

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

Boulder, Colorado

**Combined Financial Statements**

June 30, 2017 and 2016

# 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

### **Report on the Financial Statements**

We have audited the accompanying combined financial statements of The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc. (nonprofit organizations), which comprise the combined statements of financial position as of June 30, 2017 and 2016, and the related combined statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these combined financial statements based on our audits. 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 audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent Auditor's Report (continued)

### **Opinion**

In our opinion, 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, 2017 and 2016, 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.

### **Other Matters: Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the combined financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or the combined 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2017, on our consideration of The Geological Society of America, Inc.'s internal control over financial reporting and on 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 in considering The Geological Society of America, Inc.'s internal control over financial reporting and compliance.

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

Fort Collins, Colorado  
September 12, 2017

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

## Combined Statements of Financial Position

June 30	2017	2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,161,775	\$ 2,090,842
Investments	4,755,083	4,971,401
Accounts receivable, net	472,406	424,659
Contributions receivable, current, net	337,538	376,798
Publications inventory	235,635	265,123
Prepaid expenses and other current assets	386,813	310,366
Total current assets	<u>8,349,250</u>	<u>8,439,189</u>
<b>Property and Equipment, net</b>	<u>2,260,923</u>	<u>2,296,184</u>
<b>Other Assets</b>		
Investments, long-term, unrestricted	15,945,805	13,790,242
Investments, long-term, restricted	27,134,443	24,777,911
Contributions receivable, long-term, net	685,368	870,025
Prepaid expenses, long-term	101,284	62,667
Total other assets	<u>43,866,900</u>	<u>39,500,845</u>
Total assets	<u>\$ 54,477,073</u>	<u>\$ 50,236,218</u>

	2017	2016
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 426,307	\$ 424,708
Accrued liabilities	595,156	527,441
Deferred revenue	<u>1,363,757</u>	<u>1,601,318</u>
Total current liabilities	<u>2,385,220</u>	<u>2,553,467</u>
<b>Net Assets</b>		
Unrestricted		
Designated for building repairs and improvement	404,123	479,982
Designated for technology projects	170,354	152,611
Undesignated	<u>10,339,590</u>	<u>9,896,669</u>
Total unrestricted net assets	<u>10,914,067</u>	<u>10,529,262</u>
Temporarily restricted	28,329,045	24,966,267
Permanently restricted	<u>12,848,741</u>	<u>12,187,222</u>
Total net assets	<u>52,091,853</u>	<u>47,682,751</u>
Total liabilities and net assets	<u>\$ 54,477,073</u>	<u>\$ 50,236,218</u>

The accompanying Notes are an integral part of these financial statements

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

## Combined Statements of Activities

Years ended June 30

2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
<b>Revenues and Support</b>			
Publications	\$ 3,711,270	\$ -	\$ -
Meetings	2,621,125	-	-
Membership dues and services	901,957	-	-
Sections and divisions	666,454	-	-
Grants	390,453	-	-
Contributions	87,592	249,582	601,848
Education and outreach	1,157,392	-	-
Other support and revenue	307,130	-	-
Net assets released from restrictions	1,015,409	(1,015,409)	-
Total revenues and support	<u>10,858,782</u>	<u>(765,827)</u>	<u>601,848</u>
<b>Expenses</b>			
Program services			
Publications	1,868,060	-	-
Meetings	1,877,778	-	-
Membership	584,937	-	-
Sections and divisions	554,152	-	-
Grants and awards	1,129,711	-	-
Education and outreach	1,777,006	-	-
Total program services	<u>7,791,644</u>	<u>-</u>	<u>-</u>
Supporting services			
Fundraising	217,683	-	-
General and administrative	3,439,503	-	-
Total supporting services	<u>3,657,186</u>	<u>-</u>	<u>-</u>
Total expenses	<u>11,448,830</u>	<u>-</u>	<u>-</u>
<b>Interfund Transfers and Reclassifications</b>	<u>-</u>	<u>(59,671)</u>	<u>59,671</u>
<b>Change in Net Assets Before</b>			
Investment Income (Loss)	<u>(590,048)</u>	<u>(825,498)</u>	<u>661,519</u>
Interest and dividend income	295,350	909,706	-
Net realized gains on investments	106,591	549,258	-
Net unrealized gains (losses) on investments	572,912	2,729,312	-
Net investment income (loss)	<u>974,853</u>	<u>4,188,276</u>	<u>-</u>
<b>Change in Net Assets</b>	<u>\$ 384,805</u>	<u>\$ 3,362,778</u>	<u>\$ 661,519</u>

