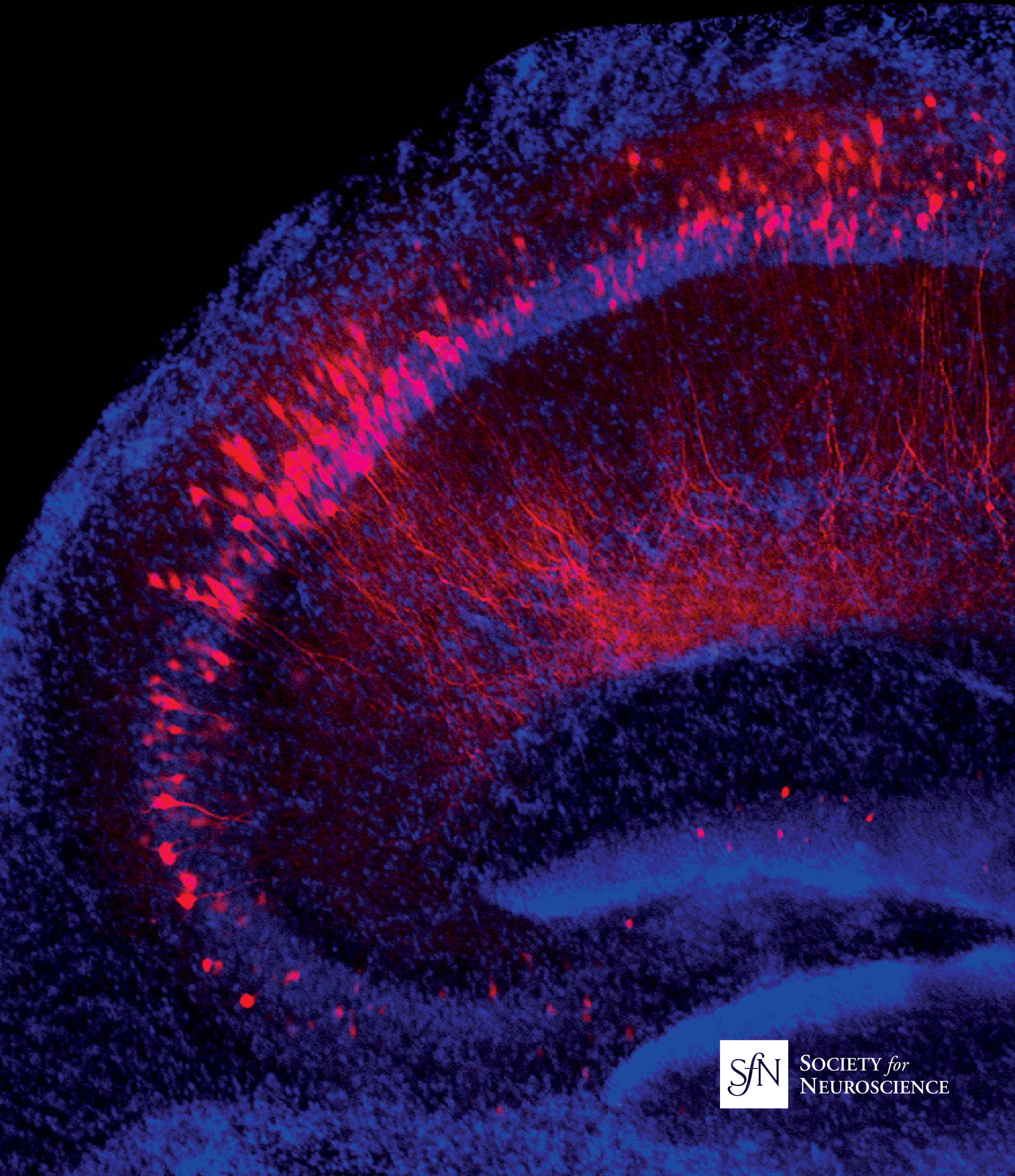
AUDITED FINANCIAL STATEMENTS FY 2017



SfN SOCIETY *for* NEUROSCIENCE

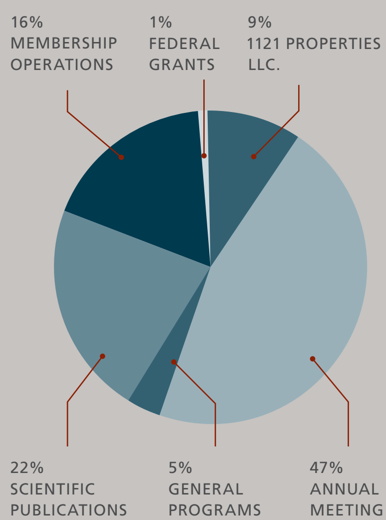
Revenue and Expenditures by Activity

Current and Past Fiscal Year

$32,266,637*

FY 2017 REVENUE

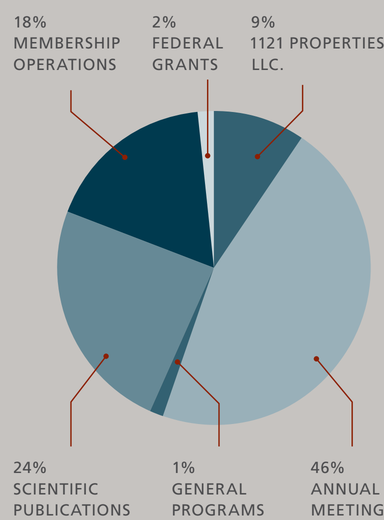
Excludes Investment Gain or Loss



$29,768,389*

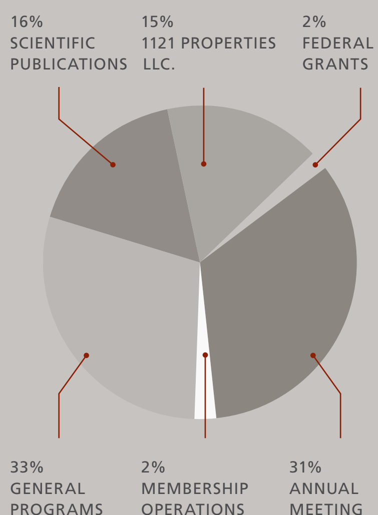
FY 2016 REVENUE

Excludes Investment Gain or Loss



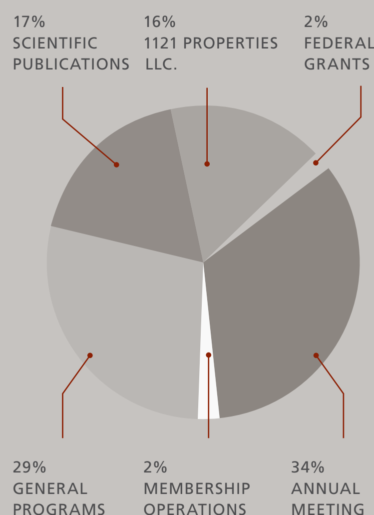
$30,278,183*

FY 2017 EXPENSES



$28,782,491*

FY 2016 EXPENSES



* **DATA INCLUDES THE FULL RECOGNITION OF MULTI-YEAR GRANTS**

GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Society for Neuroscience (SfN) and 1121 Properties, LLC (the LLC), collectively the Society, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Society as of June 30, 2017, 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.

