

THE GEOLOGICAL SOCIETY OF AMERICA  
ANNUAL REPORT OF THE TREASURER, FISCAL YEAR 2021

OPERATING RESULTS, FY2021 (July 1, 2020 to June 30, 2021)

This FY2021 Annual Report of finances, evaluates the performance of the Geological Society of America (GSA) for the period of July 1, 2020 to June 30, 2021. All figures in this report are derived from (1) the GSA June 2021 Month-End Financial Information, (2) The Geological Society of America, Inc. and The Geological Society of America Foundation, Inc. Combined Financial Statements, June 30, 2021 and 2020, 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, 2021. Total revenues and support for FY2021 were \$7.55M compared to \$9.49M for FY2020, and \$10.1M for FY2019. Total expenses were \$8.53M compared to \$10.53M for FY2020, and \$10.71M for FY2019.

Revenue

Line items that generated significantly less revenue than were budgeted included Grants, Annual Meeting, Other Meetings, Non-Periodical Publications, Periodical Publications, and Advertising. The Annual Meeting and Other Meetings alone accounted for ~\$1.4M shortfall, which is mainly due to the pandemic and the uncertainty of how to hold scientific meetings.

Line items that generated significantly more revenue than were budgeted included Other Publications and the E & O Program Revenue, with the former accounting for ~\$420K better than was budgeted. Member Dues, Fees, etc. was ~\$10K better than budgeted.

Revenue from all Publications generated \$3.58M (FY2020 - \$3.72M), while all Meetings generated \$670K (FY2020 - \$2.28M), Membership generated \$777K (FY2020 - \$772.2K), and Education & Outreach generated \$574.1K (FY2020 - \$742.4K).

Employee Expenses

Employee expenses were 1% less than what was budgeted, with significantly less than budgeted line items being Wages & Payroll Taxes and Retirement. Medical Insurance was greater than what was budgeted by \$61K. Overall Total Employee Expenses were \$8.53M (FY2020 - \$10.53M). Employee costs were down in FY21 mainly due to staffing turnover and the ensuing breakage until new staff were hired. This is a trend that will continue into FY22 due to the great resignation that is occurring across the country.

