

The Geological Society of Washington
founded 1893

DRAFT MINUTES
MEETING OF THE COUNCIL
NOVEMBER 1, 2017

Council Members Present

Jamie Allan, past president
Callan Bentley, president
Joshua Benton
Liz Crafford
Odette James, treasurer
Larry Meinert
Karen Prestegard, 1st vice president
Jessica Rodysill
Libby Stern
Michael Toomey

Council Members Absent

Patrick Carr, council secretary
Nik Deems
Carl-Henry Geschwind, 2nd vice president

Others Present

Chris Swezey, nominations chair

The meeting was called to order at 1:15 P.M. by President Bentley. The minutes of the fall meeting were approved. Your humble council secretary fell victim to the council secretary's curse, arriving just in time for adjournment. These minutes were graciously taken by Swezey, to whom we are indebted. The minutes of the 12 April 2017 meeting were approved without objection.

REPORTS

Membership

The membership report from Hankin is attached. There are currently 290 members; 22 of whom are new this year. Meinert asked if the email dues reminders are sent to all members, or just those who haven't yet paid as of the mailing. Speer will know the answer to this. Allan noted that renewal on the website is not particularly easy.

Treasurer

James presented her report, which is attached. She noted that member dues cover only about half of our expenses and so we rely on contributions and investment income for the remainder. Each meeting at the Cosmos Club is \$640, which is a discounted rate. This puts an eleven-meeting schedule at a break-even budget. Allan noted that our investments are doing well, but we should keep in mind a possible long-term membership problem.

The proposed budget, which is attached, is for eleven meetings and totals \$17,461 in expenses.

Finance

Allan presented the report of the Finance Committee, which is attached. In general, the finances are in good shape and the overall sense of the committee is to stay the course. Several motions arose out of the report:

To continue as regional associate of the American Geosciences Institute. This passed without objection;

To continue to reimburse travel up to \$1000 for the Bradley Lecture. This passed without objection;

To amend the cap we can transfer out in Investment Policy procedure (7) by striking “three percent” and inserting “four percent” such that it reads:

(7) If the actual balance of the Bradley or Endowment Fund is greater than its MRB, the transfer of monies from that Fund to the General Fund should not, in any given year, exceed four percent of the total balance of the Fund from which the transfer is derived. This limitation is intended to prevent depletion of the entire expendable portion of a Fund’s balance in a single year, thus preserving some monies for future use. Exceptions are possible in the case of unusual, one-time expenditures.

This passed without objection;

To amend the desired balance in Investment Policy procedure (8) by striking “about sixty percent” and inserting “between fifty and seventy percent” and replacing references to the desired balance to “the target range” such that it reads:

(8) The desired balance for the General Fund at the end of each fiscal year should be between fifty and seventy percent of the annual expenses of the General Fund for that year. If the General Fund balance is below this target range, transfers from the Bradley and Endowment Funds should be made to adjust the General Fund balance to the desired level, subject to the limitations on such transfers cited in items (3), (4), and (7) above. Should the General Fund balance at the end of a fiscal year be above the target range, even if there are no transfers made from the invested Funds, adjustment of the Fund balance to within the target range shall be made at the end of the following fiscal year(s) by adjusting the amounts transferred from the invested Funds.

The Investment Policy is attached with the above changes marked. This passed without objection; and

To approve the proposed budget for the current fiscal year. This passed without objection.

Rodysill moved that there be an “early career” dues rate. Prestegaard moved that amend this such that early career professionals be included in the student dues rate. This passed without objection.

125th anniversary

Bentley reported that a fancy dinner will be held at the Cosmos Club on 26 January 2018. Boland will be the Club sponsor. Meinert moved that the Society contribute up to \$2,000 to the event. This passed without objection.

Nominations

Swezey presented the report of the Nominations Committee, who propose the following slate of officers:

First Vice-President: Michael Purucker (NASA Goddard)
Second Vice-President: Esther Szein (National Academy of Sciences)
Meeting Secretary: Victor Zabielski (Northern Virginia Community College)
Council Secretary: Patrick Carr (Department of Defense)
Treasurer: Carl-Henry Geschwind (retired)
Councillor: Laura Helmuth (The Washington Post)
Councillor: Mark McBride (Nuclear Regulatory Commission)
Councillor: Libby Stern (Department of Justice).

The slate was approved without objection, and Benton and Crafford were thanked for their service.

BUSINESS OF THE DAY

Regular meeting minutes were read out loud at the last regular meeting. The sense of the Council is that most members prefer that they not be read. Bentley will ask Deems to provide a short oral recap but not to read all the minutes. The text of the minutes will be made available on the web site in time for members to read them and note corrections.

Prestegaard has spoken to Hanson about activities or events we can sponsor at the AGU meeting that will be here in DC in December 2018. Options include a field trip, exhibit space, and a workshop. More to follow.

James received an updated quote for liability insurance from CIMA, which is attached. She moved that we purchase the insurance as quoted; this passed without objection. Allan moved to purchase the insurance in this calendar year now, provided it is prorated; this passed without objection.

Bentley noted that our stable of Cosmos Club hosts is dwindling. Fees are on the order of \$3000 for initiation and \$3000 annually.

ANNOUNCEMENTS

Mock will lead an archivist's treasure hunt at the offices of the Mineralogical Society of America on Monday 13 November at 10:00 A.M. with Speer, Bentley, Geschwind, and any other interested parties.

The meeting adjourned at 5:00 P.M.

Respectfully submitted,

Patrick M. Carr, Council Secretary

2017 Geological Society of Washington Membership Report

Overall Membership

There are currently 290 members in the Geological Society of Washington (GSW). This includes: 209 metro area members, 64 non-metro area members, 15 student members, and 2 complimentary members. The 2 complimentary members are *Science* and *The Washington Post*.

New Membership

Twenty-three individuals have applied for new membership with GSW in 2017. All 23 applicants were approved for membership. Of these 23 approved applicants, 17 submitted dues and were announced as members. New membership includes 9 metro area members, 2 non-metro area members, and 4 student members. October had the most new members announced with 7.

Comparatively, 2016 had a total of 26 applicants with 19 becoming new members after paying their dues.

GSW TREASURER'S REPORT TO COUNCIL, NOVEMBER 1, 2017

Odette B. James, Treasurer

Because the Society's accounting spreadsheet is complex, I will begin this report with a general explanation of the Society's finances and the spreadsheet. Please read this section (preferably with spreadsheet in hand). It will make the subsequent report easier to understand.

GSW finances, as illustrated by the spreadsheet:

The spreadsheet titled GSW_sum_BUD7.xls summarizes the current status of GSW finances and finances for past years. The Society's fiscal year runs from July 1 to June 30; the current FY is 2018.

Data for past fiscal years are included for comparison. These data are included to demonstrate how very quickly a strong financial situation can be compromised. Between 2001 and 2005, the Society spent far more than it should have, given its income, producing a very precarious situation by the end of FY2007. Since then, thanks to dues increases, very generous contributions from members, and the proceeds from sponsoring a regional AAPG meeting in FY2012, we have recovered, but it is clear that only a brief period of irresponsible spending can produce serious problems for many subsequent years. If we had not had a one-time source of considerable income - sponsorship of an AAPG meeting - it would have taken us several years longer to recover simply through appreciation of our investments, and if our investments had not done as well as they have, recovery might have taken much longer.

