

## CONSOLIDATED FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2021  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2020**

# **SOCIETY FOR NEUROSCIENCE**

## **CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Consolidated Statement of Financial Position, as of June 30, 2021, with Summarized Financial Information for 2020	4
EXHIBIT B - Consolidated Statement of Activities and Change in Net Assets, for the Year Ended June 30, 2021, with Summarized Financial Information for 2020	5
EXHIBIT C - Consolidated Statement of Functional Expenses, for the Year Ended June 30, 2021, with Summarized Financial Information for 2020	6 - 7
EXHIBIT D - Consolidated Statement of Cash Flows, for the Year Ended June 30, 2021, with Summarized Financial Information for 2020	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9 - 25



## **CPAs & ADVISORS**

### **INDEPENDENT AUDITOR'S REPORT**

To the Council  
Society for Neuroscience, 1121 Properties, LLC and SfN Asset Holdings, LLC  
Washington, D.C.

We have audited the accompanying consolidated financial statements of the Society for Neuroscience (SfN) and Affiliates, collectively the Society, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and change in net assets net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Society as of June 30, 2021, and the consolidated change in its net assets, functional expenses, and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814**  
**(301) 951-9090 • WWW.GRFCPA.COM**

---

**MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL**  
**MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION**

### **Report on Summarized Comparative Information**

We have previously audited the Society's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

October 22, 2021

**SOCIETY FOR NEUROSCIENCE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2021**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

<b>ASSETS</b>		
	<u><b>2021</b></u>	<u><b>2020</b></u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,201,471	\$ 1,930,289
Pledges receivable	3,213,750	-
Grants receivable	320,000	765,000
Accounts receivable	292,969	219,158
Prepaid expenses	<u>830,209</u>	<u>832,938</u>
Total current assets	<u>7,858,399</u>	<u>3,747,385</u>
<b>FIXED ASSETS</b>		
Fixed assets, net of accumulated depreciation and amortization of \$19,428,239 and \$18,289,269	<u>25,891,371</u>	<u>27,555,219</u>
<b>NON-CURRENT ASSETS</b>		
Investments	89,007,683	73,859,514
Grants receivable, net of current portion	369,049	447,437
Deferred compensation investments	994,754	726,818
Deferred rent receivable	790,445	473,079
Investment in RHYTHMQ INC	<u>1,500,000</u>	<u>-</u>
Total non-current assets	<u>92,661,931</u>	<u>75,506,848</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 126,411,701</u></b>	<b><u>\$ 106,809,452</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Lines of credit	\$ 13,525,382	\$ 5,575,652
Current portion of Federal loans payable	2,529,113	897,624
Current portion of note payable	1,288,278	1,258,648
Accounts payable and accrued liabilities	2,301,990	2,353,764
Deferred revenue	<u>6,612,017</u>	<u>7,154,009</u>
Total current liabilities	<u>26,256,780</u>	<u>17,239,697</u>
<b>NON-CURRENT LIABILITIES</b>		
Federal loans payable, net of current portion	1,779,063	1,410,552
Note payable, net of current portion	13,756,521	15,044,799
Bonds payable, net of current portion	12,000,000	12,000,000
Deferred compensation	994,754	726,818
Tenants deposits	<u>173,229</u>	<u>47,950</u>
Total non-current liabilities	<u>28,703,567</u>	<u>29,230,119</u>
Total liabilities	<u>54,960,347</u>	<u>46,469,816</u>
<b>NET ASSETS</b>		
Without donor restrictions	62,230,798	55,182,198
With donor restrictions	<u>9,220,556</u>	<u>5,157,438</u>
Total net assets	<u>71,451,354</u>	<u>60,339,636</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 126,411,701</u></b>	<b><u>\$ 106,809,452</u></b>

See accompanying notes to consolidated financial statements.

## SOCIETY FOR NEUROSCIENCE

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	<b>2021</b>			<b>2020</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
<b>REVENUE</b>				
Membership dues	\$ 2,855,953	\$ -	\$ 2,855,953	\$ 3,966,382
Scientific publications	6,950,917	-	6,950,917	6,899,321
Annual meeting	1,532,030	3,312,510	4,844,540	14,377,481
Investment income, net	17,461,645	1,184,492	18,646,137	596,362
Property management revenue	1,618,831	-	1,618,831	1,701,408
General program revenue	37,823	27,784	65,607	1,001,410
Net assets released from donor restrictions	<u>461,668</u>	<u>(461,668)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>30,918,867</u>	<u>4,063,118</u>	<u>34,981,985</u>	<u>28,542,364</u>
<b>EXPENSES</b>				
Program Services:				
Scientific Publications	2,977,513	-	2,977,513	3,585,878
Annual Meeting	3,543,964	-	3,543,964	8,864,842
Grants	369,319	-	369,319	624,017
General Programs	<u>8,010,874</u>	<u>-</u>	<u>8,010,874</u>	<u>9,219,502</u>
Total program services	<u>14,901,670</u>	<u>-</u>	<u>14,901,670</u>	<u>22,294,239</u>
Supporting Services:				
Management and General	4,964,093	-	4,964,093	5,329,544
Membership Development	68,615	-	68,615	819,494
Property Management Expenses	<u>3,935,889</u>	<u>-</u>	<u>3,935,889</u>	<u>3,908,521</u>
Total supporting services	<u>8,968,597</u>	<u>-</u>	<u>8,968,597</u>	<u>10,057,559</u>
Total expenses	<u>23,870,267</u>	<u>-</u>	<u>23,870,267</u>	<u>32,351,798</u>
Change in net assets	7,048,600	4,063,118	11,111,718	(3,809,434)
Net assets at beginning of year	<u>55,182,198</u>	<u>5,157,438</u>	<u>60,339,636</u>	<u>64,149,070</u>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ <u>62,230,798</u></b>	<b>\$ <u>9,220,556</u></b>	<b>\$ <u>71,451,354</u></b>	<b>\$ <u>60,339,636</u></b>

