

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

Boulder, Colorado

Combined Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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 5, 2019, 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 5, 2019

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

Combined Statements of Financial Position

June 30	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,864,733	\$ 1,985,174
Investments	6,894,933	5,078,169
Accounts receivable, net	656,749	414,456
Contributions receivable, current, net	140,644	149,453
Publications inventory	184,381	227,313
Prepaid expenses and other current assets	482,708	396,339
Total current assets	<u>10,224,148</u>	<u>8,250,904</u>
Property and Equipment, net	<u>2,044,366</u>	<u>2,116,912</u>
Other Assets		
Investments, long-term, unrestricted	19,056,881	16,949,057
Investments, long-term, restricted	30,763,390	29,901,337
Contributions receivable, long-term, net	32,603	455,083
Prepaid expenses, long-term	107,995	137,314
Total other assets	<u>49,960,869</u>	<u>47,442,791</u>
Total assets	<u>\$ 62,229,383</u>	<u>\$ 57,810,607</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 297,255	\$ 227,237
Accrued liabilities	594,079	554,783
Deferred revenue	1,658,613	1,217,379
Total current liabilities	<u>2,549,947</u>	<u>1,999,399</u>
Net Assets		
Without donor restrictions		
Designated for building repairs and improvement	462,893	436,082
Designated for technology projects	195,128	183,826
Designated reserves	1,250,000	1,250,000
Undesignated	26,812,993	24,683,950
Total unrestricted net assets	<u>28,721,014</u>	<u>26,553,858</u>
With donor restrictions	30,958,422	29,257,350
Total net assets	<u>59,679,436</u>	<u>55,811,208</u>
Total liabilities and net assets	<u>\$ 62,229,383</u>	<u>\$ 57,810,607</u>

