

**TRANSACTIONS OF SOCIETY OF ACTUARIES
1980 VOL. 32**

FINANCIAL REPORT

BALANCE SHEETS

ASSETS

	1980	JULY 31 1979
Current assets:		
Cash.....	\$ 33,526	\$ 38,042
Savings account.....	545	33,886
Certificates of deposit.....	40,000	370,000
Short-term investments at cost, which approximates market.....	898,259	
Accounts receivable, less allowance for doubtful accounts of \$12,960 in 1980 and \$9,500 in 1979..	127,655	129,800
Inventories (Note G).....	121,806	55,866
Other current assets.....	66,111	24,894
	<u>\$1,287,902</u>	<u>\$652,488</u>
Investments (quoted market \$90,410 in 1980 and \$128,615 in 1979) (Note B).....	111,740	146,660
Office equipment, less accumulated depreciation of \$30,810 in 1980 and \$24,863 in 1979.....	49,077	52,056
Custodian funds—short-term investments (Note E):		
Minority recruitment fund.....	81,507	69,598
Smith scholarship fund.....	16,614	16,907
	<u>\$ 98,121</u>	<u>\$ 86,505</u>
	<u>\$1,546,840</u>	<u>\$937,709</u>

LIABILITIES AND MEMBERSHIP EQUITY

Current liabilities and deferred income:		
Accounts payable and accrued expenses.....	\$ 566,140	\$191,473
Due to International Actuarial Association.....	1,120	3,279
Advances (principally on publications).....	44,473	8,670
Unearned revenues.....	359,325	222,795
	<u>\$ 971,058</u>	<u>\$426,217</u>
Custodian funds (Note E):		
Minority recruitment fund.....	81,507	69,598
Smith scholarship fund.....	16,614	16,907
	<u>\$ 98,121</u>	<u>\$ 86,505</u>
Membership equity.....	477,661	424,987
	<u>\$1,546,840</u>	<u>\$937,709</u>

See notes to financial statements.

STATEMENTS OF INCOME AND EXPENSES
AND MEMBERSHIP EQUITY

	YEAR ENDED	
	1980	1979
Income:		
Membership dues	\$ 664,842	\$ 515,270
Meeting registration fees	369,507	184,982
Examination fees and educational material sales	682,373	569,392
Sale of publications	106,927	82,240
Income from American Academy of Actuaries ..	74,778	58,462
Investment income	79,246	41,481
Other	70,220	24,703
	<u>\$2,047,893</u>	<u>\$1,476,530</u>
Expenses:		
Membership activities	\$ 243,126	\$ 141,159
Meeting expenses	\$ 271,029	173,994
Examinations and cost of educational ma- terials (Note G)	361,892	386,963
Cost of publications	42,188	29,890
Salaries	427,637	331,534
General and administrative (other than sal- aries)	649,347	574,824
	<u>\$1,995,219</u>	<u>\$1,638,364</u>
Excess (deficiency) of income over expenses	\$ 52,674	(\$ 161,834)
Membership equity:		
Beginning of year	424,987	586,821
End of year	<u>\$ 477,661</u>	<u>\$ 424,987</u>

See notes to financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	YEAR ENDED JULY 31	
	1980	1979
Source of funds:		
Operations:		
Excess (deficiency) of income over expenses	\$ 52,674	(\$161,834)
Depreciation and amortization	7,720	7,005
Funds provided from (used in) operations . . .	<u>\$ 60,394</u>	<u>(\$154,829)</u>
Increase in:		
Accounts payable and accrued expenses	374,667	81,023
Unearned revenues	136,530	12,605
Decrease in:		
Investments	35,001	
Accounts receivable	2,145	47,464
Inventories		15,999
	<u>\$608,737</u>	<u>\$ 2,262</u>
Application of funds:		
Purchases of equipment	\$ 4,822	\$ 12,790
Increase in inventories	65,940	
Other	7,573	24,226
	<u>\$ 78,335</u>	<u>\$ 37,016</u>
Increase (decrease) in cash, savings accounts, certificates of deposit, and short-term investments . . .	<u>\$530,402</u>	<u>(\$ 34,754)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
TWO YEARS ENDED JULY 31, 1980

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Office equipment is recorded at acquisition cost. Depreciation is provided by the straight-line method over an estimated useful life of ten years.

Investments in bonds are carried at amortized cost, since it is the Society's policy 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.

Certain reclassifications have been made in 1979 financial statements to conform to the classifications used in 1980.

NOTE B: INVESTMENTS

Investments at July 31, 1980, consist of the following:

	Par Value	Amortized Cost	Market
United States Treasury bonds.....	\$ 42,000	\$ 41,960	\$41,250
Canadian bonds.....	8,000	7,934	7,820
Corporate bonds.....	62,000	61,846	41,340
	<u>\$112,000</u>	<u>\$111,740</u>	<u>\$90,410</u>

NOTE C: TAX-EXEMPT STATUS

The Society has qualified as a tax-exempt organization under provisions 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 percent of the employees' basic salary, 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. It is the Society's policy to fund retirement costs accrued. The expense of the plan was \$57,878 in 1980 and \$42,252 in 1979.

NOTE E: CUSTODIAN FUNDS

The Society is custodian for funds contributed by members for a minority recruitment program and a scholarship fund. Disbursements to support the program and fund are made upon the authorization of the program or fund director.

NOTE F: RENTAL COMMITMENTS

The Society is obligated under noncancelable leases for the rental of certain data processing equipment (lease expiring December 5, 1983) and for office space (lease expiring September 30, 1983). As of July 31, 1980, the approximate minimum rental commitments under these operating leases were as follows:

Year ending July 31	Amount
1981.....	\$90,536
1982.....	90,536
1983.....	90,536
1984.....	19,844

Total rental expense was approximately \$97,000 for the year ended July 31, 1980, and \$82,000 for the year ended July 31, 1979.

NOTE G: CHANGE IN ACCOUNTING

During fiscal 1980, the Society revised its accounting for examination study notes. Prior to 1980, all study notes were expensed as purchased. Effective July 31, 1980, the Society accounted for study notes on hand as inventory. This change was made to provide improved custodial and financial control over these items. The effect of this change was to decrease cost of educational materials and increase inventory by \$69,815. The cumulative effect of this change at July 31, 1979, is not determinable.

We have examined the balance sheets of the Society of Actuaries at July 31, 1980 and 1979, and the related statements of income and expenses and membership equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Society of Actuaries at July 31, 1980 and 1979, and the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change in the method of accounting for inventories, with which we concur, as described in Note G.

[Signed] TOUCHE ROSS & Co.

