

**Audited Financial Statements and  
Other Financial Information**

**SOCIETY FOR SCIENCE & THE PUBLIC**

*December 31, 2018*

# Society for Science & the Public

## Contents

---

<i>Independent Auditor's Report on the Financial Statements</i>	1
<i>Financial Statements</i>	
Statements of financial position	2
Statements of activities	3
Statement of functional expenses	4
Statements of cash flows	5
Notes to the financial statements	6 – 17

T A T E



TRYON

A Professional Corporation

Certified Public

Accountants

and Consultants

# Independent Auditor's Report on the Financial Statements

To the Board of Trustees  
Society for Science & the Public

We have audited the accompanying financial statements of Society for Science & the Public (the Society) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, and cash flows for the years then ended, and the related statement of functional expense for the year ended December 31, 2018, 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 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 audit to obtain reasonable assurance about whether the financial statements are free of 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, 2018 and 2017, 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.

Washington, DC  
February 25, 2019

2021 L STREET, NW

SUITE 400

WASHINGTON, DC

20036

TELEPHONE

202/293-2200

FACSIMILE

202/293-2208

# Society for Science & the Public

## Statements of Financial Position

<b>December 31,</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 7,560,947	\$ 6,379,859
Subscriptions receivable, net	35,400	32,358
Other receivables, net	172,272	180,576
Prepaid expenses	669,547	706,380
Investments	25,237,421	27,130,890
Grants receivable, net	59,779,712	67,694,362
Property and equipment, net	31,346	152,730
<b>Total assets</b>	<b>\$ 93,486,645</b>	<b>\$ 102,277,155</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 929,113	\$ 1,044,608
Awards payable	3,750,033	2,880,760
Deferred subscription revenue	3,528,074	3,285,630
Accrued postretirement benefits	1,684,999	1,968,000
Total liabilities	9,892,219	9,178,998
Net assets		
Without donor restrictions	13,833,505	15,564,904
With donor restrictions	69,760,921	77,533,253
Total net assets	83,594,426	93,098,157
<b>Total liabilities and net assets</b>	<b>\$ 93,486,645</b>	<b>\$ 102,277,155</b>

See notes to the financial statements.

# Society for Science & the Public

## Statements of Activities

<b>Year Ended December 31,</b>	<b>2018</b>	<b>2017</b>
<b>Activities without donor restrictions</b>		
Revenue and support		
Science News		
Magazine subscriptions	\$ 3,108,944	\$ 3,296,490
Advertising and other	457,793	503,418
Science education programs	1,045,104	972,533
Membership and other	1,041,582	674,979
Net assets released from donor restriction	<b>22,732,368</b>	<b>22,797,247</b>
Total revenue and support	<b>28,385,791</b>	<b>28,244,667</b>
Expense		
Program services		
Science education programs	17,806,040	17,717,586
Science News	6,811,156	6,451,109
Special Initiatives	497,801	983,481
Alumni	667,197	615,109
Total program services	<b>25,782,194</b>	<b>25,767,285</b>
Supporting services		
General and administrative	1,577,266	2,009,914
Development	1,976,676	1,419,039
Total supporting services	<b>3,553,942</b>	<b>3,428,953</b>
Total expense	<b>29,336,136</b>	<b>29,196,238</b>
Change in net assets without donor restrictions		
from operations	<b>(950,345)</b>	<b>(951,571)</b>
Non-operating activity		
Investment income	<b>(1,165,848)</b>	2,358,656
Accrued postretirement benefit adjustment	<b>384,794</b>	<b>(82,671)</b>
Change in net assets without donor restrictions	<b>(1,731,399)</b>	<b>1,324,414</b>
<b>Activities with donor restrictions</b>		
Science education programs	13,713,036	13,063,459
Outreach and other	1,295,595	1,269,232
Investment income	<b>(48,595)</b>	116,228
Net assets released from restriction	<b>(22,732,368)</b>	<b>(22,797,247)</b>
Change in net assets with donor restrictions	<b>(7,772,332)</b>	<b>(8,348,328)</b>
<b>Change in net assets</b>	<b>(9,503,731)</b>	<b>(7,023,914)</b>
Net assets, beginning of year	<b>93,098,157</b>	<b>100,122,071</b>
<b>Net assets, end of year</b>	<b>\$ 83,594,426</b>	<b>\$ 93,098,157</b>

See notes to the financial statements.

