

The Geological Society of America, Inc.
and
The Geological Society of America Foundation, Inc.

Boulder, Colorado

Combined Financial Statements

June 30, 2012 and 2011

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

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Independent Auditor's Report

Council and Board of Trustees
The Geological Society of America, Inc. and
The Geological Society of America Foundation, Inc.
Boulder, Colorado

We have audited the accompanying combined statements of financial position of The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc. (nonprofit organizations) as of June 30, 2012 and 2011, and the related combined statements of activities and changes in net assets, and cash flows for the years then ended. These combined financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these combined financial statements based on our audits. We did not audit the financial statements of The Geological Society of America Foundation, Inc., which statements reflect total assets of \$12,625,780 and \$13,059,950 as of June 30, 2012 and 2011, respectively, and total revenues and support of \$1,115,146 and \$1,268,282 for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Geological Society of America Foundation, Inc., is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2012, on our consideration of The Geological Society of America, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements. The supplemental combining statements of financial position, activities, and changes in net assets are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, activities, changes in net assets of the individual organizations, and are not a required part of the combined financial statements. The schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic combined financial statements. Such supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Brock and Company, CPAs, P.C.
Certified Public Accountants

Fort Collins, Colorado
September 20, 2012

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Combined Statements of Financial Position

June 30	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 697,924	\$ 420,947
Investments	3,209,798	3,568,810
Accounts receivable, net	336,344	513,159
Contributions receivable, current, net	116,220	46,460
Publications inventory	301,331	306,979
Prepaid expenses and other current assets	306,677	265,546
Total current assets	4,968,294	5,121,901
Property and Equipment, net	2,439,578	2,547,849
Other Assets		
Investments, long-term, unrestricted	11,469,229	11,655,201
Investments, long-term, restricted	19,900,453	20,359,591
Contributions receivable, long-term, net	7,281	9,168
Prepaid expenses, long-term	41,557	100,408
Beneficial interest in charitable trusts	246,544	244,935
Total other assets	31,665,064	32,369,303
Total assets	\$ 39,072,936	\$ 40,039,053
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 209,539	\$ 220,613
Accrued liabilities	399,788	414,133
Deferred revenue	1,632,594	1,597,359
Total current liabilities	2,241,921	2,232,105
Net Assets		
Unrestricted		
Designated for employee benefits	17,862	41,542
Designated for building repairs and improvement	411,546	414,456
Designated for technology projects	116,397	116,794
Undesignated	7,596,259	7,563,392
Total unrestricted net assets	8,142,064	8,136,184
Temporarily restricted	19,777,999	21,095,719
Permanently restricted	8,910,952	8,575,045
Total net assets	36,831,015	37,806,948
Total liabilities and net assets	\$ 39,072,936	\$ 40,039,053

The accompanying Notes are an integral
part of these financial statements

**The Geological Society of America, Inc. and
The Geological Society of America Foundation, Inc.**

Combined Statements of Activities

Years ended June 30

2012

	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenues and Support			
Publications	\$ 3,709,351	\$ -	\$ -
Meetings	2,221,734	-	-
Membership dues and services	642,642	-	-
Sections and divisions	595,236	-	-
Grants	260,949	-	-
Contributions	204,694	301,015	208,816
Education and outreach	1,068,615	-	-
Change in value of split interest agreements	-	(2,563)	4,172
Gain on disposal of property	-	-	-
Other support and revenue	505,656	10,585	122,919
Net assets released from restrictions	1,623,961	(1,623,961)	-
Total revenues and support	<u>10,832,838</u>	<u>(1,314,924)</u>	<u>335,907</u>
Expenses			
Program services			
Publications	2,020,688	-	-
Meetings	1,931,065	-	-
Membership	676,700	-	-
Sections and divisions	442,065	-	-
Grants and awards	1,707,435	-	-
Education and outreach	948,006	-	-
Total program services	<u>7,725,959</u>	<u>-</u>	<u>-</u>
Supporting services			
Fundraising	227,696	-	-
General and administrative	2,828,630	-	-
Total supporting services	<u>3,056,326</u>	<u>-</u>	<u>-</u>
Total expenses	<u>10,782,285</u>	<u>-</u>	<u>-</u>
Change in Net Assets Before			
Investment Income (Loss)	<u>50,553</u>	<u>(1,314,924)</u>	<u>335,907</u>
Interest and dividend income	444,491	564,863	-
Net realized gains (losses) on investments	74,875	299,089	-
Net unrealized gains (losses) on investments	(564,039)	(866,748)	-
Net investment income (loss)	<u>(44,673)</u>	<u>(2,796)</u>	<u>-</u>
Change in Net Assets	<u>\$ 5,880</u>	<u>\$ (1,317,720)</u>	<u>\$ 335,907</u>

2012		2011		
Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 3,709,351	\$ 3,662,338	\$ -	\$ -	\$ 3,662,338
2,221,734	2,418,389	-	-	2,418,389
642,642	624,428	-	-	624,428
595,236	584,283	-	-	584,283
260,949	248,192	-	-	248,192
714,525	305,410	291,531	245,030	841,971
1,068,615	645,922	-	-	645,922
1,609	-	475	22,841	23,316
-	636,586	-	-	636,586
639,160	551,874	4,555	-	556,429
-	761,789	(761,789)	-	-
<u>9,853,821</u>	<u>10,439,211</u>	<u>(465,228)</u>	<u>267,871</u>	<u>10,241,854</u>
2,020,688	2,113,377	-	-	2,113,377
1,931,065	1,898,100	-	-	1,898,100
676,700	599,920	-	-	599,920
442,065	447,449	-	-	447,449
1,707,435	1,341,382	-	-	1,341,382
948,006	740,505	-	-	740,505
<u>7,725,959</u>	<u>7,140,733</u>	<u>-</u>	<u>-</u>	<u>7,140,733</u>
227,696	223,866	-	-	223,866
<u>2,828,630</u>	<u>2,761,861</u>	<u>-</u>	<u>-</u>	<u>2,761,861</u>
<u>3,056,326</u>	<u>2,985,727</u>	<u>-</u>	<u>-</u>	<u>2,985,727</u>
<u>10,782,285</u>	<u>10,126,460</u>	<u>-</u>	<u>-</u>	<u>10,126,460</u>
<u>(928,464)</u>	<u>312,751</u>	<u>(465,228)</u>	<u>267,871</u>	<u>115,394</u>
1,009,354	465,202	508,123	-	973,325
373,964	(310,875)	(306,747)	-	(617,622)
<u>(1,430,787)</u>	<u>2,547,026</u>	<u>3,389,252</u>	<u>-</u>	<u>5,936,278</u>
<u>(47,469)</u>	<u>2,701,353</u>	<u>3,590,628</u>	<u>-</u>	<u>6,291,981</u>
<u>\$ (975,933)</u>	<u>\$ 3,014,104</u>	<u>\$ 3,125,400</u>	<u>\$ 267,871</u>	<u>\$ 6,407,375</u>

