Consolidated Financial Statements

SOCIETY *for* NEUROSCIENCE

For the Year Ended June 30, 2022
With Summarized Financial Information for 2021

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, 2022, 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, 2022, and the consolidated change in its net assets and its 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 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Gelman Rosenberg & Freedman

October 12, 2022

SOCIETY FOR NEUROSCIENCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 6,184,256	$ 3,201,471
Pledges receivable	-	3,213,750
Grants receivable, net of allowance for doubtful accounts of $75,000	105,000	320,000
Accounts receivable	303,789	292,969
Prepaid expenses	865,313	830,209
Total current assets	7,458,358	7,858,399
FIXED ASSETS		
Fixed assets, net of accumulated depreciation and amortization of $21,272,112 and $19,428,239	24,163,548	25,891,371
NON-CURRENT ASSETS		
Investments	78,290,372	89,007,683
Grants receivable, net of current portion	261,690	369,049
Deferred compensation investments	842,751	994,754
Deferred rent receivable	744,999	790,445
Investment in RHYTHMQ INC	1,500,000	1,500,000
Total non-current assets	81,639,812	92,661,931
TOTAL ASSETS	**$ 113,261,718**	**$ 126,411,701**

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Lines of credit	$ 15,393,424	$ 13,525,382
Current portion of Federal loans payable	2,000,000	2,529,113
Current portion of note payable	1,342,676	1,288,278
Accounts payable and accrued liabilities	2,948,820	2,301,990
Deferred revenue	6,959,560	6,612,017
Total current liabilities	28,644,480	26,256,780
NON-CURRENT LIABILITIES		
Federal loans payable, net of current portion	-	1,779,063
Note payable, net of current portion	12,396,868	13,756,521
Bonds payable, net of current portion	12,000,000	12,000,000
Deferred compensation	842,751	994,754
Tenants deposits	173,229	173,229
Total non-current liabilities	25,412,848	28,703,567
Total liabilities	54,057,328	54,960,347
NET ASSETS		
Without donor restrictions	50,643,421	62,230,798
With donor restrictions	8,560,969	9,220,556
Total net assets	59,204,390	71,451,354
TOTAL LIABILITIES AND NET ASSETS	**$ 113,261,718**	**$ 126,411,701**

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, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Membership dues	$ 4,396,943	$ -	$ 4,396,943	$ 2,855,953
Scientific publications	6,809,168	-	6,809,168	6,950,917
Annual meeting	7,692,377	26,527	7,718,904	4,844,540
Investment (loss) income, net	(10,912,013)	(214,072)	(11,126,085)	18,646,137
Property management revenue	1,569,300	-	1,569,300	1,618,831
General program revenue	304,284	1,115	305,399	65,607
Net assets released from donor restrictions	473,157	(473,157)	-	-
Total revenue	10,333,216	(659,587)	9,673,629	34,981,985
EXPENSES				
Program Services:				
General Programs	7,033,681	-	7,033,681	8,010,874
Annual Meeting	5,096,729	-	5,096,729	3,543,964
Scientific Publications	2,786,866	-	2,786,866	2,977,513
Grants	383,845	-	383,845	369,319
Total program services	15,301,121	-	15,301,121	14,901,670
Supporting Services:				
Management and General	4,667,818	-	4,667,818	4,964,093
Property Management Expenses	3,411,897	-	3,411,897	3,935,889
Membership Development	731,505	-	731,505	68,615
Total supporting services	8,811,220	-	8,811,220	8,968,597
Total expenses	24,112,341	-	24,112,341	23,870,267
Change in net assets before other item	(13,779,125)	(659,587)	(14,438,712)	11,111,718
OTHER ITEM				
Extinguishment of debt	2,191,748	-	2,191,748	-
Change in net assets	(11,587,377)	(659,587)	(12,246,964)	11,111,718
Net assets at beginning of year	62,230,798	9,220,556	71,451,354	60,339,636
NET ASSETS AT END OF YEAR	**$ 50,643,421**	**$ 8,560,969**	**$ 59,204,390**	**$ 71,451,354**

See accompanying notes to consolidated financial statements.

