

*THE LOS ANGELES SOCIETY OF
FINANCIAL ANALYSTS, INC.*

Annual Report
2002 - 2003



Founded in 1931
Founding Member of the Financial Analyst Federation and
A Member Society of the Association for Investment
Management and Research

Table of Contents

Our Vision, Mission and Goals	2
Officers & Governors of the Society	3
President's Report	4
Past Presidents	8
Associated Groups	9
Society Award Recipients & Life Members	11
LASFA Committees	13
LASFA Membership Benefits	17
How To Become a Member	18
How to Become a CFA Charterholder	19
Financial Statements for Year Ended August 31, 2003	20
LASFA & AIMR Information	30

LASFA Vision

The Los Angeles Society of Financial Analysts envisions a future in which:

- ◆ the services, skills and perspective of the investment professional are highly regarded as adding significant value to the investment decision-making process
- ◆ trust and personal interaction are the cornerstones of the investor/investment professional relationship
- ◆ the prestige of the CFA designation is widely accepted within and outside of the investment community
- ◆ technology is utilized to the fullest as a vehicle to deliver information and education, not as a substitute for personal interaction
- ◆ the Society is the premier choice for access to professional information, personal interaction, and practical experience and expertise

LASFA Mission Statement and Goals

Established in 1931, the Los Angeles Society of Financial Analysts (the Society) is a network of investment management professionals in the greater Los Angeles area, affiliated with the Association for Investment Management and Research.

The mission of the Society is to provide access to information, expertise and personal interaction to further members' professional development and to promote the value of the profession and the CFA designation.

The Society strives to fulfill this purpose as:

- ◆ a local *Forum* bringing together people, knowledge and practical experience
- ◆ a respected *Partner* with other organization for the purpose of serving mutual interests and the meaningful exchange of ideas
- ◆ a *Premier Source* for professional resources and development
- ◆ a powerful *Voice* representing ethical standards of practice and the interests and value of the profession.

2002 -2003 Officers

President

James M. Lyon, CFA, CIC
Oakwood Capital Management, LLC
1990 South Bundy Drive, Suite 777
Los Angeles, CA 90025
Phone: (310) 772-2600
Fax: (310) 772-2601
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Treasurer

Jeffrey Anderson, CFA
Trust Company of the West
865 South Figueroa Street
Los Angeles, CA 90017
Phone: (213) 244-0094
Fax: (213) 244-0741
e-mail: jeffrey.anderson@tcw.com

Vice President

David M. Ward, CFA
Northern Trust Bank
69710 Highway 111
Rancho Mirage, CA 92270
Phone: (760) 770-8518
Fax: (760) 776-4600
e-mail: dmward@earthlink.net

Secretary

Doug Achtemeier, CFA
Northrup Grumman Corporation
1840 Century Park East,
Suite 159-CC
Los Angeles, CA 90067
Phone: (310) 201-1628
e-mail: dachtemeier@mac.com

Board of Governors

Past President

Michael D. O'Brien, CFA
Mellon

Victor Hawley, CFA
Reed, Conner, & Birdwell, LLC

Doug Achtemeier, CFA
Northrup Grumman Corporation

James M. Lyon, CFA, CIC
Oakwood Capital Management LLC

Jeffrey B. Anderson, CFA
Trust Company of the West

Don Straszheim, Ph.D.
Straszheim Global Advisors, Inc.

Marie Beerens, CFA
Payden & Rygel

David Ward, CFA
Northern Trust Bank

Saeid Hamedanchi, CFA
Islamic Development Bank

Wade T. Winter, CFA
Jefferies Capital Management

Berkeley G. Harrison, CFA
ING Bank fsb

President's Report 2002-2003

2002 – 2003 was a tremendous year for our society. Thanks to the hard work and creativity of our very dedicated volunteers, member participation in our topical and education programs has more than doubled. Despite being in the third year of a difficult economy and a protracted bear market in equities, our membership has grown to over 1,700 members. Improvements to existing programs and services as well as new benefits continue to be developed to better serve our members. What follows are some of the highlights of a very exciting and productive year.

Thanks to the efforts of **Berkeley Harrison, CFA**, **Ashish Vaidya, Ph.D.** and our Education Committee, the quality of and attendance in our post-CFA professional development courses have increased substantially. Together with the continued success of our pre-CFA Foundations of Investments course, our continuing education programs are for the first time generating a material financial surplus. A surplus that will contribute to the funding of additional programs and services for our members.

LASFA has become a participant in the Approved Provider Program for AIMR's recently renamed voluntary continuing education program, now known as the **AIMR Professional Development Program**. Our participation in the AIMR-PDP Approved Provider Program will help our members attain Professional Development Program credit more easily and provide our members with a "safe harbor" when documenting their participation.

Doug Achtemeier, CFA and our Technology and Communication Committee have made a number of enhancements to our Internet web site, www.lasfa.org, and in our Internet based communications efforts:

- ◆ Members can now register for society events on our web site and receive electronic confirmations.
- ◆ Members participating in topical or education programs eligible for AIMR Professional Development Program credit will now have their PDP Diaries on the AIMR web site updated automatically and will receive e-mailed certificates of attendance for their files.
- ◆ Candidates can enroll on-line in our CFA Review Program and download instructor handouts prior to attending class.
- ◆ The minutes of our Board meetings, our Bylaws, committee rosters and descriptions, officer and Board of Governor rosters and our vision and mission statements are now available on-line.
- ◆ Our annual reports are also available on-line and can be downloaded from our web site, saving us thousands of dollars in printing and postage costs.

In partnership with the **University of Southern California**, **Wade Winter, CFA** together with **Jeff Anderson, CFA**, **David Ward, CFA**, **Bill Krantz, CFA** and the other volunteer level coordinators made significant improvements to our already top performing USC/LASFA CFA Review Courses. In addition to classroom instruction and instructor handouts over an 20-week period, candidates in our program now receive a variety of additional preparation materials to supplement their self-study efforts. Participating candidates are now also receiving Schweser study notes and practice questions, a Schweser CD-ROM program with thousands of practice questions linked to learning outcome statements and instructional materials, and a 6 hour practice exam prepared by a mock Council of Examiners assembled by the **Boston Security Analysts Society**.

Participation in our Topical Program events increased significantly this year thanks to the efforts of the volunteers on our Topical Program Committee; most notably, **Jim Altenbach, CFA** and **George Dennis** along with Co-chairs **Charles Thuss, CFA**, **Dick McDonald, CFA** and **Mark Duvall, CFA**. Under their leadership, we have seen a 29% increase in the number of topical programs. We are now averaging 4 to 5 topical programs per month. Our total attendance has more than doubled from 1,325 attendees last year to over 2,900 attendees this year, taking our average attendance from 35 people per event last year to an average of 60 attendees per event this year. Charles Thuss, CFA, Dick McDonald, CFA and Mark Duvall, CFA were recipients of this year's Emerging Leadership Award for their efforts in leading the Topical Programs Committee.

