

## Treasurer's Report

1991 was a year of major financial events for the Materials Research Society. First, the responsibility for the Society's day-to-day financial operations was transferred from the treasurer to the executive director and director of finance at MRS headquarters. Second, a variety of unfavorable financial trends in MRS finances were reversed by intense focused effort by the executive committee, the headquarters management team, and a variety of *ad hoc* task forces. Third, the groundwork was laid for the resumption of financially sound growth by MRS not only by pricing and cost containment actions, but also by major upgrades of MRS financial management processes. Thus, several important mileposts in the transition from an all-volunteer management of a small MRS to a hybrid volunteer/professional management of a much larger MRS were achieved during 1991.

The most urgent financial issue confronting MRS in 1991 was a three-year trend of declining net income which culminated in an operating loss of \$338,555 and a decline in net worth by \$164,522 during 1990. This decline in net worth resulted despite continuing growth in membership (Figure 1) and assets (Figure 2) because liabilities and deferred revenue grew more rapidly than total assets (Figure 3). The net effect on fund balances, which are the measures of the Society's net worth, may be seen in the lower (blue) portions of the bar graphs in Figure 3 and is shown more explicitly in Figure 4. These figures were prepared from the MRS balance sheets, shown for 1990 and 1991 in Table I.

In order to reverse this trend, four major actions were taken. First, cost-cutting measures at headquarters were implemented. These resulted in a decrease in total expenses by \$51,495 in 1991 relative to 1990 as can be seen from the statement of support, revenue, expenses, and changes in fund balances shown in Table II. Second, a series of *ad hoc* task forces was commissioned to determine the actual costs of member services, meetings, and short courses. Member dues, meeting registration fees, and short-course fees were adjusted to attempt to recover these costs. Third, studies of publication costs and inventories were undertaken with the following results: a subscription to *Journal of Materials Research* was no longer provided as a member benefit in 1992, prices of MRS publications were adjusted, and policies for proceedings publications were reexamined and modified. Finally, a major

effort to identify and collect accounts receivable was undertaken. These actions reduced the operating deficit to \$40,340 and effected a return to an increase in net worth by \$78,485 in 1991. In addition, investments had to be retired in order to raise cash for 1991 operations, as indicated in Table III, Statements of Cash Flow.

The most important financial issue confronting MRS in 1991 was the transfer of operating responsibility for financial matters to the executive director while retaining effective control of Society finances by its elected councillors and officers. Changes in MRS bylaws reflecting this transfer of responsibility were approved by Council at its fall 1990 meeting. An investment policy was approved by Council at its spring 1991 meeting for implementation by the director of finance. An audit committee of Council was established at the fall 1990 Council Meeting and commenced operations in 1991. Most importantly, the budgeting process and format were completely revised during 1991. MRS operations were divided into separate business or functional activities (e.g., spring meeting, fall meeting, membership services, *Journal of Materials Research*, short courses, etc.). Each of these activities can be managed to specified financial goals by the headquarters staff involved. The revised format of the budget permits these goals to be set by the Society's elected officers and to be accomplished in an accountable fashion by the professional staff at headquarters as part of their normal duties. Thus, the headquarters staff are empowered to run the Society's businesses subject to the achievement of negotiated financial performance goals. In addition, the officers can realistically budget for the Society's service activities (e.g., education, awards, external affairs) on the basis of a detailed understanding of the Society's income from its business activities, membership dues, contributions, and investments. Thus, the annual budget process has become an orderly negotiation between the Society's officers and headquarters management to achieve those financial objectives needed to fund the entire portfolio of Society activities.

In summary, 1991 was a turnaround year for MRS. After three years of deteriorating financial performance, the growth in expenses was stopped and the net worth of the Society increased again following a decrease in 1990. A transition was achieved to day-to-day financial management by the headquarters management team subject to specification of financial goals and oversight by the Society's elected officers. A number of other practical improvements in financial management processes (e.g., inventory control, accounts receivable management, computerization of accounting) were implemented. Thus, MRS entered 1992 far stronger in terms of both its finances and its financial practices, and poised for growth in all its activities.

