



**THE NEW YORK SOCIETY OF SECURITY ANALYSTS**  
**ANNUAL REPORT 2012**

# TABLE OF CONTENTS

Letter from the President & CEO	3
Management Discussion and Analysis	4
Review of Changes in Financial Position	7
Independent Auditors' Report	8

## LETTER FROM THE PRESIDENT & CEO



Dear Members:

This past year we celebrated the 75th anniversary of the founding of the New York Society of Security Analysts. We capped the year with a celebratory dinner at the Museum of American Finance attended by 200 people and hosted two keynote speakers, Steve Roach and Oliver Sarkozy, moderated by Sue Herera from CNBC.

While fiscal 2011–2012 continued to present a number of challenges due to continued market volatility, we were able to stem the losses through reducing expenses. Although revenues and memberships are down, the Society remains financially healthy due to sound investment strategy and prudent expense reduction.

The enclosed audited financial statements and management discussion show that the Society is in a strong financial position. We ended the year with a small subsidy by judiciously cutting staff expenditures, printing and postage, human resources vendors, and IT.

In 2012 we undertook several new initiatives to strengthen NYSSA for the future of its membership and programming. We hired two full time staff with CFA charters. We undertook the development of a proposal to replace our association management database system with one that will better meet the needs of our operation and our members. After researching 40 systems and a comprehensive RFP process we narrowed the field to three possibilities and selected ACGI Association Management as the new package. We are confident that when this is launched in 2013 it will meet our needs for e-commerce, discount packages, virtual membership, database management, and statistical reporting.

We created partnerships with a number of other non-profits to provide their courses to our members at a discount. These include the New York Hedge Fund Round Table, the Market Technicians Association, and Wall Street Training. We renegotiated contracts with key partners.

The coming year will see significant changes in revenue streams due to increased competition and the new development regarding local CFA society membership coming from the CFA Institute. Despite these challenges, we will continue to provide the highest quality programming for our members and the general public.

Regards,

A handwritten signature in black ink that reads "Amy Geffen". The signature is fluid and cursive.

Amy Geffen  
President & CEO

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

### **Membership**

*Career Development:* The continuing downturn in financial markets and the subsequent loss of financial services jobs in the New York metro area in 2011-2012 has increased the need for and popularity of NYSSA's career programs. During this period the monthly Career Chats, Career Coffees, and career-related workshops have enjoyed record attendance. NYSSA has also partnered with eFinancial to offer access to a wide range of jobs and opportunities for finance professionals in the past year.

A few of our successful career-related programs included: "Influence – Why You Need It and How to Get It," "Getting a Direct Line on the Best Jobs in Financial Markets," "Secrets of a Master Networker," and "Perfect Your Elevator Speech." These events remain very popular and fill an important need for our members as the economy slowly improves.

*Committees:* More than 3,549 members, a notable increase from the previous year, participated in NYSSA's 16 committees this past year. This group represents NYSSA's most active and engaged members, many of whom are at the senior VP level and above. We presented an interactive live training in February for committee Chairs and Vice Chairs followed by additional guidelines to encourage early planning, improved topic and speaker selections, and earlier promotion of programs.

*Networking Events:* NYSSA is proud to host several well-attended networking events throughout the year including new member receptions, the CFA Level III congratulatory reception, and holiday cocktail parties. The Annual Dinner at the Museum of American Finance celebrated the accomplishments of NYSSA's members and honored individual Volunteers of the Year from several committees. We created a special 10-minute NYSSA video with interviews of key volunteers and past presidents.

*Benefits:* We added new benefits including free membership in the Five O'Clock Club, a premier outplacement and executive coaching organization; dining discounts at the David Burke Group of restaurants; discounted NY Islander tickets; discounts at Citi Habitats (apartment rentals); and special rates at The James New York Hotel in Soho.

### **Programs**

*Education:* NYSSA continues to be a leading provider of weekly review courses for CFA® Exam Levels I, II, and III, and a CFA curriculum of preparatory workshops. NYSSA also offers professional development classes for finance professionals on a range of topics, from financial modeling to corporate valuation methodologies to deal structuring. Nathan Ronen, CFA, rejoined us as lead instructor, which resulted in a boost in enrollments and more interaction with our students to help them pass. This past year the department also met the needs of many participants for professional development and for CFA.

## MANAGEMENT DISCUSSION AND ANALYSIS

The education department took proactive steps to maintain NYSSA's leadership position among CFA® exam prep providers in face of shifting demand. We added a special boot camp and continued to offer sample classes, raffles and special promotions in an effort to enhance course enrollments and membership. Additionally, we began to offer CFA video subscriptions to enhance and compliment our programs.

