

CONSOLIDATED FINANCIAL STATEMENTS



SOCIETY *for*
NEUROSCIENCE

FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2023

SOCIETY FOR NEUROSCIENCE

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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, 2024, 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, 2024, 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 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



September 25, 2024

SOCIETY FOR NEUROSCIENCE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023

ASSETS

	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,025,845	\$ 1,392,730
Grants and contributions receivable	454,000	77,500
Accounts receivable	307,654	393,352
Prepaid expenses	1,681,195	1,281,180
Total current assets	5,468,694	3,144,762
PROPERTY AND EQUIPMENT		
Property and equipment, net of accumulated depreciation and amortization of \$24,993,578	21,926,219	23,082,374
NON-CURRENT ASSETS		
Investments	94,806,329	89,320,531
Grants receivable, net of current portion and discount	80,662	470,248
Deferred compensation investments	1,288,633	1,003,092
Deferred lease receivable	525,465	645,943
Investment in RhythmQ, Inc.	1,263,531	1,451,219
Total non-current assets	97,964,620	92,891,033
TOTAL ASSETS	\$ 125,359,533	\$ 119,118,169

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit	\$ 401,778	\$ 1,197,152
Current portion of note payable	1,480,802	1,420,644
Accounts payable and accrued liabilities	3,134,553	2,420,927
Deferred revenue	8,252,802	7,387,114
Total current liabilities	13,269,935	12,425,837
NON-CURRENT LIABILITIES		
Note payable, net of current portion	9,472,785	10,953,588
Bond payable	12,000,000	12,000,000
Tenants deposits	125,402	125,402
Deferred compensation	1,288,633	1,003,092
Total non-current liabilities	22,886,820	24,082,082
Total liabilities	36,156,755	36,507,919
NET ASSETS		
Without donor restrictions	80,396,934	74,030,271
With donor restrictions	8,805,844	8,579,979
Total net assets	89,202,778	82,610,250
TOTAL LIABILITIES AND NET ASSETS	\$ 125,359,533	\$ 119,118,169

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, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Membership dues	\$ 4,236,311	\$ -	\$ 4,236,311	\$ 4,202,733
Scientific publications	7,363,621	-	7,363,621	6,936,428
Annual meeting	16,297,693	-	16,297,693	15,451,558
Investment return, net	7,394,975	545,720	7,940,695	9,189,252
Property management revenue	886,534	-	886,534	1,149,541
Grants and contributions	637,873	589,092	1,226,965	2,590,720
Loss on investment in RHYTHMQ	(187,688)	-	(187,688)	(48,781)
Net assets released from donor restrictions	908,947	(908,947)	-	-
Total revenue	37,538,266	225,865	37,764,131	39,471,451
EXPENSES				
Program Services:				
General Programs	8,407,578	-	8,407,578	7,845,789
Annual Meeting	9,818,127	-	9,818,127	8,659,551
Scientific Publications	2,725,125	-	2,725,125	2,764,396
Grants	852,299	-	852,299	660,288
Total program services	21,803,129	-	21,803,129	19,930,024
Supporting Services:				
Management and General	5,314,787	-	5,314,787	4,594,240
Property Management Expenses	3,134,592	-	3,134,592	3,212,983
Membership Development	919,095	-	919,095	721,840
Total supporting services	9,368,474	-	9,368,474	8,529,063
Total expenses	31,171,603	-	31,171,603	28,459,087
Change in net assets before other items	6,366,663	225,865	6,592,528	11,012,364
OTHER ITEMS				
Extinguishment of debt	-	-	-	2,032,333
Proceeds from insurance refund claims	-	-	-	10,361,163
Total other items	-	-	-	12,393,496
Change in net assets	6,366,663	225,865	6,592,528	23,405,860
Net assets at beginning of year	74,030,271	8,579,979	82,610,250	59,204,390
NET ASSETS AT END OF YEAR	\$ 80,396,934	\$ 8,805,844	\$ 89,202,778	\$ 82,610,250

See accompanying notes to consolidated financial statements.

