Financial Statements

THE BIOPHYSICAL SOCIETY

June 30, 2012

The Biophysical Society

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TATE & TRYON

A Professional Corporation

Certified Public Accountants and Consultants

2021 L Street, NW

Suite 400

Washington, DC

20036

Telephone

202/293-2200

Facsimile

202/293-2208

www.tatetryon.com

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, 2012, 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 2011 financial statements and, in our report dated October 5, 2011 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, 2012, 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
October 1, 2012

The Biophysical Society

Statements of Financial Position

June 30,	2012	2011
Assets		
Cash and cash equivalents - Note B	**$ 2,582,178**	$ 2,808,405
Accounts receivable, net of allowance	**140,447**	12,850
Prepaid expenses	**110,896**	179,476
Investments - Note C	**8,166,146**	7,048,874
Property and equipment - Note D	**34,118**	43,289
Total assets	**$ 11,033,785**	$ 10,092,894
Liabilities and Net Assets		
Liabilities		
Accounts payable	**$ 173,975**	$ 120,026
Accrued annual leave	**236,904**	178,589
Deferred subscription revenue	**102,875**	103,082
Deferred dues revenue	**412,284**	412,250
Deferred publication revenue - Note E	**150,000**	250,000
Deferred exhibition revenue	**237,202**	199,375
Deferred meeting revenue	**10,105**	69,053
Deferred rent - Note H	**58,513**	60,490
Total liabilities	**1,381,858**	1,392,865
Net assets		
Unrestricted		
Board designated - annual meeting	**15,765**	15,765
Board designated - reserve for future activities	**9,407,949**	8,468,471
Total unrestricted net assets	**9,423,714**	8,484,236
Temporarily restricted - Note G	**228,213**	215,793
Total net assets	**9,651,927**	8,700,029
Total liabilities and net assets	**$ 11,033,785**	$ 10,092,894

See notes to the financial statements.

The Biophysical Society

Statements of Activities
Year ended June 30, 2012
With comparative totals for the year ended June 30, 2011

	2012			
	Unrestricted	Temporarily Restricted	Total 2012	Total 2011
Revenue				
Program services				
Annual meeting	$ 1,813,075	$ -	**$ 1,813,075**	$ 1,785,700
Biophysical Journal	1,211,020	-	**1,211,020**	1,212,665
Public affairs	116,630	3,803	**120,433**	116,907
Total program services	3,140,725	3,803	**3,144,528**	3,115,272
Supporting services				
Membership dues	826,923	-	**826,923**	828,029
Other membership revenue	460,884	117,510	**578,394**	589,258
Interest and dividends	210,568	-	**210,568**	217,708
Total supporting services	1,498,375	117,510	**1,615,885**	1,634,995
Net assets released from restriction	108,893	(108,893)	**-**	-
Total revenue	4,747,993	12,420	**4,760,413**	4,750,267
Expenses				
Program services				
Annual meeting	1,318,606	-	**1,318,606**	1,176,587
Biophysical Journal	293,525	-	**293,525**	244,822
Public affairs	164,991	-	**164,991**	160,877
Total program services	1,777,122	-	**1,777,122**	1,582,286
Supporting services				
Membership services	2,125,365	-	**2,125,365**	1,961,214
Total expenses	3,902,487	-	**3,902,487**	3,543,500
Change in net assets - operations	845,506	12,420	**857,926**	1,206,767
Net gain on investments	93,972	-	**93,972**	690,901
Change in net assets	939,478	12,420	**951,898**	1,897,668
Net assets, beginning of year	8,484,236	215,793	**8,700,029**	6,802,361
Net assets, end of year	$ 9,423,714	$ 228,213	**$ 9,651,927**	$ 8,700,029

Certain 2011 amounts have been reclassified for comparative purposes.
See notes to the financial statements.

The Biophysical Society

Statements of Cash Flows

Year ended June 30,	2012	2011
Cash flows from operating activities		
Change in net assets	**$ 951,898**	$ 1,897,668
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**13,920**	16,652
Net gain on investments	**(93,972)**	(690,901)
Changes in assets and liabilities:		
Accounts receivable	**(127,597)**	170,829
Prepaid expenses	**68,580**	(102,130)
Accounts payable	**53,949**	25,452
Accrued annual leave	**58,315**	22,272
Deferred subscription revenue	**(207)**	(230,882)
Deferred dues revenue	**34**	(9,004)
Deferred publication revenue	**(100,000)**	(100,000)
Deferred exhibition revenue	**37,827**	146,885
Deferred meeting revenue	**(58,948)**	69,053
Deferred rent	**(1,977)**	41,146
Total adjustments	**(150,076)**	(640,628)
Net cash provided by operating activities	**801,822**	1,257,040
Cash flows from investing activities		
Purchases of investments, net	**(1,023,300)**	(1,041,744)
Purchases of property and equipment	**(4,749)**	(17,825)
Net cash used in investing activities	**(1,028,049)**	(1,059,569)
Net increase (decrease) in cash and cash equivalents	**(226,227)**	197,471
Cash and cash equivalents, beginning of year	**2,808,405**	2,610,934
Cash and cash equivalents, end of year	**$ 2,582,178**	$ 2,808,405

See notes to the financial statements.