Our hugely successful Annual Forecasting Dinner was a major milestone for our society this year. George Dennis, a recipient of this year's Outstanding Committee Member Award, played a leading role in transforming what was an annual forecasting luncheon to a significantly larger and more successful Annual Forecasting Dinner. **Don Straszheim, Ph.D.**, a member of our Board of Governors, did an outstanding job as emcee and moderator of the forecasting panel. In the past our annual forecasting luncheons have had about 100 attendees. This year our first Annual Forecasting Dinner event was a huge success with over 300 in attendance, the largest turnout ever for a LASFA event. This event will no doubt become the major gathering of our society's members in the years to come.

Our society's finances continue to be strong. We have a very healthy balance sheet with over \$440,000 in reserves and our membership continues to grow. We are, however, victims of our own success. Due to the over 115% increase in attendance at our society's Topical Program events this year, we generated an operating deficit of about \$49,000. Your Board of Governors has already taken steps to address this shortfall by instituting a modest per event charge for Topical Program events in the coming year.

We are also now partnering with other organizations such as the **Financial Executives Institute (FEI)**, the **National Association of Business Economists (NABE)**, the **Orange County Society of Investment Managers (OCSIM)** and **Global Association of Risk Professionals (GARP)** in sponsoring events for our members. Our purpose in co-sponsoring these events is to serve the mutual interests of our respective members and to promote the meaningful exchange of ideas. Our Quantitative Investment Association (QIA) continues its series of successful monthly meetings under the direction of **Karyn Williams, Ph.D.**, QIA President. We also have a new associated "practice" group known as the Applied Behavioral Finance Group led by **Larry Brody** and **Steve Schoen** holding regular meetings.

In December 2002 we held our annual Holiday **Social at the Shutters on the Beach Hotel** in Santa Monica, California. Our keynote speaker was **Michael Josephson, Esq.**, founder and president of the "**CHARACTER COUNTS! Coalition**" and the **Josephson Institute of Ethics**. Michael is a regular commentator on **KNX 1070 AM** news radio speaking on issues relating to ethics. Michael Josephson's very timely and thought-provoking speech was well received by all in attendance. Many thanks to **Jameson Van Niel, CFA**, Chair of the Social Committee for organizing such a festive and timely event.

In July 2003 LASFA held its 73rd Annual Meeting of the Members on the back lot at the **Walt Disney Studios** in Burbank, California. We had about 250 members in attendance including 19 past Presidents of LASFA. At the meeting the Life Member Award was conferred on **Marla Harkness, CFA**. The LASFA Life Member Award honors those individuals whose contributions to the society have been so substantial and so exemplary that they are deemed to be members of LASFA for life. This is certainly the case with Marla. Marla has been an active and dedicated volunteer for many

years. She has served on numerous committees, as a coordinator in our CFA Review Program, as a member of the Board of Governors and is a past President of our society. Marla became just the sixth person in the last 25 years to receive this prestigious award. **Bob Hardaway, CFA**, a previous Life Member Award recipient, gave a very eloquent speech honoring Marla's many accomplishments and contributions to the society before doing the honor of presenting Marla with the Life Member Award.

Attendees at our 73rd Annual Meeting of the Members were then treated to a private screening of Walt Disney Studios' new action adventure feature film "*Pirates of the Caribbean: The Curse of the Black Pearl*." The meeting was a huge success thanks to the efforts of **Vic Hawley, CFA**, Chair of our Annual Meeting Committee and **Eric Smith, CFA**, Chair of our Awards Committee. We are particularly grateful to **The Walt Disney Company** and, in particular, **Wendy Webb**, Disney's Director of Investor Relations, for making their studios available for our meeting and for the private screening of "Pirates of the Caribbean: The Curse of the Black Pearl."

Over the years LASFA has been a leader within **AIMR** and the old **Financial Analysts Federation** (FAF). Back in 1946, LASFA was a founding member of the FAF. In 1990, the FAF merged with the Institute of Chartered Financial Analysts (ICFA) to form AIMR. In the past we have sponsored new Chapters of LASFA that have gone on to become full-fledged societies with in the FAF and AIMR. The Orange County Society of Investment Managers (OCSIM) and the Financial Analysts Society of San Diego are two examples. This past year we assisted in the formation of a new Chapter in Hawaii, known as The Hawaii Society of Investment Professionals. The Hawaii Chapter is on the road towards becoming a full-fledged society in 2004.

We have continued to play a leadership role in advancing member issues and concerns within AIMR. Many volunteers and leaders within the Los Angeles investment community participate in leadership roles within AIMR. In the past year one could find LASFA representation on the AIMR Board of Governors, the CFA Council of Examiners, the CFA Candidate Curriculum Committee, CFA Exam Graders, Professional Conduct Committee, Public Awareness Committee, Professional Development Committee, Technology Advisory Committee, Private Client Task Force, Nominations Evaluation Task Force and the Editorial Board of the Financial Analysts Journal. LASFA members serving in the leadership roles within AIMR include **Frank Dohn, CFA, Michael O'Brien, CFA, James Bronson, CFA, Glen Holden, CFA, Rajiv Vyas, CFA, Jim Lyon, CFA, Rich Barnett, CFA, Dave Cary, Ph.D., Saeid Hamendanchi, CFA, Marla Harkness, CFA and Rob Arnott.**

Most notable within this group of volunteers is **Rob Arnott**, recipient of this year's Outstanding Society Member of the Year Award. In November 2002 Rob was appointed to a three-year term as Editor of the Financial Analysts Journal. Rob Arnott is one of those rare individuals in the field of finance who has achieved success as an investment practitioner and as an accomplished researcher in practitioner oriented investment research. Rob is Chairman and Partner of **First Quadrant, L.P.** in Pasadena and the investment research firm **Research Associates**. He is also the author of over 50 articles of original research published in professional journals; three of them required reading for the CFA program. Rob has won the AIMR Graham & Dodd Scroll four times; an award given each year for the best published articles on investment theory. Most recently, at the May 2003 AIMR Annual Conference in Phoenix, Arizona, Rob was jointly awarded the annual Graham & Dodd Scroll for an article he co-wrote with Peter Bernstein entitled "What Risk Premium is 'Normal'?" Rob is also a member of the Editorial Board of The Journal of Portfolio Management, The Journal of Investing and the Journal of Wealth Management. He is a founding member of the Chairman's Advisory Council of the Chicago Board Options Exchange and the Product Advisory Board of the Chicago Mercantile Exchange and the Toronto Stock Exchange.

Norman Kulla, CFA, Chair of the Audit and Accounting Committee and **Steve Rembowski, CFA** were also recipients of our Outstanding Committee Member Award for their work on our Audit and Accounting Committee. Norm and Steve have done an exemplary job of working with our independent auditors, advocating improvements to our accounting policies and developing a more thorough Investment Policy Statement for the management of LASFA's reserves. Their work behind the scenes is important, well done and deserving of our recognition and gratitude.

In addition to the efforts of a dedicated group of volunteers, LASFA also enjoys the support of many of the investment firms in the Los Angeles area that employ our members. One such firm is **Payden & Rygel Investment Counsel**, recipient of this year's LASFA Corporate Award. One of the largest and most successful investment-counseling firms in California, Payden & Rygel has been a staunch supporter of LASFA and a leader within our profession locally and globally. In addition to being a leading proponent of the CFA designation, Payden & Rygel has been an advocate for our industry through their active involvement with the **Investment Counsel Association of America (ICAA)** and a generous patron of the **Research Foundation of AIMR**.

