

**THE SOCIETY FOR INVESTIGATIVE
DERMATOLOGY**
FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

The Society for Investigative Dermatology

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The Society for Investigative Dermatology
Statements of Financial Position
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 753,628	\$ 596,031
Investment in marketable securities	1,281,905	1,019,883
Royalty receivable	242,952	149,570
Prepaid expenses	62,534	102,039
Property and equipment, net	<u>13,273</u>	<u>7,331</u>
TOTAL ASSETS	<u>\$ 2,354,292</u>	<u>\$ 1,874,854</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 287,202	\$ 167,692
Unearned revenue	<u>250,655</u>	<u>384,851</u>
Total Liabilities	537,857	552,543
NET ASSETS		
Unrestricted	82,844	(320,941)
Temporarily restricted	<u>1,733,591</u>	<u>1,643,252</u>
Total Net Assets	<u>1,816,435</u>	<u>1,322,311</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,354,292</u>	<u>\$ 1,874,854</u>

See accountant's compilation report.

The Society for Investigative Dermatology
Statements of Activities
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
UNRESTRICTED SUPPORT AND REVENUE		
Unrestricted	\$ 11,968	\$ 2,500
Registration fees	842,782	420,070
Dues	330,300	348,857
Journal income	1,116,437	974,377
Other income	126,675	112,839
Net assets released from restrictions	<u>240,089</u>	<u>63,239</u>
 Total unrestricted support and revenue	 2,668,251	 1,921,882
 FUNCTIONAL EXPENSES	 <u>2,249,091</u>	 <u>2,574,083</u>
 INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	 419,160	 (652,201)
 TEMPORARILY RESTRICTED SUPPORT AND REVENUE		
Contributions	65,000	95,305
Dividend and Interest Income	52,878	93,542
Net investment loss	197,175	(654,365)
Net assets released from restrictions	<u>(240,089)</u>	<u>(63,239)</u>
 INCREASE (DECREASE) IN TEMPORARILY RESTRICTED ASSETS	 <u>74,964</u>	 <u>(528,757)</u>
 INCREASE (DECREASE) IN NET ASSETS	 <u>\$ 494,124</u>	 <u>\$ (1,180,958)</u>

See accountant's compilation report.

The Society for Investigative Dermatology
Statements of Change in Net Assets
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
NET ASSETS AT BEGINNING OF YEAR	\$ 1,322,311	\$ 2,503,269
Increase (Decrease) in net assets	<u>494,124</u>	<u>(1,180,958)</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,816,435</u>	<u>\$ 1,322,311</u>

See accountant's compilation report.

The Society for Investigative Dermatology
Statement of Functional Expenses
Year Ended December 31, 2009

	Cost Centers						Total
	JID Office	Committees	National Meeting	Awards & Programs	Management and General	Total	
Salaries, administrative fees and consulting	\$ 308,456	\$ -	\$ -	\$ -	\$ 562,874	\$ 871,330	
Office expense	299,378	-	89,784	21,534	255,828	666,524	
Other committees	-	-	-	-	-	-	
Awards and special programs	-	-	14,671	48,683	-	63,354	
Publishing and printing costs	563	-	19,793	17,593	121,295	159,244	
Government and public relations	-	-	-	-	-	-	
Rent and lease expense	-	-	-	-	39,139	39,139	
Travel	12,390	2,399	8,435	8,482	48,262	79,968	
Office rent	-	-	-	-	-	-	
Taxes and licenses	-	-	-	-	46,545	46,545	
Reception and supplies	5,137	-	221,151	-	7,020	233,308	
Legal and professional	16,116	-	-	-	24,016	40,132	
Postage	2,946	-	4,480	825	3,289	11,540	
Depreciation	-	-	-	-	4,058	4,058	
Hotel	-	-	-	16,828	1,195	18,023	
Webpage	-	-	-	-	-	-	
Board of Directors	-	-	-	-	15,926	15,926	
	<u>\$ 644,966</u>	<u>\$ 2,399</u>	<u>\$ 358,314</u>	<u>\$ 113,945</u>	<u>\$ 1,129,447</u>	<u>\$ 2,249,091</u>	

See notes to the financial statements.

