

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

SOCIETY FOR SCIENCE & THE PUBLIC

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Society for Science & the Public (d/b/a Society for Science)
Washington, D.C.

Opinion

We have audited the accompanying financial statements of the Society for Science & the Public d/b/a Society for Science (the Society), which comprise the statements of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of December 31, 2022, and the 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are available to be issued.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 Prior Year Comparative Statements

The financial statements of the Society for the year ended December 31, 2021 were audited by other auditors, whose report dated June 24, 2022, expressed an unmodified opinion on those statements.



August 23, 2023

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 15,791,540	\$ 20,695,579
Investments	27,387,157	32,713,762
Grants and pledges receivable, net	38,250,701	47,469,179
Subscriptions receivable	203,924	62,790
Other receivables, net	3,645,132	455,852
Prepaid expenses	640,398	575,444
Property and equipment, net	230,359	41,114
Other assets	<u>606,941</u>	<u>99,225</u>
TOTAL ASSETS	<u>\$ 86,756,152</u>	<u>\$102,112,945</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 1,006,330	\$ 613,378
Accrued salaries and related benefits	1,187,382	1,052,786
Awards payable	5,080,378	4,727,676
Deferred revenue	4,166,342	3,526,419
Accrued postretirement benefits	<u>1,830,000</u>	<u>2,568,000</u>
Total liabilities	<u>13,270,432</u>	<u>12,488,259</u>

NET ASSETS

Without donor restrictions	21,350,251	27,719,932
With donor restrictions	<u>52,135,469</u>	<u>61,904,754</u>
Total net assets	<u>73,485,720</u>	<u>89,624,686</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 86,756,152</u>	<u>\$102,112,945</u>

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions - Science education programs	\$ 9,633,596	\$ 8,539,009	\$ 18,172,605
Magazine subscriptions	3,352,262	-	3,352,262
Conference and other	1,680,818	-	1,680,818
Advertising and other	791,194	-	791,194
Contributed non-financial assets	-	770,000	770,000
Net assets released from donor restrictions	<u>18,662,424</u>	<u>(18,662,424)</u>	<u>-</u>
Total support and revenue	<u>34,120,294</u>	<u>(9,353,415)</u>	<u>24,766,879</u>
EXPENSES			
Program Services:			
Science Education Programs	21,413,101	-	21,413,101
Science News	9,980,668	-	9,980,668
Alumni	901,004	-	901,004
Special Initiatives	<u>393,007</u>	<u>-</u>	<u>393,007</u>
Total program services	<u>32,687,780</u>	<u>-</u>	<u>32,687,780</u>
Supporting Services:			
General and Administrative	2,153,044	-	2,153,044
Development	<u>2,718,958</u>	<u>-</u>	<u>2,718,958</u>
Total supporting services	<u>4,872,002</u>	<u>-</u>	<u>4,872,002</u>
Total expenses	<u>37,559,782</u>	<u>-</u>	<u>37,559,782</u>
Changes in net assets before other items	(3,439,488)	(9,353,415)	(12,792,903)
OTHER ITEMS			
Investment loss, net	(3,770,193)	(415,870)	(4,186,063)
Accrued postretirement benefit adjustment	<u>840,000</u>	<u>-</u>	<u>840,000</u>
Changes in net assets	(6,369,681)	(9,769,285)	(16,138,966)
Net assets at beginning of year	<u>27,719,932</u>	<u>61,904,754</u>	<u>89,624,686</u>
NET ASSETS AT END OF YEAR	<u>\$ 21,350,251</u>	<u>\$ 52,135,469</u>	<u>\$ 73,485,720</u>

