Table of Contents

1  Letter from Leadership
2  RIMS Board of Directors
3  About RIMS
3  Vision, Mission & Goals
4  Membership
5  Awards & Honors
7  Professional Development
8  Government Affairs
9  RIMS 2012 Annual Conference & Exhibition: No Boundaries
10 Technology
11 Publications
12 Strategic and Enterprise Risk
13 Treasurer’s Report

Financials
Just as organizations began to settle down and rebuild after several years of catastrophic and unprecedented events, the Northeastern region of the U.S. suffered yet another devastating blow from the effects of Super Storm Sandy late in 2012.

The ensuing effects from these tragedies in terms of market and supply chain disruptions, reputation destruction, lawsuits and human capital loss has taught corporate boards around the world that integrating a strong risk function into an organization’s strategic planning is no longer a “nice idea,” it is a necessity. And, perhaps more importantly, organizations are now seeing that while risk management is instrumental in protecting corporate assets, it can quickly become an essential business capability that creates tangible value for the organization.

The key for risk professionals is their ability to create, demonstrate and communicate the value of risk management and RIMS continues to focus on providing our membership with the tools to do just that.

In 2012, RIMS released seven Executive Reports that touched on key competencies used by an array of risk professionals – whether they focused on traditional insurance, enterprise risk management, internal audit and even for those who are just getting started in the industry.

And, toward the end of the year, RIMS proudly released its Strategic Risk Management Implementation Guide. This 68-page book was a product of the hard work of RIMS Strategic Risk Management Development Council. With great detail, the guide successfully illustrates the implementation of a strategic risk management framework while also giving readers an inside look at how some of the world’s leading organizations have adopted a balanced risk-taking approach.

RIMS professional development workshops and webinars are another resource designed to help risk professionals advance their programs. With over 50 workshops and webinars that spanned the globe, RIMS continues to deliver relevant and accessible risk management content. Programs and services like these all combine to help risk professionals create and demonstrate the value of risk management in their organizations.

Being a resource for risk practitioners to excel and demonstrate the intrinsic value of risk management is one of RIMS’ priorities. Another was ensuring that the future of the profession is bright, that we provide the next generation of risk professionals with the means to succeed.

In 2012, RIMS established its Young Risk Practitioners Group, a group comprising RIMS members between the ages of 21 and 35 who are dedicated to pursuing risk management careers. Additionally, the Society focused on the success of risk management and insurance students by establishing a collaborative recruiting effort with Gamma Iota Sigma – the university fraternity for risk management, insurance and actuarial studies. The partnership ensures that this critical demographic is afforded the educational resources and networking opportunities they need to enter the industry and succeed in their career.

Creating value, thinking globally and developing the future of the risk management profession are core pillars of this Society that we will continue to build upon and strengthen for years to come. We look forward to that challenge and will be prepared to guide our membership through the future of risk.
RIMS 2012 Annual Report

RIMS 2012 Board of Directors

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

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

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

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

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

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

Al Gorski
Chief Risk Officer
Orange County Transportation Authority

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

Leslie Lamb
Treasury Manager
Cisco Systems, Inc.

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

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, the risk management society™, 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 11,000 risk professionals who are located in more than 60 countries.

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.

RIMS 2012 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
2012 was a banner year for RIMS membership which topped 11,000 individual members for the first time in our history, due in part to a significant increase in student membership – an extremely positive sign for future membership. Organizational membership mirrored last year’s numbers while risk manager membership and service provider membership both saw a small but appreciable uptick year-over-year.

Rebranding Membership

2012 also included Board approval of changes in some of our member categories that are being implemented in 2013. As of January 1, we began use of the term “Organizational Member” instead of “Corporate Member” since we have members in this category from public entities, educational institutions and non-profits. In addition, we are using the term “Professional Member” (formerly Deputy) for employees of Organizational Members who are designated as their organization’s representatives within RIMS. Finally, former Professional or Associate Members who are unemployed and seeking employment will be referred to as “Transitional Members” instead of “Affiliate Members.” Qualifications for each of these categories have not changed.

2012 Member Satisfaction Survey

The 2012 Member Satisfaction Survey completed and published in July. That study, conducted internally by RIMS, queried the ratings of RIMS members with regard to products and services offered by the Society. In addition, many of the questions incorporated into that study reflected those included in the 2008 study, offering a longitudinal view of member satisfaction.

Based on a 15.7 percent response rate, just over 96 percent of Professional Members indicated they were either very or somewhat satisfied with their membership and 90.2 percent would recommend a RIMS membership to colleagues. Seventy-five percent of all respondents felt that the value from RIMS membership was equal to or exceeded its cost. When asked how likely they were to renew their membership, 79.3 percent said “very likely” and 17.2 percent said “somewhat likely”.

