



# 2011 annual report

risk and insurance  
management society, inc.

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# letter from RIMS leadership

In recent years, emerging risks have significantly impacted how our members do their jobs and the tools they need to do them well. As their roles change, so must RIMS.

Between the record number of natural disasters, rampant social unrest and a volatile economy, 2011 was a challenging year. It has become cliché to say that the world has gotten smaller, but never before has the interconnectedness of risk and the challenges of managing uncertainty been so evident.

Leading up to 2011, RIMS took into account a great deal of market research, as well as feedback from our thriving membership with regard to the services that they find valuable, as well as those services they'd like to see in the future.

This year, we unveiled new messaging that redefines not what we do or how we do it, but rather, *why* we serve as we do. Our new mission statement:

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“To advance risk management for your organization’s success”

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This mission speaks to how we will align ourselves moving forward. It will influence all aspects of how RIMS leads the profession and inspires its membership. It will guide everything from the publications we offer, to the sessions we secure for our annual conferences, webinars and workshops, to the topics our leadership chooses to speak on as they visit risk professionals around the world.

In concert with our efforts to enhance our offerings for our members, this year RIMS held its first-ever ERM Conference in San Diego; strongly supporting the Society’s vision to be “the global leader in all aspects of risk management.” The Society also proudly announced the formation of RISK PAC, RIMS political action committee that now amplifies our Society’s voice on policy matters relevant to the risk management discipline and insurance.

Today, risk professionals are working in every department and at every level of their organizations impacting corporate decision-making about risk and opportunity. RIMS expects this influence to grow exponentially and we stand ready to guide our members through these new and exciting times in risk management.



Deborah M. Luthi, ARM  
2012 RIMS President

A handwritten signature in black ink that reads "Deborah M. Luthi".



Mary Roth, ARM  
RIMS Executive Director

A handwritten signature in black ink that reads "Mary Roth".

# RIMS 2011 board of directors



*Secretary* Carolyn M. Snow, CPCU  
 Director, Insurance Risk Management  
 Humana Inc.

*President* Scott B. Clark, AAI  
 Risk and Benefits Officer  
 School Board of Miami-Dade County, Florida

*Vice President* Deborah M. Luthi, ARM  
 Enterprise Risk Manager  
 San Francisco Public Utilities Commission

*Treasurer* John R. Phelps, ARM, CPCU, CBCP  
 Director of Business Risk Solutions  
 Blue Cross and Blue Shield of Florida, Inc.



Janet E. Barnes, ARM  
 Risk Manager and Security  
 Administrator  
 Snohomish County PUD  
 No.1



Robert Cartwright Jr.,  
 CRM  
 Loss Prevention Manager  
 Bridgestone Retail  
 Operations, LLC



Terry Fleming  
*Ex-Officio*  
 Director, Division of Risk  
 Management  
 Montgomery County,  
 Maryland



Kim Hunton, RF,  
 MPA, FCIP  
 Corporate Risk Manager  
 City of Ottawa



Daniel H. Kugler,  
 ARM, CEBS, CPCU,  
 AIC, ACI  
 Assistant Treasurer,  
 Corporate Risk Management  
 Snap-on Incorporated



William J. Montanez,  
 ARM  
 Director, Risk Management  
 Ace Hardware Corporation



Julie C. Pemberton,  
 ARM  
 Director, Enterprise Risk  
 and Insurance Management  
 Coinstar



Michael D. Phillipus,  
 ARM  
 Director, Insurance and  
 Risk Management  
 ATP Oil & Gas  
 Corporation



Richard J. Roberts,  
 Jr., RF, ALCM, ARM,  
 CPCU  
 Corporate Risk Manager  
 Ensign-Bickford Industries,  
 Inc.



Frederick J. Savage,  
 FCII, ARM  
 Director, Risk Management  
 (San Ramon)  
 Chevron Corporation



Nowell Seaman, CIP,  
 CRM  
 Manager, Risk Management  
 and Insurance Services  
 University of Saskatchewan



Lori Seidenberg, RF,  
 ARM  
 Senior Vice President,  
 Enterprise Risk Management  
 Centerline Capital Group

# about RIMS



As the preeminent organization dedicated to advancing the practice of risk management, RIMS is a global not-for-profit organization representing more than 3,500 industrial, service, nonprofit, charitable and government entities throughout the world. Founded in 1950, RIMS is dedicated to advancing risk management for organizational success, bringing networking, professional development and education opportunities to its membership of approximately 10,000 risk professionals who operate in more than 120 countries.

## **RIMS 2011 Standing Committees & Councils:**

- Audit
- Conference Programming
- ERM
- Exhibits Advisory
- External Affairs
- Finance
- International
- Member & Chapter Services
- Nominating
- Professional Development Advisory Council (PDAC)
- Publications Council
- Quality Advisory Council (QAC)
- RIMS Canada Council
- Strategic Risk Management Development Council (SRMDC)
- Standards and Practices
- Student Advisory Council (SAC)
- Student Involvement



Conference Programming Committee



Member & Chapter Services Committee

# vision, mission and goals

## Vision

RIMS will be the global leader in all aspects of risk management.

## Mission

To advance risk management for your organization's success.

## Goals

To increase the size and scope of the Society's membership base of risk practitioners.

To strengthen the Society's chapter structure.

To develop and deliver risk management thought leadership, tools and resources.

To increase the Society's influence, advocacy and global profile.

To maintain an engaged staff and volunteer leadership, and progressive technologies and operations.

In 2011, RIMS unveiled a new appearance that highlights its commitment to an all-encompassing approach to risk. The new logo and tagline emphasizes the organization's growth strategy and reflects RIMS aim to capture the evolving nature of risk management. RIMS focus includes strategic and enterprise risk management and, following that emphasis, the new branding speaks to strategy and integration.

RIMS new logo incorporates three stripes that represent its key areas of service to its members: resources, networking and education. More conceptually, the stripes also represent upward movement, symbolic of growth and action. They join together as they grow, demonstrating the integration of risk management within an enterprise and the effectiveness of collaboration.

RIMS commitment to being the preeminent professional asset for anyone with risk management responsibilities within an enterprise is the driver behind its new tagline, "the risk management society." RIMS aims to provide the tools, resources, thought leadership and advocacy needed by professionals in today's business climate, and its re-brand strategy reflects that end.



# membership



2011 was a challenging year for many professional associations but RIMS' membership numbers indicate that good times are on the horizon.

While RIMS experienced a slight loss in its core membership, encouraging numbers included a 3% increase in the average number of Deputy (risk practitioner) members per Corporate member. Also, RIMS saw a 41.4% drop in the affiliate membership category – a category offered to members who have lost their jobs – highlighting the reemergence of the job market.

This year, student membership increased from 588 to 665 (+13.1%) due to increased recruiting and more effective liaison activities by our chapters and with Gamma Iota Sigma, the student fraternity for risk management and insurance. Twenty-five chapters (31%) showed positive student member growth during the year. Those student members are an important aspect to RIMS' long-term sustainability as they are the Deputy and Associate members of the future.

- RIMS staff provided onsite strategic planning facilitation to five chapters, one Chapter Officers Forum, and one Building a Stronger Chapter workshop;
- New Chapter logos were developed and distributed for all 80 RIMS Chapters to align with the new RIMS logo;
- The 2011 RIMS Benchmark Survey was distributed to more than 2,600 individuals;
- The RIMS Buyers Guide expanded its product and service provider listings by 10.5%;
- RIMS joined forces with Boxwood Technologies to provide an enhanced and more user-friendly job bank, expanding our postings to 447 open positions during 2011, an increase of 23% over the previous year;
- The Member and Chapters Services Committee developed and published an entirely new edition of *Certificates of Insurance*, which, in addition to the PDF version, is available in e-book formats from amazon.com and bn.com – a first for a RIMS publication.
- Members of the RIMS LinkedIn social networking group jumped by 150% during 2011.

# awards & honors

RIMS honors the commitment of its chapters and the risk profession's trailblazers at its Annual Conference & Exhibition. Below are the professionals and RIMS chapters that were recognized for their extraordinary contributions to the Society and risk management.