The accompanying Notes are an integral part of these financial statements

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Combined Statements of Changes in Net Assets

Years ended June 30, 2012 and 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Net Assets, July 1, 2010, As Previously Reported	\$ 4,823,997	\$ 18,067,471	\$ 8,307,174	\$ 31,198,642
Prior period adjustment	97,152	(97,152)	-	-
Change in accounting method	200,931	-	-	200,931
Net Assets, July 1, 2010, As Restated	5,122,080	17,970,319	8,307,174	31,399,573
Change in net assets	3,014,104	3,125,400	267,871	6,407,375
Net Assets, June 30, 2011	8,136,184	21,095,719	8,575,045	37,806,948
Change in net assets	5,880	(1,317,720)	335,907	(975,933)
Net Assets, June 30, 2012	<u>\$ 8,142,064</u>	<u>\$ 19,777,999</u>	<u>\$ 8,910,952</u>	<u>\$ 36,831,015</u>

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Combined Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended June 30	2012	2011
Cash Flows from Operating Activities		
Change in net assets	\$ (975,933)	\$ 6,407,375
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	138,366	190,863
Gain on disposal of property	-	(636,586)
Net realized and unrealized gains on investments	1,056,823	(5,318,656)
Contributions restricted for long-term purposes	149,292	224,520
Provision for doubtful receivables	6,986	2,591
Split-interest agreement valuation adjustments	(1,609)	(23,316)
Increase (decrease) in assets and liabilities		
Accounts receivable	169,829	86,577
Contributions receivable	(67,873)	6,326
Publications inventory	5,648	(5,018)
Prepays and other current assets	17,720	(82,248)
Accounts payable and accrued liabilities	(25,419)	(35,069)
Deferred revenue	35,235	(155,960)
Net cash provided by operating activities	<u>509,065</u>	<u>661,399</u>
Cash Flows From Investing Activities		
Purchases of investments	(52,701)	(808,314)
Purchase of property and equipment	(30,095)	(244,792)
Proceeds from sale of property	-	636,586
Net cash used by investing activities	<u>(82,796)</u>	<u>(416,520)</u>
Cash Flows From Financing Activities		
Contributions for long-term purposes	(149,292)	(245,030)
Net cash used by financing activities	<u>(149,292)</u>	<u>(245,030)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	276,977	(151)
Cash and Cash Equivalents, Beginning of Year	<u>420,947</u>	<u>421,098</u>
Cash and Cash Equivalents, End of Year	<u>\$ 697,924</u>	<u>\$ 420,947</u>
Supplemental Information		
Cash paid for income taxes	<u>\$ -</u>	<u>\$ 28,051</u>

The accompanying Notes are an integral
part of these financial statements

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Notes to Combined Financial Statements

June 30, 2012

Note 1 – Summary of Significant Accounting Policies

Organization and Activities. The Geological Society of America, Inc. (the "Society") was incorporated in 1929 to advance the geosciences, to enhance the professional growth of its members, and to promote the geosciences in the service of humankind. The Society's programs include publishing and distributing scientific literature, awarding research grants, sponsoring scientific meetings, providing information and materials for primary level science education and furnishing information to the public about earth science education and the environment. The Society is governed by a board of directors (the Council) elected by the Society's members.

The Geological Society of America Foundation, Inc. (the "Foundation") was founded in 1980 to provide endowment and fundraising resources to advance the mission of the Society. The majority of the Foundation's support and revenue is derived from contributions and investment income. The Foundation is governed by a Board of Trustees appointed by the Board itself from a list of candidates approved by the Council of the Society and the Foundation cannot change certain portions of its governing documents without the approval of the Society.

Basis of Presentation. The accompanying combined financial statements include the accounts of The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc. (collectively "the Organization"). The financial statements have been combined due to the significant related party economic interests that exist between the organizations. Intercompany accounts and transactions have been eliminated in combination and the combined organizations are not a separate legal entity.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

The Organization is required to report information regarding financial position and activities according to three classes of net assets:

Unrestricted Net Assets. Net assets that are currently available at the discretion of the Council and the Board of Trustees for use in the Organization's operations and those resources invested in property and equipment.

Temporarily Restricted Net Assets. Net assets restricted by donors to be used for various scientific programs, or specific time periods.

Permanently Restricted Net Assets. Net assets restricted by donor to be invested in perpetuity, the income of which is available for use in operations or various scientific programs in accordance with donor restrictions.

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

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Notes to Combined Financial Statements

June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents. The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio or otherwise encumbered. The Organization has cash balances in excess of federally insured limits periodically throughout the fiscal year.

Investments. Investments in equity securities with readily determinable fair values and debt securities are recorded at their fair values in the statements of financial position. Investments in certificates of deposits are stated at cost which approximates market value. Investments in limited partnerships are valued at estimated fair value based upon the underlying net assets of the limited partnership.

Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Investments related to the balances of temporarily and permanently restricted net assets are segregated as restricted investments in the statements of financial position.

Fair Value Measurements. The Organization reports using fair value measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Notes to Combined Financial Statements

June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Corporate Stocks, International Equities, Domestic Fixed Income Securities, Mutual Funds, Commodity Funds, Bank Loan Funds and Money Market Funds. Valued at the closing price reported on the active market on which the individual securities are traded.

Limited Partnership and Real Estate Funds. Valued as reported by the investment managers based upon the underlying net assets of the funds.

Private Equity Portfolio. Valued at the closing price reported on the active market on which the individual securities are traded and valued as reported by the private equity.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Accounts Receivable. Accounts receivable include administrative fees and reimbursable costs due on federal grant agreements and amounts due from sales of the Organization's products and services. At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the customer. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. The Organization has recorded allowances of \$27,715 and \$20,729 at June 30, 2012 and 2011, respectively.

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Notes to Combined Financial Statements

June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Contributions Receivable. Contributions receivable are recorded at their net realizable value. Contributions receivable expected to be collected in future years are recorded at net present value. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledges are received. Amortization of the discount will be included in contribution revenue. Conditional contributions receivable are not included as support until the conditions are substantially met. The Organization records an allowance based on management's estimate of uncollectible amounts.

Publications Inventory. Publications inventory consists of books, maps, charts and other publications valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

Property and Equipment. All property and equipment is stated at cost or if donated, at fair value at the date of transfer, and depreciated using the straight-line method over estimated useful lives which range from three to forty years. Expenditures for property and equipment that exceed \$5,000 are capitalized.

Long-Lived Assets. The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Organization looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired.

Collections and Works of Art. The Organization has various collections and works of art that are on exhibit at the headquarters building. Collection items acquired through purchase or donation are not capitalized. Contributions of collection items are not recognized in the statements of activities. Proceeds from sales or insurance recoveries are classified on the statements of activities based on the absence or existence and nature of donor-imposed restrictions.

Deferred Revenue. Membership dues, conference registrations, subscriptions and other receipts relating to future periods are deferred and recognized as revenue in the applicable future period when the related services are rendered and expenses are incurred.

Contributions. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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 statement of activities as net assets released from restrictions.

Grants and Awards. Grants and awards are recorded as expenses when the recipients are notified.

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Notes to Combined Financial Statements

June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses. The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefitted. Salaries and related fringe benefits are allocated to all services based on actual time expended. Allocations of certain overhead costs are also allocated to services on a pro-rata basis of total direct expenses incurred.

Shipping and Handling Costs. Shipping and handling charges are included in revenues and the related costs are charged to various programs and activities on a functional basis in the combined statement of activities.

Income Taxes and Change in Estimate. The Society is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code except for amounts representing unrelated business income. The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization other than a private foundation under Section 509(a). As such, donors are entitled to a charitable deduction for their contribution to both the Society and Foundation. The Society is subject to tax on its net unrelated business taxable income for certain activities. The Society recognized an income tax benefit due to a change in estimate totaling \$28,989 for the year ended June 30, 2012, and the net income tax benefit of \$28,613 is reported in general and administrative expenses in the accompanying combined statement of activities. The Society recognized an income tax benefit due to a change in estimate totaling \$37,634 for the year ended June 30, 2011, and the net income tax benefit of \$1,949 is reported in general and administrative expenses in the accompanying combined statement of activities.

The Organizations utilize the provisions of ASC 740, pertaining to accounting for uncertainty in income taxes. The pronouncement requires the use of a more-likely-than-not recognition criteria before and separate from the measurement of a tax position. An entity shall initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will not be sustained upon examination. With respect to the Organizations, this would primarily relate to the determination of unrelated business taxable income, and to the maintenance of its tax exempt status.

Management has evaluated the adopted policies and procedures that have been implemented to provide assurance that income is properly characterized and activities that jeopardize its tax exempt status are within limits established under existing tax code and regulations. Management has determined the effects of uncertain tax positions are not material to the Organizations for recognition or disclosure in the accompanying financial statements and, accordingly, no income tax liability has been recorded for uncertain income tax positions in the accompanying financial statements.

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Notes to Combined Financial Statements

June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

All income tax years open for examination are subject to taxation at corporate tax rates. The years ended June 30, 2011, 2010, and 2009 are available for examination at June 30, 2012. Additionally, penalties and interest may be assessed on income taxes that are delinquent. The assessment of uncertain income taxes is subject to estimate, and it is reasonably possible that the estimate may change in the near term and the change may be material.

Subsequent Events. Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through September 20, 2012, which is the date the financial statements were available to be issued.

Reclassifications. Certain amounts in the 2011 financial statements have been reclassified to conform with 2012 reporting, without affecting the change in net assets.

Note 2 – Change in Accounting Principle

Prior to July 1, 2011, the Society recognized revenue related to on-line subscriptions over the subscription period, generally one calendar year, with the unearned portion reported as deferred revenue. Effective July 1, 2011, the Society changed its method of accounting for on-line subscriptions to recognize revenue as publications for the subscription period are made available to the subscribers. The Society believes the change is preferable as it provides better matching of on-line publication costs and revenues. The change in method has been applied by retrospectively adjusting the prior years' financial statements to increase net assets by \$200,931 at July 1, 2010. Net assets increased and deferred revenue decreased by \$242,874 at June 30, 2011. For the year ended June 30, 2011 publication revenue increased by \$41,943.

