

**Financial Statements**

**THE BIOPHYSICAL SOCIETY**

**June 30, 2013**

# The Biophysical Society

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# Independent Auditor's Report

To the Council  
The Biophysical Society

We have audited the accompanying financial statements of the Biophysical Society (the Society), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The prior-year summarized comparative information has been derived from the Society's 2012 financial statements and, in our report dated October 1, 2012, we expressed an unmodified opinion on those financial statements.

## **Management's Responsibility for the Financial Statements**

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

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **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, 2013, 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.

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October 4, 2013

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# The Biophysical Society

## Statements of Financial Position

<b>June 30,</b>	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Cash and cash equivalents - Note B	\$ 2,084,999	\$ 2,582,178
Accounts receivable, net of allowance	348,451	140,447
Prepaid expenses	141,629	110,896
Investments - Note C	9,882,774	8,166,146
Property and equipment - Note D	36,393	34,118
<b>Total assets</b>	<b>\$ 12,494,246</b>	<b>\$ 11,033,785</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 171,653	\$ 173,975
Accrued annual leave	249,345	236,904
Deferred subscription revenue	83,500	102,875
Deferred dues revenue	386,823	412,284
Deferred publication revenue - Note E	50,000	150,000
Deferred exhibition revenue	305,703	237,202
Deferred meeting revenue	16,177	10,105
Deferred rent - Note H	53,303	58,513
<b>Total liabilities</b>	<b>1,316,504</b>	<b>1,381,858</b>
<b>Net assets</b>		
Unrestricted		
Council designated - annual meeting	15,765	15,765
Council designated - reserve for future activities	10,913,582	9,407,949
Total unrestricted net assets	10,929,347	9,423,714
Temporarily restricted - Note G	248,395	228,213
Total net assets	11,177,742	9,651,927
<b>Total liabilities and net assets</b>	<b>\$ 12,494,246</b>	<b>\$ 11,033,785</b>

See notes to the financial statements.

# The Biophysical Society

## Statements of Activities Year ended June 30, 2013

*With comparative totals for the year ended June 30, 2012*

	2013		Total 2013	Total 2012
	Unrestricted	Temporarily Restricted		
<b>Revenue</b>				
Program services				
Annual meeting	\$ 1,743,159	\$ -	\$ 1,743,159	\$ 1,813,075
Biophysical Journal	1,210,202	-	1,210,202	1,211,020
Public affairs	108,191	2,540	110,731	120,433
Total program services	3,061,552	2,540	3,064,092	3,144,528
Supporting services				
Membership dues	792,522	-	792,522	826,923
Other membership revenue	373,310	122,577	495,887	578,394
Interest and dividends	228,597	-	228,597	210,568
Total supporting services	1,394,429	122,577	1,517,006	1,615,885
Net assets released from restriction	104,935	(104,935)	-	-
Total revenue	4,560,916	20,182	4,581,098	4,760,413
<b>Expenses</b>				
Program services				
Annual meeting	1,348,224	-	1,348,224	1,318,606
Biophysical Journal	278,981	-	278,981	293,525
Public affairs	177,193	-	177,193	164,991
Total program services	1,804,398	-	1,804,398	1,777,122
Supporting services				
Membership services	2,090,705	-	2,090,705	2,125,365
Total expenses	3,895,103	-	3,895,103	3,902,487
Change in net assets - operations	665,813	20,182	685,995	857,926
Net gain on investments	839,820	-	839,820	93,972
<b>Change in net assets</b>	1,505,633	20,182	1,525,815	951,898
Net assets, beginning of year	9,423,714	228,213	9,651,927	8,700,029
<b>Net assets, end of year</b>	\$ 10,929,347	\$ 248,395	\$ 11,177,742	\$ 9,651,927

# The Biophysical Society

## Statements of Cash Flows

<i>Year ended June 30,</i>	2013	2012
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,525,815	\$ 951,898
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,686	13,920
Net gain on investments	(839,820)	(93,972)
Changes in assets and liabilities:		
Accounts receivable	(208,004)	(127,597)
Prepaid expenses	(30,733)	68,580
Accounts payable	(2,322)	53,949
Accrued annual leave	12,441	58,315
Deferred subscription revenue	(19,375)	(207)
Deferred dues revenue	(25,461)	34
Deferred publication revenue	(100,000)	(100,000)
Deferred exhibition revenue	68,501	37,827
Deferred meeting revenue	6,072	(58,948)
Deferred rent	(5,210)	(1,977)
Total adjustments	(1,129,225)	(150,076)
Net cash provided by operating activities	396,590	801,822
<b>Cash flows from investing activities</b>		
Purchases of investments, net	(876,808)	(1,023,300)
Purchases of property and equipment	(16,961)	(4,749)
Net cash used in investing activities	(893,769)	(1,028,049)
<b>Net decrease in cash and cash equivalents</b>	<b>(497,179)</b>	<b>(226,227)</b>
Cash and cash equivalents, beginning of year	2,582,178	2,808,405
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,084,999</b>	<b>\$ 2,582,178</b>

See notes to the financial statements.