Mary Roth, Glen Frederick, Scott Clark

## Harry and Dorothy Goodell Award

Glen Frederick  
Director, Risk Management Client Services  
Government of British Columbia

*RIMS most prestigious honor, the Harry and Dorothy Goodell Award, pays tribute to an individual who has furthered the goals of the Society and the risk management discipline through outstanding service and achievement. The award is named in honor of RIMS' first president, Harry Goodell.*



Scott Clark, Janice McGraw

## Donald M. Stuart Award

Glen Frederick  
Director, Risk Management Client Services  
Government of British Columbia

*Created by RIMS Ontario Chapter in 1979, the award is granted annually to a Canadian risk professional to recognize outstanding contributions to the industry. The award is RIMS' highest honor for risk management in Canada.*

## Ron Judd Heart of RIMS Award

Janice McGraw  
Associate Director, Risk Management & Insurance  
McGill University

*Presented to a RIMS member for outstanding performance in furthering risk management at the chapter level, the award recognizes the legacy of Ron Judd, who served as RIMS Executive Director for 22 years.*



Richard J. Roberts, Dylan Lauzon

## Cristy Award

Dylan Lauzon  
Sr. Enterprise Risk Analyst  
Big 5 Corporation

*Presented to the risk professional who earns the highest cumulative average on the three exams leading to the Associate of Risk Management (ARM) designation.*



Wayne Salen, John Phelps

## Richard W. Bland Memorial Award

Wayne Salen  
Director, Risk Management  
Labor Finders International, Inc.

*Created by RIMS Kansas City Chapter in 1974 and recognizes outstanding performance by a deputy member who has impacted the risk management industry in the area of legislation or regulation.*



Janet Barnes, Steve Willis

## Arthur Quern Quality Award

Steve Willis  
Head of Insurance  
International Power GDF SUEZ

*Established in 1998, the award recognizes significant contributions within the field of risk management that raise the quality of products, processes, programs, systems and services. The Award acknowledges current activities and programs that demonstrate sustainable and measurable results through a quality improvement process.*

# awards & honors

## Risk Management Hall of Fame 2011 Inductees

- Douglas Barlow
- Donald Barrett
- Eldrich A. Carr, Jr.
- Cheri J. Hawkins
- John Pinner

*Co-founded by RIMS and Chartis, the Risk Management Hall of Fame has been established to maintain the history and tradition of the field of risk management, and serves as a means to recognize and honor those professionals who have made significant contributions to advancing the discipline.*



## RIMS Chapter Awards Program

The Chapter Awards Program (CAP) includes three awards: Chapter Achievement Awards, Chapter Excellence Awards and Membership Growth Awards. This program acknowledges the work and dedication of RIMS Chapters by recognizing chapters not only for overall excellence, but also for outstanding achievement in a particular category. These awards, recognizing achievement during 2010, were bestowed in 2011.

### Chapter Excellence

RIMS Rocky Mountain Chapter

*Highlights overall chapter achievement in the areas of Advancing the Risk Management profession, Outstanding Chapter programming and Outstanding Member Services.*

### Chapter Achievement

Chesapeake Chapter (Chapter Meetings)  
Golden Gate Chapter (Chapter Planning)  
Greater Kansas City Chapter (Special Chapter Events)  
Houston Chapter (Newsletters)  
New Jersey Chapter (Chapter Meetings)  
Northeast Ohio Chapter (Chapter Meetings)  
Ontario Chapter (Social Events)  
Oregon Chapter (Regional Conference)

### Membership Growth Award

*Awarded to chapters that achieve a membership growth rate of 6% or higher. Chapters with 6-8.9% growth are awarded the Membership Star Award and Chapters with 9% or higher growth are awarded the membership SuperStar Award.*

### Membership Superstar Award

British Columbia Chapter  
Carolinas Chapter  
Connecticut Valley Chapter  
Cumberland Chapter  
Delaware Valley Chapter  
Eastern Oklahoma Chapter  
Maritime Chapter  
Massachusetts Chapter  
Memphis Chapter

### Membership Star Award

Arizona Central Chapter  
Atlanta Chapter  
Canadian Capital Chapter  
Central Florida Chapter  
Detroit Chapter  
Greater Quad Cities Chapter  
Minnesota Chapter  
Oregon Chapter  
Quebec Chapter  
Mexico Chapter  
Mid-Illinois Chapter  
New York Chapter  
Northeast Florida Chapter  
Northern Alberta Chapter  
Orange County Chapter  
Ozarks Area Chapter  
Piedmont Chapter  
Southern Alberta Chapter  
Southwest Florida Chapter  
Utah Chapter  
Western Michigan Chapter

### 2010 Student Membership Growth Award

The RIMS Carolinas Chapter increased their student membership by the highest percentage from 2009 to 2010.

# professional development

# LEARN RISK

In 2011, RIMS professional development offerings expanded to provide members with flexibility and the best in industry insight. The Society developed two new RIMS Fellow workshops, *Mergers and Acquisitions and Risk Management* and *Cyber Risk: Privacy and Data Security Risk Management*, which were both well received.

In addition, RIMS launched the new two and a half day workshop *Accelerating Enterprise Risk Management Theory into Practice* which replaced the earlier Enterprise Risk Management workshop.

In the virtual world, RIMS conducted 10 webinars, covering topics ranging from multinational insurance programs to strategic risk management. CourseCasts – 90-minute online courses – covered a four part series of *Casualty Claims Handling Techniques*. We also introduced a new online course, *Cyber Risk and Data Security: What Risk Managers Need to Know*.

In 2011, the Society offered 54 workshops, with more than 465 risk practitioners in attendance. RIMS also conducted four in-company training programs for clients in the U.S. and Canada. Additionally, the RIMS Fellow® designation grew to 242 RF candidates and RF holders.

# government affairs



In 2011, RIMS created a political action committee, RISK PAC, in order to enhance its public affairs effort in Washington, D.C. During RISK PAC's first year, RIMS Government Affairs Director Kathy Doddridge oversaw the Federal Election Committee's (FEC) approval of RISK PAC, adoption of the PAC's charter and by-laws, selection of a Trustee Committee, publication of ads/articles in *Risk Management* magazine, quarterly newsletters, recognition in trade press and implementation of a new website with credit/debit card contribution capability from eligible members/staff. In 2011, the PAC raised over \$12,000 and the Trustee Committee approved contributions to two candidates for U.S. Congress.

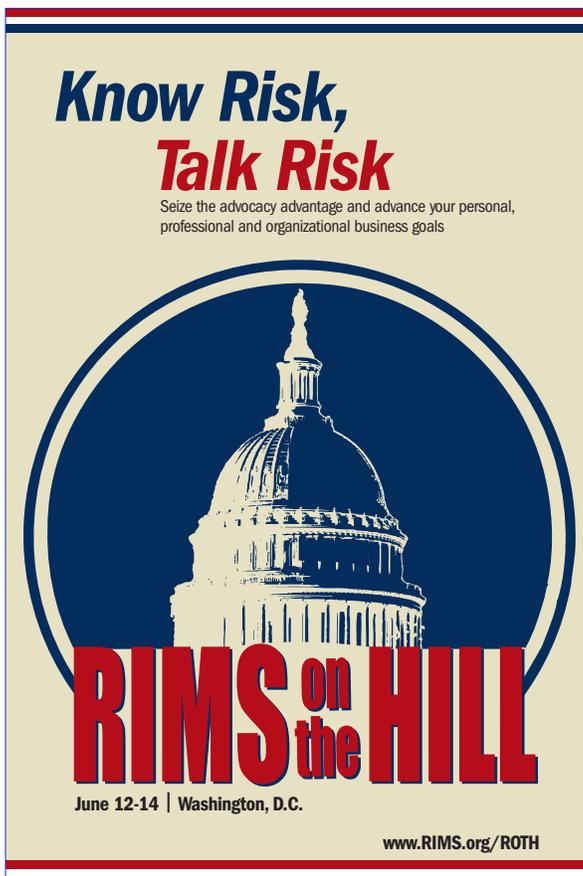
The 13th Annual RIMS on the Hill engaged 50 attendees in a legislation conference with over 75 meetings in congressional offices. Congressmen Ed Royce (R-CA) and Peter Welch (D-VT) spoke to the membership during this legislative event.

