

CONSOLIDATED FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2022**

SOCIETY FOR NEUROSCIENCE

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of the Society for Neuroscience (SfN), 1121 Properties, LLC (the LLC) and SfN Asset Holdings, LLC, collectively the Society, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2023, and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Society's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



October 11, 2023

SOCIETY FOR NEUROSCIENCE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

ASSETS		<u>2023</u>	<u>2022</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,392,730	\$ 6,184,256
Grants receivable		77,500	105,000
Accounts receivable		393,352	303,789
Prepaid expenses		<u>1,281,180</u>	<u>865,313</u>
Total current assets		<u>3,144,762</u>	<u>7,458,358</u>
FIXED ASSETS			
Fixed assets, net of accumulated depreciation and amortization of \$23,317,941		<u>23,082,374</u>	<u>24,163,548</u>
NON-CURRENT ASSETS			
Investments		89,320,531	78,290,372
Grants receivable, net of current portion and discount		470,248	261,690
Deferred compensation investments		1,003,092	842,751
Deferred lease receivable		645,943	744,999
Investment in RhythmQ, Inc.		<u>1,451,219</u>	<u>1,500,000</u>
Total non-current assets		<u>92,891,033</u>	<u>81,639,812</u>
TOTAL ASSETS	\$	<u>119,118,169</u>	\$ <u>113,261,718</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Lines of credit	\$	1,197,152	\$ 15,393,424
Current portion of Federal loans payable		-	2,000,000
Current portion of note payable		1,420,644	1,342,676
Accounts payable and accrued liabilities		2,420,927	2,948,820
Deferred revenue		<u>7,387,114</u>	<u>6,959,560</u>
Total current liabilities		<u>12,425,837</u>	<u>28,644,480</u>
NON-CURRENT LIABILITIES			
Note payable, net of current portion		10,953,588	12,396,868
Bond payable		12,000,000	12,000,000
Tenants deposits		125,402	173,229
Deferred compensation		<u>1,003,092</u>	<u>842,751</u>
Total non-current liabilities		<u>24,082,082</u>	<u>25,412,848</u>
Total liabilities		<u>36,507,919</u>	<u>54,057,328</u>
NET ASSETS			
Without donor restrictions		74,030,271	50,643,421
With donor restrictions		<u>8,579,979</u>	<u>8,560,969</u>
Total net assets		<u>82,610,250</u>	<u>59,204,390</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>119,118,169</u>	\$ <u>113,261,718</u>

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, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<u>2023</u>			<u>2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Membership dues	\$ 4,202,733	\$ -	\$ 4,202,733	\$ 4,396,943
Scientific publications	6,936,428	-	6,936,428	6,809,168
Annual meeting	14,856,325	1,433,212	16,289,537	7,718,904
Investment income (loss), net	9,733,833	(544,581)	9,189,252	(11,126,085)
Property management revenue	1,149,541	-	1,149,541	1,569,300
General program revenue	1,406,806	345,935	1,752,741	305,399
Loss on investment in RHYTHMQ	(48,781)	-	(48,781)	-
Net assets released from donor restrictions	<u>1,215,556</u>	<u>(1,215,556)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>39,452,441</u>	<u>19,010</u>	<u>39,471,451</u>	<u>9,673,629</u>
EXPENSES				
Program Services:				
General Programs	7,845,789	-	7,845,789	7,033,681
Annual Meeting	8,659,551	-	8,659,551	5,096,729
Scientific Publications	2,764,396	-	2,764,396	2,786,866
Grants	<u>660,288</u>	<u>-</u>	<u>660,288</u>	<u>383,845</u>
Total program services	<u>19,930,024</u>	<u>-</u>	<u>19,930,024</u>	<u>15,301,121</u>
Supporting Services:				
Management and General	4,594,240	-	4,594,240	4,667,818
Property Management Expenses	3,212,983	-	3,212,983	3,411,897
Membership Development	<u>721,840</u>	<u>-</u>	<u>721,840</u>	<u>731,505</u>
Total supporting services	<u>8,529,063</u>	<u>-</u>	<u>8,529,063</u>	<u>8,811,220</u>
Total expenses	<u>28,459,087</u>	<u>-</u>	<u>28,459,087</u>	<u>24,112,341</u>
Change in net assets before other items	10,993,354	19,010	11,012,364	(14,438,712)
OTHER ITEMS				
Extinguishment of debt	2,032,333	-	2,032,333	2,191,748
Proceeds from insurance refund claims	<u>10,361,163</u>	<u>-</u>	<u>10,361,163</u>	<u>-</u>
Change in net assets	23,386,850	19,010	23,405,860	(12,246,964)
Net assets at beginning of year	<u>50,643,421</u>	<u>8,560,969</u>	<u>59,204,390</u>	<u>71,451,354</u>
NET ASSETS AT END OF YEAR	<u>\$ 74,030,271</u>	<u>\$ 8,579,979</u>	<u>\$ 82,610,250</u>	<u>\$ 59,204,390</u>