	2019	2018
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 297,255	\$ 227,237
Accrued liabilities	594,079	554,783
Deferred revenue	1,658,613	1,217,379
Total current liabilities	<u>2,549,947</u>	<u>1,999,399</u>
Net Assets		
Without donor restrictions		
Designated for building repairs and improvement	462,893	436,082
Designated for technology projects	195,128	183,826
Undesignated	26,812,993	24,683,950
Total unrestricted net assets	<u>27,471,014</u>	<u>25,303,858</u>
With donor restrictions	30,958,422	29,257,350
Total net assets	<u>58,429,436</u>	<u>54,561,208</u>
Total liabilities and net assets	<u>\$ 60,979,383</u>	<u>\$ 56,560,607</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	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support						
Publications	\$ 4,084,411	\$ -	\$ 4,084,411	\$ 3,573,161	\$ -	\$ 3,573,161
Meetings	2,165,436	-	2,165,436	2,799,054	-	2,799,054
Membership dues and services	853,182	-	853,182	898,099	-	898,099
Sections and divisions	662,419	-	662,419	720,413	-	720,413
Grants	351,452	-	351,452	298,243	-	298,243
Contributions	1,586,283	1,122,355	2,708,638	222,698	1,602,051	1,824,749
Education and outreach	701,759	-	701,759	917,556	-	917,556
Other support and revenue	299,956	-	299,956	234,097	-	234,097
Net assets released from restrictions	1,103,274	(1,103,274)	-	1,031,535	(1,031,535)	-
Total revenues and support	<u>11,808,172</u>	<u>19,081</u>	<u>11,827,253</u>	<u>10,694,856</u>	<u>570,516</u>	<u>11,265,372</u>
Expenses						
Program services						
Publications	1,754,232	-	1,754,232	1,773,982	-	1,773,982
Meetings	2,026,178	-	2,026,178	2,262,994	-	2,262,994
Membership	663,402	-	663,402	636,840	-	636,840
Sections and divisions	550,876	-	550,876	567,223	-	567,223
Grants and awards	1,316,040	-	1,316,040	1,291,220	-	1,291,220
Education and outreach	1,268,934	-	1,268,934	1,438,542	-	1,438,542
Total program services	<u>7,579,662</u>	<u>-</u>	<u>7,579,662</u>	<u>7,970,801</u>	<u>-</u>	<u>7,970,801</u>
Supporting services						
Fundraising	389,752	-	389,752	339,822	-	339,822
General and administrative	3,190,677	-	3,190,677	2,956,529	-	2,956,529
Total supporting services	<u>3,580,429</u>	<u>-</u>	<u>3,580,429</u>	<u>3,296,351</u>	<u>-</u>	<u>3,296,351</u>
Total expenses	<u>11,160,091</u>	<u>-</u>	<u>11,160,091</u>	<u>11,267,152</u>	<u>-</u>	<u>11,267,152</u>
Interfund Transfers and Reclassifications	<u>(65,564)</u>	<u>65,564</u>	<u>-</u>	<u>(23,739)</u>	<u>23,739</u>	<u>-</u>
Change in Net Assets Before Investment Income	<u>582,517</u>	<u>84,645</u>	<u>667,162</u>	<u>(596,035)</u>	<u>594,255</u>	<u>(1,780)</u>
Interest and dividend income	818,356	829,035	1,647,391	640,811	577,953	1,218,764
Net realized gains on investments	635,979	627,224	1,263,203	597,522	545,389	1,142,911
Net unrealized gains on investments	254,543	284,727	539,270	877,708	779,699	1,657,407
Investment fees	(124,487)	(124,311)	(248,798)	(155,802)	(142,145)	(297,947)
Net investment income	<u>1,584,391</u>	<u>1,616,675</u>	<u>3,201,066</u>	<u>1,960,239</u>	<u>1,760,896</u>	<u>3,721,135</u>
Change in Net Assets	<u>\$ 2,166,908</u>	<u>\$ 1,701,320</u>	<u>\$ 3,868,228</u>	<u>\$ 1,364,204</u>	<u>\$ 2,355,151</u>	<u>\$ 3,719,355</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, 2019 and 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Net Assets, July 1, 2017 As Previously Stated	\$ 10,914,067	\$ 41,177,786	\$ 52,091,853
Prior period reclassification	<u>14,275,587</u>	<u>(14,275,587)</u>	<u>-</u>
Net Assets, July 1, 2017 As Restated	25,189,654	26,902,199	52,091,853
Change in net assets	<u>1,364,204</u>	<u>2,355,151</u>	<u>3,719,355</u>
Net Assets, June 30, 2018	26,553,858	29,257,350	55,811,208
Change in net assets	<u>2,166,908</u>	<u>1,701,320</u>	<u>3,868,228</u>
Net Assets, June 30, 2019	<u><u>\$ 28,720,766</u></u>	<u><u>\$ 30,958,670</u></u>	<u><u>\$ 59,679,436</u></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 Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended June 30	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 3,868,228	\$ 3,719,355
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	170,821	165,260
Net realized and unrealized gains on investments	(1,802,473)	(2,800,318)
Reinvested dividends	(1,409,756)	(852,574)
Valuation adjustment to split interest agreements	(66,784)	(72,079)
Provision for doubtful receivables	5,228	4,338
Increase (decrease) in assets and liabilities		
Accounts receivable	(247,521)	53,612
Contributions receivable	498,073	490,449
Publications inventory	42,932	8,322
Prepaid expenses and other current assets	(57,050)	(45,556)
Accounts payable and accrued liabilities	109,314	(239,442)
Deferred revenue	441,234	(146,378)
Net cash provided by operating activities	<u>1,552,246</u>	<u>284,989</u>
Cash Flows From Investing Activities		
Purchases of investments	(3,592,155)	(12,166,616)
Proceeds from the sales of investments	2,017,743	11,957,997
Purchase of property and equipment	(98,275)	(21,249)
Net cash used by investing activities	<u>(1,672,687)</u>	<u>(229,868)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(120,441)	55,121
Cash and Cash Equivalents, Beginning of Year	<u>1,985,174</u>	<u>1,930,053</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,864,733</u>	<u>\$ 1,985,174</u>
Supplemental Information		
Cash paid for income taxes	\$ 14,559	\$ 510

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, 2019 and 2018

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.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Changes in Accounting Principle. Commencing on July 1, 2018, the Organization adopted the provisions of FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which became effective. The update changes the presentation of net assets, required the presentation of the statement of functional expenses, modifies the presentation of cash flows, requires certain disclosures about liquidity and availability of resources, and provides for disclosures of investment return. The change in accounting principle has been retroactively applied to all periods presented.

