

## Treasurer's Report

Perhaps 1996 could have been better financially for the Materials Research Society (MRS), but it is difficult to imagine how. The highlights your Treasurer would like you to know are the stellar success of meetings and other elements in the 1996 Operating Budget, the continued growth of MRS's investment portfolio, major new initiatives under way, and MRS's superior grade on its ultimate report card, the 1996 Audit. You will be pleased to know that dues and registration fees have not risen for the fourth year in a row. The bottom line is the value delivered by the Society for the investment in time and money it makes.

### Operating and Consolidated Returns End Strongly

In 1996, the net operating income was \$356 thousand, or 6.3% of gross operating revenue of \$5.7 million. These figures reflect a modest drop from 1995 when operating income totaled \$390 thousand, 7.3% of gross, in keeping with MRS Council's decision to taper operating returns toward a break-even point. (For 1997, the budgeted income is 3.2% in keeping with this taper.)

Similarly, MRS's 1996 consolidated income, which includes operations, symposium revenues and expenses (a break-even piece), and all investments, returned \$736 thousand, 11% of gross consolidated revenue of \$6.5 million. While this result is a drop from 1995 when MRS made \$836 thousand (14% of gross), it is well above our consolidated budget expectation of \$548 thousand.

The Statement of Activities from the 1996 audit report can be seen in Table I. Statements of Financial Position and Cash Flow can be seen as Table II and III, respectively. The 1996 external audit, as just mentioned, was completed without major exception, and on a timely basis.

### Investment Policy Pays Dividends

About two-thirds of this good news, namely \$455 thousand, derives from MRS's healthy Investment Policy, implemented in 1995. This policy, which was established to assist in providing for the long-term existence of the Society, has been a great success. The goals of that policy are (1) to invest in a prudent manner to create returns which support activities, (2) to preserve a capital base through risk policy compatible with the Society's public nature and position, and (3) to provide annual income consistent with budgetary needs. The portfolio consists of six funds, each with its own purpose:

- Operating Cash Fund (to provide adequate cash to supply normal cash needs of the Society)
- Operating Contingency Fund (to provide resources to operate for two years under a reasonable worst-case scenario)
- New Programs Fund (to provide resources to support new program ventures that meet the overall objectives of the Society)
- (Awards) Endowment Fund (to provide earnings for desired expenditures to support the awards program)
- Furniture and Equipment Fund (to provide cash for fixed-asset purchases)
- Property and Building Fund (to provide resources for building or real estate purchases or their maintenance).

The balances of these funds are shown in the Figure. The Operating Cash Fund is not a "managed investment fund" like the others but instead is held in liquid assets as a kind of checking account repeatedly used by MRS headquarters. Also, no money had been allocated to the Property and Building Fund at the time of approval for our new building, for which a mortgage is being sought for the reasons stated in the next section.

MRS's portfolio returned 12.7%, prompting Investments Advisor Mike Bigley to call 1995-1996 "one of the most impressive two-year periods of all time" for the domestic equity mar-

kets. He sets a high bar for his money managers, asking them to achieve returns benchmarked to the S&P 500, the Dow Jones Global-World, and other indices. In 1996 that target was 13.3%, so our portfolio (which consists of diverse investments) was slightly below this near-term target but well above our budget and long-term target of 9.2%.

### New Initiatives

It is exciting to see how we have begun to deploy, under Carl Thompson's able presidency in 1996, our growing resources toward the long-term good of our members. Foremost among these initiatives is our commitment to build a new headquarters building scheduled to open in the Fall of 1997. The main goals for acquiring a new building are to control the long-term management costs of the Society while increasing operating flexibility to adjust for changing customer demand, such as rewiring to meet increasing electronic delivery needs. Not only has the headquarters building project gotten off to a smooth start with ground breaking in April, but you can follow its progress on the MRS website (<http://www.mrs.org/geninfo/building/>).

To finance this \$2.3 million construction project, MRS strategy is to borrow the money at 6%, which is possible owing to the outstanding performance of its investment portfolio. The investment earnings thus saved could be substantial. As market and interest conditions change, of course, this strategy will be reassessed.

