

**TRANSACTIONS OF SOCIETY OF ACTUARIES
1997-98 REPORTS**

**FINANCIAL STATEMENTS AND AUDIT REPORT
INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying statement of financial position of the SOCIETY OF ACTUARIES as of July 31, 1997 and 1996, and the related statements of activities, 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, 1997 and 1996, and the changes in net assets 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 12, 1997

STATEMENT OF FINANCIAL POSITION

	July 31,	
	1997	1996
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 862,668	\$ 2,968,500
Investments	1,709,692	1,505,155
Accounts receivable, less allowance for doubtful accounts of \$90,000	686,577	264,254
Inventories	338,242	151,347
Prepaid experience studies' expense	151,956	223,331
Other	383,262	359,323
Total current assets	4,132,397	5,471,910
Equipment and leasehold improvements, net of accumulated depreciation and amortization	467,245	492,417
Long-term investments	7,504,723	5,693,762
Total assets	<u>\$12,104,365</u>	<u>\$11,658,089</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,620,381	\$ 1,903,857
Deferred revenues	2,316,569	2,472,649
Total current liabilities	3,936,950	4,376,506
Net assets:		
Unrestricted:		
Available for operations	6,848,207	6,065,451
Board designated	1,257,691	1,181,961
Total unrestricted	8,105,898	7,247,412
Temporarily restricted net assets	61,517	34,171
Total net assets	8,167,415	7,281,583
Total liabilities and net assets	<u>\$12,104,365</u>	<u>\$11,658,089</u>

See accompanying notes.

STATEMENT OF ACTIVITIES

For the Year Ended July 31,

	1997			1996		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and gains:						
Membership dues	\$ 4,396,013		\$ 4,396,013	\$ 4,109,044		\$ 4,109,044
Education and examination fees	6,831,954		6,831,954	6,699,755		6,699,755
Continuing education fees	2,861,293		2,861,293	2,881,111		2,881,111
Research income	683,716	\$35,000	718,716	650,932		650,932
Income from allied organizations	365,257		365,257	285,636		285,636
Publications sales and other income	145,958		145,958	145,056		145,056
Assessment for Actuarial Board for Counseling and Discipline/ Actuarial Standards Board	121,275		121,275	137,257		137,257
Contributions	10,000	54,959	64,959	10,000	\$51,642	61,642
Investment income	1,058,597	1,968	1,060,565	536,706	2,026	538,732
Net assets released from restriction	64,581	(64,581)		46,613	(46,613)	
Total revenues and gains	<u>16,538,644</u>	<u>27,346</u>	<u>16,565,990</u>	<u>15,502,110</u>	<u>7,055</u>	<u>15,509,165</u>
Expenses:						
Programs:						
Education and examination services	5,520,027		5,520,027	5,312,325		5,312,325
Continuing education	2,779,266		2,779,266	2,873,947		2,873,947
Research	1,242,071		1,242,071	1,286,217		1,286,217
Experience studies	689,481		689,481	642,269		642,269
SOA Foundation support	484,788		484,788	556,704		556,704
Publications and member services	2,296,778		2,296,778	2,289,386		2,289,386
Public information programs	348,629		348,629	304,718		304,718
Scholarship and awards	134,365		134,365	107,763		107,763
General and administration	2,184,753		2,184,753	2,024,300		2,024,300
Total expenses	<u>15,680,158</u>		<u>15,680,158</u>	<u>15,397,629</u>		<u>15,397,629</u>
Change in net assets before other income (expense)	858,486	27,346	885,832	104,481	7,055	111,536
Other income (expense):						
Matching contribution to Society of Actuaries Foundation				(355,070)		(355,070)
Sales tax audit				66,415		66,415
				<u>(288,655)</u>		<u>(288,655)</u>
Change in net assets	858,486	27,346	885,832	(184,174)	7,055	(177,119)
Net assets, beginning of the year	7,247,412	34,171	7,281,583	7,431,586	27,116	7,458,702
Net assets, end of the year	<u>\$ 8,105,898</u>	<u>\$61,517</u>	<u>\$ 8,167,415</u>	<u>\$ 7,247,412</u>	<u>\$34,171</u>	<u>\$ 7,281,583</u>

STATEMENT OF CASH FLOWS

	For the Year Ended July 31,	
	1997	1996
Cash flows from operating activities:		
Change in net assets	\$ 885,832	\$ (177,119)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	130,071	117,011
Loss (gain) on investments	(483,635)	51,835
Changes in certain working capital items:		
Net accounts receivable	(422,323)	511,637
Inventory	(186,895)	153,338
Prepaid experience studies	71,375	(64,495)
Other current assets	(23,939)	(76,339)
Accounts payable and accrued expenses	(283,476)	(371,789)
Deferred revenues and advances	(156,080)	463,355
Net cash provided (used) by operating activities	(469,070)	607,434
Cash flows from investing activities:		
Purchase of property and equipment	(104,899)	(166,920)
Investment purchases	(4,555,562)	(1,293,259)
Proceeds from sale of investments	3,023,699	1,602,873
Net cash provided (used) by investing activities	(1,636,762)	142,694
Net increase (decrease)	(2,105,832)	750,128
Cash and cash equivalents, beginning of the year	2,968,500	2,218,372
Cash and cash equivalents, end of the year	\$ 862,668	\$2,968,500

See accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose. The Society of Actuaries ("Society") is an educational, research and professional membership organization dedicated to serving the public and Society members. Its mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business, and societal problems involving uncertain future events.

