

Treasurer's Report

It is axiomatic that the Materials Research Society Treasurer's Report gets written after a major correction in the market. In looking back over previous reports to Council and *MRS Bulletin*, I have often led off with a "don't panic" statement, and this installment is no exception: Don't Panic. Despite the market's rough summer, your investments are as safe and healthy as ever.

If this were a statement of your personal money situation, you would be well pleased. The Society finished 1997 with unprecedented increases in total assets from \$6.5 million to \$9.2 million, a clean audit, and satisfying consolidated income of \$553 thousand. The Society did not make this money from meeting registration or membership dues, but from investments. The construction loan for MRS Headquarters (HQ) has been converted to a predictable mortgage this summer—at a rate more favorable than we had hoped—and a number of new initiatives have been started.

Headquarters Financing Finalized

The large increase in total MRS assets is due largely to the \$2.2-million building, but of course it carries with it a similar liability. In the construction phase, that liability was in the form of a short-term construction loan with annual interest of 5.4%. Our hope had been to lock into a rate of 6% for a long-term loan and we succeeded beyond that dream. The new terms, starting July 1998, are 5.2%

fixed rate for 10 years, then 5 years at a rate tied to the Treasury Bond. In 15 years, MRS will have retired its current HQ debt.

Note that our previous HQ lease cost \$120 thousand per year; we will have paid about that amount in interest the first full year but will accumulate equity.

Annual Audit Gets A+

A dedicated team of volunteers chaired by Harry Atwater scrutinized the external audit this year and reported to MRS Council in April. This year, the auditors pointed out a steady increase in obsolete inventory—mainly books—over the last four years. They recommend adjusting our print run quantities and to consider "just-in-time" print production to reduce future inventories. The auditors also made helpful suggestions for future credit-granting and debt-collection practices in MRS. Altogether, the audit was as clean as we could hope.

Investments Lead Consolidated Budget

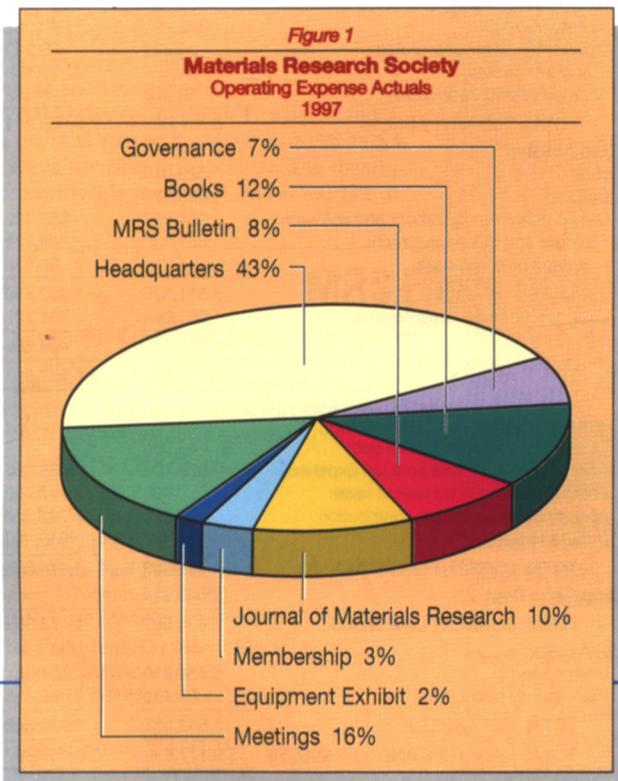
While the Operating Budget had a loss this year of \$169 thousand, amounting to 3% of gross operating revenue of \$5.7 million, gains in investments of \$722 thousand produced our 1997 Consolidated Budget surplus of \$533 thousand. (The Operating Budget includes all HQ operations such as meetings support, publications, and member services, while the Consolidated Budget consists of the Operating Budget plus investments. The CB is the truest indicator of Society health.)

Our investment portfolio returned 17.8%. Since in 1997 that target was 18.8%, the portfolio (which consists of diverse investments) was slightly under target performance but well above our budget and long-term target of 9.4%.

Figures 1 and 2 show our 1997 Operating expense and revenue, respectively. The Statements of Activities from the 1997 audit report can be seen in Table I. The Statements of Financial can be seen as Table II.

Meeting attendance was strong in 1997, so much so that an additional three staff members were assigned to support them, and this factor is the largest part of the Operating shortfall. Noticing this gap in the Meetings segment of the Operating Budget, Council approved a \$15 increase in registration fees to bring Meetings back to breakeven in 1998.

Overall, Council's intent has been to bring Operating Budgets to breakeven, on a time-averaged basis. One reason it is difficult to "tweak" the budget consistently to breakeven is the creation of "initiatives" by Council.



Initiatives

Initiatives are member-driven projects funded by Council usually for a one-time-only trial but sometimes for multiyear options. Typically, these projects are not in the budget prepared at the beginning of the fiscal year. A 1997 multiyear initiative that increased our Operating expenses was additional support approved for each symposium to give symposium organizers more flexibility; another one-time initiative was the Materials Success Stories videotape commissioned by the Public Affairs Committee. Both initiatives were highly successful and represented money well spent. For 1998, we have launched additional initiatives, including the undergraduate research program by the Academic Affairs Committee. The budget impact of these projects for Societal good is always to decrease our Operating margin, but with continued health in Consolidated Budgets there is no difficulty.

