

AMERICAN ACADEMY OF ACTUARIES

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

AMERICAN ACADEMY OF ACTUARIES

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

CONTENTS

	PAGE
Report of Independent Auditors	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Expenses by Categories	4
Statements of Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7



CALIBRE
CPA GROUP
PLLC

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS ADVISORS

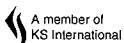
1850 K STREET NW
SUITE 1050
WASHINGTON, DC 20006

202.331.9880 PHONE
202.331.9890 FAX

CIVIC OPERA BUILDING
20 NORTH WACKER DRIVE
SUITE 556
CHICAGO, IL 60606

312.920.9400 PHONE
312.920.9494 FAX

www.calibrecpa.com



REPORT OF INDEPENDENT AUDITORS

The Board of Directors American Academy of Actuaries

We have audited the accompanying statements of financial position of the American Academy of Actuaries (the Academy) as of December 31, 2011 and 2010, and the related statements of activities, expenses by categories, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 American Academy of Actuaries as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Washington, DC
April 27, 2012

AMERICAN ACADEMY OF ACTUARIES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,898,804	\$ 3,819,875
Certificates of deposit	2,783,955	3,358,080
Accounts receivable	287,543	321,568
Due from Casualty Actuarial Society	80,712	46,676
Due from Conference of Consulting Actuaries	15,000	15,000
Prepaid expenses	<u>113,156</u>	<u>96,966</u>
Total current assets	<u>9,179,170</u>	<u>7,658,165</u>
LONG-TERM INVESTMENTS		
Mutual funds, at fair value	5,088,153	5,214,678
Certificates of deposit	<u>172,080</u>	<u>593,955</u>
Total long-term investments	<u>5,260,233</u>	<u>5,808,633</u>
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, net	<u>1,293,674</u>	<u>1,499,479</u>
Total assets	<u>\$15,733,077</u>	<u>\$14,966,277</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 234,528	\$ 218,695
Accrued expenses	332,940	298,550
Accrued annual leave	86,563	92,500
Deferred revenue		
Membership dues	4,032,780	4,242,807
Other	63,479	115,853
Deferred rent liability	<u>45,784</u>	<u>45,784</u>
Total current liabilities	4,796,074	5,014,189
DEFERRED RENT LIABILITY - long-term	523,823	506,585
LIABILITY FOR PENSION BENEFITS - defined benefit plan	<u>442,147</u>	<u>231,488</u>
Total liabilities	<u>5,762,044</u>	<u>5,752,262</u>
UNRESTRICTED NET ASSETS		
Undesignated	9,824,089	9,065,486
Designated - Actuarial Board for Counseling and Discipline Litigation Fund	<u>146,944</u>	<u>148,529</u>
Total net assets	<u>9,971,033</u>	<u>9,214,015</u>
Total liabilities and net assets	<u>\$15,733,077</u>	<u>\$14,966,277</u>

See accompanying notes to financial statements.

AMERICAN ACADEMY OF ACTUARIES

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
REVENUE		
Membership dues	\$ 8,968,292	\$ 8,863,335
Membership application fees	35,175	41,400
Investment income, net of expenses of \$5,137 and \$9,461	116,131	113,999
Enrolled Actuaries Meeting distribution	76,012	135,971
Casualty Loss Reserve Seminar distribution	80,712	46,676
Seminars	192,609	194,647
Advertising income	593,328	638,926
Manual sales	176,085	114,710
Webcast income	224,065	151,711
Service fees	196,296	180,238
Administrative services	23,719	28,062
Other	<u>162,539</u>	<u>139,576</u>
Total revenue	10,844,963	10,649,251
EXPENSES	<u>9,556,164</u>	<u>9,351,556</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	1,288,799	1,297,695
OTHER CHANGES IN NET ASSETS		
Net appreciation (depreciation) in fair value of mutual funds	(218,016)	575,762
Pension-related changes other than net periodic pension cost	(325,421)	(25,230)
Legal settlement - insurance recovery	17,579	616,650
Academy legal fees associated with legal settlement	<u>(5,923)</u>	<u>(45,537)</u>
CHANGE IN NET ASSETS	<u>\$ 757,018</u>	<u>\$ 2,419,340</u>

See accompanying notes to financial statements.