When it came to their satisfaction with RIMS products, services and activities, the following resources received the highest scores:

- Risk Management magazine
- RIMS research and publications (i.e., Benchmark Survey, white papers, etc.)
- RIMS Annual Conference and Exhibition
- RiskWire (news consolidation service)
- Local Chapter meetings and events
- Risk Knowledge (online resource library)

These products and activities share a common thread: each have been proven year-after-year to be effective tools to convey risk management knowledge to our membership. These results emphasize that the primary value of a RIMS membership is the effective, efficient transfer of knowledge. This is further documented by member responses to the question “what was their primary reason for joining RIMS.” The results were:

Access to risk management information/research 44%
Networking with risk professionals 25.8%
Risk management education 17.4%

New Chapters

After more than year of collaboration, RIMS Board of Directors approved the formation of the RIMS Peru Chapter in November. And, there has also been extensive work on forming a chapter in Melbourne, Australia, a project scheduled to come to fruition in the first quarter of 2013. With the total number of RIMS chapters climbing to 82, the Society continues to explore ways to expand its global footprint and has taken the first step by establishing a fulltime staff position focused on international initiatives.
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.

Harry and Dorothy Goodell Award
Margaret S. Accordino
Vice President, Director of Risk Management
National Financial Partners

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.

Ron Judd Heart of RIMS Award
Cheryl Berman
Regional Risk Manager
ProBuild Holdings, Inc.

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.

Cristy Award
John J. Marren
Director of Global Risk and Insurance Management
CSL Ltd.

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

Richard W. Bland Memorial Award
Donald Lassaw
President & CEO
L.T.D. American Total Care

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.

Arthur Quern Quality Award
Larry Collins
Vice president e-Solutions
Zurich Services Corporation

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.

Donald M. Stuart Award
Michel Turcotte
Senior Director, Risk Management & Insurance
Ivanhoe Cambridge, Inc.

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.

Risk Management Hall of Fame
2011 Inductees
- Mark Darby
- David R. Haight
- Edith F. Lichota
- Ronald E. Strine

Co-founded by RIMS and AIG, 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 2011, were bestowed in 2012.

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

RIMS Carolinas Chapter (Education, Student Involvement)
RIMS Delaware Valley Chapter (Education, Student Involvement)
RIMS Houston Chapter (Organization, Legislative & Governmental)
RIMS Orange County Chapter (Communication, Newsletter)
RIMS Piedmont Chapter (Education, Regional Conference)
RIMS Silicon Valley Chapter (Organization, Chapter Networking)
RIMS Utah Chapter (Education, Special Events)

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

RIMS Alaska Chapter
RIMS British Columbia Chapter
RIMS Mexico Chapter
RIMS Northern Alberta Chapter
RIMS Western Carolina Chapter

Membership Star Award

RIMS Arizona Central Chapter
RIMS Iowa Chapter
RIMS Ohio River Valley Chapter
RIMS Newfoundland/Labrador Chapter
RIMS Northeast Florida Chapter
RIMS Northeast Ohio Chapter
RIMS South Texas Chapter

2011 Student Membership Growth Award

The RIMS British Columbia Chapter increased their student membership by the highest percentage from 2010 to 2011.
In 2012, RIMS professional development offerings expanded to provide members with flexibility and the best in industry insight. The Society developed one new RIMS Fellow workshop *Risk Assessment Methods*, which was well received.

Online, RIMS conducted 13 webinars, including a four part series relating to ERM and cyber risk in conjunction with the RIMS ERM Committee. The International Committee hosted three webinars addressing business travel insurance programs, Lloyds and business interruption. RIMS three online programs – *How to Conduct a High Quality Risk Assessment; Creating Value: Risk Manager as Innovator;* and *Managing IT and Cyber Threats: What Risk Professionals Need to Know* – were held on a monthly basis through the year.

In 2012, the Society offered 52 workshops, with more than 446 risk practitioners in attendance. RIMS also conducted 18 in-company training programs for clients in the United States, Canada, Mexico, Dubai and Venezuela. The RIMS three-day Enterprise Wide Risk Management: Developing and Implementing was presented as a Chapter Event and hosted by the RIMS Winnipeg Chapter.

Additionally, the RIMS Fellow® designation grew to 331 RF candidates and RF holders.
Highlights from RIMS legislative agenda in 2012 included a five-year extension of the National Flood Insurance Program signed into law on June 29, 2012; in August RIMS testified before the House Financial Services Committee in support of an extension of the Terrorism Risk Insurance Act; and progress and continued advocacy for an amendment to the Risk Retention Act that would allow risk retention groups to offer property coverage.

Most importantly, RIMS was extremely proud to see the passage of the SMART Act by Congress in December of 2012. This legislation had been a point of focus for RIMS for several years and an important piece of bipartisan legislation that will streamline the Medicare reporting process.

At the federal regulatory level, RIMS submitted a comment letter to the U.S. Treasury Department on the global reinsurance market. And, on the regional level, RIMS maintained its focus on state legislative matters by bringing state RIMS on the Hill events to California and Florida. 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.


The 14th Annual RIMS on the Hill saw about 40 attendees with over 60 meetings in Congressional offices. Key issues discussed at these conferences included the SMART Act, extension of the National Flood Insurance Program, and the FIO’s report on modernization of the U.S. insurance market.

On the standards and practices front, the RIMS Standards and Practices Committee began work on a comprehensive claims best practices white paper that is expected to be complete in 2013. The Society has also entered into a partnership with ASIS International to develop a joint risk assessment standard.