General. The Society maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Society as a whole to present balances

and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into two classes — temporarily restricted and unrestricted.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Temporarily Restricted Net Assets. Net assets subject to donor-imposed stipulations that may or will be met by actions of the Society or passage of time.

Unrestricted Net Assets. Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expiration of temporary restrictions on net assets (i.e., the donor-imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to receive or give, are recognized as revenues in the period received, or expenses in the period committed. Conditional promises to receive or give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Pervasiveness of Estimates. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and activities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates. Certain significant estimates used in the preparation of these financial statements include the following:

The Society has estimated uncollectible receivables to approximate \$90,000 based upon expected dues waivers and historical bad debt write-offs.

The Society records investments at fair value, based on quoted market prices for those or similar investments.

To properly match expenses with the related revenues for publications, the Society estimates the liability related to the preparation of publications based on historical costs.

The Society allocates expenses such as rent, depreciation, etc. by function (i.e., major classes of program services) based on square footage. Expenses related to computer usage are allocated based upon department computer equipment, number of programs used, and an estimated distribution of information services personnel.

For each of the aforementioned estimates, it is reasonably possible that the recorded amounts or related disclosures could significantly change in the near future as new information is available.

Concentration of Risk. At July 31, 1997, the Society has \$118,655 (\$506,270 in 1996) of uninsured deposits with financial institutions.

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 of textbooks and calculators are stated at the lower of cost, determined on the first-in, first-out method, 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 are accounted for at fair value. Unrealized gains and losses are recorded in the statement of activities. Cost and market value of investments are as follows:

	1997		1996	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Short-term:				
United States Treasury notes	<u>\$1,703,685</u>	<u>\$1,709,692</u>	<u>\$1,514,546</u>	<u>\$1,505,155</u>
Long-term:				
United States Treasury notes	6,323,744	6,417,469	4,904,423	4,927,762
Corporate bond	9,949	10,238	9,952	9,675
S & P Depository Receipts	759,360	1,077,016	530,292	640,927
Toronto 35 Index Fund			106,413	115,398
	<u>7,093,053</u>	<u>7,504,723</u>	<u>5,551,080</u>	<u>5,693,762</u>
	<u>\$8,796,738</u>	<u>\$9,214,415</u>	<u>\$7,065,626</u>	<u>\$7,198,917</u>

Investment income for the year ended July 31, consists of the following:

	1997	1996
Interest and dividend income	\$ 576,930	\$590,567
Gain (loss) on investments	483,635	(51,835)
	<u>\$1,060,565</u>	<u>\$538,732</u>

NOTE 3. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

	1997	1996
Office equipment	\$ 569,925	\$ 512,978
Computer equipment	567,495	522,438
Truck	22,426	22,426
Leasehold improvements	58,833	55,938
	1,218,679	1,113,780
Less accumulated depreciation and amortization	<u>751,434</u>	<u>621,363</u>
	<u>\$ 467,245</u>	<u>\$ 492,417</u>

NOTE 4. LEASE COMMITMENTS

The Society occupies office space under a renegotiated lease agreement through 2008 that includes an agreed-upon 2.7% increase per year and escalation clauses to cover future increases in operating costs above base year costs. The Society also leases warehouse space under a lease agreement

through 1998 that includes an agreed-upon 2% increase per year. Total rent expense was \$698,871 for the year ended July 31, 1997 (\$681,260 in 1996).

As of July 31, 1997, future minimum rental commitments, exclusive of executory costs such as real estate taxes and operating expenses, for these noncancelable leases are as follows:

1998	\$ 416,000
1999	400,000
2000	411,000
2001	423,000
2002	434,000
2003-2008	<u>2,868,000</u>
	<u>\$4,952,000</u>

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 10% of the employees' basic salaries, up to the maximum allowable under IRS guidelines. 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, 1997 and 1996 was \$411,724 and \$366,435, respectively.

NOTE 6. INCOME TAXES

The Society is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. During 1997, the Society paid \$3,000 for unrelated business income taxes. The income tax liability paid for 1996 amounted to \$7,982.

NOTE 7. RESTRICTIONS AND LIMITATIONS ON NET ASSETS

Temporarily restricted asset balances consist of unexpended revenues and gains available for the following at July 31:

	July 31,	
	1997	1996
Educational Award Fund	\$12,552	\$14,611
Minority recruitment	19,181	19,560
Research projects	<u>29,784</u>	
	<u>\$61,517</u>	<u>\$34,171</u>

Sources of net assets released from temporary donor restrictions consisted of an award of specified scholarships of \$59,365 (\$46,613 in 1996) and \$5,216 for a specific research project.