SOCIETY FOR NEUROSCIENCE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023				
	Program Services				Total Program Services
	General Programs	Annual Meeting	Scientific Publications	Grants	
Salaries	\$ 4,203,816	\$ 1,901,889	\$ 644,846	\$ 213,813	\$ 6,964,364
Fringe benefits	1,086,048	513,245	181,650	55,764	1,836,707
Professional fees	152,550	236,697	12,168	-	401,415
Property management expense	-	-	-	-	-
Casual labor and consulting fees	470,875	439,197	181,808	42,894	1,134,774
Addressing, mailing and shipping	1,218	62,614	600	1,978	66,410
Printing and composition	25,495	87,247	705,650	7,492	825,884
Audio visual	77,370	823,502	9,329	16,226	926,427
Computer and web page production	342,389	667,918	90,260	-	1,100,567
Insurance	-	111,453	-	-	111,453
Professional dues and subscriptions	26,359	34,423	58,746	2,029	121,557
Electronic publishing (journal)	-	-	243,457	-	243,457
Meeting management	37,457	952,261	5,867	10,078	1,005,663
Telephone and fax	35,447	201,450	4,034	1,070	242,001
Utilities	-	-	-	-	-
Cleaning	-	-	-	-	-
Hospitality and meetings	125,189	640,139	9,590	44,963	819,881
Hotel and travel	146,281	476,281	66,864	52,679	742,105
Honoraria, stipend, travel awards	28,545	330,093	467,260	155,100	980,998
Equipment, rental, repair and maintenance	-	-	-	-	-
Contributions	187,271	5,699	3,102	47,500	243,572
Depreciation and amortization	690,049	9,434	9,116	-	708,599
Bank processing fees	154,047	287,095	56,814	-	497,956
Interest expense	-	-	-	-	-
Real estate taxes	-	-	-	-	-
Security and transportation	2,495	712,912	-	7,869	723,276
Training and seminars	15,421	1,405	5,158	-	21,984
Other direct costs	37,467	164,597	8,077	833	210,974
Bad debt expense	-	-	-	-	-
TOTAL	\$ 7,845,789	\$ 8,659,551	\$ 2,764,396	\$ 660,288	\$ 19,930,024

See accompanying notes to consolidated financial statements.

SOCIETY FOR NEUROSCIENCE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023 (Continued)			2022		
	Supporting Services			Total	Total	
	Management and General	Property Management Expenses	Membership Development	Supporting Services	Expenses	Expenses
Salaries	\$ 1,998,294	\$ -	\$ 487,648	\$ 2,485,942	\$ 9,450,306	\$ 8,733,721
Fringe benefits	660,056	-	97,611	757,667	2,594,374	2,400,514
Professional fees	321,356	3,125	-	324,481	725,896	851,516
Property management expense	-	114,225	-	114,225	114,225	105,303
Casual labor and consulting fees	354,986	-	105,132	460,118	1,594,892	1,540,255
Addressing, mailing and shipping	4,330	-	-	4,330	70,740	16,878
Printing and composition	613	-	423	1,036	826,920	910,864
Audio visual	-	-	-	-	926,427	10,880
Computer and web page production	166,376	-	-	166,376	1,266,943	1,304,283
Insurance	116,265	35,407	-	151,672	263,125	174,181
Professional dues and subscriptions	21,942	-	-	21,942	143,499	143,096
Electronic publishing (journal)	-	-	-	-	243,457	265,000
Meeting management	2,481	-	3,819	6,300	1,011,963	286,122
Telephone and fax	36,930	13,601	2,585	53,116	295,117	100,699
Utilities	-	93,373	-	93,373	93,373	86,275
Cleaning	-	220,009	-	220,009	220,009	195,437
Hospitality and meetings	598	-	-	598	820,479	341,996
Hotel and travel	2,343	17	14,068	16,428	758,533	74,307
Honoraria, stipend, travel awards	-	-	-	-	980,998	407,529
Equipment, rental, repair and maintenance	10,717	374,142	-	384,859	384,859	376,781
Contributions	5,211	-	-	5,211	248,783	325,606
Depreciation and amortization	223,900	795,958	-	1,019,858	1,728,457	2,034,313
Bank processing fees	556,332	-	-	556,332	1,054,288	471,525
Interest expense	-	920,405	-	920,405	920,405	1,119,304
Real estate taxes	-	479,540	-	479,540	479,540	500,573
Security and transportation	17,814	160,903	-	178,717	901,993	190,458
Training and seminars	27,892	-	269	28,161	50,145	25,206
Other direct costs	65,804	2,278	10,285	78,367	289,341	1,044,719
Bad debt expense	-	-	-	-	-	75,000
TOTAL	\$ 4,594,240	\$ 3,212,983	\$ 721,840	\$ 8,529,063	\$ 28,459,087	\$ 24,112,341