Payden & Rygel's support of LASFA has included financial support as a Gold Sponsor of our Annual Forecast Dinner and as a Silver Sponsor of the 2001 AIMR Annual Conference, co-hosted by LASFA here in Los Angeles. Over the years, Payden & Rygel has also been generous with volunteer support from the firm's employees and principals. **Jim Sarni, CFA**, is a past President of LASFA, past Board member, instructor in our CFA Review Program and a member of our Topical Programs and Advocacy Committees. **Marie Beerens, CFA**, an outgoing Board member continues to make significant contributions as Chair of our Member and Public Awareness Committee. **Asha Joshi, CFA**, an incoming Board member also serves as Chair of our Scholarship Committee. **Chris Ornsdorf, CFA**, previously served as an instructor in our CFA Review Program and **Scott King, CFA** previously served as a member of our Placement Committee and as a past instructor in our CFA Review Program.

On a sad note we recently learned of the unexpected passing of **James H. Fletcher, CFA**, a past President of LASFA in 1994–1995. Jim was a Senior Vice President – Investments for **Smith Barney**, where he specialized in institutional relationships. As President of LASFA Jim was an innovative, effective and energetic leader. A strong believer in the value of education, Jim expanded the society's educational offerings substantially during his tenure. He is also credited with creating LASFA's annual CFA Charter Recognition event. Jim's friendship, leadership and wise counsel will be sorely missed. The Board of Governors recently renamed the Emerging Leader Award, an innovation created by Jim during his presidency, in his honor.

It has been an honor and a pleasure serving as President of your society. We are all fortunate to have so many dedicated volunteers on our committees and on our Board who have contributed so much to our success. Their hard work has made my job as President both rewarding and fun. In particular I'd like to thank **Michael O'Brien, CFA** and **Marla Harkness, CFA** for their friendship, wise counsel and sense of humor. Finally, I'd like to thank **Theresa, Madison** and **J.T.** for their love, patience and support during a very busy year.

Respectfully Submitted,
James M. Lyon, CFA, CIC
President, 2002-2003

January 2004

Past Presidents

F.J. Thieme, Jr.	1931	Sheldon Collins, CFA	1969-70
O.B. Lighthill	1932	David C. Pearson, CFA	1970-71
J.L. Erickson	1933	Roger L. Gewecke, CFA	1971-72
L. Hartley Smith, CFA	1934	Donald L. Keene, CFA	1972-73
Rockwell Hereford	1935	A.B. Ehlert, CFA	1973-74
Paul Wagenseller	1936	Stanley D. Ryals, CFA	1974-75
Charles H. Widmayer	1937	Dennis R. Bouwer, CFA	1975-76
George W. Kassler	1938	Francis X. Cloran, II, CFA	1976-77
K. Arnold Liljegren	1939	David F. Allen, CFA	1977-78
Jack Silvester	1940	James C. Reed, CFA	1978-79
George L. Parr	1941	Theodore Congdon, CFA	1979-80
Harvey Evans	1942	John C. Sherman, CFA	1980-81
Kenneth D. Sanson	1943	James K. Dunton, CFA	1981-82
Roger Pile	1944	Dorothea Zimberoff, CFA	1982-83
Walter S. Weeks	1945	Albert W. Sanborn, CFA	1983-84
Theron Walker	1946	Robert B. Hardaway, Jr., CFA	1984-85
Jack R. Laznick	1947	William L. Krantz, CFA	1985-86
Walter Fruehling	1948-49	Shelley N. Grudin, CFA	1986-87
Richard M. Link	1950	Danford E. Hand, CFA	1987-88
Walter Podolak	1951-52	Phyllis G. Thomas, CFA	1988-89
Alfred Post	1953-54	Jean V. Keatley, CFA	1989-90
Stanley J. Thompson	1955-56	Frank C. Dohn, CFA	1990-91
L. Hartley Smith, CFA	1956	Glen A. Holden, Jr., CFA	1991-92
W. Murray Hawkins	1957-58	Victor S. Sidhu, CFA	1992-93
C.K. Corcoran	1958-59	Michael F. Schaible, Jr., CFA	1993-94
Dwight Baum, CFA	1959-60	James H. Fletcher, CFA	1994-95
Douglas Fletcher, CFA	1960-61	Karen McCue, CFA	1995-96
Marjorie Fisher, CFA	1961-62	Maureen F. Gallogly, CFA	1996-97
Allen D. Harper, CFA	1962-63	Marla L. Harkness, CFA	1997-98
James B. Lester, CFA	1963-64	Richard Barnett, CFA	1998-99
James Comeskey, CFA	1964-65	David Dahl, CFA	1999-00
Marvin W. Drew, CFA	1965-66	James Sarni, CFA, CIC	2000-01
James H. Wallace, CFA	1966-67	Michael O'Brien, CFA	2001-02
Kenneth Gerhardt, CFA	1967-68	James M. Lyon, CFA, CIC	2002-03
Frank Foellmer, CFA	1968-69		

Associated Groups

USC/LASFA CFA® Review Program

Co-Directors: Wade T. Winter, CFA & Dennis Draper, Ph.D.
 Administrative Office Telephone: (213) 627-1230 * Fax: (213) 947-4855
 e-mail: cfareview@lasfa.org

Since 1984, Los Angeles Society of Financial Analysts, Inc. (“LASFA”) in partnership with the University of Southern California, Marshall School of Business (“USC”) has offered CFA Review Programs at each level of the CFA Study and Examination Program. Recently we introduced several new features to our CFA Review Programs including Schweser Study Notes, Schweser Pro, and a full length practice exam. Additionally we also conduct a Saturday Review Course for Level I and Level II candidates.

The Weekly Review Course and the Saturday Review Course provide candidates with a structured, classroom based approach to preparing for the CFA examination. The program is designed to assist candidates in mastering the AIMR Candidate Body of Knowledge. The focus of the Review Courses is on the comprehension of the assigned materials in the Study Guides with an emphasis on the Learning Outcome Statements (LOS). In addition, problem solving, a full length practice exam and practical exam taking tips are incorporated into the program. The program covers all disciplines on the exam. Candidates are expected to have completed the assigned readings each week prior to attending class. You may register on line at: http://www.lasfa.org/lasfa_cfmfiles/asp/cfainfo.asp

Quantitative Investment Association

Karyn Williams, Ph.D., QIA President
 Phone: (213) 627-1500 Fax: (213) 947-4855
 e-mail: kwilliams@wilshire.com

The Quantitative Investment Association features presentations, meetings and seminars in the quantitative field generally the 4th Thursday, of every month. To be placed on the QIA e-mail list, please send name, e-mail address to Karyn Williams at the above listed e-mail.