2017		2016		
Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 3,711,270	\$ 3,735,287	\$ -	\$ -	\$ 3,735,287
2,621,125	2,404,935	-	-	2,404,935
901,957	820,944	-	-	820,944
666,454	632,250	-	-	632,250
390,453	796,477	-	-	796,477
939,022	223,724	301,804	1,897,783	2,423,311
1,157,392	1,406,563	-	-	1,406,563
307,130	462,536	-	-	462,536
-	1,216,366	(1,216,366)	-	-
<u>10,694,803</u>	<u>11,699,082</u>	<u>(914,562)</u>	<u>1,897,783</u>	<u>12,682,303</u>
1,868,060	1,537,167	-	-	1,537,167
1,877,778	1,956,590	-	-	1,956,590
584,937	677,756	-	-	677,756
554,152	569,728	-	-	569,728
1,129,711	2,051,399	-	-	2,051,399
1,777,006	1,568,978	-	-	1,568,978
<u>7,791,644</u>	<u>8,361,618</u>	<u>-</u>	<u>-</u>	<u>8,361,618</u>
217,683	352,511	-	-	352,511
3,439,503	3,698,697	-	-	3,698,697
3,657,186	4,051,208	-	-	4,051,208
<u>11,448,830</u>	<u>12,412,826</u>	<u>-</u>	<u>-</u>	<u>12,412,826</u>
-	(150,485)	(268,308)	418,793	-
<u>(754,027)</u>	<u>(864,229)</u>	<u>(1,182,870)</u>	<u>2,316,576</u>	<u>269,477</u>
1,205,056	344,560	1,105,215	-	1,449,775
655,849	89,052	395,254	-	484,306
3,302,224	(392,257)	(1,798,177)	-	(2,190,434)
<u>5,163,129</u>	<u>41,355</u>	<u>(297,708)</u>	<u>-</u>	<u>(256,353)</u>
<u>\$ 4,409,102</u>	<u>\$ (822,874)</u>	<u>\$ (1,480,578)</u>	<u>\$ 2,316,576</u>	<u>\$ 13,124</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, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<b>Net Assets, July 1, 2015</b>	\$ 11,352,136	\$ 26,446,845	\$ 9,870,646	\$ 47,669,627
Change in net assets	<u>(822,874)</u>	<u>(1,480,578)</u>	<u>2,316,576</u>	<u>13,124</u>
<b>Net Assets, June 30, 2016</b>	10,529,262	24,966,267	12,187,222	47,682,751
Change in net assets	<u>384,805</u>	<u>3,362,778</u>	<u>661,519</u>	<u>4,409,102</u>
<b>Net Assets, June 30, 2017</b>	<u><u>\$ 10,914,067</u></u>	<u><u>\$ 28,329,045</u></u>	<u><u>\$ 12,848,741</u></u>	<u><u>\$ 52,091,853</u></u>

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part of these financial statements

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# 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	2017	2016
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 4,409,102	\$ 13,124
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	153,580	162,771
Net realized and unrealized (gains) losses on investments	(3,958,073)	1,706,128
Valuation adjustment to split interest agreements	(75,809)	208,520
Provision (recoveries) for doubtful receivables	1,081	(679)
Increase (decrease) in assets and liabilities		
Accounts receivable	(48,828)	319,962
Contributions receivable	299,726	(1,232,288)
Publications inventory	29,488	48,848
Prepaid expenses and other current assets	(115,064)	104,568
Accounts payable and accrued liabilities	69,314	300,602
Deferred revenue	(237,561)	45,197
Net cash provided by operating activities	<u>526,956</u>	<u>1,676,753</u>
<b>Cash Flows From Investing Activities</b>		
Net purchases of investments	(337,704)	(1,034,928)
Purchase of property and equipment	(118,319)	(60,725)
Net cash used by investing activities	<u>(456,023)</u>	<u>(1,095,653)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>70,933</b>	<b>581,100</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>2,090,842</u></b>	<b><u>1,509,742</u></b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 2,161,775</u></b>	<b><u>\$ 2,090,842</u></b>
<b>Supplemental Information</b>		
Cash paid for income taxes	\$ 2,428	\$ 2,505

The accompanying Notes are an integral  
part of these financial statements

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

## Notes to Combined Financial Statements

June 30, 2017

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### 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, 2017

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### Note 1 – Summary of Significant Accounting Policies (continued)

*Cash and Cash Equivalents and Concentration.* 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.* The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Investment Committee determines the Organization's valuation policies utilizing information provided by the investment advisors and custodians. See fair value measurements below.