See accompanying notes to consolidated financial statements.

SOCIETY FOR NEUROSCIENCE

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 23,405,860	\$ (12,246,964)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,728,458	2,034,313
Realized loss (gain) on investments	567,149	(1,634,502)
Unrealized (gain) loss on investments	(8,397,894)	13,845,672
Unrealized loss on investment in RHYTHMQ	48,781	-
Perpetual with donor contributions	(1,025,589)	-
Change in discount	33,442	(2,641)
Loss on disposal of fixed assets	-	56,733
Change in allowance	-	75,000
Extinguishment of debt, net of accrued interest	(2,000,000)	(2,191,748)
Decrease (increase) in:		
Pledges receivable	-	3,213,750
Grants receivable	(214,500)	250,000
Accounts receivable	(89,563)	(10,820)
Prepaid expenses	(415,867)	(35,104)
Deferred lease receivable	99,056	45,446
(Decrease) increase in:		
Accounts payable and accrued liabilities	(527,894)	646,830
Deferred revenue	427,554	347,543
Tenants deposits	(47,827)	-
Net cash provided by operating activities	<u>13,591,166</u>	<u>4,393,508</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(38,148,108)	(26,338,164)
Proceeds from sale of investments	34,948,695	24,844,305
Purchase of fixed assets	(647,284)	(363,223)
Net cash used by investing activities	<u>(3,846,697)</u>	<u>(1,857,082)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	6,435,813	4,618,363
Payments on line of credit	(20,632,085)	(2,750,321)
Payments on note payable	(1,365,312)	(1,305,255)
Payments on Federal loan payable	-	(116,428)
Perpetual with donor contributions	1,025,589	-
Net cash (used) provided by financing activities	<u>(14,535,995)</u>	<u>446,359</u>
Net (decrease) increase in cash and cash equivalents	(4,791,526)	2,982,785
Cash and cash equivalents at beginning of year	<u>6,184,256</u>	<u>3,201,471</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,392,730</u>	<u>\$ 6,184,256</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 1,260,181</u>	<u>\$ 1,119,304</u>

See accompanying notes to consolidated financial statements.

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

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 14th 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, 2023. 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's 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, 2023

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, 2022, from which the summarized information was derived.

New accounting pronouncements adopted -

On June 30, 2022, the Society adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by lessees by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Combined Statement of Financial Position and disclosure of key information about leasing arrangements. The accounting for the LLC, the lessor, did not significantly change under the ASU. Therefore, the ASU did not have a significant impact on the Society's financial statements.

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 \$2,795,308 for the year ended June 30, 2023.

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 (loss), net which is presented net of investment expenses paid to 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.

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

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

Investments (continued) -

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.

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 general program revenue. Accounts receivable are recorded at their net realizable value, which approximates fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer and donor.

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 is recorded at cost and are depreciated over thirty-nine years.

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 \$1,728,458 as of June 30, 2023.

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. As of June 30, 2023, there has been a loss from unrelated business activities.

As of June 30, 2023, there were net operating loss (NOL) carryforwards of approximately \$2,568,715. No deferred tax asset has been recognized due to uncertainty of realization. \$686,151 of the NOL is from fiscal year June 30, 2018 and prior.

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

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

Income taxes (continued) -

Net operating losses for fiscal years ending June 30, 2012 and 2013 totaling approximately \$557,882, will expire in 2032 and 2033. NOL carryforwards from June 30, 2019 forward are siloed and can only be used against the same source that generated NOL. At June 30, 2022, the Society has NOL of \$233,918 related to the Journal, \$1,597,888 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.