Applied Behavior Finance Group

Laurence Brody, Ph.D, Behavioral Finance Group President
 Administrative Office Telephone: (213) 627-1500 Fax: (213) 947-4855
 e-mail: broassoc@aol.com

The Applied Behavioral Finance Group has been formed to try to communicate with the general membership of LASFA, about the emerging concepts of Behavioral Finance. It was felt that the ability to “apply” these concepts and information, both in understanding portfolio management, human error and in dealing with clients, could be enhanced by the use of Behavioral Finance. There are a growing number of Behavioral Finance oriented asset managers. Program needs are polled from LASFA members who originally indicated an interest starting with the Arnold Wood presentation in 2001. An appeal for updated interest was initiated recently. There is a strong nucleus of the Applied Behavioral Finance Group Board, which maintains an interest in studying and following the direction of growth in awareness in Behavioral Finance. We intend to pursue our interests in the field.

The Applied Behavioral Finance Group features presentations, meetings, seminars, study groups and may propose research initiatives in the field of behavioral finance. To be placed on ABF’s email list please send name, email address to Dr. Laurence Brody at the above listed e-mail.

Chapters of LASFA

The Hawaii Society of Investment Professionals

Admitted as Chapter of LASFA on June 8, 2002
 Meetings are held in Honolulu - For more information, please go to:
<http://www.aimr.org/socservices/programs/socpage.asp?society=HAWAII>
Membership Chairman: Van L. Cornwell, CFA - vcornwell@boh.com

Gregory E. Ratte, CFA	President	email: gregory.ratte@bishopst.com
Kenwei Chong, CFA	Vice President	email: kenwei@fileminders.com
Viraphanh Sananikone, CFA	Vice President	email: vsananikone@pacmarinc.com
Van L. Cornwell, CFA	Secretary	email: vcornwell@boh.com
Diana P. Wehrly, CFA	Treasurer	email: ml671@aol.com

Previous Chapters of LASFA

The Financial Analysts Society of San Diego ~ Founded in 1962
www.fassd.org

The Orange County Society of Investment Managers ~ Founded in 1997
www.ocsim.org

Society Award Recipients & Life Members

Life Members

Awarded periodically as merited by the LASFA Board of Governors to individuals whose contributions to the Society have been so substantial and so exemplary that they are deemed to be members for life in the Los Angeles Society of Financial Analysts

Marla Harkness, CFA	2003	Lucille Thompson (Hon.)	1991
Frank C. Dohn, CFA	1999	Marjorie Fisher, CFA	1986
Robert B. Hardaway, Jr., CFA	1991	David C. Pearson, CFA	1979

Outstanding Society Member Awards

Awarded periodically as merited by the LASFA Board of Governors to society members who have remained active in the organization after the expiration of their tenure on the Board and/or whose contribution and involvement continues to substantially benefit LASFA programs, activities and initiatives, or whose leadership and contributions to the profession merit special recognition.

Rob Arnott	2003	Stanley D. Ryals, CFA	1988
Dennis E. Gilkerson, CFA	2002	Robert B. Hardaway, Jr., CFA	1987
Roxanne Cheng, CFA	2001	Dr. Guilford C. Babcock	1986
James M. Lyon, CFA, CIC	2000	James K. Dunton, CFA	1984
James H. Fletcher, CFA	1998	Shelley N. Grudin, CFA	1981
Glen A. Holden, CFA	1997	Roger L. Gewecke, CFA	1980
William L. Krantz, CFA	1996	Dennis R. Bouwer, CFA	1978
Frank C. Dohn, CFA	1995	David C. Pearson, CFA	1977
Phyllis G. Thomas, CFA	1989	Donald L. Keene, CFA	1976

Governors' Award

Shelly N. Grudin, CFA	1976
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Outstanding Committee Member

Awarded annually by the LASFA Board of Governors to the individual or individuals who have made substantial contributions to the Society while either heading or acting as a member of a LASFA committee during the previous year.

George Dennis	2003	Margaret Mudd	1998
Norman Kulla, CFA	2003	Anita A. Brown, CFA	1997
Steve Rembowski, CFA	2003	Roxanne Cheng, CFA	1997
James M. Lyon, CFA, CIC	2002	Peter B. Swank, Ph. D.	1997
James H. Fletcher, CFA	2002	Michael D. O'Brien, CFA	1996
Berkeley G. Harrison, CFA	2001	Edward M. Boulter, CPA	1995
Eric T. Smith, CFA	1999		

James H. Fletcher, CFA Emerging Leader Award

Awarded annually by the LASFA Board of Governors to the individual or individuals who have demonstrated outstanding leadership characteristics in the course of work on a LASFA program, activity or initiative during the previous year. The award is named in honor of James H. Fletcher, CFA, a past president of LASFA in 1994-1995. Jim was a Senior Vice President - Investments for Smith Barney. As president of LASFA Jim was an innovative effective and energetic leader. A strong believer in the value of education, Jim expanded the society's educational offerings substantially during his tenure. He is also credited with creating LASFA's annual CFA Charter Recognition event. In the years after his presidency, Jim continued his involvement in LASFA and provided wise counsel to many future LASFA leaders. The emerging leader award, an innovation created by Jim during his presidency, was renamed in his honor.

Mark T. Duvall, CFA	2003	Leslie Richardson	1999
Richard McDonald, CFA	2003	Saeid Hamedanchi, CFA	1998
Charles J. Thuss, CFA	2003	Dennis E. Gilkerson	1997
Asha B. Joshi, CFA	2002	James M. Lyon, CFA	1996
Marie A. Beerens, CFA	2001	Karen L. Combs, CFA	1995
David M. Ward, CFA	2000	Maye Hackworth, CFA	1995

Corporate Award

Awarded periodically by the LASFA Board of Governors to the organization which has demonstrated significant support to the Society's programs, activities and initiatives in a substantial and continual way over the past year.

Payden & Rygel	2003	Smith Barney Company	1998
Wells Fargo	2002	Smith Barney Company	1997
University of Southern California	2001	Jefferies & Company	1996
Payden & Rygel	1999	Smith Barney Company	1995

LASFA's Committees

Advocacy

Considers current issues that are of importance to the profession on which LASFA may choose to take a position such as regulatory issues, legal issues, new ethics requirements, accounting issues, etc.

Chair: Vacant e-mail:

Members: James Altenbach, CFA, Richard Barnett, CFA, Mark Duvall, CFA, Marla Harkness, CFA, James Lyon, CFA, CIC, Radu Patrichi, Roberto Rivera, James Sarni, CFA

Annual Meeting

Make arrangements and coordinate events for the Annual Meeting.

Chair: **Victor Hawley, CFA** e-mail: vhawley@rcbinvest.com

Annual Report

Assist in Preparation and Review of Annual Report and Membership Roster.

Chair: **Michael Schaible, CFA, CIC**

Applied Behavior Finance Group

The Applied Behavioral Finance Group has been formed to try to communicate with the general membership of LASFA, about the emerging concepts of Behavioral Finance. It was felt that the ability to "apply" these concepts and information, could enhance our understanding of portfolio management, human error and dealing with clients.

The Applied Behavioral Finance Group features presentations, meetings, seminars, study groups and may propose research initiatives in the field of behavioral finance. To be placed on ABF's email list please send name, email address to Dr. Laurence Brody at the e-mail address below.

