

**EISNERAMPER**

**SOCIETY FOR CORPORATE  
GOVERNANCE, INC.**

**FINANCIAL STATEMENTS**

**MARCH 31, 2023 and 2022**



# **SOCIETY FOR CORPORATE GOVERNANCE, INC.**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Society for Corporate Governance, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the Society for Corporate Governance, Inc. (the "Society"), which comprise the statements of financial position as of March 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for each of the years 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 for Corporate Governance, Inc. as of March 31, 2023 and 2022, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' 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 audits. 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***

The Society's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 for one year after the date that the financial statements are available to be issued.

### ***Auditors' 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 auditors' 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 GAAS 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 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 GAAS, 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.

*EisnerAmper LLP*

EISNERAMPER LLP  
New York, New York  
June 15, 2023



# SOCIETY FOR CORPORATE GOVERNANCE, INC.

## Statements of Financial Position

	March 31,	
	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,608,316	\$ 1,478,215
Chapter cash	836,514	823,495
Accounts receivable	124,579	39,057
Investments	2,105,069	2,120,252
Prepaid expenses and other asset	371,649	364,852
Right-of-use asset – operating lease	403,455	-
Property and equipment	<u>10,343</u>	<u>28,215</u>
	<u>\$ 5,459,925</u>	<u>\$ 4,854,086</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable, accrued expenses, and other liabilities	\$ 543,789	\$ 478,805
Dues paid in advance	1,258,904	1,076,370
Deferred conference revenue	207,886	272,773
Lease liability	459,317	-
Accrued pension liability	<u>252,519</u>	<u>56,421</u>
Total liabilities	<u>2,722,415</u>	<u>1,884,369</u>
Commitments and other uncertainty		
Net assets:		
Without donor restrictions:		
Undesignated and available for general activities	890,882	1,123,089
Board-designated fund	<u>1,846,628</u>	<u>1,846,628</u>
Total net assets	<u>2,737,510</u>	<u>2,969,717</u>
	<u>\$ 5,459,925</u>	<u>\$ 4,854,086</u>

# SOCIETY FOR CORPORATE GOVERNANCE, INC.

## Statements of Activities

	Year Ended March 31,	
	2023	2022
<b>Revenue:</b>		
Support and revenue:		
Membership dues	\$ 2,213,369	\$ 1,967,222
National conference and seminars	2,571,312	856,127
Chapter events and programs	2,050	-
Sponsorship and royalty revenue	338,008	278,936
Interest and dividends, net	47,541	18,874
Realized and unrealized (losses) gains on investments	(46,696)	40,466
Other income	<u>1,105</u>	<u>792</u>
Total support and revenue	<u>5,126,689</u>	<u>3,162,417</u>
<b>Expenses:</b>		
Program services:		
Business development	191,061	168,496
Chapter development, events, and programs	243,110	194,545
Events	2,127,001	855,944
Membership	558,675	437,776
Research and advocacy	<u>420,967</u>	<u>348,046</u>
Total program services	3,540,814	2,004,807
General and administrative - operations	<u>1,626,254</u>	<u>1,381,616</u>
Total expenses	<u>5,167,068</u>	<u>3,386,423</u>
Decrease in net assets before adjustment related to pension plan and gain on debt forgiveness	(40,379)	(224,006)
Pension-related benefits – changes other than service costs (see Note F)	(191,828)	(62,211)
Gain on forgiveness of debt (see Note A[7])	<u>-</u>	<u>266,027</u>
<b>Decrease in net assets</b>	(232,207)	(20,190)
Net assets, beginning of year without donor restrictions	<u>2,969,717</u>	<u>2,989,907</u>
<b>Net assets, end of year without donor restrictions</b>	<u>\$ 2,737,510</u>	<u>\$ 2,969,717</u>

See notes to financial statements.