Note 3 – Investments

Investments are presented on the Statement of Financial Position as follows at June 30:

	2012	2011
Investments	\$ 3,209,798	\$ 3,568,810
Long-term investments, unrestricted	11,469,229	11,655,201
Long-term investments, restricted	19,900,453	20,359,591
	<u>\$ 34,579,480</u>	<u>\$ 35,583,602</u>

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Notes to Combined Financial Statements

June 30, 2012

Note 3 – Investments (continued)

The Organization's fair value hierarchy for those investment assets measured at fair value on a recurring basis is as follows at June 30, 2012:

	Level 1	Level 3	Total
Corporate stock	\$ 10,880,814	\$ -	\$ 10,880,814
International equities	4,589,556	-	4,589,556
Domestic fixed income	6,800,664	-	6,800,664
Limited partnerships	-	3,540,503	3,540,503
Real estate	-	2,119,311	2,119,311
Mutual funds	490,127	-	490,127
Private equity portfolio	1,633,409	1,137,036	2,770,445
Commodity funds	1,313,560	-	1,313,560
Floating interest rate bank loan funds	2,014,193	-	2,014,193
Money market funds	60,307	-	60,307
	<u>\$ 27,782,630</u>	<u>\$ 6,796,850</u>	<u>\$ 34,579,480</u>

The Organization's fair value hierarchy for those investment assets measured at fair value on a recurring basis is as follows at June 30, 2011:

	Level 1	Level 3	Total
Corporate stock	\$ 12,569,044	\$ -	\$ 12,569,044
International equities	4,900,110	-	4,900,110
Domestic fixed income	6,396,804	-	6,396,804
Limited partnerships	-	3,656,244	3,656,244
Real estate	-	1,909,290	1,909,290
Mutual funds	635,762	-	635,762
Private equity portfolio	468,303	1,043,840	1,512,143
Commodity funds	1,134,850	-	1,134,850
Floating interest rate bank loan funds	2,382,165	-	2,382,165
Money market funds	487,190	-	487,190
	<u>\$ 28,974,228</u>	<u>\$ 6,609,374</u>	<u>\$ 35,583,602</u>

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Notes to Combined Financial Statements

June 30, 2012

Note 3 – Investments (continued)

The changes in the investments for which the Organization has used Level 3 inputs to determine the fair values are as follows:

	Amount
Balance, July 1, 2010	\$ 4,043,746
Investment income	73,996
Net realized and unrealized gains	570,840
Purchases/(fees)	1,920,792
Balance, June 30, 2011	<u>6,609,374</u>
Investment income	144,730
Net realized and unrealized gains	89,667
Purchases/(fees)	(46,921)
Balance, June 30, 2012	<u>\$ 6,796,850</u>

The Society has invested \$1,137,036 in a limited partnership with a total commitment of \$1,750,000. The limited partnership may make capital calls as needed.

Note 4 – Contributions Receivable and Concentrations

The Foundation has contributions receivable with expected collections as follows as of June 30:

	2012	2011
Due in less than one year	\$ 116,220	\$ 46,460
Due in one to five years	7,300	9,925
Less unamortized discount and uncollectible contributions	(19)	(757)
	<u>\$ 123,501</u>	<u>\$ 55,628</u>

The Foundation has estimated the percentage of contributions receivable that will become uncollectible using both historical trends of similar fund raising activities and review of past due receivables. It is reasonably possible that the allowance for uncollectible contributions may be insufficient.

As of June 30, 2012, three donors accounted for 35%, 29% and 21% of contributions receivable, and one donor accounted for 31% of contributions.

As of June 30, 2011, three donors accounted for 54%, 19% and 21% of contributions receivable, and one donor accounted for 31% of contributions.

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Notes to Combined Financial Statements

June 30, 2012

Note 5 – Publications Inventory

Publications inventory consisted of the following at June 30:

	2012	2011
Finished goods	\$ 259,413	\$ 239,473
Work in process	41,918	67,506
	<u>\$ 301,331</u>	<u>\$ 306,979</u>

Note 6 – Property and Equipment

Property and equipment consisted of the following at June 30:

	2012	2011
Land	\$ 428,065	\$ 428,065
Land improvements	89,557	89,557
Headquarters building and improvements	3,909,265	3,722,059
Furniture and equipment	1,170,635	1,205,679
Construction in progress	27,732	184,843
	<u>5,625,254</u>	<u>5,630,203</u>
Less accumulated depreciation	<u>(3,185,676)</u>	<u>(3,082,354)</u>
Net property and equipment	<u>\$ 2,439,578</u>	<u>\$ 2,547,849</u>

Note 7 – Split-Interest Agreements

The Foundation is a beneficiary of three charitable remainder trusts. Under the terms of the split-interest agreements, at the time of the donor's death, the trust is to terminate and the remaining trust assets are to be distributed to the Foundation and other beneficiaries. The present value of future benefits expected to be received by the Foundation was estimated to be \$246,544 and \$244,935 at June 30, 2012 and 2011, respectively, based on donor life expectancy and the use of discount rate of 4.05%.

Note 8 – Line of Credit

The Society has a \$300,000 line of credit agreement with JP Morgan Chase Bank, N.A. with no outstanding borrowings as of June 30, 2012 and 2011. Advances under agreement bear interest at the bank's index rate plus 0.25%. The agreement is collateralized by all property and matures in January 2013.

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Notes to Combined Financial Statements

June 30, 2012

Note 9 – Endowment Funds

General. The Organization's Endowment Funds were established by action of the Society's Board of Councilors and Foundations' Board of Trustees to be maintained in perpetuity. The Endowment Fund includes donor-restricted funds and may be utilized for either specific purposes or general operating use. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with Endowment Funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law. The Organization Boards have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purpose and intent of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect on inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are deducted from unrestricted net assets. These deficiencies result from unfavorable market fluctuations that may occur after the investment of permanently restricted contributions and appropriation that was deemed prudent by the Board. As of June 30, 2012 and 2011, no funds had deficiencies.

Return Objectives and Risk Parameters. The Organization has adopted an investment policy for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Permanently restricted assets are invested as a portion of the total Endowment Fund, which seeks to optimize the total rate of return to meet spending requirements of the Organization.