SOCIETY FOR NEUROSCIENCE

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	2024				Total Program Services
	Program Services				
	General Programs	Annual Meeting	Scientific Publications	Grants	
Salaries	\$ 4,098,506	\$ 1,852,942	\$ 896,840	\$ 200,673	\$ 7,048,961
Fringe benefits	1,194,289	505,861	261,974	52,034	2,014,158
Professional fees	227,002	458,469	19,511	-	704,982
Property management expense	-	-	-	-	-
Casual labor and consulting fees	658,317	629,623	85,306	79,974	1,453,220
Addressing, mailing and shipping	2,285	50,988	591	1,036	54,900
Printing and composition	5,660	87,339	441,715	7,783	542,497
Audio visual	84,452	959,045	6,375	68,272	1,118,144
Computer and web page production	415,323	596,205	95,260	66,116	1,172,904
Insurance	-	118,955	-	-	118,955
Professional dues and subscriptions	29,001	36,636	62,358	3,588	131,583
Electronic publishing (journal)	-	-	268,566	-	268,566
Meeting management	98,359	986,418	811	9,762	1,095,350
Telephone and fax	50,759	219,220	7,371	4,545	281,895
Utilities	-	-	-	-	-
Cleaning	-	-	-	-	-
Hospitality and meetings	107,427	674,068	10,257	82,947	874,699
Hotel and travel	224,077	446,701	26,751	177,422	874,951
Honoraria, stipend, travel awards	138,000	577,382	446,298	90,850	1,252,530
Equipment, rental, repair and maintenance	-	-	-	-	-
Contributions	264,063	2,799	2,608	-	269,470
Depreciation and amortization	481,796	7,771	7,771	-	497,338
Bank processing fees	211,400	374,552	70,337	-	656,289
Interest expense	-	-	-	-	-
Real estate taxes	-	-	-	-	-
Security and transportation	11,485	1,017,678	-	2,990	1,032,153
Training and seminars	25,169	6,716	9,177	-	41,062
Other direct costs	80,208	208,759	5,248	4,307	298,522
TOTAL	\$ 8,407,578	\$ 9,818,127	\$ 2,725,125	\$ 852,299	\$ 21,803,129

See accompanying notes to consolidated financial statements.

SOCIETY FOR NEUROSCIENCE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023

	2024 (Continued)				2023	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
Management and General	Property Management Expenses	Membership Development				
Salaries	\$ 2,668,095	\$ -	\$ 616,372	\$ 3,284,467	\$ 10,333,428	\$ 9,450,306
Fringe benefits	874,106	-	178,507	1,052,613	3,066,771	2,594,374
Professional fees	392,193	2,601	-	394,794	1,099,776	725,896
Property management expense	-	109,430	-	109,430	109,430	114,225
Casual labor and consulting fees	331,956	-	62,498	394,454	1,847,674	1,594,892
Addressing, mailing and shipping	4,262	-	-	4,262	59,162	70,740
Printing and composition	382	-	539	921	543,418	826,920
Audio visual	-	-	-	-	1,118,144	926,427
Computer and web page production	133,209	-	-	133,209	1,306,113	1,266,943
Insurance	124,544	37,036	-	161,580	280,535	263,125
Professional dues and subscriptions	26,921	-	-	26,921	158,504	143,499
Electronic publishing (journal)	-	-	-	-	268,566	243,457
Meeting management	-	-	6,195	6,195	1,101,545	1,011,963
Telephone and fax	28,531	12,221	2,585	43,337	325,232	295,117
Utilities	-	98,617	-	98,617	98,617	93,373
Cleaning	-	225,414	-	225,414	225,414	220,009
Hospitality and meetings	619	-	-	619	875,318	820,479
Hotel and travel	21,326	-	10,674	32,000	906,951	758,533
Honoraria, stipend, travel awards	-	-	-	-	1,252,530	980,998
Equipment, rental, repair and maintenance	10,661	358,022	-	368,683	368,683	384,859
Contributions	4,579	-	-	4,579	274,049	248,783
Depreciation and amortization	279,752	790,617	-	1,070,369	1,567,707	1,728,458
Bank processing fees	132,507	-	-	132,507	788,796	714,513
Interest expense	88,539	868,103	-	956,642	956,642	1,260,179
Real estate taxes	-	455,657	-	455,657	455,657	479,540
Security and transportation	18,488	175,033	-	193,521	1,225,674	901,993
Training and seminars	37,762	-	1,444	39,206	80,268	50,145
Other direct costs	136,355	1,841	40,281	178,477	476,999	289,341
TOTAL	\$ 5,314,787	\$ 3,134,592	\$ 919,095	\$ 9,368,474	\$ 31,171,603	\$ 28,459,087