REPORT ON SUMMARIZED COMPARATIVE INFORMATION

We have previously audited the Society's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 13, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Gelman Rosenberg & Freedman

October 3, 2017

4550 Montgomery Avenue · Suite 650 North · Bethesda, Maryland 20814
(301) 951-9090 / Fax (301) 951-3570 / www.grfcpa.com

Consolidated Statement of Financial Position

As of June 30, 2017 with Summarized Financial Information for 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,018,793	$ 3,811,093
Accounts receivable	221,813	157,150
Grants receivable	894,062	553,839
Prepaid expenses	1,355,715	868,439
Total current assets	3,490,383	5,390,521
NON-CURRENT ASSETS		
Investments	71,282,774	57,736,553
Grants receivable, net of current portion	653,387	250,908
Loan receivable	200,000	200,000
Property, furniture, equipment and improvements, net of accumulated depreciation and amortization of $18,779,359 for 2017	28,555,646	29,800,683
Deferred rent receivable	339,070	546,694
Deposits	3,630	3,630
Total non-current assets	101,034,507	88,538,468
TOTAL ASSETS	**$104,524,890**	**$ 93,928,989**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	$ 650,185	$ -
Current portion of notes payable	711,504	667,759
Accounts payable and accrued liabilities	1,653,131	1,589,602
Deferred revenue	10,005,932	8,630,242
Total current liabilities	13,020,752	10,887,603
NON-CURRENT LIABILITIES		
Notes payable, net of current portion	13,884,724	14,596,228
Bonds payable, net of current portion	12,000,000	12,000,000
Tenant deposits	16,605	-
Interest rate swap obligation	6,879,322	9,788,631
Total non-current liabilities	32,780,651	36,384,859
Total liabilities	45,801,403	47,272,462
NET ASSETS		
Undesignated	49,549,501	43,478,932
Board designated	4,967,606	122,553
Total unrestricted	54,517,107	43,601,485
Temporarily restricted	3,336,380	2,185,042
Permanently restricted	870,000	870,000
Total net assets	58,723,487	46,656,527
TOTAL LIABILITIES AND NET ASSETS	**$104,524,890**	**$ 93,928,989**

Consolidated Statement of Activities and Change in Net Assets

For the Year Ended June 30, 2017 with Summarized Financial Information for 2016

				2017	2016
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
REVENUE					
Membership dues	$ 5,035,154	$ -	$ -	$ 5,035,154	$ 5,211,719
Scientific publications	7,091,643	-	-	7,091,643	7,138,211
Annual meeting	14,838,157	389,203	-	15,227,360	13,681,443
Investment income (loss)	6,679,109	490,088	-	7,169,197	(78,983)
Property management revenue	2,868,192	-	-	2,868,192	2,820,729
General program revenue	931,167	1,113,121	-	2,044,288	916,287
Net assets released from donor restrictions	841,074	(841,074)	-	-	-
Total revenue	38,284,496	1,151,338	-	39,435,834	29,689,406
EXPENSES					
PROGRAM SERVICES					
Scientific publications	4,843,041	-	-	4,843,041	4,909,873
Annual meeting	9,522,503	-	-	9,522,503	9,682,165
Grants	510,236	-	-	510,236	557,903
General programs	10,038,640	-	-	10,038,640	8,408,823
Total program services	24,914,420	-	-	24,914,420	23,558,764
SUPPORTING SERVICES					
Membership development	699,581	-	-	699,581	570,715
Property management expenses	4,664,182	-	-	4,664,182	4,653,012
Total supporting services	5,363,763	-	-	5,363,763	5,223,727
Total expenses	30,278,183	-	-	30,278,183	28,782,491
Change in net assets before other item	8,006,313	1,151,338	-	9,157,651	906,915
OTHER ITEM					
Unrealized gain (loss) on interest rate swap	2,909,309	-	-	2,909,309	(2,482,283)
Change in net assets	10,915,622	1,151,338	-	12,066,960	(1,575,368)
Net assets at beginning of year	43,601,485	2,185,042	870,000	46,656,527	48,231,895
NET ASSETS AT END OF YEAR	**$ 54,517,107**	**$ 3,336,380**	**$ 870,000**	**$ 58,723,487**	**$ 46,656,527**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2017 with Summarized Financial Information for 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 12,066,960	$ (1,575,368)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,311,832	2,106,302
Realized gain on investments	(3,240,345)	(581,457)
Unrealized (gain) loss on investments	(2,774,905)	1,601,127
Unrealized (gain) loss on interest rate swap	(2,909,309)	2,482,283
Bad debt on loan receivable	-	63,148
Change in discount	17,976	(4,615)
(Increase) decrease in:		
Accounts receivable	(64,663)	(21,637)
Grants receivable	(760,678)	472,589
Prepaid expenses	(487,276)	148,987
Deferred rent receivable	207,624	187,442
Increase (decrease) in:		
Accounts payable and accrued liabilities	63,529	(453,217)
Deferred revenue	1,375,690	384,274
Tenants deposits	16,605	-
Net cash provided by operating activities	5,823,040	4,809,858
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(40,493,488)	(23,939,254)
Proceeds from sale of investments	32,962,517	18,736,349
Purchase of property, furniture, equipment and improvements	(1,066,795)	(553,618)
Disbursement on loan receivable	-	(23,031)
Payments on loan receivable	-	25,493
Net cash used by investing activities	(8,597,766)	(5,754,061)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	650,185	-
Payments on note payable	(667,759)	(622,534)
Net cash used by financing activities	(17,574)	(622,534)
Net cash and cash equivalents in cash and cash equivalents	(2,792,300)	(1,566,737)
Cash and cash equivalents at beginning of year	3,811,093	5,377,830
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,018,793**	**$ 3,811,093**