A number of great challenges loom for the future. I invite you to e-mail ideas, thoughts, questions, or concerns to ajhurd@sandia.gov.

Respectfully submitted,



Alan J. Hurd, Treasurer

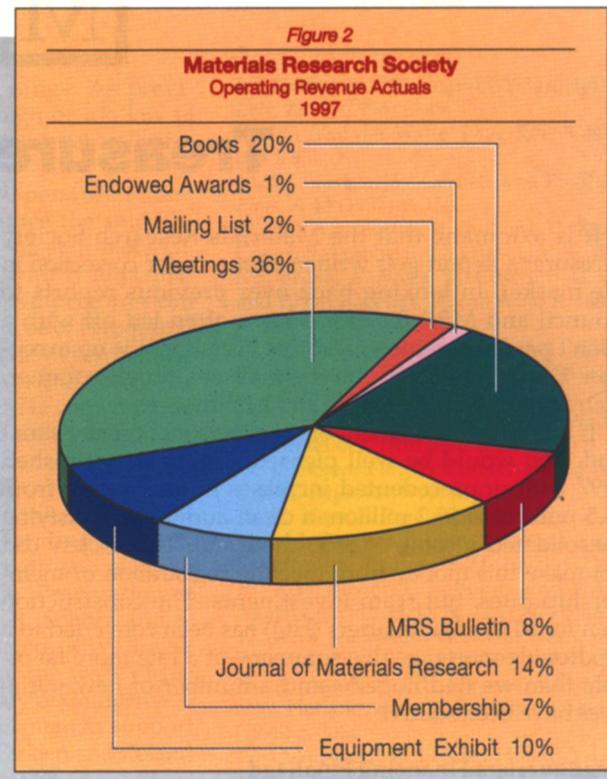


Table I

MATERIALS RESEARCH SOCIETY
Statements of Activities (Income Statement)
Years Ended December 31, 1997 and 1996

UNRESTRICTED NET ASSETS	1997	1996
Revenue, Gains and Other Support:		
Meeting and seminar registration	\$ 1,731,695	\$ 1,798,454
Proceedings sales	1,086,193	1,174,497
Subscriptions	807,573	799,906
Membership dues	377,968	370,498
Education	28,515	20,650
Exhibit income	569,938	490,878
Advertising	418,184	418,760
Contributions	93,882	96,840
Mailing list rental	132,402	128,374
Miscellaneous income	183,694	140,288
Federal financial assistance	65,590	104,500
Other government funding	130,963	116,375
Corporate funding of symposia	276,539	164,988
Investments:		
Investment income	176,812	155,675
Net unrealized gain on investments	365,671	292,765
Net realized gains on investments	179,218	30,590
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	6,624,837	6,304,038
Expenses:		
Program Services		
Meetings	934,551	899,333
Proceedings	680,162	719,747
Subscriptions	829,134	745,326
Membership	380,446	418,397
Education	20,252	21,773
Symposia	233,945	209,609
Awards	37,888	39,845
	3,116,378	3,054,030
Supporting Services		
Management and general	2,955,470	2,522,719
TOTAL EXPENSES	6,071,848	5,576,749
INCREASE IN NET ASSETS	552,989	727,289
Net Assets at Beginning of Year	4,989,542	4,262,253
Net Assets at End of Year	\$ 5,542,531	\$ 4,989,542

Table II

MATERIALS RESEARCH SOCIETY
Statements of Financial Position (Balance Sheet)
December 31, 1997 and 1996

	ASSETS	
	1997	1996
Current Assets:		
Cash and cash equivalents	\$ 1,343,969	\$ 1,186,783
Investments, at fair value	4,263,869	3,786,822
Accounts receivable, net	653,025	567,715
Inventories, net	222,291	243,082
Government grants receivable	20,647	60,229
Prepaid expenses	84,458	95,168
Accrued interest receivable	28,808	29,432
TOTAL CURRENT ASSETS	6,617,067	5,969,231
Fixed Assets:		
Land	329,013	-
Building	1,826,525	-
Data processing equipment and software	994,957	858,402
Furniture and office equipment	361,030	306,121
Construction-in-process	-	85,936
	3,511,525	1,250,459
Less: accumulated depreciation	951,054	751,793
	2,560,471	498,666
TOTAL ASSETS	\$ 9,177,538	\$ 6,467,897
	LIABILITIES AND NET ASSETS	
Current Liabilities:		
Current portion of long-term debt	\$ 45,030	\$ -
Accounts payable and accrued expenses	575,194	530,083
Withheld and accrued payroll taxes	903	7,769
Accrued retirement plan contribution	30,219	23,613
Deferred revenues	943,437	916,890
TOTAL CURRENT LIABILITIES	1,594,783	1,478,355
Long-Term Debt	2,040,224	-
TOTAL CURRENT LIABILITIES	3,635,007	1,478,355
Net Assets:		
Unrestricted	5,454,076	4,901,087
Permanently restricted	88,455	88,455
TOTAL NET ASSETS	5,542,531	4,989,542
TOTAL LIABILITIES AND NET ASSETS	\$ 9,177,538	\$ 6,467,897