The federal legislative front was punctuated by the House Financial Services Committee reporting legislation to reauthorize and reform the National Flood Insurance Program (NFIP), legislation that is supported by RIMS. In mid-summer, the House of Representatives passed the legislation with an overwhelming bipartisan majority. Later that year, the Senate Banking Committee unanimously reported the bill and its action is now pending on the Senate floor.

At the federal regulatory level, RIMS Government Affairs – with the input of RIMS External Affairs Committee – submitted a comment letter to the U.S. Treasury Department on its recommendations for modernizing the regulation of insurance.

On the regional level, RIMS maintained its focus on state legislative matters by bringing state RIMS on the Hill events to California, Florida, Michigan, and Texas. In New York, RIMS continued to work very closely with New York State Senator Jeffrey Klein on legislation that would create the Office of Risk Assessment in New York. While the legislation was not enacted in 2011, momentum grew as additional cosponsors were added to the bill and companion legislation was introduced in the New York Assembly. RIMS spoke in support of the legislation in a March 23, 2011 press conference in Albany, New York.

The RIMS Standards and Practices Committee completed its application to become an American National Standards Institute (ANSI) Accredited Standards Development Organization. RIMS application was approved in July of 2011. The accreditation allows RIMS to develop and lead standards development projects related to the risk management profession.



# RIMS 2011 annual conference & exhibition



RIMS hosted approximately 8,000 risk practitioners during its 49th Annual Conference & Exhibition at the Vancouver Convention Centre, May 1-5, 2011. The conference – the premier educational and networking event for risk professionals – marked its return to Canada and inaugural hosting duties for Vancouver, British Columbia, home of the 2010 Winter Olympic Games.

The risk management discipline is experiencing a time of rapid global change that is having a significant impact on traditional business interactions, as well as the political landscape of countries around the world. Recognizing this evolution, RIMS 2011 offered attendees a competitive advantage with opportunities to gain strategic insight and practical application to further their risk programs. From the sessions to the keynotes to the Exhibit Hall, RIMS 2011 Annual Conference & Exhibition offered unlimited opportunities for learning, networking and sharing.

More than 360 expert speakers led 138 sessions and keynote presentations on a variety of critical risk management issues. The Exhibit Hall featured more than 330 service providers offering the latest in products and services for the risk management profession, including insurers, claims services, disaster recovery, workers compensation and much more.

Many networking opportunities were held during the conference kicking off with the annual RIMS Community Service Day, proudly supported by Aon; Spencer Educational Foundation's annual golf and hockey tournament fundraisers; a rainforest themed opening reception, Lunch & Learn roundtable discussions; and a closing event overlooking the mountainous harbor of beautiful Vancouver.

Launched in 1963, RIMS Annual Conference & Exhibition attracts nearly 10,000 risk and insurance professionals each year at all experience levels, business executives with risk management interests, brokers, insurers and service providers for the ultimate educational and networking experience. The five-day event offers keynote presentations, special events and an expansive Exhibit Hall.

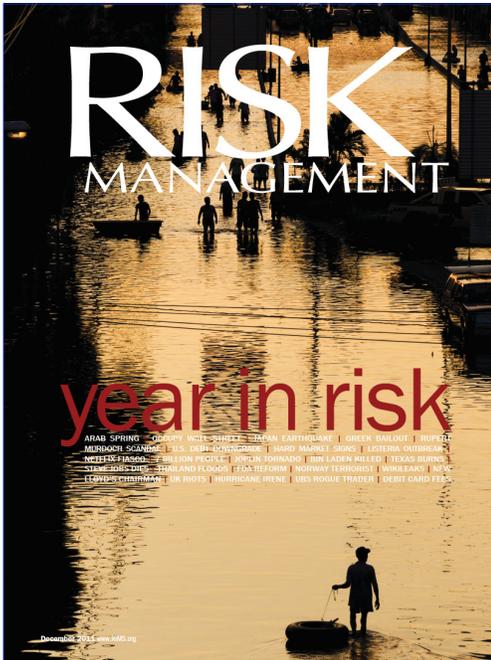
After more than three years of research and development, in 2011, RIMS implemented a new AMS, (association management software) Avectra netFORUM Enterprise SaaS (Software as a Service) solution.

The new and comprehensive solution represents RIMS commitment to the growing needs of its members and the risk management community as a whole. The web interface augments the constantly updated [www.RIMS.org](http://www.RIMS.org) homepage that continues to welcome visitors with bold new colors, sleek design, easy-to-use mega menus and tabbed boxes. Coupled with the new ability to market ad space on the member login page, it is evident that RIMS has focused its sights on advancing the practice of risk management.

Based on extensive research and input from RIMS staff and members, the newly implemented SaaS was designed for complete association management and now provides new and existing members with a more user-friendly interface that allows for easier access to RIMS resources including but limited to:

- RIMS Annual Conference & Exhibition details
- RIMS legislative initiatives
- ERM Center of Excellence
- Professional Development workshops and webinars
- Risk Management and the Risk Monitor publications; as well as
- Continuing education opportunities

# publications

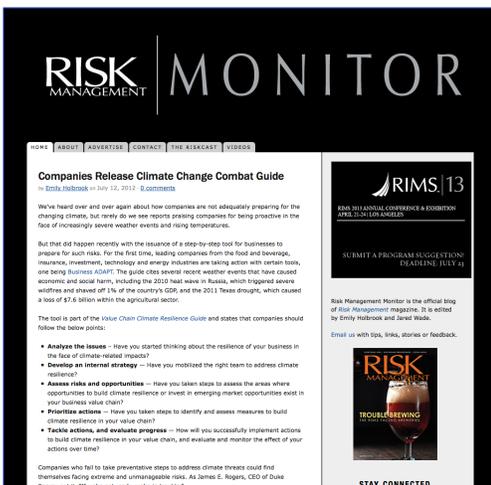


In 2011, the Publications Department continued its mission to produce insightful and informative content and analysis for RIMS members and the risk management community as a whole, both in print and digitally.

Throughout its 10 issues, *Risk Management* magazine covered a variety of important topics highlighted by special sections on the impact of the Japanese earthquake and tsunami, the rising threat of cybercrime, and the value of ERM, which ran in conjunction with RIMS' inaugural ERM Conference. In addition, the department launched a new digital version of the magazine that allows RIMS members to read the magazine on their smartphone and tablet devices.

*Risk Management* magazine's official blog, the Risk Management Monitor saw significant gains in popularity in 2011 as traffic tripled over the previous year. The Monitor was also named a Top 50 Blog by the LexisNexis Insurance Law Community, an honor that it also received the last time the award was given in 2009. Honorees are chosen for writing, scope of information covered, timeliness, analysis, practicality and frequency of posting. The Publications Department also continued to produce the RiskWire e-mail news alert, updating and streamlining its presentation to keep up with current digital trends.

Finally, the department, in conjunction with RIMS Strategic and Enterprise Risk Practice, produced a number of whitepapers to showcase the society's expertise and helped enhance the profile of RIMS and the risk management profession through successful collaborations with major media providers like the *Wall Street Journal* and *Bloomberg Businessweek* on risk management-related content.