**SOCIETY FOR NEUROSCIENCE**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021				
	Program Services				Total
	Scientific Publications	Annual Meeting	Grants	General Programs	Program Services
Salaries	\$ 636,990	\$ 1,673,931	\$ 142,696	\$ 4,579,594	\$ 7,033,211
Fringe benefits	187,621	458,718	38,775	1,161,894	1,847,008
Professional fees	72,831	210,041	-	231,083	513,955
Property management expense	-	-	-	-	-
Casual labor and consulting fees	143,953	64,980	51,066	473,906	733,905
Addressing, mailing and shipping	8,845	-	-	(1,973)	6,872
Printing and composition	881,106	-	22,125	4,566	907,797
Audio visual	-	10,965	-	8,696	19,661
Computer and web page production	147,902	675,771	153	313,446	1,137,272
Insurance	-	48,100	-	-	48,100
Professional dues and subscriptions	69,425	30,790	2,439	34,064	136,718
Electronic publishing (journal)	258,049	-	-	-	258,049
Meeting management	-	47,039	2,250	2,859	52,148
Telephone and fax	16,536	21,882	550	49,299	88,267
Utilities	-	-	-	-	-
Cleaning	-	-	-	-	-
Hospitality and meetings	-	214,988	-	1,262	216,250
Hotel and travel	-	-	-	10,884	10,884
Honoraria, stipend, travel awards	434,015	-	105,907	4,872	544,794
Equipment, rental, repair and maintenance	-	-	-	-	-
Contributions	4,702	8,305	-	308,095	321,102
Depreciation and amortization	40,602	2,829	-	710,506	753,937
Bank processing fees	49,452	28,730	-	94,211	172,393
Interest expense	-	-	-	-	-
Real estate taxes	-	-	-	-	-
Security and transportation	-	-	-	-	-
Training and seminars	129	1,032	299	12,220	13,680
Other direct costs	25,355	45,863	3,059	11,390	85,667
<b>TOTAL</b>	<b>\$ 2,977,513</b>	<b>\$ 3,543,964</b>	<b>\$ 369,319</b>	<b>\$ 8,010,874</b>	<b>\$ 14,901,670</b>

See accompanying notes to consolidated financial statements.

**SOCIETY FOR NEUROSCIENCE**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021 (Continued)				2020	
	Supporting Services					
	Management and General	Membership Development	Property Management Expenses	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 2,087,858	\$ 46,021	\$ -	\$ 2,133,879	\$ 9,167,090	\$ 9,846,343
Fringe benefits	682,425	-	-	682,425	2,529,433	3,117,787
Professional fees	478,216	-	472,096	950,312	1,464,267	1,177,495
Property management expense	-	-	103,570	103,570	103,570	116,193
Casual labor and consulting fees	476,053	22,594	-	498,647	1,232,552	2,089,433
Addressing, mailing and shipping	1,978	-	-	1,978	8,850	71,198
Printing and composition	-	-	-	-	907,797	1,137,310
Audio visual	-	-	-	-	19,661	998,861
Computer and web page production	264,150	-	-	264,150	1,401,422	1,328,703
Insurance	88,345	-	34,699	123,044	171,144	184,795
Professional dues and subscriptions	27,904	-	-	27,904	164,622	136,404
Electronic publishing (journal)	-	-	-	-	258,049	376,290
Meeting management	5,257	-	-	5,257	57,405	1,217,105
Telephone and fax	27,750	-	11,934	39,684	127,951	261,573
Utilities	-	-	71,447	71,447	71,447	85,755
Cleaning	-	-	175,679	175,679	175,679	216,834
Hospitality and meetings	-	-	-	-	216,250	785,944
Hotel and travel	-	-	-	-	10,884	712,437
Honoraria, stipend, travel awards	-	-	-	-	544,794	973,448
Equipment, rental, repair and maintenance	2,590	-	299,493	302,083	302,083	284,351
Contributions	6,743	-	-	6,743	327,845	522,550
Depreciation and amortization	468,682	-	1,014,318	1,483,000	2,236,937	2,385,467
Bank processing fees	223,618	-	-	223,618	396,011	603,577
Interest expense	-	-	1,024,090	1,024,090	1,024,090	1,165,914
Real estate taxes	-	-	578,613	578,613	578,613	684,210
Security and transportation	12,780	-	148,338	161,118	161,118	1,373,817
Training and seminars	14,656	-	-	14,656	28,336	82,394
Other direct costs	95,088	-	1,612	96,700	182,367	415,610
<b>TOTAL</b>	<b>\$ 4,964,093</b>	<b>\$ 68,615</b>	<b>\$ 3,935,889</b>	<b>\$ 8,968,597</b>	<b>\$ 23,870,267</b>	<b>\$ 32,351,798</b>

See accompanying notes to consolidated financial statements.