# SOCIETY FOR CORPORATE GOVERNANCE, INC.

## Statement of Functional Expenses

Year Ended March 31, 2023 (with summarized financial information for 2022)

	Program Services						Supporting Services	Total	
	Business Development	Chapter Development, Events, and Programs	Events	Membership	Research and Advisory	Total	Management and Administrative	2023	2022
Salaries	\$ 131,117	\$ 129,809	\$ 414,600	\$ 227,077	\$ 281,325	\$ 1,183,928	\$ 839,138	\$ 2,023,066	\$ 1,847,721
Payroll taxes and benefits	25,808	27,136	111,105	50,559	47,931	262,539	127,661	390,200	301,107
Awards and gifts	502	715	1,946	1,175	858	5,196	2,302	7,498	2,189
Bank charges and credit card fees	733	-	2,809	121,035	1,262	125,839	16,091	141,930	89,149
Communications	1,916	2,699	7,528	4,516	3,292	19,951	8,909	28,860	30,344
Conferences and seminars	-	198	1,454,018	-	-	1,454,216	697	1,454,913	243,646
Depreciation and amortization	1,381	1,725	5,264	3,106	2,416	13,892	6,817	20,709	27,756
Dues and annual fees	50	11,593	177	1,613	24,831	38,264	214	38,478	31,417
Insurance	1,152	1,676	4,551	2,748	1,963	12,090	5,182	17,272	16,219
Catering and event-space rental	3	26,586	-	-	1,065	27,654	48,594	76,248	60,022
Membership development	-	-	-	79,603	-	79,603	1,758	81,361	40,822
Occupancy	11,111	15,961	43,465	26,229	18,999	115,765	50,678	166,443	165,423
Office services and supplies	311	441	1,165	707	545	3,169	1,485	4,654	2,434
Printing and compiling	37	50	159	91	65	402	172	574	1,884
Professional development	119	149	454	268	208	1,198	720	1,918	2,320
Professional fees	1,965	2,936	7,007	4,409	3,228	19,545	424,791	444,336	235,629
Postage and shipping	1	2	6	3	2	14	7	21	205
Publications and subscriptions	705	1,028	2,681	1,642	1,189	7,245	3,171	10,416	8,943
Technology	10,390	14,380	43,038	25,226	18,217	111,251	51,541	162,792	153,965
Travel and entertainment	555	1,768	-	-	7,098	9,421	13,592	23,013	11,809
Other	1,189	1,693	4,586	2,774	2,032	12,274	5,576	17,850	17,265
Total expenses	189,045	240,545	2,104,559	552,781	416,526	3,503,456	1,609,096	5,112,552	3,290,269
Other components of net periodic costs	2,016	2,565	22,442	5,894	4,441	37,358	17,158	54,516	96,154
Total expenses per statements of activities	\$ 191,061	\$ 243,110	\$ 2,127,001	\$ 558,675	\$ 420,967	\$ 3,540,814	\$ 1,626,254	\$ 5,167,068	\$ 3,386,423

See notes to financial statements.

# SOCIETY FOR CORPORATE GOVERNANCE, INC.

## Statement of Functional Expenses Year Ended March 31, 2022

	Program Services						Supporting Services	
	Business Development	Chapter Development, Events, and Programs	Events	Membership	Research and Advisory	Total	Management and Administrative	Total
Salaries	\$ 117,244	\$ 117,640	\$ 389,602	\$ 209,418	\$ 232,704	\$ 1,066,608	\$ 781,113	\$ 1,847,721
Payroll taxes and benefits	17,165	15,907	75,022	32,380	27,884	168,358	132,749	301,107
Awards and gifts	9	12	39	23	16	99	2,090	2,189
Bank charges and credit card fees	26	35	112	68,510	46	68,729	20,420	89,149
Communications	1,933	2,625	8,420	4,830	3,436	21,244	9,100	30,344
Conferences and seminars	-	-	243,646	-	-	243,646	-	243,646
Depreciation and amortization	1,268	1,932	6,523	3,479	4,723	17,925	9,831	27,756
Dues and annual fees	91	8,222	398	3,227	19,051	30,989	428	31,417
Insurance	1,032	1,401	4,497	2,580	1,843	11,353	4,866	16,219
Catering and event-space rental	55	7,371	-	-	101	7,527	52,495	60,022
Membership development	-	-	-	40,822	-	40,822	-	40,822
Occupancy	11,140	15,245	48,599	27,784	20,020	122,788	42,635	165,423
Office services and supplies	155	211	675	387	277	1,705	729	2,434
Printing and compiling	120	163	522	300	214	1,319	565	1,884
Professional development	148	200	643	369	264	1,624	696	2,320
Professional fees	1,045	1,426	4,556	2,607	1,874	11,508	224,121	235,629
Postage and shipping	2	2	7	4	3	18	187	205
Publications and subscriptions	569	772	2,480	1,423	1,016	6,260	2,683	8,943
Technology	9,796	13,293	42,472	24,488	14,580	104,629	49,336	153,965
Travel and entertainment	680	-	-	-	1,516	2,196	9,613	11,809
Bad debt expense	-	-	-	-	-	-	-	-
Other	1,210	1,357	4,654	2,645	2,132	11,998	5,267	17,265
Total expenses	163,688	187,814	832,867	425,276	331,700	1,941,345	1,348,924	3,290,269
Other components of net periodic costs	4,808	6,731	23,077	12,500	16,346	63,462	32,692	96,154
Total expenses per statements of activities	\$ 168,496	\$ 194,545	\$ 855,944	\$ 437,776	\$ 348,046	\$ 2,004,807	\$ 1,381,616	\$ 3,386,423

