

THE GEOLOGICAL SOCIETY OF AMERICA
ANNUAL REPORT OF THE TREASURER, FISCAL YEAR 2020

OPERATING RESULTS, FY2020 (July 1, 2019 to June 30, 2020)

This FY2020 Annual Report of finances, briefly evaluates the performance of the Geological Society of America (GSA) for the period July 1, 2019 to June 30, 2020. All figures in this report are derived from (1) the GSA July 2020 Month-End Financial Information, (2) The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc. Combined Financial Statements, June 30, 2020 and 2019, the latter of which is known informally as the “audited report”, and (3) the GSA - Fiscal Year 2021 Budget Files/Information.

The GSA successfully completed its fiscal year on June 30, 2020. Budgeted total revenues and support for FY2020 were \$9.49M, compared to \$10.1M for FY2019. Total expenses were \$10.53M, compared to \$10.71M for FY2019.

Revenue

Line items that generated significantly less revenue than were budgeted included Member Dues and Fees, Grants, Annual Meeting, Other Meetings, Non-Periodical Publications, and Advertising. The Annual Meeting and Other Meetings alone accounted for over a \$950K shortfall.

Line items that generated significantly more revenue than were budgeted included Other Publications and the E & O Program Revenue, with the former accounting for >\$400K better than was budgeted.

Revenue from all Publications generated \$3.72M, while all Meetings generated \$2.28M, and Membership generated \$772.2K .

Employee Expenses

Employee expenses were 3% less than what was budgeted, with significantly less than budgeted line items being Wages & Payroll Taxes, Employee Benefits, and Medical Insurance. Retirement expenses were greater than what was budgeted by \$30K.

