

GLOBAL NETWORK, LOCAL PRESENCE



CFA SOCIETY OF SACRAMENTO

2004-2005 ANNUAL REPORT

executive message

Dear Member:

IN JULY OF 2004, your newly-elected Officers and Board of Directors, lured by the promise of pizza and a respite from the hot summer sun, gathered in a small conference room in downtown Sacramento for the FY 2004-2005 strategic planning session. Three hours, three pizzas and four full whiteboards later, the Board emerged with an extremely ambitious plan for the year ahead.

Our goal was, quite simply, to put our organization onto the map and position ourselves as one of the premier professional associations in the region as well as one of the most innovative, best-run Societies in the realm of the CFA Institute. By accomplishing this goal, we would be able to deliver on our overall strategy and promise to Increase the Value of Your Membership.

Take a moment to reflect on the word “promise.” We did, and we thought about it long and hard. Marketing professionals will tell you that the word “promise” is a synonym for “brand.” We realized that our best course of action to deliver on our promise was to build and promote our Society’s brand—not only to the investing public, but also to our community at large, our fellow members of CFA Institute and to ourselves.

We broke down our main strategy into six objectives:

- Build and promote the Society brand,
- Increase membership diversity and participation,
- Increase access to and transparency of governance,
- Raise the awareness and prestige of our Society,
- Position our Society for growth, and
- Establish alternative revenue sources.

With our objectives in place, we set out to run our Society like a business: We recruited a talented, motivated group of volunteers and members. We raised capital. We built a first-class infrastructure. We formed strategic alliances. We created products and services. We marketed. We made profits. And we paid dividends to our stakeholders by reinvesting those profits back into our members, our infrastructure and into our brand.

Promise made, promise kept.

Over the past year, I have had the distinct pleasure of working with some of the most talented, dedicated individuals who share a common passion for keeping their promise to you. These professionals have juggled and sacrificed time away from family and friends, bosses and colleagues, because they are committed to making good on their word. If you see them sometime, thank them. I constantly do.

In the coming year, we will strive to keep delivering on our promise to Increase the Value of Your Membership, and make sure that when our time of service on the Board is done, that the future leaders of our Society will be well equipped to continue where we left off.

Best Regards,

Jason T. Bell, CFA
President
CFA Society of Sacramento

2004 strategic objectives at a glance

Objective One: Build and Promote the Society Brand

- Society Name Change
- Public Awareness
- Branded Marketing Collateral

Objective Two: Increase Membership Diversity and Participation

- Member Survey
- More Ways to Get Involved
- Proactive Recruitment

Objective Three: Increase Access to and Transparency of Society Governance

- Monthly Board Reporting
- Quarterly Newsletter
- Annual Report

Objective Four: Raise Awareness & Prestige of Society

- University Relations
- Media Relations
- Interprofessional Relations
- CFA Institute

Objective Five: Position Our Society For Growth

- Volunteer Recruitment
- Infrastructure Overhaul and Upgrade

Objective Six: Establish Alternative Revenue Sources

- Market Forecast Luncheon
- CFA Review
- Sponsorship Agreements & Program Revenues

objective one: build and promote the society brand

OUR BRAND IS OUR PROMISE and how we represent our Society reflects on each and every member. As such, we focused on raising the level of professionalism wherever the Society was involved. We also sought to reduce confusion between the brands of the Security Analysts of Sacramento, the CFA designation and the CFA Institute by recommending our members adopt a change of our Society name.

Society Name Change

Our members recognized the benefits of reducing brand confusion and overwhelmingly voted to retire our old Society name in favor of the CFA Society of Sacramento. Not only will this serve to clarify our key message, but also it will allow us to directly benefit from the CFA Institute's global marketing efforts in driving the CFA brand.

Public Awareness

Editorial content—through strategic alliances and media outreach, our Society and its members received editorial content in the Sacramento Bee, Prosper magazine, Comstock's Business magazine, CFA Magazine and the UC Davis GSM's Innovator this past year.

Advertisements—the Society created professional advertisements that announced our new Charterholders, promoted the Society to other professionals and announced our Market Forecast luncheon to the general public in multiple media publications.

Branded Marketing Collateral

The Society worked with a professional designer to create a unique “look and feel.” We purchased the rights of professional Sacramento-themed photos and used them on our website, brochure, presentations and email communications. The feedback has been overwhelmingly positive from all of our audiences.

objective two: increase membership diversity and participation

DIVERSITY CREATES OPPORTUNITIES for information exchange, learning and professional networking. To keep pace and reflect the growth in our region, the Society has actively recruited from Sacramento's diverse pool of talented individuals to ensure a robust, active and growing membership base. We've made tremendous strides towards our goal to focus on diversifying our membership base as well as increasing our members' participation and will continue working towards this ideal.

