

**TRANSACTIONS OF SOCIETY OF ACTUARIES
1992 VOL. 44**

**FINANCIAL REPORT
STATEMENT OF FINANCIAL CONDITION**

ASSETS

| | JULY 31, 1992 | | | JULY 31, 1991 | | |
|--|--------------------|------------------|---------------------|--------------------|------------------|--------------------|
| | General Fund | Restricted Fund | Total | General Fund | Restricted Fund | Total |
| Current Assets: | | | | | | |
| Cash and cash equivalents | \$4,160,052 | \$733,628 | \$ 4,893,680 | \$2,321,241 | \$536,175 | \$2,857,416 |
| Investment in U.S. Government obligations (Note 2) | 200,071 | | 200,071 | 445,663 | | 445,663 |
| Accounts receivable, less allowance for doubtful accounts of \$35,000 (\$18,000 in 1991) | 129,254 | | 129,254 | 203,868 | | 203,868 |
| Inventories | 368,592 | | 368,592 | 528,759 | | 528,759 |
| Prepaid experience studies expenses (Note 1) | 330,782 | | 330,782 | 497,644 | | 497,644 |
| Other | 239,443 | | 239,443 | 287,063 | | 287,063 |
| Total current assets | 5,428,194 | 733,628 | 6,161,822 | 4,284,238 | 536,175 | 4,820,413 |
| Furniture, equipment and leasehold improvements, at cost, less allowance for depreciation and amortization of \$368,807 (\$321,756 in 1991) (Note 4) | 327,972 | | 327,972 | 332,511 | | 332,511 |
| Long-term investments (Note 2) | 4,027,775 | | 4,027,775 | 4,249,222 | | 4,249,222 |
| Total assets | <u>\$9,783,941</u> | <u>\$733,628</u> | <u>\$10,517,569</u> | <u>\$8,865,971</u> | <u>\$536,175</u> | <u>\$9,402,146</u> |

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

| | JULY 31, 1992 | | | JULY 31, 1991 | | |
|--|--------------------|--------------------|---------------------|--------------------|--------------------|--------------------|
| | General Fund | Restricted Fund | Total | General Fund | Restricted Fund | Total |
| Current Liabilities: | | | | | | |
| Accounts payable and accrued expenses | \$1,211,092 | \$ 17,488 | \$ 1,228,580 | \$1,957,383 | \$ 10,740 | \$1,968,123 |
| Deferred revenues | 1,777,531 | | 1,777,531 | 1,435,728 | | 1,435,728 |
| Accrued for Actuarial Standards Board/Actuarial Board for Counseling and Discipline expenses..... | 157,500 | | 157,500 | | | |
| Advance subscriptions..... | 43,881 | | 43,881 | 18,202 | | 18,202 |
| Total current liabilities | <u>3,190,004</u> | 17,488 | <u>3,207,492</u> | <u>3,411,313</u> | 10,740 | <u>3,422,053</u> |
| Accrued Rent (Note 5) | <u>1,060,648</u> | | <u>1,060,648</u> | <u>802,879</u> | | <u>802,879</u> |
| Total liabilities | 4,250,652 | 17,488 | 4,268,140 | 4,214,192 | 10,740 | 4,224,932 |
| Membership Equity (Note 3) | <u>5,533,289</u> | <u>716,140</u> | <u>6,249,429</u> | <u>4,651,779</u> | <u>525,435</u> | <u>5,177,214</u> |
| Total liabilities and membership equity | <u>\$9,783,941</u> | <u>\$733,628</u> | <u>\$10,517,569</u> | <u>\$8,865,971</u> | <u>\$536,175</u> | <u>\$9,402,146</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, 1992 | | | For the Year Ended July 31, 1991 | | |
|---------------------------------------|----------------------------------|--------------------|-------------------|----------------------------------|--------------------|-------------------|
| | General Fund | Restricted Fund | Total | General Fund | Restricted Fund | Total |
| Revenues: | | | | | | |
| Membership dues..... | \$ 2,639,478 | \$271,512 | \$ 2,910,990 | \$ 2,486,764 | \$204,400 | \$ 2,691,164 |
| Mecting registration fees..... | 1,575,381 | 20,130 | 1,595,511 | 1,646,862 | 20,470 | 1,667,332 |
| Seminar fees..... | 692,062 | 115,210 | 807,272 | 921,815 | | 921,815 |
| Education and examination fees..... | 6,679,467 | | 6,679,467 | 5,962,050 | | 5,962,050 |
| Sale of publications..... | 92,999 | 3,189 | 96,188 | 97,315 | 4,591 | 101,906 |
| Experience studies..... | 644,762 | | 644,762 | 552,796 | | 552,796 |
| Income from allied organizations..... | 243,054 | | 243,054 | 205,231 | | 205,231 |
| Investment income..... | 488,545 | 23,885 | 472,430 | 470,472 | 29,600 | 500,072 |
| Contributions..... | 650 | 73,417 | 74,067 | 50 | 89,333 | 89,383 |
| Other..... | 59,801 | | 59,801 | 54,747 | | 54,747 |
| Total Revenues..... | <u>13,076,199</u> | <u>507,343</u> | <u>13,583,542</u> | <u>12,398,102</u> | <u>348,394</u> | <u>12,746,496</u> |