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 2012 offered attendees the opportunity to take advantage and gain strategic insight and practical application to further their risk programs. From the sessions to the keynotes to the Exhibit Hall, RIMS 2012 Annual Conference & Exhibition offered unlimited opportunities for learning, networking and sharing. 361 expert speakers led 123 sessions and keynote presentations on a variety of critical risk management issues. The Exhibit Hall featured more than 350 different solution 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 RIMS Annual Community Service Day, proudly supported by Zurich, that assisted Cradles to Crayons with their mission of assisting disadvantaged children; Spencer Educational Foundation’s annual golf and hockey tournament fundraisers; an opening reception, “Fifty Years of Making Connections,” held at the Please Touch Museum, Lunch & Learn roundtable discussions; and a closing event that featured a battle of the bands.

Launched in 1963, RIMS Annual Conference & Exhibition attracts risk and insurance professionals at all experience levels, business executives with risk management interests, brokers, insurers and service providers for the ultimate educational and networking experience. The four-day event offers keynote presentations, special events and an expansive Exhibit Hall.
One of RIMS’ strategic goals emphasizes the importance of integrating progressive technologies and operations to ensure that we are providing the best resources for our staff and our members.

In line with that goal, RIMS was six months ahead of schedule in terminating use of an outdated AMS system, that the Society uses for tracking membership status and contact details. RIMS also completed software enhancements and updates to the new AMS system to better suit RIMS requirements (e.g. eWeb batches sorted by membership/renewals/other products).

In 2012, RIMS continued to make major strides in revamping its website, not only enhancing its optimization but also ensuring that our end users’ information is secure.

Our findings from the security assessment conducted at RIMS 2012 Annual Conference & Exhibition in Philadelphia were remediated and all threats and potential exposures to RIMS’ network, infrastructure and programs were resolved. Additionally, RIMS successfully implemented the HTTPS secure checkout in RIMStore eWeb, making all transactions processed over a more secure transmission. The Society also upgraded RIMS Active Directory, a function that authenticates user IDs.

To enhance RIMS’ website, the Society:
- upgraded multiple pages and will conduct a focus group at RIMS 2013 Annual Conference & Exhibition in Los Angeles for further ideas on how to better serve our members;
- updated the Risk Knowledge portion of our website and replaced the antiquated and randomly used HL Resource Library – a update that improved the page’s search functionality;

An important component to RIMS’ strategic goals is to make sure that RIMS staff has the tools to do their jobs effectively and efficiently. To that end, the Society completed phase III of three year hardware refresh installing new laptops, printers and users PC’s and implemented the Avaya IP softphone its staff laptops – a process that makes using and answering phone calls to their desk phone accessible via laptop. Finally, RIMS Exchange mail server was upgraded to the 2010 platform.
In 2012, the Publications Department continued its mission to produce insightful and informative content and analysis for RIMS members and the risk management community, both in print and digitally.

Throughout its 10 issues, Risk Management magazine covered a variety of important topics, including strategic risk management, the risk management brain drain and the year in risk, and launched a new digital version of the magazine that allows RIMS members to read the magazine on their smartphone and tablet devices. The Publications Department also completely redesigned the magazine website, RM-magazine.com, to give it a modern look and feel, with better organization and new features that include search capability, a commenting system and social media integration, among others. The new website will also allow the magazine to publish more exclusive online content.

Risk Management magazine’s official blog, the Risk Management Monitor once again saw gains in popularity in 2012 with increases in traffic over the previous year. The Publications Department also relaunched the RiskWire email news alert in order to make it more mobile-device friendly and to provide more interactive capabilities.

Finally, in conjunction with RIMS’ Strategic and Enterprise Risk Practice, the department produced a number of whitepapers to showcase the society’s expertise, including the 68-page “Strategic Risk Management Implementation Guide,” and helped enhance the profile of RIMS and the risk management profession through successful collaborations with major media providers like Bloomberg Businessweek and Fortune on risk management-related content. The National Law Review also continues to republish magazine and blog articles on their website.
Interest in effective risk management practices continues to grow, as evidenced by regulatory and main-stream media attention. The perception of risk management generally still is tied to mitigation only. The growth opportunity is to demonstrate its effectiveness in creating and capturing value, as well. The RIMS Strategic and Enterprise Risk Practice (SERP) 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).

**RIMS Strategic Risk Management Implementation Guide**

Produced 68-page RIMS Strategic Risk Management Implementation Guide (more than 100 copies sold in month following launch), authored by members of the Strategic Risk Management Development Council.

**RIMS 2012 ERM Conference**

Focusing on transforming vision into value, the second annual RIMS ERM Conference program was structured specifically to provide participants with multiple opportunities for networking, 12 level-tracked educational sessions presented by risk practitioners, a general session on the “Voice of the User”, and a showcase of 10 exhibitors. The keynote, Robert Stevenson – author and former CEO, invigorated the attendees with his presentation on “How the Best Get Better” A panel closed the conference with an open discussion of topics culled from the audience attendees. The Leadership Roundtable Discussions were cited as a unique and valuable part of the conference. We highlighted RIMS ERM Awards of Distinction when they were presented to the YMCA of Toronto and to Sysco Corporation at a special luncheon.