Another initiative approved in 1996 is to move part or all of the Fall Meeting into the Hynes Convention Center in Boston as soon as possible. (Contracts for the first available opening and future years are being negotiated by dedicated HQ staff Gail Oare, Director of Meetings, and John Ballance, Executive Director.) While the Hynes Convention Center will cost more than the current three-hotel arrangement, the anticipated improvement in the meetings make the move well worth it. Moreover, the concomitant increase in exhibit capacity promises to offset these additional costs. Every step of the process is being deliberated to minimize impact in MRS meeting registration fees and to ensure that the quality of the Fall Meeting continually improves.

Other initiatives approved in 1996 include a pilot "Materials Success Story," fostered by tireless Julia Phillips, chair of the Public Affairs Committee, and a new information management system under continual development.

In summary, it is useful to reflect on the progress made over the last few years in MRS services and technical meetings. For the fourth year in a row, neither dues nor registration fees have been raised. Operating margins have been cut, a planned taper toward zero, while still being strong enough to enable a new electronic abstract submission system, finance a new building, and implement a new headquarters computer system. MRS meetings continue to draw attendees in record numbers even as abstract rejection rates increase. With so many positive vectors, it is hard not to be optimistic.

Yet even with all of these activities and successes, there remains delightful financial opportunity to consider other exciting projects for the good of the Society. We must all lend our most innovative thinking for bold ways to improve technical, educational, and administrative aspects of the Society. I invite you to e-mail ideas, thoughts, questions, or concerns to [ajhurd@sandia.gov](mailto:ajhurd@sandia.gov).

Respectfully submitted,

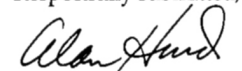
  
Alan J. Hurd, Treasurer

Table I

**MATERIALS RESEARCH SOCIETY**  
**Statements of Activities (Income Statement)**  
 Years Ended December 31, 1996 and 1995

	1996	1995
<b>UNRESTRICTED NET ASSETS</b>		
<b>Revenue, Gains, and Other Support:</b>		
Meeting and seminar registration	\$1,798,454	\$1,620,454
Proceedings sales	1,174,497	1,164,867
Subscriptions	799,906	690,465
Membership dues	370,498	380,586
Education	20,650	53,932
Exhibit income	490,878	461,261
Advertising	418,760	392,103
Contributions	96,840	80,408
Mailing list rental	128,374	116,226
Miscellaneous income	140,288	139,748
Federal financial assistance	104,500	120,098
Other government funding	116,375	103,250
Corporate funding of symposia	164,988	216,882
Investments:		
Investment income	155,675	138,185
Net unrealized gain on investments	292,765	295,921
Net realized gains on investments	30,590	24,154
<b>TOTAL REVENUE, GAINS, AND OTHER SUPPORT</b>	<b>6,304,038</b>	<b>5,998,540</b>
<b>Expenses:</b>		
<b>Program Services</b>		
Meetings	899,333	800,303
Proceedings	719,747	728,002
Subscriptions	745,326	664,285
Membership	418,397	477,295
Education	21,773	47,648
Symposia	209,609	223,219
Awards	39,845	35,294
	3,054,030	2,976,046
<b>Supporting Services</b>		
Management and general	2,522,719	2,200,558
<b>TOTAL EXPENSES</b>	<b>5,576,749</b>	<b>5,176,604</b>
<b>INCREASE IN UNRESTRICTED NET ASSETS BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE</b>	<b>727,289</b>	<b>821,936</b>
Cumulative effect on prior year of a change in method of accounting for contributions	-	13,649
<b>INCREASE IN NET ASSETS</b>	<b>727,289</b>	<b>835,585</b>
<b>Net Assets at Beginning of Year</b>	<b>4,262,253</b>	<b>3,426,668</b>
<b>Net Assets at End of Year</b>	<b>\$ 4,989,542</b>	<b>\$ 4,262,253</b>