Sheet "2001-2018" summarizes the essential aspects of the Society's finances. The first page is a Statement of Activities (profit and loss statement) for the General Fund. This Fund deals with the Society's operations, and its primary sources of income are dues and member contributions. It pays for the meetings, the business office (a contract with MSA), the awards (meeting presentation awards paid by a transfer from the Bradley Fund and Science Fair awards paid from the General Fund), Bradley speaker travel (paid by a transfer from the Bradley Fund), and miscellaneous items. The far right two columns show the proposed FY2018 budget and explanations for budget items. Below the column for year-end FY2017, there are entries for: 1) the year-end balance in the General Fund as a percentage of the annual expenses of the Fund (the Society's Investment Policy indicates that this percentage should be about 60%); 2) average meeting cost for the year (not including speaker dinners or the MSA fee for sending out the meeting notice); and 3) average cost per speaker dinner. In the column for year to date (YTD) for the current fiscal year (2018), cells with colored backgrounds are filled in by the Treasurer; cells without colored backgrounds are calculated by the spreadsheet. Above the colored blocks are the dates for which the data were entered.

At the end of every fiscal year, if there is a loss in the General Fund, this loss is made up by transfers from the Society's two invested Funds (Bradley and Endowment) or by spending down the balance of the General Fund. In October 2016, because of concerns that the balance of the General Fund had become too high relative to expenses, the Council added a requirement to the Society's Investment Policy that "The desired balance for the General Fund at the end of each fiscal year should be about 60% of the annual expenses of the General Fund for that year." Accordingly, in years when the year-end balance of the General Fund is greater than 60% of expenses before any transfers are made from the invested Funds, the amounts of such transfers

equal only those amounts necessary to bring the closing General Fund balance up to 60% of expenses. If the closing balance of the General Fund before the transfers is greater than 60% of expenses, there are to be no transfers from the invested Funds. Unfortunately the specification of a target level "about" 60% can be interpreted narrowly or broadly. If it is interpreted narrowly so that the balance of the General Fund should be exactly 60%, this requirement reduces flexibility. The Finance Committee is now recommending changes in the wording of the Investment Policy to provide a broader target range, thus more flexibility in use of the balance of the General Fund (see the Finance Committee report).

The second page of sheet "2001-2018" shows the Statements of Activities for the Bradley and Endowment Funds and additional information relating to these Funds. The Bradley Fund was established in 1979 and its "proceeds" are intended to pay for the Society's awards and other activities as designated by Council. The Fund "proceeds" can be used for any Society activity named for W. H. Bradley, and in FY2008 the Fund paid part of the cost of the Bradley lecture. The Endowment Fund was established in 1989 and its "interest" is to be used to support Society activities, primarily meetings. However, the total amounts transferred from the Endowment and Bradley Fund each year are generally not to exceed 3% of the balance of each Fund at the time of the transfer (guideline established by the Society's Investment Policy); an exception may be made for special, one-time expenditures. (The Finance Committee is currently recommending that the guideline for transfers from the invested Funds be increased to 4% of the Fund balances, because the invested Funds now have such high balances they can, and should, be providing more support for the Society's meetings - see the Finance Committee report.) The principals of both Funds (consisting of all contributions during the life of the Fund) are to be invested and only the "proceeds" or "interest" spent. The Society's Investment Policy defines the "proceeds" and "interest" of these two Funds as net total return, which equals interest plus dividends plus realized and unrealized capital gains minus fees.

The Council in fall 2015 voted that in the future the Bradley Fund will pay as much as \$1000 per year toward speaker travel for the Bradley lecture; if the speaker does not need travel money, the \$1000 will go toward the cost of the Bradley meeting. The Council in fall 2015 also voted that in the future the Endowment Fund will pay the costs of two regular meetings of the Society per year. These transfers to the General Fund may be limited, however, as the Investment Policy states that in general no more than 3% of the balance of an invested Fund can be spent in a given year. However, there were no transfers from the invested Funds to the General Fund in FY2016 or FY2017 in order to bring the General Fund balance down to close to 60% of annual expenses, the target set by the Society's Investment Policy. Accordingly, in FY2016 and FY2017 all operational losses were absorbed by the General Fund balance, dropping the balance almost down to the 60% level. Beginning in FY2018, transfers from the invested Funds to the General Fund are resumed.

Until June 2010 (the end of FY2010), the bulk of both the Bradley and Endowment Funds was combined and invested in a melded account with Wells Fargo Advisors (formerly Wachovia Securities). Although the Funds were combined, each was accounted for separately in our records. Our portfolio consisted of shares in roughly 20 mutual funds. Near the end of June 2010, the Wells Fargo account was closed and the Funds were transferred into separate moderate-allocation balanced mutual funds (such funds invest in both stocks and bonds, with more in stocks than in bonds). The Endowment Fund was invested in Oakmark Equity and Income and the Bradley Fund was invested in Investor shares of Vanguard's Wellington. (This

move was made to decrease the complexity, risk, and volatility of our portfolio, to decrease the fees for managing the investments, to increase the quality of the mutual funds in which we were invested, and hopefully to increase the returns.) After this change, Vanguard's Wellington did very well, but Oakmark's Equity and Income did not do as well. As a result, on April 18, 2013, the Oakmark account was closed and the invested portion of the Endowment Fund was transferred to Admiral shares of Vanguard's Balanced Index Fund (another moderate-allocation balanced mutual fund), as recommended by the Finance Committee and authorized by Council in April 2013. Revenue for each Fund consists of contributions, net return from the investment account, and transfers from the General Fund (this last category is rare and is intended to make up for any excessive transfers into the General Fund). Expenses consist of transfers to the General Fund.

Following procedures in the Society's Investment Policy, the spreadsheet calculates values for actual balances (net assets), Minimum Required Balances (MRBs), Permanently Restricted Balances, and the differences between actual balances and MRBs for each Fund. The Permanently Restricted Balance is the sum of contributions to each Fund over its lifetime; this amount corresponds to the principal of a Fund – by the terms under which the Funds were established and under which we solicit contributions, no further spending from a Fund is possible if its actual balance is less than this value. The MRB fulfills two constraints: 1) all contributions over the lifetime of the Fund have been added; and 2) since the end of FY2001, the Fund has grown at a rate equal to the rate of inflation. (The second constraint is the result of a 2000 Council decision that Fund balances need to grow at least at the rate of inflation so that the Funds can support future Society activities.) If the actual balance is larger than the MRB, the Fund is growing at a rate greater than required to fulfill the above constraints because the investments are performing well. If the actual balance is less than the MRB, then the Fund is not growing at a rate that fulfills the constraints because the investments are doing poorly and/or too much is being transferred to the General Fund and spent. Thus, the difference between the actual balance and MRB provides a measure of the health of the invested Funds and indicates how much of each Fund could be spent to support Society activities. If the actual balance of a Fund is less than its MRB, nothing should be spent from that Fund. The spreadsheet also includes a line showing what percentage of the actual balance was transferred to the General Fund and spent each fiscal year. Numbers and symbols in the columns to the right of the FY2018 column indicate footnotes and the dates for values cited.

It should be noted that all contributions to the Endowment Fund from FY2001 through FY2004, and all contributions to the Bradley Fund from FY2001 through FY2008, were transferred to the General Fund and spent. By the terms under which we solicit these contributions, they are to be invested, not spent as received, so this excessive spending violated the fiduciary responsibility of the Officers and Council. In addition, in FY2007 and FY2008, when Fund balances were high because the stock market was doing very well, there were additional transfers from the Bradley Fund to the General Fund. This excessive spending from the Funds occurred because the Council and Officers were unaware of previous Council decisions and the lifetime total of Fund contributions. The current calculation of Minimum Required Balance takes into account past excessive spending and was instituted in 2010 when the Society adopted an Investment Policy. The Investment Policy was formulated by the Finance Committee after the Treasurer found the minutes of the fall 2000 Council meeting, which gave numbers for lifetime contributions to the Funds and instituted the requirement of Fund growth at least as great as inflation. The excessive transfers from the invested Funds to the General Fund since FY2000 (\$7562 from the

Endowment Fund, \$3403 from the Bradley Fund) put the Society in the situation for several years that there could be no transfers from either invested Fund to the General Fund to help pay for meetings or awards. GSW in fall 2011 sponsored a regional meeting of the AAPG and the profits from that meeting were transferred from the General Fund to the Endowment and Bradley Funds to compensate these Funds for past excessive transfers to the General Fund. In FY2013, small additional transfers to the Endowment and Bradley Funds from the General Fund completed the compensation for past overspending.

