

**FINANCIAL REPORT  
STATEMENT OF FINANCIAL CONDITION  
ASSETS**

	JULY 31, 1993			JULY 31, 1992		
	General Fund	Restricted Fund	Total	General Fund	Restricted Fund	Total
<b>Current Assets:</b>						
Cash and cash equivalents .....	\$ 2,012,029	\$984,287	\$ 2,996,316	\$4,160,052	\$733,628	4,893,680
Investment in U.S. Government obligations (Note 2) .....	1,117,578		1,117,578	200,071		200,071
Accounts receivable, less allowance for doubtful accounts of \$35,000 for 1993 and 1992 .....	182,863		182,863	129,254		129,254
Inventories .....	196,996		196,996	368,592		368,592
Prepaid experience studies expenses (Note 1) .....	256,152		256,152	330,782		330,782
Other .....	360,984		360,984	239,443		239,443
<b>Total current assets</b> .....	<b>\$ 4,126,602</b>	<b>\$984,287</b>	<b>\$5,110,889</b>	<b>\$5,428,194</b>	<b>\$733,628</b>	<b>\$ 6,161,822</b>
Furniture, equipment and leasehold improvements, at cost, less allowance for depreciation and amortization of \$454,521 (\$368,807 in 1992) (Note 4) .....	276,414		276,414	327,972		327,972
Long-term investments (Note 2) .....	6,410,004		6,410,004	4,027,775		4,027,775
<b>Total assets</b> .....	<b><u>\$10,813,020</u></b>	<b><u>\$984,287</u></b>	<b><u>\$11,797,307</u></b>	<b><u>\$9,783,941</u></b>	<b><u>\$733,628</u></b>	<b><u>\$10,517,569</u></b>

STATEMENT OF FINANCIAL CONDITION—*Continued*  
 LIABILITIES AND MEMBERSHIP EQUITY

	JULY 31, 1993			JULY 31, 1992		
	General Fund	Restricted Fund	Total	General Fund	Restricted Fund	Total
<b>Current Liabilities:</b>						
Accounts payable and accrued expenses .....	\$ 1,878,182	\$ 20,356	\$ 1,898,538	\$1,211,092	\$ 17,488	\$ 1,228,580
Deferred revenues .....	1,801,307		1,801,307	1,777,531		1,777,531
Accrued for Actuarial Standards Board/Actuarial Board for Counseling and Discipline expenses .....				157,500		157,500
Advance subscriptions .....	45,888		45,888	43,881		43,881
Total current liabilities .....	3,725,377	20,356	3,745,733	3,190,004	17,488	3,207,492
Accrued rent (Note 5) .....	942,796		942,796	1,060,648		1,060,648
Total liabilities .....	4,668,173	20,356	4,688,529	4,250,652	17,488	4,268,140
Membership equity (Note 3) .....	6,144,847	963,931	7,108,778	5,533,289	716,140	6,249,429
Total liabilities and membership equity .....	<u>\$10,813,020</u>	<u>\$984,287</u>	<u>\$11,797,307</u>	<u>\$9,783,941</u>	<u>\$733,628</u>	<u>\$10,517,569</u>

The accompanying notes should be read in conjunction herewith.

## STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN MEMBERSHIP EQUITY

	FOR THE YEAR ENDED JULY 31, 1993			FOR THE YEAR ENDED JULY 31, 1992		
	General Fund	Restricted Fund	Total	General Fund	Restricted Fund	Total
<b>Revenues:</b>						
Meeting registration fees .....	1,617,664	22,053	1,639,717	1,575,381	20,130	1,595,511
Seminar fees .....	715,368	209,570	924,938	692,062	115,210	807,272
Education and examination fees .....	6,303,911		6,303,911	6,679,467		6,679,467
Sale of publications .....	108,910	4,270	113,180	92,999	3,189	96,188
Experience studies .....	611,427		611,427	644,762		644,762
Income from allied organizations .....	273,449		273,449	243,054		243,054
Investment income .....	453,395	22,729	476,124	448,545	23,885	472,430
Contributions .....	550	79,755	80,305	650	73,417	74,067
Other .....	109,992		109,992	59,801		59,801
<b>Total Revenues</b> .....	<u>12,992,151</u>	<u>633,597</u>	<u>13,625,748</u>	<u>13,076,199</u>	<u>507,343</u>	<u>13,583,542</u>

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN MEMBERSHIP EQUITY—Continued