# Society for Science & the Public

## Schedule of Functional Expenses Year Ended December 31, 2018

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total Expense
	Science News	Science Education Programs	Alumni	Special Initiatives		General and Administrative	Development		
Salaries and benefits	\$ 3,781,167	\$ 3,255,455	\$ 369,612	\$ 161,402	\$ 7,567,636	\$ 1,845,663	\$ 991,689	\$ 2,837,352	\$ 10,404,988
Awards, scholarships, and grants	-	4,620,772	-	-	4,620,772	1,000	-	1,000	4,621,772
Professional fees and services	392,858	2,643,228	20,183	183,409	3,239,678	463,224	259,330	722,554	3,962,232
Events and banquets	1,095	2,232,420	24,046	-	2,257,561	21,516	9,129	30,645	2,288,206
Computer, software and equipment	109,415	576,031	140,856	148,280	974,582	1,037,055	67,740	1,104,795	2,079,377
Travel and entertainment	93,218	1,569,535	13,495	1,201	1,677,449	43,699	43,977	87,676	1,765,125
Printing	1,010,029	53,771	13,870	-	1,077,670	34,294	236,269	270,563	1,348,233
Postage and shipping	602,881	107,311	9,891	331	720,414	15,493	81,228	96,721	817,135
Repairs, maintenance, and storage	5,429	5,781	-	2,490	13,700	510,189	-	510,189	523,889
Marketing and advertising	44,265	270,101	3,194	466	318,026	17,645	60,649	78,294	396,320
Supplies and other	1,129	278,969	1,751	-	281,849	46,623	1,805	48,428	330,277
Insurance	14,319	37,298	-	-	51,617	91,791	-	91,791	143,408
Utilities	-	97,833	-	-	97,833	43,720	-	43,720	141,553
Taxes	-	-	-	-	-	132,522	-	132,522	132,522
Depreciation	-	113,667	-	-	113,667	7,717	-	7,717	121,384
Telephone, internet, and other communications	2,044	50,858	-	-	52,902	59,842	1,202	61,044	113,946
Registration, contribution, affiliation, and other fees	13,512	34,048	2,951	222	50,733	9,318	11,941	21,259	71,992
Bank fees and other charges	31,706	17,628	-	-	49,334	(10,256)	2,998	(7,258)	42,076
Bad debts	-	-	-	-	-	31,701	-	31,701	31,701
Overhead allocation	708,089	1,841,334	67,348	-	2,616,771	(2,825,490)	208,719	(2,616,771)	-
<b>Total Expense</b>	<b>\$ 6,811,156</b>	<b>\$ 17,806,040</b>	<b>\$ 667,197</b>	<b>\$ 497,801</b>	<b>\$ 25,782,194</b>	<b>\$ 1,577,266</b>	<b>\$ 1,976,676</b>	<b>\$ 3,553,942</b>	<b>\$ 29,336,136</b>

See notes to the financial statements.

# Society for Science & the Public

## Statements of Cash Flows

<i>Year Ended December 31,</i>	2018	2017
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (9,503,731)	\$ (7,023,914)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	121,384	138,278
Net loss (gain) on investments	1,976,092	(1,775,168)
Contributions restricted for permanent endowment	(550,000)	-
Changes in assets and liabilities:		
Grants receivable, net	7,914,650	10,748,156
Subscriptions receivable, net	(3,042)	3,075
Other receivables, net	8,304	51,652
Prepaid expenses	36,833	(252,655)
Accounts payable and accrued expenses	(115,495)	529,593
Awards payable	869,273	286,270
Deferred subscription revenue	242,444	18,075
Accrued postretirement benefits	(283,001)	179,000
Total adjustments	10,217,442	9,926,276
Net cash provided by operating activities	713,711	2,902,362
<b>Cash flows from investing activities</b>		
Purchases of investments	(3,608,450)	(1,958,136)
Proceeds from sales of investments	3,525,827	3,145,676
Purchases of property and equipment	-	(4,761)
Net cash (used in) provided by investing activities	(82,623)	1,182,779
<b>Cash flows from financing activities</b>		
Proceeds from endowment contributions	550,000	-
<b>Net change in cash and cash equivalents</b>	<b>1,181,088</b>	<b>4,085,141</b>
Cash and cash equivalents, beginning of year	6,379,859	2,294,718
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,560,947</b>	<b>\$ 6,379,859</b>
<b>Supplemental disclosure of noncash investing activities</b>		
Donated securities	\$ 17,417	\$ -

See notes to the financial statements.

