1992 was an excellent year, financially, for the Materials Research Society. After a net operating loss in 1990, and a break-even year in 1991, the Society generated modest net operating income in accordance with the financial goals established in the budget and approved by the Council (see Figure 1 for five-year net operating income summary). These results helped to strengthen the overall financial position of the Society, and the turnaround that was begun in 1991 can now be seen as assured. Many thanks are owed to the headquarters staff and numerous MRS volunteers, whose efforts brought this about.

The most significant factor in achieving the 1992 financial performance was the establishment in 1991 of a new budgeting process. MRS operations were separated into business units (Spring Meeting, Fall Meeting, Proceedings, Membership, Journal of Materials Research, etc.), and each unit was assigned a specific financial goal, with input from the Executive Committee. A detailed budget was then built around these goals, and operations were managed according to this plan. The process was further defined in 1992, and the net effect of strictly controlling expenses and managing to budget was the generation of a net operating income of $256,600, or 5.6% of gross operating revenue ($4.6 million). On a consolidated basis, where all Society activities are considered (including income from investments and contributions of designated funds to support such projects as the Turnbull Lecture-ship, student activities, etc.), the net consolidated income (shown as excess of support and revenue over expenses in Table I) was $399,000, or 8.0% of the gross consolidated revenue. Again, these percentage returns on revenues approximated the goals established in the budget.

This type of management process has also provided the necessary information for the Executive Committee and the MRS headquarters staff to review specific operations and make decisions as required. Some of the results are as follows:

- More accurate cost projections can be prepared for the Spring and Fall Meetings, allowing for the setting of minimum registration fees.
- The costs of supporting the membership and providing membership-sponsored programs can be more precisely estimated, resulting in the establishment of membership fees that match the incremental costs of adding new members.
- JMR and the short-course program were priced in 1992 so that they approached break-even status, as opposed to being heavily supported by Society funds.

These are all areas where MRS management is trying to balance the two goals of providing the highest level of service to the membership while maintaining the financial integrity of the Society.

Measures were also implemented to improve balance sheet reporting (Table II). The 1992 balance sheet was strong, and total assets were up 11.1% over 1991. This falls in line with the 12.5% compound annual growth rate in total assets experienced over the past five years (Figure 2).

The Society's cash flow was also very good in 1992 (Table III). Steps are currently being taken to improve MRS cash management procedures. A new fund structure was approved by Council in 1991. The Finance Committee and HQ staff are currently developing an implementation process for four of the funds: the Operating fund, the Operating Contingency fund, the Endowment fund, and the Furniture and Fixtures fund. This policy will be put in place following the development of specific investment policies for each fund. The goal is to maximize the return on MRS cash balances to assist in the support of Society activities.

In summary, 1992 was an excellent year and helped to strengthen the overall financial position of the Society. Management processes that were implemented in 1991 continued to improve and enhance operations in 1992. New projects have already been started and there is a very positive outlook for 1993.

Respectfully submitted,

Auda "Kay" Hays, Treasurer
Cash and Cash Equivalents at Beginning of Year

Net Cash Provided by Investment Activities

Investment Activities:

Net Cash Provided by Operations

Net Increase in Cash and Cash Equivalents

Statements of Support, Revenue, Expenses, and Changes in Fund Balances Years Ended December 31, 1992 and 1991

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Government grant funding</td>
<td>$80,440</td>
<td>$109,500</td>
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<tr>
<td>Other government funding</td>
<td>$93,210</td>
<td>$32,500</td>
</tr>
<tr>
<td>Corporate funding of symposia</td>
<td>$215,925</td>
<td>$216,229</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$389,575</td>
</tr>
</tbody>
</table>

Revenue:

Seminar and meeting registration | $1,445,128 | $1,289,123 |
Proceedings sales | $1,016,818 | $983,973 |
Subscriptions | $642,204 | $436,666 |
Membership dues | $328,220 | $338,494 |
Exhibit income | $380,163 | $314,850 |
Advertising | $390,586 | $323,594 |
Contributions | $69,954 | $71,549 |
Mailing list rental | $103,406 | $93,777 |
Investment income | $57,324 | $81,632 |
Miscellaneous income | $152,669 | $72,553 |
| | | $4,586,472 | $4,006,211 |
| | | $4,976,047 | $4,364,440 |

Expenses:

Program Services
Meetings | $722,634 | $649,549 |
Proceedings | $770,212 | $585,404 |
Subscriptions | $739,926 | $503,603 |
Membership | $283,066 | $711,588 |
Symposia | $235,724 | $162,635 |
Education | $170,198 | $189,423 |
Awards | $27,691 | $14,672 |
| | | $2,949,451 | $2,816,874 |
Supporting Services
Management and general | $1,627,549 | $1,469,081 |
| | | $4,577,000 | $4,285,955 |
Excess of Support and Revenue over Expenses | $399,047 | $78,485 |
| | | $2,135,904 | $2,057,419 |
Fund Balances at Beginning of Year | $2,534,951 | $2,135,904 |

Table I
Materials Research Society

Operations:

Excess of support and revenue over expenses | $399,047 | $78,485 |
Adjustments to reconcile excess of support and revenue over expenses to net cash provided by operating activities
Depreciation | $87,042 | $74,014 |
Provision for uncollectible accounts | $100,000 | $25,000 |
Provision for inventory obsolescence | $210,292 | $55,315 |
(Increase) decrease in:
Accounts receivable | $(392,828) | $88,394 |
Inventories | $(71,717) | $(4,589) |
Other prepaid expenses | $(7,020) | $(13,846) |
Accrued interest receivable | $16,738 | $15,931 |
Government grants receivable | $500 | $7,020 |
Increase (decrease) in:
Accounts payable | $130,089 | $(270,450) |
Deferred support and revenues | $47,093 | $158,969 |
Accrued payroll taxes | $12,100 | $(565) |
Accrued profit-sharing expense | $16,738 | $15,931 |
Other accrued expenses | $(229,194) | $73,386 |
Net Cash Provided by Operations | $303,083 | $361,236 |

Investment Activities:
Redemption of certificates of deposit | $368,000 | $532,000 |
Purchase of fixed assets | $(61,049) | $(70,888) |
Net Cash Provided by Investment Activities | $306,951 | $461,112 |
Net Increase in Cash and Cash Equivalents | $610,034 | $822,350 |
Cash and Cash Equivalents at Beginning of Year | $1,518,806 | $696,456 |
Cash and Cash Equivalents at End of Year | $2,128,840 | $2,158,806 |

Table II
Materials Research Society
Balance Sheets, December 31, 1992 and 1991

Current Assets:
Cash and cash equivalents | $2,128,840 | $1,518,806 |
Certificates of deposit | — | $368,000 |
Accounts receivable, less allowance for uncollectible accounts of $155,173 in 1992 and $57,364 in 1991 | $730,904 | $438,076 |
Inventories, less provision for obsolescence of $210,292 in 1992 and $67,455 in 1991 | $353,276 | $491,851 |
Government grants receivable | $55,500 | $56,000 |
Other prepaid expenses | $62,488 | $55,468 |
Accrued interest receivable | — | $16,738 |
TOTAL CURRENT ASSETS | $3,331,008 | $2,944,939 |

Fixed Assets:
Data processing equipment and software | $376,652 | $318,077 |
Furniture and office equipment | $192,112 | $193,043 |
Less: accumulated depreciation | $568,764 | $511,120 |
| | $254,162 | $230,965 |
| | $3,585,170 | $3,225,094 |

LIABILITIES AND FUND BALANCES

Current Liabilities:
Accounts payable | $255,199 | $125,110 |
Accrued payroll taxes | $13,106 | 1,006 |
Accrued profit-sharing expense | $15,749 | $14,868 |
Other accrued expenses | $68,581 | $297,715 |
TOTAL CURRENT LIABILITIES | $352,635 | $438,699 |

Deferred Support and Revenues:
<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$2,534,951</td>
<td>$2,135,904</td>
</tr>
<tr>
<td>Restricted</td>
<td>$503,603</td>
<td>$438,699</td>
</tr>
<tr>
<td></td>
<td>$3,038,554</td>
<td>$2,574,603</td>
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Fund Balances:
<table>
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<tr>
<th></th>
<th>1992</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
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<td>$2,135,904</td>
</tr>
<tr>
<td>Restricted</td>
<td>$650,491</td>
<td>$2,574,603</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$3,185,442</td>
<td>$2,710,507</td>
</tr>
</tbody>
</table>

Table III
Materials Research Society

 Operations:

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess of support and revenue over expenses</td>
<td>$399,047</td>
<td>$78,485</td>
</tr>
</tbody>
</table>

Adjustments to reconcile excess of support and revenue over expenses to net cash provided by operating activities
Depreciation | $87,042 | $74,014 |
Provision for uncollectible accounts | $100,000 | $25,000 |
Provision for inventory obsolescence | $210,292 | $55,315 |
(Increase) decrease in:
Accounts receivable | $(392,828) | $88,394 |
Inventories | $(71,717) | $(4,589) |
Other prepaid expenses | $(7,020) | $(13,846) |
Accrued interest receivable | $16,738 | $15,931 |
Government grants receivable | $500 | $7,020 |
Increase (decrease) in:
Accounts payable | $130,089 | $(270,450) |
Deferred support and revenues | $47,093 | $158,969 |
Accrued payroll taxes | $12,100 | $(565) |
Accrued profit-sharing expense | $16,738 | $15,931 |
Other accrued expenses | $(229,194) | $73,386 |
Net Cash Provided by Operations | $303,083 | $361,236 |

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Net Increase in Cash and Cash Equivalents | $610,034 | $822,350 |
Cash and Cash Equivalents at Beginning of Year | $1,518,806 | $696,456 |
Cash and Cash Equivalents at End of Year | $2,128,840 | $2,158,806 |

Figure 2
Materials Research Society
Total Assets 1988 through 1992

ASSETS
Total Assets (in $Thousands)

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