See notes to financial statements.



# SOCIETY FOR CORPORATE GOVERNANCE, INC.

## Statements of Cash Flows

	Year Ended March 31,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Decrease in net assets	\$ (232,207)	\$ (20,190)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	20,709	27,756
Gain on forgiveness of debt	-	(266,027)
Noncash lease amortization	155,353	-
Net realized and unrealized losses (gains) on investments	46,696	(40,466)
Changes in:		
Accounts and grants receivable, net	(85,522)	14,205
Prepaid expenses and other asset	(6,797)	(160,694)
Accrued pension asset	-	5,790
Accounts payable, accrued expenses, and other liabilities	134,695	128,572
Dues paid in advance	182,534	(13,840)
Deferred conference revenue	(64,887)	154,608
Lease Liability	(169,202)	-
Accrued pension liability	<u>196,098</u>	<u>56,421</u>
Net cash provided by (used in) operating activities	<u>177,470</u>	<u>(113,865)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(2,837)	-
Purchases of investment securities	(2,102,769)	(2,954,195)
Redemptions of investment securities	<u>2,071,256</u>	<u>2,157,884</u>
Net cash used in investing activities	<u>(34,350)</u>	<u>(796,311)</u>
<b>Change in cash and cash equivalents and chapter cash</b>	<b>143,120</b>	<b>(910,176)</b>
Cash and cash equivalents and chapter cash, beginning of year	<u>2,301,710</u>	<u>3,211,886</u>
<b>Cash and cash equivalents and chapter cash, end of year</b>	<b>\$ <u>2,444,830</u></b>	<b>\$ <u>2,301,710</u></b>
<b>Summary of cash and cash equivalents:</b>		
Cash and cash equivalents	\$ 1,608,316	\$ 1,478,215
Chapter cash	<u>836,514</u>	<u>823,495</u>
Total cash and cash equivalents and chapter cash	<u>\$ 2,444,830</u>	<u>\$ 2,301,710</u>
<b>Supplemental disclosures of cash flow information:</b>		
Noncash lease liability arising from obtaining right-of-use assets	<u>\$ 628,519</u>	<u>\$ -</u>

# **SOCIETY FOR CORPORATE GOVERNANCE, INC.**

## **Notes to Financial Statements March 31, 2023 and 2022**

### **NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **[1] Organization:**

Society for Corporate Governance, Inc. (the "Society"), was incorporated in the State of New York in 1946, as a not-for-profit service organization, for which its primary sources of income are membership dues and conference fees. The Society's purpose is to promote and assist the voluntary exchange of information and experience among its members, relating to the duties and practices of the role of corporate secretary and other governance professionals.

The Society has 21 regional chapters throughout the United States. All financial information relating to the Society's chapters has been included in these financial statements.

The Society is exempt from federal income tax under the provisions of Section 501(c)(6) of the Internal Revenue Code (the "Code") and from state and local taxes under comparable laws.

#### **[2] Basis of accounting:**

The financial statements of the Society have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

#### **[3] Use of estimates:**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

#### **[4] Cash and cash equivalents:**

For financial reporting purposes, the Society considers all highly liquid instruments purchased, with an original maturity of three months or less, to be cash and cash equivalents, except for those cash and cash equivalents held as part of the investment portfolio.