# Society for Science & the Public

## Notes to the Financial Statements

---

### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: 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.

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.

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. 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, 2018 and 2017.

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 \$48,299 and \$29,051 as of December 31, 2018 and 2017, respectively.



# Society for Science & the Public

## Notes to the Financial Statements

---

### A. ORGANIZATION 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.

Net assets: For financial statement purposes, net assets consist of the following:

Without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. The Society's net assets without donor restrictions are undesignated.

With donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions: Contributions are recognized as revenue when received or unconditionally promised. 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). Effective with 2016, the Society adopted a new policy regarding the valuation of long-term promises to give. Under the new policy, absent unusual circumstances, the Society will not record a receivable related to the portion of long-term promises to give that is due in greater than five years. The Society has concluded that the uncertainty regarding events scheduled to occur in more than five years typically precludes an accurate valuation for these amounts. Thus, the new accounting policy should provide for a reasonable and conservative presentation of receivables related to promises to give.

Subscriptions: Subscription revenue is recognized as income over the term of the subscription, generally one or two years. Deferred subscription revenue represents the unearned portion of subscriptions received by the Society as of each December 31.

Contributed services: During the years ended December 31, 2018 and 2017, the Society received \$720,000 and \$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.

# Society for Science & the Public

## Notes to the Financial Statements

---

### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

New accounting principle: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). The Society adopted the provisions of ASU 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources.

Reclassifications: Certain 2017 expense amounts on the statements of activities have been reclassified to conform to 2018 presentation. There was no impact to the change in net assets related to these reclassifications.

Subsequent events: Subsequent events have been evaluated through February 25, 2019, which is the date the financial statements were available to be issued.

### B. 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. At December 31, 2018 and 2017, substantially all of the Society's grants receivable were comprised of amounts due from these three donors.

# Society for Science & the Public

## Notes to the Financial Statements

### C. INVESTMENTS

In accordance with generally accepted accounting principles, 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.

The following is a summary of investments at December 31,:

	2018	2017
Money market funds	\$ 337,566	\$ 410,997
Fixed income mutual funds and exchange traded funds	10,467,777	11,214,264
Equity securities, mutual funds and exchange traded funds	14,432,078	15,505,629
	<u>\$ 25,237,421</u>	<u>\$ 27,130,890</u>

Investment income consists of the following for the year ended December 31,:

	2018	2017
Interest	\$ 887,190	\$ 829,609
Net (loss) gain on investments	(1,976,092)	1,775,168
Investment fees	(125,541)	(129,893)
	<u>\$ (1,214,443)</u>	<u>\$ 2,474,884</u>

### D. GRANTS RECEIVABLE

The Society receives several significant contributions from Regeneron, Broadcom Foundation, and Intel 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.

# Society for Science & the Public

## Notes to the Financial Statements

### D. GRANTS RECEIVABLE - CONTINUED

During 2016, sponsorship of Science Talent Search was transferred from Intel Foundation to Regeneron. Regeneron entered into a ten-year grant commitment with the Society to sponsor STS. As discussed in Note A, given the uncertainty of valuing long-term grant commitments, the Society's policy is to record a receivable related only to grant amounts due within five years. Thus, total potential gross payments of \$27,336,000 due from Regeneron for the years 2024 through 2026 have not been included within the grants receivable balance as of December 31, 2018.

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.

