

Report of the Treasurer Fiscal Year 2007

GSA remains fiscally healthy and growing despite a financially disappointing meeting in Philadelphia. Operating revenue was budgeted for \$8.9 million plus almost 1.4 million from the Pardee, Surplus B and other funds for total usable funds in 2007 of \$10,280,908. Expenses were budgeted for \$9,996,734. Revenues from operations exceeded budget by \$168,076 and expenses were under budget by \$246,118. Publications continue to provide a healthy addition to our net income, exceeding budget by almost \$300,000

The plot below shows the changes in the total assets, net assets, and investments of GSA only. The graph shows the recovery of our net assets and investments since the bottom in Sept 2002. Note that we lost assets faster than we are recovering them, because of a combination of market performance and significant spending from the portfolio during the decline.

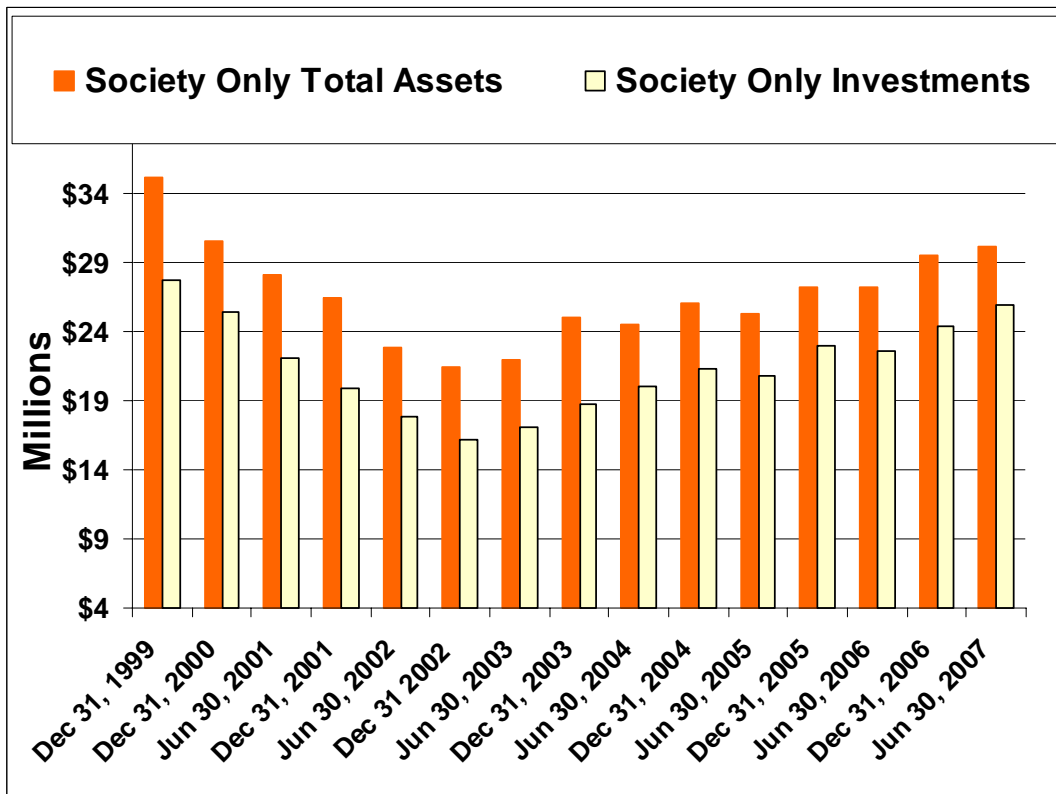


Fig. 1. Temporal changes in GSA's total assets and investments.

On June 30, 2007, GSA's total assets were \$30,163,679 distributed as follows:

- Investments - \$25,874,693 (86%)
- Buildings/property/equipment - \$2,774,664 (9%)
- Publications inventory - \$683,166 (2%)
- Cash - \$64,597 (0.2%)
- Prepaid and other - \$443,297 (1%)
- Accounts receivable - \$323,262 (1%)

On June 30, 2007, GSA's total liabilities were \$3,113,964 distributed as follows:

- Deferred revenue - \$1,874,542 (60%)
- Bonds payable - \$435,000 (14%)
- Accrued paid time-off/vacation \$215,795 (7%)
- Accounts payable - \$459,466 (15%)
- Other - \$129,161 (4%)

Investments for GSA and Foundation's combined portfolio increased in Market Value from \$28,509,199 in 2006 to \$32,974,292 which provides a 15.66% increase when adjusted with 2007 deposits and withdrawals.

