



SOCIETY OF ACTUARIES

Article from:

The Actuary

December 1995 – Volume 29, No. 10

Annual treasurer's report



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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 management. The results on our management basis of accounting for the fiscal year ended July 31, 1995 (FY 1995) are as follows:

	Amounts (In \$1000's)
Income	\$ 14,111
Operating Expenses	<u>14,100</u>
Net Operating Income	\$ 11
Non-operating Expense	<u>224</u>
Increase (Decrease) in Member Equity	\$ (213)
Member Equity as of July 31, 1995	\$ 5,937

Our management basis of accounting 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. This helps manage our research program, which has projects extending over many years. Included as non-operating expenses of

\$224,000 are a reserve of \$170,000 for Illinois sales and use taxes and a \$54,000 contribution to the SOA Foundation. The tax reserve reflects a proposed assessment for taxes for the period of July 1981 to December 1994. The Society believes that, as an educational institution, it is exempt from such taxes and is contesting the proposed assessment. The contribution to the SOA Foundation represents the initial draw against a \$500,000 matching contribution commitment. This is in addition to the \$500,000 contributed last year 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 \$5.937 million represents 38.9% of the budgeted expenses for the current fiscal year. Not included in this amount is \$1.023 million of surplus of Special Interest Sections and other restricted funds. We are fortunate to have such a strong financial position as we enter a period of fundamental change in our basic education and examination system and unprecedented growth in research.

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 Committee and approved by the Board of Governors.

4 budget segments

Last year, the Board of Governors approved a new approach to its budgeting processes. For financial management and budgeting purposes, the operations of the SOA are broken down into four service segments:

- 1) basic education
- 2) continuing education
- 3) research
- 4) member services, general overhead, and other activities

Program activities (basic education, continuing education, and research) are to break even after certain previously defined revenue-sharing allocations. The fourth segment — member services, general overhead and other activities — are to provide the budgeted addition to member equity, if any. The 1995 budget was adopted, and the year was well underway before the new process was finalized. Nevertheless, after the revenue-sharing allocations, the three program activities combined contributed a \$52,000 surplus. On the revised basis, the fourth segment ended with a \$41,000 deficit, leaving an operating surplus of \$11,000. The SOA was able to achieve this surplus while absorbing \$269,000 in direct and start-up expenses of the SOA Foundation.

5-year forecast

For the current fiscal year (FY 1996), the SOA has established a budget with revenues and expenditures of about \$15.2 million, a net operating deficit of \$41,000, and break-even operations for each of the next four years. This five-year fiscal plan reaffirms our commitment to provide the operational expenses for the SOA Foundation and continue our current level of program activities and member services. It also recognizes that we cannot expect continued growth in the number of persons taking examinations. Consequently, regularly scheduled fees and dues increases are forecasted over the five-year planning period. The Board approved the 1996 dues be increased to \$290 for all Fellows and all who became members more than four calendar years ago. Dues for Associates who became Associates less than five calendar years ago will be increased to \$145. If these operating results are achieved over the next five years, member equity at the end of the fiscal year 2000 will still exceed 25% of the forecasted expenses for fiscal year 2001.