Grants receivable consists of the following at December 31,:

	2018	2017
Receivable in less than one year	\$ 16,097,002	\$ 18,329,135
Receivable in one to five years	<u>48,500,283</u>	<u>54,911,014</u>
	64,597,285	73,240,149
Less discount to net present value	<u>(4,817,573)</u>	<u>(5,545,787)</u>
	<u>\$ 59,779,712</u>	<u>\$ 67,694,362</u>

### E. 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,:

	2018	2017
Land	\$ 26,946	\$ 26,946
Building	1,521,182	1,521,182
Office furniture and equipment	552,923	552,923
Computer equipment	725,666	725,666
Capitalized software	797,881	797,881
Vehicles	<u>24,945</u>	<u>24,945</u>
	3,649,543	3,649,543
Less accumulated depreciation and amortization	<u>(3,618,197)</u>	<u>(3,496,813)</u>
	<u>\$ 31,346</u>	<u>\$ 152,730</u>

# Society for Science & the Public

## Notes to the Financial Statements

### F. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 7,560,947
Investments	25,237,421
Receivables	207,672
Grants receivable	59,779,712
Less amounts to be collected after one year	<u>(45,244,870)</u>
Subtotal financial assets	\$ 47,540,882
Amounts not available for general expenditures within one year:	
Investments held in perpetuity	1,349,990
Subject to expenditure for specified purpose	<u>20,088,659</u>
Subtotal	21,438,649
Amounts available for expenditures within one year	<u>\$ 26,102,233</u>

The endowment fund is donor-restricted. Income from the donor-restricted endowment is 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.

### G. LEASE OBLIGATIONS

During 2013, the Society entered into an operating lease for office space at 1920 N Street, NW in Washington, DC. The lease was subsequently amended to extend the term until March 31, 2017. The landlord terminated the lease early during the year ended December 31, 2016.

In conjunction with the landlord's termination of the 1920 N Street lease, the Society entered into an operating lease for office space at 1233 20<sup>th</sup> 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. Rental expense under this lease was \$402,534 and \$391,994 for the years ended December 31, 2018 and 2017, respectively.

# Society for Science & the Public

## Notes to the Financial Statements

### G. LEASE OBLIGATIONS - CONTINUED

As of December 31, 2018 and 2017 a deferred lease liability of \$25,731 and \$48,385, 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 total approximately \$347,670 for the year ending December 31, 2019.

### H. NET ASSETS

Net assets without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. The Society's net assets without donor restrictions are undesignated.

Net assets with donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

	January 1, 2018	Additions	Releases from Restriction	December 31, 2018
ISEF sponsorships and awards	\$ 13,645,517	\$ 795,008	\$ (8,702,153)	\$ 5,738,372
STS sponsorships and awards, including				
Outreach and Membership	53,988,387	12,143,571	(10,974,299)	55,157,659
Broadcom MASTERS	7,717,518	646,573	(1,945,379)	6,418,712
Other	813,349	1,137,786	(1,110,537)	840,598
Endowment	1,368,482	237,098	-	1,605,580
	<b>\$ 77,533,253</b>	<b>\$ 14,960,036</b>	<b>\$ (22,732,368)</b>	<b>\$ 69,760,921</b>

	January 1, 2017	Additions	Releases from Restriction	December 31, 2017
ISEF sponsorships and awards	\$ 21,500,769	\$ 1,256,429	\$ (9,111,681)	\$ 13,645,517
STS sponsorships and awards, including				
Outreach and Membership	53,075,047	11,421,693	(10,508,353)	53,988,387
Broadcom MASTERS	9,524,464	117,848	(1,924,794)	7,717,518
Other	748,397	1,317,371	(1,252,419)	813,349
Endowment	1,032,904	335,578	-	1,368,482
	<b>\$ 85,881,581</b>	<b>\$ 14,448,919</b>	<b>\$ (22,797,247)</b>	<b>\$ 77,533,253</b>

### I. ENDOWMENT

During 2012, the Society received a \$1 million endowment gift 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. As of December 31, 2018, the endowment gift had been fully funded.

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 permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted 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
- (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.

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, 2018 and 2017.