SOCIETY FOR NEUROSCIENCE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022				
	Program Services				
	General Programs	Annual Meeting	Scientific Publications	Grants	Total Program Services
Salaries	$ 3,635,963	$ 1,786,013	$ 612,482	$ 176,337	$ 6,210,795
Fringe benefits	936,883	498,422	156,497	46,923	1,638,725
Professional fees	192,329	182,259	42,242	-	416,830
Property management expense	-	-	-	-	-
Casual labor and consulting fees	687,882	106,808	131,955	51,331	977,976
Addressing, mailing and shipping	6,663	8,087	-	-	14,750
Printing and composition	48,128	9,110	844,982	8,250	910,470
Audio visual	-	10,880	-	-	10,880
Computer and web page production	335,069	688,842	101,342	12,600	1,137,853
Insurance	-	38,982	-	-	38,982
Professional dues and subscriptions	30,829	29,221	56,974	2,463	119,487
Electronic publishing (journal)	-	-	265,000	-	265,000
Meeting management	1,932	280,000	-	-	281,932
Telephone and fax	39,059	17,752	13,192	-	70,003
Utilities	-	-	-	-	-
Cleaning	-	-	-	-	-
Hospitality and meetings	19,267	321,655	-	933	341,855
Hotel and travel	55,117	14,264	4,762	146	74,289
Honoraria, stipend, travel awards	2,480	-	324,485	80,564	407,529
Equipment, rental, repair and maintenance	-	-	-	-	-
Contributions	309,999	6,637	2,509	-	319,145
Depreciation and amortization	619,215	6,933	118,455	-	744,603
Bank processing fees	95,758	209,300	44,594	-	349,652
Interest expense	-	-	-	-	-
Real estate taxes	-	-	-	-	-
Security and transportation	-	13,125	-	-	13,125
Training and seminars	12,169	1,173	4,642	-	17,984
Other direct costs	4,939	867,266	62,753	4,298	939,256
Change in grant receivable allowance	-	-	-	-	-
TOTAL	**$ 7,033,681**	**$ 5,096,729**	**$ 2,786,866**	**$ 383,845**	**$ 15,301,121**

See accompanying notes to consolidated financial statements.

SOCIETY FOR NEUROSCIENCE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022 (Continued)					2021
	Supporting Services					
	Management and General	Property Management Expenses	Membership Development	Total Supporting Services	Total Expenses	Total Expenses
Salaries	$ 2,014,941	$ -	$ 507,985	$ 2,522,926	$ 8,733,721	$ 9,167,090
Fringe benefits	614,280	-	147,509	761,789	2,400,514	2,529,433
Professional fees	396,402	38,284	-	434,686	851,516	1,464,267
Property management expense	-	105,303	-	105,303	105,303	103,570
Casual labor and consulting fees	486,283	-	75,996	562,279	1,540,255	1,232,552
Addressing, mailing and shipping	2,128	-	-	2,128	16,878	8,850
Printing and composition	394	-	-	394	910,864	907,797
Audio visual	-	-	-	-	10,880	19,661
Computer and web page production	166,430	-	-	166,430	1,304,283	1,429,872
Insurance	100,746	34,453	-	135,199	174,181	171,144
Professional dues and subscriptions	23,609	-	-	23,609	143,096	164,622
Electronic publishing (journal)	-	-	-	-	265,000	258,049
Meeting management	4,190	-	-	4,190	286,122	57,405
Telephone and fax	19,578	11,118	-	30,696	100,699	127,951
Utilities	-	86,275	-	86,275	86,275	71,447
Cleaning	-	195,437	-	195,437	195,437	175,679
Hospitality and meetings	141	-	-	141	341,996	216,250
Hotel and travel	3	-	15	18	74,307	10,884
Honoraria, stipend, travel awards	-	-	-	-	407,529	544,794
Equipment, rental, repair and maintenance	5,817	370,964	-	376,781	376,781	302,083
Contributions	6,461	-	-	6,461	325,606	327,845
Depreciation and amortization	360,143	929,567	-	1,289,710	2,034,313	2,208,487
Bank processing fees	121,873	-	-	121,873	471,525	396,011
Interest expense	140,720	978,584	-	1,119,304	1,119,304	1,024,090
Real estate taxes	-	500,573	-	500,573	500,573	578,613
Security and transportation	17,648	159,685	-	177,333	190,458	161,118
Training and seminars	7,222	-	-	7,222	25,206	28,336
Other direct costs	103,809	1,654	-	105,463	1,044,719	182,367
Change in grant receivable allowance	75,000	-	-	75,000	75,000	-
TOTAL	**$ 4,667,818**	**$ 3,411,897**	**$ 731,505**	**$ 8,811,220**	**$ 24,112,341**	**$ 23,870,267**

See accompanying notes to consolidated financial statements.