Respectfully submitted,



Charles B. Duke, Treasurer

Figure 1  
Materials Research Society  
Membership — 1987 Through 1991

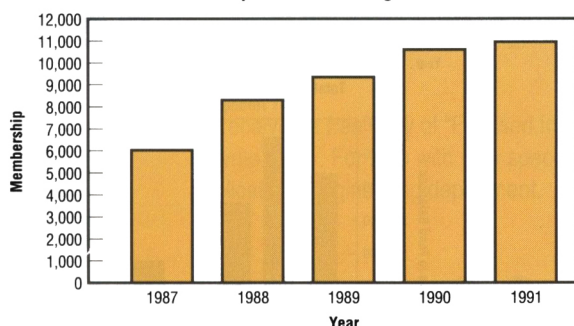


Table I

Materials Research Society Balance Sheets, December 31, 1991 and 1990		
ASSETS		
	1991	1990
Current Assets:		
Cash and cash equivalents	\$ 1,518,806	\$ 696,456
Certificates of deposit	368,000	900,000
Accounts receivable, less allowance for uncollectible accounts of \$57,364 in 1991 and \$34,212 in 1990	438,076	551,470
Inventories, less provision for obsolescence of \$67,455 in 1991 and \$12,140 in 1990	491,851	542,577
Government grants receivable	56,000	135,432
Accrued interest receivable	16,738	32,669
Other prepaid expenses	55,468	41,622
Total Current Assets	2,944,939	2,900,226
Fixed Assets:		
Data processing equipment and software	\$ 318,077	\$ 297,253
Furniture and office equipment	193,043	189,722
	511,120	486,975
Less: accumulated depreciation	(230,965)	(203,694)
	280,155	283,281
	\$ 3,225,094	\$ 3,183,507
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Accounts payable	\$ 125,110	\$ 395,560
Accrued payroll taxes	1,006	1,571
Accrued pension expense	14,868	13,108
Other accrued expenses	297,715	224,327
TOTAL CURRENT LIABILITIES	438,699	634,566
Deferred Support and Revenues	650,491	491,522
Fund Balances	2,135,904	2,057,419
	\$ 3,225,094	\$ 3,183,507

Table III

Materials Research Society Statements of Cash Flow, Years Ended December 31, 1991 and 1990		
	1991	1990
Operations:		
Excess (deficiency) of support and revenue over expenses	\$ 78,485	\$ (164,522)
Adjustments to reconcile excess (deficiency) of support and revenue over expenses to net cash provided by operating activities		
Depreciation	74,014	70,682
Provision for uncollectible accounts	25,000	30,850
Provision for inventory of obsolescence	55,315	6,602
(Increase) decrease in:		
Inventories	(4,589)	(133,481)
Accounts receivable	88,394	(100,254)
Other prepaid expenses	(13,846)	(31,333)
Government grants receivable	79,432	83,418
Accrued interest receivable	15,931	1,225
Increase (decrease) in:		
Accounts payable	(270,450)	323,027
Deferred support and revenues	158,969	65,322
Other accrued expenses	73,388	63,610
Accrued pension expense	1,760	3,801
Accrued payroll taxes	(565)	267
Net Cash Provided by Operations	361,238	219,214
Investment Activities:		
Purchase of fixed assets	(70,888)	(102,256)
Net redemption (purchase) of certificates of deposit	532,000	(95,000)
Net Cash Provided (Used) by Investment Activities	461,112	(197,256)
Net Increase in Cash and Cash Equivalents	822,350	21,958
Cash and Cash Equivalents at Beginning of Year	696,456	674,498
Cash and Cash Equivalents at End of Year	\$ 1,518,806	\$ 696,456

