

Saltmarsh

Saltmarsh, Cleaveland & Gund

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**SOCIETY OF ENVIRONMENTAL TOXICOLOGY
AND CHEMISTRY, INC.**

WASHINGTON, D.C.

FINANCIAL STATEMENTS

DECEMBER 31, 2023

**SOCIETY OF ENVIRONMENTAL TOXICOLOGY
AND CHEMISTRY, INC.**

WASHINGTON, D.C.

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the SETAC World Council
Society of Environmental Toxicology and Chemistry, Inc.
Washington, D.C.

Opinion

We have audited the accompanying financial statements of the Society of Environmental Toxicology and Chemistry, Inc. ("SETAC") (a nonprofit organization) which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, 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 SETAC as of December 31, 2023, and the changes 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 SETAC 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 SETAC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the SETAC World Council
Society of Environmental Toxicology and Chemistry, Inc.

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 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 SETAC'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 SETAC'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.



Pensacola, Florida
June 5, 2024

**SOCIETY OF ENVIRONMENTAL TOXICOLOGY
AND CHEMISTRY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023**

ASSETS

Current Assets:

Cash and cash equivalents	\$	333,329
Investments		256,567
Accounts receivable		133,202
Receivable from related party, net		8,092
Prepaid expenses, current		56,060
Total current assets		787,250

Other Assets:

Prepaid expenses, noncurrent		87,558
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Total Assets	\$	874,808
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	9,912
Payables to related parties, net		25,996
Deferred revenue		24,500
Total liabilities		60,408

Net Assets:

Without donor restrictions -		
Designated		125,000
Undesignated		689,400
Total net assets		814,400

Total Liabilities and Net Assets	\$	874,808
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The accompanying notes are an integral
part of these financial statements.

**SOCIETY OF ENVIRONMENTAL TOXICOLOGY
AND CHEMISTRY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Change in Net Assets Without Donor Restrictions:

Operating Activities:

Publishing revenue	\$ 669,233
Member dues	875,355
General contributions	110,000
Other revenue	14,337
Total operating revenue and support without donor restrictions	<u>1,668,925</u>

Expenses:

Program services -	
Development	340,915
Member programs	71,186
Journals publishing	464,932
Workshops	27,996
Meetings	42,970
Geographic unit affairs	161,118
Total program expenses	<u>1,109,117</u>
Supporting services -	
General and administrative	489,455
Total expenses	<u>1,598,572</u>

Change in net assets from operating activities	70,353
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Nonoperating Activities:

Investment return, including gains and losses, net of fees	<u>22,733</u>
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Change in Net Assets	93,086
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Net Assets, Beginning of Year	<u>721,314</u>
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Net Assets, End of Year	<u><u>\$ 814,400</u></u>
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The accompanying notes are an integral
part of these financial statements.

**SOCIETY OF ENVIRONMENTAL TOXICOLOGY
AND CHEMISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023**

	Program							General and Administrative	Total
	Development	Member Programs	Journals Publishing	Workshops	Meetings	Geographic Unit Affairs	Total Program		
Personnel	\$ 268,094	\$ 57,456	\$ 384,967	\$ 20,316	\$ 41,470	\$ -	\$ 772,303	\$ 256,210	\$ 1,028,513
Grant expenses	1,000	7,270	1,000	-	-	156,000	165,270	-	165,270
Professional fees	24,500	-	73,598	-	-	-	98,098	45,013	143,111
Information technology	35,521	6,000	171	-	1,500	-	43,192	170,123	213,315
Supplies	-	460	-	-	-	-	460	-	460
Travel and accommodation	11,800	-	4,672	7,680	-	5,024	29,176	8,348	37,524
Insurance	-	-	-	-	-	-	-	6,313	6,313
Office expenses	-	-	524	-	-	94	618	3,448	4,066
Total	<u>\$ 340,915</u>	<u>\$ 71,186</u>	<u>\$ 464,932</u>	<u>\$ 27,996</u>	<u>\$ 42,970</u>	<u>\$ 161,118</u>	<u>\$ 1,109,117</u>	<u>\$ 489,455</u>	<u>\$ 1,598,572</u>

The accompanying notes are an integral
part of these financial statements.

**SOCIETY OF ENVIRONMENTAL TOXICOLOGY
AND CHEMISTRY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

Cash Flows From Operating Activities:

Change in net assets	\$ 93,086
Adjustments to reconcile change in net assets to net cash used in operating activities -	
Realized loss on investments	19,828
Unrealized gain on investments	(28,233)
Changes in operating assets and liabilities -	
Accounts receivable	101,055
Receivable from related party	13,508
Prepaid expenses	(143,618)
Accounts payable	(56,008)
Payables to related parties	(315,917)
Deferred revenue	(39,021)
Net cash used in operating activities	<u>(355,320)</u>

Cash Flows From Investing Activities:

Purchase of investments	(199,733)
Proceeds from sale of investments	425,662
Net cash provided by investing activities	<u>225,929</u>

Net Decrease in Cash and Cash Equivalents (129,391)

Cash and Cash Equivalents, Beginning of Year 462,720

Cash and Cash Equivalents, End of Year \$ 333,329

The accompanying notes are an integral
part of these financial statements.