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

Net assets Without Donor Restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

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

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Net assets With Donor Restrictions. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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.

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 net assets without donor restrictions 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 net assets with donor restrictions are segregated 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.

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

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies (continued)

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 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, 2019 and 2018.

Mutual Funds and Money Market Funds. Valued at the quoted prices in active markets for identical assets 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.

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

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies (continued)

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 \$20,288 and \$15,084 at June 30, 2019 and 2018, 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. Depreciation expense for the years ended June 30, 2019 and 2018 was \$170,821 and \$165,260, respectively.

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.

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

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies (continued)

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 with donor restriction or without donor restriction, depending on the existence or nature of any donor restrictions.

The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. The Organization complies with established standards for external reporting by not-for-profit organizations, which requires that resources be classified for reporting purposes into two net asset categories according to externally (donor) imposed restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets released from restrictions in the statement of activities.

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

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies (continued)

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.

All income tax years open for examination are subject to taxation at corporate tax rates. The years ended June 30, 2018, 2017, and 2016 are available for examination at June 30, 2019. 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 5, 2019, which is the date the financial statements were available to be issued.

Note 2 – Prior Period Reclassification

Net Asset Reclassifications. During 2019, management discovered certain unrestricted net assets, designated by the board, have been historically reported as net assets with donor restrictions, including amounts available for expenditure and restricted in perpetuity. The original contribution is perpetually endowed, while earnings are available for use at the Organization's discretion. Net assets totaling \$14,275,587, previously reported as with donor restrictions, have been reclassified as net assets without donor restrictions at of July 1, 2017 in the accompanying financial statements.

Other Reclassifications. Certain amounts in the 2018 combined financial statements have been reclassified to conform with reporting in 2019, without affecting change in net assets.

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

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 3 – Availability and Liquidity

The Organization has \$9,557,059 and \$7,627,253 of financial assets available to be used within one year of June 30, 2019 and 2018, respectively. The Organization has a significant balance of net assets with donor restrictions for the support of the Organization's programs. Additionally, the Organization has invested its significant reserves into long term investments, that could be liquidated if necessary. Of the long term investments, \$19,056,881 and \$16,949,057 are without donor restrictions and could be used to meet general operating needs if liquidated.

Note 4 – 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:

	<u>2019</u>	<u>2018</u>
Quoted Prices in Active Markets for Identical Assets (Level 1)		
Mutual funds:		
Domestic fixed income	\$ 10,430,250	\$ 9,578,370
Domestic equity	18,999,947	15,775,077
International	8,772,726	11,062,272
Money market funds	1,465,784	182,723
	<u>\$ 39,668,707</u>	<u>\$ 36,598,442</u>
Investments measured at net asset value	<u>17,046,497</u>	<u>15,330,121</u>
Total Investments at fair value	<u>\$ 56,715,204</u>	<u>\$ 51,928,563</u>

Investments are presented on the statement of financial position as follows at June 30:

	<u>2019</u>	<u>2018</u>
Investments	\$ 6,894,933	\$ 5,078,169
Long-term investments, unrestricted	19,056,881	16,949,057
Long-term investments, restricted	30,763,390	29,901,337
	<u>\$ 56,715,204</u>	<u>\$ 51,928,563</u>

The Organization has invested \$1,673,000 in a limited real estate partnership with a total commitment of \$2,000,000. The limited real estate partnership may make capital calls as needed.

The Organization has invested \$4,688,343 in private equity portfolio funds with a total commitment of \$8,050,000. The private equity portfolio funds may make capital calls as needed.

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

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 4 – Investments (continued)

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, 2019 and 2018, there were no significant transfers in or out of hierarchy levels.

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, 2019.

<u>Investment</u>	<u>Fair Value as of June 30, 2019</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled private investment company funds	\$ 6,251,581	None	Monthly, Quarterly, Semi-annually	60 days for monthly, 90 days for quarterly, and 100 days for semi-annual
Limited partnership funds	\$ 3,534,433	None	Monthly	30 days
Real estate funds	\$ 3,003,700	\$ 327,000	Quarterly	30 and 60 days
Private equity portfolio funds	\$ 4,256,783	\$ 3,361,657	None	None

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

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 4 – Investments (continued)

The following table summarizes investments measured at fair value based on NAV per unit/share as of June 30, 2018.