# The Biophysical Society

## Notes to Financial Statements

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### 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, 2012 are presented only to provide a basis for comparison with fiscal year 2013. The 2012 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, 2012, 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, 2013 and 2012.

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.

# The Biophysical Society

## Notes to Financial Statements

### 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.

Council 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 4, 2013, 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,:

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 289,797	\$ 289,797	\$ 230,999	\$ 230,999
U.S. Government, Agency & Municipal securities	2,285,868	2,250,751	1,936,656	1,859,761
Corporate bonds	1,582,832	1,562,133	1,696,293	1,612,334
Marketable equity securities	5,716,528	4,884,923	4,302,198	3,982,997
Exchange Traded Funds & Closed-End Funds	7,749	5,655	-	-
	<u>\$ 9,882,774</u>	<u>\$ 8,993,259</u>	<u>\$ 8,166,146</u>	<u>\$ 7,686,091</u>

# The Biophysical Society

## Notes to Financial Statements

### C. INVESTMENTS - CONTINUED

For the years ended June 30, 2013 and 2012 the Society incurred investment fees of \$86,548 and \$67,561, 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,:

<b>2013</b>	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Money market funds	\$ 289,797	\$ 289,797	\$ -	\$ -
U.S. Government, Agency, and Municipal securities	2,285,868		2,285,868	
Corporate Bonds	1,582,832		1,582,832	
Marketable equity securities	5,716,528	5,716,528		
Exchanged Traded Funds and Closed-End Funds	7,749	7,749		
Total investments	<b>\$ 9,882,774</b>	<b>\$ 6,014,074</b>	<b>\$ 3,868,700</b>	<b>\$ -</b>
<b>2012</b>	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	<b>\$ 8,166,146</b>	<b>\$ 4,533,197</b>	<b>\$ 3,632,949</b>	<b>\$ -</b>

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.

# The Biophysical Society

## Notes to Financial Statements

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### D. PROPERTY AND EQUIPMENT

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

	2013	2012
Furniture and fixtures	\$ 59,842	\$ 59,842
Office equipment	14,749	14,749
Computer equipment	<u>172,246</u>	<u>155,285</u>
	246,837	229,876
Less: accumulated depreciation	<u>(210,444)</u>	<u>(195,758)</u>
	<u>\$ 36,393</u>	<u>\$ 34,118</u>

### 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. During the year ended June 30, 2013, the Society entered into a renewal agreement with the publishing company. The renewal agreement runs from January 1, 2013 through December 31, 2019.

### 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, 2013 and 2012 was and \$107,465 and \$104,010, respectively.

# The Biophysical Society

## Notes to Financial Statements

### G. TEMPORARILY RESTRICTED FUNDS

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

	2013	2012
Membrane subgroup	\$ 42,726	\$ 45,033
Structure & assembly subgroup	29,173	29,824
Molecular subgroup	19,077	19,218
Motility subgroup	15,505	15,493
Exocytosis & endocytosis subgroup	14,335	15,025
Biological fluorescence subgroup	10,000	12,218
Intrinsically Disordered Proteins subgroup	10,000	11,430
Bioenergetics subgroup	9,477	7,958
Nanoscale biophysics subgroup	4,836	11,320
Permeation & Transport subgroup	4,581	5,420
Biopolymers in vivo subgroup	3,171	3,544
Mechanobiology subgroup	-	-
Total Subgroups	162,881	176,483
Dayhoff Award	62,883	30,816
Young Investigators Award	15,110	15,110
Emily Gray Award	5,437	3,720
Burroughs Welcome	2,084	2,084
	<u>\$ 248,395</u>	<u>\$ 228,213</u>

### 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 North 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, there is a deferred rent liability of \$53,303 and \$58,513 at June 30, 2013 and 2012, respectively. Total office rental expense for the years ended June 30, 2013 and 2012 amounted to \$118,313 and \$117,984, respectively.

# The Biophysical Society

## Notes to Financial Statements

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### H. COMMITMENTS - CONTINUED

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

<u>Year Ending June 30,</u>	<u>Office Lease</u>
2014	\$ 124,602
2015	128,047
2016	131,577
2017	112,148
	<u>\$ 496,374</u>

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.