**SOCIETY FOR NEUROSCIENCE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 11,111,718	\$ (3,809,434)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	2,236,937	2,385,467
Realized (gain) loss on investments	(6,818,689)	929,353
Unrealized gain on investments	(11,049,841)	(475,657)
Perpetual with donor contributions	(3,213,750)	-
Change in discount	(31,612)	21,121
Loss on disposal of fixed assets	28,449	25,693
(Increase) decrease in:		
Pledges receivable	(3,213,750)	-
Accounts receivable	(73,811)	(106,058)
Grants receivable	555,000	272,855
Prepaid expenses	2,729	962,390
Deferred rent receivable	(317,366)	(103,359)
Deposits	-	3,630
(Decrease) increase in:		
Accounts payable and accrued liabilities	(51,773)	(149,434)
Deferred revenue	(541,992)	(2,943,777)
Tenants deposits	<u>125,279</u>	<u>(32,104)</u>
Net cash used by operating activities	<u>(11,252,472)</u>	<u>(3,019,314)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(39,909,280)	(18,994,470)
Proceeds from sale of investments	41,129,641	21,179,463
Purchase of property, furniture, equipment and improvements	<u>(601,539)</u>	<u>(1,882,435)</u>
Net cash provided by investing activities	<u>618,822</u>	<u>302,558</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Federal loan payable	2,000,000	2,308,176
Proceeds from line of credit	11,689,018	6,000,000
Payments on line of credit	(3,739,288)	(4,438,441)
Payments on note payable	(1,258,648)	(1,206,624)
Perpetual with donor contributions	<u>3,213,750</u>	<u>-</u>
Net cash provided by financing activities	<u>11,904,832</u>	<u>2,663,111</u>
Net increase (decrease) in cash and cash equivalents	1,271,182	(53,645)
Cash and cash equivalents at beginning of year	<u>1,930,289</u>	<u>1,983,934</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 3,201,471</u></b>	<b><u>\$ 1,930,289</u></b>

**SUPPLEMENTAL INFORMATION:**

<b>Interest Paid</b>	<b><u>\$ 1,024,090</u></b>	<b><u>\$ 1,165,914</u></b>
----------------------	----------------------------	----------------------------

## SOCIETY FOR NEUROSCIENCE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organizations -

The Society for Neuroscience (SfN) is a non-profit organization, incorporated in the District of Columbia. The primary purposes of SfN are to advance the understanding of the brain and nervous system, including the part it plays in determining behavior, by bringing together scientists of various backgrounds and by facilitating the integration of research directed at all levels of biological organization; to promote education in the field of neuroscience; and to inform the general public on the results and implications of current research in this area.

1121 Properties, LLC (the LLC) is a limited liability company, incorporated in the District of Columbia on July 7, 2005. The primary purpose of the LLC is to engage in the business of performing services as directed by SfN for leasing and maintaining the leases of offices and other retail space in the premises known as 1121 14<sup>th</sup> Street, NW, Washington, D.C. 20005.

SfN Asset Holdings, LLC (SAH) is a limited liability company, incorporated in the District of Columbia on March 26, 2020. The primary purpose of the LLC is to engage in the business of performing professional services as directed by SfN.

The accompanying consolidated financial statements reflect the activity of the Society for Neuroscience, 1121 Properties, LLC and SfN Asset Holdings, LLC (collectively, the Society) as of June 30, 2021. The financial statements of the two LLCs have been consolidated in accordance with FASB ASC 958-810, Not-for-Profit Entities, Consolidation because they are under common control, and SfN has an economic interest in the LLCs. All intercompany transactions have been eliminated during consolidation.

##### Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than the Society mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the 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. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

## **SOCIETY FOR NEUROSCIENCE**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)**

##### **Basis of presentation (continued) -**

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

##### **Cash and cash equivalents -**

The Society considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents, excluding money market funds held by investment managers in the amount of \$3,534,618 for the year ended June 30, 2021. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Society maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

##### **Investments -**

The Society invests in shares of individual securities or shares held in investment funds, which include bonds, stocks, money market funds held for investment purposes, and limited partnerships. Investment fund managers trade in various domestic and foreign financial markets, which carry a certain amount of risk of loss.

Investments are stated at their readily determinable fair value, based on quoted market prices at the reporting date, or in absence of such quoted market price, a reasonable estimate of fair value as approved by management.

Realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid by external investment advisors in the Consolidated Statement of Activities and Change in Net Assets.

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. Credit risk from financial instruments relate to the possibility that invested assets within a particular industry segment may experience loss due to market conditions. The Society has diversified its financial instruments to help ensure that no one industry segment represents a significant concentration of risk.

Although management uses its best judgment at estimating fair value of the underlying assets for its investments, there are inherent limitations in any valuation technique. Therefore, the value is not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effect of such events on the estimates of fair value could be material.

##### **Pledges receivable -**

Pledges receivable are recorded at their net realizable value, which approximates fair value. Conditional promises to give are not included as support until the conditions are substantially met. All pledges are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

## **SOCIETY FOR NEUROSCIENCE**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)**

##### **Grants and accounts receivable -**

Grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Accounts receivable are recorded at their net realizable value, which approximates fair value.

All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

##### **Fixed assets -**

Fixed assets includes property, furniture, equipment and improvements which are stated at cost. Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years.

Building and building costs are recorded at cost and are depreciated over thirty-nine years, while leasehold and tenant improvements are amortized over fifteen years and the life of the tenant lease, respectively.

