

1937-2007  
**nyssa**  
*Celebrating 70 Years*



Annual Report  
*2006-2007*



As I sit down to take stock of what has been one of our Society's most significant years of growth, NYSSA is preparing to host the 60th Annual Conference of CFA Institute. We anticipate that some 1,600 participants will be arriving here, in the Big Apple, from all corners of the world. I am reminded of the long heritage that both associations have enjoyed, the common bonds that we have developed, and the synergies that we have experienced working together within our industry. My hope is that you will have the opportunity to meet with our CFA Institute visitors and make them feel welcome.

My work as your president has also made me conscious of the long and illustrious history of NYSSA. A feature of this Annual Report is a timeline of events in the life of our Society. A review of the timeline that begins below this letter reminds us of how important events affecting our industry have been mirrored by similar accomplishments within the historical development of NYSSA itself. Even this past year has reflected dramatic changes within our Society. As we enter the 70th year of our existence and the first full year in our new headquarters at 1177 Avenue of the Americas, our membership has surpassed the 10,000 mark for the first time.

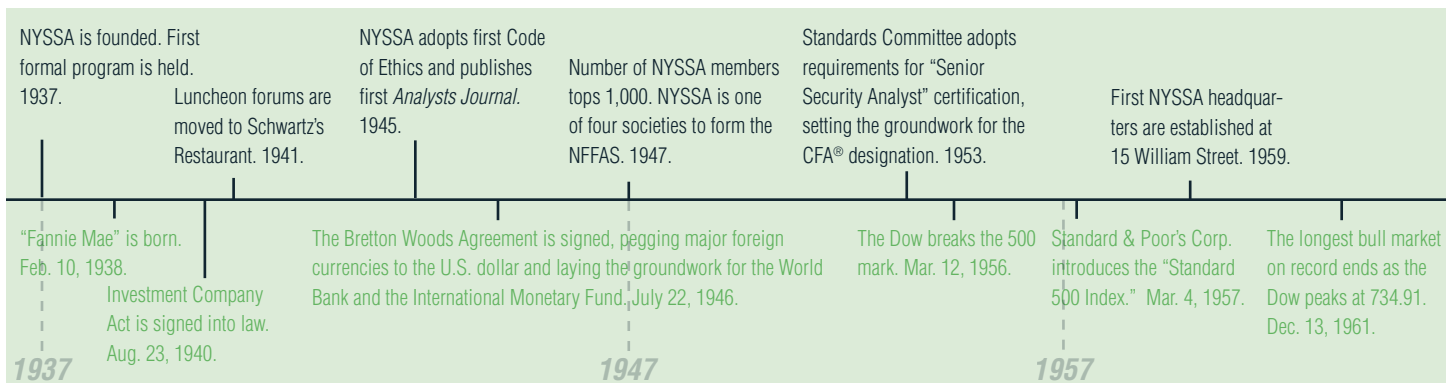
Through expanding our line of member services beyond traditional equity research, we are attracting a broader member base. We have all seen how equity research has been directly affected by the investment growth of hedge funds and private equity. And as trading activity has grown both here and abroad, we now find parts of equity research being assigned directly to trading desks. At the same time, the availability of alternative investments has increased the level and depth of investment analysis at all levels. As a result, analysts need to exhibit a greater comfort with all aspects of the investment decision-making process. At the same time, those involved with this process who come from other disciplines are finding themselves in need of the skills that have been the traditional mainstay of our membership. We are thus serving a bigger part of the investment community.

Players outside of our professional base are now recognizing NYSSA's value. During this past year, for example, the president of Tanzania visited Nasdaq and NYSSA. I had the opportunity to discuss the natural progression of investor interest that our community would have in his country's developing enterprise. He confirmed his priority to facilitate investment opportunities in Tanzania and met with members

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Cover: Photo on bottom right courtesy of NYSE.



# Letter from the President

## NYSSA Celebrates 70th Anniversary

Early in 1937, a small group of security analysts decided to turn their casual lunch gatherings into a series of regular meetings. With that in mind, they held an organizational luncheon in a private dining room of the New York Chamber of Commerce. It was there that NYSSA was conceived, with a membership of approximately 20 analysts. In September of that year, the Society held its first formal program, at which Lawrence Klybert of Alexander Eisemann & Co. spoke on "Options—Their Effect on the Market Price of Stocks." By 1939, the Society had grown to 82 members.

NYSSA was incorporated in 1940, and its purpose remains true to this day: to establish and maintain a high standard of professional ethics in the security analysis field; to improve analytical techniques; to foster the interchange of ideas and information among security analysts; and to promote proper understanding of the function of financial and security analysis and the operation of the security markets.

—from previous page

of our Alternative Investments Committee. Tanzania's minister for natural resources and tourism subsequently met with our members to discuss the tourism sector in his country. We hope to provide our members with similar opportunities in the future.

Two events have occurred this past year to help NYSSA grow to meet our members' needs. First, we have hired a new executive director, Alvin Kressler. I am particularly pleased to see his strong track record in our industry, and find that he understands our culture and can speak the language of our membership.

Second, your board has completed the transition to governing with the principles and practices of policy governance. I believe that, as the months go by, you will find that this will result in the board operating at a new level of transparency and integrity. Already we are working with staff to ensure that the changing needs of our membership are being met on a timely basis. As part of this transition, we have developed a

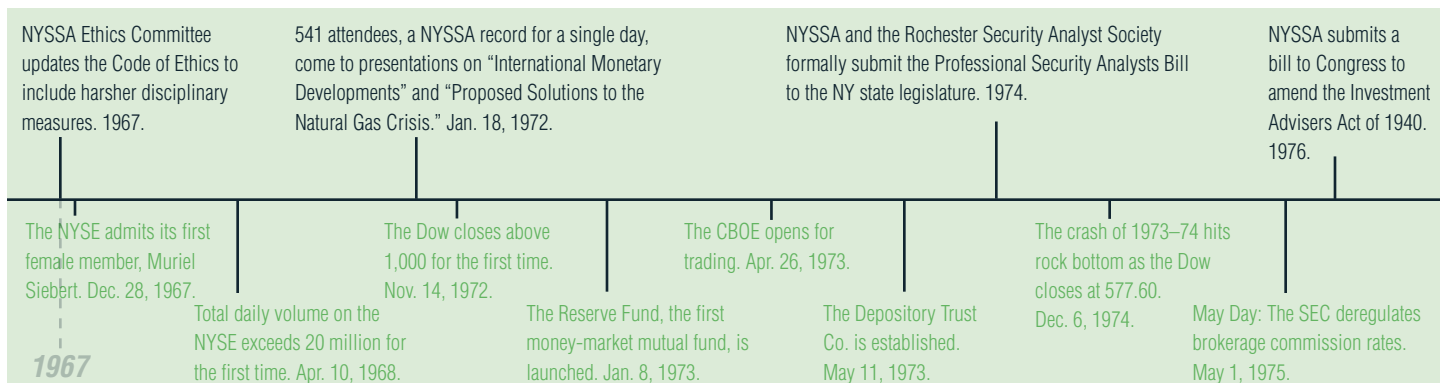
longer-term strategic vision for the Society and shared it in both picture and outline form with our membership.

This is my last report to you as president. So I am looking back, not only at this past year but also at my time on the board, extending back into the last millennium. What an amazing period this has been! It has been a privilege and an honor to work with all of you these many years. I am always impressed and moved to see how many NYSSA members are willing to volunteer to give the most precious gift of all, their time, to serve our community. This attribute has remained steadfast throughout the decades regardless of our attendant circumstances. To all of you—members, volunteers, and staff—thank you for your participation, your support, and your friendship.

With best wishes,



Dodge O. Dorland, CMT  
President, Board of Directors



## History

The New York Society of Security Analysts (NYSSA) was established in 1937 by a group that included Benjamin Graham, the “father of securities analysis” and one of the most influential men in the history of finance. It is a leading forum for the investment community. A not-for-profit educational organization with over 10,000 members, NYSSA is committed to the promotion of best practices and the highest professional and ethical standards in the investment industry. NYSSA is the largest of the more than 134 societies worldwide that make up CFA Institute, which has over 89,000 members.

## Community

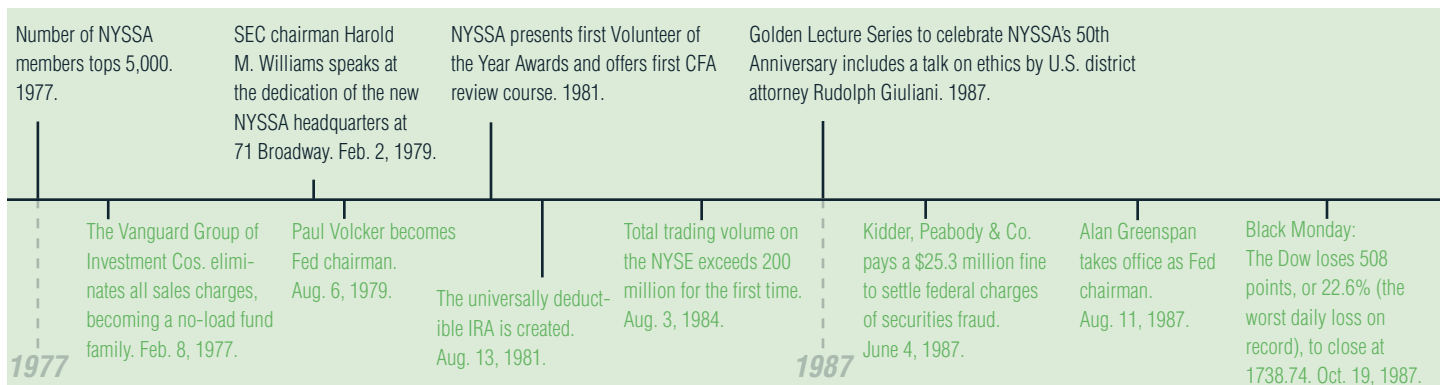
Through participation in NYSSA, members gain access to an extensive network of senior investment professionals and corporate executives. Membership is a gateway to an elite segment of the investment community and a breadth of resources that will serve practitioners through all stages of their careers. Free monthly Career Chats and other networking events provide a relaxed setting to meet fellow professionals and form lasting relationships. Members are eager to share their time, talent, and knowledge with each other and with the greater community through programs such as the SEMI student mentoring and the minority student outreach. These opportunities allow members to build an enduring link to Wall Street.