AMERICAN ACADEMY OF ACTUARIES
STATEMENTS OF EXPENSES BY CATEGORIES
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011				2010			
	Academy Operations	Actuarial Standards Boards	Actuarial Board for Counseling and Discipline	Total	Academy Operations	Actuarial Standards Boards	Actuarial Board for Counseling and Discipline	Total
Salaries	\$ 3,405,049	\$ 141,605	\$ 146,010	\$ 3,692,664	\$ 3,439,907	\$ 168,305	\$ 140,294	\$ 3,748,506
Employee insurance	234,166	9,738	10,041	253,945	253,379	12,397	10,334	276,110
Payroll taxes	226,336	9,413	9,705	245,454	225,695	11,043	9,205	245,943
Pension plans	408,953	17,007	17,536	443,496	342,801	16,772	13,981	373,554
Temporary help and personnel fees	96,267	-	-	96,267	27,647	-	-	27,647
Rent	897,720	37,333	38,494	973,547	885,878	43,344	36,130	965,352
Telephone	48,855	2,032	2,095	52,982	46,757	2,288	1,907	50,952
Postage and freight	19,681	2,180	3,219	25,080	15,705	2,429	3,316	21,450
Travel and related expense	70,064	81,051	57,894	209,009	63,097	66,381	66,575	196,053
Annual meeting	62,783	-	-	62,783	37,096	-	-	37,096
Seminars	106,602	-	-	106,602	104,370	-	-	104,370
Committee meetings	156,331	56,880	22,928	236,139	152,086	36,991	21,436	210,513
President and President-elect travel	68,411	-	-	68,411	64,149	-	-	64,149
General office supplies and equipment rental	102,062	4,244	4,376	110,682	102,335	5,007	4,174	111,516
Technology and database	96,519	4,014	4,139	104,672	104,017	5,089	4,242	113,348
Printing	21,961	15,259	-	37,220	21,022	7,491	-	28,513
Personnel development	8,492	-	-	8,492	7,459	-	-	7,459
Professional services	69,597	2,900	1,796	74,293	95,845	-	41,203	137,048
Audit and accounting	28,124	1,170	1,206	30,500	27,659	1,353	1,128	30,140
Insurance	31,712	1,319	1,360	34,391	27,472	1,344	1,120	29,936
Depreciation and amortization	211,171	8,782	9,055	229,008	236,775	11,585	9,657	258,017
Subscriptions and periodicals	45,329	-	3,745	49,074	42,386	-	2,980	45,366
Communications	166,960	-	-	166,960	99,068	-	-	99,068
Membership/external relations programs	71,218	-	-	71,218	55,323	-	-	55,323
Affiliation fees	262,136	-	-	262,136	248,331	-	-	248,331
Contingencies	490,732	-	-	490,732	481,775	-	-	481,775
Manuals	136,836	-	-	136,836	129,343	-	-	129,343
Contribution - Actuarial Foundation	88,000	-	-	88,000	88,000	-	-	88,000
Health Practice Council	283,071	-	-	283,071	278,249	-	-	278,249
Pension Practice Council	95,714	-	-	95,714	92,978	-	-	92,978
Life Practice Council	256,334	-	-	256,334	259,042	-	-	259,042
Casualty Practice Council	36,424	-	-	36,424	44,913	-	-	44,913
Council on Professionalism	25,081	-	-	25,081	15,442	-	-	15,442
Risk Management and Financial Reporting Practice Council	51,565	-	-	51,565	49,725	-	-	49,725
International Secretary/Representatives travel	72,438	-	-	72,438	41,673	-	-	41,673
Income taxes	64,076	-	-	64,076	53,604	-	-	53,604
Bank and credit card fees	218,465	-	-	218,465	221,883	-	-	221,883
Webcast expenses	44,280	-	-	44,280	38,819	-	-	38,819
Investigative	-	-	28,886	28,886	-	-	33,689	33,689
Other	18,761	193	283	19,237	34,269	777	1,615	36,661
	<u>\$ 8,798,276</u>	<u>\$ 395,120</u>	<u>\$ 362,768</u>	<u>\$ 9,556,164</u>	<u>\$ 8,555,974</u>	<u>\$ 392,596</u>	<u>\$ 402,986</u>	<u>\$ 9,351,556</u>