Member Survey

We asked you what we could do better at the beginning of the year and we listened. You wanted more lead-time to plan for events, more social events, a broader array of speakers and topics, as well as different venues. Better planning has led to an average of 33% increase in member attendance at our events.

More Ways to Get Involved

Our members have had more ways to participate with the Society than ever before. In addition to our monthly educational meetings, we held an elegant evening Holiday Party (80 attendees), our 2nd Market Forecast Luncheon (140 attendees), student events, as well as numerous social events. Members also participated as monthly educational speakers and as CFA Review instructors.

Proactive Recruitment

The numbers speak for themselves. In this fiscal year, we've experienced membership growth of 47% from 92 to 135—which makes us one of the fastest growing Societies in the United States. We've also added 17 new member firms, a key metric in driving towards our objective of increased diversity.

objective three: increase access to and transparency of society governance

THIS IS YOUR SOCIETY and we want your input as to how we can best serve you. We formalized our open door policy and have a standing invitation to any member who wants to attend our board meetings. If you can't attend those meetings, we still want you to know what we're doing to Increase the Value of Your Membership. Lastly, we know you're busy so we've consolidated and formalized our communications to you.

Monthly Board Reporting

We've shortened the timing of posting our board meeting minutes so you have a view into the boardroom.

Quarterly Newsletter

Formal Society communications have been bundled into a quarterly format, increasing the efficiency of information flow between the board and membership.

Annual Report

This year marks the first formal Annual Report for our Society. We want you to know what we've done, how we've done it and where we're going. Let us know what you think!

objective four: raise awareness & prestige of society

BUILDING A STRONG BRAND and creating public awareness goes hand in hand. Over the past year, we have proactively raised awareness with key strategic audiences. The result has been to create strong partnerships where value is delivered to both parties by nature of our relationship. Our Society offers a unique value in the region and our alliance partners recognize that fact. Our strategic partnerships will enhance our efforts at gaining access to resources, member recruitment, public awareness and professional credibility.

University Relations

We have forged strong ties to the faculty, administration and student finance groups at all three major universities in our region. Our partnerships with California State University, Sacramento, UC Davis Graduate School of Management and University of the Pacific have yielded tremendous results in form of: sponsorships, Society event speakers, classroom presentations, CFA Review instructors, member recruitment and CFA curriculum adoption. We also established and presented two cash scholarships to Outstanding Finance Students at UC Davis GSM and CSUS.

Media Relations

The recent launch of a sophisticated regional business magazine provided a timely opportunity for our Society to develop a strategic media partner. The editors of *Prosper* magazine recognized the value of partnering with our Society early last year. In addition to sponsorships and Society advertisements, our members have been featured in key stories and we also received coverage for our 2005 Market Forecast Luncheon.

Interprofessional Relations

Our Society spearheaded the creation of a Regional President's Roundtable, a quarterly gathering of the local Presidents of the CFP Association, CPA Association and Estate Planning Council. The goal of these meetings has been to foster cooperation and raise awareness between memberships. Plans for a joint event between the groups to be held in the Fall are currently being discussed.

CFA Institute

One of the most important relationships we have is the one with CFA Institute. By working together with CFA Institute and other Societies, we have formally been recognized as bringing innovative ideas and practical solutions to members of our global organization. Our Society has earned a reputation of respect and is held in esteem amongst CFA Institute and our colleagues.

objective five: *position our society for growth*

BY BUILDING OUR BRAND, we knew that we would see significant growth in our membership. Our challenge was to make sure we were able to effectively manage that growth so we took proactive measures to assure that we could.

Volunteer Recruitment

As rewarding as volunteering is, life's priorities will eventually reduce the involvement of even our most dedicated members. To make sure we are never short of qualified volunteers, we have developed formal succession planning and volunteer recruitment policy, with which we have recruited 3 new board members over the past year. This will also ensure that the Society continues to execute its mission over time.