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

| | FOR THE YEAR ENDED JULY 31, 1992 | | | FOR THE YEAR ENDED JULY 31, 1991 | | |
|---|----------------------------------|------------------|---------------------|----------------------------------|------------------|---------------------|
| | General Fund | Restricted Fund | Total | General Fund | Restricted Fund | Total |
| Expenses: | | | | | | |
| Salaries and related expenses | \$ 3,958,087 | | \$ 3,958,087 | \$ 3,408,772 | \$ 36,715 | \$ 3,445,487 |
| Printing | 1,291,663 | \$ 67,599 | 1,359,262 | 1,458,837 | 50,078 | 1,508,915 |
| Travel and honoraria | 1,798,793 | 78,343 | 1,877,136 | 1,932,089 | 19,681 | 1,951,770 |
| Postage and mailing | 1,177,125 | 58,157 | 1,235,282 | 991,096 | 41,728 | 1,032,824 |
| Grading services/course development | 541,526 | | 541,526 | 479,496 | | 479,496 |
| Fellowship Admission Course and intensive seminars | 425,949 | | 425,949 | 493,477 | | 493,477 |
| Cost of calculators sold | 388,961 | | 388,961 | 87,162 | | 87,162 |
| Rent | 573,243 | | 573,243 | 512,203 | | 512,203 |
| Office | 315,940 | 2,724 | 318,664 | 394,860 | 1,390 | 396,250 |
| Computer | 97,237 | | 97,237 | 109,575 | | 109,575 |
| Public relations/strengthening profession | 73,430 | | 73,430 | 69,089 | | 69,089 |
| Telephone | 94,240 | 1,855 | 96,095 | 89,821 | | 89,821 |
| Professional fees | 118,587 | | 118,587 | 164,818 | | 164,818 |
| Depreciation—books | 29,256 | | 29,256 | 31,673 | | 31,673 |
| Depreciation—equipment | 47,732 | | 47,732 | 45,559 | | 45,559 |
| Insurance | 31,999 | | 31,999 | 31,980 | | 31,980 |
| Teleconference and course development | 43,295 | | 43,295 | 173,890 | | 173,890 |
| Research projects | 200,383 | 21,500 | 221,883 | 235,861 | 3,500 | 239,361 |
| Experience studies | 604,041 | | 604,041 | 480,325 | | 480,325 |
| Other research expenses | 12,300 | | 12,300 | 14,873 | | 14,873 |
| College/university initiative | 90,571 | 84,950 | 175,521 | 73,637 | 87,500 | 161,137 |
| Library | 25,317 | | 25,317 | 24,615 | | 24,615 |
| Actuarial Standards Board/Actuarial Board for Counseling and Discipline expenses | 157,500 | | 157,500 | | | |
| Miscellaneous | 97,514 | 1,510 | 99,024 | 78,849 | 1,040 | 79,889 |
| Total Expenses | <u>12,194,689</u> | <u>316,638</u> | <u>12,511,327</u> | <u>11,382,557</u> | <u>241,632</u> | <u>11,624,189</u> |
| Excess of Revenues over Expenses | 881,510 | 190,705 | 1,072,215 | 1,015,545 | 106,762 | 1,122,307 |
| Membership Equity at Beginning of Year | 4,651,779 | 525,435 | 5,177,214 | 3,636,234 | 418,673 | 4,054,907 |
| Membership Equity at End of Year | <u>\$ 5,533,289</u> | <u>\$716,140</u> | <u>\$ 6,249,429</u> | <u>\$ 4,651,779</u> | <u>\$525,435</u> | <u>\$ 5,177,214</u> |

The accompanying notes should be read in conjunction herewith.