Investment	Fair Value as of June 30, 2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled private investment company funds	\$ 5,711,599	None	Monthly, Quarterly, Semi-annually	60 days for monthly, 90 days for quarterly, and 100 days for semi-annual
Limited partnership funds	\$ 3,391,759	None	Monthly	30 days
Real estate funds	\$ 3,141,270	\$ 408,000	Quarterly	30 and 60 days
Private equity portfolio funds	\$ 3,085,493	\$ 3,267,285	None	None

Note 5 – Contributions Receivable and Concentrations

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

	2019	2018
Due in less than one year	\$ 140,644	\$ 149,453
Due in one to five years	36,790	526,054
Less unamortized discount	(4,187)	(70,971)
	\$ 173,247	\$ 604,536

As of June 30, 2019 and 2018, a single donor accounted for 32% and 57% of contributions receivable, respectively.

Note 6 – Publications Inventory

Publications inventory consisted of the following at June 30:

	2019	2018
Finished goods	\$ 154,822	\$ 164,520
Work in process	29,559	62,793
	\$ 184,381	\$ 227,313

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

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 7 – Property and Equipment

Property and equipment consisted of the following at June 30:

	2019	2018
Land	\$ 428,065	\$ 428,065
Land improvements	105,007	105,007
Headquarters building and improvements	4,448,771	4,445,085
Furniture and equipment	1,237,941	1,237,941
Construction in progress	94,589	-
	<u>6,314,373</u>	<u>6,216,098</u>
Less accumulated depreciation	<u>(4,270,007)</u>	<u>(4,099,186)</u>
Net property and equipment	<u>\$ 2,044,366</u>	<u>\$ 2,116,912</u>

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, 2019 and 2018. 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 2020.

Note 9 – Functional Expenses

Expenses by functional classification for the year ended June 30, 2019 consist of the following:

	Programs	General and Administrative	Fundraising	Total
Wages	\$ 1,310,166	\$ 2,821,514	\$ 193,061	\$ 4,324,741
Publications cost	1,511,142	-	-	1,511,142
Contract services	787,905	479,679	38,752	1,306,336
Grants, awards	1,125,699	-	-	1,125,699
Travel	298,703	235,020	21,745	555,468
Benefits	252,142	92,585	26,041	370,768
Payroll taxes	92,951	198,112	15,578	306,641
Depreciation	19,883	150,938	-	170,821
Rent	9,121	64,826	-	73,947
Legal	31,320	33,905	-	65,225
Advertising	26,096	15,957	-	42,053
Allocated to programs	1,225,976	(1,225,976)	-	-
Other	888,558	324,117	94,575	1,307,250
	<u>\$ 7,579,662</u>	<u>\$ 3,190,677</u>	<u>\$ 389,752</u>	<u>\$ 11,160,091</u>

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

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 9 – Functional Expenses (continued)

Expenses by functional classification for the year ended June 30, 2018 consist of the following:

	Programs	General and Administrative	Fundraising	Total
Wages	\$ 1,293,595	\$ 2,660,640	\$ 188,175	\$ 4,142,410
Publications cost	1,547,417	-	-	1,547,417
Contract services	917,355	485,133	73,173	1,475,661
Grants, awards	1,125,699	-	-	1,125,699
Travel	330,228	221,198	12,623	564,049
Benefits	240,885	99,086	22,995	362,966
Payroll taxes	92,621	185,587	13,715	291,923
Depreciation	19,236	146,023	-	165,259
Rent	9,492	85,008	-	94,500
Legal	16,485	41,336	-	57,821
Advertising	25,010	19,873	-	44,883
Allocated to programs	1,175,880	(1,175,880)	-	-
Other	1,176,898	188,525	29,141	1,394,564
	<u>\$ 7,970,801</u>	<u>\$ 2,956,529</u>	<u>\$ 339,822</u>	<u>\$ 11,267,152</u>

Note 10 - Leasing Activities

Operating Leases. The Society leases equipment under noncancelable operating leases with monthly payments totaling \$3,740. The leases expire from December 2019 through June 2021, at which time the equipment may be purchased for its fair value. Rent expense under noncancelable operating lease agreements totaled \$73,947 and \$94,500 for the years ended June 30, 2019 and 2018, respectively.

