrictions	(63,562,963)	(69,760,921)
Amounts available for expenditures within one year	<u>\$ 30,692,775</u>	<u>\$ 23,024,831</u>

Society for Sciences & the Public

Notes to Financial Statements

Note 6. Liquidity and Availability (Continued)

The endowment fund is donor-restricted. A portion of the income from the donor-restricted endowment may be available for general use according to the endowment's spending policy.

While the Society does not have a liquidity policy, grant funds and unrestricted funds that are received during the course of the year are deposited in the Society's operating checking account and used to cover day-to-day operations. Funds designated for student awards due or certain restricted purposes are segregated in separate bank accounts and transferred to the operating account as required to fund those expenses. In the case where the operating funds available dip below those required to meet near-term expenses, funds are borrowed from the student amount and repaid when additional funds are received. Additionally, with the approval of the Society's board, certain operating expenses are funded using invested funds, and funds are transferred from the investments to the operating checking account periodically to cover those expenses.

Note 7. Lease Obligations

The Society entered into an operating lease for office space at 1233 20th Street NW in Washington, DC during 2016. The lease is for three years and contains a rental abatement equal to the first two months of rent. The lease further contains an escalation clause that adjusts annual base rentals and a pass-through clause related to real estate taxes and operating expenses. The lease expired in October 2019.

The Society entered into an operating lease for office space at 1701 Rhode Island Avenue NW in Washington, DC, effective in October 2019. The lease is for two years and has monthly payments of approximately \$35,000 per month.

Rental expense under these leases was \$409,337 and \$402,534 for the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, a deferred lease liability of \$2,403 and \$25,731, respectively, is included in accounts payable and accrued expenses in the statements of financial position. Future minimum cash basis lease payments, not including increases in real estate taxes and operating expenses, are expected to be as follows as of December 31, 2019:

Years ending December 31,	
2020	\$ 416,745
2021	347,288
	<u>\$ 764,033</u>

Society for Sciences & the Public

Notes to Financial Statements

Note 8. Net Assets

Net assets with donor restrictions consist of the following at December 31:

	January 1, 2019	Additions	Releases from Restriction	December 31, 2019
ISEF sponsorships and awards	\$ 5,773,417	\$ 601,345	\$ (6,303,856)	\$ 70,906
STS sponsorships and awards, including Outreach and Membership	55,339,111	11,149,597	(10,466,803)	56,021,905
Broadcom MASTERS	6,463,331	153,723	(2,264,705)	4,352,349
Other	579,482	2,275,220	(1,914,313)	940,389
Endowment	1,605,580	571,834	-	2,177,414
	<u>\$ 69,760,921</u>	<u>\$ 14,751,719</u>	<u>\$ (20,949,677)</u>	<u>\$ 63,562,963</u>

	January 1, 2018	Additions	Releases from Restriction	December 31, 2018
ISEF sponsorships and awards	\$ 13,645,517	\$ 795,008	\$ (8,667,108)	\$ 5,773,417
STS sponsorships and awards, including Outreach and Membership	53,988,387	11,865,143	(10,514,419)	55,339,111
Broadcom MASTERS	7,717,518	746,573	(2,000,760)	6,463,331
Other	813,349	1,316,214	(1,550,081)	579,482
Endowment	1,368,482	237,098	-	1,605,580
	<u>\$ 77,533,253</u>	<u>\$ 14,960,036</u>	<u>\$ (22,732,368)</u>	<u>\$ 69,760,921</u>

Note 9. Endowment

Since 2012, the Society received endowment gifts for which the income is meant to be used for supporting or expanding programs that impact K-12 students or education. However, the donor also provided flexibility to the Society to use income from this fund for general operating expenses if necessary.

Interpretation of relevant law: The Board of Directors of the Society has interpreted the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA) as adopted by the Council of the District of Columbia as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The accumulated investment income in excess of portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation

Society for Sciences & the Public

Notes to Financial Statements

Note 9. Endowment (Continued)

5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

It is the Society's interpretation of the donor gift instrument that no appropriations should be made from the endowment fund when it is underwater. Accordingly, no appropriations were made from an underwater fund.

Return objectives and risk parameters: The Society adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The investment portfolio is intended to produce returns higher than specified market indices while assuming a moderate level of risk.

Strategies employed for achieving objectives: To satisfy its long-term objectives, the Society will rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society will target a diversified asset allocation to achieve its long-term return objectives.

Spending policy and how the investment objectives relate to spending policy: In accordance with the endowment's terms, annual earnings equal to 3% of the invested corpus will be added to the total corpus. The remaining portion of the annual earnings will be reflected as net assets with donor restrictions until appropriated for expenditure. Appropriations are made at the discretion of management to support or expand programs with an emphasis on those that impact K-12 students and education. Management also has the discretion to appropriate funds to offset expenses related to the development and administration of such programs.

Funds with deficiencies: From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019 and 2018.

Endowment net assets and related activity consist of the following:

	With Donor Restrictions		Total
	Accumulated Income	Held in Perpetuity	
Endowment net assets, January 1, 2018	\$ -	\$ 1,368,482	\$ 1,368,482
Contributions	-	250,000	250,000
Investment return	(35,693)	(12,902)	(48,595)
Restoration of endowment assets	35,693	-	35,693
Endowment net assets, December 31, 2018	-	1,605,580	1,605,580
Contributions	-	300,000	300,000
Investment return	131,146	140,688	271,834
Endowment net assets, December 31, 2019	\$ 131,146	\$ 2,046,268	\$ 2,177,414

Society for Sciences & the Public

Notes to Financial Statements

Note 10. Retirement Plan

The Society sponsors a defined contribution retirement plan (the Plan). Full time employees at least 21 years old are eligible for an employer contribution. Employees are fully and immediately vested in the Society's contributions upon entry into the Plan. The Society makes contributions to the Plan of 3% of compensation for all eligible employees, and 7% for all eligible employees who elect to defer at least 5% of compensation. The Society's contribution to the Plan was approximately \$785,000 and \$737,000 for the years ended December 31, 2019 and 2018, respectively.

