Audited Financial Statements

THE BIOPHYSICAL SOCIETY

June 30, 2009

The Biophysical Society

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Independent Auditor's Report

To the Board of Directors
The Biophysical Society

We have audited the accompanying statement of financial position of the Biophysical Society (the Society) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Society's 2008 financial statements and, in our report dated September 17, 2008; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Biophysical Society as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Tate & Tryon

Washington, DC
September 25, 2009

The Biophysical Society

Statements of Financial Position

June 30,	2009	2008
Assets		
Cash and cash equivalents - Note B	**$ 2,631,606**	$ 2,345,105
Accounts receivable, net of allowance	**82,951**	158,031
Prepaid expenses	**96,226**	99,214
Investments - Note C & D	**4,077,853**	4,276,473
Property and equipment - Note E	**41,398**	65,031
Total assets	**$ 6,930,034**	$ 6,943,854
Liabilities and Net Assets		
Liabilities		
Accounts payable	**$ 85,762**	$ 183,443
Accrued annual leave	**145,038**	114,553
Deferred subscription revenue	**345,638**	685,138
Deferred dues revenue	**403,043**	357,942
Deferred publication revenue - Note F	**450,000**	500,000
Deferred exhibition revenue	**58,565**	121,150
Total liabilities	**1,488,046**	1,962,226
Net assets		
Unrestricted		
Board designated - annual meeting	**15,765**	15,765
Board designated - reserve for future activities	**5,278,443**	4,819,441
Total unrestricted net assets	**5,294,208**	4,835,206
Temporarily restricted - Note H	**147,780**	146,422
Total net assets	**5,441,988**	4,981,628
Commitments and contingencies - Note I	**-**	-
Total liabilities and net assets	**$ 6,930,034**	$ 6,943,854

The Biophysical Society

Statements of Activities

Year ended June 30,	Unrestricted	Temporarily Restricted	Total 2009	Total 2008
Revenue				
Program services				
Biophysical Journal	$ 2,073,301	$ -	**$ 2,073,301**	$ 2,393,275
Annual meeting	1,631,964	-	**1,631,964**	1,670,304
Public affairs	97,261	6,449	**103,710**	120,920
Total program services	3,802,526	6,449	**3,808,975**	4,184,499
Supporting services				
Membership dues	743,762	-	**743,762**	676,327
Other membership revenue	320,072	65,266	**385,338**	244,731
Interest and dividends	206,667	-	**206,667**	229,930
Total supporting services	1,270,501	65,266	**1,335,767**	1,150,988
Net assets released from restriction	70,357	(70,357)	**-**	-
Total revenue	5,143,384	1,358	**5,144,742**	5,335,487
Expenses				
Program services				
Biophysical Journal	1,269,465	-	**1,269,465**	1,974,776
Annual meeting	1,311,882	-	**1,311,882**	1,193,425
Public affairs	124,692	-	**124,692**	204,423
Total program services	2,706,039	-	**2,706,039**	3,372,624
Supporting services				
Membership services	1,525,765	-	**1,525,765**	1,400,431
Total expenses	4,231,804	-	**4,231,804**	4,773,055
Change in net assets - operations	911,580	1,358	**912,938**	562,432
Bad debt expense	(21,871)	-	**(21,871)**	(22,471)
Net loss on investments	(430,707)	-	**(430,707)**	(299,635)
Change in net assets	459,002	1,358	**460,360**	240,326
Net assets, beginning of year	4,835,206	146,422	**4,981,628**	4,741,302
Net assets, end of year	$ 5,294,208	$ 147,780	**$ 5,441,988**	$ 4,981,628

See notes to the financial statements
Certain 2008 amounts have been reclassified for comparative purposes.

The Biophysical Society

Statements of Cash Flows

Year ended June 30,	2009	2008
Cash flows from operating activities		
Change in net assets	**$ 460,360**	$ 240,326
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**26,091**	30,001
Net loss on investments	**430,707**	299,635
Changes in assets and liabilities:		
Accounts receivable	**75,080**	(5,022)
Prepaid expenses	**2,988**	6,373
Accounts payable	**(97,681)**	40,990
Accrued annual leave	**30,485**	16,400
Deferred subscription revenue	**(339,500)**	127
Deferred dues revenue	**45,101**	23,509
Deferred signing bonus	**(50,000)**	500,000
Deferred exhibition revenue	**(62,585)**	121,150
Total adjustments	**60,686**	1,033,163
Net cash provided by operating activities	**521,046**	1,273,489
Cash flows from investing activities		
Purchases of investments, net	**(232,087)**	(613,784)
Purchases of property and equipment	**(2,458)**	(10,312)
Net cash used in investing activities	**(234,545)**	(624,096)
Net increase in cash and cash equivalents	**286,501**	649,393
Cash and cash equivalents, beginning of year	**2,345,105**	1,695,712
Cash and cash equivalents, end of year	**$ 2,631,606**	$ 2,345,105

See notes to the financial statements
Certain 2008 amounts have been reclassified for comparative purposes.

A. Organization and Summary of Significant Accounting Policies

Organization: The Biophysical Society (the Society) was incorporated in the State of Ohio in 1958. Its mission is to encourage the development and dissemination of knowledge in Biophysics.

Income tax status: The Society is exempt from income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation by the Internal Revenue Service.

The Financial Accounting Standards Board Staff Position FIN 48-3 (FSP FIN 48-3), *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Entities,* grants nonpublic organizations the option to defer the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes* until the year ended December 31, 2009. As permitted by FSP FIN 48-3, the Society has elected to delay the implementation of FIN 48 until the year ended June 30, 2010.

