

**TRANSACTIONS OF SOCIETY OF ACTUARIES
1989 VOL. 41**

**FINANCIAL REPORT
BALANCE SHEETS**

ASSETS

	YEAR ENDED	
	JULY 31	
	1989	1988
Current Assets:		
Cash and short-term investments	\$1,987,681	\$2,671,661
Accounts receivable, less allowances of \$18,000	388,196	198,728
Inventories—at cost	176,955	182,184
Other	<u>266,655</u>	<u>263,977</u>
Total current assets	2,819,487	3,316,550
Long-Term Investments—Note B	2,255,474	1,277,479
Furniture, Equipment and Leasehold Improvements—at cost, less allowances for depreciation and amortization (1989—\$202,610; 1988—\$148,444)	333,126	144,746
Custodian Funds—primarily short-term investments, at cost which approximates market—Note C	<u>347,025</u>	<u>368,170</u>
	<u>\$5,755,112</u>	<u>\$5,106,945</u>

LIABILITIES AND MEMBERSHIP EQUITY

Current Liabilities:		
Accounts payable and accrued liabilities	\$1,533,932	\$1,415,671
Unearned revenues	1,010,023	932,529
Due to International Actuarial Association	63,651	54,052
Advances (principally on publications)	<u>24,663</u>	<u>45,131</u>
Total current liabilities	2,632,269	2,447,383
Deferred Rent—Note D	255,483	—
Custodian Funds—accounts payable—Note C	6,405	21,892
Custodian Funds—Note C	340,620	346,278
Membership Equity	<u>2,520,335</u>	<u>2,291,392</u>
	<u>\$5,755,112</u>	<u>\$5,106,945</u>

See notes to financial statements.

STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN MEMBERSHIP EQUITY

	YEAR ENDED JULY 31	
	1989	1988
Revenues:		
Membership dues	\$1,893,530	\$1,680,293
Meeting registration fees.....	836,546	841,387
Seminar fees	827,789	779,035
Examination fees, calculator sales and educational material sales	4,363,437	3,333,500
Sale of publications.....	119,869	129,141
Mortality reports	532,138	—
Income from allied organizations.....	163,886	157,382
Investment income	318,707	218,375
Other	35,040	19,328
Total Revenues	<u>\$9,090,942</u>	<u>\$7,158,441</u>
Expenses:		
Salaries and related expenses	2,578,239	2,009,317
Printing	1,538,570	1,250,329
Travel and honoraria	1,501,316	1,368,730
Postage and mailing	824,929	643,431
Grading services	462,156	389,298
Mortality reports	438,543	—
Cost of calculators sold.....	59,229	34,977
Rent	449,098	313,093
Office	297,039	232,584
Computer	92,351	87,004
Public relations/strengthening profession.....	64,131	14,766
Miscellaneous	62,557	64,499
Telephone	69,720	38,213
Professional fees	67,407	84,509
Depreciation—books	29,648	39,171
Depreciation—office	31,445	28,267
Insurance	31,872	24,867
Broadcasting fees	158,350	—
Research development.....	75,361	25,000
Other research expenses	17,400	15,000
Library	12,638	8,739
Total Expenses	<u>\$8,861,999</u>	<u>\$6,671,794</u>
Excess of revenues over expenses	228,943	486,647
Membership equity at beginning of year	<u>2,291,392</u>	<u>1,804,745</u>
Membership equity at end of year	<u>\$2,520,335</u>	<u>\$2,291,392</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

	YEAR ENDED	
	JULY 31	
	1989	1988
Operating Activities		
Excess of revenues over expenses	\$ 228,943	\$ 486,647
Add (deduct) items not affecting cash:		
Depreciation and amortization	66,161	52,821
Deferred rent	255,483	—
Increase in accounts receivable	(189,468)	(53,742)
Decrease (increase) in other		
current assets	2,551	(29,642)
Increase in unearned revenues		
and advances	66,625	95,834
Increase in accounts payable and		
accrued liabilities	<u>118,261</u>	<u>251,395</u>
Net cash provided by		
operating activities	\$ 548,556	\$ 803,313
Investing Activities:		
Purchase of long-term investments	(1,524,420)	(193,079)
Current maturity of long-term		
investments	546,425	100,192
Additions to furniture, equipment		
and leasehold improvements	<u>(254,541)</u>	<u>(37,413)</u>
Net cash used by		
investing activities	<u>\$(1,232,536)</u>	<u>\$ (130,300)</u>
Net Increase (decrease) in		
cash and short-term investments	(683,980)	(673,013)
Cash and short-term investments		
at beginning of year	<u>2,671,661</u>	<u>1,998,648</u>
Cash and short-term		
investments at end of year	<u><u>\$1,987,681</u></u>	<u><u>\$2,671,661</u></u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
TWO YEARS ENDED
July 31, 1989 and 1988

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 because 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 1988 financial statements have been reclassified to conform with the 1989 presentation.

NOTE B—LONG-TERM INVESTMENTS

Long-term investments consist of the following:

	AMORTIZED COST		MARKET VALUE	
	1989	1988	1989	1988
United States				
Treasury bonds	\$2,193,569	\$1,215,579	\$2,244,950	\$1,210,033
Corporate bonds	<u>61,905</u>	<u>61,900</u>	<u>58,420</u>	<u>52,980</u>
	<u>\$2,255,474</u>	<u>\$1,277,479</u>	<u>\$2,303,370</u>	<u>\$1,263,013</u>

NOTE C—CUSTODIAN FUNDS

The Society is custodian for funds contributed by members for a minority recruitment program, 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	
	1989	1988
Minority recruitment program	\$ 64,171	\$116,624
Educational award fund	14,250	13,993
Research and development fund	39,887	26,590
Special interest sections:		
Individual life insurance and annuity product development	76,853	71,124
Life insurance company financial reporting	23,884	25,810
Pension	38,973	41,554
Health insurance	24,530	15,438
Futurism	2,683	3,824
Reinsurance (deficit)	6,668	(483)
Nontraditional marketing	23,155	18,377
Investment	<u>25,566</u>	<u>13,427</u>
Total	<u>\$340,620</u>	<u>\$346,278</u>

NOTE D—LEASE COMMITMENTS

The Society occupies office space under an operating lease agreement through 2001 that 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.

As of July 31, 1989, future minimum rental commitments for the noncancelable lease are \$30,000 in 1992, \$366,000 in 1993 and 1994, and \$2,560,000 for all years thereafter through 2001.

NOTE E—RETIREMENT PLAN

All employees of the Society, subject to minimum eligibility requirements, are covered by a retirement plan. The Society contributes 15 percent 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, 1989 and 1988 was \$273,527 and \$207,318, respectively.

NOTE F—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.

We have audited the accompanying statements of financial condition of the Society of Actuaries as of July 31, 1989 and 1988, 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, 1989 and 1988, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

[Signed] ERNST & YOUNG