*Industry Conferences:* NYSSA brings together buy-side and sell-side analysts through industry-specific sector conferences. Two new industry programs were added this year to the NYSSA Master Calendar: Microcap Mining and the Technology Innovators Microcap Investment Conference.

*Topical Conferences:* In 2012, we partnered with a few outside organizations to create interesting conferences. "A New Era in Middle East Investing" was co-hosted with ABANA, the Arab Bankers Association of North America, "The Jobs Act and Its Impact on the IPO" was a joint venture with the New York Hedge Fund Roundtable, and the Commonwealth Bank of Australia worked with NYSSA to host the "Australia for Investors" program. Additionally, we worked with Vinny Catalano on the popular "Market Forecast" meetings and NYSSA's Private Wealth Committee hosted three well-attended meetings, the annual Family Conference entitled, "Creating and Sustaining Great Family Offices" the Master Limited Partnerships meeting entitled, "Trapped Between Zero Interest Rates and the Threat of Future Inflation," and the annual wealth management summit entitled, "The Fiscal Cliff and Financial Repression – Their Impact on Investing."

*Roundtables:* The Investment Strategy Roundtable, which began as a committee meeting at NYSSA, has blossomed into a monthly roundtable discussion that is open to the public with an average monthly attendance of 22 people.

*Student Programs:* Twenty-one teams competed in the CFA Institute's Research Challenge, and the SEMI Program, run by the Student Committee, worked with 17 Students who were mentored and attended classes taught by New York area financial professionals over a ten-week period during the summer. At year end, we had 16 student chapters with over 400 members.

*NYSSA On-Demand™:* The new NYSSA On-Demand format launched in November 2011. The content includes free and Members Only access to archived Industry Conferences, Seminars and Career Development Programs. There were over 8,700 individual video views and over 40,000 viewed minutes. While the majority of videos were viewed in the United States, Pakistan, the United Kingdom and Singapore each had over 2,000 viewed minutes.

*Staffing:* We hired two new staff Directors to replace previous directors. Mario Carias, CFA, became the new Director of Education and Test Preparation overseeing the CFA programs. John Brown became the new Director of Committees and Content Development. We replaced the Director of IT with an IT Coordinator and outsourced the higher level IT functions to an external company for security, redundancy and disaster recovery.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL RESULTS

The Society's fiscal year ends on August 31st. The Society's revenues consist primarily of membership dues and fees, CFA and professional development classes, and conference fees and registrations. Highlights from our financial statements as of and for the year ended August 31, 2012 include the following:

Total assets in Fiscal were \$9.276 million in Fiscal 2012 compared to \$9.853 million in Fiscal 2011. The decrease was primarily due to a reduction in accounts receivable billings of membership dues. Renewal dues billings have declined 17.8% to 8,478 from 10,315 in the prior fiscal year. Additionally, a major investment in facility leasehold improvements, furniture and fixtures, hardware and software began with the move to 1540 Broadway in January 2010. The value of fixed assets, after accounting for depreciation and amortization, was \$2.918 million at the end of fiscal 2012, compared to \$3.248 at the end of Fiscal 2011.

Total liabilities were \$3.420 million in Fiscal 2012 compared to \$3.914 million in Fiscal 2011. The decrease is primarily due to a decrease in unearned dues revenue which is directed correlated to the decrease in renewal dues billing, as noted earlier.

Operating revenues were \$5.219 million in Fiscal 2012 compared to \$5.428 million in Fiscal 2011. The decrease is primarily due to a reduction in the number of company presentation fees and sponsorships at NYSSA seminars and a decline in earned membership dues. This was offset by an increase of in revenues from the 75th Anniversary Dinner, reflecting increased corporate sponsorship in Fiscal year 2012 over the prior year as well an increase in paid attendance at CFA-related courses in fiscal 2012 by 34% over Fiscal year 2011.

	Aug. 31, 2012	Y/Y Change	Aug. 31, 2011	Y/Y Change	Aug. 31, 2010	Y/Y Change	Aug. 31, 2009
Membership	\$ 1,919,484	-5.3%	\$ 2,025,940	10.3%	\$ 1,836,090	-8.9%	\$ 2,014,490
Education	2,383,426	2.6%	2,322,686	-11.9%	2,635,062	-14.9%	3,095,940
Programs	439,323	-25.4%	588,755	-22.6%	760,769	-1.6%	773,282
Other	477,230	1.2%	471,342	32.9%	354,608	-23.4%	462,936
Totals	\$ 5,219,463	-3.5%	\$ 5,408,723	-3.2%	\$ 5,586,529	-12.0%	\$ 6,346,648

Operating expenses were \$5.390 million in Fiscal 2012 compared to \$5.178 in Fiscal 2011. The increase is primarily due to costs related to the 75th Anniversary Dinner, new initiatives, and costs associated with the development of online classes.