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, 2017

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### 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. There have been no changes in the methodologies used at June 30, 2017 and 2016.

*Mutual Funds and Money Market Funds.* Valued at the quoted net asset value ("NAV") of shares/units held by the Organization at year end.

*Pooled Private Investment Company, Limited Partnership and Real Estate Funds.* Valued at the NAV, without adjustment, of units held by the Organization at year-end. The NAV, as provided by the investment managers, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the Fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

*Private Equity Portfolio.* Portfolios primarily are invested in private equity limited partnerships. Investments are valued at NAV, without adjustment, as reported by their underlying investment manager. The portfolios also invest in total return swaps that are valued based upon the underlying investment's NAV, without adjustment. In the event that the Organization is unable to obtain the value of any portfolio investment from the applicable investment manager, the fair value of such portfolio investment shall be determined by the investment general partner, subject to approval by the advisory board of the investment fund.

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

## Notes to Combined Financial Statements

June 30, 2017

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### Note 1 – Summary of Significant Accounting Policies (continued)

*Accounts Receivable (continued).* 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 \$10,756 and \$14,383 at June 30, 2017 and 2016, respectively.

*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.

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

## Notes to Combined Financial Statements

June 30, 2017

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### Note 1 – Summary of Significant Accounting Policies (continued)

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

*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 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, 2017

### 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, 2016, 2015, and 2014 are available for examination at June 30, 2017. 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 12, 2017, which is the date the financial statements were available to be issued.

### Note 2 – Investments

The Organization's fair value hierarchy for those investment assets measured at fair value on a recurring basis is as follows at June 30, 2017:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds:			
Domestic fixed income	\$ 6,490,262	\$ -	\$ 6,490,262
Domestic equity	15,200,577	-	15,200,577
International	10,672,083	-	10,672,083
Money market funds	129,362	-	129,362
	<u>32,492,284</u>	<u>-</u>	<u>32,492,284</u>
Pooled private investment company funds	-	7,878,256	7,878,256
Limited partnership funds	-	2,559,255	2,559,255
Real estate funds	-	3,097,403	3,097,403
Private equity portfolio funds	-	1,808,133	1,808,133
	<u>\$ 32,492,284</u>	<u>\$ 15,343,047</u>	<u>\$ 47,835,331</u>

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

## Notes to Combined Financial Statements

June 30, 2017

### Note 2 – 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, 2016:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds:			
Domestic fixed income	\$ 6,460,773	\$ -	\$ 6,460,773
Domestic equity	14,990,494	-	14,990,494
International	7,863,861	-	7,863,861
Money market funds	204,137	-	204,137
	<u>29,519,265</u>	<u>-</u>	<u>29,519,265</u>
Pooled private investment company funds	-	7,461,230	7,461,230
Limited partnership funds	-	2,375,817	2,375,817
Real estate funds	-	2,835,305	2,835,305
Private equity portfolio funds	-	1,347,937	1,347,937
	<u>\$ 29,519,265</u>	<u>\$ 14,020,289</u>	<u>\$ 43,539,554</u>

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

	Pooled private investment company funds	Limited partnership funds
Balance, July 1, 2015	\$ 7,199,471	\$ 2,373,766
Purchases	3,077,183	117,483
Realized gains (losses)	440,568	(70,025)
Unrealized losses	(592,455)	(45,407)
Sales and redemptions	(2,663,537)	-
Balance, June 30, 2016	<u>7,461,230</u>	<u>2,375,817</u>
Purchases	<b>2,050,000</b>	<b>95,983</b>
Realized gains	<b>19,482</b>	<b>36,227</b>
Unrealized gains	<b>565,546</b>	<b>51,228</b>
Sales and redemptions	<b>(2,218,002)</b>	<b>-</b>
Balance, June 30, 2017	<u><b>\$ 7,878,256</b></u>	<u><b>\$ 2,559,255</b></u>

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

## Notes to Combined Financial Statements

June 30, 2017

### Note 2 – Investments (continued)

	Real estate funds	Private equity portfolio funds
Balance, July 1, 2015	\$ 2,066,849	\$ 1,312,016
Purchases	636,197	271,713
Realized gains (losses)	(17,142)	40,706
Unrealized gains	149,401	23,754
Sales and redemptions	-	(300,252)
Balance, June 30, 2016	2,835,305	1,347,937
Purchases	122,211	570,867
Realized gains	304	43,896
Unrealized gains	173,731	130,915
Sales and redemptions	(34,148)	(285,482)
Balance, June 30, 2017	\$ 3,097,403	\$ 1,808,133

The Organization has invested \$1,486,000 in a limited partnership with a total commitment of \$2,000,000. The limited partnership may make capital calls as needed.