Future minimum payments required under the noncancelable operating lease agreements are as follows at June 30, 2019:

<u>Year</u>	<u>Amount</u>
2020	\$ 35,672
2021	27,200
	<u>\$ 62,872</u>

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

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 11 – 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 net assets restricted in perpetuity (a) the original value of gifts donated to the perpetual endowment and (b) the original value of subsequent gifts to the perpetual endowment.

The remaining portion of the donor-restricted endowment funds that is not classified in net assets restricted in perpetuity is classified as net assets available for expenditure 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 connection with the implementation of FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, generally accepted accounting principles require accumulated losses to be presented together with the funds to which they relate. These deficiencies result from unfavorable market fluctuations that may occur after the investment of perpetually restricted contributions and appropriation that was deemed prudent by the Board. As of June 30, 2019 and 2018, 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. Perpetually 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, 2019 and 2018

Note 11 – 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 one half of the budgeted annual operating expenses. The Foundation has a policy of appropriating for distribution each year a percentage, as determined by the Board of Trustees, of the fair value of a fund's net assets from two years prior to the current fiscal year. The distribution percentage determined by the Board of Trustees amounted to 5% in 2019 and 2018. 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.

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

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 11 – Endowment Funds (continued)

Endowment funds consisted of the following at June 30:

	2019	2018
Endowment net assets available for appropriation and subject to time restrictions under UPMIFA Society		
Pardee endowment, board designated	\$ 3,480,238	\$ 3,343,842
Foundation	<u>4,366,399</u>	<u>3,840,191</u>
Total time restricted endowments	<u>7,846,637</u>	<u>7,184,033</u>
Endowment net assets required to be retained in perpetuity either by explicit donor stipulation or by UPMIFA Society, Pardee endowment, board Designated, non-expendable	4,300,000	4,300,000
Society, Penrose endowment	3,884,385	3,884,385
Foundation	<u>11,747,252</u>	<u>10,562,535</u>
Total perpetually restricted endowments	<u>19,931,637</u>	<u>18,746,920</u>
Total endowment fund net assets	<u>\$ 27,778,274</u>	<u>\$ 25,930,953</u>

The following summarizes the changes in endowment net assets for the years ended June 30, 2019 and 2018:

	With Donor Restrictions		
	Available for Appropriation	In Perpetuity	Total
Endowment net assets, July 1, 2017	<u>\$ 6,032,155</u>	<u>\$ 17,148,741</u>	<u>\$ 23,180,896</u>
Interest income, net of fees	455,284	-	455,284
Net realized and unrealized losses	1,025,410	-	1,025,410
Contributions	224,691	1,091,452	1,316,143
Transfers of funds from Sections and Divisions	-	27,000	27,000
Interfund transfers and reclassifications	172,536	479,727	652,263
Amounts appropriated for expenditure	<u>(726,043)</u>	<u>-</u>	<u>(726,043)</u>
Change in endowment net assets	<u>1,151,878</u>	<u>1,598,179</u>	<u>2,750,057</u>
Endowment net assets, June 30, 2018	<u>7,184,033</u>	<u>18,746,920</u>	<u>25,930,953</u>

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

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 11 – Endowment Funds (continued)

	With Donor Restrictions		Total
	Available for Appropriation	In Perpetuity	
Endowment net assets, July 1, 2018	7,184,033	18,746,920	25,930,953
Interest income, net of fees	677,844	-	677,844
Net realized and unrealized gains	710,451	-	710,451
Contributions	128,808	637,950	766,758
Transfers of funds from Sections and Divisions	-	105,000	105,000
Interfund transfers and reclassifications	(98,677)	441,767	343,090
Amounts appropriated for expenditure	(755,822)	-	(755,822)
Change in endowment net assets	662,604	1,184,717	1,847,321
Endowment net assets, June 30, 2019	\$ 7,846,637	\$ 19,931,637	\$ 27,778,274

Note 12 – Restricted Net Assets

Net assets with donor restrictions, listed by purpose, as of June 30:

	2019	2018
<u>Society</u>		
Available for appropriation		
Research, study and education	\$ 3,480,238	\$ 3,343,842
Restricted in perpetuity		
Pardee endowment, board designated, non-expendable	4,300,000	4,300,000
Penrose endowment	3,884,385	3,884,385
	\$ 11,664,623	\$ 11,528,227

