

Audited Financial Statements

THE BIOPHYSICAL SOCIETY

June 30, 2017

The Biophysical Society

Contents

<i>Independent Auditor's Report</i>	1
<i>Financial Statements</i>	
Statements of financial position	2
Statements of activities	3
Statements of cash flows	4
Notes to the financial statements	5 - 13

T A T E



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

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, 2017, 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 June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated September 12, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 the Biophysical Society as of June 30, 2017, 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
September 11, 2017

The Biophysical Society

Statements of Financial Position

<i>June 30,</i>	2017	2016
Assets		
Cash and cash equivalents	\$ 2,460,502	\$ 2,681,213
Investments	13,302,990	12,025,072
Accounts receivable	76,817	120,973
Prepaid expenses and other assets	279,269	202,766
Cash and cash equivalents restricted for Dayhoff Award	54,481	57,226
Deferred compensation investments	348,414	309,548
Property and equipment	35,816	20,317
Total assets	\$ 16,558,289	\$ 15,417,115
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 158,576	\$ 226,591
Accrued leave	691,971	623,951
Deferred revenue	831,485	712,405
Deferred compensation	348,414	309,548
Deferred rent	-	17,854
Total liabilities	2,030,446	1,890,349
Net assets		
Unrestricted		
Council designated - reserve for future activities	14,204,846	13,185,913
Council designated - annual meeting	15,765	15,765
Council designated - office relocation	2,922	-
Council designated - technology upgrades	-	37,719
Total unrestricted net assets	14,223,533	13,239,397
Temporarily restricted	235,791	220,718
Permanently restricted	68,519	66,651
Total net assets	14,527,843	13,526,766
Total liabilities and net assets	\$ 16,558,289	\$ 15,417,115

See notes to the financial statements.

The Biophysical Society

Statements of Activities Year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	2017			Total 2017	Total 2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue					
Program services					
Annual meeting	\$ 1,645,612	\$ -	\$ -	\$ 1,645,612	\$ 1,777,414
Biophysical Journal	1,305,463			1,305,463	1,286,844
Public affairs	88,941	1,838		90,779	97,128
Total program services	3,040,016	1,838	-	3,041,854	3,161,386
Supporting services					
Membership dues	725,794			725,794	733,981
Other membership revenue	552,249	111,701	1,868	665,818	654,308
Interest and dividends	262,992	2,001		264,993	253,764
Total supporting services	1,541,035	113,702	1,868	1,656,605	1,642,053
Net assets released from restriction	107,173	(107,173)		-	-
Total revenue	4,688,224	8,367	1,868	4,698,459	4,803,439
Expenses					
Program services					
Annual meeting	1,262,032	-	-	1,262,032	1,299,069
Biophysical Journal	320,798			320,798	316,786
Public affairs	190,163			190,163	204,834
Total program services	1,772,993	-	-	1,772,993	1,820,689
Supporting services					
Membership services	2,638,257	-	-	2,638,257	2,430,369
Total expenses	4,411,250	-	-	4,411,250	4,251,058
Change in net assets - operations	276,974	8,367	1,868	287,209	552,381
Net gain (loss) on investments	910,428	6,706		917,134	(17,348)
Designated Council expenses - Congressional Policy fellowship	(72,301)			(72,301)	(77,677)
Designated Council expenses - office relocation	(57,078)			(57,078)	-
Designated Council expenses - technology upgrades	(37,719)			(37,719)	-
Designated Council expenses - strategic planning	(36,168)			(36,168)	-
Change in net assets	984,136	15,073	1,868	1,001,077	457,356
Net assets, beginning of year	13,239,397	220,718	66,651	13,526,766	13,069,410
Net assets, end of year	\$ 14,223,533	\$ 235,791	\$ 68,519	\$ 14,527,843	\$ 13,526,766