Expenditures for major repairs and improvements with useful lives greater than one-year and in excess of \$3,000 are capitalized, and expenditures of lesser amounts for minor and maintenance costs are expensed when incurred. Depreciation and amortization expense was in the amount of \$2,236,937 as of June 30, 2021.

##### **Income taxes -**

The Society is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

The Society is required to report unrelated business income to the Internal Revenue Service and the appropriate state taxing authorities. Unrelated business income consists primarily of debt financed rental income, advertising in the Journal, and a jobs board.

The Society leases office space to several unaffiliated tenants. The activity is considered to be unrelated business activity under Internal Revenue Service regulations. Defined net income from the operations is taxable. To date, there has been a loss from unrelated business activities.

As of June 30, 2021, there were net operating loss (NOL) carryforwards of approximately \$1,955,112. No deferred tax asset has been recognized due to uncertainty of realization. \$779,274 of the NOL is from fiscal year June 30, 2018 and prior. Net operating losses for fiscal years ending June 30, 2012 and 2013 totaling approximately \$567,000 will expire in 2032 and 2033. NOL from June 30, 2019 forward are siloed and can only be used against the same source that generated the NOL. At June 30, 2021 the Society has NOL of \$125,484 related to the Journal, \$999,596 related to debt financing, and \$50,758 related to the web. The Society can use 80% of these NOLs against future income with no expiration date.

## SOCIETY FOR NEUROSCIENCE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Income taxes (continued) -

For the year ended June 30, 2021, the Society has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

For the purpose of corporate tax reporting for the LLC, all financial transactions are reported under the Society's filing status.

##### Revenue -

##### Membership dues -

Membership dues includes general member benefits that are a series of distinct obligations. The revenue is recognized ratably over the membership period. There are several benefits received that are individual distinct obligations such as discounted rates to conferences and meetings; however, they are immaterial in nature to the contract and thus are included with the general member benefits.

##### Scientific publications -

The Society distributes various journals throughout the year. Included in Scientific publications are subscriptions, advertising, and royalty revenue for the publications. Revenue for these journals are recognized when the performance obligations are met, typically at the time of publication. The transaction price is determined based on the cost or sales price. Any amounts received in advance are recorded as deferred revenue within the Consolidated Statement of Financial Position.

##### Annual meeting -

Annual meeting revenue includes registration fees, booth revenue, and sponsorships, which are recorded as revenue when the performance obligation is met which is when the related event has occurred. The transaction price is determined based on the cost or sales price. Any amounts received in advance are recorded as deferred revenue within the Consolidated Statement of Financial Position.

##### Property management revenue -

Property management revenue is recognized on a straight-line basis. The leases call for rent abatement and/or annual rental payment escalations. The difference between rental income received and rental income recognized on the straight-line basis is recorded as deferred rents receivable in the accompanying Consolidated Statement of Financial Position. Deferred revenue is recognized for rental payments received in advance of the period earned.

##### General program revenue -

General program revenue includes contributions and grants and are recognized in the appropriate category of net assets in the period received in accordance with ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

# SOCIETY FOR NEUROSCIENCE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue (continued) -

General program revenue (continued) -

The Society performs an analysis of the individual contribution and grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal. For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements. Grant agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met. The Society has elected to opt out of all (or certain) disclosures not required for nonpublic entities. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant or contract agreements. Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and contract agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

Deferred revenue consisted of the following as of June 30, 2021:

Member dues	\$ 2,098,399
Publications	2,195,564
Annual Meeting	2,296,345
Other	<u>21,709</u>
<b>TOTAL DEFERRED REVENUE</b>	<b><u>\$ 6,612,017</u></b>

Use of estimates -

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Society are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

## SOCIETY FOR NEUROSCIENCE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Risks and uncertainties -

The Society invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

##### Fair value measurement -

The Society adopted the provisions of FASB ASC 820, Fair Value Measurement. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Society accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

The Society follows the disclosure provisions of accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement* (Topic 820): Disclosure for Investment in Certain Entities that Calculate Net Asset Value Per Share (or Its Equivalent). The ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient.

##### Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which has negatively impact the Society's operations. In August 2020, the Society made the decision to cancel the annual meeting which was scheduled for October 24-28, 2020 in Washington, D.C.

The Society has filed an insurance claim to recover its losses as a result of the event cancellation; the insurance carrier is still reviewing the claim therefore the Society has not recorded a receivable due to the uncertainty of the amount to be received. Other financial impact could occur though such potential impact is unknown at this time. The Society plans to hold their 50th annual meeting virtually November 8-11, 2021. The Society continues to closely monitor the impact of COVID-19 on the Society's operations. The duration and intensity of the pandemic remains uncertain.

##### Reclassification -

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation.

##### New accounting pronouncements not yet adopted -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosing key information about leasing arrangements.