See accompanying notes to consolidated financial statements.

SOCIETY FOR NEUROSCIENCE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,592,528	\$ 23,405,860
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,567,707	1,728,458
Realized (gain) loss on investments	(516,158)	567,149
Unrealized gain on investments	(6,012,416)	(8,397,894)
Unrealized loss on investment in RHYTHMQ	187,688	48,781
Perpetual with donor contributions	(242,529)	(1,025,589)
Change in discount	(37,414)	33,442
Extinguishment of debt, net of accrued interest	-	(2,000,000)
Decrease (increase) in:		
Grants and contributions receivable	50,500	(214,500)
Accounts receivable	85,698	(89,563)
Prepaid expenses	(400,015)	(415,867)
Deferred lease receivable	120,478	99,056
Increase (decrease) in:		
Accounts payable and accrued liabilities	713,625	(527,894)
Deferred revenue	865,688	427,554
Tenants deposits	-	(47,827)
Net cash provided by operating activities	<u>2,975,380</u>	<u>13,591,166</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(27,463,840)	(38,148,108)
Proceeds from sale of investments	28,506,616	34,948,695
Purchase of property and equipment	<u>(411,552)</u>	<u>(647,284)</u>
Net cash provided (used) by investing activities	<u>631,224</u>	<u>(3,846,697)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	7,094,995	6,435,813
Payments on line of credit	(7,890,368)	(20,632,085)
Payments on note payable	(1,420,645)	(1,365,312)
Perpetual with donor contributions	<u>242,529</u>	<u>1,025,589</u>
Net cash used by financing activities	<u>(1,973,489)</u>	<u>(14,535,995)</u>
Net increase (decrease) in cash and cash equivalents	1,633,115	(4,791,526)
Cash and cash equivalents at beginning of year	<u>1,392,730</u>	<u>6,184,256</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,025,845</u>	<u>\$ 1,392,730</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 956,642</u>	<u>\$ 1,260,181</u>

See accompanying notes to consolidated financial statements.

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

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, 2024. 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 accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit 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". Net assets set aside 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 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.

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, 2023, from which the summarized information was derived.

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

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

New accounting pronouncements adopted -

Accounting Standards 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. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Society that are subject to the guidance in FASB ASC 326 are trade accounts receivable. The Society implemented the ASU on July 1, 2023 using a modified retrospective approach. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in enhanced disclosures.

Cash and cash equivalents -

The Society considers all highly liquid investments with maturities of three months or less, which are not part of the investment portfolio, to be cash and cash equivalents. Money market funds held by investment managers totaled \$743,238 as of June 30, 2024. 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 recorded 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 return 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.

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.

Accounts receivable -

Accounts receivable primarily consists of amounts due within one year related to scientific publications and annual meeting revenues. Accounts receivable are recorded at their net realizable value which approximates fair value.

SOCIETY FOR NEUROSCIENCE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Accounts receivable (continued) -

Accounts receivable are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. The Society implemented the new standard for determining the allowance for credit losses on July 1, 2023. The Society had no allowance for credit losses as of June 30, 2024.

