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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Council of Science Editors, Inc.  
Reston, Virginia

We have audited the accompanying statement of financial position of Council of Science Editors, Inc. (a non-profit organization) as of December 31, 1999, and the related statement of activities and changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Council of Science Editors, Inc. as of December 31, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

*O'Connor & Desmarais, P.C.*

April 28, 2000

# Financial Report

**COUNCIL OF SCIENCE EDITORS, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 1999**

**ASSETS**

ASSETS	
Cash and cash equivalents	\$ 145,873
Investments	361,954
Accounts receivable	15,526
Prepaid expenses	12,624
Inventory	<u>29,407</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 565,384</u></b>

**LIABILITIES AND NET ASSETS**

LIABILITIES	
Accounts payable	\$ 9,639
Deferred revenue	<u>63,774</u>
<b>TOTAL LIABILITIES</b>	<b>73,413</b>
<b>NET ASSETS</b>	
Unrestricted	<u>491,971</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 565,384</u></b>

**STATEMENT OF ACTIVITIES AND CHANGES IN NET**

**ASSETS**

for the year ended December 31, 1999

UNRESTRICTED NET ASSETS	
<b>Support and revenue</b>	
Advertising	\$ 8,440
Annual meeting	155,029
Investment income	42,964
Membership dues	129,474
Miscellaneous	1,915
Publications	9,180
Royalties	6,338
Workshops	<u>30,965</u>
<b>TOTAL UNRESTRICTED SUPPORT</b>	<b>384,305</b>

**Expenses**

Program Services	
Annual meeting	82,605
Board and committee	11,491
Cost of goods sold	2,508
Publications	50,764
Workshops	13,466
Supporting Services	
General and administrative	<u>105,395</u>
<b>TOTAL EXPENSES</b>	<b><u>266,229</u></b>

INCREASE IN UNRESTRICTED NET ASSETS  
118,076

NET ASSETS, beginning	383,394
Prior period adjustments	<u>(9,499)</u>
<b>NET ASSETS, ending</b>	<b><u>\$ 491,971</u></b>

**STATEMENT OF CASH FLOWS**

for the year ended December 31, 1999

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 118,076
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Net realized gain on sale of investments	(2,647)
Net unrealized gain on investments	(13,489)
(Increase) decrease in:	
Accounts receivable	(9,254)
Prepaid expenses	(1,532)
Inventory	(14,263)
Increase (decrease) in:	
Accounts payable	5,630
Deferred revenue	<u>24,769</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>107,290</b>

continued

The accompanying notes are an integral part of these financial statements.

CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(41,925)
Sale of investment	<u>14,000</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(27,925)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	79,365
CASH AND CASH EQUIVALENTS, beginning	<u>66,508</u>
CASH AND CASH EQUIVALENTS, ending	\$ 145,873

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS**  
for the year ended December 31, 1999

**1. GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities and Organization

The Council of Science Editors, Inc. (the Council) is a not-for-profit, national membership organization established to improve the education of and communication among authors, editors, and publishers in the life sciences. The Council's principal programs are an annual educational meeting, various workshops and the publication of books and periodicals. Revenue is generated primarily from members for meeting and course fees and membership dues.

Basis of Accounting

The financial statements of the Council have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below.

**Basis of Presentation**

Financial Statement Presentation

The Council has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Council

is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Council is required to present a statement of cash flows. However, since all of the Council's assets are classified as unrestricted, net assets will not be separated.

Cash Equivalents

Cash equivalents consist of interest-bearing deposit accounts whose maturity is three months or less.

Investments

Investments are recorded at fair value. All gains and losses are included in the statement of activities.

Inventories

The Council values its inventories at the lower of cost or market, on a first-in, first-out basis.

Dues and Revenue Recognition

Dues are collected annually from members at rates that vary with the type of membership. Revenue recognized during a period relates to dues earned for that period of membership. All dues collected for future years are deferred and recorded as unearned dues revenue.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Council has been granted a tax-exempt status as a publicly supported charity under Section 501(c)(3) of the Internal Revenue Service Code for all business income related to the organization's tax exempt purpose. The Council is subject to Federal and State income tax on its net unrelated business income, arising from the sale of mailing lists and publication advertising, after related expenses. No provision for income taxes is required for the year ended December 31, 1999.

## 2. INVESTMENTS

The cost and related fair value of investments at December 31, 1999, are as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Legg Mason - Cash	\$4,882	\$4,882	\$ -
Legg Mason - Short-term Investment Fund	25,859	25,859	-
Legg Mason - Long-term Investment Fund	298,348	331,213	32,865
<b>Total</b>	<u>\$ 329,089</u>	<u>\$ 361,954</u>	<u>\$ 32,865</u>

Investment income consists of the following:

Interest and dividends	\$26,828	
Unrealized gains		13,489
Realized gains		<u>2,647</u>
<b>Total investment income</b>		<b>\$ 42,964</b>

## 3. CONCENTRATION OF CREDIT RISK

The Council maintains its cash balances in several financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 1999, the Council's uninsured cash balances totaled \$49,184.

## 4. MANAGEMENT AGREEMENT

The Council is operated by a management company under the terms of a one-year agreement that is automatically renewed. Under the provisions of this agreement, the Council is to pay an annual management fee in addition to certain reimbursable expenses. This fee was \$68,000 for the year ended December 31, 1999. For the year ending December 31, 2000, the annual management fee is \$70,000.

## 5. RELATED PARTY TRANSACTION

The Council's newsletter is printed by a company whose president is a council board member. The amount paid for printing services amounted to \$17,962.

An ex-officio board member edits the council's newsletter. A stipend of \$24,000 was paid to the editor's employer.

## 6. PRIOR PERIOD ADJUSTMENTS

Due to departures from generally accepted accounting principles in the prior year, previously reported revenues and expenses were understated. The correction of these misstatements resulted in an increase to previously reported retained earnings of \$9,499, an increase in revenues of \$2,941, an increase in prepaid expenses of \$9,931, a decrease in inventory of \$18,399, and an increase in accounts payable of \$3,972.

Understatement of revenues	\$ 2,941
Understatement of expenses	<u>(12,440)</u>
<b>Net change</b>	<b><u>\$(9,499)</u></b>

## 7. SUBSEQUENT EVENT

Effective January 1, 2000, the name of the Council was changed from Council of Biology Editors, Inc. to Council of Science Editors, Inc.