All gifts and pledges are considered unrestricted unless otherwise specified by the donor. However, the Board of Governors designates certain unrestricted amounts for specific purposes and projects as follows:

	July 31,	
	1997	1996
Board designated:		
Actuary of the future	\$ 22,770	\$ 21,031
Computer science	58,090	50,605
Education and research	3,601	6,055
Financial reporting	204,778	195,128
Futurism	10,115	18,564
Health insurance	285,801	239,967
International	37,574	23,492
Investment	174,247	154,144
Nontraditional marketing	48,973	38,692
Pension	106,757	131,644
Product development	217,037	216,291
Reinsurance	70,189	71,808
Smaller Insurance Company	17,759	14,540
Total	<u>\$1,257,691</u>	<u>\$1,181,961</u>

NOTE 8. RESEARCH COMMITMENTS

The Society has outstanding commitments of \$543,544 to outside individuals or organizations for research projects in progress or about to begin. Of this amount, up to \$125,914 will be provided out of Board Designated funds, since various sections of the Society have agreed to contribute toward these projects.

NOTE 9. SOCIETY OF ACTUARIES FOUNDATION AND ACTUARIAL EDUCATION AND RESEARCH FUND (AERF)

When the Society of Actuaries Foundation (Foundation) was created, the Society made a commitment to provide a dollar-for-dollar matching funds challenge up to \$500,000. During 1996, the Society paid a final \$355,070 in contributions to the Foundation, thus fulfilling its commitment.

All administrative costs of the Foundation are currently provided for in the Society's budget. During 1997, the Society contributed \$445,861 (\$556,704 in 1996) to support the administrative and fund-raising activities of the Foundation. During 1997, the Society also provided \$38,927 of project

costs for the Foundation. These project costs were reimbursed by the Foundation.

The Society also allocated expenses of \$19,700 (\$33,200 in 1996) for staff efforts to support AERF. Allocated expenses, in both cases, consist primarily of salary and fringe benefits. Occupancy costs of \$10,200 were also allocated in 1996.

NOTE 10. SALES TAX AUDIT

During 1995, the Illinois Department of Revenue completed a sales and use tax audit of the Society for the period July 1981 through December 1994. As a consequence of this audit, the Department proposed a deficiency against the Society for its sales of publications and other items. The Society contested the proposed assessment, however, the maximum potential deficiency of \$170,000 was accrued as of July 31, 1995. A negotiated settlement occurred during 1996, with the final assessment totaling \$94,315.

NOTE 11. RECLASSIFICATIONS

Certain items in the prior year financial statements have been reclassified to conform with the current year's presentation.

AUDITOR'S STATEMENT OF RESPONSIBILITY FOR SUPPLEMENTARY FINANCIAL INFORMATION

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in this section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

September 12, 1997

SCHEDULE OF CERTAIN INCOME ACCOUNTS

	For the Year Ended July 31,	
	1997	1996
Education and examination fees:		
Examination fees	\$4,755,121	\$4,641,915
Intensive seminars	119,600	154,051
Fellowship Admissions Course	296,855	275,010
Sale of study notes	1,335,344	1,383,428
Sale of "Actuarial Mathematics"	167,898	106,829
Calculator sales	157,136	138,522
	<u>\$6,831,954</u>	<u>\$6,699,755</u>
Continuing education fees:		
Spring meetings	\$ 915,233	\$ 983,633
Annual meeting	1,015,811	838,600
Seminars	930,249	1,058,878
	<u>\$2,861,293</u>	<u>\$2,881,111</u>
Research:		
Experience studies	\$ 623,835	\$ 586,031
Other	94,881	64,901
	<u>\$ 718,716</u>	<u>\$ 650,932</u>
Publication sales and other income:		
Publication sales	\$ 93,033	\$ 96,500
Mailing labels and badges	31,806	26,793
Royalties	1,457	4,296
"The Actuary" — income	2,878	2,154
Library	4,833	9,303
Advertising student newsletter	2,204	3,834
Miscellaneous income	9,747	2,176
	<u>\$ 145,958</u>	<u>\$ 145,056</u>

SCHEDULE OF EXPENSES

	For the Year Ended July 31,	
	1997	1996
Salaries and related expenses	\$ 5,564,395	\$ 5,329,174
Rent and electricity	698,871	681,260
Travel	1,534,051	1,439,443
Hotel and related costs	816,580	834,270
Honoraria	154,975	122,600
Printing	1,316,396	1,360,901
Postage and mailing	1,407,877	1,351,916
Cost of calculators sold	115,834	106,666
Telephone	220,422	198,192
Office stationery, supplies and maintenance	107,847	138,499
Program supplies and services	380,379	365,055
Professional fees	291,846	267,624
Wharton seminar/CD Rom development	88,296	44,825
Grading services/course development	539,807	544,972
Exam Centers	140,977	144,457
Insurance	57,866	63,330
Computer	158,788	161,839
Research projects	291,377	422,130
Depreciation --- books and equipment	92,561	85,211
Library	55,980	51,298
Fellowship admission course	345,002	342,809
Intensive seminars	76,879	118,891
Student newsletter	31,194	26,847
Experience studies	529,903	500,761
Bulletin board and web site	88,829	36,691
International relations	48,201	86,765
Public relations	58,238	107,990
College/university initiative	28,697	44,720
Government employee travel	8,092	7,388
Math contest	8,500	8,500
Actuarial Standards Board/Actuarial Board for Counseling and Discipline expenses	116,207	134,978
Scholarships, awards and Ph.D. grants	131,865	107,763
Miscellaneous	173,426	159,864
	<u>\$15,680,158</u>	<u>\$15,397,629</u>

FINANCIAL STATEMENTS AND AUDIT REPORT INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of the SOCIETY OF ACTUARIES as of December 31, and July 31, 1997, and the related statements of activities, and cash flows for the five months ended December 31, 1997. 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 December 31, and July 31, 1997, and the changes in net assets and cash flows for the five months ended December 31, 1997, in conformity with generally accepted accounting principles.