	FOR THE YEAR ENDED JULY 31, 1993			FOR THE YEAR ENDED JULY 31, 1992		
	General Fund	Restricted Fund	Total	General Fund	Restricted Fund	Total
Expenses:						
Salaries and related expenses	4,064,629		4,064,629	3,958,087		3,958,087
Printing	1,416,098	84,298	1,500,396	1,291,663	67,599	1,359,262
Travel and honoraria	2,080,132	117,987	2,198,119	1,798,793	78,343	1,877,136
Postage and mailing	998,889	72,095	1,070,984	1,177,125	58,157	1,235,282
Grading services/course development	528,879		528,879	541,526		541,526
Fellowship admission course and intensive seminars	402,810		402,810	425,949		425,949
Cost of calculators sold	143,734		143,734	388,961		388,961
Rent	569,317		569,317	573,243		573,243
Office	398,974	16,447	415,421	315,940	2,724	318,664
Computer	101,355		101,355	97,237		97,237
Public relations/strengthening profession	121,046		121,046	73,430		73,430
Telephone	113,015	4,245	117,260	94,240	1,855	96,095
Professional fees	204,344		204,344	118,587		118,587
Depreciation—books	31,980		31,980	29,256		29,256
Depreciation—equipment	48,299		48,299	47,732		47,732
Insurance	36,721		36,721	31,999		31,999
Teleconference and course development	106,675		106,675	43,295		43,295
Research projects	280,089		280,089	200,383	21,500	221,883
Experience studies	536,500		536,500	604,041		604,041
Other research expenses	11,400		11,400	12,300		12,300
College/university initiative	\$ 128,328	\$ 90,067	\$ 218,395	\$ 90,571	\$ 84,950	\$ 175,521
Library	20,707		20,707	25,317		25,317
Student newsletter	44,604		44,604			
Bulletin board	7,500		7,500			
ASB/ABCD expenses	( 157,767)		( 157,767)	157,500		157,500
International Promotional and Education Fund	50,000		50,000			
Miscellaneous	92,335	667	93,002	97,514	1,510	99,024
Total expenses	<u>12,380,593</u>	<u>385,806</u>	<u>12,766,399</u>	<u>12,194,689</u>	<u>316,638</u>	<u>12,511,327</u>
Excess of revenues over expenses	611,558	247,791	859,349	881,510	190,705	1,072,215
Membership Equity at Beginning of Year	5,533,289	716,140	6,249,429	4,651,779	525,435	5,177,214
Membership Equity at End of Year	<u>\$ 6,144,847</u>	<u>\$963,931</u>	<u>\$7,108,778</u>	<u>\$5,533,289</u>	<u>\$716,140</u>	<u>\$ 6,249,429</u>

The accompanying notes should be read in conjunction herewith.

## STATEMENT OF CASH FLOWS

	FOR THE YEAR ENDED JULY 31, 1993			FOR THE YEAR ENDED JULY 31, 1992		
	General Fund	Restricted Fund	Total	General Fund	Restricted Fund	Total
<b>Cash Flows from Operating Activities:</b>						
Revenue over expenses .....	\$ 611,558	\$247,791	\$ 859,349	\$ 881,510	\$190,705	\$1,072,215
Adjustments to reconcile revenue over expenses to net cash provided by operating activities:						
Depreciation and amortization .....	85,714		85,714	84,966		84,966
Accrued rent .....	( 117,852)		( 117,852)	257,769		257,769
Amortization and accretion of investment discounts and premiums .....	57,061		57,061	27,038		27,038
<b>Changes in certain working capital items:</b>						
Net accounts receivable .....	( 53,609)		( 53,609)	74,614		74,614
Inventory .....	171,596		171,596	160,167		160,167
Prepaid experience studies expenses .....	74,630		74,630	166,862		166,862
Other current assets .....	( 121,541)		( 121,541)	47,620		47,620
Accounts payable and accrued expenses .....	509,590	2,868	512,458	( 588,791)	6,748	( 582,043)
Deferred revenues and advances .....	25,783		25,783	367,482		367,482
Net cash provided by operating activities .....	<u>1,242,930</u>	<u>250,659</u>	<u>1,493,589</u>	<u>1,479,237</u>	<u>197,453</u>	<u>1,676,690</u>
<b>Cash Flows from Investing Activities:</b>						
Purchase of property and equipment .....	( 34,156)		( 34,156)	( 80,426)		( 80,426)
Purchase of U.S. Government obligations .....	(3,606,797)		(3,606,797)			
Proceeds from maturity of U.S. Government obligations .....	250,000		250,000	440,000		440,000
Net Cash Provided by (Used in) Investing Activities .....	<u>(3,390,953)</u>		<u>(3,390,953)</u>	<u>359,574</u>		<u>359,574</u>
Net Increase (Decrease) in Cash and Cash Equivalents .....	<u>(2,148,023)</u>	<u>250,659</u>	<u>(1,897,364)</u>	<u>1,838,811</u>	<u>197,453</u>	<u>2,036,264</u>
Cash and Cash Equivalents at Beginning of Year .....	<u>4,160,052</u>	<u>733,628</u>	<u>4,893,680</u>	<u>2,321,241</u>	<u>536,175</u>	<u>2,857,416</u>
Cash and Cash Equivalents at End of Year .....	<u>\$2,012,029</u>	<u>\$984,287</u>	<u>\$2,996,316</u>	<u>\$4,160,052</u>	<u>\$733,628</u>	<u>\$4,893,680</u>

The accompanying notes should be read in conjunction herewith.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Organization and Purpose.* The Society of Actuaries is an educational, research and professional membership organization primarily for actuaries in Canada and the United States. Its objectives are to advance the knowledge of actuarial science and to promote the maintenance of high standards of competence and conduct within the actuarial profession.

*Cash and Cash Equivalents.* The Society considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

*Inventories.* Inventories are stated at the lower of cost or market.