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

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 12 – Restricted Net Assets (continued)

	2019	2018
<u>Foundation</u>		
Available for appropriation		
Research grants and awards	\$ 3,383,189	\$ 3,031,044
Travel support	1,413,853	1,317,778
Other GSA program support	2,749,504	2,817,765
Restricted in perpetuity		
Research grants and awards	7,759,652	7,349,610
Travel support	544,210	539,310
Other GSA program support	3,443,391	2,673,616
	19,293,799	17,729,123
Total net assets with donor restrictions	\$ 30,958,422	\$ 29,257,350

Note 13 - Commitments

Meeting Reservation Commitments. The Society has entered into various contracts totaling \$10,711,213 for reservation of meeting and convention area space for its annual meetings, to be held through October 2025. The maximum penalty for cancellation of these contracts at June 30, 2019 totaled \$2,676,648.

Note 14 - 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:

	2019	2018
Grants and awards		
Foundation program grants to Society	\$ 1,006,612	\$ 913,462
Society Sections and Divisions transfers to Foundation	105,000	27,500
Other transfers from Society to Foundation	-	2,000
	\$ 1,111,612	\$ 942,962
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	38,752	73,173
	\$ 471,178	\$ 505,599

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

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 15 – Retirement Plan

The Organization has a qualified 403(b) 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 \$290,901 and \$295,598 for the years ended June 30, 2019 and 2018, respectively.

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

Combining Statements of Financial Position

	2019			2018				
	Society	Foundation	Eliminations	Combined Totals	Society	Foundation	Eliminations	Combined Totals
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 841,596	\$ 1,023,137	\$ -	\$ 1,864,733	\$ 1,271,838	\$ 713,336	\$ -	\$ 1,985,174
Investments	2,509,015	4,385,918	-	6,894,933	1,578,513	3,499,656	-	5,078,169
Accounts receivable, net	684,480	-	(27,731)	656,749	415,022	-	(566)	414,456
Contributions receivable, current, net	-	140,644	-	140,644	-	149,453	-	149,453
Publications inventory	184,381	-	-	184,381	227,313	-	-	227,313
Prepaid expenses and other current assets	482,708	-	-	482,708	396,339	-	-	396,339
Total current assets	<u>4,702,180</u>	<u>5,549,699</u>	<u>(27,731)</u>	<u>10,224,148</u>	<u>3,889,025</u>	<u>4,362,445</u>	<u>(566)</u>	<u>8,250,904</u>
Property and Equipment, net	<u>2,044,366</u>	<u>-</u>	<u>-</u>	<u>2,044,366</u>	<u>2,116,912</u>	<u>-</u>	<u>-</u>	<u>2,116,912</u>
Other Assets								
Investments, long-term, unrestricted	19,056,881	-	-	19,056,881	16,949,057	-	-	16,949,057
Investments, long-term, restricted	11,664,623	19,098,767	-	30,763,390	12,778,226	17,123,111	-	29,901,337
Contributions receivable, long-term, net	-	32,603	-	32,603	-	455,083	-	455,083
Prepaid expenses, long-term	107,995	-	-	107,995	137,314	-	-	137,314
Total other assets	<u>30,829,499</u>	<u>19,131,370</u>	<u>-</u>	<u>49,960,869</u>	<u>29,864,597</u>	<u>17,578,194</u>	<u>-</u>	<u>47,442,791</u>
Total assets	<u>\$ 37,576,045</u>	<u>\$ 24,681,069</u>	<u>\$ (27,731)</u>	<u>\$ 62,229,383</u>	<u>\$ 35,870,534</u>	<u>\$ 21,940,639</u>	<u>\$ (566)</u>	<u>\$ 57,810,607</u>