SOCIETY FOR NEUROSCIENCE

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (12,246,964)	$ 11,111,718
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	2,034,313	2,236,937
Realized gain on investments	(1,634,502)	(6,818,689)
Unrealized loss (gain) on investments	13,845,672	(11,049,841)
Perpetual with donor contributions	-	(3,213,750)
Change in discount	(2,641)	(31,612)
Loss on disposal of fixed assets	56,733	28,449
Bad debt expense	75,000	-
Extinguishment of debt	(2,191,748)	-
Decrease (increase) in:		
Pledges receivable	3,213,750	(3,213,750)
Grants receivable	250,000	555,000
Accounts receivable	(10,820)	(73,811)
Prepaid expenses	(35,104)	2,729
Deferred rent receivable	45,446	(317,366)
Decrease (increase) in:		
Accounts payable and accrued liabilities	646,830	(51,773)
Deferred revenue	347,543	(541,992)
Tenants deposits	-	125,279
Net cash provided (used) by operating activities	4,393,508	(11,252,472)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(26,338,164)	(39,909,280)
Proceeds from sale of investments	24,844,305	41,129,641
Purchase of property, furniture, equipment and improvements	(363,223)	(601,539)
Net cash (used) provided by investing activities	(1,857,082)	618,822
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Federal loan payable	-	2,000,000
Proceeds from line of credit	4,618,363	11,689,018
Payments on line of credit	(2,750,321)	(3,739,288)
Payments on note payable	(1,305,255)	(1,258,648)
Payments on Federal loan payable	(116,428)	-
Perpetual with donor contributions	-	3,213,750
Net cash provided by financing activities	446,359	11,904,832
Net increase in cash and cash equivalents	2,982,785	1,271,182
Cash and cash equivalents at beginning of year	3,201,471	1,930,289
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 6,184,256**	**$ 3,201,471**
SUPPLEMENTAL INFORMATION:		
Interest Paid	**$ 1,119,304**	**$ 1,024,090**

See accompanying notes to consolidated financial statements.

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, 2022. The financial statements of the two LLCs have been consolidated in accordance with FASB ASC 958-810, Not-for-Profit Entities, Consolidation because they are under common control, and SfN has an economic interest in the LLCs. All intercompany transactions have been eliminated during consolidation.

Basis of presentation -

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

Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.

- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than the Society's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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

Basis of presentation (continued) -

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's consolidated financial statements for the year ended June 30, 2021, 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 $1,595,195 for the year ended June 30, 2022.

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

Investments -

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

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

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

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

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

Pledges receivable -

Pledges receivable are recorded at their net realizable value, which approximates fair value.

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

Pledges receivable (continued) -

Conditional promises to give are not included as support until the conditions are substantially met. All pledges are considered by management to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

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. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer and donor.

Fixed assets -

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

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

Expenditures for major repairs and improvements with useful lives greater than one-year and in excess of $3,000 are capitalized, and expenditures of lesser amounts for minor and maintenance costs are expensed when incurred. Depreciation and amortization expense was in the amount of $2,034,313 as of June 30, 2022.

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.

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

Income taxes (continued) -

As of June 30, 2022, there were net operating loss (NOL) carryforwards of approximately $2,293,972. No deferred tax asset has been recognized due to uncertainty of realization. $770,156 of the NOL is from fiscal year June 30, 2018 and prior.

Net operating losses for fiscal years ending June 30, 2012 and 2013 totaling approximately $557,882, will expire in 2032 and 2033. NOL from June 30, 2019 forward are siloed and can only be used against the same source that generated NOL. At June 30, 2021, the Society has NOL of $183,927 related to the Journal, $1,339,889 related to debt financing, and $0 related to the web. The Society can use 80% of these NOLs against future income with no expiration date.

For the year ended June 30, 2022, 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 -

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

Membership dues -

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

Scientific publications -

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

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

Revenue (continued) -

Annual meeting -

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

Deferred revenue consisted of the following as of June 30, 2022:

Annual Meeting	$ 2,880,309
Publications	2,192,840
Member dues	1,824,106
Other	62,305
TOTAL DEFERRED REVENUE	**$ 6,959,560**

General program revenue -

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

The Society performs an analysis of the individual contribution and grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal. For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Contributions and grants qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements. Grant agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. These transactions are nonreciprocal and recognized as contributions when the revenue becomes unconditional.