#### **[5] Investments:**

The Society's investments in certificates of deposit, corporate bonds, U.S. government obligations, exchange-traded funds, and mutual funds, are reported at their fair values in the statements of financial position based on quoted market prices.

The Society's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the costs basis to proceeds received at the time of disposition. Unrealized gains and losses on investments are determined by comparing each investments' cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

# **SOCIETY FOR CORPORATE GOVERNANCE, INC.**

## **Notes to Financial Statements March 31, 2023 and 2022**

### **NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **[5] Investments: (continued)**

Investment expenses include the service fees and costs of bank trustees, investment managers and custodians. The balances of investment management fees are shown net of interest and dividend income on the accompanying statements of activities in the amount of \$8,724 and \$9,146 for 2023 and 2022, respectively. Those are the specific fees charged by the Society's various investment managers in each year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

#### **[6] Property and equipment:**

Property and equipment are stated at their original costs at the dates of acquisition, less accumulated depreciation and amortization. The Society capitalizes items of property and equipment that have a cost of \$1,000 or more and useful lives greater than one year, whereas minor costs of repair and maintenance are expensed as incurred. Depreciation of property and equipment is provided using the straight-line method over the estimated useful life of the respective assets, which range from three to eight years, the estimated useful life of the assets. Likewise, leasehold improvements are amortized over the remaining lease term, or the useful lives of the improvements, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and when triggering events indicate that the fair value of long-lived assets may be less than the carrying value, recognizes any impairment in the year of determination. There were no triggering events during 2023 or 2022 requiring management to test for impairment adjustments to property and equipment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

#### **[7] Paycheck Protection Program loan payable:**

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provides businesses, including certain not-for-profit organizations, with funds to pay payroll and qualifying expenditures during the coronavirus ("COVID-19") pandemic. During fiscal year 2021, the Society applied for and received PPP funds.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. The Society has elected to record the PPP funds as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470, *Debt*. During fiscal year 2022, the Society applied for and received full forgiveness of its loan from the bank and the SBA in the amount of \$266,027. Accordingly, this forgiven amount is reflected as a gain on PPP loan forgiveness on the statement of activities for the fiscal year ended March 31, 2022.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. Under the CARES Act, all borrowers are required to maintain their loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

#### **[8] Accrued vacation:**

Accrued vacation is included as a liability in the financial statements and represents the Society's obligation for the potential cost of unused employee vacation time that would be payable in the event that these employees leave the Society. At March 31, 2023 and 2022, the accrued vacation obligation was approximately \$41,000 and \$44,000, respectively, and was reported as part of accounts payable and accrued expenses in the accompanying statements of financial position.

# SOCIETY FOR CORPORATE GOVERNANCE, INC.

## Notes to Financial Statements March 31, 2023 and 2022

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [9] Leases:

The Society determines if an arrangement is a lease at inception. For the Society's operating leases, a right-of-use ("ROU") asset represents the Society's right to use an underlying asset for the lease term and an operating lease liability represents an obligation to make lease payments arising from the lease. The ROU asset and lease liability are recognized at the lease commencement date based on the present value of lease payments over the lease term. Since the Society's lease agreements do not provide an implicit interest rate, the Society uses a risk-free rate based on the information available at the commencement date in determining the present value of the lease payments. Operating lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectations regarding the terms. Variable lease costs, such as operating costs, are expensed as incurred.

#### [10] Net assets:

The net assets of the Society and the changes therein are classified and reported as follows:

##### (i) *Net assets without donor restrictions:*

The Society's net assets without donor restrictions represent those resources for which there are no donor restrictions as to their use and are available for current operations. The board-designated fund, the related resources of which are subject to future uses at the discretion of the Board of Directors (the "Board"), are without donor restrictions.

##### (ii) *Net assets with donor restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor-imposed restrictions, such as specific purpose and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as "net assets released from restrictions." It is the Society's policy to report contribution and grant income subject to donor restrictions, which are received and expended in the same year of donation, as net-assets without donor restrictions. For fiscal years 2023 and 2022, the Society did not have net assets with donor restrictions.