The Society for Investigative Dermatology
Statement of Functional Expenses
Year Ended December 31, 2008

	Cost Centers						Total
	JID Office	Committees	National Meeting	Awards & Programs	Management and General	Total	
Salaries, administrative fees and consulting	\$ 265,707	\$ -	\$ -	\$ -	\$ -	\$ 265,707	\$ 949,674
Office expense	215,420	-	31,477	24,644	389,284	271,541	660,825
Other committees	-	18,776	-	-	-	18,776	18,776
Awards and special programs	-	-	21,167	63,239	-	84,406	84,406
Publishing and printing costs	124	-	-	2,077	74,155	2,201	76,356
Government and public relations	-	-	-	-	-	-	-
Rent and lease expense	-	-	-	-	87,122	-	87,122
Travel	23,277	-	32,848	106,696	63,476	162,821	226,297
Office rent	-	-	-	-	-	-	-
Taxes and licenses	-	-	-	-	53,592	-	53,592
Reception and supplies	1,663	-	224,550	358	7,265	226,591	233,856
Legal and professional	21,977	-	-	-	26,428	21,977	48,405
Postage	3,715	-	-	1,288	3,340	5,003	8,343
Depreciation	-	-	-	-	2,359	-	2,359
Hotel	-	-	-	106,659	805	106,659	107,464
Webpage	-	-	-	-	-	-	-
Board of Directors	-	-	-	-	16,608	-	16,608
	<u>\$ 531,903</u>	<u>\$ 18,776</u>	<u>\$ 310,042</u>	<u>\$ 304,961</u>	<u>\$ 1,408,401</u>	<u>\$ 1,165,682</u>	<u>\$ 2,574,083</u>

See notes to the financial statements.

The Society for Investigative Dermatology
Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Increase(Decrease) in net assets	\$ 494,124	\$ (1,180,958)
Adjustments to reconcile (decrease)increase in net assets to net cash flows (used)provided by operating activities:		
Depreciation	4,058	2,359
Net (appreciation)depreciation in fair value of investment	(212,550)	654,365
(Increase)Decrease in assets:		
Royalty receivable	(93,382)	85,375
Prepaid expenses	39,505	(3,788)
Increase(Decrease) in liabilities:		
Accounts Payable	119,510	29,681
Unearned revenue	(134,196)	35,669
 Net Cash provided (used) by operating activities	 217,069	 (377,297)
 Cash Flows from Investing Activities		
Net cash flow in marketable securities	(49,472)	(24,850)
Purchase of property and equipment	(10,000)	(3,468)
 Net cash used by investing activities	 <u>(59,472)</u>	 <u>(28,318)</u>
 Net Increase (decrease) in cash and cash equivalents	 157,597	 (405,615)
 Cash and cash equivalents at beginning of year	 596,031	 1,001,646
 Cash and cash equivalents at end of year	 \$ 753,628	 \$ 596,031

See accountant's compilation report.

The Society for Investigative Dermatology
Notes to Financial Statements

Note 1 – Business Activity

Nature of Activities – The objectives of The Society for Investigative Dermatology (the Society) are to promote and encourage research in diseases of the skin and related subjects. Current activities are:

JID Office – the Society maintains the editorial office for the Journal for Investigative Dermatology, which organizes, edits and prepares the periodical for printing.

Committees – the Society helps with efforts to lobby the federal government for program support and funding. The Society also has committees that make recommendations in efforts to help the Society reach its objectives.

International Meeting – the Society organizes the annual international meeting for its members to facilitate the dissemination of information within the Society.

Awards and Special Programs – the Society annually awards several speakers at the international meeting with awards. Fellowships are also funded through the Society with contributions collected during the year.

Note 2 – Summary of Accounting Principles

Investments in Marketable Securities – Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statements of financial position. Realized and unrealized gains and losses are included in the statements of activities.