SUPPLEMENTAL INFORMATION:

INTEREST PAID	**$ 1,513,184**	**$ 1,558,300**

Notes to Consolidated Financial Statements

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

ORGANIZATION

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 St., NW, Washington, D.C. 20005.

The accompanying consolidated financial statements reflect the activity of the Society for Neuroscience and 1121 Properties, LLC (collectively, the Society) as of June 30, 2017. The financial statements of the two organizations have been consolidated because they are under common control. 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 FASB ASC 958-010, Not-for-Profit Entities, Consolidation.

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, 2016, from which the summarized information was derived.

CASH AND CASH EQUIVALENTS

The Society considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents, excluding money market funds held by investment managers in the amount of $1,521,077 for the year ended June 30, 2017.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of $250,000. At times during the year, the Society maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

INVESTMENTS

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

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

GRANTS AND ACCOUNTS RECEIVABLE

Grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Accounts receivable are recorded at their net realizable value, which approximates fair value. All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

PROPERTY, FURNITURE, EQUIPMENT AND IMPROVEMENTS

Property, furniture, equipment and improvements 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. The building and building costs are recorded at cost and are depreciated over 39 years, while leasehold and tenant improvements are amortized over 15 years and the life of the tenant lease, respectively.

Expenditures for major repairs and improvements with useful lives greater than one-year and in excess of $3,000 are capitalized, and expenditures of lesser amounts for minor and maintenance costs are expensed when incurred.

INCOME TAXES

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

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

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

As of June 30, 2017, there were net operating loss carryforwards of approximately $555,288. No deferred tax asset has been recognized due to uncertainty of realization. The net operating losses expire between 2027 and 2033.

For the year ended June 30, 2017, the Society has documented its consideration of FASB ASC 740-10, Income Taxes, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

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

DEFERRED REVENUE

Deferred revenue consists of member dues, journal subscriptions, and annual meeting-related fees. The Society recognizes member dues and journal subscriptions on a pro-rata basis over an annual period, while annual meeting fees are recorded at the time the annual meeting occurs.

NET ASSET CLASSIFICATION

The net assets of the Society are reported in four self-balancing groups as follows:

- Undesignated net assets include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Society and include both internally designated and undesignated resources.
- Board designated net assets: During FY2017, the SfN Council approved the creation of a permanent Strategic Opportunities Fund. The value of the fund was originally set at approximately $1,500,000 annual investment. These funds are allocated from reserves to offset the costs of projects deemed to be strategic in nature. The investment will currently support initiatives in advocacy, communications, BI/data, bf.org and scientific training.
- Temporarily restricted net assets include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Society and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from restrictions.
- Permanently restricted net assets represent funds restricted by the donor to be maintained in perpetuity by the Society. There are restrictions placed on the use of investment earnings from these endowment funds.