#### [11] Revenue recognition:

##### (i) *Revenue from contracts with customers:*

The Society recognizes revenue when, or as, performance obligations associated with contracts with customers are satisfied. Revenue is measured as the amount of consideration the Society receives in exchange for providing services. The primary sources of revenue from contracts with customers for the Society are membership dues, national conference and seminars, chapter events and programs, and sponsorship and royalty revenue.

##### (a) *Membership dues:*

Membership dues are recorded as revenues when the funds are received in the year to which the membership services are provided, which is on an annual basis commencing on the day in which the contract is signed and must be renewed each year. The performance obligation is satisfied throughout the membership period, and in alignment with the Society's fiscal-year or portion of the fiscal-year upon payment. Members immediately have full access upon payment to a broad array of information, advocacy, and services found nowhere else including publications and events, networking resources and events, and the practical resources pages.

## **SOCIETY FOR CORPORATE GOVERNANCE, INC.**

### **Notes to Financial Statements March 31, 2023 and 2022**

#### **NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **[11] Revenue recognition: (continued)**

###### *(i) Revenue from contracts with customers (continued):*

###### *(a) Membership dues (continued):*

There is no remaining performance obligation required of the Society upon the member period termination date. Dues received in advance of an applicable membership period are reported in the statements of financial position as membership dues paid in advance.

###### *(b) National conferences and seminars, chapter events and programs:*

Fees charged for national conferences and seminars and chapter events and programs sponsored by the Society are recorded as revenues when the funds are received in the applicable period that the conferences, seminars, events, or programs take place. The performance obligation is satisfied after the national conferences and seminars and chapter events and programs take place, and in alignment with the Society's fiscal-year or portion of the fiscal-year upon payment. There is no remaining performance obligation required of the Society upon completion of the national conferences and seminars and chapter events and programs. Payments received in advance of the conference, seminar, event, or program date are reported in the statements of financial position as deferred conference revenue.

###### *(c) Sponsorship and royalty revenue:*

The Society earns sponsorship revenue when the funds are received from sponsorships obtained for its newsletter and events. The performance obligation is satisfied when the newsletter for the events have been circulated, and in alignment with the Society's fiscal-year or portion of the fiscal-year upon payment. There is no remaining performance obligation required of the Society upon circulation of the newsletter. Royalty revenue is generated when funds are received mainly from sales of a joint publication with the American Bar Association. The performance obligation is satisfied when the publication is sold, and in alignment with the Society's fiscal-year or portion of the fiscal-year upon payment. There is no remaining performance obligation required of the Society upon sale of the publication.

##### **[12] Functional allocation of expenses:**

The costs of providing the Society's various programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by functional and natural classification. Accordingly, direct costs have been functionalized within the program and supporting services based on the nature of the expense. Indirect costs have been allocated on the basis of time spent by employees and the nature of the expense. Business development expense pertains to meetings and engagement with other corporate governance constituents for the purposes of advancing the Society's mission and goals and collaborating on substantive matters and educational programs benefiting membership. Membership development activities include soliciting for prospective members and membership dues, membership relations, and similar activities. The Society incurs no significant fund-raising expenses.

##### **[13] Income taxes:**

The Society is subject to the provisions of the FASB ASC Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income-tax obligations. For the Society, these provisions could be applicable to the incurrence of unrelated business income. Because of the Society's general tax-exempt status, management believes ASC Topic 740 has not had, and is not expected to have, a material impact on the Society's financial statements.

## **SOCIETY FOR CORPORATE GOVERNANCE, INC.**

### **Notes to Financial Statements March 31, 2023 and 2022**

#### **NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **[14] Adoption of new accounting principle:**

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases*, to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months on the statements of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Society elected to adopt ASU 2016-02 as of April 1, 2022, on a prospective basis.

The Society has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Society accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether classification of the operating leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

The new lease standard also provides practical expedients for an entity's ongoing accounting. The Society elected the short-term lease recognition exemption, under which the Society will not recognize ROU assets or lease liabilities on new or existing short-term leases. Short-term leases are defined as those with a term of 12 months or less. The Society also elected the practical expedient to not separate lease and non-lease components for certain classes of assets.