STATEMENT OF CASH FLOWS

| | FOR THE YEAR ENDED JULY 31, 1992 | | | For the Year Ended July 31, 1991 | | |
|--|----------------------------------|--------------------|--------------------|----------------------------------|--------------------|--------------------|
| | General Fund | Restricted Fund | Total | General Fund | Restricted Fund | Total |
| Operating Activities: | | | | | | |
| Revenue over expenses | \$ 881,510 | \$190,705 | \$1,072,215 | \$1,015,545 | \$106,762 | \$1,122,307 |
| Adjustments to reconcile revenue over expenses to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization | 84,966 | | 84,966 | 75,435 | | 75,435 |
| Accrued rent | 257,769 | | 257,769 | 291,913 | | 291,913 |
| Amortization and accretion of investment discounts and premiums | 27,038 | | 27,038 | 14,102 | | 14,102 |
| Changes in certain working capital items: | | | | | | |
| Net accounts receivable | 74,614 | | 74,614 | (67,694) | | (67,694) |
| Inventory | 160,167 | | 160,167 | (419,301) | | (419,301) |
| Prepaid experience studies expenses | 166,862 | | 166,862 | (107,578) | | (107,578) |
| Other current assets | 47,620 | | 47,620 | (30,947) | | (30,947) |
| Accounts payable and accrued expenses | (588,791) | 6,748 | (582,043) | 627,765 | (4,301) | 623,464 |
| Deferred revenues and advances | 367,482 | | 367,482 | (29,941) | | (29,941) |
| Net cash provided by operating activities | <u>1,479,237</u> | <u>197,453</u> | <u>1,676,690</u> | <u>1,369,299</u> | <u>102,461</u> | <u>1,471,760</u> |
| Investing Activities: | | | | | | |
| Purchase of property and equipment | (80,426) | | (80,426) | (77,730) | | (77,730) |
| Purchase of U.S. Government obligations | | | | (3,069,688) | | (3,069,688) |
| Proceeds from maturity of U.S. Government obligations | 440,000 | | 440,000 | 600,000 | | 600,000 |
| Net Cash Provided by (Used in) Investing Activities | <u>359,574</u> | | <u>359,574</u> | <u>(2,547,418)</u> | | <u>(2,547,418)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,838,811 | 197,453 | 2,036,264 | (1,178,119) | 102,461 | (1,075,658) |
| Cash and Cash Equivalents at Beginning of Year | <u>2,321,241</u> | <u>536,175</u> | <u>2,857,416</u> | <u>3,499,360</u> | <u>433,714</u> | <u>3,933,074</u> |
| Cash and Cash Equivalents at End 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> |

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 replacement 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 | |
|---------------------|--------------------|--------------------|--------------------|--------------------|
| | 1992 | 1991 | 1992 | 1991 |
| Short-term: | | | | |
| U.S. Treasury notes | <u>\$ 200,071</u> | <u>\$ 445,663</u> | <u>\$ 203,594</u> | <u>\$ 451,450</u> |
| Long-term: | | | | |
| U.S. Treasury notes | \$3,965,855 | \$4,187,307 | \$4,257,311 | \$4,226,145 |
| Corporate bonds | 61,920 | 61,915 | 62,000 | 59,315 |
| | <u>\$4,027,775</u> | <u>\$4,249,222</u> | <u>\$4,319,311</u> | <u>\$4,285,460</u> |

NOTE 3. MEMBERSHIP EQUITY

General Fund. Management has restated 1991 membership equity to properly reflect the intention of the Board of Governors regarding designated funds. Funds designated by the Board for research development had previously been shown as a restricted fund.