For the year ended June 30, 2023, 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 LLCs, all financial transactions are reported under the Society's filing status.

Revenue -

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. Contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and contract agreements.

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. Registration fees and booth revenue 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. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

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

Revenue (continued) -

Annual meeting (continued)-

Most of the Society's contracts with customers have initial terms of one year or less.

Deferred revenue consisted of the following as of June 30, 2023:

Annual Meeting	\$ 3,361,992
Publications	2,062,850
Member dues	1,840,012
Other	<u>122,260</u>
TOTAL DEFERRED REVENUE	<u>\$ 7,387,114</u>

General program revenue and annual meeting sponsorships -

General program revenue and annual meeting sponsorships 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*.

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. These transactions are nonreciprocal and recognized as contributions when the revenue becomes unconditional.

Funds received in advance of the incurrence of qualifying expenditures are recorded as deferred revenue unless they are from the United States Government which is then recorded as a refundable advance. For contributions and grants treated as contributions, the Society had does not have any unrecognized conditional awards as of June 30, 2022.

Property management revenue -

Property management revenue is recognized over the life of the lease. The leases may for lease abatement and/or annual lease payment escalations. The difference between lease income received and lease 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 lease payments received in advance of the period earned.

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

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

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.

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.

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326) replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Society for the year ending June 30, 2024. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

SOCIETY FOR NEUROSCIENCE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023**

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

New accounting pronouncement not yet adopted (continued) -

The Society plans to adopt the new ASU at the required implementation date 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, 2023:

	Fair Value
Money Market Funds	\$ 2,795,308
Corporate Fixed Income	3,209,498
Exchange Traded Funds and Closed-end Funds (ETF and CEFs)	6,111,576
U.S. Government Obligations	8,097,871
Mutual Funds	14,274,625
Equities	32,572,589
Alternative Investments	22,259,064
TOTAL LONG-TERM INVESTMENTS	\$ 89,320,531
Deferred Compensation Investments:	
Equities	\$ 534,846
Corporate Fixed Income	459,399
Short-Term Mutual Funds	8,847
TOTAL DEFERRED COMPENSATION INVESTMENTS	\$ 1,003,092
Included in investment income are the following at June 30, 2023:	
Interest and dividends	\$ 1,728,074
Realized loss on investments	(567,149)
Unrealized gain on investments	8,397,894
Management fees	(369,567)
TOTAL INVESTMENT INCOME, NET	\$ 9,189,252

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 plus liabilities. 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.

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

3. INVESTMENT IN RHYTHMQ INC. (Continued)

The Society records their investment in RQ using the equity method. The Society's basis in RQ at June 30, 2023 was \$1,500,000. As of June 30, 2023, the adjusted value of the investment of RQ under the equity method was \$1,451,219.

4. GRANTS RECEIVABLE

As of June 30, 2023, the Society has received promises to give totaling \$589,500. 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 1.37% to 5.42%.

Grants are due as follows at June 30, 2023:

Less than one year	\$ 77,500
One to five years	<u>512,000</u>
Total	589,500
Less: Allowance to discount balance to present value	<u>(41,752)</u>
GRANTS RECEIVABLE, NET	<u>\$ 547,748</u>

5. FIXED ASSETS

At June 30, 2023, fixed assets consisted of the following:

Building	\$ 23,372,589
Land	7,150,400
Building improvements	6,858,155
Computer equipment	5,738,160
Furniture	1,568,718
Leasing commissions	868,653
Other	<u>843,640</u>
	46,400,315
Less: Accumulated depreciation and amortization	<u>(23,317,941)</u>
PROPERTY, FURNITURE, EQUIPMENT AND IMPROVEMENTS, NET	<u>\$ 23,082,374</u>

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 2.1% at June 30, 2023. The outstanding balance on the line of credit as of June 30, 2023 was \$1,197,152, with interest expense totaling \$355,813. The line of credit is collateralized by investments held by Morgan Stanley.

During 2022, the Society signed an additional line of credit agreement with Truist in the amount of \$5,000,000 with a maturity date of December 31, 2022. The line of credit was not renewed during the year.