Below the Statements of Activities for the Endowment and Bradley Funds there is additional information related to these Funds, as follows. 1) The CPI-U numbers are used for calculation of the inflation rate, which is used to calculate the MRB if contributions have not kept pace with inflation. 2) The amounts of the Bradley and Endowment Funds that are in the checking account represent recent contributions to the Funds and are kept in the checking account to help provide a cushion to pay for the fall meetings before dues income begins to arrive (the Investment Policy indicates that the balance of the checking account should not fall below an amount equal to 50% of the budgeted expenses for the fiscal year). These amounts also provide the annual transfers to the General Fund and are included in the balances of the relevant Fund even though they are in the checking account. 3) Total of contributions for all three Funds for the fiscal year. 4) A calculation of the net difference between the sum of the actual balances of the invested Funds minus the sum of contributions for the Funds; if this number is negative, prudence would indicate that there should be no further spending from either Fund.

The third page of sheet “2001-2018” is a Statement of Financial Position (balance sheet) that reconciles the Fund balances with the balances in the Society's checking and investment accounts. The value of our publications inventory is given for the sake of completeness.

The fourth page of sheet “2001-2018” shows additional information concerning the investments (used primarily for our annual report to the IRS) and explains the footnotes and color coding.

The sheet titled “operations_only” shows the operational deficit (“net profit or loss”) for each year. This deficit is the amount that must be made up by contributions to the General Fund, transfers from the Endowment and Bradley Funds, or spending down the balance of the General Fund. The sheet titled “Budget_vs._Actual” compares the annual budgets with the actual profit and loss statements for recent years.

GSW current financial status:

Fiscal year 2017 was a reasonable year for GSW and we were in good shape as of the end of the year, but there are several items of significant concern for the future that require adjustments in income and/or expenses. One item of great concern is that dues income dropped by a much greater amount than in most recent years, suggesting that the Society lost almost 10% of its metro-area members. In addition, contributions to the General Fund have been dropping. Although our invested Funds continued to grow because of growth in the stock and bond markets and are now at all-time highs, we cannot assume that the current rates of investment growth can continue or even that our investments can continue to hold their current high values. At the current number of members, we cannot continue to hold 12 meetings per year, pay \$1000 travel expenses to our Bradley speakers, and start paying for liability insurance if we keep dues at their current levels and restrict transfers from the invested Funds to 3% of the balances of our invested

Funds. We will need to adjust income and/or expenses by some combination of the following: 1) cutting expenses by reducing the number of meetings, reducing payment for Bradley speaker travel, and/or continuing to do without liability insurance; or 2) increasing income by raising dues and/or raising the percentage limits on expenditures from our invested Funds. We could also press our members to increase their contributions, but we have been relying on contributions heavily for nearly a decade now, and members may be tiring of giving to us. The major problem is the decreasing membership - dues now pay for only about half of our expenses, and such a situation is somewhat precarious.

Status of the General Fund at the end of FY2017: (See page 1 of sheet "2001-2018" of the spreadsheet).

The FY2017 budget for the General Fund included transfers from the invested Funds to the General Fund covering the cost of one meeting, meeting presentation awards, and part of Bradley speaker travel. These transfers were not high enough to pay for all of the expected operating losses because the budget was intended to have the General Fund absorb the operating losses to bring its balance down to about 60% of annual expenses. Because expenses were even less than budgeted, the General Fund was able to absorb the entire operating loss without having its balance drop below the 60% target, so there were no transfers made from the invested Funds.

Expenses were less than budgeted primarily because we did not need to pay for travel for a Bradley speaker and meeting expenses were \$776 less than budgeted. As for other expense items: speaker dinners were \$128 more than budgeted; award expenses were higher than budgeted because Science Fair award materials were bought in advance for future years; the administrative fee to MSA was slightly more than budgeted; and PayPal fees increased slightly because of increased use of the website for member renewals.

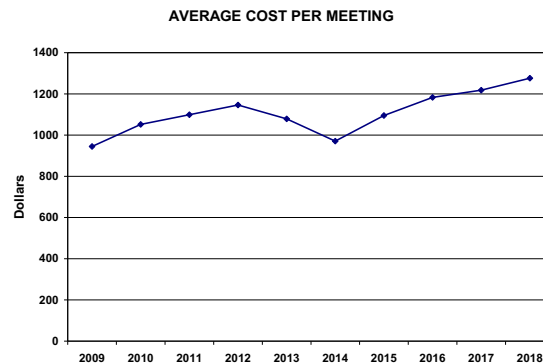
Income was considerably less than budgeted, primarily because there were no transfers from the invested Funds. Dues brought in \$810 less than budgeted and there was \$900 more in contributions than budgeted. The contribution income, though higher than the conservative amount budgeted, was the lowest since FY2010. Overall the General Fund showed a loss of \$2928, which reduced the Fund balance to 62.4% of annual expenses.

Data on contribution sizes and number of members contributing to the General Fund show interesting trends. Total number of members who contributed to the General Fund was fairly stable between FY2010 and FY2014, ranging from 108 to 119. In FY2015, the number of contributors dropped to 88, it was 91 in FY2016, but it dropped to 86 for FY2017. Totals contributed at all dollar levels last year dropped relative to the previous year, both in terms of number of contributors and total dollars in each range. Charts of contributions for the past five years show peaks at the \$10, \$25 (the recommended level), \$50 and \$100 levels. In FY2017 we received more \$10 contributions than in the previous year but fewer \$25, \$50 and \$100 contributions. Now that the Society's investments are doing so well, it may be that members no longer feel the need to contribute such large amounts to the General Fund. Also, we now have fewer members, and our older members, who commonly are the source of the largest contributions, are dying.

As time has passed since instituting web payment, more and more of our members are using the web for renewal. In past years I broke down the percentages of dues and contribution income according to whether or not they came in over our website or by check. This year I have not

done a detailed breakdown, but the fact that our payment to PayPal is now the highest ever indicates that the percentage of members paying over the web is increasing. PayPal takes 2.77% of the income received through the website. Alex Speer has informed us that PayPal may be instituting a surcharge for small payments, and this may increase our PayPal expenses in the future.

Overall cost per meeting increased significantly each year through FY2012, dropped through FY2014, and began to rise again in FY2015. Average costs are plotted on the graph below and include costs of hall rental, beverages consumed at the meeting, three speaker dinners, and the fee to MSA to send out the meeting announcement.



Hall rental rates for meetings had been nearly constant for many years until FY2016, when the Club increased the charge by \$100 per meeting (at \$640, our rate is still considerably discounted from the standard \$790 rate for the hall). Beverage prices have increased more frequently, as have menu prices at the Cosmos Club, which affect the costs of speaker dinners (it should be noted that some of the Cosmos Club members who host the speakers pay the costs of the bar drinks themselves and there are no tip costs, so the cost to GSW is commonly much less than the actual cost or less than the cost at a comparable restaurant). Beverage rates will increase for FY2018 - we had been paying discounted rates but from now on we will be paying the Club's standard rates. One difference in our favor is that in the past we were paying the rate for imported beer for Sierra Nevada, but we have been told that this year we will be paying the domestic beer rate for Sierra Nevada - this difference actually partly compensates for the overall increases in rates, as Sierra Nevada is our most popular beverage.

