

THE GEOLOGICAL SOCIETY OF AMERICA  
ANNUAL REPORT OF THE TREASURER, FISCAL YEAR 2019

OPERATING RESULTS, FY2019 (July 1, 2018 to June 30, 2019)

With this FY2019 Annual Report of finances, we get to evaluate how the GSA performed for FY2019. Pending any last minute adjustments by the auditors, the below figures should be quite viable. However, the early Phoenix Annual Meeting date in September may cause some numbers to be adjusted very slightly between now and then. The Auditor's Report is scheduled for release in September. All figures in this report are derived from the GSA spreadsheets titled "ACTUAL BUDGETARY-BASIS SUMMARY BY CATEGORY, For the Twelve Months Ending, June 30, 2019", "Statement of Financial Activities", and "Statement of Financial Position". .

The Geological Society of America (GSA) successfully completed its fiscal year on June 30, 2019, reporting totals of \$10.32M in operating revenues and \$10.69M in operating expenses for the period. Total revenues were budgeted at \$10.08M, and therefore \$239.6K of revenue was generated over what was budgeted (+2%). Total expenses were budgeted at \$11.65M, and therefore \$962K less was spent (-8%). The preliminary year-to-date net income was \$1.2M or 76% better than was budgeted. When compared to June 30, 2018, the year-to-date net income was \$326.1K or 47% better than last year at this time.

Revenue

Line items that generated significantly less revenue than were budgeted included:

- Member Dues and Fees (-\$18.8K),
- E&O Program (-\$290.1K),
- Periodical Publications (-\$59K), and
- Non-Periodical Publications (-\$98K).

Line items that generated significantly more revenue than were budgeted included:

- Other Publications (+\$661K), and
- Grants (+\$56.9K).

Employee Expenses – overall -\$132.4K or 3% less than what was budgeted

Line items that expended significantly less than budgeted included:

- Wages & Payroll Taxes (-\$77.4K), and
- Medical Insurance (-\$23.8K).

There were no significantly greater than budgeted expenditures.

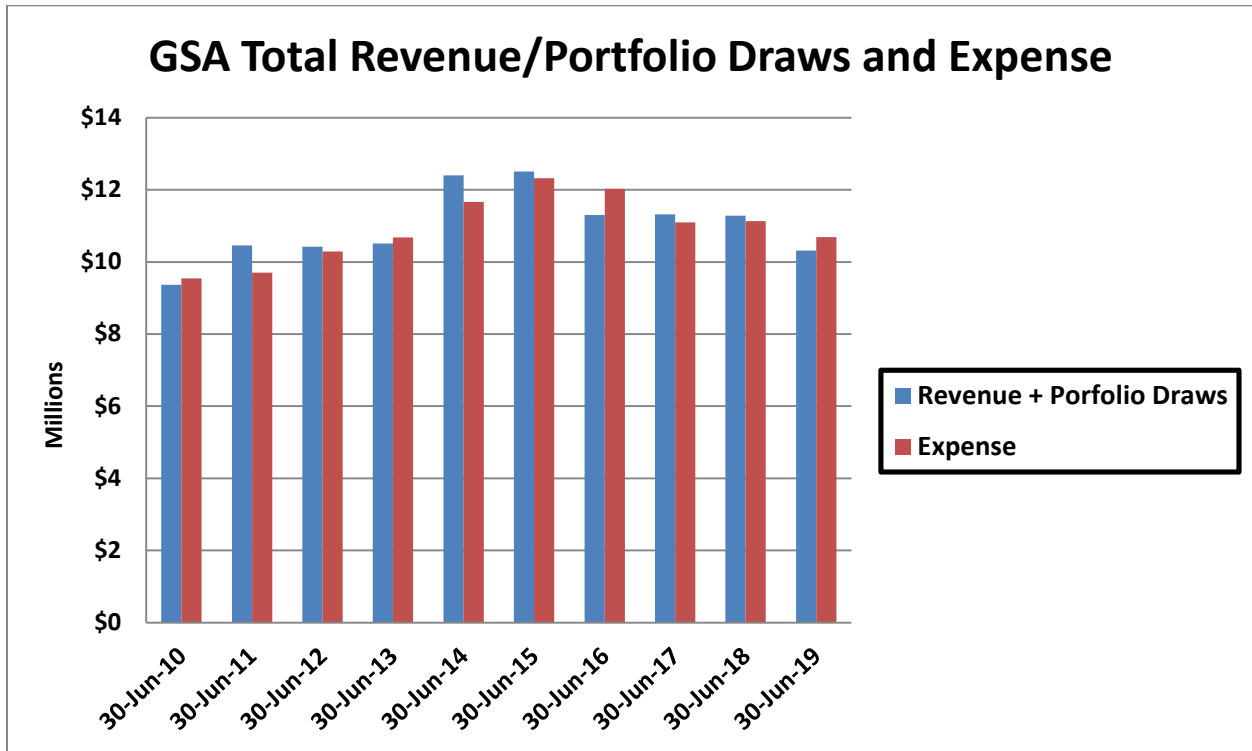
Program Expenses – overall -\$828K or 13% less than what was budgeted

Line items that expended significantly less than what was budgeted included:

- Meeting Expense (-\$10.8K),
- Advertising (-\$37.6K),
- Catering & Entertainment (-\$73.2K),
- Furniture & Equipment Rental (-\$56.1K),
- Grants & Awards (-\$68.1K),
- Printing (-\$68.8K),
- Lease Expenses (-\$29.9K),
- Travel, Lodging & Subsistence (-\$127.7K), and
- Contract Services (-\$177.1K).