Infrastructure Overhaul and Upgrade

Call it a chip on the shoulder. We thought, "Just because we're from Sacramento, doesn't mean that we can't have the same world-class capabilities as some of the financial-center Societies." So, we examined and implemented upgrades to virtually every component of our Society's infrastructure: a new email and event registration technology platform, a new membership database, Bylaw modernization and update, non-profit tax status filing, an accounting system upgrade, establishment of a formal mailing address and even a bank account upgrade.

objective six: establish alternative revenue sources

YOU'RE OUR SHAREHOLDER. You've paid in capital and you deserve a return on your investment. We took the asset base we had and created a revenue-generating vehicle. Our goal was not to make money for money's sake, but rather to finance our growth and ensure our ability to meet our commitment of Increasing the Value of Your Membership. We're proud of the fact that we spent \$1.91 on member events for each \$1 you paid of membership dues – for those that left their HP 12C at the exam center that's a 91% ROI. Not bad for a volunteer board.

Market Forecast Luncheon

Our 2nd Annual Market Forecast Luncheon was a beautiful event at the Sutter Club where we attracted 3 world-class speakers, 11 corporate sponsors and 140 attendees. The \$15,000 we earned funded the majority of our operations this year.

CFA Review

Our Society is one of three in the United States that has built a local CFA Review Course. Our partnership with the three regional universities enabled us to put together a distinguished instructor corps, where we took 20 Level I and Level II CFA candidates through their respective curriculums over a period of 15 weeks. Originally budgeted as a break-even project, we donated roughly half of our \$1270 profits to aid in the relief effort for Sri Lanka.

Sponsorship Agreements & Program Revenues

Membership has its privileges. Our position is that once you pay your dues, you should be able to attend as many Society events as possible at no extra charge. We instituted a policy to charge nonmembers a small fee to attend our events, mainly to cover their cost. We also agreed to promote Schweser review products to our pool of CFA candidates. In exchange for our candidates ordering their discounted CFA prep materials through the Society, we received a small percentage of the sales. Our revenue from these items was approximately \$1100.

2004-2005 events

2004

- August: Managing Your Investment Career: A Recruiter's Perspective
- August: CFASS Night at the RiverCats
- September: New Approaches to Mortgage Valuation
- October: Independent Equity Research: Wall Street's New Trend
- November: Distressed Debt Analysis
- December: CFA Charter Award Ceremony & Holiday Party

2005

- January: 2005 Market Forecast Luncheon
- January: CFASS Night at the Kings
- January: Inflation-linked Securities
- February: Performance Attribution in the Investment Process
- March: Measuring Risk & Performance for Private Equity & Alternative Investments
- April: Asset Allocation
- May: Socially Responsible Investing
- June: China's Monetary Policy: Should the Yuan be Revalued?

FY2005 CFA Society of Sacramento Officers

PRESIDENT

Jason Bell, CFA
Legacy Capital Management

TREASURER

Geraldine Jimenez, CFA
CalPERS

SECRETARY

Jane Delfendhal, CFA
CalPERS

FY2005 CFA Society of Sacramento Board of Directors

PRESIDENT

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Legacy Capital Management

TREASURER

Geraldine Jimenez, CFA
CalPERS

SECRETARY

Jane Delfendhal, CFA
CalPERS

VP, SOCIAL EVENTS & EDUCATION

Ron Chavez, CFA
Sungard Data Systems

VP, MEMBERSHIP

Dave Chandler, CFA
Sungard Data Systems

VP, PROGRAMS

Jose Arau, CFA
CalPERS

VP, PUBLIC AWARENESS

Brent Cardwell, CFA
Wells Fargo Private Client Services

VP, JOB PLACEMENT

Dan Bienvenue, CFA
CalPERS

VP, MARKETING & TECHNOLOGY

Teresa Cutter
Sungard Data Systems

management discussion and analysis

Overview

The CFA Society of Sacramento completed FY2005 with strong net income, cash flows and increases in our membership. These results occurred in a year where we significantly expanded services to our members and candidates, launched a major CFA Review program, changed the organization's name and took initial steps to build our Society's brand.

In FY2005, the Society generated revenues of \$44.5K, realizing a net profit of \$6.8K after expenses and reimbursements. Revenue streams were diversified across CFA Review tuition, membership dues, monthly program fees and other income. Expenses were spread between CFA Review, member events, program lunch expenses, marketing collateral and other administrative costs. Expenses exceeded gross revenues, however, the Society is reimbursed for certain expenses up to a \$10K limit from CFA Institute. FY2005's budget was planned according to this reimbursement, which resulted in our net profit for the year.

Revenue

FY2005 revenue of \$44.5K increased \$36K or 423% over FY2004 levels. CFA Review tuition revenue accounted for \$17.7K, member dues accounted for \$8.4K, monthly program fees accounted for \$2K and sponsorships and sales commissions accounted for \$16.3K.