## Standards

NYSSA has been at the forefront of promoting high ethical standards in the investment industry since it published the first Code of Ethics in 1945. Today, NYSSA’s committees on corporate governance, improved corporate reporting, and socially responsible investing lead the discussion on the crucial themes affecting corporate responsibility and the financial community. Frequent speakers include representatives from the FASB, SEC, and State Attorney General’s Office. The Society also developed the Investment Research Challenge™ as a means to promote best practices in research to the next generation of analysts.

## Forum

NYSSA has a long-standing tradition as the premier forum for corporate presentations to the Wall Street community. As membership has grown in both number and professional diversity, so has programming, now encompassing over 150 events per year on topics ranging from advanced Excel analysis to private wealth management. The Society’s topical conferences and seminars consistently attract the most prestigious names in the industry to discuss the critical issues facing the investment profession. NYSSA is also a leading provider of CFA® exam preparatory classes and has developed a curriculum of professional development courses for all career levels.





# Highlights

## Annual Dinner

Barton Biggs, managing partner of Traxis Partners LLC and author of *Hedgehogging*, delivered the keynote address at NYSSA's Annual Dinner on June 22, 2006, at the Grand Hyatt New York. The dinner celebrated the achievements of NYSSA's 2006 Volunteers of the Year and SEMI scholarship winners.



Barton Biggs, right, with NYSSA board member Guy Rutherford.



NYSSA president Dodge Dorland (left) with Volunteer of the Year Thomas J. Boczar, Esq., CFA, director of marketing for financial institutions at Twenty-First Securities Corp.



Dodge Dorland with Volunteers of the Year Christopher M. Kehoe, CFA (left), chief investment officer of The Scion Group, LLC; Mary Jane McQuillen (center), director of the Social Awareness Investment Program at Legg Mason; and Jack L. Rivkin (right), executive vice president of Neuberger Berman, LLC.

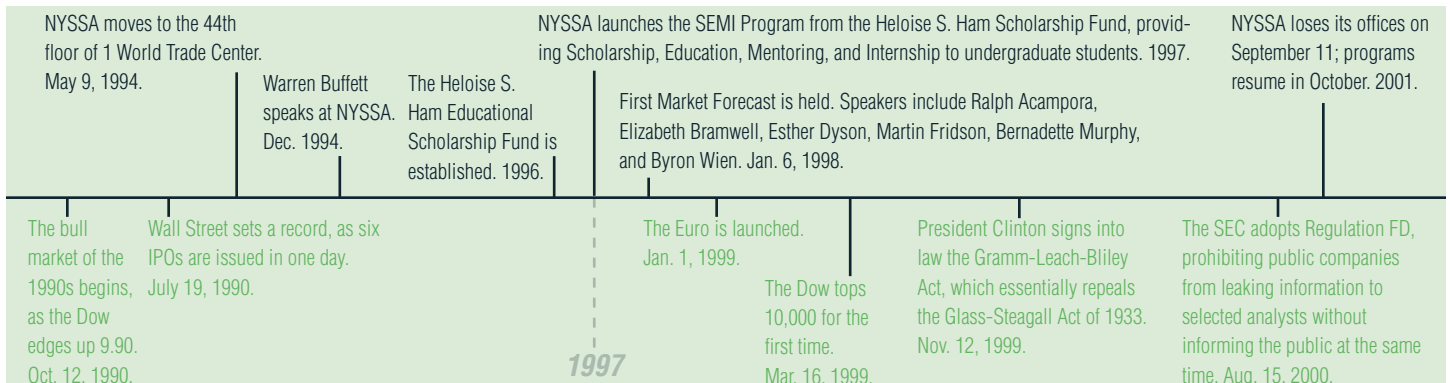


Tasty Baking Company's David Marberger, EVP and CFO, and Mary Borneman, manager of investor and public relations, at the corporate presentation (February 9, 2007).

## Fifth Annual Investment Research Challenge

The Investment Research Challenge™ is an eight-month educational initiative in which industry professionals teach area business and finance students how to research and report on a publicly traded company. As of this writing, finalist teams representing the Lubin School of Business at Pace University, Rutgers Business School—Newark and New Brunswick, Seton Hall University's Stillman School of Business, and The Peter J. Tobin College of Business at St. John's University are preparing to present their recommendations on Tasty Baking Company (Nasdaq: TSTY) to a panel of Wall Street experts. These finalists bested teams from Baruch College, The City University of New York; Fordham University; and NYU's Stern School of Business in their written reports.

Gold sponsors of the 2007 Challenge are CFA Institute, The Dreyfus Corporation, and Reuters.



## Tribute to Walter Schloss

The Value Investing Committee honored preeminent value investor Walter J. Schloss, CFA, with a dinner on October 11, 2006. Schloss worked for Benjamin Graham early in his career, and was among the first group of professionals to obtain the CFA® charter in 1963. Over 100 of Schloss' friends and partners came to the Harvard Club to celebrate his 90th birthday and share remembrances. Carol Loomis, editor-at-large of *Fortune* magazine, interviewed Schloss and his son Edwin. Proceeds from the event will go toward NYSSA's Value Investing Archive.



Walter Schloss with his birthday cake.



Irving Kahn (left), founding NYSSA member and one of the first CFA charterholders, with Walter Schloss.



Christopher Browne of Tweedy, Browne.



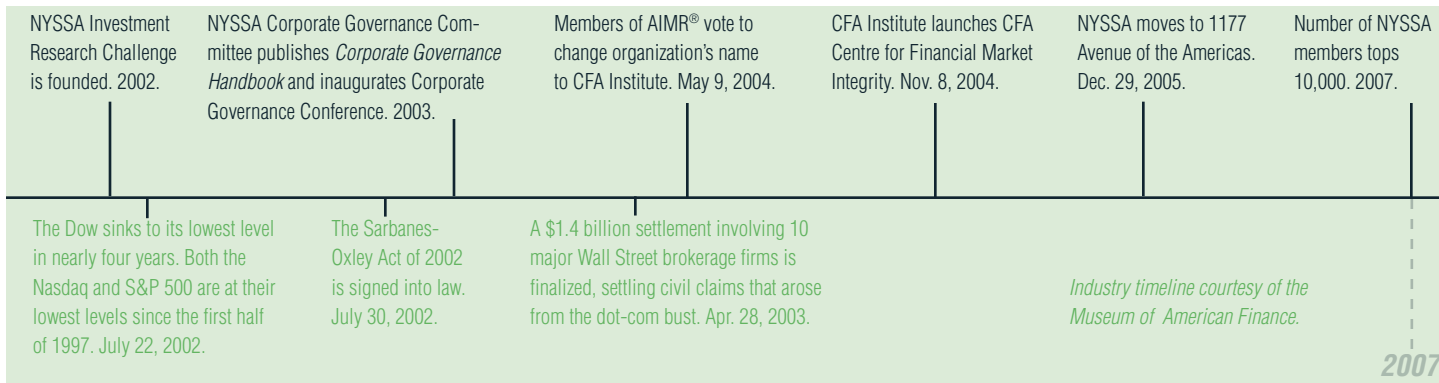
Edwin Schloss.



From left: Jonathan Flatow, board member of the CBOE; Philip Gocke, managing director at the Options Industry Council; William Brodsky, CEO and chairman of the CBOE; and Matthew Moran, vice president for business development at the CBOE, at the Derivatives Committee launch.

## New Committee

NYSSA introduced the Derivatives Committee on October 11, 2006, with a presentation by William J. Brodsky, chairman and CEO of the Chicago Board Options Exchange (CBOE). Ninety members and guests attended this brown-bag luncheon.





Members network at an evening reception following an Alternative Analysts Forum.

## Alternative Investments

Chair: **Christopher E. Cutler, CFA**

Vice Chair: **Loren Busby, CFA**

The mission of the Alternative Investments Committee is to provide a forum for the discussion and analysis of nontraditional investment approaches, including all forms of hedge funds, funds of funds, private equity, structured products, and other investments not typically available in the retail marketplace.

### Accomplishments, Highlights, and Special Notes

The committee organized four successful seminars during the member year:

- “Managing a Portfolio of Hedge Fund Allocations” (January 25, 2007);
- “The Rise and Fall of Multistrategy Investing” (November 29, 2006);
- “An Insider’s Perspective on Distressed Debt Investing” (Oct. 12, 2006); and
- “Executing an International Private Equity Strategy” (June 27, 2006).

Branded as the Alternative Analysts’ Forums, these events are widely recognized for bringing industry leaders together in an unbiased framework to discuss the most pertinent issues in alternative investing. Over 1,000 professionals have attended the eight forums held over the past two member years.