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

February 13, 1998

STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	<u>December 31, 1997</u>	<u>July 31, 1996</u>
Current assets:		
Cash and cash equivalents	\$ 450,579	\$ 862,668
Investments	1,503,360	1,709,692
Accounts receivable, less allowance for doubtful accounts of \$19,000 (\$90,000 at July 31, 1997)	4,581,217	686,577
Inventories	231,128	338,242
Prepaid experience studies' expense	261,606	151,956
Other	272,345	383,262
Total current assets	<u>7,300,235</u>	<u>4,132,397</u>
Equipment and leasehold improvements, net of accumulated depreciation and amortization	466,968	467,245
Long-term investments	7,545,706	7,504,723
Total assets	<u>\$15,312,909</u>	<u>\$12,104,365</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,211,242	\$ 1,620,381
Deferred revenues	4,688,799	2,316,569
Total current liabilities	<u>6,900,041</u>	<u>3,936,950</u>
Net assets:		
Unrestricted:		
Available for operations	6,960,928	6,848,207
Board designated	1,409,362	1,257,691
Total unrestricted	8,370,290	8,105,898
Temporarily restricted net assets	42,578	61,517
Total net assets	<u>8,412,868</u>	<u>8,167,415</u>
Total liabilities and net assets	<u>\$15,312,909</u>	<u>\$12,104,365</u>

See accompanying notes.

STATEMENT OF ACTIVITIES
(For the Five Months Ended December 31, 1997)

	Unrestricted	Temporarily Restricted	Total
Revenues and gains:			
Membership dues	\$1,694,137		\$1,694,137
Education and examination fees	3,116,426		3,116,426
Continuing education fees	1,650,751		1,650,751
Research income	14,534		14,534
Income from allied organizations	138,541		138,541
Publications sales and other income	70,168		70,168
Assessment for Actuarial Board for Counseling and Discipline/Actuarial Standards Board	1,573		1,573
Contributions		\$12,280	12,280
Investment income	270,254	565	270,819
Net assets released from restriction	31,784	(31,784)	
Total revenues and gains	6,988,168	(18,939)	6,969,229
Expenses:			
Programs:			
Education and examination services	2,155,465		2,155,465
Continuing education	1,503,297		1,503,297
Research	588,267		588,267
Experience studies	81,145		81,145
SOA Foundation support	209,512		209,512
Publications and member services	909,183		909,183
Public information programs	212,062		212,062
Scholarship and awards	1,500		1,500
Asia office	69,487		69,487
International relations	49,679		49,679
General and administration	944,179		944,179
Total expenses	6,723,776		6,723,776
Change in net assets	264,392	(18,939)	245,453
Net assets, beginning of the period	8,105,898	61,517	8,167,415
Net assets, end of the period	\$8,370,290	\$42,578	\$8,412,868

See accompanying notes.

STATEMENT OF CASH FLOWS
(For the Five Months Ended December 31, 1997)

Cash flows from operating activities:	
Change in net assets	\$ 245,453
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	56,647
Gain on investments	(28,869)
Changes in certain working capital items:	
Net accounts receivable	(3,894,640)
Inventory	107,114
Prepaid experience studies	(109,650)
Other current assets	110,917
Accounts payable and accrued expenses	590,859
Deferred revenues and advances	2,372,230
Net cash used in operating activities	<u>(549,939)</u>
Cash flows from investing activities:	
Purchase of property and equipment	(56,370)
Investment purchases	(515,938)
Proceeds from sale of investments	710,158
Net cash provided by investing activities	<u>137,850</u>
Net decrease in cash	(412,089)
Cash and cash equivalents, beginning of the period	<u>862,668</u>
Cash and cash equivalents, end of the period	<u>\$ 450,579</u>

See accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose. The Society of Actuaries (“Society”) is an educational, research and professional membership organization dedicated to serving the public and Society members. Its mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business, and societal problems involving uncertain future events. Effective August 1, 1997, the Society changed its fiscal year from August 1 through July 31 to a calendar year. These financial statements present the activity for the short period August 1, 1997 through December 31, 1997.

General. The Society maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Society as a whole to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into two classes — temporarily restricted and unrestricted.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Temporarily Restricted Net Assets. Net assets subject to donor-imposed stipulations that may or will be met by actions of the Society or passage of time.