There were no significantly greater than budgeted expenditures.

The graph below shows trends for revenue and expenses since FY2010. The Society experienced fairly uniform growth for the first three years, and the negative impact of the FY2009 recession is clearly evident. Recovery began with the positive impact of the 125th Anniversary celebration (FY2014), and that continued through FY2015. However, from FY2015 to FY2017 there was a noticeable reduction in both revenue and expenses, as the effects of the NSF Steppe program, GeoCorps, and Publications were being realized. FY2018 was similar to FY2017 and FY2019 shows reduced revenues and expenses.



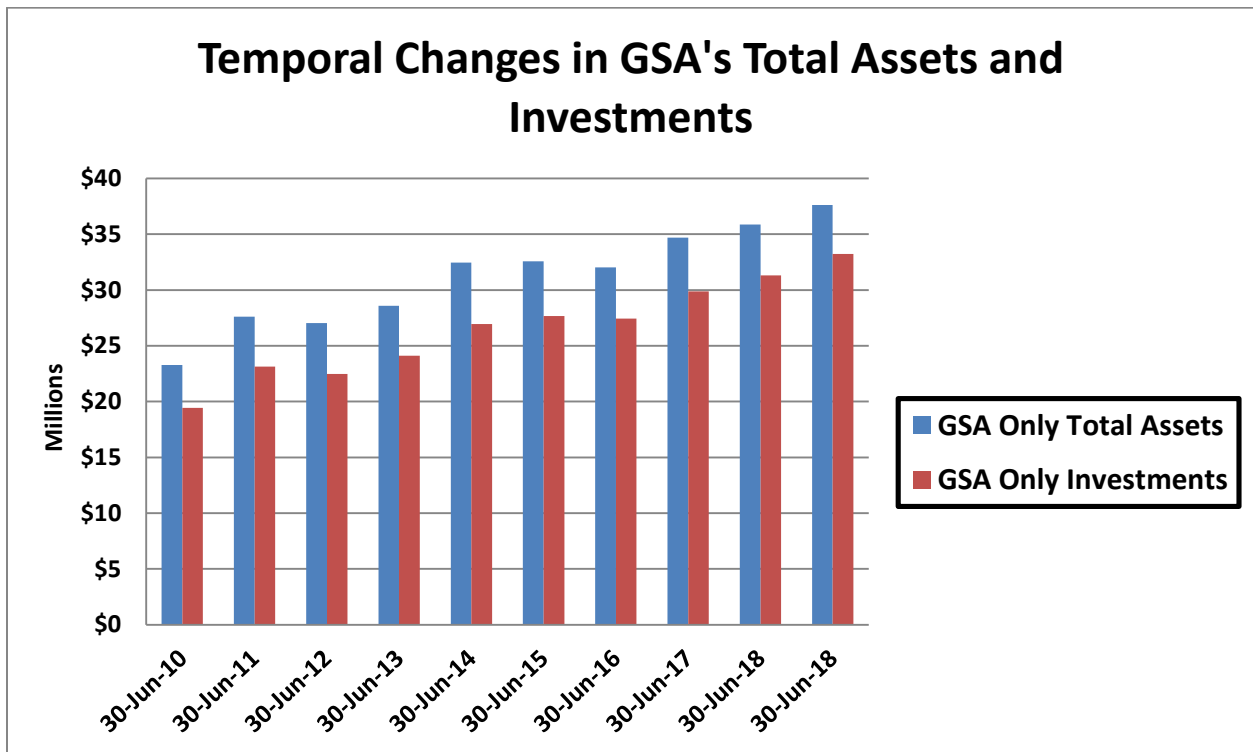
#### PRELIMINARY BALANCE SHEET

During FY2019, the GSA balance sheet showed an increase in Total Assets for the year, from \$35.96M on June 30, 2018 to \$37.62 on June 30, 2019, which was an increase of \$1.7M or 4.62%. Net assets increased from \$33.92M on June 30, 2018 to \$35.13M on June 30, 2019, which was an increase of \$1.21M or 3.55%. GSA Investments rose during the year, largely because of a strong market during FY2019.

