

INTERNATIONAL UNION OF PHYSIOLOGICAL SCIENCES

Financial Statements

Report of Independent Certified Public Accountants

Year ended December 31, 2012

Carla McGarry & Associates, LLC
Certified Public Accountants
Chevy Chase, MD

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REPORT OF INDEPENDENT AUDITORS

To the Executive Committee and Council of
International Union of Physiological Sciences

Report on the Financial Statements

We have audited the accompanying financial statements of International Union of Physiological Sciences (a non-profit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, changes in net assets, and statement of functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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 from 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of grants to individuals and organizations, the schedule of endowments - revenues and expenses, the schedule of revenues and expenses - year ended December 31, 2012, and the schedule of dues assessed to members and dues collected, on pages 14-19 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Carla M. Perry & Associates LLC

July 15, 2013
Chevy Chase, MD

International Union of Physiological Sciences
Statement of Financial Position
December 31, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 151,654
Dues receivable, net of allowance for doubtful accounts of \$5,027	41,856
Accrued interest	<u>223</u>
Total current assets	193,733

INVESTMENTS

304,924

TOTAL ASSETS \$ 498,657

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued expenses	\$ 5,337
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NET ASSETS

Unrestricted	
Designated for endowment purposes	114,071
Undesignated	<u>304,883</u>
TOTAL UNRESTRICTED	418,954

Temporarily restricted	43,187
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Permanently restricted	<u>31,179</u>
TOTAL NET ASSETS	<u>493,320</u>

TOTAL LIABILITIES AND NET ASSETS \$ 498,657

See accompanying notes and accountant's report.

International Union of Physiological Sciences
Statement of Activities and Changes in Net Assets
For the Year ended December 31, 2012

	For the Year ended December 31, 2012			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
SUPPORT AND REVENUE				
Dues from national members	\$ 121,645	\$ -	\$ -	\$ 121,645
Contributions	3,000	-	-	3,000
Investment return	39,281	2	-	39,283
Other income	3,384	-	-	3,384
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>167,310</u>	<u>2</u>	<u>-</u>	<u>167,312</u>
EXPENSES				
Program services				
Furtherance of physiological sciences	210,991	-	-	210,991
Supporting services:				
General and administrative	<u>22,599</u>	<u>-</u>	<u>-</u>	<u>22,599</u>
TOTAL EXPENSES	<u>233,590</u>	<u>-</u>	<u>-</u>	<u>233,590</u>
DECREASE IN NET ASSETS BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENT				
	(66,280)	2	-	(66,278)
Foreign currency translation adjustment	<u>(589)</u>	<u>-</u>	<u>-</u>	<u>(589)</u>
DECREASE IN NET ASSETS	<u>(66,869)</u>	<u>2</u>	<u>-</u>	<u>(66,867)</u>
NET ASSETS, BEGINNING OF YEAR	<u>485,823</u>	<u>43,185</u>	<u>31,179</u>	<u>560,187</u>
NET ASSETS, END OF YEAR	<u>\$ 418,954</u>	<u>\$ 43,187</u>	<u>\$ 31,179</u>	<u>\$ 493,320</u>

See accompanying notes and accountant's report.

International Union of Physiological Sciences
Statement of Functional Expenses
For the Year ended December 31, 2012

	For the year ended December 31, 2012		
	Program Services Furtherance of Physiological <u>Sciences</u>	Supporting Services General & <u>Administrative</u>	<u>Total</u>
Salaries and related charges	\$ 54,180	\$ 13,545	\$ 67,725
Accounting and audit fees	-	525	525
Bad debts	96,499	-	96,499
Bank service charges	-	1,153	1,153
Consulting fees	-	1,084	1,084
Contributions to ICSU	4,229	-	4,229
Dues	-	62	62
Foreign office expenses	-	22	22
General office expenses	-	3,958	3,958
Grants	13,166	-	13,166
Miscellaneous	-	-	-
Publications	12,750	2,250	15,000
Scientific meetings	5,374	-	5,374
Travel & entertainment	<u>24,793</u>	<u>-</u>	<u>24,793</u>
 TOTALS	 <u>\$ 210,991</u>	 <u>\$ 22,599</u>	 <u>\$ 233,590</u>

See accompanying notes and accountant's report.