As a result of the adoption of the new lease accounting guidance, the Society recognized on April 1, 2022 (a) a lease liability of \$628,519, which represented the present value of the remaining lease payments of \$631,468 discounted using the five-year treasury rate of 2.64%, and (b) a ROU asset of \$558,808. This standard did not have a material impact on the Society's statements of financial position or cash flows from operations and had no impact on the Society's statements of activities and changes in net assets. The most significant impact was the recognition of a ROU asset and lease obligation for an operating lease for fiscal year-end 2023.

##### **[15] Reclassifications:**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

##### **[16] Subsequent events:**

The Society evaluated subsequent events through June 15, 2023, the date on which the financial statements were available to be issued.

#### **NOTE B - RECEIVABLES**

At each fiscal year-end, receivables, which represent sponsorship and other receivables, are due within one year. As of both fiscal year-end 2023 and 2022, based on prior history, management believed that receivables will be fully collectible, therefore was no allowance for doubtful for year-end 2023 and 2022.

# SOCIETY FOR CORPORATE GOVERNANCE, INC.

## Notes to Financial Statements March 31, 2023 and 2022

### NOTE C - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	March 31,	
	2023	2022
	Fair Value	
Certificates of deposit	\$ -	\$ 25,020
Money market funds	501,151	-
Mutual funds-equity securities	230,920	600,762
Corporate bonds	49,086	173,620
U.S. government obligations	1,076,039	1,045,518
Exchange-traded funds	247,873	275,332
	<u>\$ 2,105,069</u>	<u>\$ 2,120,252</u>

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar investments in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where there is little, if any, market activity for the investments, or the investments cannot be independently valued.

The availability of available market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The following table summarizes the fair values of the investments at each fiscal year-end, in accordance with the ASC Topic 820 valuation levels:

	March 31,					
	2023			2022		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Certificates of deposit	\$ -	\$ -	\$ -	\$ -	\$ 25,020	\$ 25,020
Money market funds	501,151	-	501,151	-	-	-
Mutual funds-equity securities	230,920	-	230,920	600,762	-	600,762
Corporate bonds	-	49,086	49,086	-	173,620	173,620
U.S. government obligations	-	1,076,039	1,076,039	-	1,045,518	1,045,518
Exchange-traded funds	247,873	-	247,873	275,332	-	275,332
	<u>\$ 979,944</u>	<u>\$ 1,125,125</u>	<u>\$ 2,105,069</u>	<u>\$ 876,094</u>	<u>\$ 1,244,158</u>	<u>\$ 2,120,252</u>

# **SOCIETY FOR CORPORATE GOVERNANCE, INC.**

## **Notes to Financial Statements March 31, 2023 and 2022**

### **NOTE D - PROPERTY AND EQUIPMENT**

At each fiscal year-end, property and equipment consisted of the following:

	<b>March 31,</b>	
	<b>2023</b>	<b>2022</b>
Furniture and equipment	<b>\$ 176,398</b>	\$ 173,561
Leasehold improvements	<b><u>5,327</u></b>	<u>5,327</u>
	<b><u>181,725</u></b>	<u>178,888</u>
Less: accumulated depreciation	<b><u>(171,382)</u></b>	<u>(150,673)</u>
	<b><u>\$ 10,343</u></b>	<u>\$ 28,215</u>

### **NOTE E - DUES PAID IN ADVANCE AND DEFERRED CONFERENCE REVENUE**

The following table provides information about significant changes in dues paid in advance:

	<b>March 31,</b>	
	<b>2023</b>	<b>2022</b>
Dues paid in advance, beginning of year	<b>\$ 1,076,370</b>	\$ 1,090,210
Revenue recognized that was included in dues paid in advance at the beginning of the year	<b>(1,076,370)</b>	(1,090,210)
Increase in dues paid in advance due to cash received during the period	<b><u>1,258,904</u></b>	<u>1,076,370</u>
Dues paid in advance, end of year	<b><u>\$ 1,258,904</u></b>	<u>\$ 1,076,370</u>

The following table provides information about significant changes in deferred conference revenue:

	<b>March 31,</b>	
	<b>2023</b>	<b>2022</b>
Deferred conference revenue, beginning of year	<b>\$ 272,773</b>	\$ 118,165
Revenue recognized that was included in deferred conference revenue at the beginning of the year	<b>(272,773)</b>	(118,165)
Increase in deferred conference revenue due to cash received during the period	<b><u>207,886</u></b>	<u>272,773</u>
Deferred conference revenue, end of year	<b><u>\$ 207,886</u></b>	<u>\$ 272,773</u>

There were no other significant assets or liabilities at March 31, 2023 or 2022.