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Notes to Combined Financial Statements

June 30, 2012

Note 9 – Endowment Funds (continued)

The Endowment Fund also seeks sufficient flexibility to meet unanticipated demands and changing environments. The Endowment Fund is invested with a long-term strategy, which includes a balanced portfolio of equity, bonds, limited partnership, commodity funds, bank loans funds and temporary cash investments.

Strategies Employed for Achieving Objectives. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy on which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and the Relationship to Investment Objectives. The Society has a policy of appropriating for distribution each year 4% of the rolling 12 quarter moving average of total unrestricted investments on December 31st of the current fiscal year in which the distribution is planned if the adjusted unrestricted investments exceed the budgeted annual operating expenses. The Foundation has a policy of appropriating for distribution each year 5% of the fair value of a fund's net assets from two years prior to the current fiscal year. In establishing this policy, the Organization considered the long-term expected return on the Endowment Fund. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average of at least the Consumer Price Index annually and the Foundation expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment returns. Expenditures may be made through the Organization's operating budget on an annual basis.

Endowment funds consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Temporarily restricted net assets subject to time restrictions under UPMIFA		
Society	\$ 8,955,152	\$ 9,532,653
Foundation	<u>1,017,772</u>	<u>1,246,830</u>
Total temporarily restricted endowments	<u>9,972,924</u>	<u>10,779,483</u>
Permanently restricted net assets required to be retained permanently either by explicit donor stipulation or by UPMIFA		
Society	\$ 3,884,385	\$ 3,884,385
Foundation	<u>5,026,567</u>	<u>4,690,660</u>
Total permanently restricted endowments	<u>8,910,952</u>	<u>8,575,045</u>
Total endowment fund net assets	<u>\$ 18,883,876</u>	<u>\$ 19,354,528</u>

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Notes to Combined Financial Statements

June 30, 2012

Note 9 – Endowment Funds (continued)

The following summarizes the changes in endowment net assets for the years ended June 30, 2012 and 2011:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2010	<u>\$ 9,169,460</u>	<u>\$ 8,307,174</u>	<u>\$ 17,476,634</u>
Interest income, net of fees	255,573	-	255,573
Net realized and unrealized gains	1,527,233	-	1,527,233
Contributions	32,844	267,871	300,715
Amounts appropriated for expenditure	<u>(205,627)</u>	<u>-</u>	<u>(205,627)</u>
Change in endowment net assets	<u>1,610,023</u>	<u>267,871</u>	<u>1,877,894</u>
Endowment net assets, June 30, 2011	<u>10,779,483</u>	<u>8,575,045</u>	<u>19,354,528</u>
Interest income, net of fees	275,212	-	275,212
Net realized and unrealized gains (losses)	(275,871)	4,172	(271,699)
Contributions	8,120	149,292	157,412
Transfers of funds from Sections and Divisions	-	59,524	59,524
Transfers from temporarily restricted	-	143,204	143,204
Amounts appropriated for expenditure	<u>(814,020)</u>	<u>(20,285)</u>	<u>(834,305)</u>
Change in endowment net assets	<u>(806,559)</u>	<u>335,907</u>	<u>(470,652)</u>
Endowment net assets, June 30, 2012	<u>\$ 9,972,924</u>	<u>\$ 8,910,952</u>	<u>\$ 18,883,876</u>

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Notes to Combined Financial Statements

June 30, 2012

Note 10 – Restricted Net Assets and Prior Period Adjustment

The Organization discovered financial reporting errors in the reporting of agency transfers from the Society to the Foundation for building replacement and repairs, and technology projects after the release of the financial statements as of June 30, 2011, and for the year then ended. A prior period adjustment was recorded to reclassify net assets totaling \$97,152 from temporarily restricted to unrestricted net assets at July 1, 2010.

Temporarily restricted net assets are restricted for the following purposes at of June 30:

	<u>2012</u>	<u>2011</u>
<u>Society</u>		
Research, study and education (Pardee)	\$ 6,144,940	\$ 6,429,654
Penrose Endowment unappropriated earnings	<u>8,955,152</u>	<u>9,532,653</u>
	<u>\$ 15,100,092</u>	<u>\$ 15,962,307</u>
 <u>Foundation</u>		
Research grants and awards	\$ 1,404,580	\$ 1,750,555
Travel support	741,451	808,602
Other GSA program support	<u>2,531,876</u>	<u>2,574,255</u>
	<u>4,677,907</u>	<u>5,133,412</u>
 Total temporarily restricted net assets	 <u>\$ 19,777,999</u>	 <u>\$ 21,095,719</u>

Permanently restricted net assets are to provide a permanent endowment, with investment income restricted for the following purposes at June 30:

	<u>2012</u>	<u>2011</u>
<u>Society</u>		
Penrose Endowment	<u>\$ 3,884,385</u>	<u>\$ 3,884,385</u>
 <u>Foundation</u>		
Research grants and awards	4,425,548	4,115,699
Travel support	94,623	90,240
Other GSA program support	<u>506,396</u>	<u>484,721</u>
	<u>5,026,567</u>	<u>4,690,660</u>
 Total permanently restricted net assets	 <u>\$ 8,910,952</u>	 <u>\$ 8,575,045</u>

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Notes to Combined Financial Statements

June 30, 2012

Note 11 - Commitments and Subsequent Event

Operating Leases. The Society leases equipment under noncancelable operating leases with monthly payments totaling approximately \$8,171. The leases expire from November 2012 through June 2017, at which time the equipment may be purchased for its fair value. Rent expense under the agreements totaled approximately \$93,338 and \$82,000 for the years ended June 30, 2012 and 2011, respectively.

Future minimum payments required under the noncancelable operating lease agreements are as follows at June 30, 2012, including leases subsequently executed:

Year	Amount
2013	\$ 81,031
2014	65,151
2015	29,270
2016	12,499
2017	9,145
	<u>\$ 197,096</u>

Capital lease and Subsequent Event. In July 2012, the Society leased equipment with monthly payments totaling \$306. The lease expires June 2015.