International Union of Physiological Sciences
Statement of Cash Flows
For the Year ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net assets - end of year	\$ 493,320
Net assets - beginning of year	<u>(560,187)</u>
(Decrease) in net assets	(66,867)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Decrease in unrestricted net assets designated for endowment purposes	8,612
Realized and unrealized losses/(gains) on investments	(29,387)
Changes in operating assets and liabilities:	
Decrease/(increase) in dues receivable, net	77,239
Decrease/(increase) in other current assets	(177)
Increase/(decrease) in accrued expenses	5,537
Increase/(decrease) in member deposits	<u>(2,000)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(7,043)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(15,115)
Proceeds from sale of investments	<u>76,726</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	61,611
CASH FLOW FROM FINANCING ACTIVITIES	
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>
INCREASE IN CASH AND CASH EQUIVALENTS	54,568
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>97,086</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>151,654</u>

See accompanying notes and accountant's report.

International Union of Physiological Sciences
Notes to Financial Statements
For the Year ended December 31, 2012

Note 1 - Summary of Significant Accounting Policies:

Nature of Activities: International Union of Physiological Sciences (IUPS) is incorporated as a nonprofit under the laws of the District of Columbia, in the United States of America. The IUPS is an organization which brings together physiologists from throughout the world. The unifying objective of physiologists is to increase mankind's understanding of the functions of cells, tissues, organs and organ systems of animals and humans. The objectives of the IUPS are: to encourage the advancement of the physiological sciences; to facilitate the dissemination of knowledge in the field of physiological sciences; to promote the International Congresses of Physiological Sciences; to promote such other meetings as may be useful for the advancement of the physiological sciences; and to promote such other measures as will contribute to the development of physiological sciences in developing countries. Membership is comprised of international members, or Adhering Bodies; there are no individual members.

Method of Accounting: Assets and Liabilities and Revenue and Expenses are recognized on the accrual basis of accounting. Income is recorded when earned and expenses are recorded when incurred.

Basis of Presentation: IUPS reports information regarding its financial position and activities according to three classes of net assets dependent on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of IUPS and changes therein, are classified and reported in one of the following classes:

- Unrestricted - Net assets representing expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily Restricted - Net assets consisting of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before IUPS may spend the funds.
- Permanently Restricted - Net assets subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Estimates: Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents: IUPS considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Dues Receivable: Represents amount of unpaid annual dues from Adhering Bodies, i.e. member organizations at year-end. An allowance for doubtful accounts to properly reflect the realizable value of dues receivable has been recorded. During the year, IUPS management monitors outstanding balances and writes off accounts against the allowance as they are determined to be uncollectible.

International Union of Physiological Sciences
Notes to Financial Statements
For the Year ended December 31, 2012

Note 1 - Summary of Significant Accounting Policies (continued):

Investments in Marketable Securities: IUPS carries investments in marketable securities with readily determinable fair values at their fair values in the statement of financial position. Investment gains and losses are reflected in the statement of activities.

Income Taxes: IUPS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, IUPS may be subject to tax on income which is unrelated to its exempt purpose. For the year ended December 31, 2012, IUPS had no unrelated business taxable income. Therefore, no provision for income taxes has been made. IUPS is not a private foundation.

Interest Expense: IUPS had no outstanding notes or bonds, and incurred no debt during the year. Therefore, no provision for interest expense has been made.

Translation of Foreign Currency: For international operations, assets and liabilities are translated at year-end exchange rates and revenue and expenses are translated at approximate average annual exchange rates. Resulting translation adjustments are recorded as a separate component of IUPS's change in unrestricted net assets.

Support and Revenue: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the presence or absence of any donor-imposed restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a temporary restriction expires, i.e. the stipulated performance of an event occurs or the time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Contributed Services: A substantial number of volunteers have donated their time to IUPS in various capacities. The services do not meet the criteria for recognition as a contribution and are not reflected in the accompanying financial statements.

Note 2- Major Members

Two Adhering Bodies accounted for approximately 38% of dues revenues for the year ended December 31, 2012.