Accounts receivable consisted of the following as of June 30, 2024 and June 30, 2023:

	2024	2023
Annual Meeting	\$ 170,839	\$ 299,127
Publications	34,660	17,951
Property management	11,494	2,542
Other	90,661	73,732
TOTAL ACCOUNTS RECEIVABLE	\$ 307,654	\$ 393,352

Grants and contributions receivable -

Grants and contributions receivable include unconditional promises to give that are expected to be collected in future years. Grants and contributions receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term grants and contributions receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions.

Property and equipment -

Property and equipment in excess of \$3,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. Building improvements are amortized over the lesser of the useful life of the asset or the remaining life term of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense totaled \$1,567,707 for the year ended June 30, 2024.

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. As of June 30, 2024, there has been a loss from unrelated business activities.

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

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

Income taxes (continued) -

As of June 30, 2024, there were net operating loss (NOL) carryforwards of \$3,553,155. 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.

Net operating losses for fiscal years ending June 30, 2012 and 2013 totaling \$567,901, will expire in 2032 and 2033. In addition, the NOL from June 30, 2028 totals \$118,250, will expire in 2038. NOL carryforwards from June 30, 2019 forward are siloed and can only be used against the same source that generated NOL. At June 30, 2024, the Society has NOL of \$352,575 related to the Journal and \$2,514,429 related to debt financing. The Society can use 80% of these NOLs against future income with no expiration date.

For the year ended June 30, 2024, 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 from contracts with customers -

The Society's membership dues, scientific publications, annual meeting, and Property management revenue are the most significant revenue streams that are treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. The Society has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost and/or sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. The Society's contracts with customers generally have initial terms of one year or less.

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. 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 and booth revenue. Revenue is 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.

SOCIETY FOR NEUROSCIENCE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Revenue from contracts with customers (continued) -

Annual meeting (continued) -

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 over the life of the lease. The leases may include lease abatements 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 lease receivable in the accompanying Consolidated Statement of Financial Position. Deferred revenue is recognized for lease payments received in advance of the period earned.

Deferred revenue consisted of the following as of June 30, 2024 and June 30, 2023:

	2024	2023
Annual Meeting	\$ 4,380,950	\$ 3,361,992
Publications	2,048,212	2,062,850
Member dues	1,751,303	1,840,012
Other	72,337	122,260
TOTAL DEFERRED REVENUE	\$ 8,252,802	\$ 7,387,114

Support from grants and contributions, including Federal awards -

The Society receives grants and contributions, including Federal awards from the U.S. Government. Contributions are recognized in the appropriate category of net assets in the period received. The Society performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For grants qualifying under the contribution rules, support 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, including grants qualifying as contributions, that are unconditional but 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. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Most Federal grants are for direct and indirect program costs and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. However, the Society had no refundable advances as of June 30, 2024.

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

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

Support from grants and contributions, including Federal awards (continued) -

In addition, the Society has obtained funding source agreements related to conditional contributions, such as Federal awards from the U.S. Government, which will be received in future years. The Society's unrecognized conditional contributions to be received in future years totaled \$139,457 as of June 30, 2024.

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.

Reclassification -

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. The reclassifications included are primarily due to classification of revenues on the Consolidated Statement of Activities and Change in Net Assets. The reclassifications had no effect on the previously reported change in net assets.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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.

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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 investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize 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, 2024. 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. 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.