**Executive Reports 2012**

RIMS SERP was instrumental in producing the following executive reports in 2012:

- Enterprise Risk Management Best Practices in the Cyber World (published February 2012)
- Exploring Risk Appetite and Risk Tolerance (published April 2012)
- Risk Management and Internal Audit: Forging a Collaborative Alliance (jointly with The Institute of Internal Auditors, published April 2012)
- The Evolving Role of the Risk Professional (published September 2012)

**Webinars**

Over 1,600 people registered for eight ERM Committee sponsored webinars since August 2012: seven on various cyber-risk topics and one on ERM at Non-Corporate Entities: YMCA Case Study.

**RIMS Risk Summit 2012**

RIMS Risk Summit 2012, held July 11th in Chicago IL, was limited - by design - to 20 attendees to foster sharing and interaction among the participants. The theme “Exploring strategic risk management, risk appetite and emerging risks” was introduced by Dr. Mark Frigo of DePaul University in a keynote discussion of his findings from the Strategic Risk Management Lab. The full-day session explored the topics in the context of the April 2012 Delta Airlines decision to acquire an oil refinery. The summit was co-facilitated by Carol Fox.

**Published Articles**

The following commentary highlights some areas of the December 31, 2012 audited financial statements of the Risk and Insurance Management Society, Inc. (RIMS) and Subsidiary. All numbers are rounded to the nearest thousand unless otherwise noted.

**Consolidated Balance Sheet**

- Net assets (retained earnings/reserves) at the end of 2012 increased to $10.6M owing to the $1,166K surplus during the year. This is a $1,811 improvement over 2011’s $645K deficit. The major factors for this change were increases in investment income and conference revenue as noted below.

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

**Program Revenues - $2,565K increase**

- Conference revenue rose by $849K higher, principal factors were:
  - Registration revenue increased by $596K due to higher attendance.
  - Exhibit revenue increased by $349K due to more booths sold and a 5% price increase.
- Advertising revenue decreased by $206K with declines in both print and online advertising.
- Investment income was $1,825K higher due to improved market conditions. Gains were $1,467K in 2012 income compared with a $358K loss in 2011.

**Program Expenses - $349K increase**

- Strategic and Enterprise Risk Practice expenses increased by $169K in 2012. This reflects expanded development of new Intellectual Property available to our members, risk initiatives and consolidation of expenses previously included in other departments.
- Government Affairs expenses increased by $96K reflecting reorganization and higher PAC expenses.
- There was an $83K increase in all other Programs combined.

**Supporting Services - $405K increase**

- General and Administration expenses includes G&A, IT and Finance. Combined expenses for these three departments increased by $319K over 2011. Increases were mainly in IT support for our unique membership/chapter structure needs, credit card charges associate with both the higher revenue and increased use of credit cards and Spencer supporting services. Spencer reimburses RIMS for these services and that is included in revenue.

**Consolidated Statements of Cash Flows**

- The changes from 2011 to 2012 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,

Nowell R. Seaman, CIP, CRM
RIMS Treasurer
RISK AND INSURANCE MANAGEMENT
SOCIETY, INC. AND SUBSIDIARY

Consolidated Audited Financial Statements
(With Supplemental Information)

December 31, 2012 and 2011
RISK AND INSURANCE MANAGEMENT SOCIETY, INC. AND SUBSIDIARY

Table of Contents

Report of Independent Auditors 1 - 2

Consolidated Financial Statements:
Consolidated Balance Sheet 3
Consolidated Statement of Revenues, Expenses and Change in Net Assets 4
Consolidated Statement of Cash Flows 5
Notes to Consolidated Financial Statements 6 - 13

Supplemental Information:
Independent Auditors’ Report on Supplemental Information 14
Consolidating Balance Sheet 15
Consolidating Statement of Revenues, Expenses and Change in Net Assets 16
REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of Risk and Insurance Management Society, Inc. (the "Organization") and subsidiary, which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of revenues, expenses, change in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
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, 2012 and 2011, and the changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schall & Ashenfarb
Certified Public Accountants, LLC

March 27, 2013
RISK AND INSURANCE MANAGEMENT SOCIETY, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2012 AND 2011