The Biophysical Society

Statements of Cash Flows

<i>Year ended June 30,</i>	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 1,001,077	\$ 457,356
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,968	19,455
Net (gain) loss on investments	(917,134)	17,348
Endowment contributions	(1,868)	(66,651)
Bad debt expense	5,420	-
Changes in assets and liabilities:		
Accounts receivable	38,736	(15,929)
Prepaid expenses and other assets	(76,503)	17,230
Deferred compensation investments	(38,866)	(18,672)
Accounts payable and accrued expenses	(68,015)	(11,664)
Accrued annual leave	68,020	67,925
Deferred revenue	119,080	(5,592)
Deferred compensation	38,866	18,672
Deferred rent	(17,854)	(15,511)
Total adjustments	(834,150)	6,611
Net cash provided by operating activities	166,927	463,967
Cash flows from investing activities		
Purchases of investments	(9,975,550)	(7,955,377)
Sales of investments	9,614,766	7,806,740
Purchases of property and equipment	(31,467)	(2,329)
Net cash used in investing activities	(392,251)	(150,966)
Cash flows from financing activities		
Proceeds from contributions restricted for endowment	1,868	66,651
Net (decrease) increase in cash and cash equivalents	(223,456)	379,652
Cash and cash equivalents and restricted cash, beginning of year	2,738,439	2,358,787
Cash and cash equivalents and restricted cash, end of year	\$ 2,514,983	\$ 2,738,439

See notes to the financial statements.

The Biophysical Society

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. The Society has been classified by the Internal Revenue Service as other than a private foundation within the meaning of Section 509(a)(2) of the Internal Revenue Code.

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, 2016 are presented only to provide a basis for comparison with fiscal year 2017. The 2016 fiscal year financial statements and footnote disclosures are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2016, 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. Cash and cash equivalents totaled \$2,460,502 and \$2,681,213 at June 30, 2017 and 2016, respectively.

Restricted cash is comprised of cash and cash equivalents, as defined above, for which the donor has stipulated that donated amounts be maintained in a separate account to be held and used exclusively for the Dayhoff Award. Restricted cash totaled \$54,481 and \$57,226 at June 30, 2017 and 2016, respectively. In order to conform to the 2017 presentation, \$57,226 was reclassified from cash and cash equivalents to restricted cash at June 30, 2016.

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, 2017 and 2016.

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

The Biophysical Society

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Restricted and unrestricted revenue: Contributions are recorded as unrestricted, temporarily, or permanently 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. Contributions restricted in perpetuity are reported as increases in permanently restricted net assets

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.

Classification of net assets: The Society reports net assets as follows:

Unrestricted – Net assets not subject to grantor or donor-imposed restrictions.

- Undesignated – An unrestricted fund that accounts for the general operations of the Society
- Council designated – Unrestricted, designated funds that provide for the annual meeting, office relocation, technology upgrades, and the long-term stability and development of the Society's programs.

Temporarily restricted – Net assets subject to grantor or donor-imposed restrictions that will expire by actions of the Society or the passage of time (see Note F).

Permanently restricted – Net assets subject to grantor or donor-imposed stipulations that they be maintained permanently by the Society (see Note G).

Reclassifications: Certain 2016 amounts totaling \$108,747 have been reclassified from Council designated – Congressional policy fellowship to Council designated – reserve for future activities in order for the 2016 amounts to conform to the 2017 presentation within the statements of financial position. Additionally, certain 2016 amounts totaling \$26,520 and \$57,775 have been reclassified from annual meeting expense and membership services expenses, respectively, to annual meeting revenue and other membership revenue, respectively, in order for the 2016 amounts to conform to the 2017 presentation within the statements of activities.

Measure of operations: The Organization does not include net gain (loss) on investments and designated Council expenses in the change in unrestricted net assets from operations.

Subsequent events: Subsequent events have been evaluated through September 11, 2017, which is the date the financial statements were available to be issued.

The Biophysical Society

Notes to the Financial Statements

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 portions 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,:

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Marketable equity securities	\$ 7,456,654	\$ 6,495,997	\$ 7,105,720	\$ 6,225,183
U.S. government agency and municipal securities	3,352,997	3,968,733	2,795,315	2,699,176
Corporate bonds	2,493,339	2,443,278	2,124,037	2,033,510
	<u>\$ 13,302,990</u>	<u>\$ 12,908,008</u>	<u>\$ 12,025,072</u>	<u>\$ 10,957,869</u>

For the years ended June 30, 2017 and 2016 the Society incurred investment fees of \$123,268 and \$118,213, respectively.

In accordance with accounting principles generally accepted in the United States of America, 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 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 the 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.

