

**TRANSACTIONS OF SOCIETY OF ACTUARIES
1987 VOL. 39**

FINANCIAL REPORT

BALANCE SHEETS

ASSETS

	JULY 31	
	1987	1986
Current Assets:		
Cash and short-term investments	\$1,998,648	\$1,881,659
Accounts receivable, less allowances (1987—\$18,000; 1986—\$33,000)	144,986	351,164
Inventories—at cost	99,273	89,612
Other current assets	317,246	196,027
Total current assets	2,560,153	2,518,462
Long-term investments—(Note B)	1,184,592	770,400
Furniture, equipment and leasehold improvements—at cost, less allowances for depreciation and amortization (1987—\$154,143; 1986—\$115,178)	160,154	173,096
Custodian funds—primarily short-term investments, at cost which approximates market—(Note E)	368,852	347,604
	<u>\$4,273,751</u>	<u>\$3,809,562</u>

LIABILITIES AND MEMBERSHIP EQUITY

Current Liabilities:		
Accounts payable and accrued liabilities	\$1,164,276	\$1,025,665
Unearned revenues	874,485	764,155
Due to International Actuarial Association	28,608	20,975
Advances (principally on publications)	32,785	11,000
Total current liabilities	2,100,154	1,821,795
Custodian funds—accounts payable—(Note E)	18,118	2,125
Custodian funds—(Note E)		
Minority recruitment program	163,447	186,264
Smith Scholarship	141	7,219
Educational award fund	13,773	12,844
Special interest sections:		
Individual life insurance and annuity product development	57,758	36,888
Life insurance company financial reporting	22,550	24,515
Pension	39,837	31,172
Health insurance	10,082	10,165
Futurism	11,263	11,196
Reinsurance	12,736	14,662
Nontraditional marketing	14,811	—
Investment	4,336	10,554
	<u>350,734</u>	<u>345,479</u>
Membership equity	1,804,745	1,640,163
	<u>\$4,273,751</u>	<u>\$3,809,562</u>

See notes to financial statements.

STATEMENTS OF REVENUES AND EXPENSES AND
CHANGES IN MEMBERSHIP EQUITY

	YEAR ENDED	
	JULY 31	
	1987	1986
Revenues:		
Membership dues	\$1,517,509	\$1,465,062
Meeting registration fees	884,465	741,065
Seminar fees	527,009	481,599
Examination fees, calculator sales and educational material sales	2,437,320	1,815,285
Sale of publications	82,333	79,065
Income from allied organizations	153,413	154,938
Investment income	188,487	177,304
Other	41,032	35,343
Total revenues	<u>5,831,568</u>	<u>4,949,661</u>
Expenses:		
Salaries and related expenses	1,766,886	1,427,230
Printing	1,028,603	741,959
Travel and honoraria	1,158,736	944,793
Postage and mailing	533,801	493,364
Grading services and item writers	338,773	221,710
Cost of calculators sold	39,004	41,646
Rent	209,448	193,066
Office	197,213	139,840
Computer	82,297	51,443
Relocation	—	55,133
Miscellaneous	86,937	44,990
Telephone	32,272	27,493
Professional fees	86,561	31,324
Depreciation—books	19,280	13,126
Depreciation—office	26,206	22,724
Insurance	21,815	14,970
Research and Development Fund	16,559	10,250
Math contest	7,500	5,000
Professional association	6,000	7,623
Conference Board of the Mathematical Sciences	1,400	825
Library	7,695	4,651
Total expenses	<u>5,666,986</u>	<u>4,493,160</u>
Excess of revenue over expenses	164,582	456,501
Membership equity at beginning of year	1,640,163	1,183,662
Membership equity at end of year	<u>\$1,804,745</u>	<u>\$1,640,163</u>

See notes to financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	YEAR ENDED	
	JULY 31	
	1987	1986
Cash from operations:		
Excess of revenues over expenses	\$164,582	\$456,501
Add (deduct) items not affecting cash:		
Depreciation and amortization	46,832	41,889
Decrease in accounts receivable	206,178	116,295
Decrease (increase) in other current assets	(130,880)	5,461
Increase in unearned revenues and advances	139,748	91,606
Increase in accounts payable and accrued liabilities	138,611	13,182
Net cash provided by operations	565,071	724,934
Investing activities:		
Purchase of long-term investments	(718,013)	(201,779)
Decrease in long-term investments, net of current maturities	303,821	100,000
Additions to furniture, equipment and leasehold improvements	(33,890)	(24,654)
Net cash used by investing activities	(448,082)	(126,433)
Increase in cash and short-term investments	<u>\$116,989</u>	<u>\$598,501</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
TWO YEARS ENDED
JULY 31, 1987

NOTE A.—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

NOTE B.—LONG-TERM INVESTMENTS

Long-term investments consist of the following:

	AMORTIZED COST		MARKET VALUE	
	1987	1986	1987	1986
United States Treasury bonds.....	\$1,122,699	\$708,518	\$1,118,110	\$774,970
Corporate bonds.....	61,893	61,882	54,333	54,125
	<u>\$1,184,592</u>	<u>\$770,400</u>	<u>\$1,172,443</u>	<u>\$829,095</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, 1987 and 1986 was \$232,048 and \$147,900, 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. Revenues and expenses of the custodian funds are excluded from the results of operations of the Society.

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 \$209,448 and \$193,066 in 1987 and 1986, respectively.

As of July 31, 1987, future minimum rental commitments for the noncancelable lease are as follows:

Year Ending July 31	Amount
1988	\$219,552
1989	54,888
	<u>\$274,440</u>

We have examined the statements of financial condition of the Society of Actuaries as of July 31, 1987 and 1986, 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, 1987 and 1986, 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] ERNEST & WHINNEY