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

Combining Statements of Financial Position

	2019			2018				
	Society	Foundation	Eliminations	Combined Totals	Society	Foundation	Eliminations	Combined Totals
LIABILITIES AND NET ASSETS								
Current Liabilities								
Accounts payable	\$ 300,827	\$ 24,159	\$ (27,731)	\$ 297,255	\$ 227,237	\$ 566	\$ (566)	\$ 227,237
Accrued liabilities	538,380	55,699	-	594,079	505,617	49,166	-	554,783
Deferred revenue	1,658,613	-	-	1,658,613	1,217,379	-	-	1,217,379
Total current liabilities	<u>2,497,820</u>	<u>79,858</u>	<u>(27,731)</u>	<u>2,549,947</u>	<u>1,950,233</u>	<u>49,732</u>	<u>(566)</u>	<u>1,999,399</u>
Net Assets								
Without donor restrictions								
Designated for building repairs and improvemen	462,893	-	-	462,893	436,082	-	-	436,082
Designated for technology projects	195,128	-	-	195,128	183,826	-	-	183,826
Designated reserves	1,250,000	-	-	1,250,000	1,250,000	-	-	1,250,000
Undesignated	21,505,581	5,307,412	-	26,812,993	20,522,166	4,161,784	-	24,683,950
Total without donor restrictions	<u>23,413,602</u>	<u>5,307,412</u>	<u>-</u>	<u>28,721,014</u>	<u>22,392,074</u>	<u>4,161,784</u>	<u>-</u>	<u>26,553,858</u>
With donor restrictions	11,664,623	19,293,799	-	30,958,422	11,528,227	17,729,123	-	29,257,350
Total net assets	<u>35,078,225</u>	<u>24,601,211</u>	<u>-</u>	<u>59,679,436</u>	<u>33,920,301</u>	<u>21,890,907</u>	<u>-</u>	<u>55,811,208</u>
Total liabilities and net assets	<u>\$ 37,576,045</u>	<u>\$ 24,681,069</u>	<u>\$ (27,731)</u>	<u>\$ 62,229,383</u>	<u>\$ 35,870,534</u>	<u>\$ 21,940,639</u>	<u>\$ (566)</u>	<u>\$ 57,810,607</u>

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

Combining Statements of Activities

	2019			2018			Combined Totals
	Society	Foundation	Eliminations	Society	Foundation	Eliminations	
Revenues and Support							
Publications	\$ 4,084,411	\$ -	\$ -	\$ 4,084,411	\$ 3,573,161	\$ -	\$ 3,573,161
Meetings	2,165,436	-	-	2,165,436	2,799,054	-	2,799,054
Membership dues and services	853,182	-	-	853,182	898,099	-	898,099
Sections and divisions	662,419	-	-	662,419	720,413	-	720,413
Grants	351,452	-	-	351,452	298,243	-	298,243
Contributions	1,006,612	3,179,816	(1,477,790)	2,708,638	913,462	2,330,348	1,824,749
Education and outreach	679,839	21,920	-	701,759	917,556	-	917,556
Other support and revenue	299,956	-	-	299,956	234,097	-	234,097
Total revenues and support	<u>10,103,307</u>	<u>3,201,736</u>	<u>(1,477,790)</u>	<u>11,827,253</u>	<u>10,354,085</u>	<u>2,330,348</u>	<u>(1,419,061)</u>
Expenses							
Program services							
Publications	1,754,232	-	-	1,754,232	1,773,982	-	1,773,982
Meetings	2,026,178	-	-	2,026,178	2,262,994	-	2,262,994
Membership	663,402	-	-	663,402	636,840	-	636,840
Sections and divisions	550,876	-	-	550,876	567,223	-	567,223
Grants and awards	1,158,523	1,164,129	(1,006,612)	1,316,040	1,125,699	1,078,983	(913,462)
Education and outreach	1,268,934	-	-	1,268,934	1,438,542	-	1,438,542
Total program services	<u>7,422,145</u>	<u>1,164,129</u>	<u>(1,006,612)</u>	<u>7,579,662</u>	<u>7,805,280</u>	<u>1,078,983</u>	<u>(913,462)</u>
Supporting services							
Fundraising	38,752	389,752	(38,752)	389,752	79,076	333,919	(73,173)
General and administrative	3,244,828	378,275	(432,426)	3,190,677	3,033,969	354,986	(432,426)
Total supporting services	<u>3,283,580</u>	<u>768,027</u>	<u>(471,178)</u>	<u>3,580,429</u>	<u>3,113,045</u>	<u>688,905</u>	<u>(505,599)</u>
Total expenses	<u>10,705,725</u>	<u>1,932,156</u>	<u>(1,477,790)</u>	<u>11,160,091</u>	<u>10,918,325</u>	<u>1,767,888</u>	<u>(1,419,061)</u>
Sections and Divisions Funds Transferred	<u>(105,000)</u>	<u>105,000</u>	<u>-</u>	<u>-</u>	<u>(29,500)</u>	<u>29,500</u>	<u>-</u>
Change in Net Assets Before							
Investment Income	<u>(707,418)</u>	<u>1,374,580</u>	<u>-</u>	<u>667,162</u>	<u>(593,740)</u>	<u>591,960</u>	<u>-</u>
Interest and dividend income	968,052	679,339	-	1,647,391	739,280	479,484	-
Net realized gains on investments	762,263	500,940	-	1,263,203	706,160	436,751	-
Net unrealized gains on investments	284,020	255,250	-	539,270	1,048,053	609,354	-
Investment fees	(148,993)	(99,805)	-	(248,798)	(183,862)	(114,085)	-
Net investment income	<u>1,865,342</u>	<u>1,335,724</u>	<u>-</u>	<u>3,201,066</u>	<u>2,309,631</u>	<u>1,411,504</u>	<u>-</u>
Change in Net Assets	<u>\$ 1,157,924</u>	<u>\$ 2,710,304</u>	<u>\$ -</u>	<u>\$ 3,868,228</u>	<u>\$ 1,715,891</u>	<u>\$ 2,003,464</u>	<u>\$ -</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, 2019 and 2018