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,:

2017	Total	Level 1	Level 2	Level 3
Marketable equity securities	\$ 7,456,654	\$ 7,456,654	\$ -	\$ -
U.S. government agency and municipal securities	3,352,997		3,352,997	
Corporate bonds	2,493,339		2,493,339	
Assets held for deferred compensation	348,414		267,832	80,582
Total investments held at fair value	\$ 13,651,404	\$ 7,456,654	\$ 6,114,168	\$ 80,582
2016	Total	Level 1	Level 2	Level 3
Marketable equity securities	\$ 7,105,720	\$ 7,105,720	\$ -	\$ -
U.S. government agency and municipal securities	2,795,315		2,795,315	
Corporate bonds	2,124,037		2,124,037	
Assets held for deferred compensation	309,548		232,223	77,325
Total investments held at fair value	\$ 12,334,620	\$ 7,105,720	\$ 5,151,575	\$ 77,325

D. PROPERTY AND EQUIPMENT

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

	2017	2016
Computer equipment	\$ 211,617	\$ 211,617
Furniture and fixtures	93,154	61,687
Office equipment	14,749	14,749
	<u>319,520</u>	<u>288,053</u>
Less: accumulated depreciation	(283,704)	(267,736)
	\$ 35,816	\$ 20,317

The Biophysical Society

Notes to the Financial Statements

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, 2017 and June 30, 2016 was \$131,038 and \$124,924, 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 for the calendar years ending December 31, 2017 and 2016. 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 \$348,414 and \$309,548 as of June 30, 2017 and 2016, respectively.

F. TEMPORARILY RESTRICTED FUNDS

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

	2017	2016
Membrane biophysics subgroup	\$ 25,298	\$ 26,103
Motility subgroup	21,443	17,738
Cryo subgroup	13,361	-
Intrinsically Disordered Proteins subgroup	12,296	11,770
Membrane structure & assembly subgroup	11,827	9,209
Mechanobiology subgroup	10,000	7,188
Biopolymers in vivo subgroup	10,000	6,552
Nanoscale biophysics subgroup	9,523	9,630
Bioenergetics subgroup	8,801	7,765
Biological fluorescence subgroup	6,293	8,147
Molecular biophysics subgroup	4,302	8,748
Permeation & Transport subgroup	3,106	3,306
Bioengineering subgroup	2,062	824
Exocytosis & endocytosis subgroup	1,276	8,332
Total Subgroups	<u>139,588</u>	<u>125,312</u>
Dayhoff Award	54,481	57,226
Young Investigators Award	27,612	26,981
Emily Gray Award	9,584	9,115
Kinosita Award	2,442	-
Burroughs Welcome	2,084	2,084
	<u>\$ 235,791</u>	<u>\$ 220,718</u>

G. PERMANENTLY RESTRICTED NET ASSETS

During 2016, the Society received permanently restricted contributions of \$66,651 in honor of the late Professor Kazuhiko Kinosita, Jr. These contributions were used to create an endowment which will fund the Kazuhiko Kinosita Award in Single Molecule Biophysics (Award). The Society presents the winner of the annual Award with an honorarium of \$2,000 funded by the investment return of the endowed fund. During 2017, the Society received permanently restricted contributions totaling \$1,868 towards the Award.

The permanently restricted contributions were received with the donor stipulation that the Society must maintain the principal in perpetuity. Income earned on permanently restricted funds, including interest, dividends and realized gains or losses, is recorded as temporarily restricted revenue unless explicitly restricted by the donor. As required by accounting principles generally accepted in the United States of America, net assets associated with the endowment fund are classified and reported as permanently restricted based on the existence or absence of donor-imposed restrictions.

H. ENDOWMENT NET ASSETS

The management of the Society has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of original donor-restricted endowment gifts as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of cash gifts donated to permanent endowment and (b) the discounted value of future gifts promised to permanent endowment. The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified in temporarily restricted net assets, until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund,
- the purposes of the Society and the donor-restricted endowment fund,
- general economic conditions,
- the possible effect of inflation and deflation,
- the expected total return from income and the appreciation of investments,
- other resources of the Society, and
- the investment policies of the Society.

Return objectives and risk parameters

The endowment fund will be included in the investments of the Society and will mirror the investment criteria and financial vehicles identified in the investment policy established by the Council, which is monitored by the Finance Committee of its Council. The investment policy describes the objective for the fund and sets ranges for asset allocation. The objectives of the endowment fund are to maintain the original principal, obtain a reasonable and competitive return on assets, to reinvest a portion of the income of the fund at no less than the annual Consumer Price Index, to prevent future erosion of the fund through inflation, and to ensure a reasonable degree of liquidity, consistent with acceptance of prudent risk in order to generate sufficient income to support the Award. Investments held by the endowment fund may include fixed income instruments, marketable equity securities, and cash equivalents; they should exclude short positions, private equity, commodities, options, and futures contracts.