These funds are actually general fund equity designated for research development. This restatement results in a \$129,838 decrease in restricted membership equity and a corresponding increase in general membership equity. General Fund membership equity at July 31, 1992 and 1991 (restated) is as follows:

| | JULY 31, | |
|----------------------------|--------------------|--------------------|
| | <u>1992</u> | <u>1991</u> |
| General Fund: | | |
| Board designated for | | |
| research development | \$ 90,101 | \$ 129,838 |
| Unrestricted, undesignated | <u>5,443,188</u> | <u>4,521,941</u> |
| | <u>\$5,533,289</u> | <u>\$4,651,779</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, 1992 and 1991 of the various restricted funds are as follows:

| | JULY 31, | |
|----------------------------|------------------|------------------|
| | <u>1992</u> | <u>1991</u> |
| Educational Award Fund | \$ 15,657 | \$ 16,205 |
| Minority recruitment | <u>72,210</u> | <u>80,410</u> |
| | <u>87,867</u> | <u>96,615</u> |
| Special Interest Sections: | | |
| Computer Science | 21,998 | |
| Education and Research | 6,632 | 3,001 |
| Financial Reporting | 67,198 | 59,215 |
| Futurism | 15,970 | 11,729 |
| Health Insurance | 120,151 | 81,147 |
| International | 11,021 | |
| Investment | 63,631 | 46,320 |
| Nontraditional Marketing | 38,800 | 36,816 |
| Pension | 82,401 | 60,052 |
| Product Development | 149,838 | 100,959 |
| Reinsurance | <u>50,633</u> | <u>29,581</u> |
| | <u>628,273</u> | <u>428,820</u> |
| Total | <u>\$716,140</u> | <u>\$525,435</u> |

NOTE 4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

| | <u>1992</u> | <u>1991</u> |
|---|------------------|------------------|
| Office equipment | \$391,146 | \$377,126 |
| Computer equipment | 270,644 | 242,152 |
| Truck | 26,231 | 26,231 |
| Leasehold improvements | <u>8,758</u> | <u>8,758</u> |
| | 696,779 | 654,267 |
| Less accumulated depreciation and amortization | <u>368,807</u> | <u>321,756</u> |
| | <u>\$327,972</u> | <u>\$332,511</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 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, 1992, future minimum rental commitments for the noncancelable lease are \$441,316 in 1993, 1994, 1995, 1996, and 1997 and \$1,765,263 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. 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, 1992 and 1991 was \$428,535 and \$407,928, respectively.

At its September 4, 1992 meeting, the Executive Committee approved a decrease in pension contributions from 15% to 10% of the employee's basic salary. This reduction will be effective January 1, 1993. Long-term employees will receive a bonus on January 1, 1993 equal to a percentage of their annual gross pay on that date, based on length of service with the Society. An amount of \$161,000 has been accrued as a bonus for loyalty and past service.

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 1992 or 1991.

NOTE 8. RESEARCH COMMITMENTS

The Society's Research Development Fund has a fund balance of \$90,101 at July 31, 1992. In addition, the Board of Governors has approved an additional \$150,000 in the 1993 budget for research projects. The Research Policy Committee, as authorized by the Board of Governors, has outstanding commitments of \$103,000, out of the total of \$240,101 available for fiscal year 1993, to outside individuals or organizations for research projects in progress or about to begin.

NOTE 9. IAA COMMITMENT

At the June 1992 Board of Governors meeting, a resolution was passed pledging that the Society would contribute to the International Actuarial Association's International Promotion and Education Fund one dollar for every dollar contributed to the Fund by other actuarial membership associations which are recognized by the IAA, including those in North America, up to a maximum contribution by the Society of Actuaries of \$50,000.

NOTE 10. RECLASSIFICATIONS

Reclassifications to certain 1991 General and Restricted Fund revenues and expenses have been made related to the relocation of research development funds referred to in Note 3. These changes did not result in any change to total 1991 revenue over expenses.

We have audited the accompanying statement of financial condition of the Society of Actuaries as of July 31, 1992 and 1991, 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 audit.

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 financial statements referred to above present fairly, in all material respects, the financial position of the Society of Actuaries as of July 31, 1992 and 1991, 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.