# Society for Science & the Public

## Notes to the Financial Statements

### I. ENDOWMENT - CONTINUED

Endowment net assets and related activity consist of the following:

	With Donor Restrictions		Total
	Specified Purpose	Perpetual in Nature	
Endowment net assets, January 1, 2017	\$ -	\$ 1,032,904	\$ 1,032,904
Contributions		300,000	300,000
Investment return			
Interest and dividends	38,725	17,083	55,808
Net unrealized gain	41,925	18,495	60,420
Net investment gain	80,650	35,578	116,228
Appropriation of endowment assets for expenditure	(80,650)	-	(80,650)
<b>Endowment net assets, December 31, 2017</b>	<b>-</b>	<b>1,368,482</b>	<b>1,368,482</b>
Contributions	-	250,000	250,000
Investment return			
Interest and dividends	(17,133)	117,858	100,725
Net unrealized loss	(18,560)	(130,760)	(149,320)
Net investment return	(35,693)	(12,902)	(48,595)
Restoration of endowment assets	35,693	-	35,693
<b>Endowment net assets, December 31, 2018</b>	<b>\$ -</b>	<b>\$ 1,605,580</b>	<b>\$ 1,605,580</b>

### J. RETIREMENT PLAN

The Society sponsors a defined contribution retirement 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 \$737,000 and \$687,000 for the years ended December 31, 2018 and 2017, respectively.

### K. POSTRETIREMENT BENEFIT OBLIGATION

The Society maintains a postretirement healthcare benefit 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, 2018 and 2017, 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, 2018 and 2017, the Society had not applied for the federal subsidy. Therefore, no federal subsidy is reflected in the valuation of the plan for the years ended December 31, 2018 and 2017.



# Society for Science & the Public

## Notes to the Financial Statements

### K. POSTRETIREMENT BENEFIT OBLIGATION - CONTINUED

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,:

	<b>2018</b>	<b>2017</b>
Accumulated benefit obligation, beginning	\$ 1,968,000	\$ 1,789,000
Benefits paid	(15,000)	(14,000)
Net periodic benefit cost	117,000	111,000
Postretirement benefit changes	<u>(385,000)</u>	<u>82,000</u>
Accumulated benefit obligation, ending	<b><u>\$ 1,685,000</u></b>	<b><u>\$ 1,968,000</u></b>

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

	<b>2018</b>	<b>2017</b>
Service cost - benefits earned during the period	\$ 73,000	\$ 71,000
Interest cost on projected benefit obligation	74,000	76,000
Amortization of net gain	<u>(30,000)</u>	<u>(36,000)</u>
	<b><u>\$ 117,000</u></b>	<b><u>\$ 111,000</u></b>

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

	<b>2018</b>	<b>2017</b>
Gain, beginning of the year	\$ (526,000)	\$ (608,000)
(Gain) loss during the year	(415,000)	46,000
Amortization during the year	30,000	36,000
	<b><u>\$ (911,000)</u></b>	<b><u>\$ (526,000)</u></b>

The amount of the unrecognized gain expected to be recognized in net periodic benefit cost during the fiscal year ending December 31, 2019, is \$82,000.

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

	<b>2018</b>	<b>2017</b>
Amortization of net gain	\$ (30,000)	\$ (36,000)
Net gain (loss) experienced	<u>415,000</u>	<u>(46,000)</u>
	<b><u>\$ 385,000</u></b>	<b><u>\$ (82,000)</u></b>

# Society for Science & the Public

## Notes to the Financial Statements

### K. POSTRETIREMENT BENEFIT OBLIGATION - CONTINUED

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

	<b>2018</b>	<b>2017</b>
Discount rate for net periodic benefit cost	3.75%	4.25%
Discount rate for obligations at year end	4.25%	3.75%
Health care cost trend rate assumed for next year	6.00%	6.25%
Ultimate rate (year 2023)	5.00%	5.00%

The mortality table used in the calculation of the Plan's liability was the RP-2014 mortality table for white collar employees projected using generational mortality improvement scale MP-2017 for the year ended December 31, 2017. For 2018, the same mortality table revised using generational improvement scale MP-2018 was used.

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

	<b>2018</b>	<b>2017</b>
Effect of a 1% increase in medical trend:		
Postretirement benefit obligation	\$ 369,000	\$ 475,000
Postretirement service cost	39,000	40,000
Effect of a 1% decrease in medical trend:		
Postretirement benefit obligation	\$ (289,000)	\$ (365,000)
Postretirement service cost	(30,000)	(31,000)

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

Year Ending December 31,	
2019	\$ 19,000
2020	27,000
2021	36,000
2022	42,000
2023	46,000
2024 to 2028	284,000

# Society for Science & the Public

## Notes to the Financial Statements

---

### L. 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, 2018 and 2017. No interest expense related to the line of credit was incurred during either of the years ended December 31, 2018 and 2017.