Future minimum lease payments required under noncancelable capital leases are as follows at June 30, 2012:

Year	Amount
2013	\$ 3,973
2014	3,668
2015	3,362
	<u>\$ 11,003</u>

Purchase Commitment. In May 2012, the Society entered into an agreement for the purchase and installation of a solar photovoltaic system for \$277,320.

Meeting Reservation Commitments. The Society has entered into various contracts totaling \$10,442,313 for reservation of meeting and convention area space for its annual meetings, to be held through November 2018. The maximum penalty for cancellation of these contracts at June 30, 2012 totaled \$2,286,745.

Easements. In August 2010, the Society sold easements to the property adjacent to its headquarters to the City of Boulder, Colorado, and recorded a gain on the sale of \$636,586.

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Notes to Combined Financial Statements

June 30, 2012

Note 12 - Related Party Transactions

The Organization has transactions that consist of transfers between the Foundation and the Society for support of and investment in future advancement of the geosciences. All significant inter-organizational accounts and transactions are eliminated in combination. The detail of the inter-organizational transactions prior to elimination are as follows for the years ended June 30:

	2012	2011
Grants and awards		
Foundation program grants to Society	\$ 714,807	\$ 609,836
Society Sections and Divisions transfers to Foundation	64,524	54,800
	\$ 779,331	\$ 664,636
Agency transfers		
Society building funds transfer to Foundation	\$ -	\$ 409,765
Supporting services		
Society funding of Foundation payroll	\$ 200,677	\$ 200,677
Society funding of Foundation benefits	59,639	59,639
Society funding of Foundation overhead	121,000	130,000
	\$ 381,316	\$ 390,316

Note 13 – Pension Plan

The Organization has a qualified defined contribution plan that consists of individual annuity policies. The plan is available to employees with at least six months of service. All contributions to the plan, including those made by the Organization, are fully vested to the employee. The Organization's contributions to the plan totaled \$264,900 and \$231,949 for the years ended June 30, 2012 and 2011, respectively.

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Combining Statements of Financial Position

June 30

2012

ASSETS	Society	Foundation	Eliminations
Current Assets			
Cash and cash equivalents	\$ 570,674	\$ 127,250	\$ -
Investments	962,351	2,247,447	-
Accounts receivable, net	406,038	-	(69,694)
Contributions receivable, current, net	-	116,220	-
Publications inventory	301,331	-	-
Prepaid expenses and other current assets	296,764	9,913	-
Total current assets	2,537,158	2,500,830	(69,694)
Property and Equipment, net	2,439,578	-	-
Other Assets			
Investments, long-term, unrestricted	11,469,229	-	-
Investments, long-term, restricted	10,029,328	9,871,125	-
Agency funds held at Foundation	527,943	-	(527,943)
Contributions receivable, long-term, net	-	7,281	-
Prepaid expenses, long-term	41,557	-	-
Beneficial interest in charitable trusts	-	246,544	-
Total other assets	22,068,057	10,124,950	(527,943)
Total assets	\$ 27,044,793	\$ 12,625,780	\$ (597,637)
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 209,555	\$ 69,678	\$ (69,694)
Accrued liabilities	384,592	15,196	-
Agency funds due to GSA	-	527,943	(527,943)
Deferred revenue	1,632,594	-	-
Total current liabilities	2,226,741	612,817	(597,637)
Net Assets			
Unrestricted			
Designated for employee benefits	17,862	-	-
Designated for building repairs and improvements	411,546	-	-
Designated for technology projects	116,397	-	-
Undesignated	5,287,770	2,308,489	-
Total unrestricted net assets	5,833,575	2,308,489	-
Temporarily restricted	15,100,092	4,677,907	-
Permanently restricted	3,884,385	5,026,567	-
Total net assets	24,818,052	12,012,963	-
Total liabilities and net assets	\$ 27,044,793	\$ 12,625,780	\$ (597,637)

2012		2011		
Combined Totals	Society	Foundation	Eliminations	Combined Totals
\$ 697,924	\$ 131,333	\$ 289,614	\$ -	\$ 420,947
3,209,798	1,156,869	2,411,941	-	3,568,810
336,344	598,773	-	(85,614)	513,159
116,220	-	46,460	-	46,460
301,331	306,979	-	-	306,979
306,677	254,202	11,344	-	265,546
<u>4,968,294</u>	<u>2,448,156</u>	<u>2,759,359</u>	<u>(85,614)</u>	<u>5,121,901</u>
<u>2,439,578</u>	<u>2,546,912</u>	<u>937</u>	<u>-</u>	<u>2,547,849</u>
11,469,229	11,655,201	-	-	11,655,201
19,900,453	10,314,040	10,045,551	-	20,359,591
-	531,250	-	(531,250)	-
7,281	-	9,168	-	9,168
41,557	100,408	-	-	100,408
246,544	-	244,935	-	244,935
<u>31,665,064</u>	<u>22,600,899</u>	<u>10,299,654</u>	<u>(531,250)</u>	<u>32,369,303</u>
<u>\$ 39,072,936</u>	<u>\$ 27,595,967</u>	<u>\$ 13,059,950</u>	<u>\$ (616,864)</u>	<u>\$ 40,039,053</u>
\$ 209,539	\$ 220,613	\$ 85,614	\$ (85,614)	\$ 220,613
399,788	386,242	27,891	-	414,133
-	-	531,250	(531,250)	-
1,632,594	1,597,359	-	-	1,597,359
<u>2,241,921</u>	<u>2,204,214</u>	<u>644,755</u>	<u>(616,864)</u>	<u>2,232,105</u>
17,862	41,542	-	-	41,542
411,546	414,456	-	-	414,456
116,397	116,794	-	-	116,794
7,596,259	4,972,269	2,591,123	-	7,563,392
8,142,064	5,545,061	2,591,123	-	8,136,184
19,777,999	15,962,307	5,133,412	-	21,095,719
8,910,952	3,884,385	4,690,660	-	8,575,045
<u>36,831,015</u>	<u>25,391,753</u>	<u>12,415,195</u>	<u>-</u>	<u>37,806,948</u>
<u>\$ 39,072,936</u>	<u>\$ 27,595,967</u>	<u>\$ 13,059,950</u>	<u>\$ (616,864)</u>	<u>\$ 40,039,053</u>