Royalty Receivable – The Society has a contract with the publisher of the Journal of Investigative Dermatology. Under this contract, the Society was guaranteed a royalty payment. The publisher offsets this royalty amount by expenses incurred on its behalf. The net amount of \$147,915 and \$149,570 for the years ended December 31, 2009 and 2008, respectively, represents the royalty receivable on the accompanying statements of financial position.

Revenue Recognition – The Society recognizes revenue upon receipt of registration fees for the annual meeting, membership dues and sales of its journal.

The Society for Investigative Dermatology
Notes to Financial Statements

Note 2 – Summary of Accounting Principles (continued)

Other Income – Included in other income for the years ended December 31, 2009 and 2008, respectively, on the accompanying statements of activities is \$54,000 and \$40,000 which represent management fees received from the Association of Professors of Dermatology for services performed, \$663 and \$33,000 in management fees received from The Association of Academic Dermatologic Surgeons for services performed, and \$35,000 and \$35,000 in management fees received from the Medical Dermatology Society for services performed.

Expense Allocation – Expenses are allocated between the various costs centers based upon specific identification.

Property and Equipment – Property and equipment are recorded at cost. Major renewals and improvements are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is calculated using straight-line and accelerated methods.

Federal Income Taxes – The Society qualifies for tax-exempt status under the Internal Revenue Code Section 501(c)(3).

Statements of Cash Flows – For purposes of the statements of cash flows, the Society considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Operating Lease – The Society leases its facilities under an operating lease. Rent payments are expensed over the life of the lease.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 – Fair Value

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and establishing a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market the most advantageous market.

The Society for Investigative Dermatology
Notes to Financial Statements

Note 3 – Fair Value (continued)

Valuation techniques that are consistent with the market, income or cost approach, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value on three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active market for identical assets or liabilities the Entity has the ability to measure.
- Level 2 inputs are inputs (other than quoted prices included in Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the entities own data.)

At December 31, 2009 and 2008 all amounts reported on the Statement of Financial Position in Cash and Cash Equivalents and Investments in Marketable Securities are valued utilizing Level 1 inputs.

Note 4 – Investments in Marketable Securities

Investments in mutual funds and corporate bonds in the accompanying statements of financial position are stated at fair value. The fair values have been determined based upon quoted market prices from published sources. At December 31, 2009 and 2008, the cost and fair values of the investments were as follows:

	2009		2008	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fidelity Investments	\$ 205,402	\$ 292,191	\$ 199,645	\$ 230,979
UBS	89,013	89,013	88,087	89,146
Merrill Lynch	792,290	604,733	829,917	465,886
Vanguard 500 Index Fund	189,918	295,968	183,735	233,872
	<u>\$ 1,276,623</u>	<u>\$ 1,281,905</u>	<u>\$ 1,301,384</u>	<u>\$ 1,019,883</u>

The Society for Investigative Dermatology
Notes to Financial Statements

Note 5 – Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 38,902	\$ 28,903
Accumulated depreciation	<u>(25,629)</u>	<u>(21,572)</u>
	<u>\$ 13,273</u>	<u>\$ 7,331</u>

Depreciation expense was \$4,058 and \$2,359 for the years ended December 31, 2009 and 2008 respectively.

Note 6 – Unearned Revenue

Unearned revenue consists of payments to the Society for items pertaining to the upcoming membership year. The balance at December 31, consists of the following payments:

	<u>2009</u>	<u>2008</u>
Dues	\$ 246,475	\$ 272,510
Annual international meeting	3,325	111,581
Miscellaneous	<u>855</u>	<u>760</u>
	<u>\$ 250,655</u>	<u>\$ 384,851</u>

Note 7 – Restrictions on Net Assets

Temporarily restricted net assets of \$1,605,791 at December 31, 2009 and \$1,643,252 at December 31, 2008 represent contributions and endowments with restrictions as to the use of the principal and income from these amounts. Funds from these restricted funds are expendable to support the publication of the Society's journal and the awarding of certain annual speaker awards.

