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2012 Annual Report

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# Letter from RIMS Leadership

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.



John R. Phelps  
RIMS 2013 President



Mary Roth  
RIMS Executive Director

RIMS 2012 Board of Directors



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 Manager, Risk Management and Insurance Services  
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 Chief Risk Officer  
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Daniel H. Kugler, ARM, CEBS, CPCU, AIC, ACI  
 Assistant Treasurer, Corporate Risk Management  
 Snap-on Incorporated



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



Leslie Lamb  
 Treasury Manager  
 Cisco Systems, Inc.



## About RIMS

As the preeminent organization dedicated to advancing the practice of risk management, RIMS, *the risk management society*<sup>™</sup>, 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	Professional Development Advisory Council (PDAC)
Conference Programming	Publications Council
ERM	Quality Advisory Council (QAC)
Exhibits Advisory	RIMS Canada Council
External Affairs	Strategic Risk Management Development Council (SRMDC)
Finance	Standards and Practices
International	Student Advisory Council (SAC)
Member & Chapter Services	Student Involvement
Nominating	

# Membership

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.



Dallas-Fort Worth Chapter

# 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

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#### 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

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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

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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.



# Professional Development

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.

## LEARN RISK



# Government Affairs

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.

In 2012, RISK PAC continued to flourish more than doubling the number of contributors – from 24 in 2011 to 53 in 2012 – and increasing annual contributions that totaled \$14,725 up from \$9,325 a year ago. In 2012, the PAC made five \$1,000 donations to five members of Congress: Rep. Jeb Hensarling; Rep. Jim Himes; Rep. Steny Hoyer; Rep. Ed Royce; and Rep. John Campbell.

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.



# RIMS 2012 Annual Conference & Exhibition



RIMS hosted approximately 9,000 risk practitioners during its 50th Annual Conference & Exhibition in Philadelphia, Pennsylvania, April 15-19, 2012. The conference – the premier educational and networking event for risk professionals – marked its first return to Philadelphia since 2005.

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.



# Technology

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 re-vamping 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.



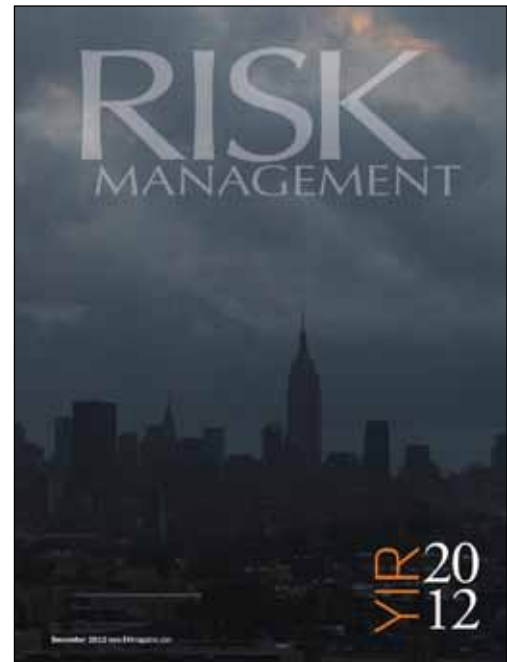
# RISK MANAGEMENT

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 re-launched 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

Authored 10 *Easy Steps to Implement Enterprise Risk Management* for RIMS Risk Management Magazine and two articles for mainstream media consumption: *The Positive Side of Risk* for *Financier Worldwide*, and *Creating Value with Risk Appetite & Risk Tolerance Statements* for *Financial Executives International*, all published in November.

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