President: **Dr. Laurence Brody** e-mail: broassoc@aol.com

Vice-Pres: **Steven Schoen**

Audit & Accounting*

Act as liaison with accounting profession; Coordinate LASFA's annual financial audit with staff and arrange for the auditors to make a formal report to the LASFA Board of Governors; Arrange for an orderly rotation from one auditing firm to another by putting out Requests for Proposal for auditing services well in advance, interviewing applicant accounting firms and making recommendations for future audit firms to the Board of Governors; Arrange for an orderly transition from one accounting firm to the next. Conduct such internal audit activities as the committee and/or the Board may deem appropriate. Sponsor a topical program at least annually that addresses concepts or activities that impact both the accounting/auditing profession and financial analysis/portfolio management.

Chair: **Norman Kulla, CFA** e-mail: nkulla@aol.com

Members: Gary Johnstone, CFA, CPA/ABV, Stephen Remboski, CFA

Awards

Procure awards as designated by the Board of Governors; Awards will usually be given at the LASFA Annual meeting.

Chair: **Eric Smith, CFA** e-mail: esmith@mwcm.com

CFA Charter Recognition Event

Make arrangements and plan publicity for CFA Charter Recognition Event.
 Co-Chair: **Marla Harkness, CFA** e-mail: marlaharkness@aol.com
 Co-Chair: **Michael O'Brien, CFA** e-mail: o'brien.md@mellon.com

Chartered Financial Analysts*

Act as liaison with Institute of Chartered Financial Analysts, administer CFA review seminars and arrange informal CFA study groups.

Co-Chair: **Wade T. Winter, CFA** e-mail: wwinter@jefco.com

Co-Chair: **Dennis Draper, Ph.D.** e-mail: DDraper@marshall.usc.edu

Level I Coordinators: Jeffrey Anderson, CFA, Kevin Isawa, CFA, James Lewis, CFA,

Jean Li-Smith, CFA, Kenneth Yee, CFA, CPA

Level II Coordinators: Paula Blacher, CFA, John Phillips, CFA, David Ward, CFA

Level III Coordinators: Roger Gewecke, Jr., CFA, Sam Butler, CFA, William Krantz, CFA, Andrew Shuleschenko, CFA

Education*

Develop continuing education programs, including seminars, Basic Accounting, Foundations of Investment courses, a Fixed Income series and other investment courses of interest to LASFA members. Serve as liaison with local colleges and universities in sponsoring student participation in the Society's programs.

Chair: **Berkeley Harrison, CFA** e-mail: bharrison@ingdirect.com

Coordinator: **Ashish Vaidya, Ph.D.** e-mail: Ashish.Vaidya@csuci.edu

Members: David Bird, CMT, Laurence Brody, Ph.D., George Dennis, John Lacey, Ph.D., CPA,

Finance Committee

The committee shall assist the Treasurer in advising the Board of Governors in the management of investment actions and consider other financial matters as necessary. The powers and duties of the committee are separate and distinct from those that are already delegated to the Audit and Accounting Committee. The oversight of the investment policy statement is the responsibility of the Finance Committee.

Chair: **Doug Achtemeier, CFA**

e-mail: doug.achtemeier@ngc.com

Vice-Chair: **Donald Straszheim, Ph.D.**

e-mail: don@straszheim.com

Members: Mark Fitzsimmons, CFA

The Hawaii Society of Investment Professionals

Admitted as Chapter of LASFA on June 8, 2002

Meetings are held in Honolulu - For more information, please go to: <http://www.aimr.org/socservices/programs/socpage.asp?society=HAWAII>

Membership Chairman: Van L. Cornwell, CFA e-mail: vcornwell@boh.com

Gregory E. Ratte, CFA

President

email:gregory.ratte@bishopst.com

Kenwei Chong, CFA

Vice President

email:kenwei@fileminders.com

Viraphanh Sananikone, CFA

Vice President

email:vsananikone@pacmarinc.com

Van L. Cornwell, CFA

Secretary

email:vcornwell@boh.com

Diana P. Wehrly, CFA

Treasurer

email:ml671@aol.com

Rosita P. Chang, CFA

CFA Courses, Continuing Education, Scholarship, University Liaison

email:rchang@cba.hawaii.edu

Viraphanh Sananikone, CFA

Membership, Publicawareness

email:vsananikone@pacmarinc.com

Diana P. Wehrly, CFA

Program

email:ml671@aol.com

The Hawaii Society of Investment Professionals (Continued)

Members: William James Barton, CFA, Rosita P. Chang, CFA, Kenwei Chong, CFA, Van L. Cornwell, CFA, Richard B. Dole, CFA, M'Liss H. Moore, CFA, Gregory E. Ratte, CFA, Viraphanh Sananikone, CFA, Diana P. Wehrly, CFA, David G. Zerfoss, CFA

Member and Public Awareness

Publish newsletter highlighting Society activities, increase awareness of LASFA and the CFA Charter within the investment community and among other professionals, investors and the media. Improve awareness of high ethical standards, professionalism, expertise and integrity of the investment profession.

Chair: **Marie Beerens, CFA** e-mail: mbeerens@payden-rygel.com

Members: A. Harbour, CFA, CPA, CFP, CIMA, Cynthia Harrington, CFA, Richard Roth, CFA, CPA

Membership Involvement Committee

Invite new members to become involved in LASFA committees and projects.

Chair: **Jeffrey Anderson, CFA** e-mail: jeffery.anderson@tcw.com

Vice-Chair: **James Lyon, CFA, CIC** e-mail: jim@oakwoodcap.com

Membership*

The committee reviews applications and processes qualified membership candidate applications.

Chair: **Victor Hawley, CFA** e-mail: vhawley@rcbinvest.com

Vice-Chair: **Paul Spiro, CFA** e-mail: spiro.p@mellon.com

Nominating*

Identifies and nominates to the Board of Governors members of the Society for consideration as officers and Governors of the Society. Also identifies potential nominees to AIMR positions and committees. Identifies and nominates potential annual award recipients.

Chair: **James Lyon, CFA, CIC** e-mail: jim@oakwoodcap.com

Vice-Chair: **David Ward, CFA** e-mail: dmward@earthlink.net

Members: Doug Achtemeier, CFA, Jeffrey Anderson, CFA, Donald Straszheim, Ph.D.

Operating Committee

Oversees the operations of the Society, including the Society's administrative offices and staff.

Chair: **James Lyon, CFA, CIC**

Vice-Chair: **David Ward, CFA**

Members: Doug Achtemeier, CFA, Jeffrey Anderson, CFA, Donald Straszheim, Ph.D.

Placement*

Provides an on-line listing of job opportunities in the financial service profession. Coordinates the Annual Career Expo and chairs topical meetings on career issues.

Chair: **Roxanne Cheng, CFA** e-mail: Roxanne.Cheng@rsmi.com

Members: Jeffrey Anderson, CFA, Donald Brown, CFA, Adam Coppersmith, CFA, David Dahl, CFA, Berkeley Harrison, CFA, Mario Ignacio, CFA

Quantitative Investment Association

Features presentations, meetings and seminars in the quantitative field generally the 4th Thursday, of every month.

Chair: **Karyn Williams, Ph.D.** e-mail: kwilliams@wilshire.com

Scholarship

Review scholarship applications and make scholarship award recommendations to the Board of Governors; arrange for scholarships to be awarded on behalf of LASFA and AIMR to CFA candidates.

