

**FINANCIAL REPORT
BALANCE SHEETS**

ASSETS

	YEAR ENDED JULY 31, 1991			YEAR ENDED JULY 31, 1990		
	General Fund	Restricted Fund	Total	General Fund	Restricted Fund	Total
Current Assets:						
Cash and cash equivalents	\$2,191,403	\$ 666,013	\$2,857,416	\$3,301,107	\$ 631,967	\$3,933,074
Investment in U.S. Government obligations (Note 2)	445,663		445,663	599,345		599,345
Accounts receivable, less allowance for doubtful accounts of \$18,000	203,868		203,868	136,174		136,174
Inventories	528,759		528,759	109,458		109,458
Prepaid mortality study expenses	497,644		497,644	390,066		390,066
Other	287,063		287,063	256,116		256,116
Total current assets	4,154,400	666,013	4,820,413	4,792,266	631,967	5,424,233
Furniture, equipment and leasehold improvements, at cost, less allowance for depreciation and amortization of \$321,756 (\$255,754 in 1990)	332,511		332,511	330,216		330,216
Long-term investments (Note 2)	4,249,222		4,249,222	1,639,954		1,639,954
Total assets	<u>\$8,736,133</u>	<u>\$ 666,013</u>	<u>\$9,402,146</u>	<u>\$6,762,436</u>	<u>\$ 631,967</u>	<u>\$7,394,403</u>

BALANCE SHEETS—Continued

LIABILITIES AND MEMBERSHIP EQUITY

	YEAR ENDED JULY 31, 1991			YEAR ENDED JULY 31, 1990		
	General Fund	Restricted Fund	Total	General Fund	Restricted Fund	Total
Current Liabilities:						
Accounts payable and accrued expenses	\$1,886,064	\$ 10,740	\$1,896,804	\$1,258,299	\$ 15,041	\$1,273,340
Deferred revenues	1,435,728		1,435,728	1,454,131		1,454,131
Due to International Actuarial Association	71,319		71,319	70,021		70,021
Advances	18,202		18,202	31,038		31,038
Total current liabilities	3,411,313	10,740	3,422,053	2,813,489	15,041	2,828,530
Deferred rent (Note 4)	802,879		802,879	510,966		510,966
Total liabilities.....	4,214,192	10,740	4,224,932	3,324,455	15,041	3,339,496
Membership Equity.....	4,521,941	655,273	5,177,214	3,437,981	616,926	4,054,907
Total liabilities and membership equity.....	\$8,736,133	\$666,013	\$9,402,146	\$6,762,436	\$631,967	\$7,394,403

The accompanying notes and independent auditor's report should be read in conjunction herewith.

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN MEMBERSHIP EQUITY

	<u>FOR THE YEAR ENDED JULY 31, 1991</u>			<u>FOR THE YEAR ENDED JULY 31, 1990</u>		
	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Revenues:						
Membership dues	\$ 2,486,764	\$ 204,400	\$ 2,691,164	\$ 2,201,752	\$ 182,677	\$ 2,384,429
Meeting registration fees.....	1,646,862	20,470	1,667,332	1,272,005	21,390	1,293,395
Seminar fees	921,815		921,815	744,566	31,895	776,461
Education and examination fees.....	5,962,050		5,962,050	5,058,147		5,058,147
Sale of publications.....	97,315	9,512	106,827	116,504	18,086	134,590
Experience studies.....	552,796		552,796			
Income from allied organizations.....	205,231		205,231	176,536		176,536
Investment income	457,997	42,075	500,072	390,335	28,017	418,352
Contributions		89,383	89,383		86,030	86,030
Other	49,826		49,826	61,967		61,967
Total Revenues	<u>12,380,656</u>	<u>365,840</u>	<u>12,746,496</u>	<u>10,021,812</u>	<u>368,095</u>	<u>10,389,907</u>