Basis of accounting: The Society prepares its financial statements on the accrual basis of accounting. Revenue is recognized when earned and expense when the obligation is incurred.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents: For financial statement purposes, the Society considers its demand deposits in banks and the balance in its Smith Barney and Mercantile Safe Deposit & Trust Company "Operating Accounts" to be cash equivalents.

Accounts receivable: Accounts receivable consists primarily of amounts owed from customers as a result of the sale of publications and advertising. The Society's management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer, the Society's relationship with the customer, and the age of the receivable balance. As a result of these reviews, customer balances deemed to be uncollectible are charged to the allowance for doubtful accounts. Accounts receivable are presented net of an allowance for doubtful accounts of $47,372 at June 30, 2009 and 2008.

Property and equipment: Property and equipment is stated at cost and is depreciated using the straight-line method over five to seven years. The Society generally capitalizes all acquisitions greater than $1,000.

Restricted and unrestricted revenue: Contributions are recorded as unrestricted or temporarily restricted support depending upon the existence and/or nature of any donor imposed restrictions. When a restriction expires (that is, when a stipulated purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Allocation of expenses: The costs of the Society's various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

A. Organization and Summary of Significant Accounting Policies - Continued

Net assets: Unrestricted net assets consist of the following:

Undesignated: An unrestricted fund that accounts for the general operations of the Society.

Board designated: Unrestricted, designated funds that provide for the annual meeting, Biophysical Journal, and the long-term stability and development of the Society's programs.

Subsequent events: Subsequent events have been evaluated through September 25, 2009.

B. Concentrations and Credit Risk

Credit risk: The Society maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portion of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Society.

Market value risk: The Society also invests funds in a professionally managed portfolio. Such investments are exposed to market and credit risks. Given the current turmoil in world financial markets, the Society's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

C. Investments

The Society's investments are recorded at fair value and consisted of the following as of June 30,

	2009		2008	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Money market funds	**$ 98,240**	$ 98,240	**$ 137,056**	$ 137,056
U.S. Treasury & Agency securities	**1,491,685**	1,468,274	**1,343,932**	1,310,846
Corporate bonds	**1,158,597**	1,140,929	**1,001,297**	1,027,190
International bonds	**69,882**	68,198	**89,349**	89,929
Marketable equity securities	**1,259,449**	1,376,951	**1,704,839**	1,734,794
	$ 4,077,853	$ 4,152,592	**$ 4,276,473**	$ 4,299,815

For the years ended June 30, 2009 and 2008 the Society incurred investment fees of $35,577 and $29,832, respectively.

D. FAIR VALUE MEASUREMENTS

The Society has implemented Statement of Financial Accounting Standards No. 157 (FAS 157), *Fair Value Measurements*. FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FAS 157 uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than level 1 that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk such as bid/ask spreads and liquidity discounts.

The following is a summary of input levels used to determine fair value, measured on a recurring basis, of the following assets at June 30, 2009:

	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Money market funds	$ 98,240	$ 98,240	$ -	$ -
U.S. Treasury & Agency securities	1,491,685		1,491,685	
Corporate bonds	1,158,597		1,158,597	
International bonds	69,882		69,882	
Marketable equity securities	1,259,449	1,259,449		
Total investments	**$ 4,077,853**	$ 1,357,689	$ 2,720,164	$ -

E. Property and Equipment

Property and equipment consisted of the following as of June 30,

	2009	2008
Furniture and fixtures	**$ 60,965**	$ 60,965
Office equipment	**25,780**	25,780
Computer equipment	**194,531**	192,073
	281,276	278,818
Less accumulated depreciation	**(239,878)**	(213,787)
	$ 41,398	$ 65,031

F. Deferred Publication Revenue

The Society has contracted with an outside publishing company, whereby the publishing company will assume all responsibilities for the publication, promotion, and distribution of the Biophysical Journal. The term of the agreement is from January 1, 2009 through December 31, 2013. As part of the agreement, the publisher paid the Society a $500,000 “signing bonus” during the year ended June 30, 2008. The signing bonus is earned by the Society ratably over the term of the agreement.

G. Retirement Plan

The Society has a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees upon their completion of minimum requirements as to age and length of service. Retirement expense for the years ended June 30, 2009 and 2008 was $72,119 and $60,519, respectively.

H. TEMPORARILY RESTRICTED FUNDS

Temporarily restricted net assets are available for the following purposes at June 30,

	2009	2008
Membrane subgroup	**$ 36,590**	$ 33,902
Structure & assembly subgroup	**24,251**	25,331
Motility subgroup	**16,150**	15,582
Molecular subgroup	**19,047**	18,650
Bioenergetics subgroup	**9,597**	8,439
Biological fluorescence subgroup	**11,236**	8,876
Exocytosis & endocytosis subgroup	**3,144**	1,203
Permeation & Transport	**4,041**	4,352
Intrinsically Disordered Proteins	**2,671**	4,533
Total Subgroups	**126,727**	120,868
Young Investigators Award	**15,110**	17,912
Emily Gray Award	**3,859**	4,074
Burroughs Welcome	**2,084**	2,084
IUPAB Travel	**-**	1,484
	$ 147,780	$ 146,422

I. COMMITMENTS

In the ordinary course of business, the Society has entered into various operating contracts with vendors for goods and services. The Society's management actively reviews all such contracts and believes that the Society's exposure to significant future liabilities from such contracts is remote.

Operating Leases: As of January 1, 2005, the Society entered into a non-cancelable office lease ending on December 31, 2010. Total office rental expense for the years ended June 30, 2009 and 2008 amounted to $113,042 and $108,866, respectively. Minimum payment under the lease for the year ended June 30, 2010 is $57,036.

In addition, the Society has entered into an employment agreement (the Agreement) with its Executive Officer. The agreement is scheduled to terminate on June 30, 2011, but may be ended sooner under certain circumstances.