

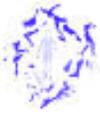


SOCIETY OF ACTUARIES

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Annual treasurer's report

by William Carroll
SOA Vice President/Secretary/Treasurer

The Society of Actuaries continues to be in a sound financial position. Member equity remains significantly above target, and net operating income is again very close to a break-even budget, indicating financial strength and sound financial management. The results on our management basis of accounting for the fiscal year ended July 31, 1996 (FY 1996), are as follows:

	Amounts (In \$1000's)
Income	\$ 14,828
Operating Expenses	<u>14,835</u>
Net Operating Income	\$ (7)
Non-operating Expense	<u>288</u>
Increase (Decrease) in Member Equity	\$ (295)
Member Equity as of July 31, 1996	\$ 5,688

The operating loss of \$7,000 is within a budgeted loss of \$49,500. The non-operating loss of \$288,000 is the net of a \$355,000 matching contribution to the SOA Foundation and a release of \$67,000 of liability for Illinois sales taxes, reflecting a favorable settlement of that audit issue. The contribution to the SOA Foundation completes our \$500,000 matching contribution commitment. This is in addition to the \$500,000 contributed in 1995 as seed money.

The Board of Governors has established a target for year-end member equity of 25-30% of budgeted expenses for the following year. The member equity of \$5.688 million represents 37.3% of the budgeted expenses for the 1997 fiscal year. Not included in this amount is \$1.080 million of surplus of special interest Sections and other restricted funds. We are fortunate to have such a strong financial position as



Treasurer Bill Carroll shows characteristic "Yankee" frugality when he announces at the Orlando annual meeting that SOA surplus is above target, operating results are within budget, and there will be no dues increase for 1997.

we enter a period of fundamental change in our basic education and examination system and unprecedented growth in research.

This report is based on our management basis of accounting. It differs from our GAAP basis in only one regard. We account for research projects on an "as committed" rather than an "as paid" basis, a practice more conservative than GAAP. The complete GAAP Financial Statements and the Independent Auditor's Report of Selden, Fox and Associates, Ltd., will be published in the *Transactions of the Society of Actuaries*. They have been reviewed by the Finance and Audit Committees and approved by the Board of Governors.

4 service segments
For financial management and budgeting purposes, the operations of the SOA are broken down into four service segments:

- 1) Basic education
- 2) Continuing education (meetings and seminars)

- 3) Research (basic research, experience studies, and SOA Foundation support)
- 4) Member services, general overhead, and other activities

This is our second year operating under a revenue-sharing plan. In determining the net contribution to operating income from each of the four segments, research receives 25% of dues and 10% of basic education income, and member services and other activities receive 75% of dues and 5% of all education income. On this basis, the net operating loss of \$7,000 was the result of \$382,000 and \$47,000 contributions from basic and continuing education, and \$167,000 and \$269,000 losses from research and member services and other activities. These results are not untypical and illustrate the challenges in managing the financial affairs of the SOA.

The future

Our five-year fiscal plan reaffirms our commitment to continue our current level of program activities and member services, to make a major change in our education and examination system, and to continue to provide the operation expenses for the SOA Foundation. It also recognizes that we cannot expect continued growth in the number of individuals taking examinations. Consequently, regularly scheduled fees and dues increases are forecasted. Because of our solid financial position, no dues increase was adopted for 1997. For fiscal 1997, we have a budget with expected revenue of nearly \$15.5 million, a net operating income of \$186,300, an ambitious goal.

The five-year outlook is also good. Even allowing for substantial losses as we introduce our new examination system, projections indicate that membership equity will remain slightly above our 25-30% target by the end of our 2001 fiscal year.