The committee teamed with the Career Development Committee to present a Career Chat on “Private Equity: Renaissance or Dark Ages,” featuring Jesse Reyes, managing partner of Crane Capital Associates LLC (October 16, 2006), and partnered with the Derivatives and Institutional Asset Management Committees for “NYBOT Ringside: A Mock-Trading Session” (January 30, 2007).



### Thanks and Recommendations

Special thanks go to committee members, NYSSA staff, and sponsors who have been generous in sharing their efforts, conference facilities, and refreshments.

### Committee History

The committee formed in the fall of 1998. It held its first program, “Desmystifying the Asset Class,” on May 18, 1999, drawing over 80 professionals.

*Alternative Analysts’ Forums (clockwise from top left):*

*International Equity Strategies—Alyssa Grikscheit of Goodwin Procter, Scott Higbee of Partners Group, and Roger Hurwitz of Apax Partners;*

*Distressed Debt Investing—Martin Gross of Sandalwood Securities, Alan Cohen of York Capital Management, and Vladimir Jelisavcic of Longacre Fund Management;*

*Managing a Portfolio of Hedge Fund Allocations—Lawrence Chiarello of Riverview Alternative Investment Advisors, James Burritt of Thomas H. Lee Capital, and Elliot Noma of Asset Alliance; and*

*Multistrategy Investing—Barry Colvin of Balyasny Asset Management, Neal Greenberg of The Agile Group, and Michael Litt of FrontPoint Partners.*





Each Career Chat includes a networking session before the program.

## Career Development

Chair: **William A. Hayes**  
Vice Chair: **John R. Cusick**

The Career Development Committee is dedicated to developing and implementing tools and programs to assist members at all job levels with career development and career challenges. Through events like the monthly Career Chat, the committee helps members meet fellow professionals and learn helpful tools for landing and retaining a job. Committee programs explore the widely varied areas within the financial services industry, and special attention is paid to assisting members affected by industry downsizing and restructuring.

### Accomplishments, Highlights, and Special Notes

The Career Chats continue to draw over 200 attendees each. The committee expanded its reach and relevance this year by holding joint chats with other committees:

- “How to Join the Derivatives Boom,” with the Derivatives Committee (January 4, 2007), describing the skill sets needed to excel in this high-paying field;
- “Early-Stage Career Challenges,” with the Student Committee, tailored to the needs of the members in the early years of their careers, and the unique challenges they face in today’s financial industry (December 18, 2006); and
- “Private Equity: Renaissance or Dark Ages,” with the Alternative Investments Committee, focusing on one of the most dynamic sectors for which little information is publicly available (October 16, 2006).

Other chats included:

- “The Path to Success in Private Wealth Management” (April 4, 2007);
- “Joining a Board—The Risks and Rewards” (March 21, 2007);
- “Interviewing for Impact” (February 21, 2007);
- “Trends in Strategic Investor and Corporate Communications Consulting” (November 20, 2006);
- “The State of Independent Research” (September 14, 2006);
- “Careers in Emerging Markets” (July 13, 2006); and
- “Make Your Network Work for You” (June 21, 2006).

### Committee History

The role and impact of the committee have changed dramatically since the 1980s, for three major reasons. First, attitudes have changed. Due to large numbers of layoffs and industry restructurings, career paths are no longer linear and career management is no longer considered something to be hidden from employers. Members now want to discuss their career paths openly. In response to their demands for relevant programming, we began the Career Chat series.

Second, NYSSA membership has broadened. The historic model of analyst/portfolio manager reflects only part of NYSSA’s membership. Members are now in every part of financial services, in every job category.

Third, as more members work outside of the traditional office setting, NYSSA needs to look to Internet-based communication and distribution of programs. Reflecting this, the committee is now podcasting the Career Chats.

### Thanks and Recommendations

We are very grateful to the Alternative Investments, Derivatives, and Student Committees for their invaluable assistance.

Special thanks go to Richard G. Lipstein for organizing and chairing “Trends in Strategic Investor and Corporate Communications Consulting” and “The State of Independent Research.”



Mark Sickles, president and CEO of the NJ chapter of the National Association of Corporate Directors, and Richard Lannamann, vice chairman of Spencer Stuart, at the Career Chat on “Joining a Board.”





*Noreen Harrington, managing partner of Alternative Institutional Partners, at the Corporate Governance Conference.*

# Corporate Governance

Chair: Peter F. Brennan, CFA

Vice Chair: J. Armand Musey, CFA

The Corporate Governance Committee addresses issues related to shareholder rights and corporate governance. The committee hosts an annual conference assessing the impact of corporate governance on investors, as well as several smaller events on topics such as executive compensation, proxy access, and shareholder activism.

### Accomplishments, Highlights, and Special Notes

The 4th Annual Corporate Governance Conference included panel presentations on shareholder access and majority voting, finding a corporate director, executive compensation gone wild, and the impact of hedge funds and private equity on governance (February 8, 2007). Among the speakers were Rich Ferlauto of the American Federation of State, County, and Municipal Employees (AFSCME), Jeffrey Gordon of Columbia Law School, Clay Lifflander of Millbrook Capital Management, Kenneth Sylvester of the New York City Comptroller's Office, Mark Terrell of Comverse Technology, and Ann Yerger of the Council of Institutional Investors. Noreen Harrington, managing partner of Alternative Institutional Partners, LLC, and Roger Raber, president and CEO of the National Association of Corporate Directors, delivered the keynote addresses. The CFA Centre for Financial Market Integrity co-hosted the conference.

There were three brown-bag luncheons during the member year:

- “An Introduction to the Proxy Process,” with Daniel H. Burch, co-founder, chairman, and CEO of MacKenzie Partners, Inc., and Steven Wolosky, JD, senior partner at Olshan Grundman Frome Rosenzweig & Wolosky LLC (March 7, 2007);
- “The Efficacy of Activist Investing,” with Randy Lampert, managing director in Morgan Joseph's Activist Investor Group (December 1, 2006); and
- “The Serologicals Case Study: A Discussion with David A. Dodd” (November 6, 2006).

The committee also joined with the International Committee and the CFA Centre for Financial Market Integrity to welcome to the U.S. 14 professionals engaged in an 8-week program of study of corporate governance under the East Central European Scholarship Program (July 20, 2006).

### Committee History

The committee's roots stretch back to the early days of NYSSA, when Benjamin Graham chaired the Standards Committee. In 1942 the Standards Committee proposed a professional rating for security analysts—“Qualified Security Analyst”—and in 1945 it adopted NYSSA's first Code of Ethics. The Standards Committee set the groundwork for the CFA® charter in 1953 by adopting a set of requirements for “Senior Security Analyst” certification.

### Thanks and Recommendations

We would like to thank David Silverman, CFA, Richard Bliss, CFA, and the entire NYSSA staff for their help in organizing our programs.



*Rich Ferlauto, director of pension investment policy at the AFSCME, and Ann Yerger, executive director of the Council of Institutional Investors.*



*Randy Lampert (left), managing director at Morgan Joseph & Co., and David Dodd, former president, CEO, and director of Serologicals Corporation, at brown-bag luncheons organized by the committee.*



*William Brodsky, chairman and CEO of the CBOE, at the committee launch.*

## Derivatives

**Chair:** Bud Haslett, CFA, FRM

**Vice Chairs:** Andrew C. Spieler, PhD, CFA, FRM

Ehsan Nikbakht, DBA, CFA, FRM, PRM

The mission of the Derivatives Committee is to provide a forum for investment professionals to learn more about the use and intricacies of derivatives. The committee offers content to both specialists in the derivatives markets and those professionals who are not currently involved, but who wish to learn more. By organizing a variety of events including lectures and forums, the committee is a valuable source of insightful information on derivatives.

### *Accomplishments, Highlights, and Special Notes*

NYSSA's newest committee, the Derivatives Committee was formally launched on October 11, 2006, with a presentation by William J. Brodsky, chairman and CEO of the Chicago Board Options Exchange (CBOE). Ninety members and guests attended this brown-bag luncheon. The committee has grown to include over 80 members since that date.

A brown-bag luncheon on "Equity Option Analysis for Fundamental Investors" featured Dean Curnutt, head of institutional derivative and convertible sales and a member of the Global Equities Management Team at Banc of America Securities LLC (April 9, 2007).

The committee partnered with the Alternative Investments and Institutional Asset Management Committees for "NYBOT Ringside: A Mock-Trading Session" (January 30, 2007). Over 70 members experienced firsthand the open outcry market at the New York Board of Trade, New York's original futures and options exchange and leading soft commodity exchange. After the mock-trading, participants engaged in a Q&A session with Jeanette Schwartz Young, NYBOT trader and author of *The Options Doctor: Option Strategies for Every Kind of Market*.

Organized in conjunction with the Career Development Committee, a Career Chat on "How to Join the Derivatives Boom" (January 4, 2007) featured Laura Friedman, managing director at Credit Suisse, and Jim Geiger, executive recruiter at Analytic Recruiting, Inc.



### *Thanks and Recommendations*

We look forward to hosting derivative strategists from Bank of America and Citigroup as the year winds down.

Thanks to everyone at NYSSA for all of their help getting the committee up and running and for their continuing support of our programs.



*Above (from left): Committee chair Bud Haslett; Philip Gocke, managing director at the Options Industry Council; and Mohammed Hadi, reporter at Dow Jones Newswires, at the committee launch.*

*Right: NYSSA members during mock-trading at the New York Board of Trade. Photo courtesy of NYBOT.*



FASB chairman Robert Herz at the Financial Reporting Conference.