<table>
<thead>
<tr>
<th></th>
<th>12/31/12</th>
<th>12/31/11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Notes 1d and 1e)</td>
<td>$1,064,842</td>
<td>$1,443,214</td>
</tr>
<tr>
<td>Advertising receivables</td>
<td>148,820</td>
<td>171,269</td>
</tr>
<tr>
<td>Other receivables</td>
<td>245,687</td>
<td>248,865</td>
</tr>
<tr>
<td>Prepaid conference expenses</td>
<td>474,911</td>
<td>405,682</td>
</tr>
<tr>
<td>Other prepaid expenses and deposits</td>
<td>473,087</td>
<td>321,541</td>
</tr>
<tr>
<td>Total current assets</td>
<td>2,407,347</td>
<td>2,590,571</td>
</tr>
<tr>
<td>Non-current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments held for chapters</td>
<td>58,541</td>
<td>56,059</td>
</tr>
<tr>
<td>Investments at fair value (Notes 1g and 2)</td>
<td>13,114,225</td>
<td>11,362,953</td>
</tr>
<tr>
<td>Property and equipment, net (Notes 1h and 3)</td>
<td>1,430,246</td>
<td>1,790,495</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>14,603,012</td>
<td>13,209,507</td>
</tr>
<tr>
<td>Total assets</td>
<td>$17,010,359</td>
<td>$15,800,078</td>
</tr>
</tbody>
</table>

|                              |           |           |
| **Liabilities and Net Assets** |           |           |
| Current liabilities:         |           |           |
| Accounts payable and accrued expenses | $1,009,956 | $814,900  |
| Deferred conference revenue (Note 1i) | 3,198,891 | 3,148,544 |
| Deferred dues revenue (Note 1i) | 1,114,277 | 1,088,030 |
| Other deferred revenue (Note 1i) | 399,670   | 406,387   |
| Grant payable (Note 4)       | 0         | 150,000   |
| Deferred rent, current portion (Note 1i) | 73,456    | 73,456    |
| Total current liabilities    | 5,796,250 | 5,681,317 |
| Non-current liabilities:     |           |           |
| Deferred rent, net of current portion (Note 1i) | 566,708    | 640,164   |
| Liability for chapter investments | 58,541    | 56,059    |
| Total non-current liabilities | 625,249   | 696,223   |
| Total liabilities            | 6,421,499 | 6,377,540 |

Commitments and contingencies (Note 6)

Net assets: (Note 1k)

<table>
<thead>
<tr>
<th></th>
<th>12/31/12</th>
<th>12/31/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>10,588,860</td>
<td>9,422,538</td>
</tr>
<tr>
<td>Total net assets</td>
<td>10,588,860</td>
<td>9,422,538</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$17,010,359</td>
<td>$15,800,078</td>
</tr>
</tbody>
</table>

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, 2012 AND 2011

<table>
<thead>
<tr>
<th></th>
<th>12/31/12 Total</th>
<th>12/31/11 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Unrestricted</td>
</tr>
<tr>
<td>Revenues, gains and other support:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conference</td>
<td>$7,751,959</td>
<td>$6,902,627</td>
</tr>
<tr>
<td>Membership dues</td>
<td>2,182,618</td>
<td>2,184,878</td>
</tr>
<tr>
<td>Advertising</td>
<td>742,332</td>
<td>948,321</td>
</tr>
<tr>
<td>Publications</td>
<td>860,213</td>
<td>868,145</td>
</tr>
<tr>
<td>Membership and chapter services</td>
<td>497,749</td>
<td>582,552</td>
</tr>
<tr>
<td>Professional development</td>
<td>752,551</td>
<td>650,888</td>
</tr>
<tr>
<td>Other revenue</td>
<td>308,757</td>
<td>218,758</td>
</tr>
<tr>
<td>Investment income (Note 2)</td>
<td>1,467,477</td>
<td>(357,567)</td>
</tr>
<tr>
<td>Total revenues, gains and other support</td>
<td>14,563,656</td>
<td>11,998,602</td>
</tr>
</tbody>
</table>

Expenses (Note 7):
Program services:
Conference                        | 3,526,124     | 3,506,092     |
Publications                      | 860,855       | 856,649       |
Professional development          | 808,245       | 792,208       |
Marketing                         | 1,188,334     | 1,165,863     |
Member and chapter services       | 504,866       | 484,181       |
Government affairs                | 710,958       | 615,236       |
Strategic and enterprise risk practice | 242,809   | 73,403        |
Total program services            | 7,842,191     | 7,493,632     |

Supporting services:
General and administration        | 4,931,802     | 4,612,799     |
Membership recruitment             | 623,341       | 537,253       |
Total supporting services         | 5,555,143     | 5,150,062     |
Total expenses                    | 13,397,334    | 12,643,694    |

Change in net assets              | 1,166,322     | (645,092)     |
Net assets - beginning of year    | 9,422,538     | 10,067,630    |
Net assets - end of year          | $10,588,860   | $9,422,538    |

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, 2012 AND 2011

<table>
<thead>
<tr>
<th></th>
<th>12/31/12</th>
<th>12/31/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$1,166,322</td>
<td>($645,092)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>521,117</td>
<td>577,095</td>
</tr>
<tr>
<td>Net realized and unrealized gains on investments</td>
<td>1,088,387</td>
<td>773,561</td>
</tr>
<tr>
<td>Increase/(decrease) in assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising receivables</td>
<td>22,449</td>
<td>87,056</td>
</tr>
<tr>
<td>Other receivables</td>
<td>3,178</td>
<td>(153,385)</td>
</tr>
<tr>
<td>Prepaid conference expenses</td>
<td>(69,229)</td>
<td>46,072</td>
</tr>
<tr>
<td>Other prepaid expenses and deposits</td>
<td>(151,546)</td>
<td>402,729</td>
</tr>
<tr>
<td>Increase/(decrease) in liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>195,056</td>
<td>(112,995)</td>
</tr>
<tr>
<td>Deferred conference revenue</td>
<td>50,347</td>
<td>241,589</td>
</tr>
<tr>
<td>Deferred dues revenue</td>
<td>26,247</td>
<td>(83,896)</td>
</tr>
<tr>
<td>Other deferred revenue</td>
<td>(6,717)</td>
<td>(71,086)</td>
</tr>
<tr>
<td>Grant payable</td>
<td>(150,000)</td>
<td>(150,000)</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>(73,456)</td>
<td>(73,456)</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>(720,941)</td>
<td>1,483,284</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>445,381</td>
<td>838,192</td>
</tr>
</tbody>
</table>

