

**TRANSACTIONS OF SOCIETY OF ACTUARIES  
1988 VOL. 40 PT 2**

**FINANCIAL REPORT  
BALANCE SHEETS**

**ASSETS**

	YEAR ENDED	
	JULY 31	
	1988	1987
Current Assets:		
Cash and short-term investments.....	\$2,671,661	\$1,998,648
Accounts receivable, less allowances of \$18,000 .....	198,728	144,986
Inventories—at cost .....	182,184	99,273
Other .....	263,977	317,246
Total current assets .....	<u>\$3,316,550</u>	<u>\$2,560,153</u>
Long-Term Investments—Note B .....	1,277,479	1,184,592
Furniture, Equipment and Leasehold Improvements—at cost, less allowances for depreciation and amortization (1988—\$148,444; 1987—\$154,143) .....	144,746	160,154
Custodian Funds—primarily short-term investments, at cost which approximates market—Note E .....	368,170	368,852
	<u>\$5,106,945</u>	<u>\$4,273,751</u>

**LIABILITIES AND MEMBERSHIP EQUITY**

Current Liabilities:		
Accounts payable and accrued liabilities .....	\$1,415,671	\$1,164,276
Unearned revenues .....	932,529	874,485
Due to International Actuarial Association .....	54,052	28,608
Advances (principally on publications) .....	45,131	32,785
Total current liabilities .....	<u>\$2,447,383</u>	<u>\$2,100,154</u>
Custodian Funds—accounts payable—Note E .....	21,892	18,118
Custodian Funds—Note E .....	346,278	350,734
Membership Equity .....	<u>2,291,392</u>	<u>1,804,745</u>
	<u>\$5,106,945</u>	<u>\$4,273,751</u>

See notes to financial statements.

STATEMENTS OF REVENUES AND EXPENSES  
AND CHANGES IN MEMBERSHIP EQUITY

	YEAR ENDED	
	1988	1987
	JULY 31	
Revenues:		
Membership dues .....	\$1,680,293	\$1,517,509
Meeting registration fees .....	841,387	884,445
Seminar fees .....	779,035	527,009
Examination fees, calculator sales and educational material sales .....	3,333,500	2,437,320
Sale of publications .....	129,141	82,333
Income from allied organizations .....	157,382	153,413
Investment income .....	218,375	188,487
Other .....	19,328	41,032
Total Revenues	\$7,158,441	\$5,831,568
Expenses:		
Salaries and related expenses .....	2,009,317	1,766,886
Printing .....	1,250,329	1,028,603
Travel and honoraria .....	1,368,730	1,158,736
Postage and mailing .....	643,431	533,801
Grading services and item writers .....	389,298	338,773
Cost of calculators sold .....	34,977	39,004
Rent .....	313,093	209,448
Office .....	232,584	197,213
Computer .....	87,004	82,297
Miscellaneous .....	79,265	86,937
Telephone .....	38,213	32,272
Professional fees .....	84,509	86,561
Depreciation—books .....	39,171	19,280
Depreciation—office .....	28,267	26,206
Insurance .....	24,867	21,815
Research development .....	25,000	16,559
Math contest .....	7,500	7,500
Professional association .....	6,000	6,000
<i>Conference Board of the Mathematical</i> <i>Sciences</i> .....	1,500	1,400
Library .....	8,739	7,695
Total Expenses	\$6,671,794	\$5,666,986
Excess of revenues over expense .....	486,647	164,582
Membership equity at beginning of year .....	\$1,804,745	\$1,640,163
Membership equity at end of year .....	\$2,291,392	\$1,804,745

See notes to financial statements.