# Improved Corporate Reporting

Chair: **Arthur M. Fliegelman, CFA**  
Vice Chair: **Mark R. Newsome, CFA**

The Improved Corporate Reporting Committee closely follows issues and events affecting financial reporting, corporate disclosure, and accounting standards. Its primary mission is to keep NYSSA members informed about these issues through speaker programs and conferences. Recent undertakings include the annual Financial Reporting Conference, the annual XBRL forum, and other education events. The committee periodically advocates specific positions on proposed financial reporting standards before regulators and accounting standards setters.

### Accomplishments, Highlights, and Special Notes

The annual XBRL program (April 11, 2007) continues to lead the way for the analytical and investment communities to develop a tool that will radically change the way investors and users of financial statements receive and interpret financial information.



The luncheon program on “The Burdens of Regulation: Are the U.S. Capital Markets Less Competitive?” (February 15, 2007) explored highly controversial questions about the nature and scope of regulation that is appropriate for U.S. capital markets given an increasingly global economic environment. Speakers included (above) Merritt Fox, PhD, JD, the Michael E. Patterson Professor of Law at Columbia Law School, and Rebecca Todd McEnally, PhD, CFA, director of the Capital Markets Policy Group at the CFA Centre for Financial Market Integrity.

The committee inaugurated a successful program on “Changes to 2006 Financial Statements: What Analysts Need to Know” (January 23, 2007), featuring presenters from the Financial Accounting Standards Board (FASB), Goldman Sachs, and Moody’s Investors Service.

The 13th Annual Financial Reporting Conference (October 26, 2006) addressed current issues affecting the broad spectrum of financial reporting. Speakers included Anthony T. Cope, CFA, member of the International Accounting Standards Board; Robert H. Herz, chairman of the FASB; Charles W. Mulford, PhD, CPA, Invesco Chair and professor of accounting at the College of Management, Georgia Institute of Technology; Scott A. Taub, deputy chief accountant of the Securities and Exchange Commission; and Donald M. Young, member of the FASB.

Finally, the committee held an evening program on “Reporting for Financial Instruments: Past, Present, and Future” (July 18, 2006), with experts from the FASB, Deloitte & Touche, and Lehman Brothers.

### Thanks and Recommendations

Special thanks go to all those who helped with our programs, including NYSSA staff, and especially our guest speakers. Committee member Eric P. Linder, CFA, deserves special thanks for his efforts.

### Committee History

“There have long been complaints that regulatory bodies such as the U.S. Securities and Exchange Commission, the International Accounting Standards Committee, and the Financial Accounting Standards Board get very little input from users of financial statements,” said committee chair Kathleen Dieter, CFA, in 1995. “We believe that as a very important group of users, the membership should actively express its views, both collectively and individually, and provide input to the standards-setting process.”

The committee was established in 1991. Among the distinguished presenters during the early years were FASB chairmen Dennis R. Beresford and Donald J. Kirk; professor Baruch Lev of NYU’s Stern School of Business; and Dominic Tarantino, chair of the American Institute of Certified Public Accountants (AICPA).





Vice chair George Ding; Robert Burke of Mercer Investment Consulting; Kurt Winkelmann of Goldman Sachs Asset Management; International Committee vice chair Gabriel Garcia; and Debra Brown of Russell Reynolds Associates, at an evening presentation on alpha investing.

## Institutional Asset Management

Chair: **Jonathan E. Gold**

Vice Chair: **George H. Ding, CFA**

Vice Chair: **Lee Minton, III, CFA**

The mission of the Institutional Asset Management Committee is to bring together professionals engaged in the management, oversight and/or advisement of institutional investments. The committee's diverse member base includes investment consultants, plan sponsors, insurance professionals, risk managers, derivative product specialists, and portfolio managers and analysts in a wide variety of asset classes. The committee nurtures a rich exchange of ideas and information by connecting professionals who are broadly in the same profession, but would not otherwise collaborate and network with one another.

### Accomplishments, Highlights, and Special Notes

During the member year, the committee hosted three evening programs:

- “The Convergence of Hedge Funds, Private Equity, and Traditional Long-Only Managers” (May 31, 2007);
- “Fixed Income Market Structure and Trading: Past, Present, and Future,” including a presentation of Bloomberg technology (November 16, 2006); and
- “Alpha Investing: Impetus to Change for Institutional Money Managers (September 25, 2006).

It also arranged a networking reception and tour of the New York Federal Reserve for over 20 members (December 20, 2006), and partnered with the Alternative Investments and Derivatives Committees for “NYBOT Ringside: A Mock-Trading Session” (January 30, 2007).

NYSSA board members and staff joined the committee to ring The Closing Bell<sup>SM</sup> of the New York Stock Exchange (NYSE) (July 31, 2006). This kicked off the sold-out presentation and mock-trading session on “Changing Equity Market Structure: The Impact on Exchanges.”

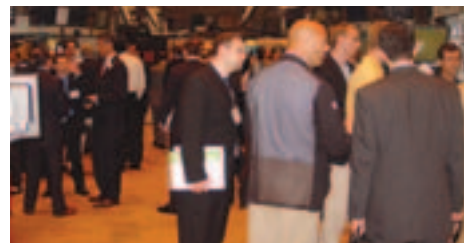


Left to right: NYSSA board member Michael Lipper; programming associate Evelina Ioselev; board members Baunita Greer and Thomas Boczar; NYSE CEO John Thain; event chair Shayna Malnak; NYSSA executive director Alvin Kressler; NYSE managing director Steven Hughes; committee chair Jonathan Gold; NYSE vice president of competitive analysis Colin Clark; and NYSSA programming manager Eileen Stempel. Photo courtesy of NYSE.

### Thanks and Recommendations

Special thanks go to George H. Ding, CFA, who served as vice chairman. He has recently stepped down to join Barclays in Hong Kong.

Congratulations and many thanks to our event chairs George H. Ding, CFA, William P. Enright, CFA, Shayna Malnak, and Lee Minton, III, CFA, for leading the charge in developing highly successful and well-attended events.



Members mock-trading at NYSE.

### Committee History

The committee was established in June 2002 to address the needs of a diverse group of buy- and sell-side professionals involved in the investment decision-making process for large institutions. Since that time it has grown to include over 300 members.



*Jonathan Boersma, senior director of professional standards at the CFA Centre for Financial Market Integrity, helped the committee welcome 14 Eastern European professionals.*

## International

Chair: **Theodore J. Kim, CFA, FRM**

Vice Chair: **Gabriel E. Garcia**

The International Committee organizes a diverse range of programs to keep members abreast of key trends affecting global investment markets. The committee is continually seeking to partner with Wall Street firms and foreign government entities such as consulates and trade promotion boards to most effectively educate our members about the global economy, as well as to provide social and professional networking opportunities.

### *Accomplishments, Highlights, and Special Notes*

The evening presentation on “Global Market Allocation: Opportunities and Risks for International Portfolios” (December 4, 2006) explored the key issues on the minds of international investors, including the effects of global growth prospects and the likely drivers of alpha generation in international portfolios. The panelists were Nick Bennenbroek, senior currency strategist at Brown Brothers Harriman; Rubin Chen, PhD, CFA, strategy manager, relative value, at ING Investment Management; and Reiner M. Triltsch, CFA, head of global investments at U.S. Trust and portfolio manager at Excelsior International Equity Fund.



*The committee joined with the Corporate Governance Committee and the CFA Centre for Financial Market Integrity to welcome to the U.S. 14 professionals engaged in an 8-week program of study under the East Central European Scholarship Program (July 20, 2006). The course of study, “Corporate Governance and Shareholder Rights Program,” included 6 weeks of classroom training at the University of Wisconsin–La Crosse, after which the scholars visited NYSSA and other institutions in New York and Washington, D.C.*

### *Thanks and Recommendations*

We hope to expand our network of connections with international trade groups, business school alumni associations, and research institutions to provide as many learning and networking opportunities for our members as possible. All NYSSA and CFA Institute members, as well as all professionals working in global capital markets, are encouraged to contact us with any ideas, suggestions, or leads for new events. We have successfully partnered with other committees to plan events and we look forward to even more partnerships—across NYSSA, across New York and across the globe—to provide better value-added educational activities for our members. While many members have a particular interest in emerging markets, we have also promoted and hosted meetings addressing key issues in European and Japanese markets.

### *Committee History*

Since its founding in 1996, the committee has offered diverse programming, including a Japanese sake-tasting evening, a seminar on Argentine financial markets held in collaboration with the Argentine consulate, a presentation by investment author Jim Rogers, a presentation on global real estate investment held in partnership with Jones Lange LaSalle, an Asian Biotech conference held with the Asia Society, and a number of seasonal, internationally themed networking parties. Of particular note was a talk by former Federal Reserve chairman Paul Volcker on “Regulatory Reform and the Road Ahead” in March 2004.



Attendees mingling at an evening reception held by the Investment Strategy Committee.

## Investment Strategy

Chair: **Steven J. Lerit, CFA**

Vice Chair: **Jay L. Lefkowicz, CFA**

To further NYSSA's mission of being a premier forum for the exchange of information among investment professionals, corporate managements, and other interested members of the public, the Investment Strategy Committee organizes events that bring leading analysts, portfolio managers, strategists, economists, and company executives to speak at NYSSA.