Cash flows from investing activities:

| Purchases of investments        | (4,621,763) | (2,004,468) |
| Proceeds from sales of investments | 3,958,878  | 2,923,752  |
| Purchases of property and equipment | (160,868) | (871,594) |
| Net cash (used for)/provided by Investing activities | (823,753) | 47,690 |

Net (decrease)/increase in cash and cash equivalents | (378,372) | 885,882 |
Cash and cash equivalents - beginning of year | 1,443,214 | 557,332 |
Cash and cash equivalents - end of year | $1,064,842 | $1,443,214 |

Supplemental information:

| Interest and taxes paid | $0 | $0 |

The attached notes and auditors' report are an integral part of these consolidated financial statements.
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, 2012 and 2011 is 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.

i. **Deferred Revenue**  
Deferred revenue consists of membership dues, professional development, magazine subscriptions, conference attendance, sponsorships and exhibit fees received in advance. Revenue related to membership 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. There were no restricted contributions in 2012 or 2011.

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 $778,000 and $742,000 at December 31, 2012 and 2011, 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, 2012 and 2011.

p. Accounting for Uncertainty of Income Taxes
   RIMS does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2009 and later are subject to examination by applicable taxing authorities.

q. Subsequent Events
   Management has evaluated for potential recognition and disclosure events subsequent to the date of the balance sheet through March 27, 2013, 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:

### At December 31, 2012

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks (including mutual funds)</td>
<td>$7,656,852</td>
<td>$0</td>
<td>$7,656,852</td>
</tr>
<tr>
<td>Bonds (including mutual funds)</td>
<td>4,469,846</td>
<td>338,527</td>
<td>4,808,373</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>136,777</td>
<td>0</td>
<td>136,777</td>
</tr>
<tr>
<td>Money market funds</td>
<td>512,223</td>
<td>0</td>
<td>512,223</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,775,698</strong></td>
<td><strong>$338,527</strong></td>
<td><strong>$13,114,225</strong></td>
</tr>
</tbody>
</table>

### At December 31, 2011

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks (including mutual funds)</td>
<td>$7,529,557</td>
<td>$0</td>
<td>$7,529,557</td>
</tr>
<tr>
<td>Bonds (including mutual funds)</td>
<td>3,279,519</td>
<td>298,768</td>
<td>3,578,287</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>136,777</td>
<td>0</td>
<td>136,777</td>
</tr>
<tr>
<td>Money market funds</td>
<td>118,332</td>
<td>0</td>
<td>118,332</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11,064,185</strong></td>
<td><strong>$298,768</strong></td>
<td><strong>$11,362,953</strong></td>
</tr>
</tbody>
</table>

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.

The certificates of deposit are held as collateral against a letter of credit that was obtained to serve as a deposit for the Organization's lease (see Note 6).

Investment income consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>12/31/12</th>
<th>12/31/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$408,343</td>
<td>$436,414</td>
</tr>
<tr>
<td>Net realized and unrealized</td>
<td></td>
<td></td>
</tr>
<tr>
<td>gain/(loss) on investments</td>
<td>1,088,387</td>
<td>(773,561)</td>
</tr>
<tr>
<td>Less: investment management fees</td>
<td>(29,253)</td>
<td>(22,420)</td>
</tr>
<tr>
<td>Total</td>
<td>$1,467,477</td>
<td>($357,567)</td>
</tr>
</tbody>
</table>
Note 3 -  Property and Equipment

Property and equipment consisted of the following:


\[
\begin{array}{lcc}
      & 12/31/12 & 12/31/11 \\
Leasehold improvements    & $1,375,459 & $1,375,459 \\
Computer software         & 1,713,204  & 1,647,808  \\
Furniture and office equipment & 739,640   & 690,686    \\
Computer hardware         & 729,420    & 752,399    \\
                            & 4,557,723  & 4,466,352  \\
Less: accumulated depreciation and amortization & (3,127,477) & (2,675,857) \\
Net property and equipment & $1,430,246 & $1,790,495 \\
\end{array}
\]

Depreciation and amortization expense was $521,117 and $577,095 in 2012 and 2011, 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 $38,195 and $38,850 in 2012 and 2011, respectively. The fees from the Foundation amounted to $264,357 and $147,050 in 2012 and 2011, respectively. The fees are included in other revenue on the consolidated statement of revenues, expenses and change in net assets. At December 31, 2012 and December 31, 2011, amounts due to RIMS from the Foundation for administrative fees and salary reimbursement totaled $149,705 and $513 respectively.