REVENUE RECOGNITION

Membership dues and journal subscription revenues are recorded as revenue in the year to which the revenue is related. Temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor.

Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements. The Society recognizes annual meeting fees when the related event has occurred.

Contracts and grants received from departments or agencies of the United States Government are considered to be exchange transactions (as opposed to contributions) and are not recorded as revenue until related costs are incurred.

Property management revenue is recognized on a straight-line basis. The leases call for rent abatement and/or annual rental payment escalations.

The difference between rental income received and rental income recognized on the straight-line basis is recorded as deferred rents receivable in the accompanying Consolidated Statement of Financial Position. Deferred revenue is recognized for rental payments received in advance of the period earned.

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.

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.

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Consolidated Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Society's consolidated financial statements, it is not expected to alter the Society's reported financial position. The Society has not yet adopted the new ASU.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied.

In 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Society plans to adopt the new FASB's at the required implementation date.

2. INVESTMENTS

Investments consisted of the following at June 30, 2017:

	FAIR VALUE
Money market funds	$ 1,521,077
Corporate fixed income	1,649,804
Exchange Traded Funds & Closed-end Funds (ETF & CEFs)	7,727,478
U.S. Government obligations	4,964,305
Mutual funds	17,434,714
Equities	27,286,566
Alternative investments	10,698,830
TOTAL LONG-TERM INVESTMENTS	**$ 71,282,774**

Alternative investments are comprised of the following at June 30, 2017:

INVESTMENT TYPE	AMOUNT	UNCALLED COMMITMENTS	LIQUIDITY
Cayman Islands Exempted Company	$ 2,567,186	$ -	Quarterly with 90 days prior notice
Vintage Fund V Offshore LP	112,394	294,727	None until dissolution or transfer to another party
Vintage Fund VI Offshore LP	2,226,354	1,318,272	None until dissolution or transfer to another party
SkyBridge Multi-Advisor Hedge Fund	2,486,997	-	Quarterly with 90 days prior notice
Pimco Bravo II	1,324,920	125,000	Quarterly with 90 days prior notice
Orion Future Funds	1,428,652	-	Monthly, 30 days
Blackstone EP II	175,181	324,883	No liquidity with out prior consent of feeder fund general partner
Blackstone Tac Opps II	227,205	290,825	No liquidity with out prior consent of feeder fund general partner
Oaktree Opps Fund X	149,941	210,000	None until dissolution or transfer to another party
	$ 10,698,830	**$ 2,563,707**	

Included in investment income are the following at June 30, 2017:

Interest and dividends	$ 1,153,947
Realized gain on investments	3,240,345
Unrealized gain on investments	2,774,905
TOTAL INVESTMENT INCOME	**$ 7,169,197**

The investment management fee expense totaled $360,595 for the year ended June 30, 2017, which is included in general programs expense.

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

3. GRANTS RECEIVABLE

As of June 30, 2017, the Society has received promises to give totaling $1,568,062. Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rates fluctuating between 0.85% and 1.82%. Grants are due as follows at June 30, 2017:

Less than one year	$ 894,062
One to five years	674,000
Total	1,568,062
Less: Allowance to discount balance to present value	(20,613)
NET GRANTS RECEIVABLE	**$ 1,547,449**

4. LOAN RECEIVABLE

In February 2012, the LLC entered into a loan agreement in the amount of $150,000 with a tenant. Repayments will commence on the nineteenth month after the lease commencement. The LLC charges an interest rate of 7%. In September 2013, the LLC entered into an amended agreement with the tenant to defer the onset of the loan payment to begin on January 1, 2015, with interest continuing to accrue on the loan balance through December 2014. Additionally, the tenant was granted a 75% rent abatement commencing in June 2013 and continuing until December 2015. The abated rent has been applied to the loan balance and will be repaid by the tenant over monthly installments as noted above.