SOCIETY FOR NEUROSCIENCE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024**

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2024.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class - Investments:				
Money Market Funds	\$ 743,238	\$ -	\$ -	\$ 743,238
Corporate Fixed Income	-	2,734,855	-	2,734,855
Exchange Traded Funds and Closed-end Funds (ETF and CEFs)	5,395,500	-	-	5,395,500
U.S. Government Obligations	-	8,915,882	-	8,915,882
Mutual Funds	14,378,976	-	-	14,378,976
Equities	<u>37,365,053</u>	<u>-</u>	<u>-</u>	<u>37,365,053</u>
Sub-total	<u>\$ 57,882,767</u>	<u>\$ 11,650,737</u>	<u>\$ -</u>	69,533,504
Alternative investments measured at NAV, per practical expedient				<u>25,272,825</u>
TOTAL INVESTMENTS				<u>\$ 94,806,329</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, 2024:

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>Uncalled Commitments</u>	<u>Liquidity</u>
Multi-Strategy Hedge Funds (a)	\$ 6,049,456	\$ 658,523	Quarterly with 90 days prior notice
Private Equity Funds (b)	11,372,365	11,763,955	None until dissolution or transfer to another party
Private Equity Funds (b)	<u>7,851,004</u>	<u>7,592,143</u>	No liquidity with out prior consent of feeder fund general partner
	<u>\$ 25,272,825</u>	<u>\$ 20,014,621</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.

(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.

Net investment return consisted of the following for the year ended June 30, 2024:

Interest and dividends	\$ 1,795,495
Realized gain on investments	516,158
Unrealized gain on investments	6,012,416
Management fees	<u>(383,374)</u>
TOTAL INVESTMENT RETURN, NET	<u>\$ 7,940,695</u>

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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.

The Society records their investment in RQ using the equity method. The Society's basis in RQ at June 30, 2024 was \$1,500,000. As of June 30, 2024, the adjusted value of the investment of RQ under the equity method was \$1,263,531.

4. GRANTS RECEIVABLE

As of June 30, 2024, the Society has received promises to give totaling \$539,000. 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 5.33% to 5.42%.

Grants are due as follows at June 30, 2024:

Less than one year	\$ 454,000
One to five years	<u>85,000</u>
Total	539,000
Less: Allowance to discount balance to present value	<u>(4,338)</u>
GRANTS RECEIVABLE, NET	<u>\$ 534,662</u>

5. PROPERTY AND EQUIPMENT

At June 30, 2024, fixed assets consisted of the following:

Building	\$ 23,393,502
Land	7,150,400
Building improvements	6,858,155
Computer equipment	6,370,654
Furniture	1,568,718
Leasing commissions	499,743
Other	<u>1,078,625</u>
Sub-total	46,919,797
Less: Accumulated depreciation and amortization	<u>(24,993,578)</u>
PROPERTY, FURNITURE, EQUIPMENT AND IMPROVEMENTS, NET	<u>\$ 21,926,219</u>

SOCIETY FOR NEUROSCIENCE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024**

6. LINE 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 6.45% at June 30, 2024. The outstanding balance on the line of credit as of June 30, 2024 was \$401,778, with interest expense totaling \$88,539. The line of credit is collateralized by investments held by Morgan Stanley.

7. 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, 2024 was 3.24%. The agreement, among other provisions, require the Society to meet certain financial covenants.

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, 2024, accumulated amortization for the financing costs totaled \$132,040.

As of June 30, 2024, the outstanding balance of the note payable is as follows:

Note principal payable	\$ 11,096,947
Less: Deferred financing costs, net of accumulated amortization	<u>(143,360)</u>
NET NOTE PAYABLE	<u>\$ 10,953,587</u>

Future minimum principal payments are as follows at June 30, 2024:

<u>Year Ending June 30,</u>	
2025	\$ 1,480,802
2026	1,542,131
2027	1,605,961
2028	1,671,809
2029	1,741,514
Thereafter	<u>2,911,370</u>
	10,953,587
Less: Current portion	<u>(1,480,802)</u>
NON-CURRENT PORTION	<u>\$ 9,472,785</u>

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

7. NOTE PAYABLE (Continued)

Total interest expense related to the note payable for the year ending June 30, 2024 was \$483,978.

8. 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, 2024, 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.