During 2010, RIMS pledged $450,000 to the Foundation to support its operations. The remaining $150,000 was paid during the year and at December 31, 2012, no balance remained.

In addition, during 2012 RIMS incurred certain expenses on behalf of RISK PAC (see Note 1) as follows:

\[
\begin{array}{ll}
Professional fees & $125,874 \\
Travel and meals  & 6,223 \\
Promotional materials & 1,491 \\
Total            & $133,588 \\
\end{array}
\]

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 2012 and 2011, no discretionary contribution was made. Expenses for this plan amounted to $362,233 and $266,515 for the year ended December 31, 2012 and 2011, 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, 2013 $15,856

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:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2013</td>
<td>$605,133</td>
</tr>
<tr>
<td>2014</td>
<td>605,133</td>
</tr>
<tr>
<td>2015</td>
<td>642,436</td>
</tr>
<tr>
<td>2016</td>
<td>679,739</td>
</tr>
<tr>
<td>2017</td>
<td>679,739</td>
</tr>
<tr>
<td>Thereafter</td>
<td>396,514</td>
</tr>
<tr>
<td>Total</td>
<td>$3,608,694</td>
</tr>
</tbody>
</table>

Rent expense for office space, including escalation and maintenance charges, was $575,932 and $541,210 for the years ended December 31, 2012 and 2011, respectively. Equipment lease expense was $116,821 and $127,723 for the years ended December 31, 2012 and 2011, 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 lobbying event, RIMS on the Hill legislative conference, which brings risk managers to Washington, D.C. to further the agenda of the risk management community. The Government Affairs department maintains contact with its members throughout North America regarding all legislative developments via the RIMS website, newsletters and e-mail alerts. Additionally, as outlined in Note 4, expenses incurred on RISK PAC have been included in Government Affairs.
**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:

<table>
<thead>
<tr>
<th></th>
<th>12/31/12</th>
<th>12/31/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$145,691</td>
<td>$60,124</td>
</tr>
<tr>
<td>Prepaid conference expenses</td>
<td>118,878</td>
<td>77,369</td>
</tr>
<tr>
<td>Investments</td>
<td>497,182</td>
<td>468,396</td>
</tr>
<tr>
<td>Net assets</td>
<td>$761,751</td>
<td>$605,889</td>
</tr>
</tbody>
</table>

Revenues and expenses of RIMS Canada Council are as follows:

<table>
<thead>
<tr>
<th></th>
<th>12/31/12</th>
<th>12/31/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other revenue</td>
<td>$111,249</td>
<td>$219,639</td>
</tr>
<tr>
<td>Interest and investment income</td>
<td>17,218</td>
<td>17,406</td>
</tr>
<tr>
<td>Foreign exchange transaction gain/(loss)</td>
<td>18,779</td>
<td>(9,507)</td>
</tr>
<tr>
<td>Expenses</td>
<td>(173,931)</td>
<td>(128,285)</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>($26,685)</td>
<td>$99,253</td>
</tr>
</tbody>
</table>
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, 2012 and 2011, and have issued our reports thereon dated March 27, 2013 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 of the consolidated financial statements 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 consolidated financial statements. The consolidated information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Schall & Ashenfarb
Certified Public Accountants, LLC

March 27, 2013
# RISK AND INSURANCE MANAGEMENT SOCIETY, INC. AND SUBSIDIARY
## CONSOLIDATING BALANCE SHEET
## AT DECEMBER 31, 2012 AND 2011

<table>
<thead>
<tr>
<th></th>
<th>12/31/12</th>
<th>12/31/11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Risk and</td>
<td>Global Risk</td>
</tr>
<tr>
<td></td>
<td>Insurance</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td>Society, Inc.</td>
<td>Institute</td>
</tr>
<tr>
<td>Current assets:</td>
<td>$877,755</td>
<td>$187,087</td>
</tr>
<tr>
<td>Advertising receivables, less allowance for doubtful accounts of $0 and $1,712</td>
<td>148,820</td>
<td>148,820</td>
</tr>
<tr>
<td>Other receivables</td>
<td>186,712</td>
<td>58,975</td>
</tr>
<tr>
<td>Prepaid conference expenses</td>
<td>474,911</td>
<td>474,911</td>
</tr>
<tr>
<td>Other prepaid expenses and deposits</td>
<td>473,087</td>
<td>473,087</td>
</tr>
<tr>
<td>Total current assets</td>
<td>2,161,285</td>
<td>246,062</td>
</tr>
<tr>
<td>Non-current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments held for chapters</td>
<td>58,541</td>
<td>58,541</td>
</tr>
<tr>
<td>Investments, at fair value</td>
<td>12,483,480</td>
<td>630,745</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>1,430,246</td>
<td>1,430,246</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>13,972,267</td>
<td>630,745</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$16,133,552</td>
<td>$876,807</td>
</tr>
<tr>
<td><strong>Liabilities and Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$1,008,656</td>
<td>$1,300</td>
</tr>
<tr>
<td>Deferred conference revenue</td>
<td>3,198,891</td>
<td>3,198,891</td>
</tr>
<tr>
<td>Deferred dues revenue</td>
<td>1,114,277</td>
<td>1,114,277</td>
</tr>
<tr>
<td>Other deferred revenue</td>
<td>399,670</td>
<td>399,670</td>
</tr>
<tr>
<td>Grant payable</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Deferred rent, current portion</td>
<td>73,456</td>
<td>73,456</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>5,794,950</td>
<td>1,300</td>
</tr>
<tr>
<td>Non-current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred rent, net of current portion</td>
<td>566,708</td>
<td>566,708</td>
</tr>
<tr>
<td>Liability for chapter investments</td>
<td>58,541</td>
<td>58,541</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>625,249</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>6,420,199</td>
<td>1,300</td>
</tr>
<tr>
<td><strong>Net assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted operations</td>
<td>9,713,353</td>
<td>875,507</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>9,713,353</td>
<td>875,507</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$16,133,552</td>
<td>$876,807</td>
</tr>
</tbody>
</table>