### Accomplishments, Highlights, and Special Notes

A breakfast presentation on "Performance Attribution as an Analytical Tool" (April 13, 2007) featured David Spaulding, the founder and president of The Spaulding Group, Inc., and founder and publisher of *The Journal of Performance Measurement*.<sup>®</sup> Although performance attribution has become widely used within the investment industry, many professionals still do not have a full understanding of it. Spaulding provided insight into this increasingly important analytical tool and explored topics including relative and absolute attribution, the two "Brinson" models, arithmetic and geometric attribution, holdings and transaction attribution, and fixed income attribution.

The committee also hosted an evening presentation on "Risk Management Control" (May 21, 2007), featuring Jennifer Bender, PhD, member of the Applied Research Group of MSCI Barra; Nigel Cheetham, head of portfolio management at Reuters America; Bernard Donefer, adjunct associate professor in the Department of Information, Operations, and Management Sciences at the NYU Stern School of Business, and former CIO of Fidelity Investments; and Sampson Glassman, fund of funds risk management consultant.



Former committee chair Allen Gillespie and current vice chair Jay Lefkowicz.

### Committee History

Originally called the Seminar and Investment Strategy Committee, this committee held seminars on topics judged to be of interest to the financial community, including meetings with leading strategists and portfolio managers. In addition, it organized noncorporate luncheon meetings.

The Corporate Program Committee, which held company meetings, industry forums, and roundtable discussions among analysts, merged into the Seminar and Investment Strategy Committee in 1998. The joint committee put together numerous lunch programs and full-day seminars on a broad range of investment topics. Its name was soon shortened to Investment Strategy.

Programs have featured leading economists and investment strategists—including Steve Forbes, Harry Markowitz, and Peter Bernstein—and have centered around topics such as risk management, the demutualization of life insurance companies, and the evolution of index proxies.



Herbert Blank of QED International, David Lerman of Chicago Mercantile Exchange, Irwin Latner of Herrick, Feinstein LLP, and Christian Bekmesian of Eisner LLP at a presentation on "The Evolution of Index Proxies" (September 22, 2005).





*New members at the Welcome Reception in June 2006.*

## Membership

Chair: Cecil C. Burgin, CFA  
Vice Chair: Mary F. Stober

The Membership Committee reviews and approves all prospective member applications and makes recommendations to the Board of Directors as to guidelines for membership. The committee assists in developing and evaluating member benefits, reviewing special offers, and looking for new recruitment methods for membership. Membership Committee programs encompass member-networking events, including the Annual Dinner.

### Accomplishments, Highlights, and Special Notes

The number of NYSSA members topped 10,000 for the first time in February, 2007. The committee reviews a steady stream of member applications every month and help match prospective new members with suitable sponsors.

A focus this year has been on welcoming new members and creating networking opportunities for the entire membership. There were two New Member Welcome Receptions (June 14, 2006, and December 14, 2006) to orient new members to NYSSA benefits and the office facilities and to engage their participation in NYSSA's 13 committees.

The committee also concentrated on creating social networking events:

- A mock-trading session at the New York Mercantile Exchange (below)—the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals (February 28, 2007)—drawing approximately 80 members; and
- A sunset cruise aboard a New York Water Taxi (August 24, 2006).

The committee continues to partner with other committees and outside organizations to create events that attract members and nonmembers alike.



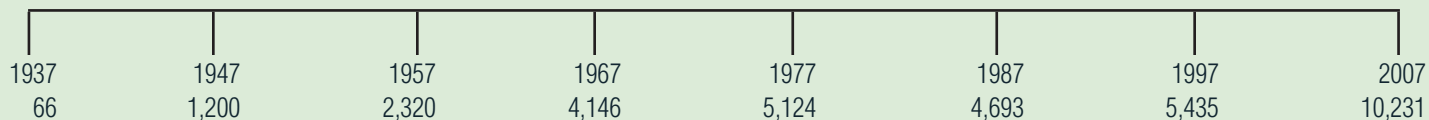
### Thanks and Recommendations

We would like to thank our committee members and NYSSA staff who donate their time to these accomplishments, including:

- The core group of members and staff who faithfully review each month all the prospective member applications and help locate sponsors;
- Members who conceive and organize unique, fun, and educational events, especially Monsour Yamin and Bob Stewart, who made the mock-trading at NYMEX a reality;
- New members, who provide vibrancy to the committee with energy and ideas; and
- NYSSA staff, who support the volunteers in doing the legwork to create successful programs.

For 2007–2008, we would like to feature programs that highlight our members' professional diversity and personal accomplishments. Potential initiatives include special forums featuring members who have authored new books or other publications, and a speakers' bureau where our members can share their professional expertise with the financial press.

### Membership Growth





*At the Strategies in Wealth Management Summit, Douglas Mellinger, vice-chairman and founder of Foundation Source, explained how family fits into philanthropy.*

## Private Wealth Management

Chair: **Vincent G. Maffucci, CFA, FRM**

Vice Chair: **Mark Ukrainskyj, CFA**

The Private Wealth Management (PWM) Committee addresses the needs of the private wealth management professional by providing a community for advisors to high-net-worth individuals; delivering relevant, valuable continuing education; creating a forum for the exchange of ideas; and fostering collaboration and networking with like-minded professionals. PWM programming includes continuing education courses, presentations, and seminars. In addition, the committee provides networking opportunities through its planning meetings, lunch programs, and evening receptions.

### *Accomplishments, Highlights, and Special Notes*

The committee organized the 5th Annual Strategies in Wealth Management Summit (October 19, 2006), one of the premier conferences focusing exclusively on strategic and business planning issues facing senior management of wealth management advisory firms.

The committee continued to deliver top-notch programming that focused on many of the diverse issues that wealth managers face:

- Wealth management advisors and institutional asset managers are increasingly expected to function as a “manager of managers” for their clients. In response to this trend, the committee held the 2nd annual “Manager Search and Selection” full-day conference (May 17, 2007).
- It is difficult for many people to discuss the issues involved with living longer because of a variety of fears, including fear of failing health and the associated medical costs that may destroy their estates. A breakfast program on “Minimizing Longevity Risk” taught ways to put clients at ease (May 22, 2007).
- Attendees of a half-day program on “The Essentials of Estate Planning: Trusts and Other Tools for Wealth Managers” learned the pros and cons of trusts, family limited partnerships, gifting, and insurance (May 11, 2007).
- Mark Tibergien of Moss Adams LLP spoke at a breakfast program, identifying the “Ten Key Trends of Wealth Management” and discussing strategies that can be used to address them (April 12, 2007).
- A brown-bag luncheon on “Helping Private Clients Sell Their Business” explored ways to improve the valuation coupled with specific estate-planning strategies when monetizing a business (March 14, 2007).
- The baby boomer generation is spending significant time, money, and other resources to care for elderly parents. A half-day program on “Soft Strategies of Private Wealth Management: Planning for the Elder Generation” provided insight and offered resources needed to help private clients with the legal considerations, administrative challenges, insurance choices, and the emotional strain of caring for aging parents (February 2, 2007).
- A brown-bag luncheon on “Tax Planning and the Pension Protection Act: What Advisors to Private Clients Need to Know” examined the many implications that this new act has for advisors (January 25, 2007).



*David Durrant, chief strategist at Julius Baer Investment Management LLC, was on hand at the 5th Annual Summit to discuss globalization of private client portfolios.*

### *Committee History*

The committee was founded in 2000 as the High Net Worth Investors Committee, with the goal to create a forum for wealth management professionals to exchange ideas and explore the issues they face on a daily basis. It was renamed the Private Wealth Management Committee in 2001 to better reflect its objectives of serving private client advisors. Although it started with just a few people discussing their ideas, it has grown to over 260 members.



Mark Townsend Cox, founder and CIO of New Energy Fund, LP, at a presentation on global renewable energy hedge funds.

# Socially Responsible Investing

Chair: **Mary Jane McQuillen**

Vice Chair: **Anthony A. Ginsberg**

The Socially Responsible Investing (SRI) Committee's mission is to provide a forum for integrative, holistic industry analysis. Specific areas of focus include environmental, social, and governance (ESG) issues and how they affect valuations and long-term forecasts.

Programs highlight current SRI issues, including those related to fiduciary responsibility and risk management. Members seek to identify the challenges and rewards of incorporating ESG factors in security analysis. Programs include presentations by monthly guest speakers and networking events.

### *Accomplishments, Highlights, and Special Notes*

The committee's programs during the member year included:

- "The Principles for Responsible Investment (PRI): A Long-Term View," with PRI project manager Jerome Tagger (April 18, 2007);
- "The Global Renewable Energy Hedge Fund: A Practitioner's Perspective," with Mark Townsend Cox, founder and CIO of New Energy Fund, LP (March 27, 2007);
- "Carbon Management Flight Simulator for Investors," with speakers from the Interfaith Center on Corporate Responsibility and Rocky Mountain Institute (February 8, 2007);
- "Analyzing and Quantifying Environmental Impacts by Companies: A Discussion with Trucost, Plc.," with Mike Wallace, Trucost's vice president for North American Operations (January 31, 2007);
- "BP and UN Special Report: Issue of Human Rights and Transnational Corporations," with Christine Bader, manager of policy development at BP (January 23, 2007); and
- "Nuclear Energy and Utilities: The Risk Potential to Investors," with former NRC commissioner Peter A. Bradford and speakers from Synapse Energy Economics, Inc., and Fitch Ratings (June 8, 2006).