See accompanying notes to financial statements.

AMERICAN ACADEMY OF ACTUARIES
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Undesignated</u>	<u>Designated</u>	<u>Total</u>
UNRESTRICTED NET ASSETS, DECEMBER 31, 2009	\$ 6,556,543	\$ 238,132	\$ 6,794,675
YEAR ENDED DECEMBER 31, 2010			
Change in net assets	2,419,307	33	2,419,340
Designated net assets applied to expenses	<u>89,636</u>	<u>(89,636)</u>	<u>-</u>
UNRESTRICTED NET ASSETS, DECEMBER 31, 2010	9,065,486	148,529	9,214,015
YEAR ENDED DECEMBER 31, 2011			
Change in net assets	757,003	15	757,018
Designated net assets applied to expenses	<u>1,600</u>	<u>(1,600)</u>	<u>-</u>
UNRESTRICTED NET ASSETS, DECEMBER 31, 2011	<u>\$ 9,824,089</u>	<u>\$ 146,944</u>	<u>\$ 9,971,033</u>

See accompanying notes to financial statements.

AMERICAN ACADEMY OF ACTUARIES

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 757,018	\$ 2,419,340
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	229,008	258,017
Net depreciation (appreciation) in fair value of mutual funds	218,016	(575,762)
(Increase) decrease in assets		
Accounts receivable	34,025	33,474
Due from Casualty Actuarial Society	(34,036)	5,000
Prepaid expenses	(16,190)	50,375
Increase (decrease) in liabilities		
Accounts payable	15,833	(74,261)
Pension-related liabilities	245,049	(79,797)
Accrued annual leave	(5,937)	(12,000)
Deferred membership dues	(210,027)	842,597
Other deferred revenue	(52,374)	68,071
Deferred rent liability	17,238	39,668
Net cash provided by operating activities	<u>1,197,623</u>	<u>2,974,722</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture, equipment, and leasehold improvements	(23,203)	(30,544)
Proceeds from maturities of certificates of deposit	6,920,943	3,728,955
Purchases of certificates of deposit	(5,924,943)	(5,123,955)
Purchases of mutual funds and reinvested earnings	(91,491)	(90,778)
Net cash provided by (used for) investing activities	<u>881,306</u>	<u>(1,516,322)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,078,929	1,458,400
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>3,819,875</u>	<u>2,361,475</u>
End of year	<u><u>\$ 5,898,804</u></u>	<u><u>\$ 3,819,875</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for income taxes	<u><u>\$ 8,008</u></u>	<u><u>\$ 77,313</u></u>

See accompanying notes to financial statements.

AMERICAN ACADEMY OF ACTUARIES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 1. THE ORGANIZATION

As the organization representing the entire United States actuarial profession, the American Academy of Actuaries (the Academy), founded in 1965, serves the public and the actuarial profession both nationally and internationally.

