

GLOBAL NETWORK, LOCAL PRESENCE



CFA SOCIETY OF SACRAMENTO

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2005-2006 ANNUAL REPORT

# executive message

Dear Member:

**THIS PAST YEAR HAS SEEN MANY CHANGES** for the CFA Society of Sacramento. We continued to execute our strategic plan formed in 2004 and leveraged off of the work we started two years ago. The board, energized by the successes seen in the previous fiscal year, continued to press for membership growth, increased diversity in programs, and more social events and awareness opportunities for our members.

Continuing our theme of “Increasing the Value of Your Membership,” we strove to further enhance the member experience by offering more ways for our members to get involved than ever before. We again offered an annual member survey to get your thoughts on our progress and to help us formulate our tactical plan for the year. While we were not able to accommodate every request, we reviewed each one and where possible, implemented changes to better serve our members’ interests. Some of the highlights from the year include the following:

**EVENTS:** December of 2005 saw an upgraded Holiday Party where 80 members and their significant others welcomed in our newest CFA charterholders while enjoying a complimentary dinner and cocktail hour at one of our region’s finest restaurants, The Firehouse. In January, we again raised the level of professionalism of the Market Forecast Luncheon by hosting it at the Mondavi Center, the premier venue in the region. 160 investment professionals and business leaders heard, and in some cases, made predictions for the upcoming year. Lastly, we were able to organize the first CFA Society of Sacramento golf tournament, a first-class event held this past July for 72 golfers, which was a tremendous success. All of these events were offered to our members free of charge.

**PROGRAMMING:** The 2005-2006 programming year was a smashing success. For the first time in our Society’s history, we offered 15 programming topics, providing more diverse content than ever before. Another first this past year were the two joint CFA/CFP presentations between the CFA Society of Sacramento and the Financial Planning Association of Northern California, which offered our members increased variety of program topics as well as networking opportunities.

**CFA PROGRAM:** Unfortunately we had to cancel our 15-week CFA Review program due to a significantly smaller pool of local CFA candidates this past year. As a cost-effective alternative, we arranged for a live 3-day intensive course for Level I candidates. We were also pleased that the Society was able to issue 10 CFA candidate scholarships as well as host our post-CFA exam party.

**INFRASTRUCTURE:** Continued improvements were made to our infrastructure. Most notably, we established an operating reserve account to bolster our financial stability, we retained an outside administrative professional to assist us in the day-to-day operations of the Society and we engaged an accounting professional to audit our year end financial statements. A new, professionally written newsletter is in production, with the goal of keeping you informed of local and national events of interest. Lastly, we executed the Society’s succession plan, where we were able to ensure a smooth transition of administration to the Society’s new President, Geraldine Jimenez, CFA.

On a personal note, I would like to thank you for your confidence and trust you have placed in my stewardship for the past two years. I will always treasure the experience I gained while serving as President of our Society and cannot adequately express my gratitude for your support. Most importantly, I would like to thank the board for their tireless enthusiasm, effort and achievement, for without those dedicated individuals, none of the above would have been possible.

Best Regards,

Jason T. Bell, CFA  
President  
CFA Society of Sacramento



# 2005-2006 strategic objectives at a glance

## *Objective One: Promote the Society Brand*

Public Awareness

## *Objective Two: Increase Membership Diversity and Participation*

Member Survey

More Ways to Get Involved

## *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

Sponsorship Agreements & Program Revenues

Golf Tournament

# objective one: *promote the society brand*

**CONTINUING TO PROMOTE THE BRAND** of the CFA Charter, its benefits and our Society is time well spent, especially when our strategy is perfectly aligned with that of CFA Institute's. Leveraging off of last year's successes, we strengthened our relationships with key media professionals to ensure that the CFA brand remains appropriately positioned.

## *Public Awareness*

Society members continued to be featured and cited in local publications such as the *Sacramento Bee*, the *Sacramento Business Journal*, *Prosper Magazine* and *Comstock's Business Magazine*. Because of our strategic alliance with our media contacts, we were also able to arrange for an in-kind large scale advertisement for the 2006 Market Forecast Luncheon in December's edition of *Prosper Magazine* which helped us attract a record attendance.