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions - Science education programs	\$ 9,945,551	\$ 8,692,428	\$ 18,637,979
Magazine subscriptions	3,269,507	-	3,269,507
Conference and other	2,670,817	-	2,670,817
Advertising and other	532,378	-	532,378
Contributed non-financial assets	-	770,000	770,000
Net assets released from donor restrictions	<u>15,572,903</u>	<u>(15,572,903)</u>	<u>-</u>
Total support and revenue	<u>31,991,156</u>	<u>(6,110,475)</u>	<u>25,880,681</u>
EXPENSES			
Program Services:			
Science Education Programs	15,189,695	-	15,189,695
Science News	8,714,308	-	8,714,308
Alumni	783,745	-	783,745
Special Initiatives	<u>622,667</u>	<u>-</u>	<u>622,667</u>
Total program services	<u>25,310,415</u>	<u>-</u>	<u>25,310,415</u>
Supporting Services:			
General and Administrative	1,960,816	-	1,960,816
Development	<u>2,318,865</u>	<u>-</u>	<u>2,318,865</u>
Total supporting services	<u>4,279,681</u>	<u>-</u>	<u>4,279,681</u>
Total expenses	<u>29,590,096</u>	<u>-</u>	<u>29,590,096</u>
Changes in net assets before other items	2,401,060	(6,110,475)	(3,709,415)
OTHER ITEMS			
Investment income, net	3,059,739	301,536	3,361,275
Accrued postretirement benefit adjustment	107,484	-	107,484
Forgiveness of PPP loan principal and interest	<u>1,839,898</u>	<u>-</u>	<u>1,839,898</u>
Changes in net assets	7,408,181	(5,808,939)	1,599,242
Net assets at beginning of year	<u>20,311,751</u>	<u>67,713,693</u>	<u>88,025,444</u>
NET ASSETS AT END OF YEAR	<u>\$ 27,719,932</u>	<u>\$ 61,904,754</u>	<u>\$ 89,624,686</u>

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services				Supporting Services				Total Expenses
	Science Education Programs	Science News	Alumni	Special Initiatives	Total Program Services	General and Administrative	Development	Total Supporting Services	
Salaries and benefits	\$ 5,122,806	\$ 5,380,667	\$ 624,563	\$ 105,541	\$ 11,233,577	\$ 1,358,740	\$ 1,317,116	\$ 2,675,856	\$ 13,909,433
Professional fees and services	3,981,266	891,536	77,208	145,569	5,095,579	462,415	279,168	741,583	5,837,162
Awards, scholarships and grants	5,513,812	4,055	385	-	5,518,252	-	-	-	5,518,252
Printing, production and postage	318,816	2,380,931	4,250	29,621	2,733,618	26,932	666,883	693,815	3,427,433
Travel and entertainment and events	3,187,795	22,864	11,961	-	3,222,620	7,951	13,550	21,501	3,244,121
Technology	1,587,291	660,798	155,644	100,515	2,504,248	96,911	243,867	340,778	2,845,026
Marketing and promotion	601,649	220,840	7,274	10,500	840,263	-	113,006	113,006	953,269
Real estate occupancy and utilities	602,304	182,836	17,355	-	802,495	39,614	51,173	90,787	893,282
Other administrative expense	230,066	229,839	1,063	-	460,968	83,259	31,653	114,912	575,880
Equipment and supplies	267,296	6,302	1,301	1,261	276,160	77,222	2,542	79,764	355,924
TOTAL	\$ 21,413,101	\$ 9,980,668	\$ 901,004	\$ 393,007	\$ 32,687,780	\$ 2,153,044	\$ 2,718,958	\$ 4,872,002	\$ 37,559,782

See accompanying notes to financial statements.

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services				Supporting Services				Total Expenses
	Science Education Programs	Science News	Alumni	Special Initiatives	Total Program Services	General and Administrative	Development	Total Supporting Services	
Salaries and benefits	\$ 4,935,577	\$ 4,834,115	\$ 486,111	\$ 199	\$ 10,256,002	\$ 1,194,009	\$ 1,210,499	\$ 2,404,508	\$ 12,660,510
Awards, scholarships and grants	5,027,166	-	-	-	5,027,166	-	-	-	5,027,166
Professional fees and services	2,436,019	745,389	111,367	304,331	3,597,106	452,466	260,325	712,791	4,309,897
Printing, production and postage	247,879	2,016,555	6,523	101,192	2,372,149	27,311	446,349	473,660	2,845,809
Technology	1,191,092	696,266	147,404	169,392	2,204,154	82,565	215,972	298,537	2,502,691
Real estate occupancy and utilities	366,607	210,035	18,890	-	595,532	44,027	48,223	92,250	687,782
Marketing and promotion	304,611	120,601	2,898	45,160	473,270	-	104,674	104,674	577,944
Travel and entertainment and events	554,564	3,727	1,204	33	559,528	3,772	3,392	7,164	566,692
Other administrative expense	65,144	80,321	1,061	-	146,526	149,996	27,004	177,000	323,526
Equipment and supplies	61,036	7,299	8,287	2,360	78,982	6,670	2,427	9,097	88,079
TOTAL	\$ 15,189,695	\$ 8,714,308	\$ 783,745	\$ 622,667	\$ 25,310,415	\$ 1,960,816	\$ 2,318,865	\$ 4,279,681	\$ 29,590,096

See accompanying notes to financial statements.