The Organization has invested \$2,033,427 in private equity portfolio funds with a total commitment of \$3,500,000. The private equity portfolio funds may make capital calls as needed.

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

	2017	2016
Investments	\$ 4,755,083	\$ 4,971,401
Long-term investments, unrestricted	15,945,805	13,790,242
Long-term investments, restricted	27,134,443	24,777,911
	\$ 47,835,331	\$ 43,539,554

*Changes in Fair Value Levels.* The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the year ended June 30, 2017 and 2016, there were no significant transfers in or out of levels 1 or 3.

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

## Notes to Combined Financial Statements

June 30, 2017

### Note 2 – Investments (continued)

#### Fair Value of Investments in Entities that Use NAV

The following table summarizes investments measured at fair value based on NAV per unit/share as of June 30, 2017.

<u>Investment</u>	<u>Fair Value as of June 30, 2017</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled private investment company funds	\$ 7,878,256	None	Monthly, Quarterly, Semi-annually	60 days for monthly, 90 days for quarterly, and 100 days for semi-annual
Limited partnership funds	\$ 2,559,255	None	Monthly	30 days
Real estate funds	\$ 3,097,403	\$ 514,000	Quarterly	30 and 60 days
Private equity portfolio funds	\$ 1,808,133	\$ 1,466,573	None	None

The following table summarizes investments measured at fair value based on NAV per unit/share as of June 30, 2016.

<u>Investment</u>	<u>Fair Value as of June 30, 2016</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled private investment company funds	\$ 7,461,230	None	Monthly, Quarterly, Semi-annually	60 days for monthly, 90 days for quarterly, and 100 days for semi-annual
Limited partnership funds	\$ 2,375,817	None	Monthly	30 days
Real estate funds	\$ 2,835,305	\$ 703,000	Quarterly	30 and 60 days
Private equity portfolio funds	\$ 1,347,937	\$ 1,560,743	None	None

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

## Notes to Combined Financial Statements

June 30, 2017

### Note 3 – Contributions Receivable and Concentrations

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

	2017	2016
Due in less than one year	\$ 337,538	\$ 376,798
Due in one to five years	828,418	1,088,884
Less unamortized discount	(143,050)	(218,859)
	<u>\$ 1,022,906</u>	<u>\$ 1,246,823</u>

As of June 30, 2017 and 2016, one donor accounted for 68% of contributions receivable.

### Note 4 – Publications Inventory

Publications inventory consisted of the following at June 30:

	2017	2016
Finished goods	\$ 68,003	\$ 35,725
Work in process	167,632	229,398
	<u>\$ 235,635</u>	<u>\$ 265,123</u>

### Note 5 – Property and Equipment

Property and equipment consisted of the following at June 30:

	2017	2016
Land	\$ 428,065	\$ 428,065
Land improvements	105,007	105,007
Headquarters building and improvements	4,288,161	4,282,549
Furniture and equipment	1,237,941	1,237,941
Construction in progress	135,676	22,190
	<u>6,194,850</u>	<u>6,075,752</u>
Less accumulated depreciation	(3,933,927)	(3,779,568)
Net property and equipment	<u>\$ 2,260,923</u>	<u>\$ 2,296,184</u>

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

## Notes to Combined Financial Statements

June 30, 2017

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### Note 6 – 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, 2017 and 2016. 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 2018.

### Note 7 - Leasing Activities

*Operating Leases.* The Society leases equipment under noncancelable operating leases with monthly payments totaling \$7,333. The leases expire from September 2017 through July 2021, at which time the equipment may be purchased for its fair value. Rent expense under noncancelable operating lease agreements totaled \$80,476 and \$95,542 for the years ended June 30, 2017 and 2016, respectively.

Future minimum payments required under the noncancelable operating lease agreements are as follows at June 30, 2017:

<u>Year</u>	<u>Amount</u>
2018	\$ 63,472
2019	41,718
2020	31,810
2021	27,200
2022	2,267
	<u>\$ 166,467</u>

### Note 8 – 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 Geological Society of America, Inc. and The Geological Society of America Foundation, Inc.

## Notes to Combined Financial Statements

June 30, 2017

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### Note 8 – Endowment Funds (continued)

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 of 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, 2017 and 2016, 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 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.