# strategic and enterprise risk

RIMS vision to be “the global leader in all aspects of risk management” and its mission to “advance risk management for your organization’s success” propels the stated mission of the Strategic and Enterprise Risk Practice (SERP): **Expand the capabilities of current and next generation risk leaders as valued strategic business partners within their organizations, beyond conventional risk management roles and activities, in response to the needs of a dynamic global environment.**

RIMS’ influence in enterprise and strategic risk management gained traction in 2011 through a number of initiatives:

- Education and training
- Speaking engagements
- Webinars
- 2011 Annual Conference & Exhibition tracks
- ERM/SRM content in publications
- Research and miscellaneous activities
- ERM Conference
- ERM Award of Distinction

In 2011, SERP launched two research initiatives in conjunction with academic institutions in the UK and the United States that included:

- RIMS RISK MATURITY MODEL
- BOARD REPORTING FOR ERM

## Executive Reports 2011

RIMS SERP was instrumental in producing the following executive reports in 2011:

- *An Overview of Widely Used Risk Management Standards and Guidelines (published March 2011)*
- *An Evolving Governance Model (published April 2011)*
- *RIMS Excellence in Risk Management VIII (published May 2011 in conjunction with Marsh)*
- *RIMS ERM Benchmark Study 2011 (published separately in October 2011 from, the Annual RIMS Benchmark Study)*
- *RIMS Executive Report on ERM Technology Tools (published in September 2011)*

## Defining Strategic Risk Management

At the RIMS 2011 Annual Conference & Exhibition, SERP publicized the RIMS strategic risk management definition and the companion Frequently Asked Questions document titled “Why Strategic Risk Management?,” a collaborative effort by RIMS Strategic Risk Management Development Council and ERM Committee. The announcement was highly successful in generating awareness about RIMS position that strategic risk management is critical to strategy setting and execution.

## RIMS Risk Summit 2011

RIMS Risk Summit 2011, held July 20th in Chicago IL, was limited - by design - to 20 attendees to foster sharing and interaction among the participants. The theme “*Connecting strategy, risk management and strategy execution*” was introduced by Dr. Mark Frigo of DePaul University in a discussion of his findings from the *Strategic Risk Management Lab*. The full-day session was co-facilitated by RIMS newly appointed Director of Strategic and Enterprise Risk Practice Carol Fox. Networking connections continue beyond the summit.

## RIMS 2011 ERM Conference

Focusing on innovation, the inaugural RIMS ERM Conference, held November 1 – 3 in San Diego, was structured specifically to provide participants with multiple opportunities for networking, 11 level-tracked educational sessions presented by risk practitioners or academics, and a showcase of 12 exhibitors who nearly unanimously reported that the ERM Conference provided better and more credible leads than other conferences. The keynote, Nate Booth – author and business strategist – invigorated the attendees with his presentation on “Thriving on Change!” A panel closed the conference with a discussion of the “Future of ERM.”

# treasurer's report 2011

The following commentary highlights some areas of the December 31, 2011 audited financial statements of the Risk and Insurance Management Society, Inc. (RIMS) and Subsidiary. All numbers are rounded to the nearest thousand.

## Consolidated Balance Sheet

- Net assets (retained earnings/reserves) at the end of 2011 were \$9.4M, a decrease of \$645K from 2010. This change is a result of variances in both revenues and expenses, as discussed below.

## Consolidated Statements of Revenues, Expenses and Change in Net Assets

### Program Revenues

- Conference revenue was \$188K lower, primarily due to:
  - Registration revenue decrease of \$92K.
  - Exhibit revenue decrease of \$324K.
  - Hotel room credit revenue increase of \$83K.
  - The first ever ERM Conference generated \$179K in revenue, primarily from registrations (\$99K) and sponsorships (\$72K).
- Advertising revenue decreased by \$186K as result of less print advertising.
- Publication revenue rose by \$105K mainly from an increase in the amount of dues attributed to subscriptions.
- Professional Development revenue decreased by \$118K due to fewer workshop registrations.
- Investment income was \$1.888M lower due to market conditions with a 2011 loss of \$357K compared with a 2010 gain of \$1.531M.

### Program Expenses

- Publications expense decreased by \$323K, mainly from elimination of positions.
- Conference expense was lower by \$149K inclusive of both the RIMS Annual Conference & Exhibition and the inaugural ERM Conference. The former was lower by \$231K with major savings in exhibitor arrangements (-\$142K) and shuttle buses (-\$120K). The ERM Conference had expenses of \$82K.
- Professional Development expense declined \$161K, reflecting elimination of one position and fewer workshops.
- Government Affairs expense increased by \$125K, mainly due to the formation of the RISK PAC political action committee.

## Consolidated Statements of Cash Flows

- The changes from 2010 to 2011 on this schedule have been discussed above.

RIMS pledges to provide timely and innovative information, education, networking and advocacy to its members. The efforts of all the staff and volunteers who contribute every day to the success of this organization are greatly appreciated.

Respectfully submitted,



Carolyn M. Snow, CPCU  
RIMS Treasurer



IRAL SCHALL, CPA  
DAVID C. ASHENFARB, CPA

**RISK AND INSURANCE MANAGEMENT  
SOCIETY, INC. AND SUBSIDIARY**

Consolidated Audited Financial Statements  
(With Supplemental Information)

December 31, 2011 and 2010

330 Fifth Avenue, Suite 5610  
New York, New York 10118  
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[www.schallandashenfARB.com](http://www.schallandashenfARB.com)

# RISK AND INSURANCE MANAGEMENT SOCIETY, INC. AND SUBSIDIARY

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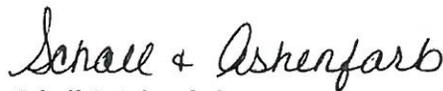
## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
Risk and Insurance Management Society, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheet of Risk and Insurance Management Society, Inc. and Subsidiary (the "Organization") as of December 31, 2011 and 2010, and the related consolidated statements of revenues, expenses and change in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Risk and Insurance Management Society, Inc. and Subsidiary as of December 31, 2011 and 2010, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

March 19, 2012

**RISK AND INSURANCE MANAGEMENT SOCIETY, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEET**  
**AT DECEMBER 31, 2011 AND 2010**

|   | 12/31/11     | 12/31/10     |
|---|--------------|--------------|
| <b>Assets</b>                                   |              |              |
| Current assets:                                 |              |              |
| Cash and cash equivalents (Notes 1d and 1e)     | \$1,443,214  | \$557,332    |
| Advertising receivables                         | 171,269      | 258,325      |
| Other receivables                               | 248,865      | 95,480       |
| Prepaid conference expenses                     | 405,682      | 451,754      |
| Other prepaid expenses and deposits             | 321,541      | 724,270      |
| Total current assets                            | 2,590,571    | 2,087,161    |
| Non-current assets:                             |              |              |
| Investments held for chapters                   | 56,059       | 43,523       |
| Investments, at fair value (Notes 1g and 2)     | 11,362,953   | 13,055,798   |
| Property and equipment, net (Notes 1h and 3)    | 1,790,495    | 1,495,996    |
| Total non-current assets                        | 13,209,507   | 14,595,317   |
| Total assets                                    | \$15,800,078 | \$16,682,478 |
| <b>Liabilities and Net Assets</b>               |              |              |
| Current liabilities:                            |              |              |
| Accounts payable and accrued expenses           | \$814,900    | \$927,895    |
| Deferred conference revenue (Note 1i)           | 3,148,544    | 2,906,955    |
| Deferred dues revenue (Note 1i)                 | 1,088,030    | 1,171,926    |
| Other deferred revenue (Note 1i)                | 406,387      | 477,473      |
| Grant payable (Note 4)                          | 150,000      | 150,000      |
| Deferred rent, current portion (Note 1j)        | 73,456       | 73,456       |
| Total current liabilities                       | 5,681,317    | 5,707,705    |
| Non-current liabilities:                        |              |              |
| Grant payable, net of current portion (Note 4)  | 0            | 150,000      |
| Deferred rent, net of current portion (Note 1j) | 640,164      | 713,620      |
| Liability for chapter investments               | 56,059       | 43,523       |
| Total non-current liabilities                   | 696,223      | 907,143      |
| Total liabilities                               | 6,377,540    | 6,614,848    |
| Commitments and contingencies (Note 6)          |              |              |
| Net assets: (Note 1k)                           |              |              |
| Unrestricted                                    |              |              |
| Operations                                      | 9,422,538    | 9,877,535    |
| Board designated:                               |              |              |
| Strategic and enterprise risk practice fund     | 0            | 190,095      |
| Total net assets                                | 9,422,538    | 10,067,630   |
| Total liabilities and net assets                | \$15,800,078 | \$16,682,478 |