	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined Totals</u>
Net Assets, July 1, 2017	\$ 32,204,410	\$ 19,887,443	\$ -	\$ 52,091,853
Change in net assets	<u>1,715,891</u>	<u>2,003,464</u>	<u>-</u>	<u>3,719,355</u>
Net Assets, June 30, 2018	33,920,301	21,890,907	-	55,811,208
Change in net assets	<u>1,157,924</u>	<u>2,710,304</u>	<u>-</u>	<u>3,868,228</u>
Net Assets, June 30, 2019	<u><u>\$ 35,078,225</u></u>	<u><u>\$ 24,601,211</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 59,679,436</u></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, 2019, 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 5, 2019. 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 5, 2019



**Independent Auditor's Report on Compliance fo
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, 2019. 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 statues, 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, 2019.

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 5, 2019

The Geological Society of America, Inc.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal Grantor and Program Title	Federal CFDA Number	Identifying Number	Total Expenditures
Major Programs			
<u>GeoCorps Cluster</u>			
<u>U.S. Department of Interior</u>			
Direct Programs			
National Park Service			
GeoCorps America	15.931	P13AC00336	\$ 21,840
Bureau of Land Management			
GeoCorps America	15.XXX	Various	92,959
GeoCorps America	15.225	Various	17,500
GeoCorps America	15.236	Various	22,828
<u>U.S. Department of Agriculture</u>			
Direct Program			
Forest Service			
GeoCorps America	10.XXX	16-PA-11132428-080	305,527
GeoCorps America	10.699		2,125
			462,779
Other Federal Awards			
<u>National Science Foundation</u>			
Direct Program			
Matching Research Grant Program	47.050	EAR-1354519	240,000
Earth Cube IA: Collaborative Proposal:			
Enhancing Paleontological and Neontological Data Discovery API	47.050	ICER-1541028	37,181
Collaborative Research: Awards for Geochronology Student Research Program: Democratizing Access to Geochronology and Promoting Interdisciplinary Science			
	47.050	EAR-1759201	11,265
Social Capital and Mentoring:			
Building a Diverse Workforce for Earth System Science in the 21st Century	47.050	RC105254GSA	22,905
			311,351
<u>United States Geological Survey</u>			
Direct Program			
Congressional Science Fellow	15.808	08HQGR0141	40,100
			40,100
			\$ 814,230

The accompanying Notes are an integral
part of this schedule

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The Geological Society of America, Inc.

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

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, 2019

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
15.225	Various	Bureau of Land Management, GeoCorps America Program
15.236	Various	Bureau of Land Management, GeoCorps America Program
10.XXX	16-PA-11132428-080	Forest Service, GeoCorps America Program
10.699		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)

Year ended June 30, 2019

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.