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (16,138,966)	\$ 1,599,242
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	7,780	4,863
Unrealized and realized loss (gain)	4,875,984	(2,188,745)
Accrued postretirement benefit adjustment	(840,000)	(107,484)
Permanently restricted contributions	67,255	146,127
Change in discount on long-term receivables	(1,978,992)	250,384
Change in allowance for bad debt	(5,743)	17,708
Forgiveness of PPP loan principal	-	(1,826,000)
(Increase) decrease in:		
Subscriptions receivable	(141,134)	(22,307)
Other receivables	(3,183,537)	(302,953)
Grants and pledges receivable	11,197,470	13,098,460
Prepaid expenses	(64,954)	(151,268)
Other assets	(507,716)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	392,952	(73,789)
Awards payable	352,702	(80,276)
Deferred revenue	639,923	85,259
Accrued salaries and related benefits	134,596	-
Accrued postretirement benefits	<u>102,000</u>	<u>89,484</u>
Net cash (used) provided by operating activities	<u>(5,090,380)</u>	<u>10,538,705</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(197,025)	-
Purchase of investments	(1,148,948)	(2,836,733)
Proceeds from sale of investments	<u>1,599,569</u>	<u>2,869,694</u>
Net cash provided by investing activities	<u>253,596</u>	<u>32,961</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	<u>(67,255)</u>	<u>(146,127)</u>
Net cash used by financing activities	<u>(67,255)</u>	<u>(146,127)</u>
Net (decrease) increase in cash and cash equivalents	(4,904,039)	10,425,539
Cash and cash equivalents at beginning of year	<u>20,695,579</u>	<u>10,270,040</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 15,791,540</u>	<u>\$ 20,695,579</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Donated Securities	<u>\$ -</u>	<u>\$ 26,648</u>
Forgiveness of PPP Loan	<u>\$ -</u>	<u>\$ 1,826,000</u>

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Society for Science & the Public (d/b/a Society for Science) (the Society) is a nonprofit organization incorporated in 1921 under the laws of the state of Delaware for the purpose of promoting public understanding of science. The Society's operations are financed primarily through subscription revenues and grants from private foundations and corporations. The Society's principal activities include the publication of the bi-weekly news magazine Science News and the administration of science competitions for middle school and high school students. In November 2020, the Society adopted the "doing business as" name of Society for Science. The Society's official corporate name is Society for Science & the Public.

Basis of presentation -

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

Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than the Society's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncements adopted -

During 2022, the Society adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosure of key information about leasing arrangements. The Society applied the new standard at the inception of a new lease that began in 2021 and also the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. The Society has no long-term leases subject to ASU 2019-01, *Leases* (Topic 842), as of December 31, 2022.

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

New accounting pronouncements adopted (continued) -

During the year ended December 31, 2022, the Society adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

Cash and cash equivalents -

The Society considers all cash and other highly liquid investments, including certificates of deposit, with maturities of three months or less to be cash equivalents, and excluding money market funds held by investment managers in the amount of \$312,122 and \$183,901 for the years ended December 31, 2022 and 2021, respectively. 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 -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statements of Activities and Changes in Net Assets.

Receivables -

Grants and pledges receivable: Grants and pledges receivable consist of unconditional promises to give from donors. Grants and pledges receivable are discounted to net present value in the period promised, using a discount rate of 4.36%. Grants and pledges receivable are reported net of the related present value discount. Management periodically reviews the status of all promises to give for collectability. Each promise to give is assessed based on management's knowledge of and relationship with the donor and the payment history of each donor.

Subscriptions receivable: Subscriptions receivable consists of amounts owed from customers for subscriptions to Science News magazine and are recorded at their net realizable value. Management considers all amounts to be fully collectable. Accordingly an allowance for doubtful accounts has not been established.