*The attached notes and auditors' report are an integral part of these consolidated financial statements.*

**RISK AND INSURANCE MANAGEMENT SOCIETY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

|   | <u>12/31/11</u>           | <u>12/31/10</u>            |
|---|---------------------------|----------------------------|
|   | Total                     | Total                      |
|   | <u>Unrestricted</u>       | <u>Unrestricted</u>        |
| Revenues, Gains and Other Support:      |                           |                            |
| Conference                              | \$6,902,627               | \$7,090,371                |
| Membership dues                         | 2,184,878                 | 2,169,978                  |
| Advertising                             | 948,321                   | 1,134,398                  |
| Publications                            | 868,145                   | 763,354                    |
| Membership and chapter services         | 582,552                   | 499,161                    |
| Professional development                | 650,888                   | 768,016                    |
| Other revenue                           | 218,758                   | 277,565                    |
| Investment income (Note 2)              | (357,567)                 | 1,531,000                  |
| Total revenues, gains and other support | <u>11,998,602</u>         | <u>14,233,843</u>          |
| Expenses (Note 7):                      |                           |                            |
| Program services:                       |                           |                            |
| Conference                              | 3,506,092                 | 3,655,383                  |
| Publications                            | 856,649                   | 1,179,072                  |
| Professional development                | 792,208                   | 953,292                    |
| Marketing                               | 1,165,863                 | 1,111,830                  |
| Member and chapter services             | 484,181                   | 606,980                    |
| Government affairs                      | 615,236                   | 490,455                    |
| Strategic and enterprise risk practice  | 73,403                    | 59,905                     |
| Total program services                  | <u>7,493,632</u>          | <u>8,056,917</u>           |
| Supporting services:                    |                           |                            |
| General and administration              | 4,612,799                 | 4,531,386                  |
| Membership recruitment                  | 537,263                   | 412,236                    |
| Total supporting services               | <u>5,150,062</u>          | <u>4,943,622</u>           |
| Total expenses                          | <u>12,643,694</u>         | <u>13,000,539</u>          |
| Change in net assets                    | (645,092)                 | 1,233,304                  |
| Net assets - beginning of year          | <u>10,067,630</u>         | <u>8,834,326</u>           |
| Net assets - end of year                | <u><u>\$9,422,538</u></u> | <u><u>\$10,067,630</u></u> |

*The attached notes and auditors' report are an integral part of these consolidated financial statements.*

**RISK AND INSURANCE MANAGEMENT SOCIETY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

|   | <u>12/31/11</u>    | <u>12/31/10</u>  |
|---|--------------------|------------------|
| Cash flows from operating activities:   |                    |                  |
| Change in net assets  | (\$645,092)        | \$1,233,304      |
| Adjustments to reconcile change in net assets<br>to net cash provided by/(used for) operating activities: |                    |                  |
| Depreciation and amortization   | 577,095            | 450,907          |
| Net realized and unrealized gains on investments  | 773,561            | (1,232,521)      |
| (Increase)/decrease in assets:  |                    |                  |
| Advertising receivables   | 87,056             | (107,759)        |
| Other receivables   | (153,385)          | (57,570)         |
| Prepaid conference expenses   | 46,072             | 85,444           |
| Other prepaid expenses and deposits   | 402,729            | (350,214)        |
| Increase/(decrease) in liabilities:   |                    |                  |
| Accounts payable and accrued expenses   | (112,995)          | 336,756          |
| Deferred conference revenue   | 241,589            | (126,131)        |
| Deferred dues revenue   | (83,896)           | 51,936           |
| Other deferred revenue  | (71,086)           | 26,471           |
| Grant payable   | (150,000)          | 300,000          |
| Deferred rent   | (73,456)           | (44,443)         |
| Total adjustments   | <u>1,483,284</u>   | <u>(667,124)</u> |
| Net cash provided by operating activities   | <u>838,192</u>     | <u>566,180</u>   |
| Cash flows from investing activities:   |                    |                  |
| Purchases of investments  | (2,004,468)        | (9,875,595)      |
| Proceeds from sales of investments  | 2,923,752          | 9,548,623        |
| Purchases of property and equipment   | (871,594)          | (207,553)        |
| Net cash provided by/(used for) investing activities  | <u>47,690</u>      | <u>(534,525)</u> |
| Net increase in cash and cash equivalents   | 885,882            | 31,655           |
| Cash and cash equivalents - beginning of year   | 557,332            | 525,677          |
| Cash and cash equivalents - end of year   | <u>\$1,443,214</u> | <u>\$557,332</u> |
| Supplemental Information:   |                    |                  |
| Interest and taxes paid   | <u>\$0</u>         | <u>\$0</u>       |

*The attached notes and auditors' report are an integral part of these consolidated financial statements.*

**RISK AND INSURANCE MANAGEMENT SOCIETY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**Note 1 - Summary of Significant Accounting Policies**

a. Organization

Risk and Insurance Management Society, Inc. ("RIMS") is a non-profit organization dedicated to advancing professional standards of risk management. RIMS is the world's largest association for risk management, representing more than 3,600 industrial, service, not-for-profit, charitable and governmental entities. RIMS serves 10,000 individuals responsible for the risk management function in 80 chapters across the United States, Canada and Japan.

Global Risk Management Institute, Inc. ("GRMI"), a related organization, was incorporated in 1999 to engage in activities that support and encourage the advancement of the study of subjects related to risk management and increase the qualifications of risk management professionals across businesses and industries. GRMI administers the RIMS Fellow® (RF) and the Canadian Risk Management® (CRM) designations.

During 2011, RIMS assisted in the establishment of the RISK PAC. The RISK PAC was established to educate congressional candidates and lawmakers about the practice of risk management and to make contributions to candidates for federal office. The RISK PAC trustees are separate from the trustees of RIMS, and RIMS does not directly control the RISK PAC. Accordingly, the operations of the RISK PAC have not been included in the financial statements of RIMS.

b. Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting. As such, revenue is recognized when earned and expenses when incurred.

c. Consolidation Policy

The consolidated financial statements include the accounts of RIMS and GRMI (hereafter referred to as the "Organization"). All significant inter-organization transactions and balances have been eliminated in consolidation.

d. Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents include operating cash accounts, petty cash and highly liquid, short-term instruments with original maturities of three months or less, except money market funds held for long-term investment purposes.

e. Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash and cash equivalents and investments held at financial institutions that management deems to be creditworthy. At times and at year-end, the Organization's operating cash accounts exceeded the federally insured limit. The Organization has not experienced losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its cash and cash equivalents.

f. Advertising Receivables

Advertising receivables represent amounts due from clients for advertisements placed in The Risk Management Magazine as well as on the RIMS website, and are due under normal trade terms from these clients. Senior management reviews accounts receivable on a regular basis to determine if any receivables will potentially be uncollectible. Any balances that are determined to be uncollectible are included, together with a general reserve, in the allowance for doubtful debts account. Any subsequent write-offs are written off against the allowance. Management believes that no allowance for doubtful accounts as of December 31, 2011 and 2010 are required. However, actual write-offs might exceed the recorded allowance.

g. Investments

Investments consist of equity and debt mutual funds, fixed income securities, and money market funds held for long-term investment. Investments are carried at readily determinable fair value with realized and unrealized gains and losses included in the statement of revenues, expenses and change in net assets. Interest and dividend income are recorded as revenue when earned.

h. Property and Equipment

Property and equipment are recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$1,000. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years, or the lesser of the minimum lease period or the asset's useful life for leasehold improvements. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Certain costs of internally developed software and website development are capitalized in accordance with FASB Accounting Standards Codification (ASC) 350-40 (formerly Statement of Position 98-1 "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use") and ASC 350-50 (formerly Emerging Issues Task Force 00-2 "Accounting for Website Development Costs"). These costs are amortized over the estimated useful lives of the software and website which is estimated to be four years.

