

**Audited Financial Statements**

**THE BIOPHYSICAL SOCIETY**

*June 30, 2015*

# 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, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. We have previously audited the 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 Biophysical Society as of June 30, 2015, 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.

Washington, DC  
August 17, 2015

# The Biophysical Society

## Statements of Financial Position

<i>June 30,</i>	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 2,358,787	\$ 2,492,143
Investments	11,893,783	11,364,701
Accounts receivable	105,044	63,852
Prepaid expenses and other assets	219,996	255,195
Deferred compensation investments	290,876	259,581
Property and equipment	37,443	51,006
<b>Total assets</b>	<b>\$ 14,905,929</b>	<b>\$ 14,486,478</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 238,255	\$ 210,920
Accrued leave	556,026	280,068
Deferred subscription revenue	59,096	62,914
Deferred dues revenue	357,331	393,377
Deferred exhibition revenue	232,545	245,087
Deferred meeting revenue	69,025	91,160
Deferred compensation	290,876	259,581
Deferred rent	33,365	44,767
<b>Total liabilities</b>	<b>1,836,519</b>	<b>1,587,874</b>
<b>Net assets</b>		
Unrestricted		
Council designated - annual meeting	15,765	15,765
Council designated - Congressional policy fellowship	93,212	93,212
Council designated - technology upgrades	37,719	-
Council designated - reserve for future activities	12,710,863	12,568,662
Total unrestricted net assets	12,857,559	12,677,639
Temporarily restricted	211,851	220,965
Total net assets	13,069,410	12,898,604
<b>Total liabilities and net assets</b>	<b>\$ 14,905,929</b>	<b>\$ 14,486,478</b>

See notes to the financial statements.

# The Biophysical Society

## Statements of Activities Year ended June 30, 2015

*With comparative totals for the year ended June 30, 2014*

	2015		Total 2015	Total 2014
	Unrestricted	Temporarily Restricted		
<b>Revenue</b>				
Program services				
Annual meeting	\$ 1,679,455	\$ -	\$ 1,679,455	\$ 1,969,844
Biophysical Journal	1,144,646		1,144,646	1,134,029
Public affairs	101,168	1,802	102,970	111,641
Total program services	2,925,269	1,802	2,927,071	3,215,514
Supporting services				
Membership dues	746,722		746,722	771,959
Other membership revenue	522,573	97,478	620,051	491,617
Interest and dividends	254,813		254,813	237,429
Total supporting services	1,524,108	97,478	1,621,586	1,501,005
Net assets released from restriction	108,394	(108,394)	-	-
Total revenue	4,557,771	(9,114)	4,548,657	4,716,519
<b>Expenses</b>				
Program services				
Annual meeting	1,357,588	-	1,357,588	1,416,354
Biophysical Journal	293,433		293,433	310,245
Public affairs	211,754		211,754	279,822
Total program services	1,862,775	-	1,862,775	2,006,421
Supporting services				
Membership services	2,634,074	-	2,634,074	2,230,548
Total expenses	4,496,849	-	4,496,849	4,236,969
Change in net assets - operations	60,922	(9,114)	51,808	479,550
Net gain on investments	225,921		225,921	1,241,312
Designated Council expenses - technology upgrades	(106,923)		(106,923)	-
<b>Change in net assets</b>	179,920	(9,114)	170,806	1,720,862
Net assets, beginning of year	12,677,639	220,965	12,898,604	11,177,742
<b>Net assets, end of year</b>	\$ 12,857,559	\$ 211,851	\$ 13,069,410	\$ 12,898,604