To accomplish this:

- As the public voice for the United States actuarial profession, the Academy provides independent and objective actuarial information, analysis, and education for the formation of sound public policy;
- The Academy provides for the establishment, maintenance, and enforcement of high professional standards of actuarial qualification, practice, and conduct;
- The Academy advances actuarial practice by informing and educating its members on public policy and professionalism issues and current and emerging practices;
- The Academy identifies and addresses issues on behalf of the public interest on matters in which actuarial science provides a unique understanding;
- The Academy increases the public's understanding and recognition of the value of the actuarial profession;
- The Academy provides opportunities for professional development of its members through volunteerism and service to the profession;
- The Academy facilitates and coordinates response to issues of common interest among the U.S.-based actuarial associations; and
- The Academy coordinates the representation of the U.S. profession globally.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The financial statements have been prepared using the accrual method of accounting.

Net Assets - The Academy had no permanently restricted or temporarily restricted net assets at December 31, 2011 and 2010. The Academy's unrestricted net assets as of December 31, 2011 and 2010 consisted of the following:

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Undesignated Net Assets

Reflects transactions related to the general operations of the Academy, the Actuarial Standards Board (ASB) and the Actuarial Board for Counseling and Discipline (ABCD). The ASB was established in 1988 within the Academy to develop and promulgate actuarial standards of practice. The ABCD was established in 1992 within the Academy to work with the profession to maintain the quality and integrity of the actuary's work. It is the ABCD's duty to uphold the actuarial profession's standards of conduct, practice, and qualification. The organizations participating in the funding of the ASB and ABCD include: American Society of Pension Professionals and Actuaries (ASPPA), Casualty Actuarial Society (CAS), Conference of Consulting Actuaries (CCA), Society of Actuaries (SOA), and the Academy.

Designated Net Assets

Reflects transactions related to the ABCD Litigation Fund. The ABCD Litigation Fund was established in 1993 in anticipation of potential suits filed by actuaries disciplined based on recommendations of the ABCD. The initial funding was obtained through a transfer from the Academy and contributions from other organizations who participate in the support of the ABCD. There were no contributions made to ABCD during 2011 and 2010. Changes to the designated net assets consist of transfers and contributions, interest income, and litigation expenses, when incurred.

Investments - Investments in mutual funds are stated at fair value which represents publicly quoted market prices as of the last business day of the year. Certificates of deposit are reported at cost, which approximates fair value.

Furniture, Equipment, and Leasehold Improvements - Furniture, equipment, and leasehold improvements are stated at cost less accumulated depreciation and amortization. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or term of the leases, which range 3 - 10 years.

Revenue Recognition - Revenue from membership dues is recognized over the applicable membership period. Meeting registration fees, subscriptions, and other fees and services are recognized as revenue as services are provided.

Service fees are assessed to other actuarial organizations (American Society of Pension Professionals and Actuaries, Casualty Actuarial Society, Conference of Consulting Actuaries, and the Society of Actuaries) to provide partial financial support to the ASB and the ABCD. Fees are based on the percentage of members in each organization who are not members of the Academy.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes - The Academy is generally exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code, as well as the D.C. franchise tax, except for taxes on net income from unrelated business activities. For 2011 and 2010, the Academy has provided information to its members on the portion of dues that is allocable to nondeductible lobbying expenditures, and the Academy is not subject to the proxy tax for lobbying and political expenditures.

Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Cash Equivalents - For purposes of the statement of cash flows, the Academy considers cash in checking, savings and money market mutual fund accounts to be cash equivalents.

Subsequent Events Review - Subsequent events have been evaluated through April 27, 2012, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