Budget for FY2018: Page 1 of sheet "2001-2018" of the spreadsheet shows the proposed budget for the General Fund for FY2018, which began July 1. As usual, the budget is simply an estimate to help determine dues rates, number of meetings, and amounts of transfers needed from the invested Funds (for a comparison of how past budgets have compared to actual General Fund activity, see the spreadsheet page labeled Budget_vs_Actual). The budget is for 10 meetings plus one special event marking the 125th anniversary of the founding of the Society, for a total of 11 meetings. Dues levels are set the same as for the last fiscal year.

Because dues now cover only about half of the Society's expenses, we need to rely on transfers from the invested Funds and on contributions much more than at any time in the past. Budgets were also prepared for 12 meetings, as the Society usually does have 12 meetings. With 12

meetings, the situation was very different. It would not be possible to maintain 12 meetings and the current levels of other expenses without raising dues or raising the amount that can be transferred from the Endowment or Bradley Funds. The Finance Committee evaluated several options for budgets with 12 meetings. Given that the current balances of the invested Funds are at all-time highs and are well above their Minimum Required Balances, the Finance Committee recommends a change in the Investment Policy so that the limit on transfers from the invested Funds be increased to 4% per year (see the Finance Committee report).

The various items in the budgets were estimated as follows:

Income - Due income is estimated from the current membership numbers and the average loss of members per year for the last 15 years, keeping dues at their current levels (\$40 for metro-area members, \$15 for corresponding and student members). The contribution number is a very rough estimate based on recent years - there is tremendous uncertainty in this number. The GeoCare royalty is fixed by the number of insurance policies held by our members at \$10 per policy and the amount for this year has already been received. Transfers from the Endowment and Bradley Funds represent 3% of the current net asset value of each Fund and will vary depending on the actual amounts received from dues and income and the actual amounts of expenses; if the Council approves the recommended increase of allowable transfers from the investments, the amount of the transfer will exceed 3% if necessary. The projected year-end Fund balance shown by the budget is 59.7% of the annual expenses, very close to the target recommended by the Investment Policy.

Expenses - We have been informed that our beverage costs will be going up for this fiscal year. New costs are: \$8 for imported beers; \$7 for domestic beers; and \$4 for soft drinks. In addition, there is a 20% surcharge on these amounts. Per-meeting cost of the Cosmos Club meetings is based on cost of hall rental plus beverage cost estimates obtained by multiplying the new beverage rates by the average number of each type of beverage consumed per meeting in FY2017. Speaker dinner costs are estimated at \$72 per dinner (based on the FY2017 cost) times 24 (3 meetings with one speaker, 3 meetings with two speakers, 5 meetings with 3 speakers); these costs are not fixed and will change depending the number of speakers at each meeting. The awards costs are the costs of the meeting presentation awards plus cost of engraving the Bradley bowl plus \$100 for Science Fair awards. This year for the first time we are paying our Bradley lecturer \$1000 in travel expenses. Administrative and PayPal costs are estimated at slightly higher than last year. The cost for liability insurance is the amount of the quote we recently received plus payment for two extra months, assuming we choose the calendar year as our policy year but purchase a policy immediately after council meeting, thus incurring two month's costs for the current calendar year. The DC registration fee is a biennial fee we pay to maintain our status as a DC corporation. Miscellaneous costs consist of bank fees plus \$100 dues as an AGI regional affiliate. The Finance Committee reviewed the largest of the new expense items we have - general liability insurance and Bradley speaker travel - and recommends that we continue to offer \$1000 for Bradley speaker travel and purchase general liability insurance.

The parameters of the proposed budgets are tenable for this fiscal year only because there are only 11 meetings. Tentative budgets for a 12-meeting fiscal year indicate that even transferring 4% of the balances of the invested Funds to the General Fund might not be enough to maintain the General Fund balance near the target of 60% of annual expenses. At present, thanks to the proceeds from the AAPG meeting we sponsored in fall 2011, we are able to draw considerable

money from our invested Funds to support the Society's activities. In the future, however, there are major uncertainties in the amount we can take from our investments because any significant downturn in financial markets would affect the amounts we can withdraw from the invested Funds. Because dues now pay for only about half of our expenses, we must rely on our investments and contributions to pay for the rest of our expenses. Should contributions and the values of our invested Funds drop precipitously, we could be forced to cut back the number of meetings or raise dues or both. Should cuts in both sources of income be abrupt and simultaneous, it might be necessary for simultaneous large cuts in number of meetings and large dues increases. Careful monitoring of the financial situation will be necessary in the future.

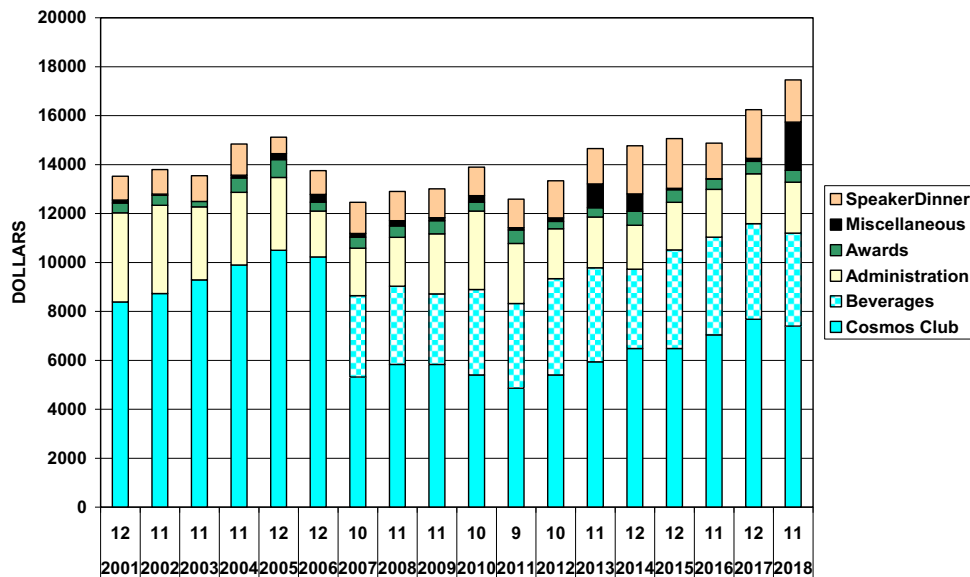
Status of the Endowment and Bradley Funds:

During the recent recession, the value of our invested Funds declined, but subsequently our portfolio recovered considerably and is now doing very well. Because our Investment Policy specifies that we are not allowed to transfer any money into the General Fund from an invested Fund if the actual balance of the invested Fund is less than its Minimum Required Balance (MRB), we were not able to take any money from the two Funds for several years. The money from the AAPG meeting proceeds in FY2012, however, brought the Fund balances up so that they are well above their MRBs, and we can once again use money from the invested Funds to help support Society activities. Because the amount of such transfers is limited by our Investment Policy, however, market fluctuations can greatly affect the extent to which we can rely on our investments.

Graphs: On the next few pages I've included several charts that show the current status, compared to the past, in graphical form.