Chair: **Asha Joshi, CFA** e-mail: ajoshi@payden-rygel.com

Vice-Chair: **Andrew Lahde, CFA** e-mail: andrewlahde@yahoo.com

Social Committee

Organize social activities and networking opportunities for members. Plan activities, publicize and make arrangements for post CFA exam mixer for local Candidates and Society leaders. Coordinate arrangements with OCSIM as necessary.

Chair: **Leslie Richardson** e-mail: lbardolino@aol.com

Co-Chair: **Krista Zipfel, CFA** e-mail: kzipfel@sbcglobal.net

Members: Shawn Tsai, CFA

Speakers Bureau

Implement a public speaking program to educate the public about the profession, the Society and its activities.

Chair: **H. Eugene Noll** e-mail: maxnoll@pacbell.net

Members: Gary Caine, Roxanne Cheng, CFA, Maureen Gallogly, CFA, Michael O'Brien, CFA

Technology and Communication

Maintain and improve the web site and its functionality, and review innovative ways to improve communication to the membership.

Chair: **Doug Achtemeier, CFA** e-mail: doug.achtemeier@ngc.com

Members: Jean Li-Smith, CFA, Armin Pajand, CFA, David Ward, CFA

Topical Program*

Plan Society programs for the year. Organize topical educational programs and seminars for the Society. Provide a forum in which investment professionals can maintain and update their knowledge on investment-related issues and topics. Invite companies to appear, coordinate arrangements with Administrative office and chair meetings.

Co-Chair: **Mark Duvall, CFA** e-mail: duvallm@wellsfargo.com

Co-Chair: **Richard McDonald, CFA** e-mail: rmcdonald@cbbank.com

Co-Chair: **Charles Thuss, CFA** e-mail: cthuss@lasfa.org

Members: James Altenbach, CFA, Larry Brody, Ph.D, George Dennis, Dennis Gilkerson, Saeid Hamedanchi, CFA, Robert Maltbie, CFA, Madeleine Mamaux, CFA, Michael O'Brien, CFA, Prem Raniga, CFA, James Sarni, CFA, Jamison Van Niel, CFA

**Standing Committees* (called for in Article VIII of the Society's By-Laws) are noted. To become more involved in the open committees, contact the LASFA office at (213) 627-1500 or e-mail the Chair of the committee.

LASFA Membership Benefits

The Los Angeles Society of Financial Analysts, Inc. (LASFA) provides a professional forum to educate and inform participants in the investment decision-making process, promotes professional behavior and high ethical standards, and enhances the professional knowledge of our membership and general knowledge of economics and finance in the larger community.

In partnership with the Association for Investment Management and Research (AIMR), LASFA conducts high quality programs and disseminates information and ideas relating to the investment decision making process. AIMR is dedicated to promoting ethics and standards of conduct, education and professional certification, and guidelines for professional practice.

Local events are held throughout the year including topical programs, accounting and economic seminars, the Foundations of Investments courses, continuing education courses, CFA review courses, conferences, behavioral finance meetings, and quantitative investments meetings. In addition corporate presentations are made by the management of major corporations to LASFA members and their guests.

The *Annual Report/Membership Directory* and quarterly *Inside Information* newsletter are distributed to our members. Placement listings and publications are also available through LASFA and AIMR.

AIMR is a global organization of investment professionals serving over 100,000 members and candidates, including research analysts, investment counselors, strategists, portfolio managers, consultants, and others allied to the field of financial analysis. These professionals practice in a variety of fields including: investment counseling and management, banking, insurance, investment banking and securities brokerage. When you join one of over 120 member societies, you are also a member of AIMR.

The two categories of membership are Regular and Affiliate. The only difference between a Regular and Affiliate member is that Regular members can vote on AIMR issues. If you desire to apply for membership, complete and return an application, which can be ordered through AIMR at (800) 247-8132.

To become a regular member of AIMR or to enroll in the examination series for the Chartered Financial Analyst (CFA) program, call CFA exam information call (800) 247-8132. Candidates enrolled in the program can apply for membership but are not members until they make application and are accepted by the society. In support of this exam process, each year LASFA offers a 20-Week CFA Review Course cosponsored with the University of Southern California, Marshall School of Business.

Once AIMR receives your membership application with two sponsors, it is submitted to the Membership Committee and then to the Board of Governors to be formally approved. Regular and Affiliate LASFA dues are \$125 per year and AIMR dues are \$225 per year (these are invoiced together, upon approval). After AIMR dues are paid, you will begin receiving program information and the *Financial Analysts Journal*, *AIMR Newsletter*, *Standards of Practice Handbook* and *AIMR Membership Directory*. A broad spectrum of publications is also available for purchase.

For an application:

Call AIMR at (800) 247-8132 or you may also download a membership application from the AIMR website at: <http://www.aimr.org/pdf/memapp.pdf>

How to Become a Member

There are two types of membership offered, Regular and Affiliate. Two sponsors are required for both categories of membership from:

- 1) Your immediate supervisor; and
- 2) A LASFA member in good standing and personally known to you.

A. To be accepted as a **Regular member**, an individual must:

- ◆ have a bachelor's degree or equivalent education or work experience;
- ◆ agree to adhere to the Code of Ethics and Standards of Professional Conduct;
- ◆ have three years of acceptable professional work experience in the investment decision making process and pass the CFA Level I examination;

or

- ◆ have six years of acceptable professional work experience in the investment decision-making process and pass a self-administered standards of practice examination offered by AIMR;

or

- ◆ be at the time of admission a CFA; *and*
- ◆ be either engaged in such acceptable professional work at the time of application

or

- ◆ have acceptable work experience consisting of (a) collecting, evaluating or applying financial, economic or statistical data as appropriate as part of the investment decision-making process, or (b) supervising directly or indirectly those who practice such activities, or (c) teaching such activities.

B. LASFA accepts as members those individuals who do not qualify as Regular members. **Affiliate membership** requires that the applicant:

- ◆ agree to adhere to the Code of Ethics and Standards of Professional Conduct; and
- ◆ be an active candidate for the CFA examination;
- ◆ or be a person whose primary interests are closely allied to the objectives of LASFA.

For an application:

Call AIMR at (800) 247-8132 or you may also download a membership application from the AIMR website at: <http://www.aimr.org/pdf/memapp.pdf>

How To Become a CFA Charterholder

A CFA Charter represents the combination of academic achievement and professional experience. Over 60,000 investment professionals have earned the CFA charter since it was first awarded in 1963.

Candidates for the CFA charter must pass a series of three comprehensive, rigorous examinations over a minimum of three years. On average, candidates spend an estimated 200 hours of individual study preparing for each of these six-hour exams. Candidates study a comprehensive curriculum based on a defined Body of Knowledge. Study guides lead candidates through an assigned program of textbooks and readings covering the basic Body of Knowledge, investment techniques and analytical approaches, and the broad range of investment choices available.

To be awarded the CFA charter, the candidate must:

- ◆ sequentially pass the Level I, Level II and Level III examinations;
- ◆ have at least three years of acceptable professional work experience in the investment decision making process;
- ◆ apply concurrently for membership in AIMR and in a member society, such as LASFA;
- ◆ have evidenced a high level of professional, financial, business and personal conduct;

and

- ◆ comply with the AIMR Code of Ethics and Standards of Professional Conduct.