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

## Notes to Combined Financial Statements

June 30, 2017

### Note 8 – Endowment Funds (continued)

*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 one half of the budgeted annual operating expenses. The Foundation has a policy of appropriating for distribution each year 4% 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>2017</u>	<u>2016</u>
Temporarily restricted net assets subject to time restrictions under UPMIFA		
Society		
Penrose endowment, unappropriated earnings	\$ 13,025,587	\$ 11,134,195
Penrose endowment, board designated	1,250,000	1,250,000
Pardee endowment, board designated	4,300,000	4,300,000
Foundation	<u>2,950,968</u>	<u>2,218,088</u>
Total temporarily restricted endowments	<u>21,526,555</u>	<u>18,902,283</u>
Permanently restricted net assets required to be retained permanently either by explicit donor stipulation or by UPMIFA		
Society, Penrose endowment	3,884,385	3,884,385
Foundation	<u>8,964,356</u>	<u>8,302,837</u>
Total permanently restricted endowments	<u>12,848,741</u>	<u>12,187,222</u>
Total endowment fund net assets	<u>\$ 34,375,296</u>	<u>\$ 31,089,505</u>

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

## Notes to Combined Financial Statements

June 30, 2017

### Note 8 – Endowment Funds (continued)

The following summarizes the changes in endowment net assets for the years ended June 30, 2017 and 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2015	\$ 19,243,947	\$ 9,870,646	\$ 29,114,593
Interest income, net of fees	770,707	-	770,707
Net realized and unrealized losses	(960,350)	-	(960,350)
Contributions	5,918	1,852,783	1,858,701
Transfers of funds from Sections and Divisions	-	45,000	45,000
Interfund transfers and reclassifications	141,331	418,793	560,124
Amounts appropriated for expenditure	(299,270)	-	(299,270)
Change in endowment net assets	<u>(341,664)</u>	<u>2,316,576</u>	<u>1,974,912</u>
Endowment net assets, June 30, 2016	<u>18,902,283</u>	<u>12,187,222</u>	<u>31,089,505</u>
Interest income, net of fees	653,985	-	653,985
Net realized and unrealized gains	2,319,574	-	2,319,574
Contributions	17,559	499,848	517,407
Transfers of funds from Sections and Divisions	-	102,000	102,000
Interfund transfers and reclassifications	1,000	59,671	60,671
Amounts appropriated for expenditure	(367,846)	-	(367,846)
Change in endowment net assets	<u>2,624,272</u>	<u>661,519</u>	<u>3,285,791</u>
Endowment net assets, June 30, 2017	<u>\$ 21,526,555</u>	<u>\$ 12,848,741</u>	<u>\$ 34,375,296</u>

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

## Notes to Combined Financial Statements

June 30, 2017

### Note 9 – Restricted Net Assets

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

	2017	2016
<u>Society</u>		
Penrose endowment, unappropriated earnings	\$ 13,025,587	\$ 11,134,195
Penrose endowment, board designated	1,250,000	1,250,000
Pardee endowment, board designated	4,300,000	4,300,000
Non-endowed research, study and education	3,081,187	2,603,728
	21,656,774	19,287,923
 <u>Foundation</u>		
Research grants and awards	2,274,814	1,739,692
Travel support	1,176,028	1,073,823
Other GSA program support	3,221,429	2,864,829
	6,672,271	5,678,344
 Total temporarily restricted net assets	 \$ 28,329,045	 \$ 24,966,267

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

	2017	2016
<u>Society</u>		
Penrose endowment	\$ 3,884,385	\$ 3,884,385
 <u>Foundation</u>		
Research grants and awards	6,881,770	6,339,528
Travel support	524,472	509,710
Other GSA program support	1,558,114	1,453,599
	8,964,356	8,302,837
 Total permanently restricted net assets	 \$ 12,848,741	 \$ 12,187,222

### Note 10 - Commitments

*Meeting Reservation Commitments.* The Society has entered into various contracts totaling \$7,457,574 for reservation of meeting and convention area space for its annual meetings, to be held through October 2023. The maximum penalty for cancellation of these contracts at June 30, 2017 totaled \$2,771,738.