### *Thanks and Recommendations*

We would like to give special thanks to NYSSA's staff and executive director for their incredible support! Also, we would like to thank fellow NYSSA committee chairs and vice chairs for their collaboration and participation in SRI Committee events.

Special thanks go to all of the past speakers, representing such organizations as the Rocky Mountain Institute, BP, Citigroup, McDonald's, Kraft, and UBS.

Our planned programming includes a networking and photo exhibit at Open Society Institute; an SRI primer and practitioner workshop; and a panel featuring the National Investor Relations Institute.

### *Committee History*

"As socially responsible investing becomes more popular, many investors are consciously choosing to invest with their values throughout their lifetimes," said chair James Buro, CFA, CFP, ChFC, CPA, upon the committee's founding in April 2002. "I believe our members have an opportunity to provide leadership to the community of investment professionals, and to the public, by creating a premier forum for the exchange of ideas that can help investors make money while making a difference."

The Social Investment Security Analysts (SISA) Committee, which preceded the SRI Committee, was established in 1996 as a group of investment professionals collaborating to increase awareness and advance the level of dialogue in valuing progressive corporate practices. SISA's programs included "A Primer on Social Investing: Theory to Practice," "Focus on Tobacco Investing," and "Uncovering Value: The Links between Environmental and Financial Performance."





*Stephen Canter, former chairman and CEO of The Dreyfus Corp., gave a presentation on ethics to the students participating in the Fifth Annual Investment Challenge (February 22, 2007).*

## Student

Chair: **Stella Alvo**

Vice Chair: **Kenneth J. Laudano**

The Student Committee encompasses the SEMI Task Force and the Student Programming Task Force. These two groups focus on and enhance the Society's university outreach program. The SEMI Program (Scholarship, Education, Mentoring, and Internship) is an eight-week educational summer program for undergraduate finance students from New York City-area schools. The program pairs each student with a NYSSA member-mentor during a summer internship.

The Student Programming Task Force hosts programs such as the Investment Research Challenge™ and other NYSSA-sponsored on-campus activities. The Challenge provides seminars on ethics, research analysis, and writing, and gives students the chance to present their research reports on one company to a panel of distinguished investment executives.

### Accomplishments, Highlights, and Special Notes

The Investment Research Challenge kicked off its 5th year with the same great volunteer spirit that has been the hallmark of the program since it began. Faculty and student representatives from eight area universities were joined by a record number of NYSSA members who volunteered as panelists, graders, mentors, and seminar presenters to support this initiative.

NYSSA has also collaborated with CFA Institute to organize the first ever international Investment Research Challenge, modeled after the NYSSA Challenge. On April 26, 2007, the winning team from NYSSA faced off against the winners of Challenges held by the Boston, Texas, and Hong Kong Societies.

In summer 2006, SEMI added Baruch College to its roster of participating schools, with Baruch representing the largest pool of applications ever received from a single school. Five Baruch students were accepted into the 2006 program.

Two outside firms hosted the educational breakfast meetings that are an integral part of the SEMI experience. Students enjoyed an inside look at Blackstone (June 28, 2006) and Morgan Stanley (July 12, 2006).

The Student Committee also joined with the Career Development Committee to present a Career Chat on "Early-Stage Career Challenges" (December 18, 2006).



*Students in the 2007 Investment Research Challenge learned about subject company Tasty Baking Company (Nasdaq: TSTY) (February 9, 2007). The Challenge gives students a taste of what the job of a research analyst is like. As of this writing, the four finalist teams are preparing to present their findings to a panel of Wall Street experts.*

### Thanks and Recommendations

We thank our SEMI subcommittee, especially Charlie O'Donnell and Ferian Nickelson, for the fantastic job they have done in organizing and running that program. Also, many thanks to all of the members who volunteered their time as presenters, graders, mentors, and panelists for the 5th Annual Investment Research Challenge.

### Committee History

The Scholarship Committee was formed in 1996 to distribute a scholarship fund left to the Society by longtime member Heloise S. Ham. Ham led an impressive career and was one of the first women in finance when she entered the profession in the 1950s. The SEMI initiative was launched from this scholarship program in 1997.

NYSSA introduced the Investment Research Challenge in the 2002–2003 academic year as a means to promote best practices in research among the next generation of analysts. NYSSA has collaborated with CFA Institute for the first international Challenge in April 2007.

## Value Investing



Carol Loomis (left) of *Fortune* interviewed Walter Schloss (center) for the committee's tribute; son Edwin Schloss joined the discussion.

Chair: Christopher M. Kehoe, CFA  
Vice Chair: Steven Rogé, CMFC®

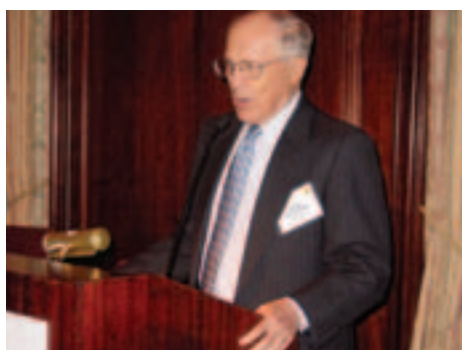
The mission of the Value Investing Committee is to provide a forum for the application and modification of Benjamin Graham's principles in today's domestic and international markets.

### Accomplishments, Highlights, and Special Notes

The committee paid homage to preeminent value investor Walter J. Schloss, CFA, with a dinner at the Harvard Club (October 11, 2006). Over 100 of Schloss' friends and partners came to celebrate his 90th birthday and share remembrances. Carol Loomis, editor-at-large of *Fortune* magazine, led the discussion with Schloss and his son Edwin. Proceeds are going towards NYSSA's Value Investing Archive, which is planned to be both a digital and print resource.



"Warren Buffett's words that you couldn't have a better friend than Walter were very profound, and I could not say it better myself," said private investor Robert Bruce.



"One of the qualities that has made Walter a very successful man is his optimism, and if you buy deep value and combine that with optimism, you have a winning combination," noted David Gottesman of First Manhattan Co.



Committee chair Christopher Kehoe and NYSSA founding member Irving Kahn.



James Mitchell of Mitchell Partners and William Browne of Tweedy, Browne.

### Committee History

A reception entitled "Celebrating the Life and Legacy of Benjamin Graham" in May 2004 marked the official launch of the committee. Approximately 200 financial professionals came to hear Christopher Browne, Peter Cundill, Mario Gabelli, Bill Ruane, Walter Schloss, and others share professional and personal anecdotes about Graham, one of the founders of NYSSA and the inventor of the modern discipline of security analysis.

The committee celebrated the 100th birthday of legendary value investor and founding NYSSA member Irving Kahn, CFA, with a dinner in December 2005. Professor Louis Lowenstein, the Simon H. Rifkind Professor of Finance and Law at Columbia University gave the keynote address.

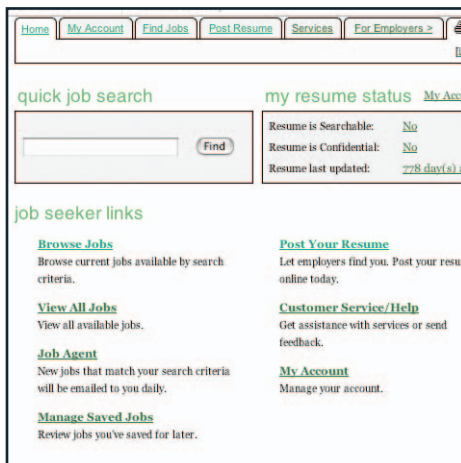
Since 2004, the committee has grown to include over 180 members. It has become renowned for its fireside chats with preeminent value investors, including Michael Mauboussin, Jean-Marie Eveillard, Joel Greenblatt, Hewitt Heiserman Jr., Marty Whitman, and David Winters.

## Career Development and Networking

- Visibility as a vital participant in your profession.
- Participation in one of NYSSA's many committees to network and plan programs.
- Member rates for all conferences, seminars, and professional development and CFA® review courses.
- Free monthly Career Chats and member rates on other career programs and resources.
- Members-only access to browse and search NYSSA's Online Member Directory.
- Participation in the NYSSA Toastmasters Club.
- Invitations to members-only networking events such as mock-trading at stock and commodities exchanges, and NYSSA's Golf Night.



## Interactive Jobs Network



- Unlimited access to job postings from top Wall Street employers.
- Free resume posting (confidential, if necessary).
- Automatic email notification of new jobs that match your criteria.
- Password-protected account to facilitate your search.

## NYSSA on Demand

- Free webcasts of NYSSA industry conferences.
- Free podcasts of Career Chats and other events.

## Discounts on Industry Resources and Other Products

- Industry publications including *Crain's New York Business*, *Financial Times*, and *Institutional Investor Journals*.
- Certified Financial Risk Manager® (FRM®) study products, Certified Financial Planner™ (CFP®) review courses, and securities licensing exam products.
- Comprehensive insurance benefits from premier service providers such as Aetna, Empire Blue Cross & Blue Shield, Liberty Mutual, MassMutual, and Oxford Health Plan.
- Tickets for Broadway hits, classical music performances, and sporting events.

## NYSSA Library and Member Lounge

- Free access to *Barron's*, *Crain's New York Business*, *Financial Times*, *Harvard Business Review*, *Institutional Investor*, *The Wall Street Journal*, and other top financial publications.
- Use of Bloomberg, Capital IQ, Reuters, and other leading market data terminals.
- Computer workstations with Internet access and printers.
- Physical and digital reference materials including the Value Investing Archive.
- Member lounge to meet with other members, read, or relax between meetings.