**SOCIETY OF ENVIRONMENTAL TOXICOLOGY
AND CHEMISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Society of Environmental Toxicology and Chemistry, Inc. (“SETAC”) was incorporated under the laws of the District of Columbia in 1979. The purpose of SETAC is to promote research, education, training and development in the areas of environmental toxicology and chemistry, and to promote the collective application of these sciences to risk assessment and related activities. This purpose is accomplished through conferences, workshops and publications provided to disseminate information to the public.

Basis of Presentation:

The financial statements, which are presented on the accrual basis of accounting, present net assets and revenues, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations where the principal amount is nonexpendable and/or where the stipulations will be met by actions of SETAC and/or the passage of time. SETAC had no net assets with donor restrictions at December 31, 2023.

Net assets without donor restrictions - Net assets subject to no donor-imposed stipulations, or the donor-imposed restrictions have expired. Net assets without donor restrictions may be designated for specific purposes by the action of the World Council Board.

Revenue Recognition:

Revenues from membership dues and publication income are recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. SETAC’s performance obligations related to publication income are satisfied over the subscription year, published month or shipment to customer, as applicable. Performance obligations related to membership dues are satisfied over time on a pro-rata basis as the membership term services are provided to members.

Membership Dues:

Dues for SETAC North America and SETAC Latin America, organizations established for the same purposes as SETAC as geographic units, are billed to members annually and recognized as revenue ratably over the membership term. Dues for SETAC Europe, SETAC Asia-Pacific and SETAC Africa, organizations established for the same purposes as SETAC as geographic units, are recorded at a flat monthly rate which is calculated at the first of every year based on the previous year’s total membership dues collected by the specific geographic unit. Dues which are not yet earned are presented as deferred revenue in the accompanying Statement of Financial Position.

**SOCIETY OF ENVIRONMENTAL TOXICOLOGY
AND CHEMISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued):

Publication Income:

SETAC publishes two journals, one monthly and one bi-monthly, which are available to all members online. Members may choose to receive a printed copy of the journals by paying the off-printing cost and associated postage that is in addition to their annual dues. Coincident to journal publishing revenue, revenue is also derived from reprints (paid by authors or their organization), and individual article copy charges and permissions to reprint materials from the journal. Income related to publishing is recorded in the month the related journal is published. Subscription income is recognized as revenue ratably over the subscription year, which is January 1 through December 31. Subscriptions received that are unearned are recorded as deferred revenue in the accompanying Statement of Financial Position.

In addition, SETAC derives revenue from direct sale of books published under the name of SETAC Press. That revenue is recognized upon shipment to customers.

Measure of Operations:

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to SETAC's ongoing activities. Non-operating activities are limited to return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenue and Support with Donor Restrictions and Without Donor Restrictions:

SETAC receives support from governmental and non-governmental agencies, individuals, and corporations to help defray the costs of its various programs. Contributions received are recorded as support with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support with donor restrictions is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other support with donor restrictions is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restrictions are accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

**SOCIETY OF ENVIRONMENTAL TOXICOLOGY
AND CHEMISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents:

SETAC considers all highly liquid investment instruments with original maturities of three months or less to be cash equivalents.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for credit losses, when necessary, represents management's estimate of the amounts expected to be uncollectible which is based upon a review of outstanding receivables, historical collection information, existing economic conditions, and reasonable and supportable forecasts. Receivables are written off after all collection efforts are exhausted. Management has determined no allowance for credit losses is necessary at December 31, 2023.

Equipment:

Equipment acquisitions are stated at cost, and contributed equipment is stated at their estimated values at the date of receipt. SETAC's capitalization policy requires applicable costs be recorded as equipment when amounts equal or exceed \$3,000. Depreciation is recognized on a straight-line basis over the estimated useful lives of individual assets ranging from 3 to 5 years.

Expense Allocation:

Expenses which are directly related to the various programs or supporting services are charged against the related program or service. General and administrative expenses include those expenses that are not directly identifiable.

**SOCIETY OF ENVIRONMENTAL TOXICOLOGY
AND CHEMISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalized Internal-Use Software Costs:

SETAC capitalizes the implementation cost of internal-use software that has a useful life in excess of one year in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 350-40, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. These costs consist of payments made to third parties in relation to a cloud computing arrangement (“CCA”) service contract for membership management software. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. Capitalized internal-use software costs are included in prepaid expenses in the accompanying Statement of Financial Position. Expenses related to capitalized implementation costs are included with other fees associated with the CCA as information technology expense in the Statement of Functional Expenses.

Income Taxes:

SETAC is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. No provision for income taxes has been provided in the accompanying financial statements. SETAC is required to file an annual information report with Internal Revenue Service on Form 990.