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

## Notes to Combined Financial Statements

June 30, 2017

### Note 11 - 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:

	2017	2016
Grants and awards		
Foundation program grants to Society	\$ 834,354	\$ 1,058,824
Society Sections and Divisions transfers to Foundation	112,500	46,500
	\$ 946,854	\$ 1,105,324
Supporting services		
Society funding of Foundation payroll	\$ 230,676	\$ 230,676
Society funding of Foundation benefits	72,250	72,250
Society funding of Foundation overhead	129,500	129,500
Fundraising contact services and related expenses	101,976	163,945
	\$ 534,402	\$ 596,371

### Note 12 – Retirement Plan

The Organization has a qualified defined contribution plan. 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 \$289,376 and \$299,731 for the years ended June 30, 2017 and 2016, respectively.

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

## Combining Statements of Financial Position

June 30

2017

	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,376,880	\$ 784,895	\$ -
Investments	1,407,240	3,347,843	-
Accounts receivable, net	472,406	157,371	(157,371)
Contributions receivable, current, net	-	337,538	-
Publications inventory	235,635	-	-
Prepaid expenses and other current assets	386,813	-	-
Total current assets	<u>3,878,974</u>	<u>4,627,647</u>	<u>(157,371)</u>
<b>Property and Equipment, net</b>	<u>2,260,923</u>	<u>-</u>	<u>-</u>
<b>Other Assets</b>			
Investments, long-term, unrestricted	15,945,805	-	-
Investments, long-term, restricted	12,515,572	14,618,871	-
Contributions receivable, long-term, net	-	685,368	-
Prepaid expenses, long-term	101,284	-	-
Total other assets	<u>28,562,661</u>	<u>15,304,239</u>	<u>-</u>
Total assets	<u>\$ 34,702,558</u>	<u>\$ 19,931,886</u>	<u>\$ (157,371)</u>

2017		2016		
Combined Totals	Society	Foundation	Eliminations	Combined Totals
\$ 2,161,775	\$ 1,192,075	\$ 898,767	\$ -	\$ 2,090,842
4,755,083	1,611,043	3,360,358	-	4,971,401
472,406	445,079	-	(20,420)	424,659
337,538	-	376,798	-	376,798
235,635	265,123	-	-	265,123
386,813	310,366	-	-	310,366
<u>8,349,250</u>	<u>3,823,686</u>	<u>4,635,923</u>	<u>(20,420)</u>	<u>8,439,189</u>
<u>2,260,923</u>	<u>2,296,184</u>	<u>-</u>	<u>-</u>	<u>2,296,184</u>
15,945,805	13,790,242	-	-	13,790,242
27,134,443	12,038,113	12,739,798	-	24,777,911
685,368	-	870,025	-	870,025
101,284	62,667	-	-	62,667
<u>43,866,900</u>	<u>25,891,022</u>	<u>13,609,823</u>	<u>-</u>	<u>39,500,845</u>
<u>\$ 54,477,073</u>	<u>\$ 32,010,892</u>	<u>\$ 18,245,746</u>	<u>\$ (20,420)</u>	<u>\$ 50,236,218</u>

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

## Combining Statements of Financial Position

June 30

2017

	Society	Foundation	Eliminations
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 583,678	\$ -	\$ (157,371)
Accrued liabilities	550,713	44,443	-
Deferred revenue	1,363,757	-	-
Total current liabilities	2,498,148	44,443	(157,371)
<b>Net Assets</b>			
Unrestricted			
Designated for building repairs and improvemer	404,123	-	-
Designated for technology projects	170,354	-	-
Undesignated	6,088,774	4,250,816	-
Total unrestricted net assets	6,663,251	4,250,816	-
Temporarily restricted	21,656,774	6,672,271	-
Permanently restricted	3,884,385	8,964,356	-
Total net assets	32,204,410	19,887,443	-
Total liabilities and net assets	\$ 34,702,558	\$ 19,931,886	\$ (157,371)

2017		2016		
<u>Combined Totals</u>	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined Totals</u>
\$ 426,307	\$ 424,708	\$ 20,420	\$ (20,420)	\$ 424,708
595,156	490,266	37,175	-	527,441
<u>1,363,757</u>	<u>1,601,318</u>	<u>-</u>	<u>-</u>	<u>1,601,318</u>
<u>2,385,220</u>	<u>2,516,292</u>	<u>57,595</u>	<u>(20,420)</u>	<u>2,553,467</u>
404,123	479,982	-	-	479,982
170,354	152,611	-	-	152,611
<u>10,339,590</u>	<u>5,689,699</u>	<u>4,206,970</u>	<u>-</u>	<u>9,896,669</u>
<u>10,914,067</u>	<u>6,322,292</u>	<u>4,206,970</u>	<u>-</u>	<u>10,529,262</u>
28,329,045	19,287,923	5,678,344	-	24,966,267
<u>12,848,741</u>	<u>3,884,385</u>	<u>8,302,837</u>	<u>-</u>	<u>12,187,222</u>
<u>52,091,853</u>	<u>29,494,600</u>	<u>18,188,151</u>	<u>-</u>	<u>47,682,751</u>
<u>\$ 54,477,073</u>	<u>\$ 32,010,892</u>	<u>\$ 18,245,746</u>	<u>\$ (20,420)</u>	<u>\$ 50,236,218</u>