Unrestricted Net Assets. Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expiration of temporary restrictions on net assets (i.e., the donor-imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to receive or give, are recognized as revenues in the period received, or expenses in the period committed. Conditional promises to receive or give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Pervasiveness of Estimates. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and activities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates. Certain significant estimates used in the preparation of these financial statements include the following:

The Society has estimated uncollectible receivables to approximate \$19,000 based upon expected dues waivers and historical bad debt write-offs.

The Society records investments at fair value, based on quoted market prices for those or similar investments.

To properly match expenses with the related revenues for publications, the Society estimates the liability related to the preparation of publications based on historical costs.

The Society allocates expenses such as rent, depreciation, etc. by function (i.e., major classes of program services) based on square footage. Expenses related to computer usage are allocated based upon department computer equipment, number of programs used, and an estimated distribution of information services personnel.

For each of the aforementioned estimates, it is reasonably possible that the recorded amounts or related disclosures could significantly change in the near future as new information is available.

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

Membership Dues. The Society assesses dues for a calendar year to members according to their designation. Dues are billed in December for the following year, recorded as deferred revenues, then recognized as revenue on a pro-rata basis over the ensuing calendar year.

Inventories. Inventories of textbooks and calculators are stated at the lower of cost, determined on the first-in, first-out method, 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.

NOTE 2. INVESTMENTS

Investments are accounted for at fair value. Unrealized gains and losses are recorded in the statement of activities. Cost and market value of investments as of December 31, and July 31, 1997 are as follows:

	December 31, 1997		July 31, 1997	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Short-term:				
United States Treasury notes	\$1,500,637	\$1,503,360	\$1,703,685	\$1,709,692
Long-term:				
United States Treasury notes	6,327,092	6,448,919	6,323,744	6,417,469
Corporate bond			9,949	10,238
S & P Depository Receipts	759,360	1,096,787	759,360	1,077,016
	<u>7,086,452</u>	<u>7,545,706</u>	<u>7,093,053</u>	<u>7,504,723</u>
	<u>\$8,587,089</u>	<u>\$9,049,066</u>	<u>\$8,796,738</u>	<u>\$9,214,415</u>

Investment income for the period ended December 31, and July 31, 1997 consists of the following:

	December 31, 1997	July 31, 1996
Interest and dividend income	\$241,950	\$ 576,930
Gain on investments	28,869	483,635
	<u>\$270,819</u>	<u>\$1,060,565</u>

NOTE 3. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

A summary of equipment and leasehold improvements at December 31, and July 31, 1997 follows:

	<u>December 31, 1997</u>	<u>July 31, 1997</u>
Office equipment	\$ 558,807	\$569,925
Computer equipment	615,510	567,495
Vehicle	22,426	22,426
Leasehold improvements	58,833	58,833
	<u>1,255,576</u>	<u>1,218,679</u>
Less accumulated depreciation and amortization	788,608	751,434
	<u>\$ 466,968</u>	<u>\$ 467,245</u>

NOTE 4. LEASE COMMITMENTS

The Society occupies office space under a renegotiated lease agreement through 2008 that includes an agreed-upon 2.7% increase per year and escalation clauses to cover future increases in operating costs above base year costs. The Society also leases warehouse space under a lease agreement through 1998 that includes an agreed-upon 2% increase per year. Total rent expense was \$288,350 for the five months ended December 31, 1997.

As of December 31, 1997, future minimum rental commitments, exclusive of executory costs such as real estate taxes and operating expenses, for these noncancelable leases are as follows:

1998	\$ 409,463
1999	404,982
2000	416,030
2001	427,393
2002	439,207
2003-2008	<u>2,502,462</u>
	<u>\$4,599,537</u>

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 10% of the employees' basic salaries, up to the maximum allowable under IRS guidelines. 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 months ended December 31, 1997 was \$150,600.

NOTE 6. INCOME TAXES

The Society is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

NOTE 7. RESTRICTIONS AND LIMITATIONS ON NET ASSETS

Temporarily restricted asset balances consist of unexpended revenues and gains available for the following at December 31, and July 31, 1997:

	<u>December 31, 1997</u>	<u>July 31, 1997</u>
Educational Award Fund	\$12,733	\$12,552
Minority recruitment	29,845	29,784
Research projects		19,181
	<u>\$42,578</u>	<u>\$61,517</u>

Sources of net assets released from temporary donor restrictions consisted of \$31,784 for a specific research project.

All gifts and pledges are considered unrestricted unless otherwise specified by the donor. However, the Board of Governors designates certain unrestricted amounts for specific purposes and projects as of December 31, and July 31, 1997 as follows:

	<u>December 31, 1997</u>	<u>July 31, 1997</u>
Board designated:		
For Sections:		
Actuary of the future	\$ 20,482	\$ 22,770
Computer science	46,065	58,090
Education and research	3,040	3,601
Financial reporting	210,674	204,778
Futurism	4,897	10,115
Health insurance	275,082	285,801
International	30,646	37,574
Investment	165,729	174,247
Nontraditional marketing	44,656	48,973
Pension	95,866	106,757
Product development	227,995	217,037
Reinsurance	67,377	70,189
Smaller Insurance Company	16,853	17,759
	<u>1,209,362</u>	<u>1,257,691</u>
For technological improvements	200,000	
Total	<u>\$1,409,362</u>	<u>\$1,257,691</u>

NOTE 8. RESEARCH COMMITMENTS

The Society has outstanding commitments of \$517,476 to outside individuals or organizations for research projects in progress or about to begin. Of this amount, up to \$115,412 will be provided out of Board designated funds, since various sections of the Society have agreed to contribute toward these projects. The temporarily restricted net assets are not obligated to fulfill these commitments.