In May 2016, the LLC amended its agreement with the tenant to defer loan repayments for twenty-four months beginning on May 1, 2016 and continuing through April 30, 2018. The LLC also reduced the total amount of the loan by $63,148, bringing the outstanding balance to $200,000. The tenant is to continue repayments of the loan on May 1, 2018 for a period of five years. The total accrued interest receivable from the tenant at June 30, 2017 is $55,496. The accrued interest receivable is included in the loan receivable balance on the Consolidated Statement of Financial Postion for the year ended June 30, 2017. Upon commencement of the deferred repayment, the accured interest will become apart of the principal balance.

During 2017, the LLC terminated the lease agreement with the tenant. Nevertheless, repayments of the outstanding balance is still required per the loan amortization schedule.

The following is a schedule of required future minimum principal payments to be received under the loan agreement as of June 30, 2017:

YEAR ENDING JUNE 30,	
2018	$ 5,603
2019	35,025
2020	37,557
2021	40,272
Thereafter	81,543
	$ 200,000

5. PROPERTY, FURNITURE, EQUIPMENT AND IMPROVEMENTS

At June 30, 2017, property, furniture, equipment and improvements consisted of the following:

Land	$ 7,150,400
Building	23,086,859
Building improvements	7,069,415
Furniture	1,854,285
Computer equipment	6,217,354
Leasing commissions	1,247,895
Other	708,797
	47,335,005
Less: Accumulated depreciation and amortization	(18,779,359)
PROPERTY, FURNITURE, EQUIPMENT AND IMPROVEMENTS, NET	**$ 28,555,646**

Depreciation and amortization expense totaled $2,311,832 for the year ended June 30, 2017.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2017:

Albert and Ellen Grass Lecture	$ 40,000
BrainFacts.org	887,040
David Kopf Lecture on Neuroethics	49,790
Donald B. Lindsley Prize	20,000
Elsevier Dialogues Series Support	49,789
Engaging the Public About Animal Research	20,627
Jacob P. Waletzky Award	788,983
Janett Rosenberg Trubatch Award	20,600
Japanese Neuroscience Society	10,000
Julius Axelrod Prize	643,515
Latin American Training Program	141,228
Meet the Expert Series Support	7,000
Nemko Prize in Cellular or Molecular Neurosciene	7,500
Peter and Patricia Gruber Award	128,898
Presidential Special Lecture	25,000
Science Educator Award	10,000
Short Course Series Support	10,000
Trainee Professional Development Awards	73,000
Young Investigator Award	25,000
Endowment Investment Earnings	378,410
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 3,336,380**

7. 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:

Albert and Ellen Grass Lecture	$ 20,000
BrainFacts.org	216,945
David Kopf Lecture on Neuroethics	25,000
Donald B. Lindsley Prize	2,500
Elsevier Dialogues Series Support	25,000
Engaging the Public About Animal Research	7,000
Fred Kavli History of Neuroscience Lecture	20,000
Jacob P. Waletzky Award	33,221
Janett Rosenberg Trubatch Award	4,000
Japanese Neuroscience Society	10,000
Julius Axelrod Prize	33,221
Latin American Training Program	156,527
Meet the Expert Series Support	12,000
Nemko Prize in Cellular or Molecular Neuroscience	7,500
Peter and Patricia Gruber Award	130,000
Presidential Special Lecture	50,000
Professional Development Workshop Support	2,500
Science Educator Award	10,000
Short Course Series Support	5,000
Trainee Professional Development Awards	35,000
Appropriations from Endowment	35,660
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**$ 841,074**

8. RENTAL INCOME

The LLC currently has a total of eight tenants leasing office space within its premises. The periods of the leases range from July 1, 2007 to November 30, 2022.

Rental income from these leases totaled $2,558,668 for the year ended June 30, 2017, and is included in the accompanying Consolidated Statement of Activities and Change in Net Assets in property management revenue.