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## Independent Auditors' Report

To the Board of Directors  
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, 2006 and August 31, 2005 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, 2006 and August 31, 2005 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*

November 1, 2006

# Financial Statements

## Statements of Financial Position

	Assets	
	August 31	
	2006	2005
<b>Current assets</b>		
Cash and cash equivalents (note 3)	\$4,952,953	\$1,689,697
Investments, at market value (notes 2 and 4)	801,536	3,263,145
Accounts receivable, net of allowance for doubtful accounts of \$3,900 in 2006 and 2005 (note 2)	498,615	640,993
Due from sub-landlord (note 6)	515,280	—
Prepaid expenses and other assets	132,543	159,873
Total current assets	6,900,927	5,753,708
<b>Restricted cash and cash equivalents (note 6)</b>	200,387	200,387
Leasehold improvements and equipment, at cost, net of accumulated depreciation (notes 2 and 5)	271,462	100,655
Total assets	<b>\$7,372,776</b>	<b>\$6,054,750</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$19,562	\$25,900
Accrued expenses and taxes	603,428	267,643
Unearned dues revenue (note 2)	1,503,372	1,419,230
Unearned revenue	680,489	696,456
Current portion of rent abatement (note 6)	49,558	—
Total current liabilities	2,856,409	2,409,229
Rent abatement, net of current portion (note 6)	114,630	—
Total liabilities	2,971,039	2,409,229
<b>Net assets</b>		
Unrestricted (note 12)		
Operating fund	1,021,624	839,997
Board designated—Building fund	3,118,196	2,615,081
Total unrestricted	4,139,820	3,455,078
Temporarily restricted (note 7)	261,917	190,443
Total net assets	4,401,737	3,645,521
Total liabilities and net assets	<b>\$7,372,776</b>	<b>\$6,054,750</b>

See notes to financial statements.



**Statements of Activities**

	Year Ended August 31				
	2006		2005		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
<b>Support and revenue</b>					
Membership dues and fees (note 2)	\$1,923,770	\$—	\$1,923,770	\$1,834,670	\$1,834,670
Education	2,403,650	—	2,403,650	2,067,206	2,067,206
Presentations	931,296	—	931,296	795,232	795,232
Seminars	449,257	—	449,257	243,640	243,640
Contributions	—	26,565	26,565	—	24,685
Special activity dinners	103,465	49,200	152,665	114,335	114,335
Interest	130,373	7,599	137,972	65,484	68,445
Other	165,889	—	165,889	114,566	114,566
Net assets released from restrictions (note 9)	16,150	(16,150)	—	18,150	(18,150)
Total support and revenue	6,123,850	67,214	6,191,064	5,253,283	5,262,779
<b>Expenses</b>					
Program services					
Education	1,859,526	—	1,859,526	1,692,076	1,692,076
Presentations	957,920	—	957,920	760,484	760,484
Seminars	714,759	—	714,759	679,311	679,311
Memberships	1,388,792	—	1,388,792	1,062,663	1,062,663
Total program services	4,920,997	—	4,920,997	4,194,534	4,194,534
Supporting services					
Management and general	478,346	—	478,346	405,387	405,387
Direct costs of special activity dinners	107,045	—	107,045	86,682	86,682
Total expenses	5,506,388	—	5,506,388	4,686,603	4,686,603
Increase in net assets before other additions (deductions)	617,462	67,214	684,676	566,680	576,176
<b>Other additions (deductions)</b>					
Realized (loss) on investments	—	(12,955)	(12,955)	—	—
Unrealized gain (loss) on investments	67,280	17,215	84,495	15,237	(1,502)
<b>Increase in net assets</b>	<b>684,742</b>	<b>71,474</b>	<b>756,216</b>	<b>581,917</b>	<b>589,911</b>
<b>Net assets, beginning of year</b>	<b>3,455,078</b>	<b>190,443</b>	<b>3,645,521</b>	<b>2,873,161</b>	<b>3,055,610</b>
<b>Net assets, end of year</b>	<b>\$4,139,820</b>	<b>\$261,917</b>	<b>\$4,401,737</b>	<b>\$3,455,078</b>	<b>\$3,645,521</b>

See notes to financial statements.

Statement of Functional Expenses—Year Ended August 31, 2006

	Program Services					Total	Supporting Services Management and General	2006 Total	2005 Total
	Education	Presentations	Seminars	Membership					
Staff payroll and benefits	\$567,132	\$274,346	\$352,319	\$708,942	\$1,902,739	\$118,841	\$2,021,580	\$1,727,334	
Temporary help	—	—	—	—	—	23,886	23,886	9,600	
Professional fees	464,654	296,772	20,221	14,969	796,616	192,393	989,009	874,116	
Scholarships granted	16,000	—	—	—	16,000	—	16,000	18,000	
Books and publications	211,773	—	2,913	10,084	224,770	1,634	226,404	121,176	
Printed marketing materials	24,901	27,744	10,323	1,225	64,193	—	64,193	71,942	
Printing and stationery	4,787	924	1,884	31,182	38,777	2,108	40,885	18,174	
Office expenses	67,965	35,980	44,274	151,439	299,658	22,692	322,350	247,241	
Data processing	35,242	18,372	23,818	56,233	133,665	10,481	144,146	142,745	
Delivery and mail handling	17,285	66,554	24,920	15,215	123,974	488	124,462	118,358	
Catering	—	128,323	91,470	26,313	246,106	12,024	258,130	195,746	
Promotional activities	—	1,875	—	2,296	4,171	—	4,171	32,789	
Newsletter	38,860	27,510	52,134	58,098	176,602	15,775	192,377	200,083	
Occupancy (note 6)	155,573	49,355	65,204	230,904	501,036	60,910	561,946	356,333	
Rental expenses (note 6)	175,945	—	5,910	2,254	184,109	1,250	185,359	306,181	
Equipment rentals	870	11,898	3,330	—	16,098	—	16,098	12,580	
Depreciation	15,026	3,757	5,175	24,083	48,041	5,002	53,043	17,192	
Bank and credit card service charges	63,013	10,942	10,219	51,249	135,423	881	136,304	117,941	
Miscellaneous	500	3,568	645	4,306	9,019	9,981	19,000	12,390	
<b>Total</b>	<b>\$1,859,526</b>	<b>\$957,920</b>	<b>\$714,759</b>	<b>\$1,388,792</b>	<b>\$4,920,997</b>	<b>\$478,346</b>	<b>\$5,399,343</b>	<b>\$4,599,921</b>	

See notes to financial statements.

**Statement of Functional Expenses—Year Ended August 31, 2005**

	Program Services				Total	Supporting Services	
	Education	Presentations	Seminars	Membership		Management and General	2005 Total
Staff payroll and benefits	\$435,683	\$174,065	\$328,256	\$568,029	\$1,506,033	\$221,301	\$1,727,334
Temporary help	—	—	—	—	—	9,600	9,600
Professional fees	488,525	247,901	32,902	55,455	824,783	49,333	874,116
Scholarships granted	18,000	—	—	—	18,000	—	18,000
Books and publications	109,438	750	3,712	6,623	120,523	653	121,176
Printed marketing materials	25,043	33,609	13,290	—	71,942	—	71,942
Printing and stationery	3,317	109	244	9,878	13,548	4,626	18,174
Office expenses	49,825	25,045	41,503	100,949	217,322	29,919	247,241
Data processing	32,853	15,094	25,780	49,299	123,026	19,719	142,745
Delivery and mail handling	15,489	63,363	22,926	9,578	111,356	7,002	118,358
Catering	480	92,995	74,494	18,104	186,073	9,673	195,746
Promotional activities	10,571	8,452	10,585	3,169	32,777	12	32,789
Newsletter	38,876	42,437	42,418	72,530	196,261	3,822	200,083
Occupancy (note 6)	100,606	35,668	65,150	111,307	312,731	43,602	356,333
Rental expenses (note 6)	296,224	—	4,600	4,957	305,781	400	306,181
Equipment rentals	170	8,893	2,665	852	12,580	—	12,580
Depreciation	4,951	1,707	3,119	5,328	15,105	2,087	17,192
Bank and credit card service charges	61,892	8,656	5,644	41,388	117,580	361	117,941
Miscellaneous	133	1,740	2,023	5,217	9,113	3,277	12,390
<b>Total</b>	<b>\$1,692,076</b>	<b>\$760,484</b>	<b>\$679,311</b>	<b>\$1,062,663</b>	<b>\$4,194,534</b>	<b>\$405,387</b>	<b>\$4,599,921</b>

See notes to financial statements.



# Financial Statements

## Statements of Cash Flows

	Year Ended August 31	
	2006	2005
<b>Cash flows from operating activities</b>		
Increase in net assets	\$756,216	\$589,911
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	53,043	17,192
Realized loss on sale of investments	12,955	—
Unrealized (gain) on investments	(84,495)	(13,735)
Amortization of premium on U.S. Treasury securities	61,752	—
(Accretion) of discount on U.S. Treasury Strips	(1,586)	(2,665)
(Increase) in current assets		
Accounts receivable	142,378	(160,490)
Due from sub-landlord	(515,280)	—
Prepaid expenses and other assets	27,330	(64,992)
Increase (decrease) in current liabilities		
Accounts payable	(6,338)	(47,633)
Accrued expenses and taxes	335,785	109,666
Unearned dues revenue	84,142	22,230
Unearned revenue	(15,967)	109,381
Change in rent abatement	164,188	—
Net cash provided by operating activities	<u>1,014,123</u>	<u>558,865</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	—	(4,026,209)
Sale/maturity of investments	2,472,983	4,510,000
Purchases of leasehold improvements and equipment	(223,850)	(66,522)
Net cash provided by investing activities	<u>2,249,133</u>	<u>417,269</u>
Net increase in cash and cash equivalents	<u>3,263,256</u>	<u>976,134</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>1,890,084</u>	<u>913,950</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$5,153,340</u>	<u>\$1,890,084</u>
<b>Consists of:</b>		
Current assets	\$4,952,953	\$1,689,697
Restricted	<u>200,387</u>	<u>200,387</u>
Total cash and cash equivalents	<u>\$5,153,340</u>	<u>\$1,890,084</u>

See notes to financial statements.