NOTE 9. SOCIETY OF ACTUARIES FOUNDATION AND ACTUARIAL EDUCATION AND RESEARCH FUND (AERF)

All administrative costs of the Society of Actuaries Foundation (Foundation) are currently provided for in the Society's budget. During the period ended December 31, 1997, the Society contributed \$207,098 to support the administrative and fund-raising activities of the Foundation. During this same time period, the Society also provided \$2,414 of project costs for the Foundation. These project costs were reimbursed by the Foundation.

The Society also allocated expenses of \$24,311 for staff efforts to support AERF. Allocated expenses, in both cases, consist primarily of salary and fringe benefits.

**FINANCIAL STATEMENTS AND AUDIT REPORT
INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying statement of financial position of the SOCIETY OF ACTUARIES as of December 31, 1998 and 1997, and the related statements of activities, and cash flows for the year ended December 31, 1998. 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 December 31, 1998 and 1997, and the changes in net assets and cash flows for the year ended December 31, 1998, in conformity with generally accepted accounting principles.

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

February 19, 1999

STATEMENT OF FINANCIAL POSITION

ASSETS	December 31,	
	1998	1997
Current assets:		
Cash and cash equivalents	\$ 1,831,670	\$ 450,579
Investments	1,322,531	1,503,360
Accounts receivable, less allowance for doubtful accounts of \$15,000 (\$19,000 in 1997)	4,202,853	4,581,217
Inventories	246,997	231,128
Prepaid experience studies' expense	247,151	261,606
Other	345,826	272,345
Total current assets	8,197,028	7,300,235
Equipment and leasehold improvements, net of accumulated depreciation and amortization	572,718	466,968
Long-term investments	7,364,855	7,545,706
Total assets	<u>\$16,134,601</u>	<u>\$15,312,909</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,205,256	\$ 2,211,242
Deferred revenues	5,074,219	4,688,799
Total current liabilities	<u>7,279,475</u>	<u>6,900,041</u>
Net assets:		
Unrestricted:		
Available for operations	7,273,432	6,960,928
Board designated	1,497,914	1,409,362
Total unrestricted	8,771,346	8,370,290
Temporarily restricted net assets	83,780	42,578
Total net assets	8,855,126	8,412,868
Total liabilities and net assets	<u>\$16,134,601</u>	<u>\$15,312,909</u>

See accompanying notes.

STATEMENT OF ACTIVITIES
(For the Year Ended December 31, 1998)

	Unrestricted	Temporarily Restricted	Total
Revenues and gains:			
Membership dues	\$ 4,886,544		\$ 4,886,544
Education and examination fees	7,066,704		7,066,704
Continuing education fees	3,087,136		3,087,136
Research income	719,358		719,358
Income from allied organizations	361,414		361,414
Publications sales and other income	217,121		217,121
Contributions	10,000	\$ 87,220	97,220
Investment income	1,010,310	2,982	1,013,292
Net assets released from restriction	49,000	(49,000)	
Total revenues and gains	17,407,587	41,202	17,448,789
Expenses:			
Programs:			
Education and examination services	5,609,796		5,609,796
Continuing education	3,234,403		3,234,403
Research	1,114,246		1,114,246
Experience studies	744,067		744,067
Support to the Actuarial Foundation	540,349		540,349
Publications and member services	2,624,878		2,624,878
Public information programs	406,009		406,009
Scholarship and awards	109,000		109,000
Asia office	129,985		129,985
International relations	133,397		133,397
General and administration	2,360,401		2,360,401
Total expenses	17,006,531		17,006,531
Change in net assets	401,056	41,202	422,258
Net assets, beginning of the year	8,370,290	42,578	8,412,868
Net assets, end of the year	\$ 8,771,346	\$ 83,780	\$ 8,855,126

See accompanying notes.

STATEMENT OF CASH FLOWS
(For the Year Ended December 31, 1998)

Cash flows from operating activities:	
Change in net assets	\$442,258
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	172,378
Gain on investments	(446,025)
Changes in certain working capital items:	
Net accounts receivable	378,364
Inventory	(15,869)
Prepaid experience studies	14,455
Other current assets	(73,481)
Accounts payable and accrued expenses	(5,986)
Deferred revenues and advances	385,420
Net cash provided by operating activities	<u>851,514</u>
Cash flows from investing activities:	
Purchase of property and equipment	(278,128)
Investment purchases	(692,295)
Proceeds from sale of investments	1,500,000
Net cash provided by investing activities	<u>529,577</u>
Net increase in cash	1,381,091
Cash and cash equivalents, beginning of the period	<u>450,579</u>
Cash and cash equivalents, end of the period.....	<u><u>\$1,831,670</u></u>

See accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose. The Society of Actuaries (“Society”) is an educational, research and professional membership organization dedicated to serving the public and Society members. Its mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business, and societal problems involving uncertain future events. Effective August 1, 1997, the Society changed its fiscal year from August 1 through July 31 to a calendar year.