# *objective two: increase membership diversity and participation*

**WE CONTINUED OUR PUSH** to increase membership diversity and participation this past year. While membership growth has slowed, we have been able to increase the scope and value of services offered to you, our member.

## *Member Survey*

Again, we asked your opinion, and again, we listened. You wanted more transparency and more diverse program topics. We responded by posting our financials, and offering 15 separate programming topics over a 12 month period.

## *More Ways to Get Involved*

We appealed to just about every taste under the sun between offering technical presentations, hosted cocktail mixers, sporting events, university presentations, and for the fans of the links, a new golf tournament.

# *objective three: increase access to and transparency of society governance*

**JUST WHEN WE THOUGHT** we couldn't possibly be any more transparent, we received member feedback from our survey wondering where we were spending your member dues. We also received strong interest in developing a "real" quarterly newsletter, to keep you better informed of the goings on in the Society, CFA Institute and the regional investment professional community. The premier issue is due to be published and circulated in the winter of 2006.

## *Monthly Board Reporting*

We continue to post monthly board minutes after each meeting.

## *Quarterly Newsletter*

We have retained a professional writer, a former editor of the Wall Street Journal, to create and publish our CFA Society of Sacramento newsletter.

## *Annual Report*

You're currently reading our second-ever annual report, so we must be doing something right to capture your interest!

# objective four: raise awareness & prestige of society

**WE RAISE AWARENESS** of the CFA charter, our Society and our membership by working with these key constituents:

## *University Relations*

We continue to build upon our strong relationships with faculty and administrators from Sac State, UC Davis Graduate School of Management and the University of the Pacific. We were also pleased to continue our cash scholarships for Outstanding Students in Finance at Sac State and Davis GSM.

## *Media Relations*

We strengthened ties with media professionals in the region as our members have acted as sources and resources to them for all things financial.

## *Interprofessional Relations*

Our Society led the gathering 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. A tangible result of this effort has been our joint presentations with the CFP professionals in the region.

## *CFA Institute*

Our Society remains earning the respect and admiration of our colleagues in Charlottesville. We have been cited numerous times as a Society who embraces best practices and innovative ideas. We look forward to continue working as their advocate in this region.

# objective five: *position our society for growth*

**LAST YEAR** we further invested in our resources: both human and technological. Just like a real business, resources depreciate over time and it is critical that we reinvest in this asset base to ensure we keep the productivity of our management running at its most effective level.

## *Volunteer Recruitment*

Our efforts at communicating our brand and the value proposition of membership paid off in the form of 3 new board members—all of whom are respected, accomplished professionals. More hands make light work and we welcome their contributions to our team.

## *Infrastructure Overhaul and Upgrade*

While we are all committed volunteers, we are just that: volunteers. We were fortunate to find and retain Raquel Altavilla, an administrative professional, to assist us in carrying out the day-to-day activities of our Society and she has contributed tremendously to our cause. Thank you Raquel! Financially speaking, our revenues crossed the IRS threshold and we were required to file a Society tax return this past year. Adopting Society best practices, we have sourced and retained a CPA firm which specializes in non-profit associations to assist us in preparing audited financial statements.

# objective six: establish alternative revenue sources

**WE ALSO BOLSTERED** our finances all while increasing our service offerings to you. As the financial statements indicate, we collected a little over \$6,000 in your member dues, while spending close to \$14,000 on your member events. Being financial analysts, we're happy with the 126% return we provided you this past year.

## *Market Forecast Luncheon*

Our 3rd Annual Market Forecast Luncheon was better than ever. Held at the Mondavi Center, we featured 2 prominent speakers and hosted 160 attendees. 11 different corporate sponsors helped to underwrite the event and allowed us to offer it at no charge to our members.

## *Sponsorship Agreements & Program Revenues*

We again agreed to a 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 and a sponsorship arrangement.

## *Golf Tournament*

This year marked our first Society golf tournament. We were able to attract 10 sponsors who underwrote the entire expense of the event. As a result, members who attended received a terrific gift bag containing 5 sleeves of golf balls and accessories, a hosted luncheon, complimentary cocktails before, during and after the tournament and played 18 holes of golf at Teal Bend at no charge.