Recent Accounting Pronouncements:

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASC 326”). ASC 326 requires the measurement of all expected credit losses for financial assets held at the reporting date to be based on historical experience, current conditions, and reasonable and supportable forecasts. This current expected credit loss (“CECL”) model replaces the existing incurred loss model and is applicable to the measurement of credit losses on SETAC’s accounts receivable. Subsequent to the issuance of this update, the FASB issued several ASUs that clarified the guidance. ASC 326 is effective for fiscal years beginning after December 15, 2022. SETAC adopted the standard on January 1, 2023, and it did not have a material impact on the financial statements.

Subsequent Events:

Management has evaluated subsequent events through June 5, 2024, which is the date the financial statements were available to be issued.

**SOCIETY OF ENVIRONMENTAL TOXICOLOGY
AND CHEMISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 - INVESTMENTS

Investments at December 31, 2023 consist of the following:

	Fair Value	Amortized Cost	Unrealized Gain (Loss)
Equity mutual funds	\$ 57,361	\$ 52,827	\$ 4,534
Fixed income mutual funds	177,030	184,699	(7,669)
Exchange traded funds	22,176	20,826	1,350
Total	<u>\$ 256,567</u>	<u>\$ 258,352</u>	<u>\$ (1,785)</u>

Investment return for the year ended December 31, 2023 is summarized as follows:

Dividends and interest	\$ 18,908
Realized loss on investments	(19,828)
Unrealized gain on investments	28,233
Investment fees	<u>(4,580)</u>
Net gain on investments	<u>\$ 22,733</u>

NOTE 3 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The guidance establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs may be used to measure fair value:

**SOCIETY OF ENVIRONMENTAL TOXICOLOGY
AND CHEMISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following table presents the assets carried at fair value as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 57,361	\$ -	\$ -	\$ 57,361
Fixed income mutual funds	177,030	-	-	177,030
Exchange traded funds	<u>22,176</u>	<u>-</u>	<u>-</u>	<u>22,176</u>
Total	<u>\$ 256,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,567</u>

The following methods and assumptions were used for the assets measured at fair value:

Equity and fixed income mutual funds and exchange traded funds - Assets are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although SETAC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**SOCIETY OF ENVIRONMENTAL TOXICOLOGY
AND CHEMISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 - EQUIPMENT

Equipment at December 31, 2023 consists of the following:

Software	\$ 4,800
Less accumulated depreciation	<u>4,800</u>
 Total equipment, net	 <u><u>\$ -</u></u>

NOTE 5 - RELATED PARTY TRANSACTIONS

SETAC North America, an organization established for the same purposes as SETAC as a geographic unit, provides various services, including all payroll and related benefit responsibilities, to SETAC. During the year ended December 31, 2023, SETAC reimbursed SETAC North America for payroll and related benefits totaling \$789,875, which is included in personnel expenses in the Statement of Functional Expenses. During the year ended December 31, 2023, SETAC made a contribution of \$67,000 to SETAC North America. This amount is reflected as a grant to geographic units in the Statement of Functional Expenses. At December 31, 2023, SETAC had a net receivable of \$8,092 from SETAC North America, which is included in net receivables from related parties in the Statement of Financial Position.

SETAC also provides and receives various services as well as cosponsors various activities with other organizations established for the same purposes as geographic units (“Geographic Units”): SETAC Latin America, SETAC Europe, SETAC Asia Pacific, and SETAC Africa. At December 31, 2023, SETAC had net payables of \$22,035 and \$3,961 to SETAC Europe and SETAC Asia Pacific, respectively. These amounts are included in net payable from related parties in the Statement of Financial Position. During the year ended December 31, 2023, SETAC made contributions of \$79,000 to SETAC Europe and of \$5,000 each to SETAC Latin America and SETAC Africa. These amounts are reflected as grants to geographic units in the Statement of Functional Expenses.

**SOCIETY OF ENVIRONMENTAL TOXICOLOGY
AND CHEMISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 - LIQUIDITY

SETAC's financial assets available within one year of the Statement of Financial Position date for general expenditure are as follows:

Cash and cash equivalents	\$ 333,329
Investments available for current use	256,567
Accounts receivable	133,202
Receivable from related party, net	<u>8,092</u>
	<u>\$ 731,190</u>

As part of SETAC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk – Uninsured Cash Balances:

SETAC's balances held at financial institutions are insured by Federal Deposit Insurance Corporation ("FDIC") and the Financial Services Guarantee Fund of Belgium ("FSGF") up to certain limits. At December 31, 2023, SETAC exceeded insured limits at financial institutions by approximately \$18,000, which is the amount of SETAC's exposure to credit loss. SETAC has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk.

Depository Risk:

The Securities Investor Protection Corporation ("SIPC") protects SETAC's investments up to \$500,000. SIPC coverage only protects SETAC against broker error or fraud, not a loss of the underlying investment.