SOCIETY FOR NEUROSCIENCE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023**

7. FEDERAL LOANS PAYABLE

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. The promissory note called 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 qualified for forgiveness by the Small Business Administration in whole or in part. During the fiscal year ending June 30, 2023, the Society applied for loan forgiveness, and on November 3, 2022 the note was forgiven in full.

8. NOTE PAYABLE

On February 1, 2006, the Society entered into an agreement to purchase the property at 1121 14th Street, N.W., Washington, D.C. The original purchase was financed through a \$20,000,000 note payable from Bank of America, N/A. 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 was to mature 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 Truist Bank (formerly known as BB&T). 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, 2023 was 3.24%. The agreement, among other provisions, require the Society to meet certain financial covenants. The Society was out of compliance on two covenants and received a waiver for the covenants through December 31, 2022.

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, 2023, accumulated amortization for the financing costs totaled \$109,405.

As of June 30, 2023, the outstanding balance of the note payable is as follows:

Note principal payable	\$ 12,540,227
Less: Deferred financing costs, net of accumulated amortization	<u>(165,995)</u>
NET NOTE PAYABLE	<u>\$ 12,374,232</u>

Future minimum principal payments are as follows at June 30, 2023:

<u>Year Ending June 30,</u>	
2024	\$ 1,420,644
2025	1,480,803
2026	1,542,131
2027	1,605,961
2028	1,671,809
Thereafter	<u>4,652,884</u>
	12,374,232
Less: Current portion	<u>(1,420,644)</u>
NON-CURRENT PORTION	<u>\$ 10,953,588</u>

SOCIETY FOR NEUROSCIENCE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023**

8. NOTE PAYABLE (Continued)

Total interest expense related to the note payable for the year ending June 30, 2023 was \$537,155.

9. BOND PAYABLE

On February 1, 2006, the District of Columbia agreed to issue its Variable Rate Revenue Bond (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 14th 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 bond. The bond carried a fluctuating rate of interest per annum that approximates the BMA index (a national index of seven-day floating tax-exempt rates).

On August 1, 2011, the Society signed an agreement to transfer the District of Columbia Variable Rate Revenue Bond 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 Truist Bank (formerly known as BB&T). As of June 30, 2023, 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 on two covenants and received a waiver for the covenants through December 31, 2022.

Total interest expense related to the bond payable for the year ending June 30, 2023 was \$383,250.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2023:

Subject to expenditure for specified purpose:	
Animals in Research Panel	\$ 12,972
Brain Ultrastructure	43,582
BrainFacts.org	150,000
David Kopf Lecture on Neuroethics	49,329
Nemko Prize in Cellular or Molecular Neuroscience	7,500
Neuroscience Scholars Program	200,000
Peter and Patricia Gruber Award	176,218
Science Educator Award	20,000
Sponsorships - Annual Meeting	47,500
Trainee Professional Development Award	138,222
Trubatch Career Development Awards	23,176
Accumulated investment earnings	242,141
Endowment to be invested in perpetuity	<u>7,469,339</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 8,579,979</u>

SOCIETY FOR NEUROSCIENCE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023**

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	\$ 542,419
David Kopf Lecture on Neuroethics	25,000
Elsevier Dialogues Series Support	49,329
Latin American Training Program	105,009
Leadership Development Program	85,530
Meet the Expert Series Support	5,000
Neuroscience Scholars Program	10,000
Peter and Patricia Gruber Award	80,000
Trubatch Career Development Award	11,865
Appropriations from Endowment	<u>301,404</u>

TOTAL NET ASSETS RELEASED FROM RESTRICTIONS **\$ 1,215,556**

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	\$ 1,392,730
Accounts receivable	393,352
Grants receivable	<u>77,500</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 1,863,582**

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.

The Society invests cash in excess of daily requirements in short-term investments. Of the Society's investment portfolio, approximately \$59,000,000 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 \$25,000,000 of availability on the lines of credit (as further discussed in Note 6).

13. LEASE INCOME

The LLC currently has a total of five tenants leasing office space within its premises. The periods of the leases range from January 24, 2008 to November 30, 2031. Lease income from these leases totaled \$1,033,076 for the year ended June 30, 2023, and is included in the accompanying Consolidated Statement of Activities and Change in Net Assets in property management revenue. Property management revenue totaled \$1,149,541 for the year ended June 30, 2023, and includes income for garage and storage leasing fees and operating expense recoverables.

