

Mineralogical Society of America Treasurer's Report

October, 2005

Each year MSA budgets are prepared by the Executive Director, with appropriate input from the Treasurer and President, discussed at the Third Council Meeting in the fall, and ultimately approved/amended at the First Council Meeting in the fall; thus, in October the MSA Council approved the 2006 budget. For several reasons, the estimation of a budget for the Society is difficult in general and perhaps extraordinarily difficult this year. Normally the budget is difficult to estimate because of unknowns such as the publication date of RIM volumes, which add an extraordinary expense and a deferred receipt of revenues. In addition, this year presents the Society with a new unknown, that being the costs associated with the new MSA facilities, long overdue, in northern Virginia. The move of the Society's facilities was undertaken in July, and the Society now has more functional facilities that will serve us in good stead for the next decade at least.

I can summarize the results of the previous year's budget. The MSA's financial statements were audited by the firm of Rubino and McGeehin, Certified Public Accountants and Consultants, who concluded in their report that "In our opinion, except for the effects of expensing inventory as discussed (in the preceding paragraph), the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Mineralogical Society of America as of December 31, 2004 and 2003, and the change in its net assets and its cash flows for the year ended December 31, 2004, in conformity with the accounting principles generally accepted in the United States." I can note that Society assets increased by \$258,000 in 2004.

In their Management letter, the Auditors recommended the establishment of an Audit Committee. In its Management response, the Society noted that it will implement this

recommendation, and that at least two members of the Financial Advisory Committee, the FAC Chair and the Society Treasurer, will comprise the Committee. I will meet with the Auditors to discuss this Committee before the Spring meeting, will confer with the Chair of the FAC, and will report to MSA Council at that time.

I here provide a brief update on the 2005 budget and a summary of the 2006 budget. As of June 30, 2005, the market value of MSA's investments was \$2.12M, up \$134,000 2004. Comparable values for previous 6/30 closings were \$1.985M in 2004, \$1.774M in 2003, \$1.866M in 2002, and \$2.201M in 2001; thus, we have recovered to 2001 levels in market value of investments. Fund Transfer Allocations seem to be at a static level of approximately \$80,000+/year. Since 2002, Fund Transfer Allocations have been \$85,822 (2002), \$88,278 (2003), \$80,423 (2004), with the 2005 budgeted value of \$83,600. The Society continues its policy of a conservative distribution of funds from its investments. Currently the Society undertakes an annual fund transfer allocation of under 4% of the market value of its investments, (Kraus: 2.8%; Min/Pet: 3.4%; Roebling/Endowment: 4.1%). The fund transfer covers defined costs such as American Mineralogist Undergraduate awards, the MSA Award, the Roebling Medal, the Dana Medal, the Lecture Program, and the Kraus and Mineralogy/Petrology grants, many of which are dictated by the terms of the individual endowments. The rate of disbursement from the endowed funds is well below that typically disbursed by universities. The budgeting for RIMG volumes continues to be the most difficult part of the budget process. The Approved Budget for 2005 had an operating "loss" of (\$91,000), due largely to the scheduled printing of RIMG volumes before the deferred income from the sales receipts are realized. Because the scheduled Lunar volume was ultimately not published, printing costs (and thus "losses") will be much lower than anticipated. This loss does not include growth of endowment income.

There are several highlights of the 2006 budget that can be offered. Total Expenses in the 2006 Proposed Budget

rose by 5.80% over the 2005 Approved Budget. The Administration budget for 2006 is 14%, or \$50,000, lower than the 2005 Administration budget, due largely to the one-time 2005 moving costs for the Society Office. Related to that move, approximately \$5,000 in legal fees has been added for 2006 to cover estimated costs of incorporation in Virginia and potential costs of changing Bylaws. On the good news/bad news side, estimated Fund Fees have increased by \$4,000, in recognition of the larger funds that are being managed at a rate of ~1% of total fund value. The 2006 approved budget begins with a projected "loss" of \$162K due to the fact that five RIMG volumes are scheduled for printing, thus the deferred income from these volumes will be realized in later years; approximately \$149,000 of that loss amounts to a transfer of endowment assets to inventory assets in printed volumes.

By vote of the MSA Council, a new category of membership in the Society, Sustaining Member (or Sustaining Fellow), will be brought to the membership for approval, as required by the Society Bylaws. The membership category is open to any new or continuing member or Fellow, and each year the cost of such a membership will be the cost of a regular membership plus an amount, to be determined annually by MSA Council, that will be a gift to the Society to sustain its activities. Gifts realized from Sustaining Memberships will be placed in the Society's Endowment Fund. Approval for the new membership category will be requested on the 2006 ballot. A \$5.00 increase in individual subscription rates for 2006, to \$45.00, was enacted by MSA Council. Such an increase enables the individual subscription income to cover costs of individual member subscriptions after a long period of subsidizing such subscriptions. For context, the cost of an individual subscription in 1988 was \$20.00, and was \$40.00 for 2004 and 2005. A \$25.00 increase in domestic and foreign subscriptions for 2006 was enacted, to \$675 for domestic and \$700 for foreign subscriptions. Such an increase nearly enables subscription income to cover the costs of institutional subscriptions after a long period of subsidizing such costs. Finally, no increase in dues

was instituted for 2006, but the Treasurer suggested that Council will be asked to consider a dues increase at the Spring, 2006 Council meeting.

Summary

The Treasurer of the MSA is a member of the Financial Advisory Committee. I here note one of the conclusions of that Committee in its report for the Spring, 2005 meeting, which deserves reiteration. The Committee strongly recommends continued conservation in the allocation of endowment funds to the operating budget of the MSA, and continued efforts to raise endowment money as contributions from members and corporations. Such actions bode well for the future financial health of the Society. I urge the continued conservative nature of fund transfer allocations (as noted above to be lower than most university disbursements) and continued efforts to raise endowment funds.

John M. Hughes

Treasurer, The Mineralogical Society of America