NOTE 3. INVESTMENTS

Long-term investments at December 31, 2011 and 2010 consisted of:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds:				
American Funds Group:				
EuroPacific Growth Fund	\$ 216,811	\$ 337,508	\$ 211,241	\$ 390,565
Fundamental Investors	614,077	613,149	603,542	624,978
Growth Fund of America	634,051	587,292	629,608	617,495
New Perspective Fund	609,488	677,733	602,184	733,486
Washington Mutual Investors Fund	147,976	147,467	144,450	137,758
Income Fund of America	613,507	514,416	592,605	487,218
Capital Income Builder Fund	606,761	485,115	586,751	471,634
Bond Fund of America	605,001	583,340	585,800	547,698
Eagle Funds:				
Small-Cap Growth Fund	567,984	635,345	567,984	645,853
Mid-Cap Stock Fund	546,386	506,788	546,386	557,993
	5,162,042	5,088,153	5,070,551	5,214,678
Certificates of deposit	172,080	172,080	593,955	593,955
	<u>\$ 5,334,122</u>	<u>\$ 5,260,233</u>	<u>\$ 5,664,506</u>	<u>\$ 5,808,633</u>

NOTE 3. INVESTMENTS (CONTINUED)

In addition, the Academy held as short-term investments certificates of deposits totaling \$2,783,955 and \$3,358,080 as of December 31, 2011 and 2010, respectively.

The Academy follows generally accepted accounting standards on *Fair Value Measurements*. For assets and liabilities measured at fair value on a recurring basis, this requires quantitative disclosures about fair value measurements separately for each major category of assets and liabilities. These standards clarify the definition of fair value for financial reporting, establish a hierarchal disclosure framework for measuring fair value, and require additional disclosures about the use of fair value measurements. The three levels of the fair value hierarchy and their applicability to the Academy's portfolio investments are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the security.

Level 3 – Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes private portfolio investments that are supported by little or no market activity.

The following are summaries of the inputs used at December 31, 2011 and 2010, respectively, in valuing investments carried at fair value:

	Fair Value	Quoted Price Markets for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2011</u>				
Certificates of deposit	\$ 2,956,035	\$ -	\$ 2,956,035	\$ -
Mutual funds				
Debt-focused	583,340	583,340	-	-
Equity-focused	4,504,813	4,504,813	-	-
	<u>\$ 8,044,188</u>	<u>\$ 5,088,153</u>	<u>\$ 2,956,035</u>	<u>\$ -</u>
<u>December 31, 2010</u>				
Certificates of deposit	\$ 3,952,035	\$ -	\$ 3,952,035	\$ -
Mutual funds				
Debt-focused	547,698	547,698	-	-
Equity-focused	4,666,980	4,666,980	-	-
	<u>\$ 9,166,713</u>	<u>\$ 5,214,678</u>	<u>\$ 3,952,035</u>	<u>\$ -</u>

NOTE 4. FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, and leasehold improvements at December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Furniture and equipment	\$ 1,102,288	\$1,079,087
Leasehold improvements	<u>1,409,943</u>	<u>1,409,943</u>
	2,512,231	2,489,030
Less: Accumulated depreciation and amortization	<u>1,218,557</u>	<u>989,551</u>
	<u>\$1,293,674</u>	<u>\$1,499,479</u>

NOTE 5. ENROLLED ACTUARIES MEETING - DISTRIBUTION OF NET REVENUE

The Academy and CCA share equally the net revenue from the annual Enrolled Actuaries Meeting. The Academy recognized \$76,012 and \$135,971 for its share of net revenue for the 2011 and 2010 meetings, respectively. In connection with this annual meeting, the Academy has advanced \$15,000 to CCA for meeting expenses.

NOTE 6. CASUALTY LOSS RESERVE SEMINAR - DISTRIBUTION OF NET REVENUE

The Academy and CAS share equally the net revenue from the annual Casualty Loss Reserve Seminar. The Academy recognized \$80,712 and \$46,676 for its share of net revenue for the 2011 and 2010 meetings, respectively.

NOTE 7. PENSION PLANS

The Academy provides retirement benefits for substantially all of its employees meeting certain age and minimum service requirements through a defined contribution money purchase pension plan. Annual employer contributions under the plan are made based on a percentage of eligible employees' annual compensation. Total pension expense for the money purchase pension plan, including administration costs and net of forfeitures was \$318,498 and \$295,248 for 2011 and 2010, respectively.