General. The Society maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Society as a whole to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into two classes — temporarily restricted and unrestricted.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Temporarily Restricted Net Assets. Net assets subject to donor-imposed stipulations that may or will be met by actions of the Society or passage of time.

Unrestricted Net Assets. Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expiration of temporary restrictions on net assets (i.e., the donor-imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to receive or give, are recognized as revenues in the period received, or expenses in the period

committed. Conditional promises to receive or give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Pervasiveness of Estimates. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and activities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates. Certain significant estimates used in the preparation of these financial statements include the following:

The Society has estimated uncollectible receivables to approximate \$15,000 based upon expected dues waivers and historical bad debt write-offs.

The Society records investments at fair value, based on quoted market prices for those or similar investments.

To properly match expenses with the related revenues for publications, the Society estimates the liability related to the preparation of publications based on historical costs.

The Society allocates expenses such as rent, depreciation, etc. by function (i.e., major classes of program services) based on square footage. Expenses related to computer usage are allocated based upon department computer equipment, number of programs used, and an estimated distribution of information services personnel.

For each of the aforementioned estimates, it is reasonably possible that the recorded amounts or related disclosures could significantly change in the near future as new information is available.

Concentration of Risk. At December 31, 1998, the Society had \$440,752 of uninsured deposits with financial institutions.

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

Membership Dues. The Society assesses dues for a calendar year to members according to their designation. Dues are billed in December for the following year, recorded as deferred revenues, then recognized as revenue on a pro-rata basis over the ensuing calendar year.

Inventories. Inventories of textbooks and calculators are stated at the lower of cost, determined on the first-in, first-out method, 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.

NOTE 2. INVESTMENTS

Investments are accounted for at fair value. Unrealized gains and losses are recorded in the statement of activities. Cost and market value of investments as of December 31 are as follows:

	1998		1997	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Short-term:				
United States Treasury notes	\$1,302,047	\$1,322,531	\$1,500,637	\$1,503,360
Long-term:				
United States Treasury notes	5,509,148	5,774,131	6,327,092	6,448,919
S & P Depository Receipts	933,842	1,590,724	759,360	1,096,787
	<u>6,442,990</u>	<u>7,364,855</u>	<u>7,086,452</u>	<u>7,545,706</u>
	<u>\$7,745,037</u>	<u>\$8,687,386</u>	<u>\$8,587,089</u>	<u>\$9,049,066</u>

Investment income for the year ended December 31, 1998 and the five months ended December 31, 1997, consists of the following:

	1998	1997
Interest and dividend income	\$ 567,267	\$241,950
Gain on investments	446,025	28,869
	<u>\$1,013,292</u>	<u>\$270,819</u>

NOTE 3. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

A summary of equipment and leasehold improvements at December 31, follows:

	1998	1997
Office equipment	\$ 577,770	\$ 558,807
Computer equipment and software	823,760	615,510
Vehicle	22,426	22,426
Leasehold improvements	58,833	58,833
	<u>1,482,789</u>	<u>1,255,576</u>
Less accumulated depreciation and amortization	910,071	788,608
	<u>\$ 572,718</u>	<u>\$ 466,968</u>

NOTE 4. LEASE COMMITMENTS

The Society occupies office space under a renegotiated lease agreement through 2008 that includes an agreed-upon 2.7% increase per year and escalation clauses to cover future increases in operating costs above base year costs. The Society also leases warehouse space under a lease agreement through 2003 that includes an agreed-upon 3% increase per year. Total rent expense was \$740,431 for the year ended December 31, 1998.

As of December 31, 1998, future minimum rental commitments, exclusive of executory costs such as real estate taxes and operating expenses, for these noncancelable leases are as follows:

1999	\$ 432,524
2000	444,399
2001	456,613
2002	469,304
2003	482,385
2004-2008	<u>2,051,077</u>
	<u>\$4,336,302</u>

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 10% of the employees' basic salaries, up to the maximum allowable under IRS guidelines. 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 year ended December 31, 1998 was \$417,035.

NOTE 6. OTHER POSTRETIREMENT BENEFITS

Effective January 1, 1998, the Society provides certain postretirement benefits such as medical and dental insurance to eligible employees and to their eligible dependents. To obtain benefits, an employee must have:

1. Worked between 20 and 30 hours per week, attained age 55 and complete 15 continuous years of service with the Society.
2. Attained age 55, completed 18 continuous years of service and entered into a contractual consulting arrangement with the Society.
3. Attained age 55 and completed 18 continuous years of service with the Society.

Currently the carrier requires, for antiselection reasons, the retiree to pay 50% of the premium cost for the coverage.

The Society engaged an actuary to perform the calculation of the present value of the Plan obligation and the net periodic postretirement expenses as follows:

Benefit obligation at December 31	\$ 809,840
Fair value of plan assets at December 31	None
Funded (unfunded) status	(809,840)
Accrued benefit cost recognized in the statement of financial position	188,233
Weighted average assumptions as of December 31, 1998:	
Discount rate	7%
Expected return on plan assets	Not applicable
Rate of compensation increase	Not applicable

For measurement purposes, an 8 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 1999. The rate was assumed to decrease gradually to 5 percent for 2010 and remain at that level thereafter.