Note 11. Postretirement Benefit Obligation

The Society maintains a postretirement healthcare benefit plan (the postretirement plan), which it froze in June 2008. Participation in the plan remains open to all employees hired prior to June 30, 2008. Under the plan, an employee becomes eligible to receive benefits if, upon retirement, the sum of the employee's age and years of service with the Society is at least 85 years. The plan was unfunded at December 31, 2019 and 2018, as the Society does not maintain plan assets.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) introduces a prescription drug benefit under Medicare (Medicare Part D) that provides several options for Medicare-eligible participants and employers, including a federal subsidy payable to companies that elect to provide a retiree prescription drug benefit which is at least actuarially equivalent to Medicare Part D. As of December 31, 2019 and 2018, the Society had not applied for the federal subsidy. Therefore, no federal subsidy is reflected in the valuation of the postretirement plan for the years ended December 31, 2019 and 2018.

The postretirement benefit obligation, included in the statements of financial position, consists of the following changes that have been recognized in the statements of activities for the years ended December 31:

	2019	2018
Accumulated benefit obligation, beginning	\$ 1,684,999	\$ 1,968,000
Benefits paid	(15,999)	(15,001)
Service cost – benefits earned during the period	45,000	73,000
Interest cost on projected benefit obligation	71,000	74,000
Net loss (gain) during the year	417,000	(415,000)
Accumulated benefit obligation, ending	<u>\$ 2,202,000</u>	<u>\$ 1,684,999</u>

The net periodic benefit cost included in operations consists of the following components for the years ended December 31:

	2019	2018
Service cost – benefits earned during the period	\$ 45,000	\$ 73,000
Interest cost on projected benefit obligation	71,000	74,000
Amortization of net gain	(82,000)	(30,206)
	<u>\$ 34,000</u>	<u>\$ 116,794</u>

Society for Sciences & the Public

Notes to Financial Statements

Note 11. Postretirement Benefit Obligation (Continued)

Amounts in net assets without donor restrictions that have not yet been recognized in operations as a net periodic benefit cost include the following as of December 31:

	2019	2018
Gain, beginning of the year	\$ 911,000	\$ 526,206
Net (loss) gain during the year	(417,000)	415,000
Amortization of net gain	(82,000)	(30,206)
Gain, end of the year	<u>\$ 412,000</u>	<u>\$ 911,000</u>

The amount of the unrecognized gain expected to be recognized in net periodic benefit cost during the fiscal year ending December 31, 2020, is \$21,000.

The other postretirement benefit charges included in non-operating items as the accrued postretirement benefit adjustment consist of the following components for the years ended December 31:

	2019	2018
Amortization of net gain	\$ (82,000)	\$ (30,206)
Net (loss) gain during the year	(417,000)	415,000
	<u>\$ (499,000)</u>	<u>\$ 384,794</u>

The postretirement benefit obligation was determined using the following rates for the years ended December 31:

	2019	2018
Discount rate for net periodic benefit cost	4.25%	3.75%
Discount rate for obligations at year-end	3.25%	4.25%
Health care cost trend rate assumed for next year	6.00%	6.00%
Ultimate rate (year 2023)	5.00%	5.00%

The mortality table used in the calculation of the postretirement plan's liability was the RPH-2014 mortality table for white-collar employees projected using generational mortality improvement scale MP-2018 for the year ended December 31, 2018. For the year ended December 31, 2019, the same mortality table revised using generational improvement scale MP-2019 was used.

The annual measurement date used to determine postretirement healthcare benefits was December 31 for each year presented.

	2019	2018
Effect of a 1% increase in medical trend:		
Postretirement benefit obligation	\$ 507,000	\$ 369,000
Postretirement service cost	29,000	39,000
Effect of a 1% decrease in medical trend:		
Postretirement benefit obligation	\$ (393,000)	\$ (289,000)
Postretirement service cost	(22,000)	(30,000)

Society for Sciences & the Public

Notes to Financial Statements

Note 11. Postretirement Benefit Obligation (Continued)

Based on current data and assumptions, estimated future benefits expected to be paid from the postretirement plan are as follows:

Years ending December 31,	
2020	\$ 22,000
2021	33,000
2022	40,000
2023	46,000
2024	49,000
2025-2029	298,000
	<u>\$ 488,000</u>

Note 12. Commitments and Contingencies

Line of Credit: During 2016, the Society entered into an arrangement with a financial institution to secure a corporate credit card. The card is supported by an unsecured \$500,000 line of credit. The outstanding credit card balance was \$0 at December 31, 2019 and 2018. No interest expense related to the line of credit was incurred during either of the years ended December 31, 2019 and 2018.

Subsequent event: On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Society operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Society, to date, and it is reasonably possible that the Society is vulnerable to the risk of a near-term severe impact. As a result of the coronavirus pandemic, the Society postponed or canceled certain events. The Society does not expect a material impact on its financial condition as a result due to sponsorship commitments and insurance coverage.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including losses on investments.