# SOCIETY FOR NEUROSCIENCE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements not yet adopted (continued) -

During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Society plans to adopt the new ASU at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

### 2. INVESTMENTS

Investments consisted of the following at June 30, 2021:

	<u>Fair Value</u>
Money Market Funds	\$ 3,534,618
Corporate Fixed Income	1,750,220
Exchange Traded Funds and Closed-end Funds (ETF and CEFs)	10,017,506
U.S. Government Obligations	4,442,826
Mutual Funds	15,694,270
Equities	36,703,293
Alternative Investments	<u>16,864,950</u>

<b>TOTAL LONG-TERM INVESTMENTS</b>	<b><u>\$ 89,007,683</u></b>
------------------------------------	-----------------------------

	<u>Fair Value</u>
Deferred compensation investments:	
Equities	\$ 552,019
Corporate Fixed Income	433,978
Short-Term Mutual Funds	<u>8,757</u>

<b>TOTAL DEFERRED COMPENSATION INVESTMENTS</b>	<b><u>\$ 994,754</u></b>
--	--------------------------

Included in investment income are the following at June 30, 2021:

Interest and dividends	\$ 1,135,231
Realized gain on investments	6,818,689
Unrealized gain on investments	11,049,841
Management fees	<u>(357,624)</u>

<b>TOTAL INVESTMENT INCOME, NET</b>	<b><u>\$ 18,646,137</u></b>
-------------------------------------	-----------------------------

The Society has resolved to use available funds and future earnings thereon to establish a strategic reserve pool that represents at least one-year of operating expense budget.



## SOCIETY FOR NEUROSCIENCE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

#### 2. INVESTMENTS (Continued)

Based upon the intent of the Society, assets of the strategic reserve pool are classified as long-term.

#### 3. INVESTMENT IN RHYTHMQ INC

On April 21, 2021 the Society purchased 1,000 Class A Preferred Shares of RHYTHMQ INC. (RQ) for \$1,500,000. RQ was formed June 9, 2011 in Ontario, Canada as a technology and marketing company that provides management for online form submission programs and helps build brand or program awareness. At the time of the purchase, the Society had all of the Class A Preferred Shares in RQ. RQ had 2,500 common shares issued and outstanding at the time of the Society's purchase of its shares. The Class A Preferred Shares accrue dividends at a rate of 8% of the original issue price. Both types of shares have equal voting rights. The Society records their investment in RQ using the equity method. The Society's basis in RQ at June 30, 2021 was \$1,500,000.

#### 4. GRANTS RECEIVABLE

As of June 30, 2021, the Society has received promises to give totaling \$700,000. Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rates ranging from 0.85% and 2.76%. Grants are due as follows at June 30, 2021:

Less than one year	\$ 320,000
One to five years	<u>380,000</u>
Total	700,000
Less: Allowance to discount balance to present value	<u>(10,951)</u>
<b>GRANTS RECEIVABLE, NET</b>	<b><u>\$ 689,049</u></b>

#### 5. FIXED ASSETS

At June 30, 2021, fixed assets consisted of the following:

Land	\$ 7,150,400
Building	23,268,377
Building improvements	6,858,155
Furniture	1,566,209
Computer equipment	5,550,101
Leasing commissions	868,653
Other	<u>57,715</u>
	45,319,610
Less: Accumulated depreciation and amortization	<u>(19,428,239)</u>
<b>PROPERTY, FURNITURE, EQUIPMENT AND IMPROVEMENTS, NET</b>	<b><u>\$ 25,891,371</u></b>

Depreciation and amortization expense totaled \$2,236,937 for the year ended June 30, 2021.

# SOCIETY FOR NEUROSCIENCE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

### 6. LINES OF CREDIT

The Society has a line of credit in the amount of \$20,000,000, with a variable interest rate based on the applicable floating rate, which was 1.1% at June 30, 2021. The outstanding balance on the line of credit as of June 30, 2021 was \$10,486,370, with interest expense totaling \$83,090. The line of credit is collateralized by investments held by Morgan Stanley.

The Society signed an additional line of credit agreement with BB&T in the amount of \$5,000,000 with a maturity date of November 15, 2021. The interest rate on the line of credit at June 30, 2021 was 0.8%. The outstanding balance on the line of credit as of June 30, 2021 was \$3,039,012, with interest expense totaling \$25,923.

### 7. FEDERAL LOANS PAYABLE

On May 5, 2020, the Society entered into a two-year promissory note agreement in the amount of \$2,308,176 with a 1% fixed interest rate under the Paycheck Protection Program (PPP Loan 1). The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. During the fiscal year ending June 30, 2021, the Society applied for forgiveness after completing the 24 week period. Once forgiveness is granted, the Society will record revenue from debt extinguishments during the period that forgiveness was approved.

On March 8, 2021, the Society also entered into a five-year promissory note agreement in the amount of \$2,000,000 under the Paycheck Protection Program (PPP Loan 2). The promissory note calls for monthly principal and interest payments amortized over the five-year term of the promissory note. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note qualifies for forgiveness by the Small Business Administration in whole or in part. The Society intends to use the proceeds for purposes consistent with the Paycheck Protection Program, and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. As of the date of this report, the Society has not applied for forgiveness. At such time when after filing for forgiveness and notification is received, the forgiven amount will be recorded as revenue from the debt extinguishment.

Principal payments for the federal loans payable are due as follows unless otherwise forgiven:

<u>Year Ending June 30,</u>	<u>PPP Loan 1</u>	<u>PPP Loan 2</u>	<u>Total</u>
2022	\$ 2,308,176	\$ 220,937	\$ 2,529,113
2023	-	478,756	478,756
2024	-	483,566	483,566
2025	-	488,423	488,423
2026	-	328,318	328,318
	<u>\$ 2,308,176</u>	<u>\$ 2,000,000</u>	<u>\$ 4,308,176</u>

### 8. NOTE PAYABLE

On February 1, 2006, the Society entered into an agreement to purchase the property at 1121 14<sup>th</sup> Street, N.W., Washington, D.C. The original purchase was financed through a \$20,000,000 note payable from Bank of America, N/A.