Other receivables: Other receivables consist primarily of amounts owed from customers for membership and services such as advertising and list rental and are presented net of an allowance for doubtful accounts in the accompanying Statements of Financial Position. The allowance for doubtful accounts is estimated based on an analysis of future cash receipts and historical write-offs.

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

Receivables (continued) -

Other receivables (continued): The allowance related to other receivables was \$47,760 and \$53,503 as of December 31, 2022 and 2021, respectively.

Property and equipment -

Property and equipment in excess of \$5,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally 3 to 35 years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the years ended December 31, 2022 and 2021 totaled \$7,780 and \$4,863, respectively.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Statements of Activities and Changes in Net Assets, to its current fair value.

Income taxes -

The Society is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Society is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2022 and 2021, 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 financial statements.

Awards payable -

Awards payable are recorded when unconditionally awarded to middle and high school students each year under the Regeneron Science Talent Search (STS), Broadcom MASTERS (MASTERS), Intel International Science and Engineering Fair (ISEF), and other award programs. Awards are generally paid out in installments over a four-year period. However, because substantially all payments are available to be paid out to the winner immediately upon the submission of proper documentation, the awards are not discounted to present value. To receive the payment, students must generally be enrolled in a college or university.

Revenue -

Contributions and grants -

The Society receives contributions, including unconditional promises to give, from many sources. Contributions and grants are recognized in the appropriate category of net assets in the period received.

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

Revenue (continued) -

Contributions and grants (continued) -

The Society performs an analysis of the individual contributions and grants to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transaction is deemed nonreciprocal or reciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

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 financial statements. Contributions and grants qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Certain grants and awards are for direct and indirect program costs. 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 refundable advances. For contributions and grants treated as contributions, the Society had approximately \$7,940,000 and \$16,340,000 in unrecognized conditional awards as of December 31, 2022 and 2021, respectively.

Contracts and program revenue -

Contracts and program revenues are classified as exchange transactions following ASU 2014-09, *Revenue from Contracts With Customers*, and revenues are recorded when performance obligations are met. The Society has elected to opt out of all disclosures not required for nonpublic entities.

Revenue from contracts with customers is derived primarily from *Science News* and scientific education programs. *Science News* consists of primarily subscription, advertising and licensing revenue. Subscription revenue relates to publications periodically through the year and is recognized as income over the term of the subscription, generally one to two years. Deferred subscription revenue represents the unearned portion of subscriptions received by the Society as of December 31. Advertising revenue relates to advertising in those publications and is recognized as the respective issues are published. Scientific education programs consist primarily of revenue derived from fees related to ISEF. Revenue is recognized over the period when the services are provided. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. The Society did not have any impairments from contracts with customers. There are no incremental costs on obtaining a contract and no significant financing components. In addition, there were no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

Revenue (continued) -

Contributions and grants (continued) -

Deferred revenue consists of the following as of December 31, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Subscriptions	\$ 3,691,599	\$ 3,165,601
ISEF fees	452,611	365,399
Advertising	17,504	(7,858)
Other	<u>4,628</u>	<u>3,277</u>
TOTAL DEFERRED REVENUE	<u>\$ 4,166,342</u>	<u>\$ 3,526,419</u>

Contributed services -

During each of the years ended December 31, 2022 and 2021, the Society received \$770,000 in contributed services. A donor contributed web site security and monitoring services at no charge to the Society. The Society recorded the estimated fair value of the contributed services as contribution revenue and a corresponding expense on the Statements of Activities and Changes in Net Assets.

Use of estimates -

The preparation of the 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 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 program and supporting services have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the program and supporting services benefited. All expenses specifically identifiable to a grant, program activity or project are charged directly to the department for that activity.

Expenses specifically for general and administrative organizational support, such as finance, human resources and positions of executive office and board costs are directly charged to departments which are included as general and administrative. Other costs not readily associated with a specific grant or program activity, nor general and administrative expenses, are pooled as common support costs and allocated to each program based on the total direct expenses for each function. Common costs are those support costs that apply across the organization, such as information technology, facilities, internal marketing and design, communications and part of executive support.