i. Deferred Revenue

Deferred revenue consists of member dues, professional development, magazine subscriptions, conference attendance and exhibit fees received in advance. Revenue related to member dues is recognized over the membership period. Revenue related to magazine subscriptions is recognized over the related subscription period. Revenue and related expenses applicable to the conference, professional development and exhibits are recognized in the financial period when the event is held.

j. Deferred Rent

A deferred rent liability has been recorded to reflect the benefit of lease incentives included in the office space lease. The benefits of these incentives, including free rent and a tenant improvement allowance, will be recognized equally over the term of the lease.

k. Unrestricted Net Assets

Unrestricted net assets are funds that are currently available to support the Organization's daily operations. In addition, the board of directors has designated a fund for strategic and enterprise risk management.

l. Temporarily Restricted Net Assets

The Organization reports gifts of cash and other assets as restricted support if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of revenues, expenses and change in net assets as net assets released from restrictions.

m. Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the consolidated statement of revenues, expenses and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

n. Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

o. Tax Status

RIMS is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. RIMS is subject to tax on its net revenue from unrelated business income from mailing list rentals and advertising. RIMS has charitable contribution deduction carry forwards of approximately \$335,000 and \$957,000 at December 31, 2011 and 2010, respectively. RIMS Canada Council, formerly the Canadian Risk Management Council, a program of RIMS, is exempt from tax under Canadian tax laws.

GRMI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has also determined that GRMI is not a private foundation. GRMI is required to report unrelated business income to the Internal Revenue Service and the state of New York. GRMI earned no unrelated business income during the years ended December 31, 2011 and 2010.

p. Accounting for Uncertainty of Income Taxes

RIMS has adopted the provisions of FASB ASC 740, *Income Taxes*, which applies to positions taken or expected to be taken in a tax return. Organizations are required to recognize the effects of tax positions if they are more likely than not of being sustained. RIMS does not believe its financial statements include any uncertain tax positions.

q. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the balance sheet through March 19, 2012, the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date through our evaluation date that would require adjustment to or disclosure in the financial statements.

**Note 2 - Investments**

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that RIMS has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The fair value of investments held is as follows:

|                                 | <u>At December 31, 2011</u> |                  |                     |
|---------------------------------|-----------------------------|------------------|---------------------|
|                                 | <u>Level 1</u>              | <u>Level 2</u>   | <u>Total</u>        |
| Stocks (including mutual funds) | \$7,529,557                 | \$0              | \$7,529,557         |
| Bonds (including mutual funds)  | 3,279,519                   | 298,768          | 3,578,287           |
| Certificates of deposit         | 136,777                     | 0                | 136,777             |
| Money market funds              | <u>118,332</u>              | <u>0</u>         | <u>118,332</u>      |
|                                 | <u>\$11,064,185</u>         | <u>\$298,768</u> | <u>\$11,362,953</u> |

|                                 | <u>At December 31, 2010</u> |                  |                     |
|---------------------------------|-----------------------------|------------------|---------------------|
|                                 | <u>Level 1</u>              | <u>Level 2</u>   | <u>Total</u>        |
| Stocks (including mutual funds) | \$8,872,647                 | \$0              | \$8,872,647         |
| Bonds (including mutual funds)  | 3,522,293                   | 308,920          | 3,831,213           |
| Certificates of deposit         | 136,777                     | 0                | 136,777             |
| Money market funds              | <u>215,161</u>              | <u>0</u>         | <u>215,161</u>      |
|                                 | <u>\$12,746,878</u>         | <u>\$308,920</u> | <u>\$13,055,798</u> |

The Level 2 investments represent the Canadian strip bonds and discount bonds held at CIBC by the RIMS Canada Council. RIMS was unable to obtain independent verification of the market value of these bonds.

Included in the certificates of deposit is collateral of \$136,777 at December 31, 2011 and 2010, respectively, given against a letter of credit. The letter of credit was obtained to serve as a deposit for the Organization's lease (see Note 6).

Investment income consisted of the following:

|  | <u>12/31/11</u>    | <u>12/31/10</u>    |
|--|--------------------|--------------------|
| Interest and dividends                                 | \$438,414          | \$328,949          |
| Net realized and unrealized (loss)/gain on investments | (773,561)          | 1,229,521          |
| Less: investment management fees                       | <u>(22,420)</u>    | <u>(27,470)</u>    |
| Total  | <u>(\$357,567)</u> | <u>\$1,531,000</u> |

**Note 3 - Property and Equipment**

Property and equipment consists of the following:

|   | <u>12/31/11</u>    | <u>12/31/10</u>    |
|---|--------------------|--------------------|
| Leasehold improvements                          | \$1,375,459        | \$1,344,459        |
| Computer software                               | 1,647,808          | 1,006,870          |
| Furniture and office equipment                  | 690,686            | 662,571            |
| Computer hardware                               | <u>752,399</u>     | <u>580,858</u>     |
|   | 4,466,352          | 3,594,758          |
| Less: accumulated depreciation and amortization | <u>(2,675,857)</u> | <u>(2,098,762)</u> |
| Net property and equipment                      | <u>\$1,790,495</u> | <u>\$1,495,996</u> |

Depreciation and amortization expense was \$577,095 and \$505,960 in 2011 and 2010, respectively.

**Note 4 - Related Party Transactions**

RIMS provides office space and administrative services to its New York Chapter and Spencer Educational Foundation, Inc. (the "Foundation"), an affiliated organization, for which it receives administrative fees. The fees from its New York Chapter amounted to \$38,850 and \$37,000 in 2011 and 2010, respectively. The fees from the Foundation amounted to \$147,050 and \$140,290 in 2011 and 2010, respectively. The fees are included in other revenue on the consolidated statement of revenues, expenses and change in net assets.

During 2010, RIMS pledged \$450,000 to the Foundation to support its operations. As of December 31, 2011, \$150,000 remains on that pledge.

In addition, during 2011 RIMS incurred certain expenses on behalf of RISK PAC (see Note 1) as follows:

|                       |                  |
|-----------------------|------------------|
| Professional fees     | \$101,958        |
| Travel and meals      | 1,584            |
| Promotional materials | <u>682</u>       |
| Total                 | <u>\$104,224</u> |

**Note 5 - Pension Plan**

RIMS has a defined contribution 401(k) profit sharing plan (the "Plan") that covers all employees who have attained the age of 21 and have completed at least three months of service. RIMS matches half of the participant's contributions to the Plan, up to 2% of the individual participant's compensation. In addition, during 2011 and 2010, RIMS elected to make a safe-harbor contribution of 4% of staff's salary each payroll period, and may make a discretionary profit sharing contribution to the Plan at the end of each plan year. For 2011 and 2010, no discretionary contribution was made. Expenses for this plan amounted to \$255,515 and \$297,317 for the year ended December 31, 2011 and 2010, respectively.

**Note 6 - Commitments and Contingencies**

RIMS has entered into several leases for office space and office equipment under noncancellable operating lease agreements expiring in various years through 2013.

Future minimum rental payments on the office lease are as follows:

|                   |                 |
|-------------------|-----------------|
| December 31, 2012 | \$57,486        |
| 2013              | <u>15,856</u>   |
| Total             | <u>\$73,342</u> |

In September 2004, RIMS entered into an operating lease for office space commencing March 1, 2005 and expiring 13 years and 10 months later. The lease contains a four month rent abatement period and escalation clauses whereby the base rent increases at the beginning of year six and at the beginning of year eleven. In addition, the landlord made concessions to reimburse RIMS for leasehold improvements.

Future minimum rental payments on the office lease are as follows:

|                   |                    |
|-------------------|--------------------|
| December 31, 2012 | \$605,133          |
| 2013              | 605,133            |
| 2014              | 605,133            |
| 2015              | 642,436            |
| 2016              | 679,739            |
| Thereafter        | <u>1,076,253</u>   |
| Total             | <u>\$4,213,827</u> |

Rent expense for office space, including escalation and maintenance charges, was \$541,210 and \$542,623 for the years ended December 31, 2011 and 2010, respectively. Equipment lease expense was \$127,723 and \$121,546 for the years ended December 31, 2011 and 2010, respectively.