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

## Combining Statements of Activities

Years ended June 30

2017

	Society	Foundation	Eliminations
<b>Revenues and Support</b>			
Publications	\$ 3,711,270	\$ -	\$ -
Meetings	2,621,125	-	-
Membership dues and services	901,957	-	-
Sections and divisions	666,454	-	-
Grants	390,453	-	-
Contributions	806,277	1,501,501	(1,368,756)
Education and outreach	1,157,392	-	-
Other support and revenue	306,990	140	-
Total revenues and support	10,561,918	1,501,641	(1,368,756)
<b>Expenses</b>			
Program services			
Publications	1,868,060	-	-
Meetings	1,877,778	-	-
Membership	584,937	-	-
Sections and divisions	554,152	-	-
Grants and awards	1,083,789	880,276	(834,354)
Education and outreach	1,777,006	-	-
Total program services	7,745,722	880,276	(834,354)
Supporting services			
Fundraising	107,629	212,030	(101,976)
General and administrative	3,132,763	739,166	(432,426)
Total supporting services	3,240,392	951,196	(534,402)
Total expenses	10,986,114	1,831,472	(1,368,756)
<b>Sections and Divisions Funds Transferred</b>	(112,500)	112,500	-
<b>Change in Net Assets Before</b>			
<b>Investment Income (Loss)</b>	(536,696)	(217,331)	-
Interest and dividend income	752,489	452,567	-
Net realized gains on investments	410,487	245,362	-
Net unrealized gains (losses) on investments	2,083,530	1,218,694	-
Net investment income (loss)	3,246,506	1,916,623	-
<b>Change in Net Assets</b>	\$ 2,709,810	\$ 1,699,292	\$ -

2017		2016		
Combined Totals	Society	Foundation	Eliminations	Combined Totals
\$ 3,711,270	\$ 3,735,287	\$ -	\$ -	\$ 3,735,287
2,621,125	2,404,935	-	-	2,404,935
901,957	820,944	-	-	820,944
666,454	632,250	-	-	632,250
390,453	796,477	-	-	796,477
939,022	1,038,879	3,039,627	(1,655,195)	2,423,311
1,157,392	1,406,563	-	-	1,406,563
307,130	462,536	-	-	462,536
<u>10,694,803</u>	<u>11,297,871</u>	<u>3,039,627</u>	<u>(1,655,195)</u>	<u>12,682,303</u>
1,868,060	1,537,167	-	-	1,537,167
1,877,778	1,956,590	-	-	1,956,590
584,937	677,756	-	-	677,756
554,152	569,728	-	-	569,728
1,129,711	2,032,995	1,077,228	(1,058,824)	2,051,399
1,777,006	1,568,978	-	-	1,568,978
<u>7,791,644</u>	<u>8,343,214</u>	<u>1,077,228</u>	<u>(1,058,824)</u>	<u>8,361,618</u>
217,683	170,147	346,309	(163,945)	352,511
3,439,503	3,465,504	665,619	(432,426)	3,698,697
3,657,186	3,635,651	1,011,928	(596,371)	4,051,208
<u>11,448,830</u>	<u>11,978,865</u>	<u>2,089,156</u>	<u>(1,655,195)</u>	<u>12,412,826</u>
-	(46,500)	46,500	-	-
(754,027)	(727,494)	996,971	-	269,477
1,205,056	903,097	546,678	-	1,449,775
655,849	316,406	167,900	-	484,306
3,302,224	(1,386,518)	(803,916)	-	(2,190,434)
<u>5,163,129</u>	<u>(167,015)</u>	<u>(89,338)</u>	<u>-</u>	<u>(256,353)</u>
<u>\$ 4,409,102</u>	<u>\$ (894,509)</u>	<u>\$ 907,633</u>	<u>\$ -</u>	<u>\$ 13,124</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, 2017 and 2016