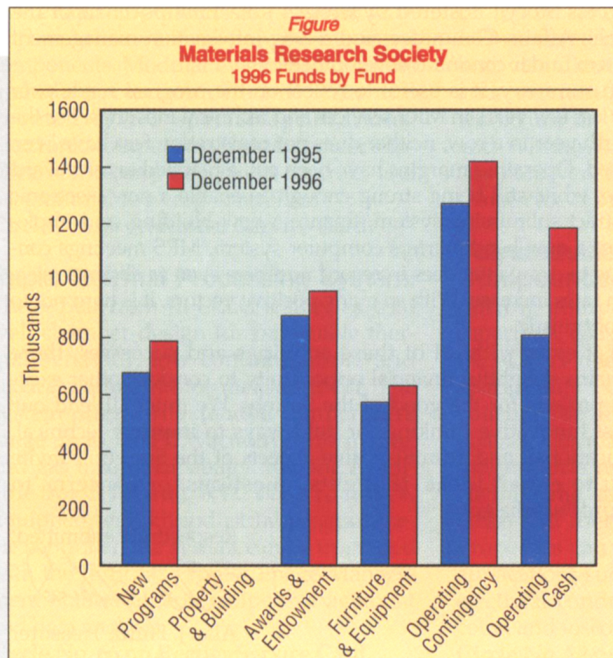


Table II

**MATERIALS RESEARCH SOCIETY**  
**Statements of Financial Position (Balance Sheet)**  
 December 31, 1996 and 1995

	1996	1995
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,186,783	\$ 897,999
Investments, at fair value	3,786,822	3,282,886
Accounts receivable, net	567,715	651,667
Inventories, net	243,082	281,334
Government grants receivable	60,229	64,884
Prepaid expenses	95,168	52,677
Accrued interest receivable	29,432	23,463
<b>TOTAL CURRENT ASSETS</b>	<b>5,969,231</b>	<b>5,254,910</b>
<b>Fixed Assets</b>		
Data processing equipment and software	858,402	732,593
Furniture and office equipment	306,121	280,902
Construction-in-process	85,936	-
	1,250,459	1,013,495
Less: accumulated depreciation	751,793	614,398
	498,666	399,097
<b>TOTAL ASSETS</b>	<b>\$ 6,467,897</b>	<b>\$ 5,654,007</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 530,083	\$ 534,119
Withheld and accrued payroll taxes	7,769	15,340
Accrued retirement plan contribution	23,613	21,705
Deferred revenues	916,890	820,590
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,478,355</b>	<b>1,391,754</b>
<b>Net Assets</b>		
Unrestricted	4,901,087	4,173,798
Permanently restricted	88,455	88,455
<b>TOTAL NET ASSETS</b>	<b>4,989,542</b>	<b>4,262,253</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,467,897</b>	<b>\$ 5,654,007</b>

Table III

**MATERIALS RESEARCH SOCIETY**  
**Statements of Cash Flows**  
 Years Ended December 31, 1996 and 1995

	1996	1995
<b>Operations:</b>		
Increase in net assets	\$ 727,289	\$ 835,585
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	137,395	114,845
Net realized gains on investments	(30,590)	(24,154)
Unrealized (gain) loss on investments	(292,765)	(295,921)
Provision for uncollectible accounts	75,800	23,265
Provision for inventory obsolescence	54,000	91,559
(Increase) decrease in:		
Accounts receivable	8,152	(183,648)
Inventories	(15,748)	(63,287)
Government grants receivable	4,655	(14,139)
Prepaid expenses	(42,491)	32,177
Accrued interest receivable	(5,969)	(23,463)
Increase (decrease) in:		
Accounts payable and accrued expenses	(4,036)	134,918
Withheld and accrued payroll taxes	(7,571)	37
Accrued retirement plan contribution	1,908	3,171
Deferred revenues	96,300	9,133
<b>Net Cash Provided by Operations</b>	<b>706,329</b>	<b>640,078</b>
<b>Investment Activities:</b>		
Proceeds from sales of investments	846,889	433,219
Purchase of investments	(1,027,470)	(2,992,618)
Purchase of fixed assets	(236,964)	(173,167)
<b>Net Cash Used by Investment Activities</b>	<b>(417,545)</b>	<b>(2,732,566)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>288,784</b>	<b>(2,092,488)</b>
Cash and Cash Equivalents at Beginning of Year	897,999	2,990,487
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,186,783</b>	<b>\$ 897,999</b>