# SOCIETY FOR CORPORATE GOVERNANCE, INC.

## Notes to Financial Statements March 31, 2023 and 2022

### NOTE F - EMPLOYEE-BENEFIT PLANS

#### [1] Defined-benefit pension plan:

The Society maintains a defined-benefit pension plan that entitles employees to a retirement benefit payable at normal retirement age, as determined under a defined-benefit formula. As of December 31, 2009, the defined-benefit plan was amended to freeze the accrual of future benefits. The amendment did not reduce employee benefits already accrued through the freeze date, but no future accrual service will be credited and no future changes in compensation will be taken into account in the determination of a participant's accrued benefit. Furthermore, current or future employees may not become active participants of the plan. As a result of the plan freeze, the plan's projected benefit obligation is equal to its accumulated benefit obligation.

The following table sets forth the changes in the plan's benefit obligations and plan assets and the components of the plan amounts recognized in the financial statements:

	March 31,	
	2023	2022
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 2,058,113	\$ 2,054,904
Service cost	4,270	-
Interest cost	63,995	48,864
Actuarial gain	25,322	75,228
Expense charges	(4,270)	-
Benefits paid	<u>(120,883)</u>	<u>(120,883)</u>
Projected benefit obligation at end of year	<u>2,026,547</u>	<u>2,058,113</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	2,001,692	2,060,694
Actual return on plan assets	(102,511)	61,881
Employer contributions	-	-
Benefits paid	<u>(125,153)</u>	<u>(120,883)</u>
Fair value of plan assets at end of year	<u>1,774,028</u>	<u>2,001,692</u>
Funded status at end of year (underfunded) overfunded	<u>\$ (252,519)</u>	<u>\$ (56,421)</u>
Adjustment to net assets, reported in the statements of activities:		
Net gains	<u>\$ 246,344</u>	<u>\$ 158,365</u>
Components of net periodic benefit cost:		
Service cost	\$ 4,270	\$ -
Interest cost	63,995	48,864
Expected return on plan assets	(130,890)	(145,018)
Amortization of net loss	<u>12,379</u>	<u>-</u>
Periodic benefit cost	<u>\$ (50,246)</u>	<u>\$ (96,154)</u>

# SOCIETY FOR CORPORATE GOVERNANCE, INC.

## Notes to Financial Statements March 31, 2023 and 2022

### NOTE F - EMPLOYEE-BENEFIT PLANS (CONTINUED)

#### [1] Defined-benefit pension plan: (CONTINUED)

The plan's assets at each year-end consisted of the following:

	March 31,	
	2023	2022
Cash	\$ 5,000	\$ 79,362
Equity securities	636,614	696,497
Fixed-income securities	<u>1,132,414</u>	<u>1,225,833</u>
	<u>\$ 1,774,028</u>	<u>\$ 2,001,692</u>

The plan trustees' primary investment objective is to optimize the long-term return on the plan's assets at an acceptable level of risk with a low level of expense. During fiscal-year 2023, the plan's assets were fully invested in a mix of debt and equity securities owned and managed by the Mutual of America's General Account investment managers and are considered Level 1 within the fair value hierarchy. The benchmark investment objective is an annual return of 6.75%, the current actuarial preretirement valuation rate needed to meet the long-term pension obligations.

The weighted-average assumptions used are as follows:

	March 31,	
	2023	2022
Discount rate	4.50%	3.20%
Expected long-term return on plan assets	6.75%	7.25%
Rate of compensation increase	0.00%	0.00%

The funding policy is to make the minimum annual contributions required by applicable regulations. Management contributed \$0 for fiscal-year 2023.