To apply for the CFA program, contact AIMR's Candidate Program department at (800) 247-8132 or download an application from the AIMR website at: <http://www.aimr.org/cfaprogram/index.html>

For information on the USC/LASFA CFA Review Program call (213) 627-1230 or go to our website at: http://www.lasfa.org/lasfa_cfmfiles/asp/cfainfo.asp

**THE LOS ANGELES SOCIETY OF
FINANCIAL ANALYSTS, INC.**
(a Nonprofit Organization)

Financial Statements

August 31, 2003

With Independent Auditors' Report

Financial Statements

Contents

Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 8

Independent Auditors' Report

To the Board of Governors,

The Los Angeles Society of Financial Analysts, Inc.
(a Nonprofit Organization)
Los Angeles, California

We have audited the accompanying statement of financial position of The Los Angeles Society of Financial Analysts, Inc. (a Nonprofit Organization), as of August 31, 2003, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Los Angeles Society of Financial Analysts, Inc. as of August 31, 2003, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lee, Sperling, Hisamune / Accountancy Corporation

Glendale, California

January 7, 2004

The Los Angeles Society of Financial Analysts, Inc.
 (A Nonprofit Organization)
Statement of Financial Position
 August 31, 2003

Assets

Current Assets:	
Cash and cash equivalents	\$256,276
Membership dues receivable	<u>18,415</u>
Total current assets	274,691
Investments (Note 2)	<u>333,436</u>
Total assets	<u><u>\$608,127</u></u>

Liabilities and Net Assets

Current Liabilities:	
Accounts Payable	\$150,159
Deferred Revenue	<u>15,887</u>
Total Current Liabilities	166,046
Net Assets:	
Unrestricted -	
Undesignated	137,995
Designated	<u>304,086</u>
Total net assets	<u><u>442,081</u></u>
Total liabilities and net assets	<u><u>\$608,127</u></u>

See accompanying notes to financial statements.

The Los Angeles Society of Financial Analysts, Inc.

(A Nonprofit Organization)

Statement of Activities

Year Ended August 31, 2003

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:			
CFA review income (Note 6)	\$257,186	-	\$257,186
Membership dues - LASFA	204,220	-	204,220
LASFA seminar income	43,179	-	43,179
Realized and unrealized gains on investments	17,521	-	17,521
Placement listing	11,760	-	11,760
Interests and dividends	11,421	-	11,421
Host income and guest fees	11,172	-	11,172
QIA meetings	10,696	-	10,696
Career exposition	3,745	-	3,745
	<u>570,900</u>	<u>-</u>	<u>570,900</u>
Total revenue			
	<u>570,900</u>	<u>-</u>	<u>570,900</u>
Expenses:			
Program services -			
CFA review (Note 6)	256,991	-	256,991
Topicals	76,325	-	76,325
LASFA seminars	32,828	-	32,828
Other educational and social activities	110,710	-	110,710
Total program services	<u>476,854</u>	<u>-</u>	<u>476,854</u>
Supporting services	<u>143,170</u>	<u>-</u>	<u>143,170</u>
Total expenses	<u>620,024</u>	<u>-</u>	<u>620,024</u>
Decrease in net assets	<u>(49,124)</u>	<u>-</u>	<u>(49,124)</u>
Net Assets, beginning of the year	554,063	29,086	583,149
Prior Period Adjustments (Note 9)	<u>(62,858)</u>	<u>(29,086)</u>	<u>(91,944)</u>
Net Assets, beginning of the year, restated	<u>491,205</u>	<u>-</u>	<u>491,205</u>
Net assets, end of year	<u>442,081</u>	<u>-</u>	<u>442,081</u>

See accompanying notes to financial statements.

The Los Angeles Society of Financial Analysts, Inc.
(A Nonprofit Organization)
Statement of Functional Expenses
Year Ended August 31, 2003

	Program Services					
	CFA Seminars	Topicals	LASFA Seminars and Other Educational and Social Activities	Supporting Services	Management and	Total
Administrative Fees:						
Management Fees	\$ 16,933	\$ -	\$ -	\$ 98,699		\$ 115,632
Orange County Society Of Investment Managers	1,650	-	-	-		1,650
University Of Southern California	270	-	-	-		270
Total Administrative Fees	18,853	-	-	98,699		117,552
Audit	-	-	-	4,580		4,580
Bank Fees And Finance Charge	8,187	-	-	2,049		10,236
Board And Membership Activities	-	-	56,296	6,281		62,577
Career Exposition	-	-	5,052	-		5,052
Communications	1,315	-	-	14,598		15,913
Faculty And Instructor Fees	107,491	-	32,828	-		140,319
Insurance	-	-	-	3,148		3,148
Location Fees And Rental	150	76,325	-	7,006		83,481
Other Expense	-	-	-	134		134
Printing, Postage, And Supplies	25,844	-	15,573	6,675		48,092
QIA Meetings	-	-	13,920	-		13,920
Recognition And Publicity	-	-	19,869	-		19,869
Study Guides, Outreach Tapes, Mock Exams	95,151	-	-	-		95,151
Total Expenses	\$ 256,991	\$ 76,325	\$ 143,538	\$ 143,170		\$ 620,024

See accompanying notes to financial statements.

The Los Angeles Society of Financial Analysts, Inc.
 (A Nonprofit Organization)
Statement of Cash Flows
 Year Ended August 31, 2003

Operating Activities:	
Decrease in net assets	\$(49,124)
Adjustments to reconcile increase in net assets to net cash provided by operating activities -	
Net realized and unrealized gains on investments	(17,521)
(Increase)/decrease in -	
Membership dues receivable	(689)
Increase/(decrease) in -	
Accounts payable	96,593
Deferred revenue	<u>15,887</u>
Net cash provided by operating activities	<u>45,146</u>
 Investing Activities:	
Proceeds from sale of investments	55,000
Purchase of investments	<u>(8,057)</u>
Net cash provided by investing activities	<u>46,943</u>
Net increase in cash	92,089
 Cash and Cash Equivalents, beginning of year	
	<u>164,187</u>
Cash and cash equivalents, end of year	<u><u>\$256,276</u></u>

See accompanying notes to financial statements.

The Los Angeles Society of Financial Analysts, Inc.

(A Nonprofit Organization)

Notes to Financial Statements

August 31, 2003

Note 1 — Summary of Significant Accounting Policies

The Los Angeles Society of Financial Analysts, Inc. (the "Society") is a nonprofit organization established in 1931. The Society fosters ethical standards of conduct among its membership and within its segment of the financial community and strives to improve the practice of financial analysis and portfolio management through education and the development of professional skills.

(a) Basis of Accounting

The financial statements of the Society have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

(b) Investments

Investments are carried at fair value as determined by quoted market prices, or based on quotations of similar securities. Investing activities are reported on a trade-date basis. Realized gains and losses are calculated based upon the underlying costs. Net realized and unrealized gain/loss on investments is based on the fair value of the assets at the beginning of the year or at the time of purchase for assets purchased during the year and the related fair values on the day the investments are sold with respect to realized gains and losses, and on the last day of the year with respect to unrealized gains and losses.