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

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

Revenue (continued) -

Property management revenue -

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

Use of estimates -

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

Functional allocation of expenses -

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

Risks and uncertainties -

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

Fair value measurement -

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

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

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

New accounting pronouncement not yet adopted -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non-public entities beginning after December 15, 2021. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. The Society plans to adopt the new ASU at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

2. INVESTMENTS

Investments consisted of the following at June 30, 2022:

	Fair Value
Money Market Funds	$ 1,595,195
Corporate Fixed Income	1,521,555
Exchange Traded Funds and Closed-end Funds (ETF and CEFs)	8,265,660
U.S. Government Obligations	4,148,276
Mutual Funds	12,969,566
Equities	29,016,784
Alternative Investments	20,773,336
TOTAL LONG-TERM INVESTMENTS	**$ 78,290,372**
Deferred Compensation Investments:	
Equities	$ 420,269
Corporate Fixed Income	414,745
Short-Term Mutual Funds	7,737
TOTAL DEFERRED COMPENSATION INVESTMENTS	**$ 842,751**

Included in investment loss are the following at June 30, 2022:

Interest and dividends	$ 1,487,060
Realized gain on investments	1,634,502
Unrealized loss on investments	(13,845,672)
Management fees	(401,975)
TOTAL INVESTMENT LOSS, NET	**$ (11,126,085)**

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 it's 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, 2022 was $1,500,000.

4. GRANTS RECEIVABLE

As of June 30, 2022, the Society has received promises to give totaling $450,000. 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 1.37% and 2.97%.

Grants are due as follows at June 30, 2022:

Less than one year	$ 180,000
One to five years	270,000
Total	450,000
Less: Reserve for uncollectible grants	(75,000)
Less: Allowance to discount balance to present value	(8,310)
GRANTS RECEIVABLE, NET	**$ 366,690**

5. FIXED ASSETS

At June 30, 2022, fixed assets consisted of the following:

Building	$ 23,268,377
Land	7,150,400
Building improvements	6,858,155
Computer equipment	5,431,724
Furniture	1,564,651
Leasing commissions	868,653
Other	293,700
	45,435,660
Less: Accumulated depreciation and amortization	(21,272,112)
PROPERTY, FURNITURE, EQUIPMENT AND IMPROVEMENTS, NET	**$ 24,163,548**

Depreciation and amortization expense totaled $2,034,313 for the year ended June 30, 2022.

6. LINES OF CREDIT

The Society has a line of credit in the amount of $20,000,000, with a variable interest rate based on the applicable floating rate, which was 2.1% at June 30, 2022. The outstanding balance on the line of credit as of June 30, 2022 was $12,354,412, with interest expense totaling $118,063. The line of credit is collateralized by investments held by Morgan Stanley.

The Society signed an additional line of credit agreement with Truist in the amount of $5,000,000 with a maturity date of December 31, 2022. The interest rate on the line of credit at June 30, 2022 was 1.78%. The outstanding balance on the line of credit as of June 30, 2022 was $3,039,012, with interest expense totaling $54,094.

7. FEDERAL LOANS PAYABLE

On May 5, 2020, the Society entered into a two-year promissory note agreement in the amount of $2,308,176 with a 1% fixed interest rate under the Paycheck Protection Program (PPP Loan 1). The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. During the fiscal year ending June 30, 2022, the Society applied for forgiveness after completing the 24 week period, and $2,191,748 of the note was forgiven, the Society repaid the remainder of the unforgiven note.

On March 8, 2021, the Society also entered into a five-year promissory note agreement in the amount of $2,000,000 under the Paycheck Protection Program (PPP Loan 2). The promissory note calls for monthly principal and interest payments amortized over the five-year term of the promissory note. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note qualifies for forgiveness by the Small Business Administration in whole or in part. Subsequent to the fiscal year ending June 30, 2022, the Society applied for forgiveness, and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. As of the date of this report. At such time once forgiveness and notification is received, the forgiven amount will be recorded as revenue from the debt extinguishment.

8. NOTE PAYABLE

On February 1, 2006, the Society entered into an agreement to purchase the property at 1121 14th Street, N.W., Washington, D.C. The original purchase was financed through a $20,000,000 note payable from Bank of America, N/A. To minimize the effect of changes in the variable rate, the Society had entered into an interest rate swap agreement. On August 1, 2011, the Society entered into an agreement to refinance the notes payable, resulting in a $17,949,167 note payable from PNC Bank. In addition, the Society refinanced the swap agreement with PNC Bank to artificially fix the interest rate and was to mature on February 1, 2019.