Member enrollment increased strongly over the last year, doubling the growth rates of the past two years. This growth is attributed to more proactive marketing of the Society as well as greater frequency and types of events to attract new member enrollments. Our three-year membership levels are included in the table below:

Member Count

As of FY end 6/30	FY2005	FY2004	FY2003
Total Members	135	92	75
Change from Prior FY	47%	23%	23%

Expenses

FY2005 expenses of \$47.6K increased \$42K or 750% over FY2004 estimated expenses. Estimates for FY2004 were used because there were no prior financial statements constructed during the history of the Society. Because of new financial systems and controls that have been implemented, the Board does not anticipate this lack of specificity to occur in the future.

Our FY2005 operating expenses exhibit our strategic allocation to invest in our brand, members and in the Society infrastructure, as well as confirm that the CFA Review did not detract from the financial flexibility of the organization.

Cash Flow

Net cash provided by operating activities was \$5.8K, principally due to our sponsorship and sales commission activities. Our best estimate of FY2004 operating cash flows is \$1K, representing a \$4.8K increase in the Society's operating cash flows.

Financial Position and Investments

The CFA Society of Sacramento improved the strength of the organization's financial position with \$6.8K or 96% increase in total assets from FY2004. Cash balances totaled \$12.9K, which was 93% of assets at year-end. Accounts receivable comprised the remaining 7% of assets.

Risks

The primary risk to the CFA Society of Sacramento's financial health is the reliance on outside sponsorships to fund our operating activities. Any future inability to secure these corporate sponsorships would result in either an invasion of Society cash reserves or a decrease in Society services to members. The Board is taking steps to ensure the sustainability of these sponsorships as well as continuing to work on diversifying the Society revenue stream to lower the dependence on any one source of funds.

Another risk to the Society is the possible failure to execute on the strategic plan objectives outlined by the Board. However the Society's robust internal controls and processes of monthly meetings, annual strategic planning, succession planning and a strong philosophy of transparency significantly mitigate that risk.

Summary

The CFA Society of Sacramento's financial position, operating results and cash flow remain healthy, generating resources that enable the development of member and candidate services that will help us complete our mission. Renewed vigor and commitment by talented volunteers has positioned our Society to continue these efforts into the foreseeable future.

balance sheet
as of june 30, 2005

	<u>TOTALS</u>
ASSETS	
Current Assets	
Bank Accounts	
CFA Society of Sacramento	12,982.97
Total Bank Accounts	<u>\$12,982.97</u>
Accounts Receivable	
Accounts Receivable	0.00
Total Accounts Receivable	<u>\$0.00</u>
Total Current Assets	<u>\$12,982.97</u>
TOTAL ASSETS	<u><u>\$12,982.97</u></u>
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	0.00
Total Accounts Payable	<u>\$0.00</u>
Total Current Liabilities	<u>\$0.00</u>
Total Liabilities	<u>\$0.00</u>
Equity	
Opening Balance Equity	8,027.78
Retained Earnings	-898.25
Net Income	5,853.44
Total Equity	<u>\$12,982.97</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$12,982.97</u></u>

profit & loss

july 2004-june 2005

	Total
Income	
CFA Study Review	17,704.11
Membership Dues	8,446.00
Monthly Program Fees	2,059.85
Non Profit Income	15,321.94
Total Income	\$43,531.90
Expenses	
CFA Review	17,450.85
Insurance	627.00
Marketing Collateral	2,425.98
Meals and Entertainment	1,404.95
Member Events	588.00
CFA Charter Award/Holiday Party	5,871.53
MF Luncheon	8,167.29
Post-Exam Party	1,566.60
Total Member Events	16,193.42
Office Expenses	756.78
Program Lunch Expenses	3,301.71
Promotional	950.00
Scholarships	1,000.00
Taxes & Licenses	830.00
Technology	853.91
Travel	1,792.48
Total Expenses	\$47,587.08
Net Operating Income	\$ -4,055.18
Other Income	
Reimbursed Expenses	9,908.62
Total Other Income	\$9,908.62
Net Other Income	\$9,908.62
Net Income	\$5,853.44

statement of cash flows

july 2004-june 2005

	<u>TOTAL</u>
OPERATING ACTIVITIES	
Net Income	5,853.44
Adjustments to reconcile Net Income to	
Net Cash provided by operations:	
Accounts Receivable	0.00
Accounts Payable	0.00
Net cash provided by operating activities	<u>\$5,853.44</u>
Net cash increase for period	<u>\$5,853.44</u>
Cash at beginning of period	7,129.53
Cash at end of period	<u><u>\$12,982.97</u></u>