The Society for Investigative Dermatology
Notes to Financial Statements

Note 8 – Lease commitments

The Society leases its previous facility under an operating lease which expired on August 31, 2008. Total rent expense was \$29,765 in 2009 and \$77,033 in 2008.

Effective July 1, 2008 the Society moved its operations to a new location in downtown Cleveland and entered into a new lease which will expire on October 1, 2015. Under the new lease, future minimum lease payments are as follows:

2010	\$ 32,021
2011	33,771
2012	35,749
2013	36,586
2014	38,108
Thereafter	<u>32,709</u>
	<u>\$ 208,944</u>

Note 9 – ESDR Profit (Loss) sharing arrangement

The Society participates in a profit and loss sharing arrangement with the European Society for Dermatological Research (ESDR), whereby both organizations agree to share in the financial profit or loss of the Journal of Investigative Dermatology, the official scholarly publication of the Society and the ESDR. Profit and loss sharing is based on the corresponding percentage of the number of member subscriptions submitted by each organization. The arrangement calls for the organization to reimburse ESDR for any profits, and ESDR to reimburse the Society for any losses on an annual basis. ESDR profit(loss) sharing totaled \$253,917 and \$138,011 for 2009 and 2008, respectively.

Note 10 – Retirement Plan

The Society sponsors a 403(b) retirement plan covering all employees meeting certain minimum age and length of service requirements. The plan is funded by elective employee contributions and matching employer contributions. The Society's expense associated with this plan was \$39,497 in 2009 and \$49,870 in 2008.

Note 11 – Concentrations

The Society maintains its cash deposits in commercial banks. The Society's deposits were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of December 31, 2009. The bank balances may, at times, exceed the federally insured limits.

The Society for Investigative Dermatology
Schedule of Cash and Cash Equivalents
December 31, 2009

Cash and Cash Equivalents

SID ACCOUNT	
Key Bank Checking	\$ 249,490
Bank of America Funds	52,452
Wachovia	<u>2,077</u>
	304,019
JID ENDOWMENT	
U.S. Bank CD	9,592
JID/PUBLISHER	
Key Bank Money Market Funds	85,202
BEERMAN ENDOWMENT	
U.S. Bank CD	914
BLANK ENDOWMENT	
U.S. Bank CD	721
KANOF ENDOWMENT	
U.S. Bank CD	884
MONTAGNA ENDOWMENT	
U.S. Bank CD	1,137
EDUCATIONAL PROGRAM ACCOUNT	
Key Bank Money Market Funds	125,648
IID ACCOUNT	
Key Bank Money Market Funds	173,847
FROST/KLIGMAN LECTURESHIP ACCOUNT	
Frost/Kligman Account Balance	<u>51,664</u>
Total Cash and Cash Equivalents	<u>\$ 753,628</u>

See accountant's compilation report.

The Society for Investigative Dermatology
Schedule of Investments in Marketable Securities
December 31, 2009

Marketable Securities	
SID ACCOUNT	
Merrill Lynch	\$ 127,890
SID FARBER ACCOUNT	
Merrill Lynch	255,102
JID ENDOWMENT	
Fidelity	211,576
Merrill Lynch	141,146
Vanguard	<u>214,526</u>
	567,248
BEERMAN ENDOWMENT	
Fidelity	20,161
Merrill Lynch	22,937
Vanguard	<u>20,367</u>
	63,465
BLANK ENDOWMENT	
Fidelity	15,895
Merrill Lynch	22,000
Vanguard	<u>16,059</u>
	53,954
GIGLI ENDOWMENT	
Merrill Lynch	740
KANOF ENDOWMENT	
Fidelity	19,489
Merrill Lynch	16,125
Vanguard	<u>19,689</u>
	55,303
MONTAGNA ENDOWMENT	
Fidelity	25,070
Merrill Lynch	18,793
Vanguard	<u>25,327</u>
	69,190
STONE ENDOWMENT	
UBS	<u>89,013</u>
Total Marketable Securities	<u>\$ 1,281,905</u>

See accountant's compilation report.