The Society's assets include an investment portfolio which rose during this past year from approximately \$31.30M to \$33.25M, which was an increase of \$1.92M or 6.15%. The GSAF holds approximately \$23.2M in investments, which is 41.11% of the total. The assets from GSA and GSAF are invested together by the Investments Committee in a common portfolio, including cash. The total value of the portfolio was \$51.65M at the beginning of FY2019 and \$56.43M at year end, which was an increase of \$4.77M or 9.24%.

Changes in the level of assets and invested portfolio beginning in 2010 for GSA only (not including GSAF) are shown in the graph below. Both total assets and investments understandably were down after the 2009 recession, and an upward progression to pre-recession levels is evident through 2013. Then beginning in 2014, careful management of funds and a strong market resulted in very strong levels of GSA's investment portfolio even though there was a relatively weak investments climate during FY2016.

That climate changed during FY2017, with significant increases in both total assets and investments, and this continued through FY2019.



#### CHANGES IN INVESTMENT PORTFOLIO

Funds that are not actively being used by GSA are invested in a portfolio managed by the Investments Committee, which consists of members from both the Society and GSAF who have been approved by GSA Council. The Investments Committee meets in person or by telephone at least four times per year to review the portfolio and the changes recommended by an external Investment Advisor. The portfolio is invested according to a written investment policy approved jointly by the GSA Council and the GSAF Board of Directors. The policy assures a substantial diversity of investments by requiring that they are spread among mutual funds or their equivalents in the public equity, bond, hedge fund, real estate, and private equity markets. GSA's current Investment Advisor is Ellwood Associates, Inc. of Greenwood Village, Colorado.

The cumulative value of the portfolio's investments increased by 9.24% during FY2019, and this is well above the net return target of 5%+CPI set by the Investments Committee. The increase was due to strong market returns, particularly U.S. Equity.

More details are included in the Annual Report of the Investments Committee.

#### FISCAL YEAR 2020 BUDGET

The FY2020 Budget was prepared by staff and the GSA Finance Committee in the latter half of FY2019, and approved by the Committee in June 2019. The FY2020 Budget anticipates a reduction from the actual operating revenue in FY2019 of \$10.32M to \$9.73M. Noteworthy revenue reductions include those for the Annual Meeting, Periodical and Non-Periodical Publications, and Member Dues.

The FY2020 Budget anticipates an expense increase (+1.03M), from \$10.69M of actual expenses for FY2019 to \$11.71M budgeted expenses anticipated for FY2020. FY2020 budgeted expenses exceed revenues by \$1.98M and this reflects normal budgeting from year to year. The difference in the FY2020 Budget between operating revenues and expenses will be covered by a number of sources, primarily a) a cash surplus from FY2019, b) an investment to cover part of the Strategic Budget from the investment portfolio, and c) an investment draw for an additional part of the Operating Budget from the Pardee Fund, all of which will be rectified and reported following release of the audited report. Thus the FY2020 Budget will be balanced.

The investment portfolio mainly consists of endowed and restricted funds, with only a portion of the income from those funds available to the Society in any one fiscal year, and those funds must be spent on “strategic initiatives” that are not covered by regular operating funds. The costs of those initiatives are included in the Society’s annual operating budget. Beginning in FY2018, new strategic funds supported the Society’s Strategic Plan, and this continued through FY2019.

The investment portfolio market value increased in FY2019, and there is a limit to the amount of that portfolio that can be spent for strategic spending in each fiscal year. The amount available for FY2020 is capped at \$563K, and an amount of \$624K was approved and is included for expenditures in the FY2020 Budget. The difference between the calculated capped amount and the Council approved amount is due to the Strategic Planning process initiatives that are deemed required by Council.

#### ISSUES TO CONSIDER

Similar to conclusions from the past few years, the financial impact of the Society’s decision to move forward with Open Access publications continues to be an issue, but the decision to transition its implementation provides the opportunity to assess impacts incrementally and at the same time assess other options. A large potential impact on GSA’s budget in the coming years is the Strategic Plan that has identified new programs and initiatives, as well as modifications to existing programs, all of which have various degrees of uncertainty, risk, and associated cost, and all of which will be challenging to balance with existing programs and membership trends. For FY2020 the impact will be minimal. However, GSA will be conducting several programmatic assessments using staff and outside contractors to evaluate costs of newly implemented or reorganized programs and then determining prioritization of new programs or reorganized program initiation and how costs can be distributed over several years. Finally, there remains discussion concerning the GSA’s Headquarters property in Boulder, and this is included in the Strategic Plan. Its maintenance and other costs, total and partial sale/rental options, and relocation possibilities, all pose multiple financial scenarios, and are being considered.

During FY2019, the Society’s investment portfolio continued to grow, all in concert with national investment growth. The portfolio is designed with a long-term outlook with respect to the short-term anticipated market outlook, and is carefully managed to reduce risk and enhance returns.

Respectfully submitted  
Richard C. Berg  
Treasurer