Based on expected future service, the benefit distributions expected to be paid in future fiscal-years are:

Year Ending March 31,	Expected Benefit Distributions
2024	\$ 389,000
2025	156,000
2026	283,000
2027	106,000
2028-2023	536,000

## SOCIETY FOR CORPORATE GOVERNANCE, INC.

### Notes to Financial Statements March 31, 2022 and 2021

#### NOTE F - EMPLOYEE-BENEFIT PLANS (CONTINUED)

##### [2] 401(k) savings plan:

The Society also maintains a defined-contribution retirement plan, established under Section 401(k) of the Code for eligible employees. Employees may contribute any whole percentage amount of their gross compensation, subject to the Code's limitations. Total employer contributions for fiscal-years 2023 and 2022 were \$95,012 and \$78,065, respectively. All contributions to the plan are immediately vested.

#### NOTE G - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Society's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of each year-end because of contractual, donor-imposed restrictions or internal designations:

	March 31,	
	2023	2022
Cash and cash equivalents	\$ 1,608,316	\$ 1,478,215
Chapter cash	836,514	823,495
Accounts receivable, net	124,579	39,057
Investments	<u>2,105,069</u>	<u>2,120,252</u>
Total financial assets available within one year	4,674,478	4,461,019
Less: amounts unavailable to management without the Board's approval: Board-designated fund	<u>(1,846,628)</u>	<u>(1,846,628)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,827,850</u>	<u>\$ 2,614,391</u>

##### Liquidity policy:

The Society's liquidity policy is to ensure that the Society operates with an adequate level of institutional liquidity to minimize risk associated with temporary, unforeseen liquidity needs. Liquid funds that are without donor restriction will be used to satisfy the minimum liquidity target. Additionally, the Society has a Board-designated fund without donor restrictions that, although the Society doesn't intend to spend these funds for purposes other than those identified, and approved by the Board, could be used to help manage unanticipated liquidity needs, if needed.

## **SOCIETY FOR CORPORATE GOVERNANCE, INC.**

### **Notes to Financial Statements March 31, 2022 and 2021**

#### **NOTE H - COMMITMENTS AND OTHER UNCERTAINTY**

##### **[1] Leases:**

In April 2018, the Society entered into a lease agreement for office space at 52 Vanderbilt Avenue in New York City expiring in October 2025. The lease requires a base rent of \$155,520, with escalating increases throughout the term of the lease for operating expenses, excluding escalations for real estate taxes. The Society also paid \$51,840 as a security deposit to the landlord.

As of March 31, 2023, the estimated future minimum lease payments under the lease agreement are as follows:

<b>Year Ending March 31,</b>	<b>Amount</b>
2024	<b>\$ 174,884</b>
2025	<b>179,256</b>
2026	<b><u>106,710</u></b>
	<b>460,850</b>
Less: amount representing interest	<b><u>(1,533)</u></b>
Amount reported on statement of financial position	<b><u>\$ 459,317</u></b>

The table below presents additional information related to the Society's lease for the year ended March 31, 2023:

##### **Weighted average remaining lease term:**

Operating lease	<b>30 months</b>
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##### **Weighted average discount rate:**

Operating lease	<b>2.64%</b>
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##### **[2] Employment agreement:**

In November 2022, the Society entered into an "at-will" employment agreement with its new President and Chief Executive that was effective January 1, 2023. The Society's employment with its former President and Chief Executive ended in April 2023.

##### **[3] Other contracts:**

In the normal course of its business, the Society enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

## **SOCIETY FOR CORPORATE GOVERNANCE, INC.**

### **Notes to Financial Statements March 31, 2022 and 2021**

#### **NOTE H - COMMITMENTS AND OTHER UNCERTAINTY (CONTINUED)**

##### **[4] Other uncertainty:**

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of the Society will depend on the continued future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of COVID-19 on overall demand for the Society's program services, all of which are highly uncertain and cannot be predicted. If demand for the Society's services are impacted for an extended period, results of operations may be materially adversely affected.

#### **NOTE I - CREDIT RISK**

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash and cash-equivalents deposited in financial institutions in amounts which, from time to time, may exceed federal insurance limits. However, based on the current Federal Deposit Insurance Coverage, management believes that the Society does not face a significant risk of loss on these accounts that might result from failures of these financial institutions.