

CONSOLIDATED FINANCIAL STATEMENTS

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

SOCIETY FOR NEUROSCIENCE

CONTENTS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of the Society for Neuroscience (SfN), 1121 Properties, LLC (the LLC) and SfN Asset Holdings, LLC, collectively the Society, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated

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

ASSETS

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

LIABILITIES AND NET ASSETS

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

See accompanying notes to consolidated financial statements.

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**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Membership dues	\$ 4,236,311	\$ -	\$ 4,236,311	\$ 4,202,733
Scientific publications	7,363,621	-	7,363,621	6,936,428
Annual meeting	16,297,693	-	16,297,693	15,451,558
Investment return, net	7,394,975	545,720	7,940,695	9,189,252
Property management revenue	886,534	-	886,534	1,149,541
Grants and contributions	637,873	589,092	1,226,965	2,590,720
Loss on investment in RHYTHMQ	(187,688)	-	(187,688)	(48,781)
Net assets released from donor restrictions	908,947	(908,947)	-	-
Total revenue	37,538,266	225,865	37,764,131	39,471,451
EXPENSES				
Program Services:				
General Programs	8,407,578	-	8,407,578	7,845,789
Annual Meeting	9,818,127	-	9,818,127	8,659,551
Scientific Publications	2,725,125	-	2,725,125	2,764,396
Grants	852,299	-	852,299	660,288
Total program services	21,803,129	-	21,803,129	19,930,024
Supporting Services:				
Management and General	5,314,787	-	5,314,787	4,594,240

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

	2024				
	Program Services				
	General Programs	Annual Meeting	Scientific Publications	Grants	Total Program Services
Salaries	\$ 4,098,506	\$ 1,852,942	\$ 896,840	\$ 200,673	\$ 7,048,961
Fringe benefits	1,194,289	505,861	261,974	52,034	2,014,158
Professional fees	227,002	458,469	19,511	-	704,982
Property management expense	84,452	6,375	68,252	1,118,144	1,277,223
Audio visual	415,323	596,205	95,260	66,116	1,172,904
Travel	-	118,955	-	-	118,955
Telephone	29,001	36,636	62,358	3,588	131,583
Printing	-	-	268,566	-	268,566
Postage	98,359	986,418	811	9,762	1,095,350
Supplies	50,759	219,220	7,371	4,545	281,895
Miscellaneous	-	-	-	-	-
Cleaning	-	-	-	-	-
Hospitality and meetings	107,427	674,068	10,257	82,947	874,699
Hotel and travel	224,077	446,701	26,751	177,422	874,951
Honoraria, stipend, travel awards	138,000	577,382	446,298	90,850	1,252,530
Equipment, rental, repair and maintenance	-	-	-	-	-
Contributions	264,063	2,799	2,608	-	269,470
Depreciation and amortization	481,796	7,771	7,771	-	497,338
Bank processing fees	211,400	374,552	70,337	-	656,289
Interest expense	-	-	-	-	-
Real estate taxes	\$ 2,725,125	\$ 852,299	\$ 21,803,129	\$ 9,818,127	\$ 36,208,680

See accompanying notes to consolidated financial statements.

2023

**Management
and
General**

**Property
Management
Expenses**

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

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,592,528	\$ 23,405,860
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,567,707	1,728,458
Realized (gain) loss on investments	(516,158)	567,149
Unrealized gain on investments	(6,012,416)	(8,397,894)
Unrealized loss on investment in RHYTHMQ	187,688	48,781
Perpetual with donor contributions	(242,529)	(1,025,589)
Change in discount	(37,414)	33,442

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organizations -

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

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

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

The accompanying consolidated financial statements reflect the activity of the Society for Neuroscience, 1121 Properties, LLC and SfN Asset Holdings, LLC (collectively, the Society) as of June 30, 2024. The financial statements of the two LLCs have been consolidated in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation* because they are under common control, and SfN has an economic interest in the LLCs. All intercompany transactions have been eliminated during consolidation.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in

SOCIETY FOR NEUROSCIENCE

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

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

New accounting pronouncements adopted -

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit 2

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

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

Accounts receivable (continued) -

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

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

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

Grants and contributions receivable -

Grants and contributions receivable include unconditional promises to give that are expected to be collected in future years. Grants and contributions receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term futfY

SOCIETY FOR NEUROSCIENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

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

Income taxes (continued) -

As of June 30, 2024, there were net operating loss (NOL) carryforwards of \$3,553,155. No deferred tax asset has been recognized due to uncertainty of realization. \$686,151 of the NOL is from fiscal year June 30, 2018 and prior.

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

For the year ended June 30, 2024, the Society has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

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

Revenue from contracts with customers -

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

Membership dues -

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

Scientific publications -

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

Annual meeting -

Annual meeting revenue includes registration fees and booth revenue. Revenue is recorded as revenue when the performance obligation is met which is when the related event has occurred. The transaction price is determined based on the cost or sales price.

SOCIETY FOR NEUROSCIENCE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

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

SOCIETY FOR NEUROSCIENCE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

1.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

2.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The Society has resolved to use available funds and future earnings thereon to establish a strategic reserve pool that represents at least one year of operating expense budget plus liabilities. Based upon the intent of the Society, assets of the strategic reserve pool are classified as long-term.

3. INVESTMENT IN RHYTHMQ INC.

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

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

4. GRANTS RECEIVABLE

As of June 30, 2024, the Society has received promises to give totaling \$539,000. Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rates ranging from 5.33% to 5.42%.

Grants are due as follows at June 30, 2024:

Less than one year	\$	454,000
One to five years		85,000

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

6. LINE OF CREDIT

The Society has a line of credit in the amount of \$20,000,000, with a variable interest rate based on the applicable floating rate, which was 6.45% at June 30, 2024. The outstanding balance on the line of credit as of June 30, 2024 was \$401,778, with interest expense totaling \$88,539. The line of

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

7. NOTE PAYABLE (Continued)

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

8. BOND PAYABLE

On February 1, 2006, the District of Columbia agreed to issue its Variable Rate Revenue Bond (Society for Neuroscience Issue) Series 2006 in the aggregate principal amount of \$12,000,000, for the benefit of the Society through Bank of America, N.A., in order to finance a portion of the costs of acquiring, constructing and furnishing the office building, including

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

10. NET ASSETS RELEASED FROM RESTRICTIONS

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

Purpose restrictions accomplished:

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

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

11. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 3,025,845
Accounts receivable	307,654
Grants and contributions receivable	<u>454,000</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

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

12. LEASE INCOME (Continued)

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

16. ENDOWMENT

The Society's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Council is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Council appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Council has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

Interpretation of relevant law -

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SOCIETY FOR NEUROSCIENCE

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

16. ENDOWMENT (Continued)

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

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

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as fund of perpetual duration. Deficiencies of this nature did not exist as of June 30, 2024. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions for donor-restricted endowment funds and continued appropriates for certain programs that was deemed prudent by the Council.

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

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

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

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

17. SUBSEQUENT EVENTS

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