## STATEMENTS OF CASH FLOWS

	YEAR ENDED JULY 31	
	1988	1987
Operating Activities:		
Excess of revenues over expenses.....	\$486,647	\$164,582
Add (deduct) items not affecting cash:		
Depreciation and amortization.....	52,821	46,832
Decrease (increase) in accounts receivable.....	(53,742)	206,178
Increase in other current assets.....	(29,642)	(130,880)
Increase in unearned revenues and advances.....	95,834	139,748
Increase in accounts payable and accrued liabilities.....	<u>251,395</u>	<u>138,611</u>
Net cash provided by operating activities.....	\$ 803,313	\$ 565,071
Investing Activities:		
Purchase of long-term investments.....	(193,079)	(718,013)
Proceeds of long-term investments sold or matured.....	100,192	303,821
Additions to furniture, equipment and leasehold improvements.....	<u>(37,413)</u>	<u>(33,890)</u>
Net cash used by investing activities.....	\$ (130,300)	\$ (448,082)
Net increase in cash and short-term investments.....	673,013	116,989
Cash and short-term investments at beginning of year.....	<u>1,998,648</u>	<u>1,881,659</u>
Cash and short-term investments at end of year.....	<u>\$2,671,661</u>	<u>\$1,998,648</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS  
TWO YEARS ENDED  
July 31, 1988 and 1987

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Short-term investments consist of highly liquid securities, principally United States Government obligations. These investments are carried at cost which approximates market.

Long-term investments are carried at amortized cost since it is the Society's intent to hold such investments until maturity.

Membership dues are deferred and recognized as income on a pro rata basis over the Society's membership period.

Provisions for depreciation and amortization of furniture, equipment and leasehold improvements are computed on the straight-line method based on the estimated useful lives of the assets or the terms of the leases.

Certain amounts in the 1987 financial statements have been reclassified to conform with the 1988 presentation.

NOTE B—LONG-TERM INVESTMENTS

Long-term investments consist of the following:

	AMORTIZED COST		MARKET VALUE	
	1988	1987	1988	1987
United States				
Treasury bonds . . . .	\$1,215,579	\$1,122,699	\$1,210,033	\$1,118,110
Corporate bonds . . . . .	<u>61,900</u>	<u>61,893</u>	<u>52,980</u>	<u>54,333</u>
	<u>\$1,277,479</u>	<u>\$1,184,592</u>	<u>\$1,263,013</u>	<u>\$1,172,443</u>

NOTE C—TAX-EXEMPT STATUS

The Society is qualified as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. Therefore, its current activities do not result in liabilities for income taxes.

NOTE D—RETIREMENT PLAN

All employees of the Society, subject to minimum eligibility requirements, are covered by a retirement plan. The Society contributes 15% of the employees' basic salaries and the employees may contribute amounts up to the limitation as defined in the Internal Revenue Code. These contributions are applied to purchase deferred annuity contracts from insurance companies. The Society's policy is to fund retirement costs accrued. Pension expense for the years ended July 31, 1988 and 1987 was \$207,318 and \$232,048, respectively.

## NOTE E—CUSTODIAN FUNDS

The Society is custodian for funds contributed by members for a minority recruitment program, a scholarship fund, an educational award fund, a research and development fund, and special interest sections. Disbursements to support these programs are made upon the authorization of the program directors. Revenues and expenses of the custodian funds are excluded from the results of operations of the Society. The fund balances of the various custodian funds are as follows:

	YEAR ENDED	
	JULY 31	
	1988	1987
Minority recruitment program .....	\$116,624	\$163,447
Smith Scholarship .....	—	141
Educational award fund .....	13,993	13,773
Research and development fund .....	26,590	—
Special interest sections:		
Individual life insurance and annuity product development .....	71,124	57,758
Life insurance company financial reporting .....	25,810	22,550
Pension .....	41,554	39,837
Health insurance .....	15,438	10,082
Futurism .....	3,824	11,263
Reinsurance (deficit) .....	(483)	12,736
Nontraditional marketing .....	18,377	14,811
Investment .....	13,427	4,336
Total .....	<u>\$346,278</u>	<u>\$350,734</u>

## NOTE F—LEASE COMMITMENTS

The Society occupies office space under an operating lease agreement through 2001 which includes escalation clauses to cover future increases in operating costs above base year costs. The lease provides for a period of free rent through 1992, the effects of which are being recognized over the lease term on a straight-line basis. Total rent expense amounted to \$313,093 and \$209,448 in 1988 and 1987, respectively.

As of July 31, 1988, future minimum rental commitments for the noncancelable lease are \$30,000 in 1992, \$366,000 in 1993, and \$2,925,000 for all years thereafter through 2001.

We have audited the accompanying statements of financial condition of the Society of Actuaries as of July 31, 1988 and 1987, and the related statements of revenues and

expenses and changes in membership equity, and cash flows for the years then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 the Society of Actuaries as of July 31, 1988 and 1987, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

[Signed] ERNST & WHINNEY