	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined Totals</u>
<b>Net Assets, July 1, 2015</b>	\$ 30,389,109	\$ 17,280,518	\$ -	\$ 47,669,627
Change in net assets	<u>(894,509)</u>	<u>907,633</u>	<u>-</u>	<u>13,124</u>
<b>Net Assets, June 30, 2016</b>	29,494,600	18,188,151	-	47,682,751
Change in net assets	<u>2,709,810</u>	<u>1,699,292</u>	<u>-</u>	<u>4,409,102</u>
<b>Net Assets, June 30, 2017</b>	<u>\$ 32,204,410</u>	<u>\$ 19,887,443</u>	<u>\$ -</u>	<u>\$ 52,091,853</u>

**Independent Auditor's 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, in accordance with the auditing standards generally accepted in 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, the financial statements of The Geological Society of America, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2017. The financial statements of The Geological Society of America Foundation, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with The Geological Society of America Foundation, Inc.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Geological Society of America, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## 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*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Fort Collins, Colorado  
September 12, 2017

**Independent Auditor's Report on Compliance for  
Each Major Program and on Internal Control Over  
Compliance Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited The Geological Society of America, Inc.'s compliance with the types of compliance requirements described in the *OMB 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, 2017. 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.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of The Geological Society of America, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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 Geological Society of America, Inc.'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 on compliance for each major federal program. However, our audit does not provide a legal determination of The Geological Society of America, Inc.'s compliance.

**Opinion on Each Major Federal Program**

In our opinion, The Geological Society of America, Inc. complied, in all material respects, with the types of 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, 2017.

## Report on Internal Control over Compliance

Management of The Geological Society of America, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.

In planning and performing our audit of compliance, we considered The Geological Society of America, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 The Geological Society of America, Inc.'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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Fort Collins, Colorado  
September 12, 2017

# The Geological Society of America, Inc.

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

Federal Grantor and Program Title	Federal CFDA Number	Identifying Number	Total Expenditures
<b>Major Programs</b>			
<b><u>GeoCorps Cluster</u></b>			
<u>U.S. Department of Interior</u>			
Direct Programs			
National Park Service			
GeoCorps America	15.931	P13AC00336	\$ 389,462
Bureau of Land Management			
GeoCorps America	15.XXX	Various	68,706
GeoCorps America	15.224	Various	70,295
GeoCorps America	15.225	Various	84,507
GeoCorps America	15.236	Various	355,266
GeoCorps America	15.238	Various	14,623
GeoCorps America	15.YYY	Various	4,330
 <u>U.S. Department of Agriculture</u>			
Direct Program			
Forest Service			
GeoCorps America	10.XXX	16-PA-11132428-080	278,103
			1,265,292
 <b>Other Federal Awards</b>			
<u>National Science Foundation</u>			
Direct Program			
Matching Research Grant Program	47.050	EAR-1354519	230,000
Coordinating Office for Research on the Sedimentary Crust, Deep-Time and Earth-life System	47.050	EAR-1206274	84,744
Unity of Purpose for Equitable Representation in Geosciences Workshop	47.050	EAR-1713930	24,604
Earth Cube IA: Collaborative Proposal: Enhancing Paleontological and Neontological Data Discovery API	47.050	ICER-1541028	4,576
			343,924
 <u>United States Geological Survey</u>			
Direct Program			
Congressional Science Fellow	15.808	08HQGR0141	36,188
Congressional Science Fellow	15.808	G16AP00131	5,000
			41,188
			\$ 1,650,404

The accompanying Notes are an integral  
part of this schedule

# The Geological Society of America, Inc.

## Notes to Schedule of Expenditures of Federal Awards

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Year ended June 30, 2017

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### 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts in or used in the preparation of the financial statements. The Organization has not elected to charge the de minimis rate of 10% of modified total direct costs (MTDC).

# The Geological Society of America, Inc.

## Schedule of Findings and Questioned Costs and Prior Audit Findings

Year ended June 30, 2017

### 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 the Uniform Guidance? \_\_\_\_\_ yes  X  no

Identification of major programs:

CFDA	Identifying Number	Name of Federal Program or Cluster
15.931	P13AC00336	National Park Service, GeoCorps America Program
15.XXX	Various	Bureau of Land Management, 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.YYY	Various	Bureau of Land Management, GeoCorps America Program
10.XXX	16-PA-11132428-080	Forest Service, GeoCorps America Program

Dollar threshold used to distinguish between type A and type B programs  \$750,000

Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

# The Geological Society of America, Inc.

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

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Year ended June 30, 2017

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### 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

None.

#### Prior Year Findings

None.