Table II

Materials Research Society Statements of Support, Revenue, Expenses, and Changes in Fund Balances Years Ended December 31, 1991 and 1990		
	1991	1990
Support:		
Government grant funding	\$ 109,500	\$ 129,136
Other government funding	32,500	30,780
Corporate funding of symposia	216,229	284,628
	358,229	444,544
Revenue:		
Seminar and meeting registration	1,289,123	1,290,132
Proceedings sales	983,973	922,923
Subscriptions	436,666	387,041
Membership dues	338,494	288,045
Exhibit income	314,850	298,475
Advertising	323,594	264,490
Contributions	71,549	70,263
Mailing list rental	93,777	36,435
Investment income	81,632	111,818
Miscellaneous income	72,553	58,762
	4,006,211	3,728,384
	4,364,440	4,172,928
Expenses:		
Program Services		
Meetings	649,549	838,230
Proceedings	585,404	497,017
Subscriptions	503,603	387,110
Membership	711,588	835,493
Symposia	162,635	201,028
Education	189,423	233,803
Awards	14,672	16,862
	2,816,874	3,009,543
Supporting Services:		
Management and general	1,469,081	1,327,907
	4,285,955	4,337,450
Excess (Deficiency) of Support and Revenue Over Expenses	78,485	(164,522)
Fund Balances at Beginning of Year	2,057,419	2,221,941
Fund Balances at End of Year	\$ 2,135,904	\$ 2,057,419

Figure 2

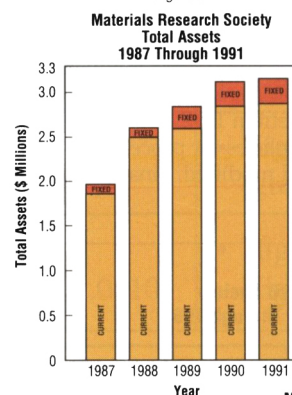


Figure 3

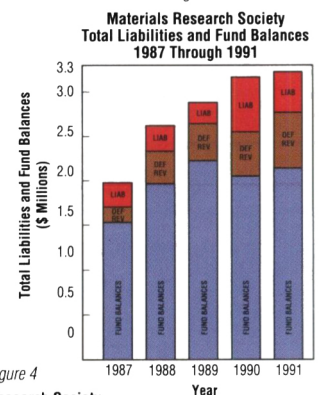
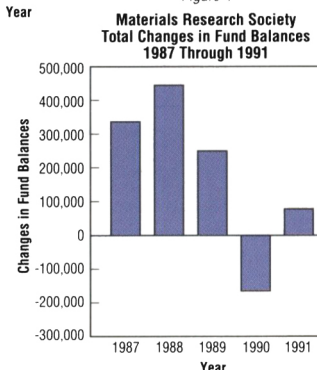