# The Biophysical Society

## Statements of Cash Flows

<i>Year ended June 30,</i>	2015	2014
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 170,806	\$ 1,720,862
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	22,915	14,923
Net gain on investments	(225,921)	(1,241,312)
Changes in assets and liabilities:		
Accounts receivable	(41,192)	284,599
Prepaid expenses and other assets	35,199	(113,566)
Deferred compensation investments	(31,295)	(50,357)
Accounts payable and accrued expenses	27,335	39,267
Accrued annual leave	275,958	30,723
Deferred subscription revenue	(3,818)	(20,586)
Deferred dues revenue	(36,046)	6,554
Deferred publication revenue	-	(50,000)
Deferred exhibition revenue	(12,542)	(60,616)
Deferred meeting revenue	(22,135)	74,983
Deferred compensation	31,295	50,357
Deferred rent	(11,402)	(8,536)
Total adjustments	8,351	(1,043,567)
Net cash provided by operating activities	179,157	677,295
<b>Cash flows from investing activities</b>		
Purchases of investments	(6,717,972)	(6,624,328)
Sales of investments	6,414,811	6,093,916
Purchases of property and equipment	(9,352)	(29,536)
Net cash used in investing activities	(312,513)	(559,948)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(133,356)</b>	<b>117,347</b>
Cash and cash equivalents, beginning of year	2,492,143	2,374,796
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,358,787</b>	<b>\$ 2,492,143</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.

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 June 30, 2014 are presented only to provide a basis for comparison with fiscal year 2015. The 2014 fiscal year financial statements and footnote disclosures are not intended to present all information necessary for a 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 ended June 30, 2014, 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 of money market funds in its Morgan Stanley investment account to be cash equivalents. As well, certificates of deposit maturing in one year or less are considered 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 uncollectable are charged to the allowance for doubtful accounts. The Society determined that no allowance for doubtful accounts was necessary as of June 30, 2015.

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.

# The Biophysical Society

## Notes to Financial Statements

### 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.

Council designated: Unrestricted, designated funds that provide for the annual meeting, Congressional policy fellowships, technology upgrades, and the long-term stability and development of the Society's programs.

Subsequent events: Subsequent events have been evaluated through August 17, 2015, 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,:

	2015		2014	
	Fair Value	Cost	Fair Value	Cost
U.S. Government, Agency & Municipal securities	\$ 2,643,263	\$ 2,615,004	\$ 2,500,534	\$ 3,339,281
Corporate bonds	1,994,006	1,959,795	2,088,109	2,022,815
Marketable equity securities	7,256,514	6,121,739	6,776,058	5,355,389
	<u>\$ 11,893,783</u>	<u>\$ 10,696,538</u>	<u>\$ 11,364,701</u>	<u>\$ 10,717,485</u>

# The Biophysical Society

## Notes to Financial Statements

### C. INVESTMENTS - CONTINUED

For the years ended June 30, 2015 and 2014 the Society incurred investment fees of \$117,443 and \$106,570, 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>2015</b>	Total	Level 1	Level 2	Level 3
Marketable equity securities	\$ 7,256,514	\$ 7,256,514	\$ -	\$ -
U.S. Government, Agency, and Municipal securities	2,643,263		2,643,263	
Corporate bonds	1,994,006		1,994,006	
Assets held for deferred compensation	290,876		220,488	70,388
Total investments held at fair value	<b>\$ 12,184,659</b>	<b>\$ 7,256,514</b>	<b>\$ 4,857,757</b>	<b>\$ 70,388</b>
<b>2014</b>	Total	Level 1	Level 2	Level 3
Marketable equity securities	\$ 6,776,058	\$ 6,776,058	\$ -	\$ -
U.S. Government, Agency, and Municipal securities	2,500,534		2,500,534	
Corporate bonds	2,088,109		2,088,109	
Assets held for deferred compensation	259,581		195,831	63,750
Total investments held at fair value	<b>\$ 11,624,282</b>	<b>\$ 6,776,058</b>	<b>\$ 4,784,474</b>	<b>\$ 63,750</b>

The U.S. government, agency, and municipal securities and the corporate bonds 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

### C. INVESTMENTS - CONTINUED

The assets held for deferred compensation classified in Level 2 are variable annuity contracts with TIAA-CREF. The underlying assets of the contracts are investments with a publicly available net asset value share price updated daily on TIAA-CREF's website. However, the contracts themselves are not directly traded on active markets. Thus, the variable annuity contracts are valued using observable market data from non-public markets.