Effective January 1, 2001, the Academy adopted a defined benefit pension plan to supplement the money purchase pension plan. Effective September 30, 2010, the Academy updated the Retirement Benefit to the greater of: (1) \$360 per year of Credited Service up to a maximum of 35 years, or (2) 0.25% of "Average Annual Compensation" per year of Credited Service up to a maximum of 35 years. The following table sets forth the plan's funded status and amounts recognized in the financial statements at December 31, 2011 and 2010. The fair values of all Plan assets are based on Level 1 inputs as described in Note 3.

NOTE 7. PENSION PLANS (CONTINUED)

	<u>2011</u>	<u>2010</u>
Actuarial present value of benefit obligations		
Accumulated benefit obligation, including vested benefits of \$1,089,705 and \$617,867	<u>\$(1,254,977)</u>	<u>\$ (835,649)</u>
Projected benefit obligation for service rendered to date	<u>\$(1,294,908)</u>	<u>\$ (878,669)</u>
Plan assets at fair value	<u>852,761</u>	<u>647,181</u>
Deficiency of plan assets over projected benefit obligation (liability for pension benefits at December 31, 2011 and 2010)	<u>\$ (442,147)</u>	<u>\$ (231,488)</u>

Net pension cost includes the following components for the years ended December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Service cost-benefits earned during the period	\$ 72,034	\$ 39,549
Interest cost on projected benefit obligation	53,637	44,269
Expected return on plan assets	(48,487)	(33,027)
Prior service cost	6,232	6,232
Recognized actuarial loss	<u>8,821</u>	<u>6,125</u>
Net pension cost	<u>\$ 92,237</u>	<u>\$ 63,148</u>

Prior service costs represent the amortization of amounts previously recognized as changes in unrestricted net assets but not included in net periodic pension cost when they arose. The amount expected to be amortized into net periodic pension cost for 2012 is \$45,742.

Total amounts recognized as changes in unrestricted net assets separate from expenses and reported in the statement of activities as pension-related changes other than net periodic pension cost for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Net actuarial loss	\$ (331,653)	\$ (31,462)
Amortization of prior service cost	<u>6,232</u>	<u>6,232</u>
	<u>\$ (325,421)</u>	<u>\$ (25,230)</u>

Amounts that have not yet been recognized as components of net periodic pension cost as of December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Net actuarial loss	\$ 487,415	\$ 155,762
Net prior service cost	<u>73,587</u>	<u>79,819</u>
	<u>\$ 561,002</u>	<u>\$ 235,581</u>

NOTE 7. PENSION PLANS (CONTINUED)

Assumptions used in the actuarial calculations above were as follows at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Discount rate	5.60%	6.08%
Rate of increase in compensation levels	3.00%	4.00%
Expected long-term rate of return on assets	6.75%	6.75%

Total pension expense for the defined benefit pension plan, including administration costs, was \$124,998 and \$78,306 for 2011 and 2010, respectively. Actual employer contributions were \$206,999 in 2011 and \$80,000 in 2010. There were benefit payments of \$27,600 made in 2011. No benefit payments were made in 2010. Employer contributions for 2012 are expected to be \$250,962.

Total expected benefit payments for the next 10 fiscal years are as follows:

2012	\$ 24,826
2013	26,929
2014	35,056
2015	34,646
2016	34,204
2017-2021	270,254

The expected long-term rate of return on plan assets for 2011 is based on a long-term inflation rate of 3.00% and an expected true rate of return of 3.75%. Approximately 39% of the plan's assets are invested in a bond index mutual fund, 59% in an equity index mutual fund, and 2% in cash and money market funds.

The Academy also has a 401(k) retirement plan for its employees. All employees meeting certain age and minimum service requirements are eligible to participate. Employee contributions are limited to a percentage of compensation as defined by the 401(k) plan with no employer matching contribution.