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 Society believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain tax positions that are material to the financial statements.

The Society's federal and state income tax returns are generally subject to examination by the taxing authorities for three years after they were filed.

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.

Comparative totals: The financial statements and footnote disclosures for the fiscal year ended June 30, 2011 are presented only to provide a basis for comparison with fiscal year 2011. The 2011 fiscal year financial statements and footnote disclosures are not intended to present all information necessary for the fair presentation in accordance with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year June 30, 2011, from which the summarized information was derived.

Cash and cash equivalents: For financial statement purposes, the Society considers its demand deposits in banks and the balance in its Morgan Stanley Smith Barney "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. The Society determined that no allowance for doubtful accounts was necessary as of June 30, 2012 and 2011.

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.

A. Organization and Summary of Significant Accounting Policies - Continued

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.

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 October 1, 2012 which is the date the financial statements were available to be issued.

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 these accounts is backed solely by the assets of the underlying institution. Therefore, 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 and 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,

	2012		2011	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Money market funds	**$ 230,999**	$ 230,999	**$ 1,056,859**	$1,056,859
U.S. Government, Agency, & Municipal securities	**1,936,656**	1,859,761	**1,000,700**	978,262
Corporate bonds	**1,696,293**	1,612,334	**1,226,934**	1,208,842
International bonds	**-**	-	**24,058**	23,125
Marketable equity securities	**4,302,198**	3,982,997	**3,729,988**	3,398,145
Exchange Traded Funds	**-**	-	**10,335**	9,248
	$ 8,166,146	$7,686,091	**$ 7,048,874**	$6,674,481

C. INVESTMENTS - CONTINUED

For the years ended June 30, 2012 and 2011 the Society incurred investment fees of $67,561 and $61,514, respectively.

In accordance with generally accepted accounting principles, the Society uses the following prioritized input levels to measure fair value of financial instruments. The input levels used for valuing financial instruments 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:

2012	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments, at fair value				
Money market funds	$ 230,999	$ 230,999	$ -	$ -
U.S. Government, Agency, and Municipal securities	1,936,656		1,936,656	
Corporate bonds	1,696,293		1,696,293	
Marketable equity securities	4,302,198	4,302,198		
Total investments	**$ 8,166,146**	$ 4,533,197	$ 3,632,949	$ -

2011	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments, at fair value				
Money market funds	$ 1,056,859	$ 1,056,859	$ -	$ -
U.S. Government, Agency, and Municipal securities	1,000,700		1,000,700	
Corporate bonds	1,226,934		1,226,934	
International bonds	24,058		24,058	
Marketable equity securities	3,729,988	3,729,988		
Exchange traded funds	10,335	10,335		
Total investments	**$ 7,048,874**	$ 4,797,182	$ 2,251,692	$ -

Investments classified in Level 2 are valued by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. Management believes the estimated fair value to be a reasonable approximation of the exit price for these investments.

D. Property and Equipment

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

	2012	2011
Furniture and fixtures	**$ 59,842**	$ 59,842
Office equipment	**14,749**	14,749
Computer equipment	**155,285**	150,536
	229,876	225,127
Less accumulated depreciation	**(195,758)**	(181,838)
	$ 34,118	$ 43,289

E. 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.

F. 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, 2012 and 2011 was $104,010 and $78,618, respectively.

G. Temporarily Restricted Funds

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

	2012	2011
Membrane subgroup	$ 45,033	$ 45,874
Structure & assembly subgroup	29,824	28,970
Molecular subgroup	19,218	21,118
Motility subgroup	15,493	14,909
Exocytosis & endocytosis subgroup	15,025	10,558
Biological fluorescence subgroup	12,218	12,100
Intrinsically Disordered Proteins subgroup	11,430	9,310
Nanoscale biophysics subgroup	11,320	915
Bioenergetics subgroup	7,958	9,667
Permeation & Transport subgroup	5,420	5,317
Biopolymers in vivo subgroup	3,544	748
Total Subgroups	176,483	159,486
Dayhoff Award	30,816	35,000
Young Investigators Award	15,110	15,110
Emily Gray Award	3,720	4,113
Burroughs Welcome	2,084	2,084
	$ 228,213	$ 215,793

H. 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: Commencing on May 1, 2010, the Society entered into a seven year non-cancelable office lease for new office space in Bethesda, Maryland. The lease provides for an abatement of the first six months' rent expense. In addition, the lease contains escalation clauses for increases in operating expenses and real estate taxes. The Society is recognizing the fixed component of the lease expense on a straight-line basis over the lease term. As such, a deferred rent liability of $58,513 and $60,490 is accrued at June 30, 2012 and 2011, respectively. Total office rental expense for the years ended June 30, 2012 and 2011 amounted to $122,131 and $120,009, respectively.

H. COMMITMENTS - CONTINUED

Total anticipated future fixed minimum lease payments under the above lease are as follows:

Year Ending June 30,	Office Lease
2013	$ 121,277
2014	124,602
2015	128,047
2016	131,577
2017	112,148
	$ 617,651

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, 2014, but may be ended sooner under certain circumstances.