Operations -

The Society considers investment income, the accrued postretirement benefit adjustment, and other significant incidental activities as non-operating activities. All other activities are considered operating activities.

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

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 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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Society for the year ending December 31, 2023 but early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Society plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. INVESTMENTS

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 Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

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

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

2. INVESTMENTS (Continued)

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

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the years ended December 31, 2022 and 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.
- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *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.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	Total December 31, 2022
Investments:				
Money market funds	\$ 312,122	\$ -	\$ -	\$ 312,122
Equities	9,926,876	-	-	9,926,876
Mutual Funds	<u>17,148,159</u>	<u>-</u>	<u>-</u>	<u>17,148,159</u>
TOTAL INVESTMENTS	<u>\$ 27,387,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,387,157</u>

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	Total December 31, 2021
Investments:				
Money market funds	\$ 183,901	\$ -	\$ -	\$ 183,901
Equities	24,481,741	-	-	24,481,741
Mutual funds	<u>8,048,120</u>	<u>-</u>	<u>-</u>	<u>8,048,120</u>
TOTAL INVESTMENTS	<u>\$ 32,713,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,713,762</u>

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

2. INVESTMENTS (Continued)

Included in investment (loss) income, net are the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 845,803	\$ 1,315,723
Unrealized and realized (loss) gain	(4,875,984)	2,188,745
Investment expenses	<u>(155,882)</u>	<u>(143,193)</u>
TOTAL INVESTMENT (LOSS) INCOME, NET OF INVESTMENT EXPENSES	\$ <u>(4,186,063)</u>	\$ <u>3,361,275</u>

3. GRANTS AND PLEDGES RECEIVABLE

The Society receives several significant contributions from Regeneron in support of its science competitions. The Society also has received certain other promises to give from individuals and institutions.

In 2016 Regeneron entered into a 10-year grant commitment with the Society to sponsor STS. Due to potential uncertainties, total potential gross payments of \$3,617,292 due from Regeneron during the year ended December 31, 2026, has not been included within the grants receivable balance as December 31, 2022 and 2021.

Under the terms of the sponsorship agreement, Regeneron placed \$7,000,000 into an escrow account held by a third-party escrow agent. The balance in the escrow account will be paid to either the Society or Regeneron, depending on the occurrence of certain events. Interest accruing on the amount in escrow will be paid to Regeneron. The Society's financial statements do not reflect any balances related to the amount in escrow.

As of December 31, 2022, Regeneron also has a remaining grant commitment of up to \$4,326,000 conditioned upon the total funding of ISEF at an acceptable level, and \$1,030,000 for reimbursement of certain ISEF expenses incurred. These amounts are to be paid in periodic payments through 2024 and are not included within the grants and pledges receivable balances due to the outstanding condition to be met annually.

Amounts due beyond one year of the Statements of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 4.36% as of December 31, 2022 and rates ranging from 2.2% to 5% as of December 31, 2021.

Following is a schedule of amounts due, by year, as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 10,568,117	\$ 10,427,183
One to five years	<u>29,892,372</u>	<u>41,230,776</u>
Total	40,460,489	51,657,959
Less: Allowance to discount balance to present value	<u>(2,209,788)</u>	<u>(4,188,780)</u>
NET GRANTS AND PLEDGES RECEIVABLE	\$ <u>38,250,701</u>	\$ <u>47,469,179</u>

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 26,946	\$ 26,946
Buildings	1,521,182	1,521,182
Furniture	612,236	577,236
Computer equipment	725,666	725,666
Vehicles	24,945	24,945
Capitalized software	<u>959,906</u>	<u>797,881</u>
Total property and equipment	3,870,881	3,673,856
Less: Accumulated depreciation and amortization	<u>(3,640,522)</u>	<u>(3,632,742)</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 230,359</u>	<u>\$ 41,114</u>

5. FUNDING FROM THE PAYCHECK PROTECTION PROGRAM

In April 2020, the Society obtained a loan totaling \$1,826,000, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act of March 27, 2020. The loan was scheduled to mature on April 21, 2022, and had an interest rate of 1% per annum. Under the CARES act, the note was eligible for forgiveness upon meeting certain conditions. The Society expended and tracked the PPP funds for purposes outlines in the CARES Act and applied for forgiveness after the 24 week spending period.