#### *Commitments for Conference Facilities*

RIMS has entered into various contracts for future conferences and events. Due to the nature of these contracts it is impractical to estimate the total commitment.

### **Note 7 - Description of Programs and Supporting Services**

#### *Conference*

This department is responsible for the planning and production of RIMS meetings, events RIMS ERM Conference, RIMS ERM Summit and RIMS Annual Conference & Exhibition, which is the definitive event for risk professionals, attracting approximately 10,000 risk professionals (members, non-members and exhibitors) worldwide. This prestigious event offers its attendees the widest range of educational programs, networking opportunities and communication of significant happenings that impact risk management.

#### *Publications*

*Risk Management* magazine is RIMS flagship publication. It is produced ten times a year and includes articles of interest to professionals responsible for risk and insurance management in business and industrial firms, public administration and government, insurance companies, agents and brokers, business services and others allied to the field. By providing in-depth analysis of the world of risk, *Risk Management* magazine is a vital source of pertinent information for business. The magazine is supported by its official blog, the Risk Management Monitor, which offers daily coverage and analysis of the latest risk-related news and issues. In addition, RiskWire, an exclusive

news service for RIMS members, provides an executive summary and links to the most important risk management stories of the day.

#### *Professional Development*

This department implements educational programs through online courses, workshops, webinars, coursecasts, Chapter events and in-company training. It also implements the RIMS Enterprise Risk Management Summit each year. Online courses are offered through partnerships with vendors. It also administers the GRMI programs for the RIMS Fellow® (RF) designation, the RIMS Anita Benedetti Student Involvement Program, and the Canadian Risk Management® (CRM) designation.

#### *Marketing*

RIMS employs a centralized approach to its marketing and communications efforts, and has unified this service for all its products, services and events under a single division. This methodology enables RIMS to maximize its impact and budgets by cross marketing its strategic objectives in all its communications efforts. Marketing vehicles involve an integrated approach primarily focused on electronic, web-based and print materials and communications, social media, as well as media relations. RIMS media relations division acts as a resource to major dailies, trade publications and the general media. Through press releases, articles and interviews, RIMS media relations supports RIMS positions on key issues to risk managers and the public. Using this approach, the department fulfills its mandate to expand awareness of risk management to a broad audience.

#### *Member and Chapter Services*

The member area includes the Member and Chapter Services, Student Advisory and International Committees as well as maintaining the inventory for the RIMS online store and Career Center/Job Bank.

The chapter services group provides support and administrative services to RIMS' 80 chapters, including leadership information, support of web sites, development of resource materials, and provision of both traditional face-to-face and online training of chapter officers.

#### *Government Affairs*

Government Affairs focuses on U.S. federal, state and Canadian federal and provincial legislative and regulatory issues that impact the risk management community. In addition, the department prepares witnesses and drafts testimony for members appearing before all governmental and non-governmental bodies. It maintains a standing External Affairs Committee that is responsible for crafting RIMS position statements, composing letters to members of Congress, and establishing RIMS legislative priorities each. Furthermore, it conducts lobbying at all levels of government through an assortment of strategies including the annual lobbying event, RIMS on the Hill legislative conference, which brings approximately 50 risk managers to Washington, D.C. to further the agenda of the risk management community. The Government Affairs department maintains constant contact with its members throughout North America regarding all legislative developments via the RIMS website, newsletters and e-mail alerts. Additionally, during 2011, RIMS assisted in the establishment of RISK PAC (see Note 1).

### *Strategic and Enterprise Risk Practice*

This practice enlarges the value proposition for risk management as a strategic business discipline to encompass value creation and capture (the upside of uncertainty), as well as value protection (the downside of uncertainty). In leading new research and the development of innovative – yet pragmatic – strategic and operational risk practices that are applicable across all types of organizations, the practice’s main objective is to drive incremental and recurring revenue streams for RIMS by broadening its membership and delivering specific products and services that provide unique and practical value for its current and new members. The department serves as a “voice of the enterprise risk practitioner” for RIMS’ other departments with respect to the content of conferences, publications, marketing, interviews, workshops, surveys, seminars, webinars, etc., and serves as an internal consultant for RIMS’ own ERM program.

### *General and Administration*

This includes the office of the Executive Director, Deputy Executive Director, Finance and Administration, Governance, Board of Directors and other support functions. The majority of expenses relate to salaries, rent, computer systems, records management and other support functions.

### *Membership Recruitment*

This includes all member marketing, recruiting and retention expenses including membership packets, benefits brochures and the RIMS booth used during the Annual Conference & Exhibition.

The department also reviews and monitors program goals for member recruitment and retention.

## **Note 8 - RIMS Canada Council**

RIMS Canada Council is a program of RIMS established under Canadian law. RIMS Canada supports, promotes and coordinates risk management in Canada by means of standing committees. RIMS Canada Council also coordinates the annual RIMS Canada Conference, hosted by one of the 10 local Canadian chapters.

Assets and liabilities of RIMS Canada Council are as follows:

|                             | <u>12/31/11</u>  | <u>12/31/10</u>  |
|-----------------------------|------------------|------------------|
| Cash and cash equivalents   | \$60,124         | \$124,100        |
| Prepaid conference expenses | 77,369           | 87,004           |
| Investments                 | <u>468,393</u>   | <u>461,569</u>   |
| Net assets                  | <u>\$605,886</u> | <u>\$672,673</u> |

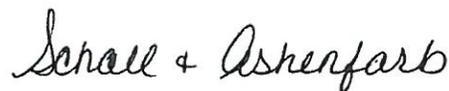
Revenues and expenses of RIMS Canada Council are as follows:

|  | <u>12/31/11</u>  | <u>12/31/10</u>  |
|--|------------------|------------------|
| Other revenue                            | \$219,639        | \$100,381        |
| Interest and investment income           | 17,406           | 23,171           |
| Foreign exchange transaction (loss)/gain | (9,507)          | 22,357           |
| Expenses                                 | <u>(128,285)</u> | <u>(114,963)</u> |
| Change in net assets                     | <u>\$99,253</u>  | <u>\$30,946</u>  |

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of  
Risk and Insurance Management Society, Inc. and Subsidiary

We have audited the financial statements of Risk and Insurance Management Society, Inc. and Subsidiary as of and for the year ended December 31, 2011 and 2010, and have issued our reports thereon dated March 19, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on those financial statements as a whole. The consolidating schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Schall & Ashenfarb  
Certified Public Accountants, LLC

March 19, 2012

**RISK AND INSURANCE MANAGEMENT SOCIETY, INC. AND SUBSIDIARY**  
**CONSOLIDATING BALANCE SHEET**  
**AT DECEMBER 31, 2011 AND 2010**