	Aug. 31, 2012	Y/Y Change	Aug. 31, 2011	Y/Y Change	Aug. 31, 2010	Y/Y Change	Aug. 31, 2009
Program Services	\$ 5,275,589	-4.1%	\$ 5,067,643	14.5%	\$ 5,929,447	5.7%	\$ 6,285,658
Support Services	114,426	-3.3%	110,773	74.4%	433,194	-337.3%	99,059
Total Expenses	\$ 5,390,015	-4.1%	\$ 5,178,416	18.6%	\$ 6,362,641	0.3%	\$ 6,384,717

## REVIEW OF CHANGES IN FINANCIAL POSITION

At the end of fiscal 2012, NYSSA had \$9.275 million in assets down from \$9.853 million in fiscal 2011. Of the \$9.275 million in assets, \$5.655 million is in cash, short-term marketable securities and long-term investments at fair value. The remaining \$3.620 million represents \$324,895 in accounts receivable, \$172,758 in prepaid expenses, and fixed assets \$2.917 million. Current liabilities total \$1.781 million with \$1.328 million of the total in unearned dues revenue and \$292,627 in unearned revenue (registrations for upcoming educational and programming events). The remaining \$160,038 represents accounts payable, accrued expenses and deferred rent lease incentives. The Society has no long-term debt.

The pages that follow contain the Society's audited financial statements.

**THE NEW YORK SOCIETY  
OF  
SECURITY ANALYSTS, INC.**

**Financial Statements  
for the years ended  
August 31, 2012  
and  
August 31, 2011**



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**CONDON  
O'MEARA  
MCGINTY &  
DONNELLY LLP**

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Certified Public Accountants

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**Independent Auditors' Report**

To the Board of Directors of  
The New York Society of Security Analysts, Inc.

We have audited the accompanying statements of financial position of The New York Society of Security Analysts, Inc. (the "Society") as of August 31, 2012 and August 31, 2011 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on those 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 the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 New York Society of Security Analysts, Inc. at August 31, 2012 and August 31, 2011 and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Condon O'Meara McGinty & Donnelly LLP*

December 5, 2012

**THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.**

**Statements of Financial Position**

**Assets**

	<u>August 31</u>	
	<u>2012</u>	<u>2011</u>
<b>Current assets</b>		
Cash and cash equivalents	\$3,173,393	\$2,639,527
Investments, at fair value	2,481,982	2,928,459
Accounts receivable	324,895	669,343
Prepaid expenses and other current assets	<u>172,758</u>	<u>163,849</u>
Total current assets	6,153,028	6,401,178
<b>Restricted cash and cash equivalents</b>	204,732	204,732
<b>Furniture, fixtures, equipment and leasehold improvements, at cost, net of accumulated depreciation and amortization</b>	<u>2,917,884</u>	<u>3,247,581</u>
<b>Total assets</b>	<b><u>\$9,275,644</u></b>	<b><u>\$9,853,491</u></b>

**Liabilities and Net Assets**

<b>Current liabilities</b>		
Accounts payable	\$ 2,622	\$ 26,874
Accrued expenses and taxes	92,040	69,066
Unearned dues revenue	1,328,703	1,775,975
Unearned revenue	292,627	308,426
Current portion of deferred lease incentive	<u>65,376</u>	<u>65,376</u>
Total current liabilities	1,781,368	2,245,717
Deferred lease incentive, net of current portion	<u>1,638,316</u>	<u>1,668,534</u>
<b>Total liabilities</b>	<b><u>3,419,684</u></b>	<b><u>3,914,251</u></b>
<b>Net assets</b>		
Unrestricted		
Operating fund	1,704,134	1,868,101
Board designated		
Building fund	3,507,766	3,427,344
Initiatives fund	<u>250,000</u>	<u>250,000</u>
Total unrestricted	5,461,900	5,545,445
Temporarily restricted	<u>394,060</u>	<u>393,795</u>
Total net assets	<b><u>5,855,960</u></b>	<b><u>5,939,240</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$9,275,644</u></b>	<b><u>\$9,853,491</u></b>

See notes to financial statements.

THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.

Statements of Activities

For the Year Ended August 31

	2012		2011		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
<b>Support and revenue</b>					
Membership dues and fees	\$ 1,919,484	-	\$ 1,919,484	\$ -	\$ 2,025,940
Education	2,383,426	-	2,383,426	-	2,322,686
Presentations	338,900	-	338,900	-	480,135
Seminars	100,423	-	100,423	-	108,620
Contributions	-	5,908	5,908	30,789	30,789
Special activity dinners	70,750	-	70,750	-	8,275
Other operating revenue	400,572	-	400,572	-	451,917
Net assets released from restrictions	6,150	(6,150)	-	(11,150)	-
Total support and revenue	<u>5,219,705</u>	<u>(242)</u>	<u>5,219,463</u>	<u>19,639</u>	<u>5,428,362</u>
<b>Expenses</b>					
Program services					
Education	2,511,886	-	2,511,886	-	2,453,675
Presentations	659,681	-	659,681	-	686,143
Seminars	415,051	-	415,051	-	670,157
Membership	1,688,971	-	1,688,971	-	1,257,668
Total program services	<u>5,275,589</u>	<u>-</u>	<u>5,275,589</u>	<u>-</u>	<u>5,067,643</u>
Supporting services					
Management and general	114,426	-	114,426	-	110,773
Total expenses	<u>5,390,015</u>	<u>-</u>	<u>5,390,015</u>	<u>-</u>	<u>5,178,416</u>
Increase (decrease) in net assets before other additions (deduction)	(170,310)	(242)	(170,552)	19,639	249,946
Investment income	47,567	507	48,074	829	48,570
Unrealized gain (loss) on investments	39,198	-	39,198	-	(34,529)
Increase (decrease) in net assets	<u>(83,545)</u>	<u>265</u>	<u>(83,280)</u>	<u>20,468</u>	<u>263,987</u>
Net assets, beginning of year	<u>5,545,445</u>	<u>393,795</u>	<u>5,939,240</u>	<u>373,327</u>	<u>5,675,253</u>
Net assets, end of year	<u>\$ 5,461,900</u>	<u>\$ 394,060</u>	<u>\$ 5,855,960</u>	<u>\$ 393,795</u>	<u>\$ 5,939,240</u>

See notes to financial statements.

**THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.**

**Statement of Functional Expenses  
For the Year Ended August 31, 2012  
(with summarized comparative information for 2011)**

	Program Services				Total	Supporting Services Management and General		2012 Total	2011 Total
	Education	Presentations	Seminars	Membership		General			
Staff payroll and benefits	\$ 720,048	\$ 293,607	\$ 202,080	\$ 779,773	\$ 1,995,508	\$ 20,572	\$ 2,016,080	\$ 1,970,199	
Temporary help	6,548	3,830	-	10,400	20,778	-	20,778	29,098	
Professional fees	678,462	125,581	16,141	165,206	985,390	870	986,260	779,637	
Scholarships granted	-	-	-	11,000	11,000	-	11,000	16,000	
Books and publications	264,553	-	-	-	264,553	-	264,553	225,862	
Printed marketing materials	34,685	3,968	4,241	6,986	49,880	-	49,880	42,448	
Printing and stationery	2,133	-	-	131	2,264	300	2,564	12,480	
Office expenses	89,662	22,357	18,518	69,638	200,175	5,368	205,543	244,737	
Data processing	42,787	15,177	11,666	44,045	113,675	698	114,373	131,244	
Delivery and mail handling	29,263	5,235	6,068	7,921	48,487	-	48,487	82,701	
Catering	52	19,579	18,609	38,127	76,367	19,590	95,957	87,795	
Promotional activities	17,533	8,703	6,244	22,357	54,837	275	55,112	78,419	
Newsletter	14,961	1,090	3,579	20,629	40,259	-	40,259	46,597	
Occupancy	392,361	98,579	79,173	263,197	833,310	63,252	896,562	856,872	
Rental expenses	41,343	-	-	55,672	97,015	-	97,015	59,703	
Equipment rentals	-	-	-	-	-	356	356	-	
Depreciation and amortization	135,148	47,940	36,849	139,122	359,059	2,204	361,263	345,507	
Bank and credit card service charges	39,422	13,930	10,708	40,427	104,487	641	105,128	124,101	
Miscellaneous	2,925	105	1,175	14,340	18,545	300	18,845	45,016	
<b>Total expenses</b>	<b>\$ 2,511,886</b>	<b>\$ 659,681</b>	<b>\$ 415,051</b>	<b>\$ 1,688,971</b>	<b>\$ 5,275,589</b>	<b>\$ 114,426</b>	<b>\$ 5,390,015</b>	<b>\$ 5,178,416</b>	

See notes to financial statements.

THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.

Statement of Functional Expenses  
For the Year Ended August 31, 2011

	Program Services				Total	Supporting Services Management and General	2011 Total
	Education	Presentations	Seminars	Membership			
Staff payroll and benefits	\$ 782,399	\$ 259,783	\$ 354,174	\$ 552,763	\$ 1,949,119	\$ 21,080	\$ 1,970,199
Temporary help	17,729	6,891	1,385	3,093	29,098	-	29,098
Professional fees	500,145	175,266	27,882	75,165	778,458	1,179	779,637
Scholarships granted	-	-	-	16,000	16,000	-	16,000
Books and publications	223,435	-	2,199	228	225,862	-	225,862
Printed marketing materials	37,531	750	1,271	2,896	42,448	-	42,448
Printing and stationery	3,514	-	-	8,248	11,762	718	12,480
Office expenses	117,635	23,318	31,358	67,501	239,812	4,925	244,737
Data processing	51,565	16,405	22,599	39,834	130,403	841	131,244
Delivery and mail handling	55,239	1,131	1,826	24,489	82,685	16	82,701
Catering	40	27,777	19,039	17,199	64,055	23,740	87,795
Promotional activities	26,751	11,385	13,484	23,193	74,813	3,606	78,419
Newsletter	19,711	2,197	4,910	19,490	46,308	289	46,597
Occupancy	395,966	102,751	112,454	195,376	806,547	50,325	856,872
Rental expenses	30,082	-	-	29,621	59,703	-	59,703
Depreciation and amortization	135,748	43,188	59,494	104,864	343,294	2,213	345,507
Bank and credit card service charges	49,341	15,239	17,887	40,648	123,115	986	124,101
Miscellaneous	6,844	62	195	37,060	44,161	855	45,016
<b>Total expenses</b>	<b>\$ 2,453,675</b>	<b>\$ 686,143</b>	<b>\$ 670,157</b>	<b>\$ 1,257,668</b>	<b>\$ 5,067,643</b>	<b>\$ 110,773</b>	<b>\$ 5,178,416</b>

See notes to financial statements.

**THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.**

**Statements of Cash Flows**

	<b>For the Year Ended</b>	
	<b>August 31</b>	
	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ (83,280)	\$ 263,987
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	361,263	345,507
Realized (gain) on investments	(2,325)	-
Unrealized (gain) loss on investments	(39,198)	34,529
(Increase) decrease in current assets		
Accounts receivable	344,448	158,425
Prepaid expenses and other assets	(8,909)	92,696
Increase (decrease) in current liabilities		
Accounts payable	(24,252)	(109,353)
Accrued expenses and taxes	22,974	(102,714)
Unearned dues revenue	(447,272)	267,625
Unearned revenue	(15,799)	(241,598)
Change in deferred lease incentive	(30,218)	(29,214)
Net cash provided by operating activities	<u>77,432</u>	<u>679,890</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	-	(2,962,988)
Proceeds from sale of investments	488,000	-
Purchases of furniture, fixtures, equipment and leasehold improvements	(31,566)	(137,523)
Net cash provided by (used in) investing activities	<u>456,434</u>	<u>(3,100,511)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>533,866</b>	<b>(2,420,621)</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>2,844,259</b></u>	<u><b>5,264,880</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$3,378,125</b></u>	<u><b>\$2,844,259</b></u>
<b>Consists of:</b>		
Current assets	\$3,173,393	\$2,639,527
Restricted	<u>204,732</u>	<u>204,732</u>
Total cash and cash equivalents	<u><b>\$3,378,125</b></u>	<u><b>\$2,844,259</b></u>

See notes to financial statements.

**THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.****Notes to Financial Statements  
August 31, 2012 and August 31, 2011****Note 1 – Nature of organization**

The New York Society of Security Analysts, Inc. (the “Society”) is a not-for-profit, educational organization whose mission is to serve investment industry professionals and the investing public. The Society is committed to the promotion of best practices and the highest professional and ethical standards in the investment industry. The Society also strives to assist its members and other financial professionals in their investment industry career development. The Society generates revenue from three primary sources: (1) membership dues; (2) educational seminars (the largest seminar producer of income is Chartered Financial Analysts classes); and (3) meetings and events whereby corporations pay a sponsorship fee.