International Union of Physiological Sciences
Notes to Financial Statements
For the Year ended December 31, 2012

Note 3 - Investments:

Investments consist of the following at December 31, 2012:

Mutual Funds	\$ 221,832
Corporate Bonds	31,125
Equities	19,095
Certificates of Deposit	19,230
Preferred Stocks	5,639
Other	<u>8,003</u>
	304,924
Less original Cost	<u>(282,216)</u>
Unrealized Gain	<u>\$ 22,708</u>

Investment return consists of the following for the year ended December 31, 2012:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Interest, dividends, and royalties	\$ 9,894	\$ 2	\$ 9,896
Investment gains / (losses)	<u>29,387</u>	<u>-</u>	<u>29,387</u>
	<u>\$ 39,281</u>	<u>\$ 2</u>	<u>\$ 39,283</u>

Note 4 - Net Assets:

The Board of Directors has designated cash and investments to be set aside to meet at least three months' worth of operating expenses. The Board has also designated certain investments and the income related to those investment accounts for payment of the Organization's award programs.

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

International Union of Physiological Sciences
Notes to Financial Statements
For the Year ended December 31, 2012

Note 4 - Net Assets (continued):

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

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

The Organization has adopted investment and spending policies for its assets with the primary investment objective being growth of principal with a defined level of risk.

Unrestricted (but designated for endowment purposes) net assets are comprised of the following funds:

- Education Fund for the Developing Worlds - Originally funded in 2003-2004 by the New Zealand Conference Society. The Education Committee has oversight responsibility for this fund. Interest earned from the Fund accrues to the fund. 2012 Balance = \$46,562.
- Wallace O. Fenn Contribution Fund - Formed by action of the Council of the International Union of Physiological Sciences (Cambridge, England, 1976). This fund is held as an endowment for purposes to be determined by the Council in accordance with guidelines agreed upon at the establishment of the fund. Interest earned from the Fund accrues to the fund. 2012 Balance = \$34,055
- Ernst Knobil Lecture Fund - Originally funded in time for the 2001 IUPS Congress with the selection of lecturer to be made by IUPS Commission III (Endocrinology). The fund covers expenses for lecturer's travel and accommodations. Interest earned from the Fund accrues to the fund. 2012 Balance= \$20,957
- Knut Schmidt-Nielsen Lecture Fund - Funded by a donation from the former International Conferences on Comparative Physiology and the Journal of Experimental Biology. Interest earned from the Fund accrues to the fund. Balance = \$ 12,497

Temporarily restricted net assets, comprised of the T.P. Feng Memorial Lectureship Fund, are available for IUPS to pay for traveling expenses of invited speakers to China.

Permanently restricted net assets, comprised of the T.P. Feng Memorial Lectureship Fund, are restricted to investment in perpetuity, the income of which is restricted for use to pay for traveling expenses of invited speakers to China.

International Union of Physiological Sciences
Notes to Financial Statements
For the Year ended December 31, 2012

Note 5 - Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

International Union of Physiological Sciences
Notes to Financial Statements
For the Year ended December 31, 2012

Note 5 - Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2012:

	Assets at Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Equities and mutual funds	\$ 240,927	\$ -	\$ -	\$ 240,927
Certificates of deposit	-	19,230	-	19,230
Corporate bonds	31,125	-	-	31,125
Preferred stocks	5,639	-	-	5,639
Other	8,003	-	-	8,003
	\$ 285,694	\$ 19,230	\$ -	\$ 304,924

Note 6 - Concentration of Credit Risk:

IUPS has deposits in financial institutions which, at times, are in excess of the amount insured by the Federal Depository Insurance Corporation. No losses have been experienced on these accounts. IUPS manages the risk by using only quality financial institutions.

Note 7 - Functional Allocation of Expenses:

The costs of providing the various programs and other 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 that benefited from those costs.

Note 8 – Subsequent Events:

Management is unaware of any subsequent events that would affect the financial statements through July 14, 2013, the date of the report.

SUPPLEMENTARY INFORMATION

**International Union of Physiological Sciences
Schedules of Grants to Individuals and Organizations
For the Year ended December 31, 2012**

Grants to Individuals	
Travel grants	\$ 8,619
Grants to Organizations	
American Physiological Society	<u>15,000</u>
	<u>\$ 23,619</u>

**International Union of Physiological Sciences
Schedules of Endowments - Revenues and Expenses
For the Year ended December 31, 2012**

UNRESTRICTED

Designated by Board:

Education Fund for the Developing Worlds:

Deposit	
Interest	\$ 2
Wallace O. Fenn Contribution Fund: interest	1
Ernst Knobil Lecture Fund: interest	1
Knut Schmidt-Nielsen Lecture Fund: interest	1
Board designated transfers / grants	<u>(8,619)</u>