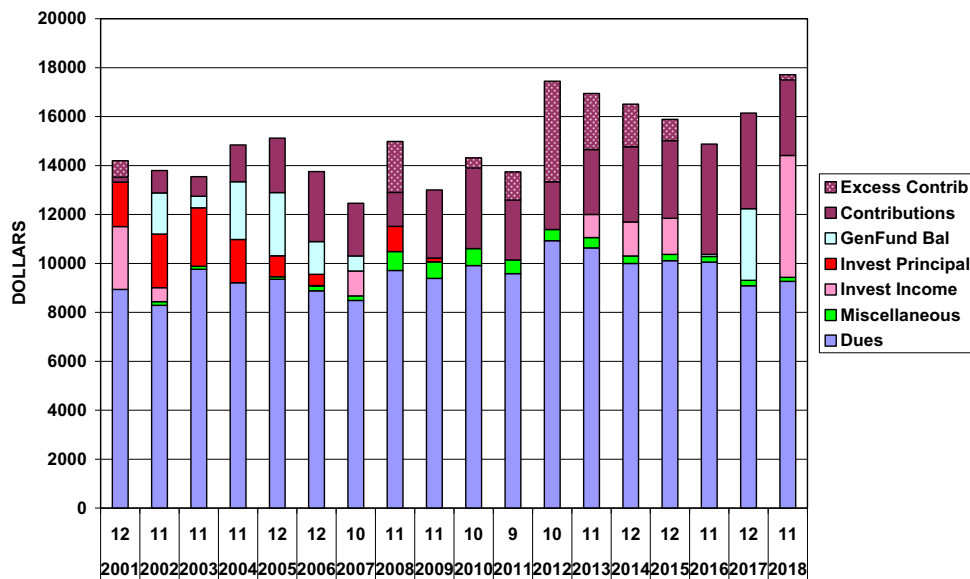
The chart below shows expenses for the past 17 fiscal years and budgeted expenses for the current FY. The number of meetings during the fiscal year is shown above the year. The Miscellaneous category includes the cost of mailing meeting cards (2005-2011), registration as a DC corporation (even-numbered years), bank charges, lawyer fees for revision of the Articles of Incorporation and Bylaws (2013-14), AGI membership (2001 and 2017-8), liability insurance (not yet purchased), and Bradley speaker travel (2018). The Administration category consists of PayPal charges (2010-2018) and payments to MSA for business office expenses (these decreased significantly when we eliminated mailing meeting cards to all members in FY2005; the large increase for FY2010 reflects the costs of setting up the website for membership renewals). The Awards category includes Science Fair costs and awards for meeting presentations. Meeting beverage costs are split out from hall rental costs for the Cosmos Club for FY2007-18. Total costs per beverage for FY2018 will be: Heineken, Amstel Lite, \$9.60 (previously \$7.80); Sierra Nevada \$8.40 (previously \$7.80); Budweiser, Miller Lite, \$8.40 (previously \$6.60); and soft drinks, \$4.80 (previously \$4.20). Rental of the hall plus projection and sound equipment was \$530 per meeting up to and including FY2009, \$540 per meeting in FY2010-15, and is \$640 per meeting for FY2016-2018. Costs for FY2018 are projected to be higher than in the past because of increased costs for liability insurance and Bradley speaker travel; costs related to meetings are not as high because we will be having only 11 meetings instead of 12.

GENERAL FUND EXPENSES

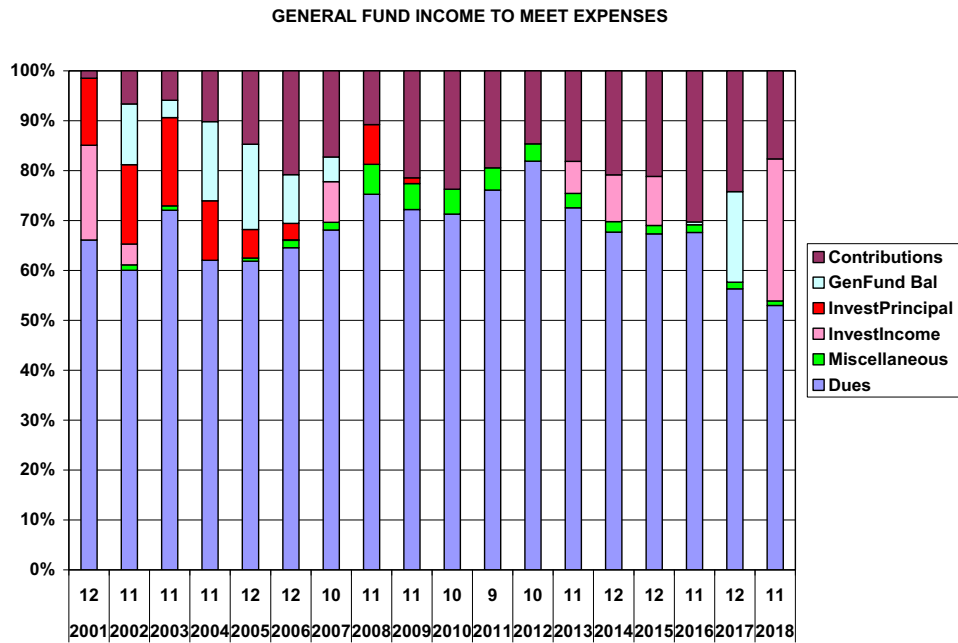


The chart below shows the sources of income that paid for the expenses shown in the previous chart. Amounts transferred from the Bradley and Endowment Funds that took their actual balances below their Minimum Required Balances are shown as Investment Principal. In FY2001-6, contributions to the Bradley and Endowment Funds (Principal) paid expenses, leading to the situation in which transfers from both Funds were limited. In FY2007, the General Fund's balance dropped to \$500 and subsequently no more could be taken from this source. In FYs 2003, 2008 and 2012, dues increases let dues pay more of the expenses. In FY2008, Miscellaneous income increased because we began receiving royalty income from GeoCare, which we had not previously been receiving. The rest of miscellaneous income comes from book sales and, between FY2005-2011, from payments for mailed meeting cards. The bars for contributions show two patterns: amounts that were spent to meet expenses are in solid color; and amounts that exceeded expenses are patterned. For FY2008-9, all investment transfers were from the Bradley Fund. For FY2008, the Bradley Fund paid for awards and part of the cost of the Bradley Lecture, but for FY2009, the Fund paid only for the net loss in the General Fund. For FY2013, transfers from the Endowment paid for one meeting and from the Bradley Fund paid for meeting presentation awards and part of the Bradley lecture meeting, but these transfers were offset by transfers from the General Fund to compensate for the remainder of past overspending; the bar shows the net of all transfers. For FY2014 and FY2015, transfers from the Endowment paid for one meeting and from the Bradley paid for meeting presentation awards. For FY2016, there were no transfers from the invested Funds and the small loss was made up by drawing down the General Fund balance. For FY2017, significant costs were paid by drawing down the General Fund balance, and for FY2018, a very large proportion of costs are paid by transfers from the Endowment and Bradley Funds.