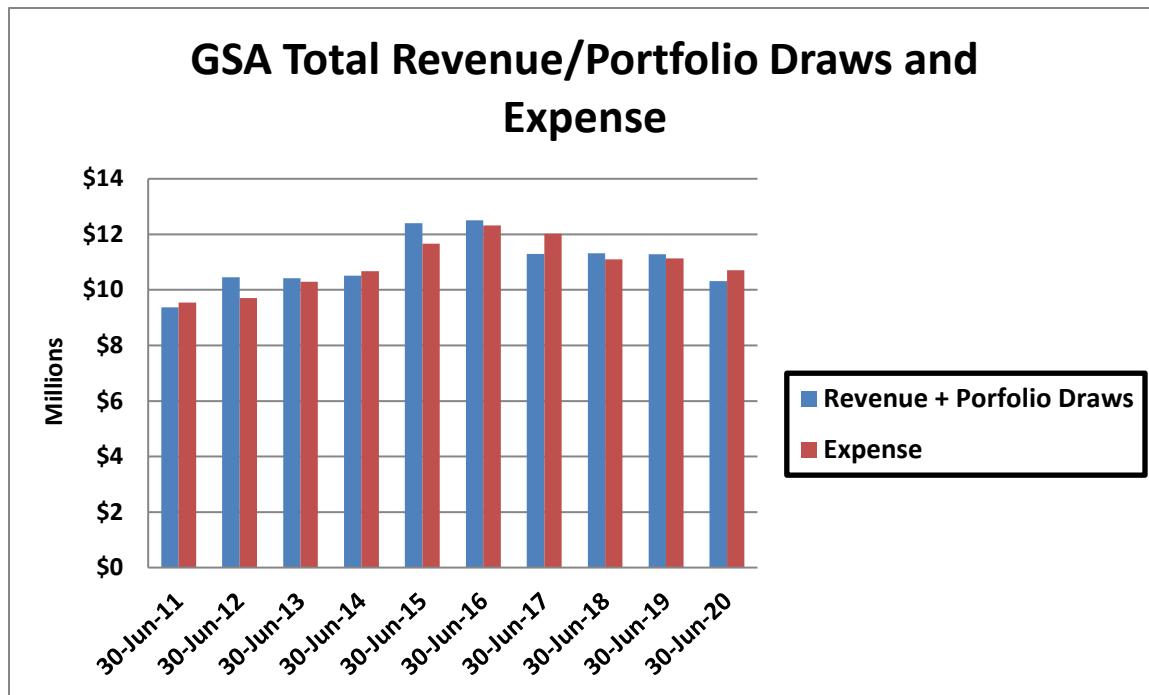
Program Expenses

Line items that expended significantly less than what was budgeted included Advertising, Building & Facilities, Contract Services, Credit Card Fees, Depreciation, etc., Furniture & Equipment Rental, Grants & Awards, Meeting Expense, and Postage, etc., understandably lower considering cancellation of in-person Section meetings as well as the Montreal Annual Meeting. Consulting Fees and Legal Services were two significantly greater than budgeted expenditures. However, overall there was “across-the-board” lower than budgeted expenses for FY2020.

Overall Publications expenses were \$1.61M, while Meeting expenses were \$2.54M, and Membership expenses were \$684.4K.

The following graph 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 issues were being realized. FY2018 was similar in revenue and expenses to FY2017, but then FY2019 shows a continuation of reduced revenues and expenses. FY2020 exhibits a further decline in revenues and expenses, considering (1) lingering financial affects from the small 2018 Annual Meeting in Indianapolis and the 2019 smaller-than-anticipated Annual Meeting in Phoenix, (2) continually declining membership numbers, and (3)

cancellation of 2020 Section Meetings and the Annual Meeting in Montreal, all a result of the onslaught of Covid-19 in February/March of 2020.



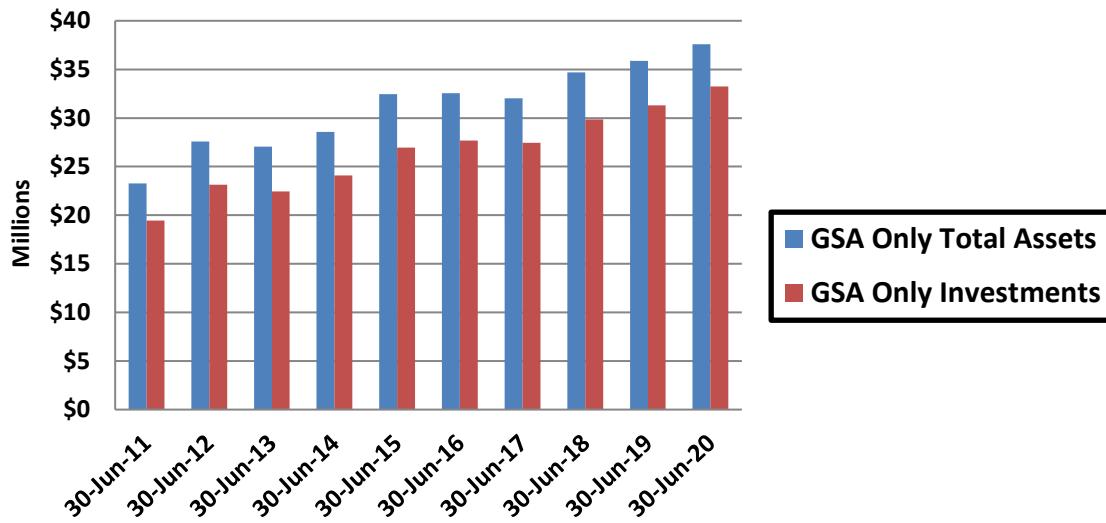
BALANCE SHEET

During FY2020, the GSA balance sheet showed a decrease in Total Assets for the year, from \$37.58M on June 30, 2019 to \$36.14M on June 30, 2020, which was a decrease of \$1.44M or 3.83%. Net assets decreased from \$35.08M on June 30, 2019 to \$34M on June 30, 2020, which was a decrease of \$1.07M or 3.08%. This decline is reflective of a fairly steady market during the first half of FY2020. However, the effects of Covid-19 were clearly evident at the close of the 3rd Quarter, and had not fully recovered as the fiscal year closed on June 30th.