On November 15, 2018, the Society entered into an agreement to refinance the note payable, resulting in an $18,498,204 note payable from Truist Bank (formerly known as BB&T). At the time of refinancing, the swap which was valued at $4,307,601 was terminated and included within principal value of the note. The interest rate on the note payable as of June 30, 2022 was 3.24%. The agreement, among other provisions, require the Society to meet certain financial covenants. The Society was out of compliance on two covenants and received a waiver for the covenants through December 31, 2022.

8. NOTE PAYABLE (Continued)

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, 2022, accumulated amortization for the financing costs totaled $86,770. As of June 30, 2022, the outstanding balance of the note payable is as follows:

Note principal payable	$ 13,928,174
Less: Deferred financing costs, net of accumulated amortization	(188,630)
NET NOTE PAYABLE	**$ 13,739,544**

Future minimum principal payments are as follows at June 30, 2022:

Year Ending June 30,	
2023	$ 1,365,312
2024	1,420,645
2025	1,480,803
2026	1,542,131
2027	1,605,961
Thereafter	6,324,692
	13,739,544
Less: Current portion	(1,365,312)
NON-CURRENT PORTION	**$ 12,374,232**

Total interest expense for the year ending June 30, 2022 was $599,278.

9. BONDS PAYABLE

On February 1, 2006, the District of Columbia agreed to issue its Variable Rate Revenue Bonds (Society for Neuroscience Issue) Series 2006 in the aggregate principal amount of $12,000,000, for the benefit of the Society through Bank of America, N.A., in order to finance a portion of the costs of acquiring, constructing and furnishing the office building, including parking garage, located at 1121 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 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 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, 2022, the interest rate was 0.67%. Principal payments shall begin February 1, 2030. The bond agreement, among other provisions, require the Society to meet certain financial ratio tests. The Society was out of compliance on two covenants and received a waiver for the covenants through December 31, 2022.

Total interest expense for the year ending June 30, 2022 was $401,959.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2022:

Subject to expenditure for specified purpose:	
Brain Ultrastructure	$ 43,580
BrainFacts.org	545,971
David Kopf Lecture on Neuroethics	73,657
Elsevier Dialogues Series Support	49,329
Latin American Training Program	105,009
Leadership Development Program	85,530
Meet the Expert Series Support	5,000
Neuroscience Scholars Program	10,000
Peter and Patricia Gruber Award	80,000
Trubatch Career Development Awards	31,017
Accumulated investment earnings	1,088,126
Endowment to be invested in perpetuity	6,443,750
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	**$ 8,560,969**

11. NET ASSETS RELEASED FROM RESTRICTIONS

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

Purpose restrictions accomplished:	
Brain Ultrastructure	$ 5,000
BrainFacts.org	119,455
Elsevier Dialogues Series Support	25,000
Leadership Development Program	2,480
Peter and Patricia Gruber Award	50,000
Science Educator Award	10,000
Appropriations from Endowment	261,222
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**$ 473,157**

12. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	$ 6,184,256
Accounts receivable	303,789
Grants receivable	105,000
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 6,593,045**

12. LIQUIDITY AND AVAILABILITY (Continued)

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

As of June 30, 2022, the Society has financial assets totaling approximately two months of operating expenses. In addition, the Society invests cash in excess of daily requirements in short-term investments. Of the Society's investment portfolio, approximately $53,000,000 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 $10,000,000 of availability on the lines of credit (as further discussed in Note 6).

13. RENTAL INCOME

The LLC currently has a total of six tenants leasing office space within its premises. The periods of the leases range from January 24, 2008 to November 30, 2031. Rental income from these leases totaled $1,543,922 for the year ended June 30, 2022, and is included in the accompanying Consolidated Statement of Activities and Change in Net Assets in property management revenue. Property management revenue totaled $1,569,300 for the year ended June 30, 2022, 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, 2022, the deferred rent receivable totaled $744,999. The following is a schedule of future minimum rental payments to be received by the LLC:

Year Ending June 30,	Tenants
2023	$ 1,881,575
2024	1,867,344
2025	1,913,782
2026	1,866,028
2027	1,409,525
Thereafter	3,084,402
	$ 12,022,656

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.