The Biophysical Society

Notes to the Financial Statements

H. ENDOWMENT NET ASSETS - CONTINUED

Strategies employed for achieving objectives

To ensure preservation of its long-term endowment investments, the Society's investment policy reflects a "total return policy." Total return is defined as a combination of realized and unrealized capital appreciation. The investment objective is focused on preservation of capital and diversification of investments across various asset classes and numerous industries and sectors to minimize volatility and risk.

Spending policy and how the investment objectives relate to spending policy

The Society expects the current spending policy to allow its endowment to grow at a modest rate of 5% annually. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment returns.

Endowment Pool and Spending Policies

The Society's spending policy calculates the amount of money annually distributed from the Society's endowment fund to spend on the donor's purpose. The current spending policy will distribute an amount equal to \$2,000 a year or approximately 4% of the endowment investment balance. The temporarily restricted portion of the endowment includes accumulated unspent earnings from the permanently restricted portion of the endowment and is available for expenditure in subsequent years based on the Society's spending policy.

Funds with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the original value of the gifts donated to the permanent endowment. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations that eroded the accumulated gains of the permanently restricted endowment as well as the continued appropriation for certain programs which were deemed prudent by the Society's management. Future gains are classified as increases in unrestricted net assets until the shortfalls previously charged to unrestricted net assets are eliminated and the individual endowment fund is returned to its required level as stipulated by donors or UPMIFA. There were no such deficiencies at June 30, 2017 and 2016.

The permanently restricted endowment fund was established during the year ended June 30, 2016 through the receipt of \$66,651 of permanently restricted contributions. The Society did not grant an Award and the Society did not allocate any investment activity to the endowment fund during the year ended June 30, 2016. During the year ended June 30, 2017, the Society received permanently restricted contributions for the endowment in the amount of \$1,868. Additionally, the Society granted an Award in the amount of \$3,206 and allocated interest, dividends, and investment income totaling to \$5,648 during the year ended June 30, 2017. As of June 30, 2017 and 2016, the permanently restricted endowment amounted to \$68,519 and \$66,651, respectively.

The Biophysical Society

Notes to the Financial Statements

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: Commencing on May 1, 2010, the Society entered into a seven year non-cancelable 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 rent, 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 was a deferred rent liability of \$0 and \$17,854 at June 30, 2017 and 2016, respectively. Total office rental expense for the years ended June 30, 2017 and 2016 amounted to \$118,173 and \$117,402, respectively.

On February 3, 2017, the Society entered into a ten year non-cancelable lease for office space in North Bethesda, Maryland. The lease commences July 5, 2017 and provides an abatement of the first ten months' rent expense. In addition, the lease contains escalation clauses for increases in rent, operating expenses, and real estate taxes. Upon the commencement of the lease, the Society will recognize the fixed component of the lease expense on a straight-line basis over the lease term.

Future minimum payments under the office lease agreement are as follows:

Year Ending June 30,	Amount
2018	\$ 28,623
2019	176,449
2020	181,324
2021	186,310
2022	191,407
Thereafter	1,226,685
	\$ 1,990,798

Database hosting agreement: The Society has entered into a database support and maintenance agreement related to its online abstract submission system which expires in April 2019. Under the terms of the agreement, the Society is required to make future minimum payments for the agreed upon services used by the Society.

Future minimum payments under the database hosting agreement are as follows:

Year Ending June 30,	Amount
2018	\$ 57,600
2019	49,330
	\$ 106,930

The Biophysical Society

Notes to the Financial Statements

I. COMMITMENTS - CONTINUED

Employment agreement: During the year ended June 30, 2017, the Society entered into a new employment agreement with its Executive Officer effective July 1, 2017 and ending June 30, 2020. The agreement may be ended sooner under certain circumstances. The agreement stipulates that the Society, under certain circumstances, may be liable for severance and other payments.

Hotel cancellations: The Society has entered into several agreements with hotels for room accommodations and services at future meetings and conferences. Many of the agreements contain a clause whereby the Society is liable for liquidated damages in the event of cancellation as calculated in accordance with the terms of the agreements.