## *Notes to Financial Statements—August 31, 2006 and August 31, 2005*

### **Note 1—Nature of Organization**

The New York Society of Security Analysts, Inc. (the “Society”) is a not-for-profit, independent society whose mission is to serve the needs of all professionals involved in the investment decision-making process and educate the investing public. The Society is involved in all professional aspects of interest to its members. 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) program meetings whereby corporations pay a fee to sponsor meetings.

### **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. In addition, the Society transferred \$400,000 and \$75,000 in the 2006 and 2005 fiscal years, respectively, from the Operating fund to the Building Fund (see note 13).

##### TEMPORARILY RESTRICTED

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Society and/or the passages 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.

#### *Investments*

The Society reports its investments at market value as reported to them by Merrill Lynch. Interest income and unrealized capital gains or losses on investments are allocated between unrestricted and temporarily restricted net assets.

#### *Leasehold Improvements and Equipment*

Furniture, fixtures, and equipment are depreciated on the straight-line method over an estimated useful life of either five or seven years.

#### *Membership Dues*

Membership dues are recognized as income in the applicable membership period, which is from June 1<sup>st</sup> to May 31<sup>st</sup> each year. 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.

#### *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.

#### *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.

# Notes to Financial Statements

## *Concentration of Credit Risk*

The Society's financial instruments that are potentially exposed to concentration of credit risk consist of cash and investments. The Society places its cash with what it believes to be quality financial institutions and primarily invests in U.S. Treasury securities. The Society routinely assesses the financial strength of its cash and investment portfolio. As a consequence, concentrations of credit risk are limited.

## *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 and a U.S. Governmental Securities Mutual Fund.

### Note 3—Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following as of August 31, 2006 and August 31, 2005:

	2006			Total
	Operating Fund	Building Fund	Scholarship Fund	
Cash on hand	\$300	\$ —	\$ —	\$300
HSBC				
Checking	49,236	—	—	49,236
Money market	76,771	—	—	76,771
U.S. Govt. securities mutual fund	1,294,171	—	—	1,294,171
JP Morgan Chase—checking	80,165	—	—	80,165
Merrill Lynch—money market	1,336,059	1,913,079	203,172	3,452,310
Total	\$2,836,702	\$1,913,079	\$203,172	\$4,952,953
	2005			Total
	Operating Fund	Building Fund	Scholarship Fund	
Cash on hand	\$300	\$ —	\$ —	\$300
HSBC				
Checking	171,775	—	—	171,775
Money market	92,906	—	—	92,906
U.S. Govt. securities mutual fund	534,796	—	—	534,796
JP Morgan Chase—checking	92,600	—	—	92,600
Merrill Lynch—money market	500,212	115,873	181,235	797,320
Total	\$1,392,589	\$115,873	\$181,235	\$1,689,697



**Note 4—Investments**

The following is a summary of the investments as of August 31, 2006 and August 31, 2005:

	2006		2005	
	Cost	Market	Cost	Market
<b>Scholarship fund</b>				
Common stock				
Biocryst Pharmaceuticals	\$ —	\$ —	\$11,048	\$2,944
Merck & Co.	—	—	14,361	4,799
MEDCO Health Solutions	—	—	534	985
Sub-total	—	—	25,943	8,728
<b>Operating fund</b>				
U.S. Treasury Bill	—	—	489,713	489,686
U.S. Treasury Note	—	—	274,930	274,602
<b>Building fund</b>				
U.S. Treasury Notes	714,915	801,536	2,470,433	2,490,129
Total	\$714,915	\$801,536	\$3,261,019	\$3,263,145

**Note 5—Leasehold Improvements and Equipment**

The following is a summary of the leasehold improvements and equipment as of August 31, 2006 and August 31, 2005:

	2006	2005
Leasehold improvements	\$120,398	\$53,461
Furniture, fixtures, and equipment	260,081	103,168
Sub-total	380,479	156,629
Less: accumulated depreciation	109,017	55,974
Total leasehold improvements and equipment	\$271,462	\$100,655

**Note 6—Rental Lease Agreements**

On November 27, 2001, the Society entered into an agreement to sublease office space. The sublease, which commenced January 14, 2002 and was to expire on December 31, 2003, required an annual base rental of \$372,186 plus a certain portion of the landlord's operating expenses. The Society elected to extend the lease for two additional one-year periods through 2005.

During the 2005 fiscal year, the Society renegotiated the lease agreement and reduced the annual base rent. The lease required an annual base rent of \$286,570 in the 2005 fiscal year, plus a portion of the landlord's operating expenses. Rent expense for the period of September 1, 2005 thru December 31, 2005 totaled \$88,931, and has been included in occupancy charges on the statement of functional expenses.

# Notes to Financial Statements

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, 2006 and August 31, 2005 totaled \$175,945 and \$306,181, respectively.

During August 2005, the Society entered into an agreement to sublease office and conference space, commencing in December 2005 and expiring in December 2009. The sublease requires monthly lease payments of \$50,097 plus the Society's proportionate share of certain operating expenses of the sub-landlord as defined in the sublease agreement. Rent expenses paid for the period of December 12, 2005 thru August 31, 2006 totaled \$233,784 and have been included in occupancy charges on the statement of functional expenses. The future minimum sublease payments would be as follows:

<u>Fiscal Year</u>	
2007	\$601,160
2008	601,160
2009	601,160
2010	<u>198,771</u>
Total	<u>\$2,002,251</u>

As part of the lease agreement, the Society received four 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 represents deferred lease liability.

In connection with the above sublease, the Society delivered to the sub-landlord a letter of credit in the amount of \$200,387 as security for the sublease 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 accordance with the above sublease agreement, the Society is entitled to be reimbursed by the sub-landlord for hard costs and expenses for a maximum amount of \$515,280. The Society incurred such costs during the 2006 and 2005 fiscal years and during the 2006 fiscal year submitted a request for the full amount of the reimbursement from the sub-landlord. This reimbursement is expected to be received during the 2007 fiscal year.

## Note 7—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 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.

They 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 2006 the Society received funds of \$49,200 for the creation and 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, 2006:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Net Assets Released</u>	<u>Balance, End of Year</u>
Scholarship fund	\$190,443	\$38,424	\$(16,150)	\$212,717
Value investing archive	—	49,200	—	49,200
Total	<u>\$190,443</u>	<u>\$87,624</u>	<u>\$(16,150)</u>	<u>\$261,917</u>

#### Note 8—Retirement Plan

The Society maintains a defined contribution plan (the “Plan”) for all eligible employees who have completed ½-year of service. Employees vest in the Plan 20% each year over five years, beginning in year two. During the 2006 and 2005 fiscal years, the Society contributed 5% of each employee’s base wages to the Plan. Contributions to the Plan are determined annually by the Society’s Board of Directors. The plan expense amounted to \$67,473 and \$53,775 for the years ended August 31, 2006 and August 31, 2005, respectively.

#### Note 9—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:

##### Purpose restriction accomplished:

Scholarships	\$16,000
Bank service charges	<u>150</u>
Total	\$16,150

#### Note 10—Legal Claims

As of August 31, 2006, management was not aware of any legal claims 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 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) of the Code.



# Notes to Financial Statements

## Note 12—Unrestricted Net Assets

The following is a summary of the activity of the unrestricted operating and board-designated building fund for the years ended August 31, 2006 and August 31, 2005:

	Unrestricted		
	Operating Fund	Board-Designated Building Fund	Total
<b>Balance, at August 31, 2004</b>	<b>\$377,787</b>	<b>\$2,495,374</b>	<b>\$2,873,161</b>
Revenue			
Interest income	35,562	29,922	65,484
Other revenue	5,187,799	—	5,187,799
Unrealized gain on investments	302	14,935	15,237
Total revenue	5,223,663	44,857	5,268,520
Less: Expenses	4,686,453	150	4,686,603
Increase before interfund transfer	537,210	44,707	581,917
Interfund transfer	(75,000)	75,000	—
Increase in net assets	462,210	119,707	581,917
<b>Balance, at August 31, 2005</b>	<b>839,997</b>	<b>2,615,081</b>	<b>3,455,078</b>
Revenue			
Interest income	94,032	36,341	130,373
Other revenue	5,993,477	—	5,993,477
Unrealized gain on investments	356	66,924	67,280
Total revenue	6,087,865	103,265	6,191,130
Less: Expenses	5,506,238	150	5,506,388
Increase before interfund transfer	581,627	103,115	684,742
Interfund transfer	(400,000)	400,000	—
Increase in net assets	181,627	503,115	684,742
<b>Balance, at August 31, 2006</b>	<b>\$1,021,624</b>	<b>\$3,118,196</b>	<b>\$4,139,820</b>

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