(c) Deferred revenue represents fees collected for CFA review programs to be held after August 31, 2003.

(d) Statement of Cash Flows

For purposes of the statement of cash flows, the Society considers all cash accounts and investments with maturities of ninety days or less to be cash equivalents for purposes of this statement.

(e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(f) Functional Allocation of Expenses

The costs of providing the various program services have been reported by their functional classification. Accordingly, certain costs have been allocated among program services and support services.

(g) Net Assets

Unrestricted Net Assets -

The unrestricted net assets are utilized to record revenues, investment income, and other forms of unrestricted revenue and expenditures related to the general operations of the Society.

Included in unrestricted net assets at August 31, 2003 are assets designated for specific purposes by action of the Governing Board:

Designated for general support of, or to offset potential losses of future seminars and for legal expenses that may arise relative to the Society's self-regulation responsibilities. \$275,000

Resources designated for the Quantitative Investment Association, an affiliated organization of the Society. 29,086

\$304,086

The Los Angeles Society of Financial Analysts, Inc.

(A Nonprofit Organization)

Notes to Financial Statements (Continued)

August 31, 2003

Note 1 — Summary of Significant Accounting Policies (Continued)

Temporarily Restricted Net Assets -

The temporarily restricted net assets are utilized to record resources received that are temporarily restricted as to use. When the restricted use has been fulfilled or expired with the passage of time, the net assets of this fund are reclassified to unrestricted net assets.

At August 31, 2003 there were no temporarily restricted net assets.

Permanently Restricted Net Assets -

The permanently restricted net assets are utilized to record resources whose use by the Society is limited by donor-imposed stipulations that neither expires by a passage of time nor can be fulfilled or otherwise removed by actions of the Society.

At August 31, 2003, there were no permanently restricted net assets.

Note 2 – Investments

The investment securities, which are carried at fair value, consist of the following:

Mutual Funds -

Vanguard Short-Term Corporate Fund	\$ 157,742
S & P depository receipts	<u>175,694</u>

\$ 333,436

The net gains on investments are as follows:

Net unrealized gains	\$ 16,858
Net realized gains	<u>663</u>

\$ 17,521

Note 3 – Income Taxes

The Society is exempt from federal income tax under Section 501(c)(b) of the Internal Revenue Code. The Society is also exempt from California state income taxes.

Note 4 – Concentration of Credit Risk

The Society maintains its cash balances in certain financial institutions located in California. The balances are insured by the Federal Deposit Insurance Corporation to \$100,000. The Society's uninsured cash balances amounted to approximately \$187,000 as of August 31, 2003.

Note 5 – Membership Dues

The Society contracted with the Association for Investment Management and Research (AIMR) to administer the billing and collection of membership dues. Membership dues for the year ended August 31, 2003 totaled \$204,220.

The Los Angeles Society of Financial Analysts, Inc.
(A Nonprofit Organization)

Notes to Financial Statements (Continued)

August 31, 2003

Note 6 – CFA Review Income and Expenses

In partnership with University of Southern California (“USC”), the Society conducts a CFA review program, which helps CFA candidates prepare for the CFA examination. The program is taught by practitioners from the Society who are mainly CFA charter holders and faculty members from surrounding universities. The Society pays a royalty equal to 40% of the surplus earned from the CFA program to USC.

Note 7 – Related Party Transactions

During the year ended August 31, 2003, the Society hosted topical and investment seminars and sponsored CFA seminars. Payments for instructional services to certain officers and members of the Board of Governors amounted to \$18,750.

Note 8 – Commitments

In June 2003, the Society cancelled its agreement with Association Cooperative Services, Inc. for management services. Effective July 18, 2003, the Society entered into a new cancelable agreement with Cahill Association Management, LLC (“CAM”) for management services through August 31, 2006. The Agreement requires the Society to pay CAM \$118,200 per year for the term of the Agreement.

Note 9 – Prior Period Adjustments

Net assets at September 1, 2002 have been adjusted to reflect the Society’s adoption of the accrual basis of accounting, the adoption of Statement of Financial Accounting Standards No. 124 (SFAS 124), “Accounting for Certain Investments Held by Not-for-Profit Organizations” and to correct accounts erroneously recorded as permanently restricted net assets.

- (a) Prior to September 1, 2002, the Society reported on the cash basis of accounting, which is a comprehensive basis of accounting which differs from generally accepted accounting principles in that revenue is recognized when received and expenses are recorded when disbursed. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred.
- (b) SFAS No. 124 requires Not-for-Profit Organizations to report investments in equity securities with readily determinable fair values and all investments in debt securities in the statement of financial position at fair value and realized and unrealized gains and losses in the statement of activities. Before the adoption of SFAS 124, marketable securities were recorded at cost and gains and losses were recorded only when realized.
- (c) Unrestricted designated net assets were increased by \$29,086 and permanently restricted net assets were decreased by \$29,086 to properly reflect amounts previously designated by the Governing Board for the Quantitative Investment Association (“QIA”), an affiliated organization.

Prior period adjustments at September 1, 2002, were comprised of the following:

	Unrestricted Net Assets	Permanently Restricted Net Assets
Conversion from cash to accrual basis of accounting	\$(35,840)	\$ -
Adoption of SFAS 124	(56,104)	-
Reclassification of amounts designated for QIA	<u>29,086</u>	<u>(29,086)</u>
Net decrease in net assets	<u>\$(62,858)</u>	<u>\$(29,086)</u>

LASFA Information & Membership Roster

Additional information on LASFA may be found at www.lasfa.org.

In an effort to enhance our services in a cost effective manner we are making your membership roster and Bylaws available via the Internet from our website, under the members only section.

Please go to **www.lasfa.org**, click on members only, enter your individual login and password. If you do not have a password or do not know your password please send an e-mail to **info@lasfa.org** with password in the subject line, in your e-mail, please include your first name, last name and your AIMR membership number. You will be sent an e-mail with information on how to access the members only section of our website. Once you are logged into our website you will have several choices, one being: Download the most current membership roster. Please keep in mind that our website and AIMR's website are separate and therefore will not have the same access codes.

If you do not have Internet access, please contact the administrative office at (213) 627-1500.

LASFA Member Directory

www.lasfa.org/lasfa-cfmfiles/page1.cfm?t=1

LASFA Bylaws

www.lasfa.org/lasfa_cfmfiles/asp/bylaws.asp

LASFA Committies

www.lasfa.org/lasfa_cfmfiles/asp/showcomm.asp

AIMR Information

Information on AIMR and the CFA Program may be found at www.aimr.org.

Commonly accessed web pages at www.aimr.org include the following:

AIMR Member Directory

www.aimr.org/memberservices/private/memdirectory/

CFA Program

www.aimr.org/cfaprogram/

Code of Ethics and Standards of Professional Conduct

www.aimr.org/standards/ethics/code/translations.html

Rules of Procedure for Proceedings Related to Professional Conduct

www.aimr.org/standards/ethics/conduct

AIMR Articles and Bylaws

www.aimr.org/support/about/articles_bylaws.html

AIMR Advocacy

www.aimr.org/advocacy/



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