Benefit cost	\$ 189,933
Employer contribution	1,700
Plan participants' contribution	1,700
Benefits paid	(3,400)

NOTE 7. INCOME TAXES

The Society is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

NOTE 8. RESTRICTIONS AND LIMITATIONS ON NET ASSETS

Temporarily restricted asset balances consist of unexpended revenues and gains available for the following at December 31:

	<u>1998</u>	<u>1997</u>
Educational Award Fund	\$12,148	\$12,733
Minority recruitment	71,632	29,845
	<u>\$83,780</u>	<u>\$42,578</u>

Sources of net assets released from temporary donor restrictions consisted of \$49,000 for scholarships, awards and grants.

All gifts and pledges are considered unrestricted unless otherwise specified by the donor. However, the Board of Governors designates certain unrestricted amounts for specific purposes and projects as of December 31 as follows:

	<u>1998</u>	<u>1997</u>
Board designated:		
For sections:		
Actuary of the future	\$ 25,676	\$ 20,482
Computer science	56,723	46,065
Education and research	8,632	3,040
Financial reporting	298,094	210,674
Futurism	6,977	4,897
Health insurance	303,024	275,082
International	43,276	30,646
Investment	196,432	165,729
Management and personal development	5,325	
Nontraditional marketing	41,763	44,656
Pension	93,162	95,866
Product development	243,940	227,995
Reinsurance	82,340	67,377
Smaller Insurance Company	19,011	16,853
	<u>1,424,375</u>	<u>1,209,362</u>
For technological improvements	73,539	200,000
Total	<u>\$1,497,914</u>	<u>\$1,409,362</u>

NOTE 9. RESEARCH COMMITMENTS

The Society has outstanding commitments of \$661,832 to outside individuals or organizations for research projects in progress or about to begin. Of this amount, up to \$145,851 will be provided out of Board designated funds, since various sections of the Society have agreed to contribute toward these projects. The temporarily restricted net assets are not obligated to fulfill these commitments.

NOTE 10. THE ACTUARIAL FOUNDATION AND ACTUARIAL EDUCATION AND RESEARCH FUND (AERF)

All administrative costs of the Actuarial Foundation (Foundation, formerly known as the Society of Actuaries Foundation) are currently provided for in the Society's budget. During the period ended December 31, 1998, the Society contributed \$527,054 to support the administrative and fund-raising activities of the Foundation. During this same time period, the Society also provided \$13,295 of project costs for the Foundation. These project costs were reimbursed by the Foundation.

The Society also allocated expenses of \$20,793 for staff efforts to support AERF. Allocated expenses, in both cases, consist primarily of salary and fringe benefits.

AUDITOR'S STATEMENT OF RESPONSIBILITY FOR
SUPPLEMENTARY FINANCIAL INFORMATION

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in this section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

February 19, 1999

SCHEDULE OF CERTAIN INCOME ACCOUNTS
(For the Year Ended December 31, 1998)

Education and examination fees:	
Examination fees	\$5,057,722
Intensive seminars	121,430
Fellowship admission course	290,251
Sale of study notes	1,217,805
Sale of <i>Actuarial Mathematics</i>	222,540
Calculator sales	156,956
	<u>\$7,066,704</u>
Continuing education fees:	
Spring meetings	\$ 867,979
Annual meeting and exhibits	1,076,341
Seminars	1,142,816
	<u>\$3,087,136</u>
Research:	
Experience studies	\$ 635,171
Other	84,187
	<u>\$ 719,358</u>
Publication sales and other income:	
Publication sales	\$ 111,413
Job Link	65,665
Mailing labels and badges	22,579
Royalties	3,412
Library	4,772
Advertising student newsletter	4,740
Miscellaneous income	4,540
	<u>\$ 217,121</u>

SCHEDULE OF EXPENSES
(For the Year Ended December 31, 1998)

Salaries and related expenses	\$ 6,126,935
Rent and electricity	740,431
Travel	1,670,454
Hotel and related costs	1,029,987
Honoraria	80,534
Printing	1,419,084
Postage and mailing	1,384,971
Cost of calculators sold	106,150
Telephone	194,756
Office stationery, supplies and maintenance	91,075
Program supplies and services	492,537
Professional fees	411,747
Examination grading	557,700
Exam center cost	133,432
Insurance	64,312
Equipment maintenance	5,723
Computer	280,720
Research projects	233,926
Experience studies	570,686
Depreciation --- books and equipment	79,382
Library	54,990
Fellowship admission course	393,342
Intensive seminars	77,232
Student newsletter	32,775
Bulletin board and web site	117,552
International Actuarial Association	16,802
Public relations	82,767
College/university initiative	51,209
Government employee travel	14,526
Actuarial Standards Board/Actuarial Board for Counseling and Discipline expenses	104,913
Scholarships, awards and Ph.D. grants	104,500
Relocation expenses	49,088
Miscellaneous	232,293
	<u>\$17,006,531</u>