SOCIETY FOR NEUROSCIENCE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023**

13. LEASE INCOME (Continued)

The difference between lease income received and lease 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, 2023, the deferred rents receivable totaled \$645,943. The following is a schedule of future minimum lease payments to be received by the LLC:

<u>Year Ending June 30,</u>	<u>Tenants</u>
2024	\$ 975,514
2025	1,000,543
2026	950,365
2027	500,052
2028	473,390
Thereafter	<u>79,873</u>
	<u>\$ 3,979,737</u>

14. PROCEEDS FROM INSURANCE REFUND CLAIM

During June 30, 2021, the Society filed an insurance claim to recover its losses as a result of the 2020 annual meeting event cancellation. During the year ended June 30, 2023, the Society signed an agreement with the insurance companies on the undisputed portion of the insurance claim and the Society received proceeds in the amount of \$10,361,163 for coverage related to 2020 in-person meetings. The Society is continuing to seek damages and has begun litigation related to the rest of the requested claim for the 2020 meeting and for the full claimed amount related to the cancelled in-person 2021 meeting.

15. 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's contributions to the Plan for the year ended June 30, 2023 totaled \$799,735, with contributions to the 403(b) plan totaling \$291,100 and contributions to the 401(a) plan totaling \$447,593 and are included in fringe benefits in the accompanying Consolidated Statement of Functional Expenses.. 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 \$67,044 for the year ended June 30, 2023 and are included in fringe benefits in the accompanying Consolidated Statement of Functional Expenses.

16. COMMITMENTS

The Society has executed lease agreements for conference space in 2023, and 2025. Letters of intent have been executed for the 2024, 2026 – 2035 and 2037 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 as the event dates become closer.

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

17. 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, 2023. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market fund is an open-end fund that is registered with the Securities and Exchange Commission (SEC) and is deemed to be actively traded.
- *Corporate Fixed Income and 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.

SOCIETY FOR NEUROSCIENCE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023**

17. FAIR VALUE MEASUREMENT (Continued)

- *Alternative Investments - Interests in Hedge Funds and Private Equity Funds (continued)* - 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, 2023.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class - Investments:				
Money Market Funds	\$ 2,795,308	\$ -	\$ -	\$ 2,795,308
Corporate Fixed Income	3,209,498	-	-	3,209,498
Exchange Traded Funds and Closed-end Funds (ETF and CEFs)	6,111,576	-	-	6,111,576
U.S. Government Obligations	8,097,871	-	-	8,097,871
Mutual Funds	14,274,625	-	-	14,274,625
Equities	32,572,589	-	-	32,572,589
Deferred Compensation				
Equities	534,846	-	-	534,846
Corporate Fixed Income	459,399	-	-	459,399
Mutual Funds	<u>8,847</u>	<u>-</u>	<u>-</u>	<u>8,847</u>
Sub-total	<u>\$68,064,559</u>	<u>\$ -</u>	<u>\$ -</u>	68,064,559
Alternative investments measured at NAV, per practical expedient				<u>22,259,064</u>
TOTAL INVESTMENTS				<u>\$90,323,623</u>

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, 2023:

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>Uncalled Commitments</u>	<u>Liquidity</u>
Multi-Strategy Hedge Funds (a)	\$ 5,288,408	\$ 1,026,683	Quarterly with 90 days prior notice
Private Equity Funds (b)	10,718,842	5,518,829	None until dissolution or transfer to another party
Private Equity Funds (b)	<u>6,251,814</u>	<u>6,287,437</u>	No liquidity with out prior consent of feeder fund general partner
	<u>\$ 22,259,064</u>	<u>\$ 12,832,949</u>	

(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.

SOCIETY FOR NEUROSCIENCE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023**

17. FAIR VALUE MEASUREMENT (Continued)

(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.

18. 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.

Additionally, in accordance with UPMIFA, the Society considers the following factors in making a determination to appropriated 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, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 7,469,339	\$ 7,469,339
Accumulated investment earnings	-	242,141	242,141
TOTAL ENDOWMENT FUNDS	\$ -	\$ 7,711,480	\$ 7,711,480

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18. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	<u>Total</u>
Endowment net assets, beginning of year,	\$ -	\$ 7,531,876	\$ 7,531,876
Investment loss, net	-	(544,581)	(544,581)
Pledged contributions in perpetuity	-	1,025,589	1,025,589
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(301,404)</u>	<u>(301,404)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 7,711,480</u>	<u>\$ 7,711,480</u>

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, 2023. 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.

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.

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19. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through October 11, 2023, the date the consolidated financial statements were issued.