Property management revenue totaled $2,868,192 for the year ended June 30, 2017, and includes income for garage and storage leasing fees and operating expense recoverables.

Rental income is recognized on a straight-line basis. The difference between rental income received and rental income recognized on the straight-line basis is recorded as deferred rent receivable in the accompanying Consolidated Statement of Financial Position. As of June 30, 2017, the deferred rent receivable totaled $339,070.

The following is a schedule of future minimum rental payments to be received by the LLC:

YEAR ENDING JUNE 30,	TENANTS
2018	$ 1,612,934
2019	988,084
2020	708,045
2021	216,783
2022	114,097
Thereafter	48,124
	$ 3,688,067

9. 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.

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 plans for the year ended June 30, 2017 totaled $694,633, with contributions to the 403(b) plan totaling $231,133 and contributions to the 401(a) plan totaling $403,500.

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 $60,000 for the year ended June 30, 2017.

10. 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.

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 (see Note 12) and matures on August 1, 2018. As of June 30, 2017, the outstanding balance of this note was $14,596,228.

Future minimum principal payments are as follows at June 30, 2017:

YEAR ENDING JUNE 30,	
2018	$ 711,504
2019	13,884,724
	14,596,228
Less: Current portion	(711,504)
NON-CURRENT PORTION	**$ 13,884,724**

Total interest expense for the period ending June 30, 2017 was $274,014.

11. BONDS PAYABLE

On February 1, 2006, the District of Columbia agreed to issue its Variable Rate Revenue Bonds (Society for Neuroscience Issue) Series 2006 in the aggregate principal amount of $12,000,000, for the benefit of the Society through Bank of America, N.A., in order to finance a portion of the costs of acquiring, constructing and furnishing the office building, including parking garage, located at 1121 14th Street, N.W., Washington, D.C.

The Society agreed to pay the principal and interest on the bonds. The bonds carried a fluctuating rate of interest per annum that approximates the BMA index (a national index of seven-day floating tax-exempt rates). On August 1, 2011, the Society signed an agreement to transfer the District of Columbia Variable Rate Revenue Bonds to PNC Bank. As of June 30, 2017, the interest rate was 1.50%. Principal payments shall begin February 1, 2030.

The bond agreements, among other provisions, require the Society to meet certain financial ratio tests.

Total interest expense for the period ending June 30, 2017 was $155,560.

12. INTEREST SWAP AGREEMENT

To minimize the effect of changes in the variable rate, the Society entered into an interest rate swap contract with a commercial bank for both the note and bonds payable. On August 1, 2011, the Society agreed to a modified notation mark-up arrangement with PNC Bank. The interest rate swap contract is considered a derivative financial instrument, because it derives its value from the interest rate paid on the District of Columbia Variable Rate Revenue Bonds. The Series 2006 Bonds have a fixed rate of 3.775% and the 2011 Taxable Term Loan had a fixed rate of 5.125%. (See Notes 10 and 11).

The fair value of the interest rate swap contract has been included as a liability in the amount of $6,879,322 in the Consolidated Statement of Financial Position as of June 30, 2017. The unrealized gain on the interest rate swap of $2,909,309 is shown as an other item in the Consolidated Statement of Activities and Change in Net Assets. The liability amounts represent an estimate of what the Society would have to pay if the agreement was cancelled as of June 30, 2017.

The recorded amount of the liability or asset representing the fair value of the swap contract will vary from year to year as (1) the variable rate received changes in relation to the fixed rate paid,

(2) the principal amount is paid down, which reduces the corresponding amount of the swap contract and (3) the remaining time until maturity of the swap contract which terminates in 2030 for the note payable and 2037 for the bonds payable.

Total interest expense for the year ending June 30, 2017 was $1,083,610.

13. LINE OF CREDIT

The Society has a line of credit in the amount of $5,000,000, with a fixed interest rate based on the applicable floating rate, which was 1.83% at June 30, 2017. The outstanding balance on the line of credit as of June 30, 2017 was $650,185, with interest expense totaling $185. The line of credit is collateralized by investments held by Morgan Stanley.