As of June 30, 2007, GSA held the following investments:

- Domestic Equity – 48.7%
- Core Fixed Income, including bank-loan mutual funds – 22.8%
- International Equity – 15.6%
- Absolute Return Strategies (hedge fund-of-funds) – 10.8%
- Cash – 2.1%

Last year return for GSA's portfolio (to June 2006) was 17.98%, compared to the S&P500 (20.59%) and the portfolio goal of CPI + 5.25% (7.94%). For the last 5 years, the investment goal was 8.23%, but the portfolio returned 11.43%.

The figure below shows the cumulative returns of GSA's portfolio versus our investment goal of CPI + 5.25% from March 1995 through June 30 2007. The spread between the GSA Fund and CPI+5.25% indicates continued success in out-performing the guideline set by GSA. The goal (red line) changed from 5.0% to 5.25% per Council approval on 4/15/06)

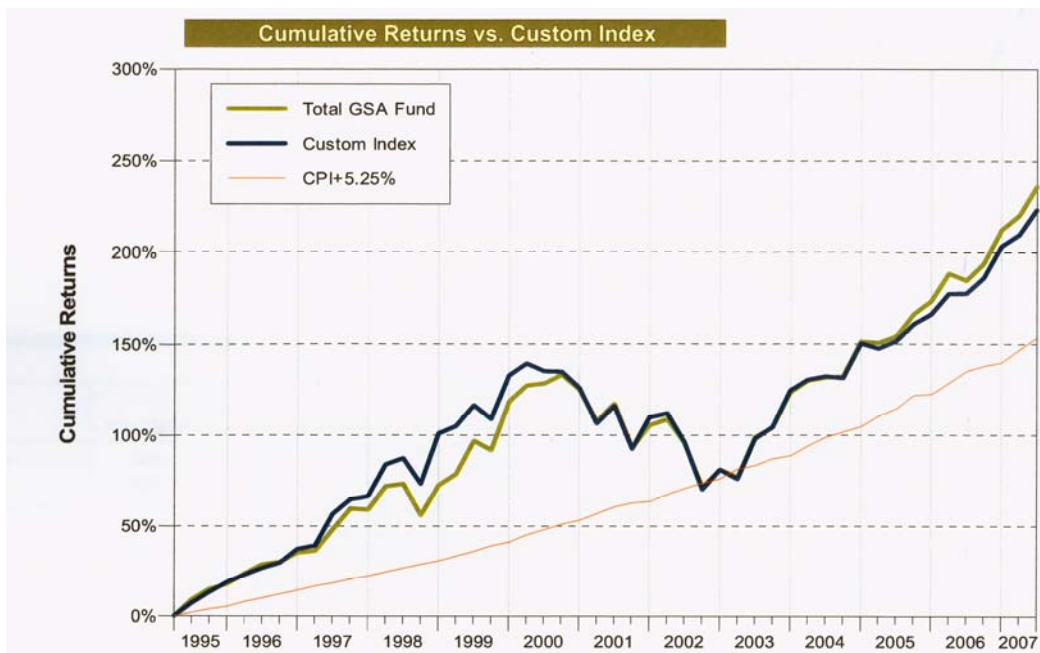
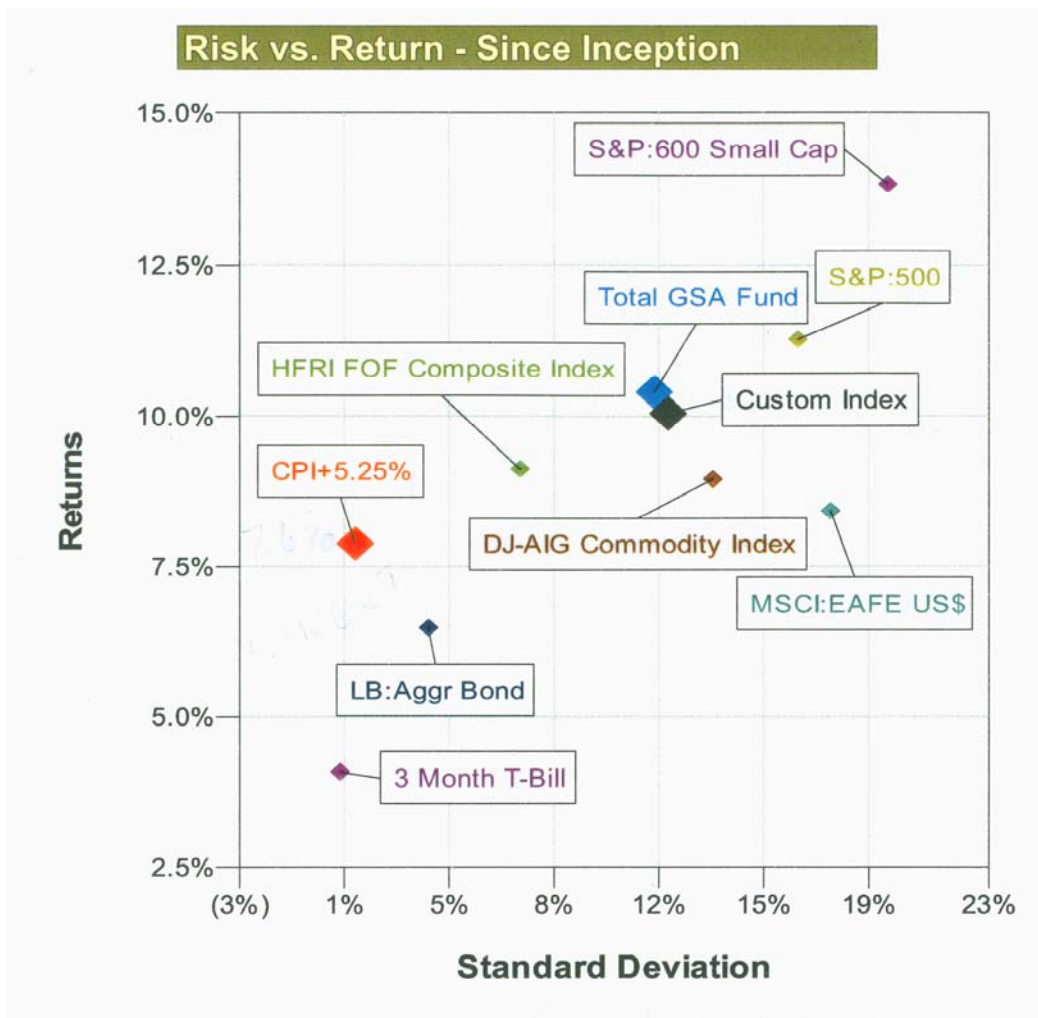


Fig. 2. Cumulative returns of GSA portfolio versus goal of inflation plus 5% (or 5.25%) for tenure of Innovest (Mar 1995 to Jun 07).

The next figure shows the Risk/Reward plot of GSA's investments, versus some standard benchmarks, for the last five years. Note that GSA's investments outperforms the CPI +5.25% and more closely approaches the S&P500, but with much less volatility.



This year has seen another significant change at GSA Headquarters as the GSA Foundation has ceased using GSA's Financial Services department for its accounting. This change has enabled the Foundation to switch to an accounting software program that is integrated with their donor software, resulting in the Foundation staff more easily handling 100% of their own accounting. Foundation investments continue to be managed along with GSA's investments by Innovest Portfolio Solutions, Denver. Additionally, the Audit Committee continues to be a joint GSA and GSAF committee overseeing the annual audits and the combined audit of both entities.

The Society and Foundation have engaged a new auditing firm, JDS Professional Group, Englewood, Colorado for the 2006-2007 audit.