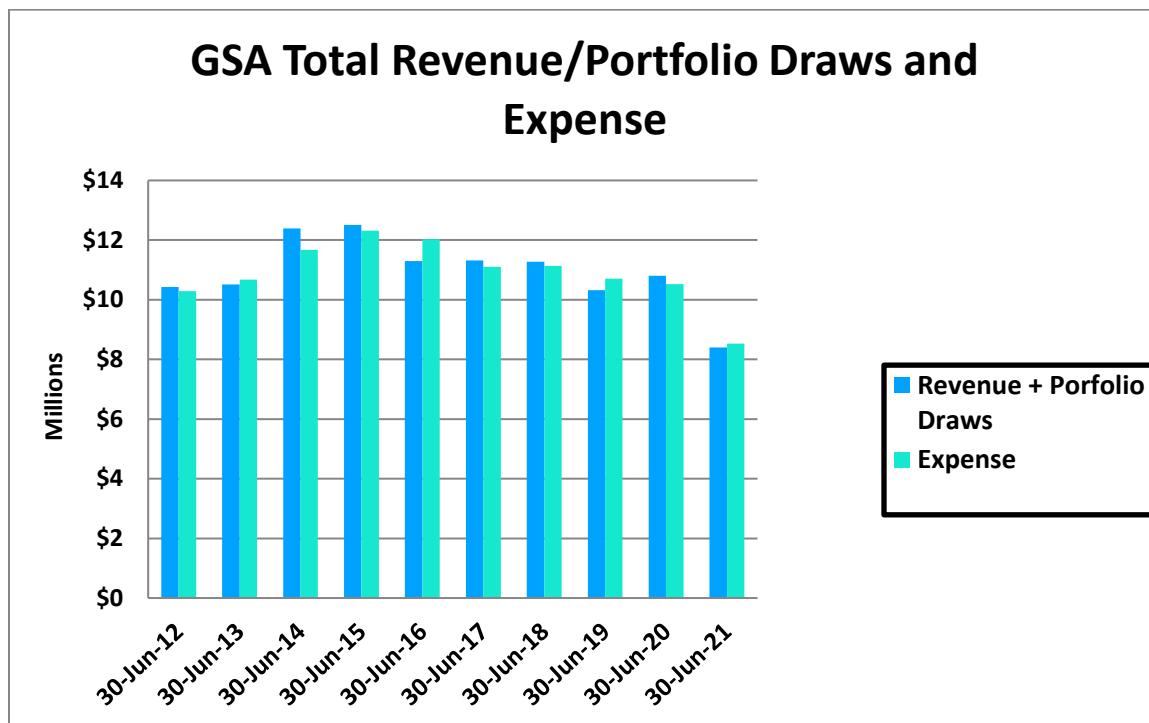
Program Expenses

Line items that expended significantly less than what was budgeted included Advertising, Building & Facilities, Catering & Entertainment, Contract Services, Credit Card Fees, Depreciation, etc., Furniture & Equipment Rental, Grants & Awards, Meeting Expense, Printing, Science Editors, and Travel, etc., all understandably lower considering cancellation of in-person Section Meetings as well as the Montreal Annual Meeting. Editing and Legal Services were two significantly greater than budgeted expenditures. However, overall there was “across-the-board” lower than budgeted expenses for FY2021.

Overall Publications expenses were \$1.48M (FY2020 - \$1.61M), while Meeting expenses were \$1.45M (FY2020 - \$2.54M), Membership expenses were \$683.7K (FY2020 - \$684.4K), and Education & Outreach were \$997K (FY2020 - \$1.29M).

The following graph shows trends for revenue and expenses since FY2012. The Society experienced fairly uniform growth for the first two years. There was a significant increase 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, and FY2020 exhibits similar revenues and expenses to FY2019. However, the full impact of the onslaught of Covid-19 in February/March 2020, coupled with (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 2020/2021 Section Meetings and the 2020 Annual Meeting in Montreal, is strongly exhibited in the FY2021 revenues and expenses, both down >\$2M from FY2020.



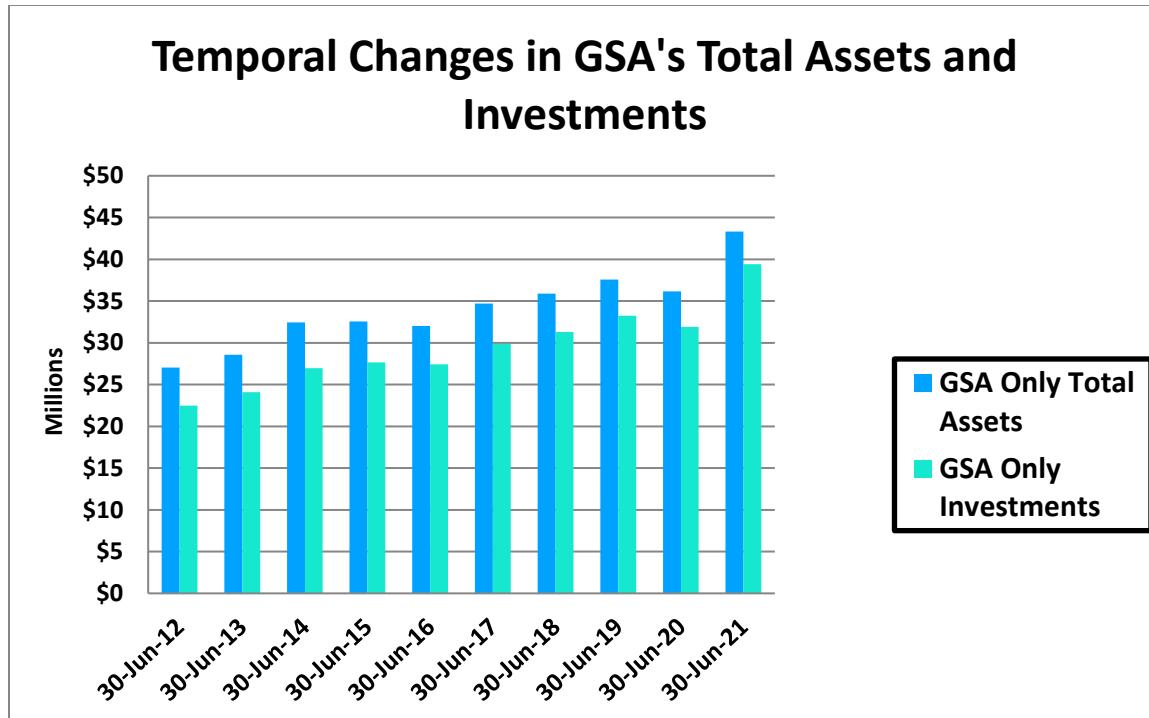
#### BALANCE SHEET

During FY2021, the GSA balance sheet showed an increase in Total Assets for the year, from \$36.14M on June 30, 2020 to \$43.33M on June 30, 2021, which was an increase of \$7.19M or 19.9%. Net assets increased from \$34M on June 30, 2020 to \$41.41M on June 30, 2021, which was an increase of \$7.41M or 21.79%. This increase is reflective of the strong market during FY2021.