*Experience Studies.* Approximately annually, the Society conducts various experience studies for use by its members. Expenses in connection with the compilation of these studies are charged to a prepaid account. The following fiscal year insurance companies and other commercial employers of actuaries are assessed for these and other related expenses, at which time the prepaid account is relieved by charging expense.

*Property and Equipment.* Acquisitions, improvements and replacements of major assets are capitalized at cost. Depreciation and amortization are computed on the straight-line method based on the estimated useful lives of the assets or the terms of the leases.

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

## NOTE 2. INVESTMENTS

Investments, which are stated at amortized cost, consist of the following:

	AMORTIZED COST		MARKET VALUE	
	1993	1992	1993	1992
Short-term:				
U.S. Treasury notes	\$1,117,578	\$ 200,071	\$1,130,859	\$ 203,594
Long-term:				
U.S. Treasury notes	\$6,398,062	\$3,965,855	\$6,693,625	\$4,257,311
Corporate bonds	11,942	61,920	12,275	62,000
	<u>\$6,410,004</u>	<u>\$4,027,775</u>	<u>\$6,705,900</u>	<u>\$4,319,311</u>

## NOTE 3. MEMBERSHIP EQUITY

*General Fund.* General Fund membership equity at July 31, 1993 and 1992 is as follows:

	JULY 31,	
	1993	1992
General Fund:		
Board designated for research development	\$ 93,112	\$ 90,101
Unrestricted, undesignated	6,051,735	5,443,188
	<u>\$6,144,847</u>	<u>\$5,533,289</u>

*Restricted Fund.* The Society has restricted funds for contributions for educational awards, a minority recruitment program and Special Interest Sections. Disbursements to support these programs are made upon the authorization of the committee or section chairperson. The fund balances at July 31, 1993 and 1992 of the various restricted funds are as follows:

	JULY 31,	
	1993	1992
Educational Award Fund	\$ 15,576	\$ 15,657
Minority recruitment	71,072	72,210
	<u>86,648</u>	<u>87,867</u>
Special Interest Sections:		
Actuary of the Future	3,864	
Computer Science	45,301	21,998
Education and Research	7,439	6,632
Financial Reporting	94,036	67,198
Futurism	22,146	15,970
Health Insurance	168,889	120,151
International	24,040	11,021
Investment	111,511	63,631
Nontraditional Marketing	42,371	38,800
Pension	119,629	82,401
Product Development	162,868	149,838
Reinsurance	71,450	50,633
Smaller Insurance Company	3,739	
	<u>877,283</u>	<u>628,273</u>
Total	<u>\$963,931</u>	<u>\$716,140</u>

## NOTE 4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

A summary of equipment and leasehold improvements at July 31 follows:

	<u>1993</u>	<u>1992</u>
Office equipment	\$406,447	\$391,146
Computer equipment	289,499	270,644
Truck	26,231	26,231
Leasehold improvements	<u>8,758</u>	<u>8,758</u>
	730,935	696,779
Less accumulated depreciation and amortization	<u>454,521</u>	<u>368,807</u>
	<u>\$276,414</u>	<u>\$327,972</u>

## NOTE 5. LEASE COMMITMENTS

The Society occupies office space under a lease agreement through 2001 that includes escalation clauses to cover future increases in operating costs above base-year costs. The lease provided for a period of free rent through 1992, the effects of which are being recognized over the lease term on a straight-line basis. The Society also leases warehouse space under a lease agreement through 1998 that includes an agreed-upon 2% increase per year.

As of July 31, 1993, future minimum rental commitments for these noncancellable leases are approximately \$472,000 in 1994, 1995, 1996, and 1997 and \$1,813,800 for all years thereafter through 2001, exclusive of executory costs such as real estate taxes and operating expenses.

## NOTE 6. RETIREMENT PLAN

All employees of the Society, subject to minimum eligibility requirements, are covered by a tax-deferred annuity program. As of January 1, 1993, the Society reduced its contribution from 15% to 10% of the employees' basic salaries. The employees may contribute amounts up to the limitation as defined in the Internal Revenue Code. Contributions are applied to purchase tax-deferred annuity contracts from insurance companies. The Society's policy is to fund retirement costs accrued. Pension expense for the years ended July 31, 1993 and 1992 was \$335,537 and \$428,535, respectively.

## NOTE 7. INCOME TAXES

The Society is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Society incurred no income tax liability as a result of its unrelated business activities in 1993 or 1992.



## NOTE 8. RESEARCH COMMITMENTS

The Society has outstanding commitments of \$292,300 to outside individuals or organizations for research projects in progress or about to begin. Of this amount, various sections of the Society have agreed to contribute up to \$104,200 toward these projects.

The Board of Governors has also approved an additional \$350,000 in the 1994 budget for projects proposed by the Committee on Research Coordination.

We have audited the accompanying statement of financial condition of the Society of Actuaries as of July 31, 1993 and 1992, 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 audits 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, 1993 and 1992, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

[Signed] SELDEN, FOX AND ASSOCIATES, LTD.  
Certified Public Accountants

September 10, 1993