GENERAL FUND INCOME



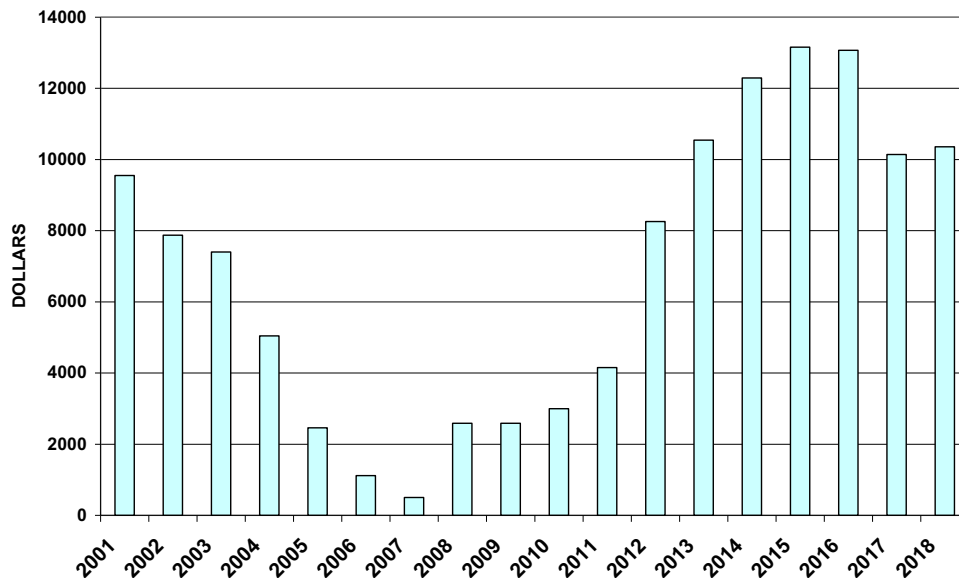
The chart below shows items in the above chart expressed as percent of the total (income that increased the General Fund balance is attributed to contributions and is not plotted). Dues paid for 82% of our expenses for FY2012, a very high percentage (we held only 10 meetings that year). In the proposed budget for FY2018, dues will pay for only about 53% of our expenses, probably the lowest percentage since the Society was formed.



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The chart below shows the balance of the General Fund, including the projection for the end of FY2018 from the proposed budget. We were spending the Fund balance down to pay for operating expenses from FY2002 through FY2007. In FY2008, the Fund balance once again increased, partly because of large contributions to this Fund, partly because there was a dues increase, and partly because we once again were receiving GeoCare royalties. In addition, in FY2008, \$1039 was transferred to the General Fund from the Bradley Fund to pay for the awards and to pay part of the cost of the Bradley Lecture; the year-end General Fund balance would have been much lower without this transfer but would still have increased over the previous year. In FY2009, only \$153 was transferred from the investments (from the Bradley Fund to pay part of the costs of the awards); this amount was calculated so that the General Fund would exactly break even. For FY2010, the General Fund showed a small profit without a transfer from either invested Fund, so its balance increased. For FY2011-15, there were significant profits in the General Fund. For FY2016, there was a small decrease in the Fund balance. For FY2017, there was a significant decrease, calculated to bring the Fund balance down to about 60% of annual expenses. The proposed budget for FY2018 shows a slight increase in the Fund balance because we will be holding only 11 meetings..

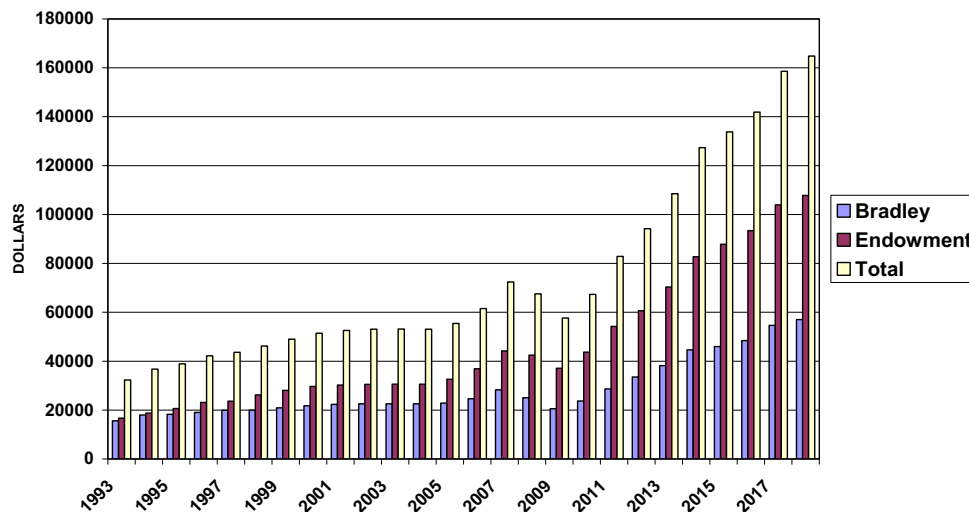
GENERAL FUND BALANCE



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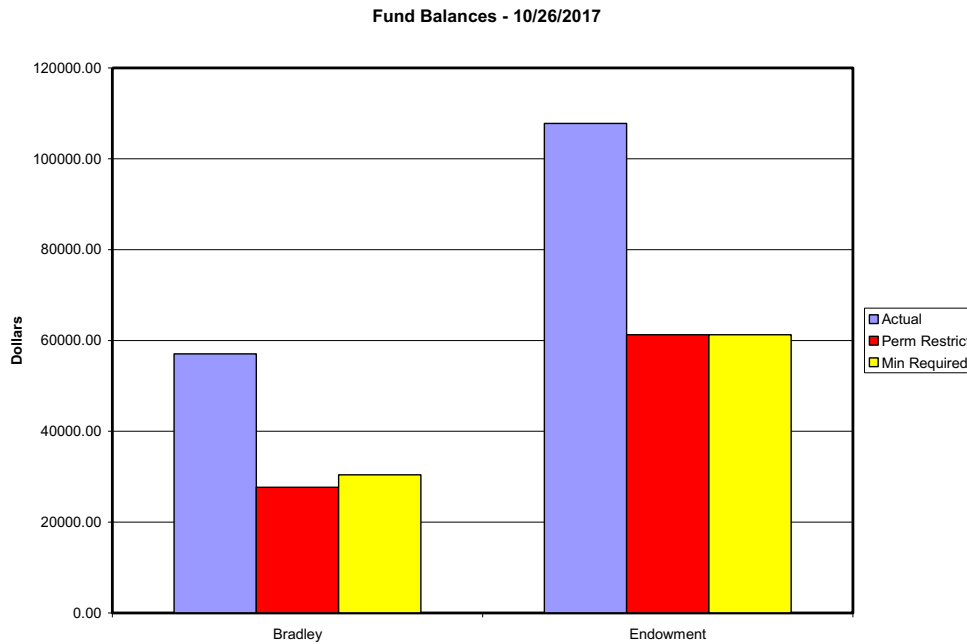
The chart below shows the change in net assets of the Bradley and Endowment Funds since 1993; the 2012 bars include the money received from the AAPG regional meeting. During FY2001-2005, the Funds were invested in money-market accounts with Merrill Lynch. The stock market soared in 2003, but we did not benefit because the interest rates earned by our money-market accounts were low (also all contributions were spent). At the end of FY2005, the bulk of both Funds was invested with Wachovia Securities (now Wells Fargo Advisors), but some of each Fund from FY2007 to the present has been retained in the checking account. At the end of FY2010, the account with Wells Fargo Advisors was closed and the Endowment and Bradley Funds were invested in separate moderate-allocation balanced mutual funds; in April 2013, the mutual fund in which the Endowment assets were invested was changed. The Endowment and Bradley Fund balances are now at historic highs. The values plotted reflect contributions to and withdrawals from each Fund as well as performance of the investments. The increases in Fund balances for FY2012 are due almost entirely to the proceeds from the AAPG meeting. The Bradley Fund overall has not performed as well as the Endowment Fund because: 1) it receives less in contributions, and 2) from FY2005 through FY2009, nearly all of the money transferred from the invested Funds to the General Fund came from the Bradley Fund.