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Combining Statements of Activities

Years ended June 30

2012

	Society	Foundation	Eliminations
Revenues and Support			
Publications	\$ 3,709,351	\$ -	\$ -
Meetings	2,221,734	-	-
Membership dues and services	642,642	-	-
Sections and divisions	595,236	-	-
Grants	260,949	-	-
Contributions	715,307	1,095,341	(1,096,123)
Education and outreach	1,068,615	-	-
Change in value of split interest agreements	-	1,609	-
Gain on disposal of property	-	-	-
Other support and revenue	620,964	18,196	-
Total revenues and support	9,834,798	1,115,146	(1,096,123)
Expenses			
Program services			
Publications	2,020,688	-	-
Meetings	1,931,065	-	-
Membership	676,700	-	-
Sections and divisions	442,065	-	-
Grants and awards	1,614,529	807,713	(714,807)
Education and outreach	948,006	-	-
Total program services	7,633,053	807,713	(714,807)
Supporting services			
Fundraising	6,984	220,712	-
General and administrative	2,649,665	560,281	(381,316)
Total supporting services	2,656,649	780,993	(381,316)
Total expenses	10,289,702	1,588,706	(1,096,123)
Sections and Divisions Funds Transferred	(64,524)	64,524	-
Change in Net Assets Before			
Investment Income (Loss)	(519,428)	(409,036)	-
Interest and dividend income	657,263	352,091	-
Net realized gains (losses) on investments	246,826	127,138	-
Net unrealized gains (losses) on investments	(958,362)	(472,425)	-
Net investment income (loss)	(54,273)	6,804	-
Change in Net Assets	\$ (573,701)	\$ (402,232)	\$ -

2012		2011		
Combined Totals	Society	Foundation	Eliminations	Combined Totals
\$ 3,709,351	\$ 3,662,338	\$ -	\$ -	\$ 3,662,338
2,221,734	2,418,389	-	-	2,418,389
642,642	624,428	-	-	624,428
595,236	584,283	-	-	584,283
260,949	248,192	-	-	248,192
714,525	610,337	1,231,786	(1,000,152)	841,971
1,068,615	645,922	-	-	645,922
1,609	-	23,316	-	23,316
-	636,586	-	-	636,586
639,160	543,249	13,180	-	556,429
<u>9,853,821</u>	<u>9,973,724</u>	<u>1,268,282</u>	<u>(1,000,152)</u>	<u>10,241,854</u>
2,020,688	2,113,377	-	-	2,113,377
1,931,065	1,898,100	-	-	1,898,100
676,700	599,920	-	-	599,920
442,065	447,449	-	-	447,449
1,707,435	1,269,907	681,311	(609,836)	1,341,382
948,006	740,505	-	-	740,505
<u>7,725,959</u>	<u>7,069,258</u>	<u>681,311</u>	<u>(609,836)</u>	<u>7,140,733</u>
227,696	7,862	216,004	-	223,866
2,828,630	2,630,227	521,950	(390,316)	2,761,861
3,056,326	2,638,089	737,954	(390,316)	2,985,727
<u>10,782,285</u>	<u>9,707,347</u>	<u>1,419,265</u>	<u>(1,000,152)</u>	<u>10,126,460</u>
-	(54,800)	54,800	-	-
(928,464)	211,577	(96,183)	-	115,394
1,009,354	644,736	328,589	-	973,325
373,964	(590,469)	(27,153)	-	(617,622)
(1,430,787)	4,152,166	1,784,112	-	5,936,278
(47,469)	4,206,433	2,085,548	-	6,291,981
<u>\$ (975,933)</u>	<u>\$ 4,418,010</u>	<u>\$ 1,989,365</u>	<u>\$ -</u>	<u>\$ 6,407,375</u>

The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

Combining Statements of Changes in Net Assets

Years ended June 30, 2012 and 2011

	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined Totals</u>
Net Assets, July 1, 2010, As Previously Reported	\$ 20,675,660	\$ 10,522,982	\$ -	\$ 31,198,642
Prior period adjustment	97,152	(97,152)	-	-
Change in accounting method	<u>200,931</u>	<u>-</u>	<u>-</u>	<u>200,931</u>
Net Assets, July 1, 2010, As Restated	20,973,743	10,425,830	-	31,399,573
Change in net assets	<u>4,418,010</u>	<u>1,989,365</u>	<u>-</u>	<u>6,407,375</u>
Net Assets, June 30, 2011	25,391,753	12,415,195	-	37,806,948
Change in net assets	<u>(573,701)</u>	<u>(402,232)</u>	<u>-</u>	<u>(975,933)</u>
Net Assets, June 30, 2012	<u>\$ 24,818,052</u>	<u>\$ 12,012,963</u>	<u>\$ -</u>	<u>\$ 36,831,015</u>



**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards**

Council
The Geological Society of America, Inc.
Boulder, Colorado

We have audited the financial statements of The Geological Society of America, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Geological Society of America, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Geological Society of America, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Geological Society of America, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Council, and others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

Fort Collins, Colorado
September 20, 2012



**Independent Auditor's Report on Compliance with
Requirements That Could Have a Direct and Material
Effect on Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133**

Council
The Geological Society of America, Inc.
Boulder, Colorado

Compliance

We have audited The Geological Society of America, Inc.'s (the Society) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Society's major federal programs for the year ended June 30, 2012. The Society's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Society's management. Our responsibility is to express an opinion on the Society's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Society's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Society's compliance with those requirements.