|   | 12/31/11   |  |                     | 12/31/10   |  |                     |
|---|--|--|---------------------|--|--|---------------------|
|   | Risk and<br>Insurance<br>Management<br>Society, Inc. | Global Risk<br>Management<br>Institute | Consolidated        | Risk and<br>Insurance<br>Management<br>Society, Inc. | Global Risk<br>Management<br>Institute | Consolidated        |
| <b>Assets</b>   |  |  |                     |  |  |                     |
| Current assets:   |  |  |                     |  |  |                     |
| Cash and cash equivalents   | \$1,377,770  | \$65,444                               | \$1,443,214         | \$472,582  | \$84,750                               | \$557,332           |
| Advertising receivables, less allowance for<br>doubtful accounts of \$0 and \$1,712 | 171,269  |  | 171,269             | 258,325  |  | 258,325             |
| Other receivables   | 224,990  | 23,875                                 | 248,865             | 95,480   |  | 95,480              |
| Prepaid conference expenses   | 405,682  |  | 405,682             | 451,754  |  | 451,754             |
| Other prepaid expenses and deposits   | 321,541  |  | 321,541             | 724,270  |  | 724,270             |
| <b>Total current assets</b>   | <b>2,501,252</b>                                     | <b>89,319</b>                          | <b>2,590,571</b>    | <b>2,002,411</b>                                     | <b>84,750</b>                          | <b>2,087,161</b>    |
| Non-current assets:   |  |  |                     |  |  |                     |
| Investments held for chapters   | 56,059   |  | 56,059              | 43,523   |  | 43,523              |
| Investments, at fair value  | 10,806,189   | 556,764                                | 11,362,953          | 12,515,939   | 539,859                                | 13,055,798          |
| Property and equipment, net   | 1,790,495  |  | 1,790,495           | 1,495,996  |  | 1,495,996           |
| <b>Total non-current assets</b>   | <b>12,652,743</b>                                    | <b>556,764</b>                         | <b>13,209,507</b>   | <b>14,055,458</b>                                    | <b>539,859</b>                         | <b>14,595,317</b>   |
| <b>Total assets</b>   | <b>\$15,153,995</b>                                  | <b>\$646,083</b>                       | <b>\$15,800,078</b> | <b>\$16,057,869</b>                                  | <b>\$624,609</b>                       | <b>\$16,682,478</b> |
| <b>Liabilities and Net Assets</b>   |  |  |                     |  |  |                     |
| Current liabilities:  |  |  |                     |  |  |                     |
| Accounts payable and accrued expenses   | \$814,900  |  | \$814,900           | \$927,895  |  | \$927,895           |
| Deferred conference revenue   | 3,148,544  |  | 3,148,544           | 2,906,955  |  | 2,906,955           |
| Deferred dues revenue   | 1,088,030  |  | 1,088,030           | 1,171,926  |  | 1,171,926           |
| Other deferred revenue  | 406,112  | \$275                                  | 406,387             | 477,473  |  | 477,473             |
| Grant payable   | 150,000  |  | 150,000             | 150,000  |  | 150,000             |
| Deferred rent, current portion  | 73,456   |  | 73,456              | 73,456   |  | 73,456              |
| <b>Total current liabilities</b>  | <b>5,681,042</b>                                     | <b>275</b>                             | <b>5,681,317</b>    | <b>5,707,705</b>                                     | <b>0</b>                               | <b>5,707,705</b>    |
| Non-current liabilities:  |  |  |                     |  |  |                     |
| Grant payable, net of current portion   |  |  | 0                   | 150,000  |  | 150,000             |
| Deferred rent, net of current portion   | 640,164  |  | 640,164             | 713,620  |  | 713,620             |
| Liability for chapter investments   | 56,059   |  | 56,059              | 43,523   |  | 43,523              |
| <b>Total non-current liabilities</b>  | <b>696,223</b>                                       | <b>0</b>                               | <b>696,223</b>      | <b>907,143</b>                                       | <b>0</b>                               | <b>907,143</b>      |
| <b>Total liabilities</b>  | <b>6,377,265</b>                                     | <b>275</b>                             | <b>6,377,540</b>    | <b>6,614,848</b>                                     | <b>0</b>                               | <b>6,614,848</b>    |
| Net assets:   |  |  |                     |  |  |                     |
| Unrestricted  |  |  |                     |  |  |                     |
| Operations  | 8,776,730  | 645,808                                | 9,422,538           | 9,252,926  | 624,609                                | 9,877,535           |
| Board designated:   |  |  |                     |  |  |                     |
| Strategic and enterprise risk practice fund   |  |  | 0                   | 190,095  |  | 190,095             |
| <b>Total net assets</b>   | <b>8,776,730</b>                                     | <b>645,808</b>                         | <b>9,422,538</b>    | <b>9,443,021</b>                                     | <b>624,609</b>                         | <b>10,067,630</b>   |
| <b>Total liabilities and net assets</b>   | <b>\$15,153,995</b>                                  | <b>\$646,083</b>                       | <b>\$15,800,078</b> | <b>\$16,057,869</b>                                  | <b>\$624,609</b>                       | <b>\$16,682,478</b> |

*The attached notes and auditors' report are an integral part of these consolidated financial statements.*

**RISK AND INSURANCE MANAGEMENT SOCIETY, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

|  | 12/31/11   |  |                    | 12/31/10   |  |                     |
|--|--|--|--------------------|--|--|---------------------|
|  | Risk and<br>Insurance<br>Management<br>Society, Inc. | Global Risk<br>Management<br>Institute | Consolidated       | Risk and<br>Insurance<br>Management<br>Society, Inc. | Global Risk<br>Management<br>Institute | Consolidated        |
| <b>Revenues, Gains and Other Support:</b>              |  |  |                    |  |  |                     |
| Conference   | \$6,902,627  |  | \$6,902,627        | \$7,090,371  |  | \$7,090,371         |
| Membership dues  | 2,184,878  |  | 2,184,878          | 2,169,978  |  | 2,169,978           |
| Advertising  | 948,321  |  | 948,321            | 1,134,398  |  | 1,134,398           |
| Publications   | 868,145  |  | 868,145            | 763,354  |  | 763,354             |
| Membership and chapter services                        | 582,552  |  | 582,552            | 499,161  |  | 499,161             |
| Professional development                               | 546,588  | \$104,300                              | 650,888            | 709,566  | \$108,450                              | 818,016             |
| Other revenue  | 218,758  |  | 218,758            | 227,565  |  | 227,565             |
| Investment income                                      | (333,991)  | (23,576)                               | (357,567)          | 1,472,340  | 58,660                                 | 1,531,000           |
| <b>Total revenues, gains and<br/>    other support</b> | <b>11,917,878</b>                                    | <b>80,724</b>                          | <b>11,998,602</b>  | <b>14,066,733</b>                                    | <b>167,110</b>                         | <b>14,233,843</b>   |
| <b>Expenses:</b>                                       |  |  |                    |  |  |                     |
| <b>Program services:</b>                               |  |  |                    |  |  |                     |
| Conference   | 3,506,092  |  | 3,506,092          | 3,655,383  |  | 3,655,383           |
| Publications   | 856,649  |  | 856,649            | 1,179,072  |  | 1,179,072           |
| Professional development                               | 735,928  | 56,280                                 | 792,208            | 933,212  | 20,080                                 | 953,292             |
| Marketing  | 1,165,863  |  | 1,165,863          | 1,111,830  |  | 1,111,830           |
| Member and chapter services                            | 484,181  |  | 484,181            | 606,980  |  | 606,980             |
| Government affairs                                     | 615,236  |  | 615,236            | 490,455  |  | 490,455             |
| Strategic and enterprise risk practice                 | 73,403   |  | 73,403             | 59,905   |  | 59,905              |
| <b>Total program services</b>                          | <b>7,437,352</b>                                     | <b>56,280</b>                          | <b>7,493,632</b>   | <b>8,036,837</b>                                     | <b>20,080</b>                          | <b>8,056,917</b>    |
| <b>Supporting services:</b>                            |  |  |                    |  |  |                     |
| General and administration                             | 4,609,554  | 3,245                                  | 4,612,799          | 4,529,459  | 1,927                                  | 4,531,386           |
| Membership recruitment                                 | 537,263  |  | 537,263            | 412,236  |  | 412,236             |
| <b>Total supporting services</b>                       | <b>5,146,817</b>                                     | <b>3,245</b>                           | <b>5,150,062</b>   | <b>4,941,695</b>                                     | <b>1,927</b>                           | <b>4,943,622</b>    |
| <b>Total expenses</b>                                  | <b>12,584,169</b>                                    | <b>59,525</b>                          | <b>12,643,694</b>  | <b>12,978,532</b>                                    | <b>22,007</b>                          | <b>13,000,539</b>   |
| <br>Change in net assets                               | <br>(666,291)  | <br>21,199                             | <br>(645,092)      | <br>1,088,201  | <br>145,103                            | <br>1,233,304       |
| Net assets - beginning of year                         | 9,443,021  | 624,609                                | 10,067,630         | 8,354,820  | 479,506                                | 8,834,326           |
| Net assets - end of year                               | <u>\$8,776,730</u>                                   | <u>\$645,808</u>                       | <u>\$9,422,538</u> | <u>\$9,443,021</u>                                   | <u>\$624,609</u>                       | <u>\$10,067,630</u> |

*The attached notes and auditors' report are an integral part of these consolidated financial statements.*