14. COMMITMENTS

The Society has executed lease agreements for conference space in 2017 and 2018. Letters of intent have been executed for the 2019 – 2027 annual meetings as well as for 2029, 2030, 2032, and 2035. The total commitment under the agreement is not determinable, as it depends upon attendance and other unknown factors. There is a cancellation penalty that would be due if the agreement was canceled prior to the event date. The amount of the cancellation penalty increases through the date of the event.

15. 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 used at June 30, 2017.

- Money market funds: Fair value is equal to the reported net asset value of the fund.
- Equities, Exchange Traded Funds & Closed-end Funds (ETF & CEFs): Valued at the closing price reported on the active market in which the individual securities are traded.
- Mutual funds: The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- Fixed income, U.S. Government obligations: Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- Alternative Investments: Interests in hedge funds, limited partnerships, private equity funds. These instruments do not have a readily determinable fair value. The fair values used are generally determined by the general partner or management of the entity and are based on appraisals or other estimates that require varying degrees of judgment. Inputs used in determining fair value may include the cost and recent activity concerning the underlying investments in the funds or partnerships.

- **Interest rate swap agreements:** Fair value is derived from quotes from a dealer or broker, where available. Models used in valuing such agreements consider the contractual terms of and specific risks inherent in the instrument, and inputs used typically include yield curve, instrument volatility, prepayment rates and assumptions concerning nonperformance risk.

The table below summarizes, by level within the fair value hierarchy, the Society's investments as of June 30, 2017:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Asset Class - Investments:				
Money market funds	$ 1,521,077	$ -	$ -	$ 1,521,077
Corporate fixed income	1,649,804	-	-	1,649,804
Exchange Traded Funds & Closed-end Funds (ETF & CEFs)	7,727,478	-	-	7,727,478
U.S. Government obligations	4,964,305	-	-	4,964,305
Mutual funds	17,434,714	-	-	17,434,714
Equities	27,286,566	-	-	27,286,566
Alternative investments	-	-	10,698,830	10,698,830
TOTAL	**$ 60,583,944**	**$ -**	**$ 10,698,830**	**$ 71,282,774**
Liability: Interest Rate Swap Obligation	$ -	$ 6,879,322	$ -	$ 6,879,322

LEVEL 3

The following table provides a summary of changes in fair value of the Society's financial assets for the year ended June 30, 2017:

	INVESTMENTS
Beginning balance as of June 30, 2016	$ 9,638,043
Unrealized and realized gains	251,837
Purchases	808,950
BALANCE AS OF JUNE 30, 2017	**$ 10,698,830**

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 Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- 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, 2017:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Donor-Restricted Endowment Funds	$ -	$ 378,410	$ 870,000	$ 1,248,410

Changes in endowment net assets for the year ended June 30, 2017:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, beginning of year	$ -	$ 184,957	$ 870,000	$ 1,054,957
Investment income	-	229,113	-	229,113
Subtotal	-	414,070	870,000	1,284,070
Appropriation of endowment assets for expenditure	-	(35,660)	-	(35,660)
ENDOWMENT NET ASSETS, END OF YEAR	**$ -**	**$ 378,410**	**$ 870,000**	**$ 1,248,410**

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets:

PERMANENTLY RESTRICTED NET ASSETS	
(1) The Portion of Perpetual Endowment Funds that is Required to be Retained Permanently Either by Explicit Donor Stipulation or by UPMIFA	$ 870,000

TEMPORARILY RESTRICTED NET ASSETS	
(1) The Portion of Perpetual Endowment Funds Subject to a Time Restriction Under UPMIFA: With Purpose Restrictions	$ 378,410

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. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets. There were no deficiencies reported for the year ended June 30, 2017.

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 Board of Directors, 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.

17. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through October 3, 2017, the date the consolidated financial statements were issued.

SOCIETY for NEUROSCIENCE

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