TOTAL BRADLEY AND ENDOWMENT FUNDS
10/26/2017



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The chart below shows the current actual balance of each Fund relative to its Minimum Required Balance and its Permanently Restricted Balance (total of contributions received). As is evident, the actual balance of each Fund is now well above its MRB so that we are now able to spend from both invested Funds. As of October 26, 2017, the balance of the Endowment Fund is \$46511 above its MRB and the balance of the Bradley Fund is \$26543 above its MRB. Unless the stock market once again crashes, we should be able to draw a considerable amount of money from each Fund to help support General Fund activities.



Status of investment portfolio:

The spreadsheet and charts above show the current values of the Endowment and Bradley Funds and document their recovery from the recession. Vanguard's Wellington (VWELX), in which the Bradley Fund was invested on June 30, 2010, is currently rated as a 5-star fund by Morningstar and its return over the time we have held the fund has significantly surpassed the Morningstar average for similar mutual funds. As of October 27, 2017, during the 7 years 4 months we have held this Fund, a "growth of \$10K" chart shows that the Fund has appreciated by 116.9% (Morningstar's average for similar funds appreciated by 82.9%). On April 18, 2013, we transferred the Endowment assets to Vanguard's Balanced Index mutual fund (VBIAX), as recommended by the Finance Committee and approved in April 2013 by Council. (During the period we have held Vanguard's Wellington, the Balanced Index fund appreciated by 109.3%, only slightly less than the appreciation shown by Wellington and much more than the appreciation shown by Morningstar's average for similar funds.) Vanguard's Balanced Index mutual fund is currently rated as a 5-star fund by Morningstar. In the 4 years 6 months since we reinvested the Endowment assets, Wellington (Bradley) has appreciated by 51.9% and the

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Balanced Index fund (Endowment) has appreciated by 48.9% (Morningstar's average for similar funds appreciated by 36.5%). All of these numbers represent gains in the investments alone and do not include gains derived from contributions. Both mutual funds appear to have been good choices.

We have recently been informed that now that the balance in the Wellington (Bradley) account has exceeded \$50000, our account will be changed from an Investor account to an Admiral account. This change will slightly lower our fees for that account, but the difference in appreciation over the long term will be quite small.

The Finance Committee meets twice yearly to evaluate the investments and will continue to monitor performance of these funds. Such monitoring will be especially important because we now depend to a great extent on money from these investments to support our meetings.

Recommendations and action items:

Discuss and hopefully approve maintaining or assuming the following expenses: membership as an AGI regional associate; offering a \$1000 travel allowance to Bradley speakers; and purchasing a general liability insurance policy (discussed and tentatively approved at the last council meeting).

Discuss and hopefully approve proposed changes in the investment policy:

1) Revise procedure number 7 in the procedures section of the Investment Policy to increase the allowable transfers from the Bradley and Endowment Funds to the General Fund from 3% to 4% of the Fund balance as of the date of the transfer (generally the end of the fiscal year).

2) Revise the investment objectives section to increase the target long-term appreciation for the Funds from 1.5% to 3% over the CPI annually, averaged over a ten-year period. This target was recently changed from 3% annually averaged over a five-year period to 1.5% annually averaged over a ten-year period. The target was revised downward considering that overall growth in the economy may be much smaller in the future than in the past, but actually growth in the markets, in contrast to growth in the overall economy, has been very good in the recent past and may well continue to be very good. Growth of Vanguard's Balanced Index Fund, in which our Endowment Fund is invested, has averaged 10.8% annually over the past 7 years. Highest growth was 19.8% in FY 2011 and lowest was 4.2% in FY2016, and only in FY2016 would the growth rate not have met the suggested target.

3) Revise procedure number 8 in the procedures section of the Investment Policy so that the desired balance of the General Fund should be "between 50% and 70%" of the annual expenses of the General Fund for that year, rather than "about 60%." In the following sentences replace "60%" with "the target range." This change is recommended because "about 60%" is unclear and can be interpreted in several ways. The change provides more flexibility in use of the balance of the Fund.

Approve the proposed budget, which includes transferring as much as necessary from the invested Funds to the General Fund to keep the General Fund balance at about 60% of total expenses at the end of the fiscal year (subject to the limitations as specified in the Investment Policy).

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The drop in metro-area membership is a serious concern. As of August 7, we had only 207 metro-area members (220 last year), along with 64 corresponding members (69 last year) and 14 students (14 last year). We expect corresponding members to decline with time, as they are usually former metro-area residents who remain members out of loyalty. Student membership is always a small number. But metro-area members form the core of our Society. At this level of membership, we are in trouble. Over the past few years, our soaring investments have led us to believe we could afford new types of expense, such as Bradley lecture travel and liability insurance, while continuing to have 12 meetings per year and maintaining dues at current levels. The budgeting process this year has indicated it is time for a rethink and a rebalance of income and expenses. The Finance Committee has examined the situation and recommends no dues increase while the balance of our investments is so high relative to the Minimum Required Balance. However, we are in a situation in which dues pay for only half of expenses and the other sources of income (investments, contributions) could potentially drop catastrophically, leaving no alternative but large dues increases coupled with significant decreases in number of meetings. The situation must be carefully monitored in the future. A drive to increase membership would be extremely helpful.