Figure 4



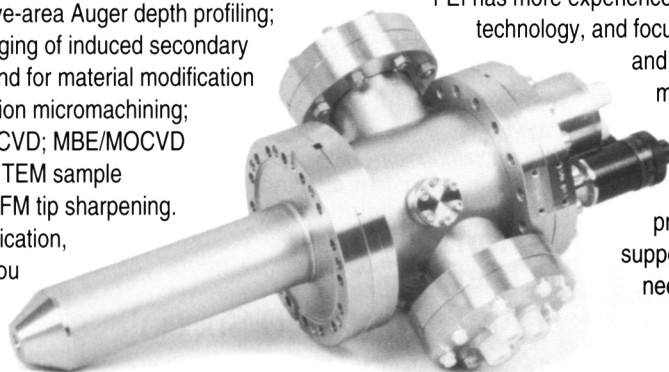
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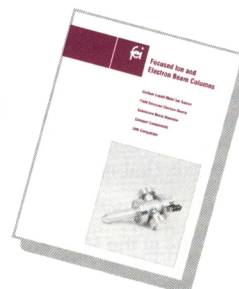
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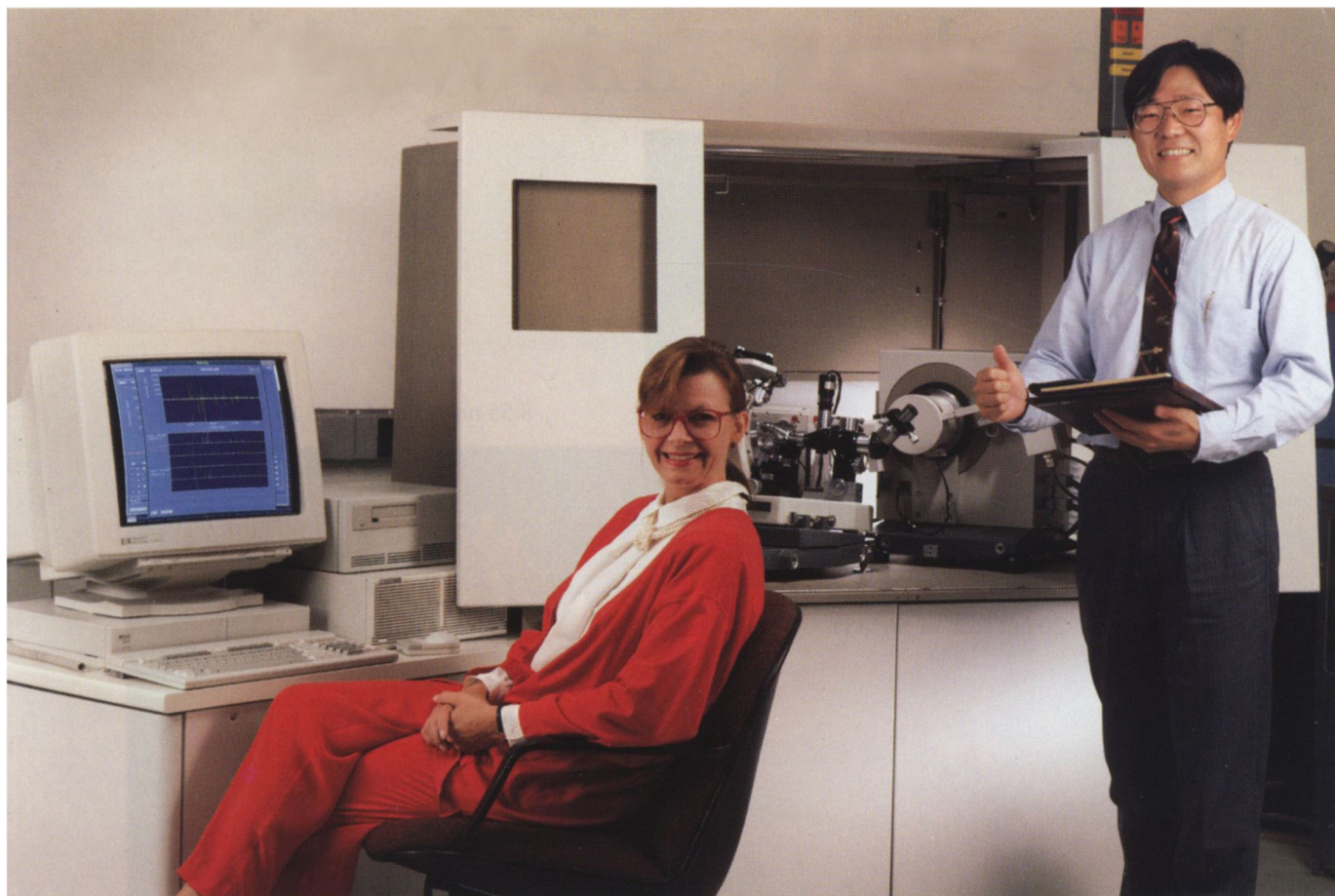
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