NOTE 8. COMMITMENTS

The Academy's leases office space under a 10-year lease commencing February 1, 2009, with annual rent increases of 2.5% concurrent with the commencement date. The lease calls for a security deposit of \$73,100 for which the Academy has issued a letter of credit for \$73,100 that is secured by a certificate of deposit in the same amount.

NOTE 8. COMMITMENTS (CONTINUED)

In addition, the Academy also has several non-cancelable operating leases for office equipment that expire in 2012. Total future minimum lease payments are as follows:

Year Ending December 31, 2012	\$ 949,576
2013	966,379
2014	990,505
2015	1,015,268
2016	1,040,667
Thereafter	<u>2,251,435</u>
Total	<u>\$ 7,213,830</u>

Rental expense for office space and equipment leases for 2011 and 2010 was \$1,041,535 and \$1,033,410, respectively.

NOTE 9. FUNCTIONAL ALLOCATION OF EXPENSES

Expenses by functional reporting area are as follows:

	<u>Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Programs:		
Actuarial Board for Counseling and Discipline	\$ 362,768	\$ 402,986
Actuarial Standards Board	395,120	392,596
<i>Contingencies</i>	872,888	845,188
Communications	519,086	516,632
Interorganizational liaison	824,919	778,024
Lobbying	161,642	155,181
Member communications	889,690	800,946
Organizational services	702,013	636,688
Public policy	2,299,630	2,462,328
Professionalism	277,576	254,519
Executive/administrative	<u>2,250,832</u>	<u>2,106,468</u>
Total expenses	<u>\$9,556,164</u>	<u>\$9,351,556</u>

NOTE 10. CONCENTRATIONS OF CREDIT RISK

The Academy possesses financial instruments that potentially subject the organization to concentrations of credit risk.

The Academy maintains cash in a number of deposit accounts at one financial institution. Total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. Noninterest-bearing deposit accounts are fully insured by the FDIC through 2012. At December 31, 2011, the Academy had cash deposited in non-interest bearing deposit accounts and is not exposed to any significant credit risk.

The Academy has approximately \$5.14 million in a money market mutual fund as of December 31, 2011. The fund invests primarily in a portfolio of short-term U.S. Treasury securities which include repurchase agreements collateralized fully by U.S. Treasury securities. These funds are not insured by the FDIC. Because of the nature of U.S. Treasury securities, the Academy does not believe these funds are exposed to any significant credit risk.

The Academy maintains cash in several certificate of deposit (CD) accounts with different banks. Total CD balances are insured by the FDIC up to \$250,000 per bank. As of December 31, 2011, all of the Academy's CD holdings were with different banks, and the total balance of CDs held at each individual bank did not exceed the balance insured by the FDIC and the CDs are therefore not exposed to any significant credit risk.

The Academy has total accounts receivable of approximately \$370,000 as of December 31, 2011. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising the Academy's customer base and their dispersion across different industries and geographic areas.

NOTE 11. RENTAL INCOME

During 2009, the Academy entered into an agreement to sublease office space. Total rental income earned was \$109,383 for 2011 and 2010.

The following is a schedule by years of the future minimum rental receipts required under the lease:

Year Ending December 31, 2012	\$ 114,560
2013	119,142
2014	<u>71,095</u>
	<u>\$ 304,797</u>

NOTE 12. INCOME TAXES

Although the Academy is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code, the organization receives unrelated business income from advertising revenue in its periodical, *Contingencies*. Total federal and state taxes on net unrelated business income for 2011 and 2010 were \$64,076 and \$53,604, respectively.

NOTE 12. INCOME TAXES (CONTINUED)

Effective January 1, 2009, the Academy adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Academy performed an evaluation of uncertain tax positions for the year ended December 31, 2011, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status. As of December 31, 2011, the statute of limitations for tax years 2008 through 2010 remains open with the U.S. federal jurisdiction and the various states and local jurisdictions in which the Academy files returns. It is the Academy's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in unrelated business income tax expense.