On January 26, 2021, the Society received forgiveness of the loan in full and recorded revenue from forgiveness of debt of \$1,839,898 in the Statement of Activities and Changes in Net Assets for the year ended December 31, 2021.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022:

	<u>January 1, 2022</u>	<u>Additions</u>	<u>Releases from Restrictions</u>	<u>December 31, 2022</u>
ISEF sponsorships and awards	\$ 460,762	\$ 825,000	\$ (497,582)	\$ 788,180
STS sponsorships and awards, including Outreach and Membership	52,546,211	2,034,350	(12,052,720)	42,527,841
Broadcom Masters	883,475	2,518,104	(3,168,455)	233,124
Other	3,218,291	3,864,300	(2,726,102)	4,356,489
Endowment	4,191,607	67,255	-	4,258,862
Accumulated endowment earnings (losses)	<u>604,408</u>	<u>(415,870)</u>	<u>(217,565)</u>	<u>(29,027)</u>
TOTAL	<u>\$ 61,904,754</u>	<u>\$ 8,893,139</u>	<u>\$ (18,662,424)</u>	<u>\$ 52,135,469</u>

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

6. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions consist of the following at December 31, 2021:

	<u>January 1, 2021</u>	<u>Additions</u>	<u>Releases from Restrictions</u>	<u>December 31, 2021</u>
ISEF sponsorships and awards	\$ 70,406	\$ 825,700	\$ (435,344)	\$ 460,762
STS sponsorships and awards, including Outreach and Membership	59,613,050	3,311,965	(10,378,804)	52,546,211
Broadcom Masters	2,537,177	586,014	(2,239,716)	883,475
Other	1,144,708	4,592,622	(2,519,039)	3,218,291
Endowment	3,972,039	219,568	-	4,191,607
Accumulated endowment earnings	<u>376,313</u>	<u>228,095</u>	<u>-</u>	<u>604,408</u>
TOTAL	<u>\$ 67,713,693</u>	<u>\$ 9,763,964</u>	<u>\$ (15,572,903)</u>	<u>\$ 61,904,754</u>

7. LIQUIDITY AND AVAILABILITY

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 15,791,540	\$ 20,695,579
Investments	27,387,157	32,713,762
Grants and pledges receivable, net	38,250,701	47,469,179
Subscriptions receivable	203,924	62,790
Other receivables, net	<u>3,645,132</u>	<u>455,852</u>
Subtotal financial assets available within one year	85,278,454	101,397,162
Less: Donor restricted funds	<u>(52,135,469)</u>	<u>(61,904,754)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 33,142,985</u>	<u>\$ 39,492,408</u>

The endowment fund is donor-restricted. A portion of the income from the donor-restricted endowment may be available for general use according to the endowment's spending policy.

While the Society does not have a liquidity policy, grant funds and funds without donor restrictions that are received during the course of the year are deposited in the Society's operating checking account and used to cover day-to-day operations. Funds designated for student awards due or certain restricted purposes are segregated in separate bank accounts and transferred to the operating account as required to fund those expenses. In the case where the operating funds available dip below those required to meet near-term expenses, funds are borrowed from the student amount and repaid when additional funds are received. Additionally, with the approval of the Society's board, certain operating expenses are funded using invested funds, and funds are transferred from the investments to the operating checking account periodically to cover those expenses.

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

8. CONTRIBUTED NON-FINANCIAL ASSETS

During the years ended December 31, 2022 and 2021, the Society was the beneficiary of donated services which allowed the Society to provide greater resources toward various programs. Donated services have been recorded based on their fair value which has been estimated based on the cost of such services in the Society's principal market.

Contributed non-financial assets have donor-imposed restrictions associated with supporting Science Education programs during the years ended December 31, 2022 and 2021. To properly reflect total program expenses, the following donations have been included in revenue and expense for the years ended December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Donated IT services	\$ 720,000	\$ 720,000
Donated translation services	<u>50,000</u>	<u>50,000</u>
TOTAL CONTRIBUTED NON-FINANCIAL ASSETS	<u>\$ 770,000</u>	<u>\$ 770,000</u>

The following programs have benefited from these donated services:

	<u>2022</u>	<u>2021</u>
Science Education Programs	\$ 472,069	\$ 439,307
Science News	187,208	223,345
Alumni	17,784	20,087
General and Administrative	40,502	35,983
Development	<u>52,437</u>	<u>51,278</u>
TOTAL PROGRAMS BENEFITED	<u>\$ 770,000</u>	<u>\$ 770,000</u>

9. LEASE COMMITMENTS

The Society entered into an operating lease for office space at 1701 Rhode Island Avenue, NW in Washington, D.C., which expires June 2023. The lease has monthly payments of approximately \$35,000 per month.