# SOCIETY FOR NEUROSCIENCE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

### 8. NOTE PAYABLE (Continued)

To minimize the effect of changes in the variable rate, the Society had entered into an interest rate swap agreement. On August 1, 2011, the Society entered into an agreement to refinance the notes payable, resulting in a \$17,949,167 note payable from PNC Bank. In addition, the Society refinanced the swap agreement with PNC Bank to artificially fix the interest rate and matures on February 1, 2019.

On November 15, 2018, the Society entered into an agreement to refinance the note payable, resulting in an \$18,498,204 note payable from BB&T Bank. At the time of refinancing, the swap which was valued at \$4,307,601 was terminated and included within principal value of the note. The interest rate on the note payable as of June 30, 2021 was 3.24%. The agreement, among other provisions, require the Society to meet certain financial covenants. The Society was out of compliance and received a waiver for the covenants as of June 30, 2021.

Financing costs related to the refinancing of the note in the amount of \$275,400, were capitalized and are being amortized over the life of the note. At June 30, 2021, accumulated amortization for the financing costs totaled \$58,475. As of June 30, 2021, the outstanding balance of the note payable is as follows:

Note principal payable	\$ 15,261,724
Less: Deferred financing costs, net of accumulated amortization	<u>(216,925)</u>
<b>NET NOTE PAYABLE</b>	<b><u>\$ 15,044,799</u></b>

Future minimum principal payments are as follows at June 30, 2021:

#### Year Ending June 30,

2022	\$ 1,288,278
2023	1,365,312
2024	1,420,645
2025	1,480,803
2026	1,542,131
Thereafter	<u>7,947,630</u>
	15,044,799
Less: Current portion	<u>(1,288,278)</u>
<b>NON-CURRENT PORTION</b>	<b><u>\$ 13,756,521</u></b>

Total interest expense for the period ending June 30, 2021 was \$644,956.

### 9. BONDS PAYABLE

On February 1, 2006, the District of Columbia agreed to issue its Variable Rate Revenue Bonds (Society for Neuroscience Issue) Series 2006 in the aggregate principal amount of \$12,000,000, for the benefit of the Society through Bank of America, N.A., in order to finance a portion of the costs of acquiring, constructing and furnishing the office building, including parking garage, located at 1121 14<sup>th</sup> Street, N.W., Washington, D.C as well as entered into an interest rate swap agreement to minimize the effect of changes in the variable rate. The Society agreed to defer the payment of the principal and pay the interest on the bonds. The bonds carried a fluctuating rate of interest per annum that approximates the BMA index (a national index of seven-day floating tax-exempt rates).

**SOCIETY FOR NEUROSCIENCE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021**

**9. BONDS PAYABLE (Continued)**

On August 1, 2011, the Society signed an agreement to transfer the District of Columbia Variable Rate Revenue Bonds to PNC Bank and terminated the interest rate swap agreement.

On November 15, 2018, the Society signed an agreement to transfer the District of Columbia Variable Rate Revenue Bonds to BB&T. As of June 30, 2021, the interest rate was 0.67%. Principal payments shall begin February 1, 2030. The bond agreement, among other provisions, require the Society to meet certain financial ratio tests. The Society was out of compliance and received a waiver for the covenants as of June 30, 2021.

Total interest expense for the period ending June 30, 2021 was \$373,475.

**10. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30, 2021:

Subject to expenditure for specified purpose:

Brain Ultrastructure	\$ 47,656
BrainFacts.org	664,310
David Kopf Lecture on Neuroethics	73,657
Elsevier Dialogues Series Support	74,329
Latin American Training Program	105,009
Leadership Development Program	88,010
Meet the Expert Series Support	5,000
Neuroscience Scholars Program	10,000
Peter and Patricia Gruber Award	128,551
Science Educator Award	10,000
Trubatch Career Development Awards	6,865
Accumulated investment earnings	1,563,419
Endowment to be invested in perpetuity	<u>6,443,750</u>

**TOTAL NET ASSETS WITH DONOR RESTRICTIONS** **\$ 9,220,556**

**11. NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:

BrainFacts.org	\$ 175,546
Leadership Development Program	11,990
Peter and Patricia Gruber Award	65,000
Presidential Special Lecture	25,000
Science Educator Award	10,000
Sponsorships	10,000
Young Investigator Award	25,000
Appropriations from Endowment	<u>139,132</u>

**TOTAL NET ASSETS RELEASED FROM RESTRICTIONS** **\$ 461,668**

# SOCIETY FOR NEUROSCIENCE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

### 12. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Consolidated Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 3,201,471
Pledges receivable	3,213,750
Accounts receivable	292,969
Grants receivable	<u>320,000</u>
Subtotal financial assets available	7,028,190
Less: Pledges receivable to the endowment	<u>(3,213,750)</u>

<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 3,814,440</u></b>
---	----------------------------

The Society is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Society must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As of June 30, 2021, the Society has financial assets totaling approximately two months of operating expenses. In addition, the Society invests cash in excess of daily requirements in short-term investments. Of the Society's investment portfolio, approximately \$69,000,000 is in active markets and are not restricted in perpetuity in which could be drawn upon in the event of an unanticipated liquidity need. The Society also could draw upon the approximately \$11,000,000 of availability on the lines of credit (as further discussed in Note 6).