14. RETIREMENT PLANS (Continued)

The 401(a) Retirement Plan provides a non-matching employer contribution of 4% to all eligible employees (members of senior management receive a 8% nonmatching contribution).

The Society's contributions to the Plan for the year ended June 30, 2022 totaled $737,829, with contributions to the 403(b) plan totaling $290,474 and contributions to the 401(a) plan totaling $447,355. The Society also has a deferred compensation plan under Section 457 of the Internal Revenue Code for certain executive level employees. Contributions to this plan totaled $24,000 for the year ended June 30, 2022.

15. COMMITMENTS

The Society has executed lease agreements for conference space in 2023, and 2025. Letters of intent have been executed for the 2024, 2026 – 2035 and 2037 annual meetings. The total commitment under the agreements is not determinable, as it depends upon attendance and other unknown factors. There is a cancellation penalty that would be due if the agreement was canceled prior to the event date. The amount of the cancellation penalty increases as the event dates become closer.

16. FAIR VALUE MEASUREMENT

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

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

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

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

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies and there were no transfers between levels in the fair value hierarchy during the year ended June 30, 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

16. FAIR VALUE MEASUREMENT (Continued)

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

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy and those invested and measured at NAV as a practical expedient as of June 30, 2022.

	Level 1	Level 2	Level 3	Total
Asset Class - Investments:				
Money Market Funds	$ 1,595,195	$ -	$ -	$ 1,595,195
Corporate Fixed Income	1,521,555	-	-	1,521,555
Exchange Traded Funds and Closed-end Funds (ETF and CEFs)	8,265,660	-	-	8,265,660
U.S. Government Obligations	4,148,276	-	-	4,148,276
Mutual Funds	12,969,566	-	-	12,969,566
Equities	29,016,784	-	-	29,016,784
Deferred Compensation				
Equities	420,269	-	-	420,269
Corporate Fixed Income	414,745	-	-	414,745
Short-Term Mutual Funds	7,737	-	-	7,737
Sub-total	**$ 58,359,787**	**$ -**	**$ -**	58,359,787
Alternative investments measured at NAV, per practical expedient				20,773,336
TOTAL INVESTMENTS				**$ 79,133,123**

16. FAIR VALUE MEASUREMENT (Continued)

The following is a summary of the investments valued using NAV as a practical expedient and the related unfunded commitments and redemption restrictions associated with each major category at June 30, 2022:

Investment Type	Net Asset Value	Uncalled Commitments	Liquidity
Multi-Strategy Hedge Funds (a)	$ 6,319,405	$ 1,127,784	Quarterly with 90 days prior notice
Private Equity Funds (b)	9,324,593	5,924,646	None until dissolution or transfer to another party
Private Equity Funds (b)	5,129,338	4,180,561	No liquidity with out prior consent of feeder fund general partner
	$ 20,773,336	$ 11,232,991	

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

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

17. ENDOWMENT

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

17. ENDOWMENT (Continued)

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

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

Endowment net asset composition by type of fund as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 6,443,750	$ 6,443,750
Accumulated investment earnings	-	1,088,126	1,088,126
TOTAL ENDOWMENT FUNDS	**$ -**	**$ 7,531,876**	**$ 7,531,876**

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year,	$ -	$ 8,007,169	$ 8,007,169
Investment loss, net	-	(214,071)	(214,071)
Appropriation of endowment assets for expenditure	-	(261,222)	(261,222)
ENDOWMENT NET ASSETS, END OF YEAR	**$ -**	**$ 7,531,876**	**$ 7,531,876**

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, 2022. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions for donor-restricted endowment funds and continued appropriates for certain programs that was deemed prudent by the Council.

Return Objectives and Risk Parameters -

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as Board designated funds.

17. ENDOWMENT (Continued)

Return Objectives and Risk Parameters (continued) -

Under this policy, as approved by the Council, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Society expects its endowment funds, over time, to provide an average rate of return of approximately 5.0% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

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

18. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through October 12, 2022, the date the consolidated financial statements were issued.

During June 30, 2021, the Society filed an insurance claim to recover its losses as a result of the 2020 annual meeting event cancellation; and the insurance carrier was reviewing the claim before year end. In October 2022, the Society signed an agreement with the insurance companies on the undisputed portion of the insurance claim in the amount of $9,000,000 and received half of this amount to date.