**Note 2 – Summary of significant accounting policies****Net assets****Unrestricted****Operating Fund**

Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Society are considered unrestricted in nature.

**Building Fund**

The Society maintains a building fund to provide for the eventual replacement or improvement of the Society’s facility. Any interest earned or unrealized gain or loss on the assets is credited to or deducted from the building fund balance. During fiscal 2011, the Society transferred \$100,000 from the Operating Fund to the Building Fund (see note 12).

**Initiatives Fund**

During 2008, the Society’s Board of Directors established a fund in the amount of \$300,000. The Board has determined that such funds shall be segregated and only be utilized for initiatives, to be pre-approved by the Board. During the 2011 fiscal year, the Board of Directors approved a transfer of \$50,000 from the Initiatives Fund to the Operating fund for the purpose of hiring instructors to create 20 on-line courses.

**THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.****Notes to Financial Statements (continued)  
August 31, 2012 and August 31, 2011****Note 2 – Summary of significant accounting policies (continued)****Temporarily restricted**

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Society and/or the passage of time are considered temporarily restricted. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

**Cash equivalents**

The Society considers highly liquid investments with original maturities of 90 days or less to be cash equivalents. Included in cash equivalents are money market funds.

**Investments**

The Society reports investments at fair value in the statement of financial position. Unrealized gains and losses are reflected in the statement of activities as increases or decreases in unrestricted net assets. The Society's investments consist of certificates of deposit with maturities ranging from nine months to five years from the date of purchase.

**Fair value measurements**

Accounting principles generally accepted in the United States of America established a hierarchy that prioritizes the inputs used to measure fair value into three broad levels. The Society's investments, which consist of certificates of deposit, are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

**Allowance for doubtful accounts**

The Society has an allowance of \$6,000 as of August 31, 2012 and August 31, 2011 for accounts receivable that may not be collectible. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

**Furniture, fixtures, equipment and leasehold improvements**

Furniture, fixtures and equipment are depreciated on the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Leasehold improvements are amortized over the life of the lease.

**Membership dues**

Membership dues are recognized as revenue in the applicable membership period. Consistent with past practice, it is the Society's policy to record the remainder of the anticipated members' annual dues as accounts receivable and unearned dues revenue as of August 31<sup>st</sup> each year.



**THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.****Notes to Financial Statements (continued)  
August 31, 2012 and August 31, 2011****Note 2 – Summary of significant accounting policies (continued)****Investment income**

Investment income consists of interest income and net realized gains on disposition of investments and is recorded to unrestricted net assets and temporarily restricted net assets.

**Functional expenses**

The cost of providing the various programs and other activities has been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from these estimates.

**Concentrations of credit risk**

The Society's financial instruments that are potentially exposed to concentrations of credit risk consist of cash, cash equivalents, certificates of deposit and accounts receivable. The Society places its cash, cash equivalents and certificates of deposit with what it believes to be quality financial institutions. At times, the balances in the Society's cash and certain cash equivalents may be in excess of FDIC insurance limits. However, the Society has not experienced any losses in such accounts to date. The Society routinely assesses the financial strength of its cash, cash equivalents and certificates of deposit. As a consequence, concentrations of credit risk are limited. Accounts receivable consists primarily of amounts due from a number of individuals and corporations for membership dues and Society conferences.

**Subsequent events**

The Society has evaluated events and transactions for potential recognition or disclosure through December 5, 2012, which is the date the financial statements were available to be issued.

**THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.**

**Notes to Financial Statements (continued)  
August 31, 2012 and August 31, 2011**

**Note 3 – Cash, cash equivalents and investments**

Cash, cash equivalents and investments are comprised of the following as of August 31, 2012 and August 31, 2011:

	2012				Total
	Operating Fund	Building Fund	Scholarship Fund	Value Investing Archive Fund	
Cash on hand	\$ 585	\$ -	\$ -	\$ -	\$ 585
Checking	858,458	-	-	-	858,458
Money market account	256,643	-	-	96,867	353,510
Payroll account	17,201	-	-	-	17,201
Money market fund	385,335	1,013,441	297,193	-	1,695,969
Certificates of deposit	-	2,481,982	-	-	2,481,982
Business savings account	247,670	-	-	-	247,670
Total	<u>\$1,765,892</u>	<u>\$3,495,423</u>	<u>\$ 297,193</u>	<u>\$ 96,867</u>	<u>\$5,655,375</u>
	2011				Total
	Operating Fund	Building Fund	Scholarship Fund	Value Investing Archive Fund	
Cash on hand	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000
Checking	840,294	-	-	-	840,294
Money market account	255,613	-	-	96,867	352,480
Payroll account	20,976	-	-	-	20,976
Money market fund	386,662	485,008	306,867	-	1,178,537
Certificates of deposit	-	2,928,459	-	-	2,928,459
Business savings account	246,240	-	-	-	246,240
Total	<u>\$1,750,785</u>	<u>\$3,413,467</u>	<u>\$ 306,867</u>	<u>\$ 96,867</u>	<u>\$5,567,986</u>

**THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.**

**Notes to Financial Statements (continued)  
August 31, 2012 and August 31, 2011**

**Note 4 – Furniture, fixtures, equipment and leasehold improvements**

The following is a summary of the furniture, fixtures, equipment and leasehold improvements as of August 31, 2012 and August 31, 2011:

	<u>2012</u>	<u>2011</u>
Furniture, fixtures and equipment	\$ 915,171	\$ 893,356
Leasehold improvements	2,902,655	2,902,655
Other	<u>7,400</u>	<u>6,200</u>
Sub-Total	3,825,226	3,802,211
Less: accumulated depreciation and amortization	<u>907,342</u>	<u>554,630</u>
Total furniture, fixtures, equipment and leasehold improvements	<u>\$2,917,884</u>	<u>\$3,247,581</u>

During 2011, the Society wrote off fully depreciated assets of \$8,551.

**Note 5 – Commitments**

**Office lease agreement**

During August 2009, the Society entered into an agreement to lease office and conference space, commencing August 2009 for a term of 16 years through August 2025 with an option to renew for an additional 5-year period. The lease requires monthly lease payments commencing in August 2010 of \$68,524 plus utilities and a proportionate share of certain operating expenses of the landlord as defined in the lease agreement. Rent expense totaled \$896,562 and \$856,872 for the 2012 and 2011 fiscal years, respectively.

The future minimum lease payments would be as follows:

<u>Fiscal Year</u>	
2013	\$ 822,288
2014	822,288
2015	843,702
2016	907,944
2017	907,944
Thereafter	<u>7,630,446</u>
Total	<u>\$11,934,612</u>

As part of the lease agreement, the Society received 11 months of free rent. The Society amortizes rent expense each year equally over the term of the lease. The difference between rent expense recorded in this manner and the actual cash paid per the lease agreement is included in the deferred lease incentive. The Society also received a build-out allowance of \$1,018,790 in June 2010. The Society has included the build-out allowance in the deferred lease incentive and is amortizing the amount over the term of the lease.

**THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.**

**Notes to Financial Statements (continued)  
August 31, 2012 and August 31, 2011**

**Note 5 – Commitments (continued)**

Office lease agreement (continued)

In connection with the above lease, the Society delivered to the landlord a letter of credit in the amount of \$204,732 as security for the lease agreement. In connection with the letter of credit, the Society established a separate bank account in the amount of the letter of credit, as required by the lease.

In addition to the rental of office space, the Society rents space on an as needed basis for its educational programs. Rental expense for the years ended August 31, 2012 and August 31, 2011 totaled \$50,943 and \$30,982, respectively.

Employment agreement

In September 2010, the Society entered into an employment agreement with a key employee through October 2013, subject to certain termination provisions.

**Note 6 – Temporarily restricted net assets**

In 1996, the Society established the Heloise S. Ham Educational Scholarship Fund (the “Fund”) from a pledge received from the family of Heloise S. Ham to endow a scholarship program and recorded it as temporarily restricted. On an ongoing basis, the Fund is funded by contributions from the family of Heloise S. Ham and income from the Fund assets and contributions from Society members. The scholarships are available to undergraduate students who are enrolled full-time in a college or university in the greater New York area and who have completed at least their sophomore year by the time the program begins in the summer.

The students must also demonstrate academic excellence and have an interest in the securities profession. Because these funds can only be used for scholarship purposes, the assets of the fund are considered temporarily restricted.

During 2012 and 2011, the Society did not receive any additional funds towards maintenance of an archive to benefit value-investing research. The fund is recorded as temporarily restricted.