In our opinion, The Geological Society of America, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Society is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Society's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Society's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, Council members, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

Fort Collins, Colorado
September 20, 2012

The Geological Society of America, Inc.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Federal Grantor and Program Title	Federal CFDA Number	Identifying Number	Total Expenditures
Major Programs			
<u>U.S. Department of Interior</u>			
Direct Programs			
National Park Service			
GeoCorps America	15.944	H2360086068	\$ 614,988
GeoCorps America	15.XXX	H2360086068	155,595
GeoCorps America	15.AAV	H2360086068	5,489
Bureau of Land Management			
GeoCorps America	15.224	Various	13,355
Bureau of Land Management (ARRA)			
GeoCorps America	15.225	Various	2,125
Bureau of Land Management (ARRA)			
GeoCorps America	15.236	Various	28,690
Bureau of Land Management			
GeoCorps America	15.238	Various	750
Bureau of Land Management			
GeoCorps America	15.239	Various	98,826
<u>U.S. Department of Agriculture</u>			
Direct Program			
Forest Service			
GeoCorps America	10.XXX	11-PA-11132428-099	81,893
Other Federal Awards			
<u>National Science Foundation</u>			
Direct Program			
Matching Research Grant Program			
	47.050	EAR-0751341	208,000
Fragile Earth Travel Support			
	47.050	EAR-1143509	20,000
			<u>228,000</u>
<u>United States Geological Survey</u>			
Direct Program			
Congressional Science Fellow			
	15.808	08HQGR0141	37,950
Sponsorship of Annual Meeting			
	15.808	G09AP00164	10,000
			<u>47,950</u>
			<u>\$ 1,277,661</u>

The accompanying Notes are an integral
part of this schedule

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BROCK AND COMPANY CPAS PC

The Geological Society of America, Inc.

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Method of Accounting

The schedule of expenditures of federal awards has been prepared on an accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts in or used in the preparation of the financial statements.

The Geological Society of America, Inc.

Schedule of Findings and Questioned Costs and Prior Audit Findings

Year ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ yes X no

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ yes X no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

CFDA	Identifying Number	Name of Federal Program or Cluster
15.AAV	H2360086068	National Park Service, GeoCorps America Program
15.224	Various	Bureau of Land Management, GeoCorps America Program
15.225	Various	Bureau of Land Management, GeoCorps America Program
15.236	Various	Bureau of Land Management, GeoCorps America Program
15.238	Various	Bureau of Land Management, GeoCorps America Program
15.239	Various	Bureau of Land Management, GeoCorps America Program
10.XXX	11-PA-11132428-099	Forest Service, GeoCorps America Program

Dollar threshold used to distinguish between type A and type B programs _____ \$300,000 _____

Auditee qualified as low-risk auditee? _____ yes X no

The Geological Society of America, Inc.

Schedule of Findings and Questioned Costs and Prior Year Audit Findings (continued)

Year ended June 30, 2012

Section II - Financial Statement Findings

Findings Relating to Financial Statements

No matters reported.

Section III - Federal Award Findings and Questioned Costs

Findings Relating to Federal Awards

No matters reported.

The Geological Society of America, Inc.

Schedule of Findings and Questioned Costs and Prior Year Audit Findings (continued)

Year ended June 30, 2012

Section IV - Summary Schedule of Prior Audit Findings

Findings Relating to Financial Statements

Finding 2011-1 Reporting, Material Weakness

Condition

The Society has historically recorded service revenues and reimbursable expenditures on federal cooperative and participating agreements on a cash basis of accounting.

Recommendation

The Society should restate its previously issued financial statements to correct the accounting error and review its policies and procedures for revenue recognition under federal cooperative and participating agreements.

Current Status

The financial statements have been restated. Policies and procedures have been modified to record the revenue on the accrual basis.

The Geological Society of America, Inc.

Schedule of Findings and Questioned Costs and Prior Year Audit Findings (continued)

Year ended June 30, 2012

Section IV - Summary Schedule of Prior Audit Findings (continued)

Findings Relating to Federal Awards

Finding 2011-2 Reporting, Material Weakness, Federal Awards, U.S. Department of Interior

Condition

The Society failed to submit Standard Form 425, *Federal Financial Report*, for all periods required by their federal cooperative agreements with the U.S. Department of Interior, National Park Service and Bureau of Land Management for the GeoCorps America programs.

Recommendation

The Society should implement procedures to insure effective identification of financial reporting requirements and timely filing of reports with federal agencies.

Current Status

The Society has implemented procedures for the identification of financial reporting requirements and has submitted required Standard Form 425, *Federal Financial Reports*, for all current federal cooperative agreements.

The Geological Society of America, Inc.

Schedule of Findings and Questioned Costs and Prior Year Audit Findings (continued)

Year ended June 30, 2012

Section IV - Summary Schedule of Prior Audit Findings (continued)

Findings Relating to Federal Awards

Finding 2011-3 Reporting, Material Weakness, Federal Cooperative Agreements Awards

Condition

The Society has previously reported expenditures on federal cooperative and participating agreements in the period the federal funds were received and not when the expenditure or expense transactions occurred.

Recommendation

The Society should review its policies for determination of when an award is expended on cooperative and participating agreements and reportable on the Schedule of Expenditures of Federal Awards.

Current Status

The Society has implemented policies for the determination of when an award is expended on cooperative and participating agreements and reportable on the Schedule of Expenditures of Federal Awards.

The Geological Society of America, Inc.

Schedule of Findings and Questioned Costs and Prior Year Audit Findings (continued)

Year ended June 30, 2012

Section IV - Summary Schedule of Prior Audit Findings (continued)

Findings Relating to Federal Awards

Finding 2011-4 Reporting, Material Weakness, All Federal Awards

Condition

The Society did not submit the data collection form within the stipulated period.

Recommendation

The Society should implement procedures to insure timely filing of data collection form within stipulated requirements of OMB Circular A-133.

Current Status

The Society has implemented procedures for the timely filing of data collection forms within stipulated requirements of OMB Circular A-133.