

**TRANSACTIONS OF SOCIETY OF ACTUARIES
1986 VOL. 38**

FINANCIAL REPORT

BALANCE SHEETS

ASSETS

	JULY 31	
	1986	1985
Current Assets:		
Cash and short-term investments	\$1,881,659	\$1,283,158
Accounts receivable, less allowances (1986—\$33,000; 1985—\$18,570)	351,164	467,459
Inventories—at cost	89,612	118,715
Other current assets	196,027	172,385
Total current assets	<u>2,518,462</u>	<u>2,041,717</u>
Long-term investments—(Note B)	770,400	668,621
Furniture, equipment and leasehold improvements—at cost, less allowances for depreciation and amortization (1986—\$115,178; 1985—\$88,263)	173,096	190,331
Custodian funds—primarily short-term investments, at cost which approximates market—(Note E)	347,604	285,627
	<u>\$3,809,562</u>	<u>\$3,186,296</u>

LIABILITIES AND MEMBERSHIP EQUITY

Current Liabilities:		
Accounts payable and accrued liabilities	\$1,025,665	\$1,012,483
Due to International Actuarial Association	20,975	38,904
Advances (principally on publications)	11,000	32,428
Unearned revenues	764,155	633,192
Total current liabilities	<u>1,821,795</u>	<u>1,717,007</u>
Custodian Funds—accounts payable —(Note E)	2,125	3,533
Custodian funds—(Note E)		
Minority recruitment program	186,264	141,602
Smith scholarship	7,219	11,311
Educational award fund	12,844	11,854
Special interest sections:		
Individual life insurance and annuity product development	36,888	30,937
Life insurance company financial reporting	24,515	20,223
Pension	31,172	27,305
Health insurance	10,165	13,354
Futurism	11,196	9,680
Reinsurance	14,662	8,505
Nontraditional marketing	10,554	7,323
	<u>345,479</u>	<u>282,094</u>
Membership equity	1,640,163	1,183,662
	<u>\$3,809,562</u>	<u>\$3,186,296</u>

See notes to financial statements.

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES
IN MEMBERSHIP EQUITY

	YEAR ENDED	
	JULY 31	
	1986	1985
Revenues:		
Membership dues	\$1,465,062	\$1,304,001
Meeting registration fees.....	741,065	558,635
Seminar fees.....	481,599	472,552
Examination fees, calculator sales and educational material sales.....	1,815,285	1,535,988
Sale of publications	79,065	55,738
Income from allied organizations	154,938	120,679
Investment income	177,304	168,432
Other	35,343	30,739
Total revenues.....	<u>4,949,661</u>	<u>4,246,764</u>
Expenses:		
Salaries and related expenses.....	1,427,230	1,152,206
Printing	741,959	759,082
Travel and honoraria	944,793	817,414
Postage and mailing	493,364	420,455
Grading services and item writers	221,710	210,203
Cost of calculators sold.....	41,646	43,418
Rent	193,066	152,662
Office	139,840	149,612
Computer.....	51,443	35,617
Relocation.....	55,133	—
Miscellaneous.....	44,990	37,925
Telephone	27,493	25,317
Professional fees	31,324	15,932
Depreciation—books	13,126	56,604
Depreciation—office	22,724	22,149
Insurance.....	14,970	11,615
Research and Development Fund	10,250	10,000
Math contest.....	5,000	5,000
Professional association.....	7,623	8,000
Conference Board of the Mathematical Sciences.....	825	628
Library.....	4,651	1,095
Total expenses.....	<u>4,493,160</u>	<u>3,934,934</u>
Excess of revenue over expenses	456,501	311,830
Membership equity at beginning of year.....	1,183,662	871,832
Membership equity at end of year	<u>\$1,640,163</u>	<u>\$1,183,662</u>

See notes to financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	YEAR ENDED	
	1986	1985
Cash from operations:		
Excess of revenues over expenses	\$456,501	\$311,830
Depreciation and amortization	41,889	40,582
Cash from operations before changes in working capital ..	<u>498,390</u>	<u>352,412</u>
Working capital changes:		
Unearned revenues and advances	91,606	84,475
Accounts payable and accrued liabilities	13,182	(253,448)
Accounts receivable	116,295	67,495
Other current assets	5,461	(4,396)
Cash from operations	724,934	246,538
Investing activities:		
Purchase of long-term investments	(201,779)	(101,865)
Proceeds from maturities of long-term investments	100,000	135,000
Additions to furniture, equipment, and leasehold improvements	(24,654)	(121,806)
Disposals of furniture, equipment, and leasehold improvements	—	39,384
Total investing activities	<u>(126,433)</u>	<u>(49,287)</u>
Increase in cash and short-term investments	<u>\$598,501</u>	<u>\$197,251</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
TWO YEARS ENDED
JULY 31, 1986

NOTE A.—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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

NOTE B.—LONG-TERM INVESTMENTS

Long-term investments consist of the following:

	AMORTIZED COST		MARKET VALUE	
	1986	1985	1986	1985
United States Treasury Bonds	\$708,518	\$606,745	\$774,970	\$630,438
Corporate Bonds	61,882	61,876	54,125	45,935
	<u>\$770,400</u>	<u>\$668,621</u>	<u>\$829,095</u>	<u>\$676,373</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 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, 1986 and 1985 was \$147,900 and \$113,900, 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, and special interest sections. Disbursements to support these programs are made upon the authorization of the program directors.

NOTE F.—LEASE COMMITMENTS

The Society occupies office space under an operating lease agreement which includes an escalation clause to cover future increases in operating costs above base year costs. Total rent expense amounted to \$193,066 and \$152,662 in 1986 and 1985, respectively.

As of July 31, 1986, future minimum rental commitments for the noncancelable lease are as follows:

Year Ending July 31	Amount
1987	\$181,900
1988	181,900
1989	45,400
	<u>\$409,200</u>

We have examined the statements of financial condition of the Society of Actuaries as of July 31, 1986 and 1985, and the related statements of revenues and expenses and changes in 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, 1986 and 1985, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

[Signed] ERNST & WHINNEY