The following is a summary of the activity of the temporarily restricted net assets for the year ended August 31, 2012:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Net Assets Released</u>	<u>Balance, End of Year</u>
Scholarship fund	\$ 296,928	\$ 6,415	\$ (6,150)	\$ 297,193
Value investing archive	96,867	-	-	96,867
Total	<u>\$ 393,795</u>	<u>\$ 6,415</u>	<u>\$ (6,150)</u>	<u>\$ 394,060</u>

**THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.**

**Notes to Financial Statements (continued)  
August 31, 2012 and August 31, 2011**

**Note 7 – Net assets released from restrictions**

Net assets were released from donor restrictions by incurring expenses that satisfied the restricted purposes specified by donors as follows for the years ended August 31, 2012 and August 31, 2011:

	<u>2012</u>	<u>2011</u>
<b>Purpose restriction accomplished:</b>		
Scholarships	\$ 6,000	\$ 11,000
Bank service charges	<u>150</u>	<u>150</u>
Total	<u>\$ 6,150</u>	<u>\$ 11,150</u>

**Note 8 – Retirement plan**

The Society maintains a 401(k) Profit Sharing Plan covering all eligible employees. The Society makes a 3% Safe Harbor employer contribution to the Plan. Any employer discretionary contributions in excess of the Safe Harbor contribution are determined annually by the Society's Board of Directors. The Safe Harbor contributions are 100% vested and any additional discretionary contributions vest to the Plan participants at 20% per year each year over five years, beginning in year two. The Society did not make any discretionary contributions to the plan during the 2012 or 2011 fiscal years.

The total retirement plan expense amounted to \$41,851 and \$42,757 for years ended August 31, 2012 and August 31, 2011, respectively.

**Note 9 – Legal claims**

As of August 31, 2012, management of the Society is unaware of any material legal claims or threatened litigation against the Society. While claims may arise from time to time in the ordinary course of business, such claims would not in the opinion of management have a material effect on the Society's financial statements.

**Note 10 – Related party transaction**

A Board member of the Society is a partner in a law firm that provides legal services to the Society. Legal fees and disbursements paid to the firm totaled \$2,155 and \$4,239 for years ended August 31, 2012 and August 31, 2011, respectively.

**Note 11 – Tax status**

The Society is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Society has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation, within the meaning of Section 509(a)(2) of the Code. As of August 31, 2012, no amounts have been recognized for uncertain income tax positions. The Society's tax returns for the 2009 fiscal year and forward are subject to the usual review by the appropriate authorities.

**THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.**

**Notes to Financial Statements (continued)  
August 31, 2012 and August 31, 2011**

**Note 12 – Unrestricted net assets**

The following is a summary of the activity of the unrestricted operating and board designated – Building Fund and Initiatives Fund for the years ended August 31, 2012 and August 31, 2011:

	<b>Unrestricted</b>			<b>Total</b>
	<b>Operating Fund</b>	<b>Board-Designated Building Fund</b>	<b>Initiatives Fund</b>	
<b>Balance, at August 31, 2010</b>	<b><u>\$ 1,678,655</u></b>	<b><u>\$ 3,323,271</u></b>	<b><u>\$ 300,000</u></b>	<b><u>\$ 5,301,926</u></b>
Revenue				
Investment income	8,989	4,223	-	13,212
Other revenue	<u>5,408,723</u>	<u>-</u>	<u>-</u>	<u>5,408,723</u>
Total revenue	5,417,712	4,223	-	5,421,935
Less: Expenses	<u>5,178,266</u>	<u>150</u>	<u>-</u>	<u>5,178,416</u>
Increase before interfund transfers	239,446	4,073	-	243,519
Interfund transfers – net	<u>(50,000)</u>	<u>100,000</u>	<u>(50,000)</u>	<u>-</u>
Increase (decrease) in net assets	<u>189,446</u>	<u>104,073</u>	<u>(50,000)</u>	<u>243,519</u>
<b>Balance, at August 31, 2011</b>	<b><u>1,868,101</u></b>	<b><u>3,427,344</u></b>	<b><u>250,000</u></b>	<b><u>5,545,445</u></b>
Revenue				
Investment income	6,185	80,580	-	86,765
Other revenue	<u>5,219,705</u>	<u>-</u>	<u>-</u>	<u>5,219,705</u>
Total revenue	5,225,890	80,580	-	5,306,470
Less: Expenses	<u>5,389,857</u>	<u>158</u>	<u>-</u>	<u>5,390,015</u>
Increase (decrease) before interfund transfer	(163,967)	80,422	-	(83,545)
Interfund transfers – net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>(163,967)</u>	<u>80,422</u>	<u>-</u>	<u>(83,545)</u>
<b>Balance, at August 31, 2012</b>	<b><u>\$ 1,704,134</u></b>	<b><u>\$ 3,507,766</u></b>	<b><u>\$ 250,000</u></b>	<b><u>\$ 5,461,900</u></b>



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