*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, 2012 AND 2011

<table>
<thead>
<tr>
<th></th>
<th>12/31/12 Risk and Insurance Management Society, Inc.</th>
<th>12/31/11 Risk and Insurance Management Society, Inc.</th>
<th>12/31/12 Global Risk Management Institute</th>
<th>12/31/11 Global Risk Management Institute</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues, gains and other support:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conference</td>
<td>$7,751,959</td>
<td>$7,751,959</td>
<td>$6,902,627</td>
<td>$6,902,627</td>
<td></td>
</tr>
<tr>
<td>Membership dues</td>
<td>2,182,618</td>
<td>2,182,618</td>
<td>2,184,878</td>
<td>2,184,878</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>742,332</td>
<td>742,332</td>
<td>948,321</td>
<td>948,321</td>
<td></td>
</tr>
<tr>
<td>Publications</td>
<td>860,213</td>
<td>860,213</td>
<td>868,145</td>
<td>868,145</td>
<td></td>
</tr>
<tr>
<td>Membership and chapter services</td>
<td>497,749</td>
<td>497,749</td>
<td>582,552</td>
<td>582,552</td>
<td></td>
</tr>
<tr>
<td>Professional development</td>
<td>592,951 $159,600</td>
<td>752,551</td>
<td>546,588 $104,300</td>
<td>650,888</td>
<td></td>
</tr>
<tr>
<td>Other revenue</td>
<td>308,757</td>
<td>308,757</td>
<td>218,758</td>
<td>218,758</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>1,391,686</td>
<td>75,791</td>
<td>1,467,477</td>
<td>(333,991)</td>
<td>(357,567)</td>
</tr>
<tr>
<td>Total revenues, gains and other support</td>
<td>14,328,265</td>
<td>235,391</td>
<td>14,563,656</td>
<td>11,917,878</td>
<td>80,724</td>
</tr>
</tbody>
</table>

Expenses:
Program services:
| Conference             | 3,526,124                                           | 3,526,124                                           | 3,506,092                                 | 3,506,092                                 |              |
| Publications           | 860,855                                             | 860,855                                             | 856,649                                  | 856,649                                  |              |
| Professional development | 802,553                                           | 5,692                                               | 808,245                                  | 735,928                                  | 56,280       | 792,208 |
| Marketing              | 1,188,334                                           | 1,188,334                                           | 1,165,863                                 | 1,165,863                                 |              |
| Member and chapter services | 504,866                                            | 504,866                                             | 484,181                                  | 484,181                                  |              |
| Government affairs     | 710,958                                             | 710,958                                             | 615,236                                  | 615,236                                  |              |
| Strategic and enterprise risk practice | 242,809                                             | 242,809                                             | 73,403                                   | 73,403                                   |              |
| Total program services | 7,836,499                                           | 5,692                                               | 7,842,191                                | 7,437,352                                | 56,280       | 7,493,632 |

Supporting services:
| General and administration | 4,931,802                                           | 4,931,802                                           | 4,609,554                                 | 4,609,554                                 | 3,245        | 4,612,799 |
| Membership recruitment   | 623,341                                             | 623,341                                             | 537,263                                  | 537,263                                  |              |
| Total supporting services | 5,555,143                                           | 0                                                   | 5,555,143                                | 5,146,817                                 | 3,245        | 5,150,062 |
| Total expenses           | 13,391,642                                           | 5,692                                               | 13,397,334                               | 12,584,169                               | 59,525       | 12,643,694 |

Change in net assets
| 936,623                                                             | 229,699                                             | 1,166,322                                 | (666,291)                                 | 21,199       | (645,092) |

Net assets - beginning of year
| 8,776,730                                                           | 645,808                                             | 9,422,538                                 | 9,443,021                                 | 624,609      | 10,067,630 |

Net assets - end of year
| $9,713,353                                                         | $875,507                                            | $10,588,860                               | $8,776,730                                | $645,806     | $9,422,538 |

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