Total interest expense related to the bond payable for the year ending June 30, 2024 was \$384,125.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2024:

Subject to expenditure for specified purpose:

Animals in Research Panel	\$	13,651
Brain Ultrastructure		24,760
BrainFacts.org		100,000
David Kopf Lecture on Neuroethics		24,329
Dialogue lectures		99,776
Peter and Patricia Gruber Award		165,379
Science Educator Award		27,580
Sponsorships - Annual Meeting		107,500
Trainee Professional Development Award		92,431
Trubatch Career Development Awards		11,155
Accumulated investment earnings		427,414
Endowment to be invested in perpetuity		<u>7,711,868</u>

TOTAL NET ASSETS WITH DONOR RESTRICTIONS **\$ 8,805,843**

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

10. NET ASSETS RELEASED FROM RESTRICTIONS

The following net assets with donor restrictions were released from donor restrictions either by incurring expenses which satisfied the restricted purposes specified by the donors or through the passage of time during the year ended June 30, 2024

Purpose restrictions accomplished:

Brain Ultrastructure	\$ 20,000
BrainFacts.org	50,000
David Kopf Lecture on Neuroethics	25,000
Nemko Scholars Program	7,500
Neuroscience Scholars Program	200,000
Peter and Patricia Gruber Award	99,000
Sponsorships - Annual Meeting	52,500
Trainee Professional Development Award	84,500
Trubatch Career Development Award	10,000
Appropriations from Endowment	<u>360,447</u>

TOTAL NET ASSETS RELEASED FROM RESTRICTIONS **\$ 908,947**

11. 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	\$ 3,025,845
Accounts receivable	307,654
Grants and contributions receivable	<u>454,000</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 3,787,499**

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 \$20,000,000 of availability on the line of credit (as further discussed in Note 6).

12. 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 \$855,035 for the year ended June 30, 2024, and is included in the accompanying Consolidated Statement of Activities and Change in Net Assets in property management revenue. Property management revenue totaled \$886,534 for the year ended June 30, 2024, and includes income for garage and storage leasing fees and operating expense recoverables.

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

12. 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, 2024, the deferred lease receivable totaled \$525,465. 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>
2025	\$ 1,000,543
2026	1,000,543
2027	500,052
2028	473,390
2029	<u>79,873</u>
	<u>\$ 3,054,401</u>

13. 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, 2024, 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 during the year ended June 30, 2023 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 a portion of the 2021 meeting.

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% non-matching contribution).

The Society's contributions to the Plan for the year ended June 30, 2024 totaled \$897,770, with contributions to the 403(b) plan totaling \$383,846 and contributions to the 401(a) plan totaling \$469,926 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 \$44,000 for the year ended June 30, 2024 and are included in fringe benefits in the accompanying Consolidated Statement of Functional Expenses.

15. COMMITMENTS

The Society has executed lease agreements for conference space in 2024 and 2025. Letters of intent have been executed for the 2024 – 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, 2024

16. 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.

Interpretation of relevant law -

The Society has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by the District of Columbia as requiring the preservation of the fair value of the original gift made to the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result, of this interpretation, the Society classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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.

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.

SOCIETY FOR NEUROSCIENCE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024**

16. ENDOWMENT (Continued)

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.

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, 2024. 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.

Endowment funds consisted of the following as of June 30, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Available for Appropriations</u>	<u>Held in Perpetuity</u>	<u>Total</u>
TOTAL ENDOWMENT FUNDS	\$ -	\$ 427,414	\$ 7,711,868	\$ 8,139,282

Changes in endowment funds consisted of the following as of and for the year ended June 30, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Available for Appropriations</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 242,141	\$ 7,469,339	\$ 7,711,480
Contributions	-	-	242,529	242,529
Investment income	-	545,720	-	545,720
Appropriation of endowment assets for expenditure	-	(360,447)	-	(360,447)
ENDOWMENT FUNDS, END OF YEAR	\$ -	\$ 427,414	\$ 7,711,868	\$ 8,139,282

17. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through September 25, 2024, the date the consolidated financial statements were issued.