The following is a schedule of the future minimum lease payments:

Year Ending December 31, 2023	<u>\$ 214,710</u>
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Lease expense for the years ended December 31, 2022 and 2021 was \$405,570 and \$371,042, respectively. Lease expense is included within real estate occupancy and utilities in the accompanying Statements of Functional Expenses.

10. RETIREMENT PLAN

The Society sponsors a defined contribution retirement plan (the Plan). Full time employees at least 21 years old are eligible for an employer contribution. Employees are fully and immediately vested in the Society's contributions upon entry into the Plan. The Society makes contributions to the Plan of 3% of compensation for all eligible employees, and 7% for all eligible employees who elect to defer at least 5% of compensation.

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

10. RETIREMENT PLAN (Continued)

Contributions to the Plan during the years ended December 31, 2022 and 2021 totaled \$933,854 and \$880,498, respectively.

11. POSTRETIREMENT BENEFITS

The Society maintains a postretirement healthcare benefit plan (the postretirement plan), which it froze in June 2008. Participation in the plan remains open to all employees hired prior to June 30, 2008. Under the Plan, an employee becomes eligible to receive benefits if, upon retirement, the sum of the employee's age and years of service with the Society is at least 85 years. The Plan was unfunded at December 31, 2022 and 2021, as the Society does not maintain Plan assets.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) introduces a prescription drug benefit under Medicare (Medicare Part D) that provides several options for Medicare eligible participants and employers, including a federal subsidy payable to companies that elect to provide a retiree prescription drug benefit which is at least actuarially equivalent to Medicare Part D. As of December 31, 2021 and 2020, the Society had not applied for the federal subsidy. Therefore, no federal subsidy is reflected in the valuation of the postretirement plan for the years ended December 31, 2022 and 2021.

The postretirement benefit obligation, included in the Statements of Financial Position, consists of the following changes that have been recognized in the Statements of Activities and Changes in Net Assets for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Accumulated benefit obligation, beginning	\$ 2,568,000	\$ 2,586,000
Benefits paid	(20,000)	(22,000)
Service cost-benefits earned during the period	52,000	54,000
Interest cost on projected benefit obligation	70,000	64,000
Net loss during the year	<u>(840,000)</u>	<u>(114,000)</u>
ACCUMULATED BENEFIT OBLIGATION, ENDING	<u>\$ 1,830,000</u>	<u>\$ 2,568,000</u>

The net periodic benefit cost included in operations consists of the following components for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Service costs	\$ 52,000	\$ 54,000
Interest cost on projected benefit obligation	<u>70,000</u>	<u>64,000</u>
NET PERIODIC BENEFIT COST	<u>\$ 122,000</u>	<u>\$ 118,000</u>

Amounts in net assets without donor restrictions that have not yet been recognized in operations as a net periodic benefit cost include the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Unrecognized gain, beginning of the year	\$ 217,000	\$ 103,000
Net gain during the year	<u>840,000</u>	<u>114,000</u>
UNRECOGNIZED GAIN, END OF YEAR	<u>\$ 1,057,000</u>	<u>\$ 217,000</u>

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

11. POSTRETIREMENT BENEFITS (Continued)

The amount of the unrecognized gain expected to be recognized in net periodic benefit cost during the fiscal year ending December 31, 2023 is \$(125,000).

The other postretirement benefit charges included in non-operating items as the accrued postretirement benefit adjustment consist of the following components for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
NET GAIN DURING THE YEAR	\$ <u>840,000</u>	\$ <u>114,000</u>

The postretirement benefit obligation was determined using the following rates for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Discount rate for net periodic benefit cost	2.75%	2.50%
Discount rate for obligations at year-end	5.00%	2.75%
Healthcare cost trend rate assumed for next year	6.00%	5.40%
Ultimate rate (year 2027)	5.00%	5.00%

The mortality table used in the calculation of the postretirement plan's liability was the PRIH-2012 mortality table for white-collar employees and annuitants projected using generational mortality improvement scale MP-2021 for the years ended December 31, 2022 and 2021. Based on current data and assumptions, estimated future benefits expected to be paid from the postretirement plan are as follows:

Years Ending December 31.