INCREASE/(DECREASE) IN DESIGNATED NET ASSETS (8,614)

DESIGNATED NET ASSETS AT BEGINNING OF YEAR 122,685

DESIGNATED NET ASSETS AT END OF YEAR \$ 114,071

TEMPORARILY RESTRICTED

T.P.. Feng memorial Lectureship Fund

Interest	2
Board designated transfers / grants	<u>-</u>

INCREASE IN TEMPORARILY RESTRICTED NET ASSETS 2

TEMPORARILY RESTRICTED NET ASSETS AT
BEGINNING OF YEAR 43,185

TEMPORARILY RESTRICTED NET ASSETS AT
END OF YEAR \$ 43,187

PERMANENTLY RESTRICTED

T.P. Feng memorial Lectureship Fund

Cash	\$ <u>31,179</u>
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International Union of Physiological Sciences
Schedules of Revenue and Expenses
For the Year ended December 31, 2012

SUPPORT AND REVENUE

Dues from national members (Adhering Bodies)	\$ 121,645
Contributions	3,000
Investment return	39,283
Miscellaneous revenue	<u>3,384</u>
Total support and revenue	167,312

EXPENSES

Scientific Activities

Scientific meetings	5,374
Travel & entertainment	24,793
Bad debts	96,499

Publications

15,000

Other activities:

Contributions to ICSU	4,229
Grants	13,166

Administrative expenses:

Dues	62
Salaries and related charges	67,725
Accounting and audit fees	525
Bank service charges	1,153
Consulting fees	1,084
Foreign office expenses	22
General office expenses	3,958
Foreign currency translation adjustment	<u>589</u>

Total expenses 234,179

EXCESS/(SHORTAGE) OF SUPPORT AND
REVENUE OVER EXPENSES

\$ (66,867)

International Union of Physiological Sciences
Schedules of Dues Assessed to Members and Dues Paid
For the Year ending December 31, 2012

<u>ADHERING BODY</u>	<u>DUES COLLECTED</u>	<u>DUES ASSESSED</u>
Argentina	\$ 1,499	\$ 477
Australia	3,082	3,082
Austria	-	918
Belarus	-	-
Belgium	1,488	1,488
Brazil	1,541	1,541
Bulgaria	230	230
Canada	3,855	3,855
Chile	772	772
China:		
Peoples' Republic of China	5,463	5,500
Taiwan	772	772
Croatia	-	-
Czech Republic	772	772
Denmark	-	1,541
Egypt	-	-
Finland	1,488	1,488
France	-	5,210
Georgia	-	-
Germany	745	11,205
Greece	-	-
Hungary	772	772
India	3,083	3,083
Iran	-	2,692

International Union of Physiological Sciences
Schedules of Dues Assessed to Members and Dues Paid
For the Year ending December 31, 2012

<u>ADHERING BODY</u>	<u>DUES COLLECTED</u>	<u>DUES ASSESSED</u>
Israel	\$ 1,541	\$ 1,541
Italy	-	-
Japan	16,960	16,960
Korea	772	772
Mexico	1,541	1,541
Netherlands	-	-
New Zealand	1,541	1,541
Nigeria	466	466
Norway	6,044	6,044
Pakistan	457	-
Philippines	-	-
Poland	222	236
Republic of Kazakhstan	-	-
Romani	236	236
Russia	6,168	6,168
Serbia & Montenegro	772	772
Slovak Republic	-	-
Slovenia	228	228
South Africa	1,541	1,541
Spain	2,975	2,975
Sweden	3,855	3,855
Switzerland	7	1,541
Thailand	-	-
Turkey	772	772

International Union of Physiological Sciences
Schedules of Dues Assessed to Members and Dues Paid
For the Year ending December 31, 2012

<u>ADHERING BODY</u>	<u>DUES COLLECTED</u>	<u>DUES ASSESSED</u>
Ukraine	\$ 772	\$ 772
United Kingdom	9,251	9,251
United States	28,070	25,278
Venezuela	-	-
Prior period Adjustment / write-offs	<u>96,499</u>	<u>-</u>
	<u>\$ 206,252</u>	<u>\$ 127,888</u>
 DUES RECEIVABLE AT BEGINNING OF YEAR		 \$ 125,247
Dues assessed during year		127,888
Dues collected during year		<u>(206,252)</u>
 DUES RECEIVABLE AT END OF YEAR		 \$ <u>46,883</u>