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

	FOR THE YEAR ENDED JULY 31, 1991			FOR THE YEAR ENDED JULY 31, 1990		
	General Fund	Restricted Fund	Total	General Fund	Restricted Fund	Total
Expenses:						
Salaries and related expenses	\$3,408,772	\$ 36,715	\$3,445,487	\$3,004,693	\$ 42,566	\$3,047,259
Printing	1,458,837	50,078	1,508,915	1,355,893	63,608	1,419,501
Travel and honoraria	1,932,089	19,681	1,951,770	1,661,072	9,496	1,670,568
Postage and mailing	991,096	41,728	1,032,824	812,438	45,917	858,355
Grading services/course development	479,496		479,496	380,189		380,189
Fellowship Admission Course and intensive seminars	493,477		493,477	256,409		256,409
Cost of calculators sold	87,162		87,162	73,524		73,524
Rent	512,203		512,203	461,117		461,117
Office	394,860	1,390	396,250	332,816	1,302	334,118
Computer	109,575		109,575	84,685		84,685
Public relations/strengthening profession	69,089		69,089	57,654		57,654
Telephone	89,821		89,821	91,092		91,092
Professional fees	164,818		164,818	105,741		105,741
Depreciation—books	31,673		31,673	39,253		39,253
Depreciation—equipment	45,559		45,559	42,645		42,645
Insurance	31,980		31,980	33,289		33,289
Broadcasting fees/course development	173,890		173,890	68,804		68,804
Research projects	150,000	89,361	239,361	150,000	(150,000)	
Mortality studies	480,325		480,325			
Other research expenses	14,873		14,873	16,390		16,390
College/university initiative	73,637	87,500	161,137		78,850	78,850
Library	24,615		24,615	16,962		16,962
Miscellaneous	78,849	1,040	79,889	59,500	50	59,550
Total Expenses	<u>11,296,696</u>	<u>327,493</u>	<u>11,624,189</u>	<u>9,104,166</u>	<u>91,789</u>	<u>9,195,955</u>
Excess of Revenues over Expenses	1,083,960	38,347	1,122,307	917,646	276,306	1,193,952
Membership Equity at Beginning of Year	3,437,981	616,926	4,054,907	2,520,335	340,620	2,860,955
Membership Equity at End of Year	<u>\$4,521,941</u>	<u>\$ 655,273</u>	<u>\$5,177,214</u>	<u>\$3,437,981</u>	<u>\$616,926</u>	<u>\$4,054,907</u>

The accompanying notes and independent auditor's report should be read in conjunction herewith.

STATEMENT OF CASH FLOWS

	FOR THE YEAR ENDED JULY 31, 1991			FOR THE YEAR ENDED JULY 31, 1990		
	General Fund	Restricted Fund	Total	General Fund	Restricted Fund	Total
Operating Activities:						
Excess of revenues over expenses	\$ 1,083,960	\$ 38,347	\$ 1,122,307	\$ 917,646	\$ 276,306	\$ 1,193,952
Adjustments to reconcile revenue over expenses to net cash provided by operating activities:						
Depreciation and amortization	75,435		75,435	64,995		64,995
Deferred rent	291,913		291,913	255,483		255,483
Amortization and accretion of investment discounts and premiums	14,102		14,102	12,982		12,982
Changes in certain working capital items:						
Net accounts receivable	(67,694)		(67,694)	252,022		252,022
Inventory	(419,301)		(419,301)	67,497		67,497
Prepaid mortality study expenses	(107,578)		(107,578)	(275,070)		(275,070)
Other current assets	(30,947)		(30,947)	(104,457)		(104,457)
Accounts payable and accrued expenses	627,765	(4,301)	623,464	(275,633)	8,636	(266,977)
Deferred revenues and advances	(29,941)		(29,941)	456,853		456,853
Net cash provided by operating activities	1,437,714	34,046	1,471,760	1,372,318	284,942	1,657,260
Investing Activities:						
Purchase of property and equipment	(77,730)		(77,730)	(62,085)		(62,085)
Purchase of U.S. Government obligations	(3,069,688)		(3,069,688)			
Proceeds from maturity of U.S. Government obligations	600,000		600,000	550,000		550,000
Net Cash Provided by (Used in) Investing Activities	(2,547,418)		(2,547,418)	487,915		487,915
Net Increase (Decrease) in Cash and Cash Equivalents	(1,109,704)	34,046	(1,075,658)	1,860,233	284,942	2,145,175
Cash and Cash Equivalents at Beginning of Year	3,301,107	631,967	3,933,074	1,440,874	347,025	1,787,899
Cash and Cash Equivalents at End of Year	<u>\$ 2,191,403</u>	<u>\$ 666,013</u>	<u>\$ 2,857,416</u>	<u>\$ 3,301,107</u>	<u>\$ 631,967</u>	<u>\$ 3,933,074</u>

The accompanying notes and independent auditor's report should be read in conjunction herewith.