The Society's assets include an investment portfolio which declined during this past year from approximately \$33.23M to \$31.89M, which was a decrease of \$1.34M or 4.03%. The assets from GSA and GSAF are invested together by the Investments Committee in a common portfolio, including cash. The GSAF holds approximately 41% of the total. The total value of the portfolio was \$56.72M at the close of FY2019 and \$56.38M at the close of FY2020, which was a slight decrease of \$340K or a decrease of 0.60%.

Changes in the level of assets and invested portfolio beginning in 2010 for GSA only (not including GSAF) are shown in the following graph. 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 FY2020. FY2020 is particularly interesting because of the significant downturn in the market and the portfolio in the early months of 2020 following the onset of Covid-19, and its rapid rise, but not full recovery by the end of FY2020. .

Temporal Changes in GSA's Total Assets and Investments



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, by telephone, or virtually at least four times per year to review the portfolio and discuss and implement various changes that are 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 decreased by <1% during FY2020 due to a market downturn from Covid-19. More details are included in the Annual Report of the Investments Committee.

FISCAL YEAR 2021 BUDGET

The FY2021 Budget was prepared by staff and the GSA Finance Committee in the latter half of FY2020, and approved by the Committee in April 2020. The FY2021 Budget anticipates a reduction from the actual operating revenue in FY2020 of \$9.73M to \$9.46M. Noteworthy revenue reductions include those for Meetings and Publications.

The FY2021 Budget anticipates an expense decrease (-\$526.3K), from \$11.72M of actual expenses for FY2020 to \$11.19M budgeted expenses anticipated for FY2021. FY2021 budgeted expenses exceed revenues by \$1.73M and this reflects normal budgeting from year to year. The difference in the FY2021 Budget between operating revenues and expenses will be covered by a number of sources, primarily a) a cash surplus from FY2020, 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 FY2021 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 FY2020. Even though three-quarters of the way through FY2020, considerable attention by GSA staff and the Executive Committee was spent dealing with overall financial mitigation planning as the Society moved into FY2021, Covid-19 issues did not have an impact on strategic initiatives in FY2020.

There is a limit to the amount of the investment portfolio that can be spent for strategic spending in each fiscal year. The amount available for FY2021 is capped at \$609.3K, and an amount of \$608.6K was approved and is included for expenditures in the FY2021 Budget.

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, as do the large potential impacts on GSA’s budget in the coming years from the Strategic Plan, and finalizing a decision regarding the GSA Headquarters campus, all of which have various degrees of uncertainty, risk, and associated cost, and all of which will be challenging to balance with existing programs. However, all of these highly visible and impactful issues could “pale in comparison” to the tripling effect resulting in very significant revenue shortfalls from two small Annual Meetings in 2018 and 2019, a declining membership, and the “multiplying effect” caused by the onset and persistence of Covid-19, which already in the latter portion of FY2020 resulted in cancellation of all but one Section Meeting and the in-person Annual Meeting in Montreal. Expenses are indeed diminished with stay-at-home protocols and travel bans for GSA staff and members and no in-person meetings. However, even though some publications income has increased and online virtual meetings partially can recover lost income meeting costs, revenues still fall considerably short to effectively balance the immediate losses. At the writing of this report, Spring 2021 Section Meetings and the Annual Meeting in Portland are also uncertain, pending favorable Covid-19 health outcomes and development of a viable vaccine.

For FY2021, looking forward is very uncertain and unsettling with perhaps some considerable creative thinking required to make difficult decisions regarding programs and their viability and sustainability. This will involve implementation of various operational efficiencies, and a pragmatic approach to “running the business”, while at the same time “serving its members” and maintaining/growing membership. The issue concerning the GSA’s Headquarters property in Boulder is particularly “being held hostage” by the Covid-19 uncertainty, as sale/rental options and relocation possibilities, all of which pose multiple financial scenarios, must wait until a more favorable climate allows GSA to pursue such a venture.

During FY2020, the Society’s investment portfolio almost fully recovered following its Spring decline. Although it 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, it is uncertain how long the market can continue to grow or even maintain relative stability considering high unemployment and an overall slowdown in economic growth.

Respectfully submitted
Richard C. Berg
Treasurer