# management discussion and analysis

## Overview

The CFA Society of Sacramento completed FY2006 with strong net income, cash flows and increases in our membership. These results occurred in a year where we continued our expansion of services to our members and candidates, launched a new strategic initiative in form of our Golf Tournament, and further defined and promoted our Society's brand.

In FY2006, the Society generated revenues of \$43K, realizing a net profit of \$7K after all Society expenses. Revenue streams were diversified across membership dues, monthly program fees, reimbursements from CFA Institute and corporate sponsorships. Expenses were spread between member events, program lunch expenses, marketing collateral and other administrative costs.

## Revenue

FY2006 revenue of \$43.2K decreased \$1.3K or 3% over FY2005 levels. Member dues accounted for \$7.5K, monthly program fees accounted for \$1.4K, CFA reimbursements accounted for \$18.8K and sponsorships and sales commissions accounted for \$15.5K.

Member enrollment decreased slightly over the last year, ending with 125 total members. This reduction is attributed to the closure of certain major financial employers in our region and the resulting relocation of investment professional staff. The Society continues to promote benefits of membership to professionals and student groups in the region. Our four-year membership levels are included in the table below:

### Member Count

As of FY end 6/30	FY2006	FY2005	FY2004
<b>Total Members</b>	125	135	92
<b>Change from Prior FY</b>	-7%	47%	23%

## Expenses

FY2006 expenses of \$36.2K decreased \$11.4K or 24% over FY2005 estimated expenses. Approximately \$13.9K was spent on member events, \$5.8K on Society promotional materials, with the remainder spent on various administrative expenses.

Our FY2006 operating expenses continue exhibit our strategic allocation to invest in our brand, members and in the Society infrastructure.

## Cash Flow

Net cash provided by operating activities was \$7K, principally due to our sponsorship and sales commission activities. This represents an increase of 20% over FY2005 operating cash flows of \$5.8K.

## *Financial Position and Investments*

The CFA Society of Sacramento improved the strength of the organization's financial position with \$7K or 54% increase in total assets from FY2005. Cash balances totaled \$20.0K, which was 100% of assets at year-end. Plans to establish an operating reserve account are currently being executed, with a likely investment of cash into money market and certificate of deposit securities.

## *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.

*statement of financial position*  
*june 30, 2006*

	<b><u>TOTALS</u></b>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Cash and Cash Equivalents</b>	20,058
<b>Total Current Assets</b>	<u>20,058</u>
<b>Total Assets</b>	<b><u>\$20,058</u></b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities</b>	
<b>Liabilities</b>	—
<b>Total Liabilities</b>	—
<b>Net Assets</b>	
<b>Unrestricted Net Assets</b>	
<b>Operating</b>	20,058
<b>Total Net Assets</b>	<u>20,058</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$20,058</u></b>

*statement of activity*  
*for the year ended june 30, 2006*

	<b>Total</b>
<b>Unrestricted Net Assets</b>	
<b>Support</b>	
<b>Memberships</b>	7,500
<b>Special Events</b>	<u>35,786</u>
<b>Total Support</b>	<u><b>\$43,286</b></u>
<b>Expenses</b>	
<b>Program Services</b>	
<b>Membership Services</b>	<u>13,969</u>
<b>Total Program Services</b>	13,969
<b>Supporting Services</b>	
<b>Management and General</b>	<u>22,243</u>
<b>Total Expenses</b>	<u><b>\$36,211</b></u>
<b>Increase In Unrestricted Net Assets</b>	<u><b>\$7,075</b></u>
<b>Total Increase In Net Assets</b>	<u><b>\$7,075</b></u>
<b>Net Assets, Beginning of Year</b>	<u><b>\$12,983</b></u>
<b>Net Assets, End of Year</b>	<u><b>\$20,058</b></u>

*statement of cash flows  
for the year ended June 30, 2006*

	<b>Total</b>
<b>Cash Flows From Operating Activities</b>	
<b>Change in Net Assets</b>	<u>\$7,075</u>
<b>Net Cash Used for Operating Activities</b>	<u>7,075</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>7,075</b>
<b>Cash and Cash Equivalents-June 30, 2005</b>	<u><b>12,983</b></u>
<b>Cash and Cash Equivalents-June 30, 2006</b>	<u><u><b>\$20,058</b></u></u>