### 13. RENTAL INCOME

The LLC currently has a total of six tenants leasing office space within its premises. The periods of the leases range from January 24, 2008 to November 30, 2031. Rental income from these leases totaled \$1,553,317 for the year ended June 30, 2021, and is included in the accompanying Consolidated Statement of Activities and Change in Net Assets in property management revenue. Property management revenue totaled \$1,618,831 for the year ended June 30, 2021, and includes income for garage and storage leasing fees and operating expense recoverables. Rental income is recognized on a straight-line basis. The difference between rental income received and rental income recognized on the straight-line basis is recorded as deferred rent receivable in the accompanying Consolidated Statement of Financial Position. As of June 30, 2021, the deferred rent receivable totaled \$790,445. The following is a schedule of future minimum rental payments to be received by the LLC:

<u>Year Ending June 30,</u>	<u>Tenants</u>
2022	\$ 2,272,679
2023	1,812,181
2024	1,746,299
2025	1,789,106
2026	1,813,441
Thereafter	<u>4,493,927</u>
	<b><u>\$ 13,927,633</u></b>

## SOCIETY FOR NEUROSCIENCE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

#### 14. RETIREMENT PLANS

The Society maintains two defined contribution plans for employees meeting certain eligibility requirements. The 403(b) Retirement Plan allows for eligible employees to contribute a percentage of their salary, subject to the maximum contribution as per the applicable IRS regulation. For the 403(b) Retirement Plan, the Society will match up to 4% of a participating employee's salary, depending upon the percentage of contribution made by the employees.

The 401(a) Retirement Plan provides a non-matching employer contribution of 4% to all eligible employees (members of senior management receive a 8% nonmatching contribution). The Society implemented a temporary reduction for all employees in the 401(a) Retirement Plan by 2% that was effective January 1 - July 1, 2021.

The Society's contributions to the Plan for the year ended June 30, 2021 totaled \$645,292, with contributions to the 403(b) plan totaling \$313,854 and contributions to the 401(a) plan totaling \$331,437. The Society also has a deferred compensation plan under Section 457 of the Internal Revenue Code for certain executive level employees. Contributions to this plan totaled \$24,000 for the year ended June 30, 2021.

#### 15. COMMITMENTS

The Society has executed lease agreements for conference space in 2021 and 2022. Letters of intent have been executed for the 2023 – 2033 and 2035 annual meetings. The total commitment under the agreements is not determinable, as it depends upon attendance and other unknown factors. There is a cancellation penalty that would be due if the agreement was canceled prior to the event date. The amount of the cancellation penalty increases through the date of the event.

#### 16. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Society has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Consolidated Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are financial instruments where values are based on unadjusted quoted prices for identical assets in an active market the Society has the ability to access.

**Level 2.** These are financial instruments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are financial instruments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies and there were no transfers between levels in the fair value hierarchy during the year ended June 30, 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

# SOCIETY FOR NEUROSCIENCE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

### 16. FAIR VALUE MEASUREMENT (Continued)

- *Money Market Funds* - Valued at the daily closing price as reported by the fund. The money market fund is an open-end funds that are registered with the Securities and Exchange Commission (SEC). This fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund is deemed to be actively traded.
- *Fixed Income, U.S. Government Obligations*, - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Society are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Society are deemed to be actively traded.
- *Equities, Exchange Traded Funds and Closed-end Funds (ETF and CEFs)* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Alternative Investments - Interests in hedge funds and private equity funds* - The Society follows the disclosure provisions of accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement* (Topic 820): Disclosure for Investment in Certain Entities that Calculate Net Asset Value (NAV) Per Share (or Its Equivalent). The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liability. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. The ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient; however, the fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statement of Financial Position.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy and those invested and measured at NAV as a practical expedient as of June 30, 2021.

	Level 1	Level 2	Level 3	Total
<b>Asset Class - Investments:</b>				
Money Market Funds	\$ 3,534,618	\$ -	\$ -	\$ 3,534,618
Corporate Fixed Income	1,750,220	-	-	1,750,220
Exchange Traded Funds and Closed-end Funds (ETF and CEFs)	10,017,506	-	-	10,017,506
U.S. Government Obligations	4,442,826	-	-	4,442,826
Mutual Funds	15,694,270	-	-	15,694,270
Equities	36,703,293	-	-	36,703,293
<b>Deferred Compensation</b>				
Equities	552,019	-	-	552,019
Corporate Fixed Income	433,978	-	-	433,978
Short-Term Mutual Funds	8,757	-	-	8,757
<b>Sub-total</b>	<b>\$ 73,137,487</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 73,137,487</b>
Alternative investments measured at NAV, per practical expedient				\$ 16,864,950
<b>Total Investments</b>				<b>\$ 90,002,437</b>

# SOCIETY FOR NEUROSCIENCE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

### 16. FAIR VALUE MEASUREMENT (Continued)

The following is a summary of the investments valued using NAV as a practical expedient and the related unfunded commitments and redemption restrictions associated with each major category at June 30, 2021:

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>Uncalled Commitments</u>	<u>Liquidity</u>
Multi-Strategy Hedge Funds (a)	\$ 3,906,933	\$ 1,733,293	Quarterly with 90 days prior notice
Private Equity Funds (b)	8,593,933	6,081,740	None until dissolution or transfer to another party
Private Equity Funds (b)	<u>4,364,084</u>	<u>3,920,982</u>	No liquidity with out prior consent of feeder fund general partner
	<b><u>\$ 16,864,950</u></b>	<b><u>\$ 11,736,015</u></b>	

**(a) Multi-Strategy Hedge Funds** - This category includes direct investments in multi-strategy hedge funds that invest in both fixed income and equity investments. The managers of these funds have the flexibility to adjust their allocations between fixed income and equity investments based on their particular strategy (event-drive, relative value, directional) and view of the market. These funds have various redemption and notice of redemption requirements that generally limit the ability to liquidate them in a short period of time.