NOTES TO THE FINANCIAL STATEMENTS
TWO YEARS ENDED
July 31, 1990 and 1991

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.

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.

Reclassification. Certain items reported for the year ended July 31, 1990 have been reclassified to conform with the present format of the financial statements. This reclassification had no effect upon earnings or net worth.

NOTE 2. INVESTMENTS

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

	AMORTIZED COST		MARKET VALUE	
	1991	1990	1991	1990
Short-term:				
U.S. Treasury notes	<u>\$ 445,663</u>	<u>\$ 599,345</u>	<u>\$ 451,450</u>	<u>\$ 600,520</u>
Long-term:				
U.S. Treasury notes	\$4,187,307	\$1,578,044	\$4,226,145	\$1,586,601
Corporate bonds	<u>61,915</u>	<u>61,910</u>	<u>59,315</u>	<u>56,264</u>
	<u>\$4,249,222</u>	<u>\$1,639,954</u>	<u>\$4,285,460</u>	<u>\$1,642,865</u>

NOTE 3. RESTRICTED FUNDS

The Society has restricted funds for research and development, Special Interest Sections and contributions for a minority recruitment program. Disbursements to support these programs are made upon the authorization of the committee or section chairperson. Revenues and expenses of the restricted funds are excluded from the results of operations of the General Fund. The 1990 financial statements have been reformatted to account

for the activities of the restricted funds. The fund balances at July 31, 1991 and 1990 of the various restricted funds are as follows:

	<u>YEAR ENDED JULY 31,</u>	
	<u>1991</u>	<u>1990</u>
Board designated for research and development	<u>\$129,838</u>	<u>\$198,253</u>
Restricted:		
Educational Award Fund	\$ 16,205	\$ 15,246
Minority recruitment	<u>80,410</u>	<u>72,422</u>
	<u>\$ 96,615</u>	<u>\$ 87,668</u>
Special Interest Sections:		
Education and Research	\$ 3,001	\$
Financial Reporting	59,215	43,072
Futurism	11,729	8,357
Health	81,147	50,816
Investment	46,320	39,929
Nontraditional Marketing	36,816	30,890
Pension	60,052	51,772
Product Development	100,959	96,728
Reinsurance	<u>29,581</u>	<u>9,441</u>
	<u>428,820</u>	<u>331,005</u>
Total	<u>\$655,273</u>	<u>\$616,926</u>

NOTE 4. 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 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, 1991, future minimum rental commitments for the noncancelable lease are \$56,800 in 1992, \$432,425 in 1993, 1994, 1995 and 1996, and \$2,162,125 for all years thereafter through 2001.

NOTE 5. RETIREMENT PLAN

All employees of the Society, subject to minimum eligibility requirements, are covered by a tax deferred annuity program. 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 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, 1991 and 1990 was \$407,928 and \$327,826, respectively.

NOTE 6. 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.

We have audited the accompanying statement of financial condition of the Society of Actuaries as of July 31, 1991 and the related statements of revenues and expenses and changes in membership equity and cash flows for the year 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 audit. The financial statements of the Society of Actuaries as of July 31, 1990, were audited by other auditors whose report dated September 10, 1990, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 1991 financial statements referred to above present fairly, in all material respects, the financial position of the Society of Actuaries as of July 31, 1991, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles. We also reviewed the changes described in Note 3 to the financial statements that were applied to reformat the 1990 financial statements. In our opinion, such changes are appropriate and have been properly applied.

[Signed] SELDEN, FOX AND ASSOCIATES, LTD.