2023	\$ 34,000
2024	47,000
2025	51,000
2026	59,000
2027	68,000
2028 - 2032	<u>391,000</u>
	\$ <u>650,000</u>

12. CONCENTRATION OF REVENUE

The Society is the recipient of several significant grants from Regeneron Pharmaceuticals, Inc. (Regeneron). At December 31, 2022 and 2021, approximately 91%, and 81%, respectively of the Society's unconditional grants receivable were comprised of amounts due from Regeneron.

13. COMMITMENTS AND CONTINGENCIES

Line of credit: During 2016, the Society entered into an arrangement with a financial institution to secure the corporate credit card. The card is supported by an unsecured \$500,000 line of credit. The outstanding credit card balances were \$160,409 and \$110,199 at December 31, 2022 and 2021, respectively. No interest expense related to the line of credit was incurred during either of the years ended December 31, 2022 and 2021.

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

13. COMMITMENTS AND CONTINGENCIES (Continued)

Hotel contracts: The Society has contracts with various hotels and convention centers for future events. In the event that the Society cancels, it may be held liable for liquidated damages incurred by the burdened entity as calculated in accordance with the terms of the applicable agreement.

14. ENDOWMENT

Since 2012, the Society has received endowment gifts for which the income is meant to be used for supporting or expanding programs that impact K-12 students or education. However, the donor also provided flexibility to the Society to use income from this fund for general operating expenses if necessary. 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 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 Board 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 Board 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 of (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. It is the Society's interpretation of the donor gift instrument that no appropriations should be made from the endowment fund when it is underwater. Accordingly, no appropriations were made from an underwater fund.

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 December 31, 2022:

	<u>With Donor Restrictions</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 4,258,862
Accumulated investment losses	<u>(29,027)</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 4,229,835</u>

SOCIETY FOR SCIENCE & THE PUBLIC (D/B/A SOCIETY FOR SCIENCE)

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

14. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended December 31, 2022:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 4,796,015
Investment loss, net	(415,870)
Contributions	67,255
Appropriation of endowment assets for expenditure	<u>(217,565)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 4,229,835</u>

Endowment net asset composition by type of fund as of December 31, 2021:

	<u>With Donor Restrictions</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 4,191,607
Accumulated investment earnings	<u>604,408</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 4,796,015</u>

Changes in endowment net assets for the year ended of December 31, 2021:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 4,348,352
Investment return, net	301,536
Contributions	<u>146,127</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 4,796,015</u>

Funds with Deficiencies -

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. Deficiencies of this nature exist in the endowment, which has an original gift value of \$4,258,862 as of December 31, 2022, and a deficiency of \$29,027 as of December 31, 2022. This deficiency resulted from unfavorable market fluctuations that occurred after the investment of the donor-restricted endowment contributions. The Society plans to eliminate this deficiency through future positive market returns, and if necessary, transferring funds from net assets without restrictions to the endowment. During 2022, spending from the endowment with the deficiency amounted to \$217,565. There were no such deficiencies as of December 31, 2022 and 2021.

Return Objectives and Risk Parameters -

The Society 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. The investment portfolio is intended to produce returns higher than specified market indices while assuming a moderate level of risk.

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14. ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives:

To satisfy its long-term objectives, the Society will rely 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 will target a diversified asset allocation to achieve its long-term return objectives.

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

In accordance with the endowment's terms, annual earnings equal to 3% of the invested corpus will be added to the total corpus. The remaining portion of the annual earnings will be reflected as net assets with donor restrictions until appropriated for expenditure. Appropriations are made at the discretion of management to support or expand programs with an emphasis on those that impact K-12 students and education.

Management also has the discretion to appropriate funds to offset expenses related to the development and administration of such programs.

15. SUBSEQUENT EVENTS

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through August 23, 2023, the date the financial statements were issued.