**(b) Private Equity Funds** - This category includes investments in private equity funds, generally through limited partnerships. The funds may invest in private equity, credit, real estate, infrastructure projects, and natural resources. These investments are illiquid and long-term in nature. Distributions from each fund will be received as the underlying investments and fund are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next one to ten years.

### 17. ENDOWMENT

The Society's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Council is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Council appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Council has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Society considers a fund to be underwater if the fair value of the fund is less than the sum the (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Society has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.



# SOCIETY FOR NEUROSCIENCE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

### 17. ENDOWMENT (Continued)

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

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of June 30, 2021:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 6,443,750	\$ 6,443,750
Accumulated investment earnings	<u>-</u>	<u>1,563,419</u>	<u>1,563,419</u>
<b>TOTAL ENDOWMENT FUNDS</b>	<b><u>\$ -</u></b>	<b><u>\$ 8,007,169</u></b>	<b><u>\$ 8,007,169</u></b>

Changes in endowment net assets for the year ended June 30, 2021:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year,	\$ -	\$ 3,747,992	\$ 3,747,992
Investment gain, net	-	1,184,559	1,184,559
Pledged contributions	-	3,213,750	3,213,750
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(139,132)</u>	<u>(139,132)</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ -</u></b>	<b><u>\$ 8,007,169</u></b>	<b><u>\$ 8,007,169</u></b>

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as fund of perpetual duration. Deficiencies of this nature did not exist as of June 30, 2021. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions for donor-restricted endowment funds and continued appropriates for certain programs that was deemed prudent by the Council.

## **SOCIETY FOR NEUROSCIENCE**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021**

#### **17. ENDOWMENT (Continued)**

##### **Return Objectives and Risk Parameters -**

The Society has 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. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Council, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Society expects its endowment funds, over time, to provide an average rate of return of approximately 5.0% annually. Actual returns in any given year may vary from this amount.

##### **Strategies Employed for Achieving Objectives -**

To satisfy its long-term rate-of-return objectives, the Society relies 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 targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

##### **Spending Policy and How the Investment Objectives Relate to Spending Policy -**

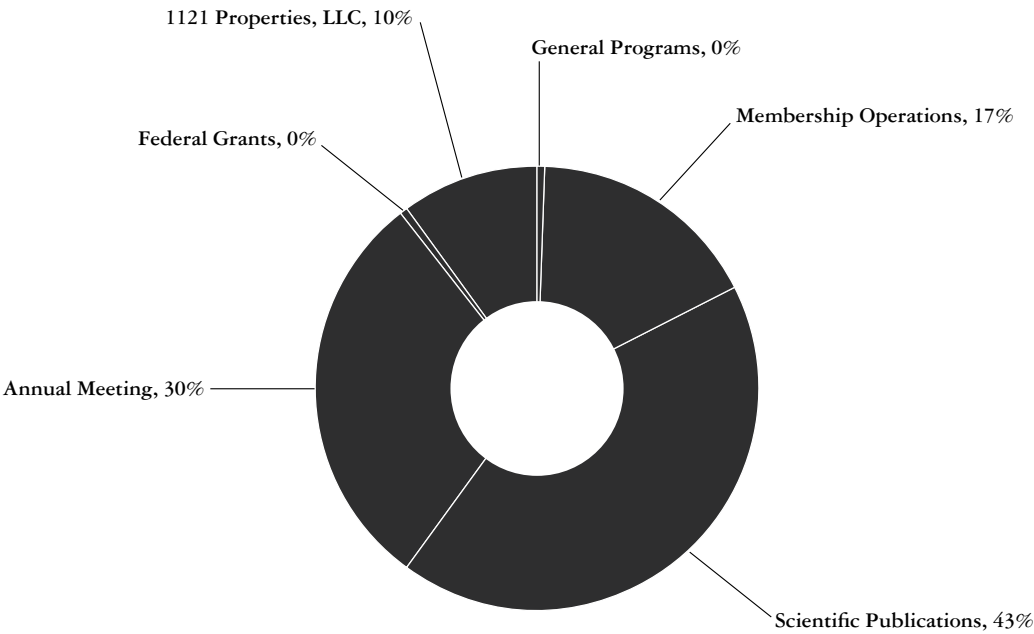
The Society has a policy of appropriating for distribution each year a sum equal to the amount required to execute the program supported by the endowment, including an annual prize, as well as travel support for the prize winner and the allocable portion of the awards reception. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long-term, the Society expects the current spending policy to allow its endowment to grow each year. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through investment returns, such that the amount of the prize can increase at some point in the future.

#### **18. SUBSEQUENT EVENTS**

In preparing these consolidated financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through October 22, 2021, the date the consolidated financial statements were issued. In October 2021, the Society decided to hold Neuroscience 2021 (the annual meeting) virtually only and not conduct the hybrid (virtual and in-person) meeting as planned. In doing so, the resulting cancellation penalties are estimated to be approximately \$2,000,000 based on the terms of hotels and convention center contracts. These cancellation penalties are in addition to reduced revenue for the annual meeting related to decreased attendance and exhibitor refunds.

# Revenue & Expenses FY21

FY 2021 Revenue Before Investment Income: \$27,946,002



FY 2021 Expenses: \$32,351,798