The asset held for deferred compensation classified in Level 3 is a guaranteed annuity contract. The underlying assets of the contract are part of the general assets of TIAA-CREF, which would typically involve unobservable financial risks and considerations relating to TIAA-CREF to arrive at a market selling price. For financial statement purposes, the guaranteed annuity contract is recorded at contract value, which is deemed to approximate fair value.

### D. PROPERTY AND EQUIPMENT

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

	2015	2014
Furniture and fixtures	\$ 61,687	\$ 61,687
Office equipment	14,749	14,749
Computer equipment	209,288	199,937
	<u>285,724</u>	<u>276,373</u>
Less: accumulated depreciation	<u>(248,281)</u>	<u>(225,367)</u>
	<u><b>\$ 37,443</b></u>	<u><b>\$ 51,006</b></u>

### E. RETIREMENT PLAN

The Society has a defined contribution retirement plan (retirement plan) under Section 403(b) of the Internal Revenue Code. All full-time employees become eligible to participate in the retirement plan upon their completion of minimum requirements as to age and length of service. Retirement expense for the years ended June 30, 2015 and June 30, 2014 was \$118,934 and \$109,039, respectively.

The Society sponsors a deferred compensation plan (the Plan) for a key employee under Section 457(b) of the Internal Revenue Code. Under the terms of the Plan agreement, the key employee may elect to make tax deferred contributions to the Plan not to exceed \$18,000 and \$17,500 for the calendar years ending December 31, 2015 and 2014. The terms of the Plan agreement state that the Plan is considered unfunded and that the assets are subject to the claims of the general creditors of the Society. Pursuant to this treatment, the assets of the Plan are included with those of the Society and a corresponding liability is recorded. The balance of the asset and related liability for the Plan was \$290,876 and \$259,581 as of June 30 2015 and 2014, respectively.

# The Biophysical Society

## Notes to Financial Statements

### F. TEMPORARILY RESTRICTED FUNDS

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

	2015	2014
Membrane biophysics subgroup	\$ 35,179	\$ 38,893
Motility subgroup	14,564	13,744
Intrinsically Disordered Proteins subgroup	13,537	10,308
Molecular biophysics subgroup	10,870	13,891
Membrane structure & assembly subgroup	10,000	20,536
Exocytosis & endocytosis subgroup	10,000	10,176
Biological fluorescence subgroup	8,456	8,097
Nanoscale biophysics subgroup	7,723	5,423
Biopolymers in vivo subgroup	6,790	5,296
Bioenergetics subgroup	5,745	7,477
Permeation & Transport subgroup	4,082	4,267
Mechanobiology subgroup	4,022	-
Total Subgroups	130,968	138,108
Dayhoff Award	59,004	60,889
Young Investigators Award	15,110	15,110
Emily Gray Award	4,685	4,774
Burroughs Welcome	2,084	2,084
	<u>\$ 211,851</u>	<u>\$ 220,965</u>

### G. 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 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 \$33,365 and \$44,767 at June 30, 2015 and 2014, respectively. Total office rental expense for the years ended June 30, 2015 and 2014 amounted to \$117,418 and \$113,397, respectively.

# The Biophysical Society

## Notes to Financial Statements

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### G. COMMITMENTS - CONTINUED

Total anticipated future fixed minimum lease payments under the lease are as follows for the years ending June 30,:

2016	\$ 131,577
2017	<u>112,148</u>
	<u>\$ 243,725</u>

*Database hosting agreements:* The Society has entered into a database support and maintenance agreement related to its online abstract submission system which expires April 2016. Under the terms of the agreement, the Society is required to make future minimum payments totaling \$59,200 for the year ended June 30, 2016.

*Employment agreement:* On June 30, 2014 the Society entered into a new employment agreement with its Executive Officer effective July 1, 2014 and ending June 30, 2017, but may be ended sooner under certain circumstances. Under certain circumstances, the agreement stipulates that the Society will be liable for severance and other payments.