The Society's assets include an investment portfolio which increased during this past year from \$31.89M to \$39.45, which was an increase of \$7.56M or 23.7%. The assets from GSA and GSACF are invested together by the Investments Committee in a common portfolio, including cash. The GSACF holds approximately 43.81% of the total. The total value of the portfolio was \$56.72M at the close of FY2019, \$56.09M at the close of FY2020, and \$70.2M at the close of FY2021, which was a significant increase from FY2020 by \$14.11M or a 25.15% increase.

Changes in the level of assets and invested portfolio beginning in 2012 for GSA only (not including GSACF) are shown in the following graph. There was an upward progression to pre-recession levels 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. 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. FY2021 is reflective of the very strong market.



#### 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 requiring that they be spread among mutual funds or their equivalents in the public equity, bond, hedge fund, real estate, and private equity markets. As of June 30, 2021, GSA's current Investment Advisor is Ellwood Associates, Inc. of Greenwood Village, Colorado.

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

#### FISCAL YEAR 2021 BUDGET

The FY2022 Budget was prepared by staff and the GSA Finance Committee in the latter half of FY2020 and approved by the Committee in April 2021. The FY2022 Budget anticipated a reduction from the operating revenue in the FY2021 budget of \$9.36M to \$9.02M. Noteworthy revenue reductions include those for Meetings, Publications, and Advertising.

The FY2022 Budget also anticipated an expense decrease (-\$60.3K), from \$11.72M of budgeted expenses for FY2021 to \$11.19M budgeted expenses anticipated for FY2022. FY2022 budgeted expenses exceed revenues by \$2.04M and this reflects normal budgeting from year to year. The difference in the FY2022 Budget between operating revenues and expenses will be covered by a number of sources, primarily a) a cash surplus from FY2021, 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 FY2022 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 were budgeted to support 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. However, during FY2021, a Budget and Long-Term Planning Committee (BLTP) established by President Walker, called for cost cutting and revenue generating recommendations. One recommendation was to delay major strategic programmatic spending.

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 FY2022 is capped at \$625,025, and \$362,025 of that amount was requested to cover the deficit in the Operating Budget. This was all approved and is included for expenditures in the FY2022 Budget.

## ISSUES TO CONSIDER

During the past few years, financial uncertainties have focused on the impact of the Society’s decision to move forward with Open Access publications, 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 had various degrees of uncertainty, risk, and associated cost, and all of which were regarded as challenging to balance with existing programs. However, as noted in last year’s Report of the Treasurer, all of these highly visible and impactful issues have indeed “paled in comparison” to the tripling effect resulting from very significant revenue shortfalls from two small Annual Meetings in 2018 and 2019, declining membership, and the “multiplying effect” caused by the onset and persistence of Covid-19, that resulted in cancellation of two years of Section Meetings and the in-person Annual Meeting in Montreal, and uncertainty about in-person attendance at the 2021 Portland Annual Meeting. Revenues and expenses were significantly 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 increased and online virtual meetings partially recovered some lost income, revenues still fell considerably short to effectively balance the immediate losses. The development of viable vaccines improved the situation, but long-lasting ramifications of Covid-19 will no doubt persist throughout FY2022.

In response to the above and as mentioned above, the BLTP was formed to provide a high-level overview of the primary programs of GSA to determine their alignment with strategic plan goals, identify new/untapped areas for revenue generation, and evaluate cost cutting or postponement of activities to balance the budget due to the unanticipated impact of the pandemic. During the latter half of FY2021, the BLTP reviewed GSA’s primary programs via SWOT analyses, and then drafted recommendations as a starting point for committee discussions. A separate complete report to Council was developed.

For FY2022, looking forward remains very uncertain and unsettling with perhaps some considerable creative thinking required to make difficult decisions regarding programs and their viability and sustainability, and particularly those decisions per implementation of recommendations by the BLTP. This will involve implementing various operational efficiencies, a concerted effort to increase various revenue streams, and a pragmatic approach to “running the business”, while at the same time “serving its members” and growing membership. The issue concerning the GSA’s Headquarters property in Boulder is close to being finalized, but sale and rental options and relocation possibilities, all of which pose multiple financial scenarios, are still undetermined. Adding into the mix of uncertainty will be the search for a new Executive Director, and even deciding whether or not this new person will be more scientifically inclined, as has been the case with previous Executive Directors, or one that is more business oriented.

Lastly, during FY2021, the Society’s investment portfolio not only fully recovered following its Spring 2020 decline, but increased substantially. 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 remains uncertain how long the market can sustain the growth.

Respectfully submitted  
Richard C. Berg  
Treasurer