GEOLOGICAL SOCIETY OF WASHINGTON FINANCIAL STATEMENTS

Fiscal Year (July 1-June 30)	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017	FY2018	FY2018
Treasurer	Kotra-Belkin	Belkin	Belkin	Belkin-James	James	James	James	James	James	James	James	James	James	James	BUDGET	James	BUDGET
STATEMENT OF ACTIVITIES																	
GENERAL FUND (unrestricted)																	
Revenue																2017-10-13	204 metro 60 nonmetro
Dues	9210.00	9350.00	8880.00	8485.00	9710.00	9390.00	9910.00	9580.00	10925.00	10635.00	9995.00	10113.00	10055.00	9190.00	10000.00	350.00	9270.00 14 students based on avg loss/yr/15yrs
Mailed meeting cards		90.00	175.00	160.00	120.00	124.00	114.00	72.00									
Publications (Centennial vol.)		10.00	25.00	30.00	35.00			57.50	30.00	10.00		40.00	30.00	20.00			
Contributions	1507.50	2222.00	2861.00	2150.00	3475.00	2787.00	3708.04	4598.00	7060.00	4945.00	4820.00	4047.77	4502.77	3907.77	3000.00		3300.00
Transfer from Endow. Fund	1681.00	0.10		476.02						578.00	1035.00	1095.00			1250.00		3233.46 3% net assets
Transfer to/from Endow Fund								-1000.00	-6010.00								
Transfer from Bradley Fund	211.00	902.00	471.00	455.00	1038.86	153.42				367.00	350.00	380.00			385.00		385.00 awards
Transfer from Bradley Fund															584.00		1000.00 Brad lec
Transfer to/from Brad. Fund									-3070.00								326.54 3% net assets
Net Interest	-124.06	-41.72	0.79	83.61	-13.15												
GeoCare Royalties+Misc					620.00	550.00	580.00	430.00	8509.90	410.00	310.00	253.00	220.00	200.00	180.00	160.00	160.00
Total revenue	12485.44	12532.38	12412.79	11839.63	14985.71	13004.42	14312.04	13737.50	17444.90	16945.00	16510.00	15928.77	14807.77	13317.77	15399.00	510.00	17675.00
Expenses																	
Program services																2017-10-27	\$1K 125th
Cosmos Club meetings	9897.41	10495.67	10227.17	8645.40	9031.38	8717.72	8896.80	8322.00	9339.54	9779.16	9728.16	10513.52	11033.80	11584.40	12360.00	1869.20	2 11200.00 +10@1020
Speaker dinners	1275.93	670.49	971.09	1273.45	1191.88	1177.94	1171.76	1167.22	1516.93	1448.70	1968.74	2033.80	1452.85	1988.66	1860.00	309.68	2 1728.00 24@72
Meeting card mailings		243.19	223.47	138.02	139.75	121.83	108.59	80.22									
Awards & related expenses	585.00	729.93	371.00	455.00	468.36	535.38	362.00	550.00	300.00	375.00	570.28	512.90	417.00	513.30	485.00		485.00
Bradley speaker travel															1000.00		1000.00
Total program services	11758.34	12139.28	11792.73	10511.87	10831.37	10552.87	10539.15	10119.44	11156.47	11602.86	12267.18	13060.22	12903.65	14086.36	15705.00	2178.88	14413.00
Supporting services																2017-10-13	
Administrative fees-MSA	2969.04	2979.12	1870.22	1935.25	1993.53	2451.55	3099.85	2252.91	1819.43	1884.19	1575.15	1704.59	1635.56	1765.76	1700.00		1800.00
PayPal fees							105.36	200.39	217.56	196.61	216.57	241.19	255.51	272.02	265.00	8.66	280.00
Liability insurance																	764.00
DC registration & lawyer fees	115.00		75.00		75.00		75.00		120.00	922.50	683.50		80.00				80.00
Misc., incl. bank fees & AGI			15.00	10.00			80.00	12.00	24.00	50.94	24.00	54.91	20.00	122.00	124.00	2.00	124.00
Total supporting services	3084.04	2979.12	1960.22	1945.25	2068.53	2451.55	3360.21	2465.30	2180.99	3054.24	2499.22	2000.69	1991.07	2159.78	2089.00	10.66	3048.00
Total expenses	14842.38	15118.40	13752.95	12457.12	12899.90	13004.42	13899.36	12584.74	13337.46	14657.10	14766.40	15060.91	14894.72	16246.14	17794.00	2189.54	17461.00
Change in net assets	-2356.94	-2586.02	-1340.16	-617.49	2085.81	0.00	412.68	1152.76	4107.44	2287.90	1743.60	867.86	-86.95	-2928.37	-2395.00	-1679.54	214.00
Net assets, begin FY	7400.61	5043.67	2457.65	1117.49	500.00	2585.81	2585.81	2998.49	4151.25	8258.69	10546.59	12290.19	13158.05	13071.10	13071.10	10142.73	10142.73
Net assets, current/end FY	5043.67	2457.65	1117.49	500.00	2585.81	2585.81	2998.49	4151.25	8258.69	10546.59	12290.19	13158.05	13071.10	10142.73	10676.10	8463.19	10356.73
Meetings in fiscal year	11	12	12	10	11	11	10	9	10	11	12	12	11	12	12	2	11+1
Year end bal as % ann expenses														62.4	60.0		59.3
Note: Income, expenses, and Fund balances above were recalculated from MSA records, using an accrual basis for expenses												average meeting cost		965.37		934.60	2
and a cash basis for income; thus, the figures above will not agree with the Treasurer's Reports for the early part of the decade												average speaker dinner		71.02		61.94	5
ENDOWMENT FUND (board-designated)																	
Revenue																	
Contributions	1681.00	1637.00	1761.00	1902.77	1855.00	2104.00	2138.00	1818.00	955.00	1965.00	2155.00	2145.00	2105.00	965.00		0.00	2017-10-13
Transfer to/from Gen. Fund	-1681.00	-0.10	0.00	-476.02	0.00	0.00	0.00	1000.00	6010.00	-578.00	-1035.00	-1095.00	0.00	0.00		0.00	
Net change bef. invest. chg.	0.00	1636.90	1761.00	1426.75	1855.00	2104.00	2138.00	2818.00	6965.00	1387.00	1120.00	1050.00	2105.00	965.00		0.00	
Investment net total return	-4.52	407.59	2553.28	5838.26	-3570.91	-7437.44	4406.86	7723.38	-471.44	8246.60	11246.85	4083.26	3481.59	9551.91		3841.34	
Change in net assets	-4.52	2044.49	4314.28	7265.01	-1715.91	-5333.44	6544.86	10541.38	6493.56	9633.60	12366.85	5133.26	5586.59	10516.91		3841.34	
Net assets, begin FY	30553.92	30549.40	32593.87	36908.15	44173.16	42457.25	37123.81	43668.67	54210.05	60703.61	70337.21	82704.06	87837.32	93423.91		103940.82	
Net assets, current/end FY	30549.40	32593.89	36908.15	44173.16	42457.25	37123.81	43668.67	54210.05	60703.61	70337.21	82704.06	87837.32	93423.91	103940.82		107782.16	2017-10-26
Min. Req. Bal. (MRB)	37765.00	39402.00	41163.00	43065.77	44920.77	47024.77	49162.77	50980.77	51935.77	53900.77	56055.77	58200.77	60305.77	61270.77		61270.77 @	

GEOLOGICAL SOCIETY OF WASHINGTON FINANCIAL STATEMENTS

Fiscal Year (July 1-June 30)	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017	YTD	FY2018
Treasurer	Kotra-Belkin	Belkin	Belkin	Belkin-James	James	James	James	James	James	James	James	James	James	James	BUDGET	James	FY2018 BUDGET
Differen. bet. MRB & actual	-7215.60	-6808.11	-4254.85	1107.39	-2463.52	-9900.96	-5494.10	3229.28	8767.84	16436.44	26648.29	29636.55	33118.14	42670.05		46511.39	
Perm. Restricted Balance	37765.00	39402.00	41163.00	43065.77	44920.77	47024.77	49162.77	50980.77	51935.77	53900.77	56055.77	58200.77	60305.77	61270.77		61270.77 #	
(Sum of contributions)																	
% expended during FY	5.50	0	0	1.08	0	0	0	0	0	0.82	1.25	1.25	0.00	0.00			
BRADLEY FUND (board-designated)																	
Revenue																	
Contributions	211.00	902.00	471.00	97.77	185.00	235.00	300.00	215.00	320.00	190.00	395.00	205.00	330.00	400.00		0.00	2017-10-13
Transfer to/from Gen. Fund	-211.00	-902.00	-471.00	-455.00	-1038.86	-153.42	0.00	0.00	3070.00	-367.00	-350.00	-380.00	0.00	0.00		0.00	
Net change bef. invest. chg.	0.00	0.00	0.00	-357.23	-853.86	81.58	300.00	215.00	3390.00	-177.00	45.00	-175.00	330.00	400.00		0.00	
Investment net total return	-16.33	275.36	1788.77	3993.19	-2346.26	-4614.81	2847.08	4769.34	1471.36	4836.86	6406.30	1519.91	2149.61	5793.11		2403.75	
Change in net assets	-16.33	275.36	1788.77	3635.96	-3200.12	-4533.23	3147.08	4984.34	4861.36	4659.86	6451.30	1344.91	2479.61	6193.11		2403.75	
Net assets, begin FY	22575.53	22559.20	22834.58	24623.35	28259.31	25059.19	20525.96	23673.04	28657.38	33518.74	38178.60	44629.90	45974.81	48454.42		54647.53	
Net assets, current/end FY	22559.20	22834.56	24623.35	28259.31	25059.19	20525.96	23673.04	28657.38	33518.74	38178.60	44629.90	45974.81	48454.42	54647.53		57051.28	2017-10-26
Min. Req. Bal. (MRB)	23448.20	24350.20	25079.81	25753.71	27047.01	27282.01	27900.76	28365.03	28862.67	29460.80	29665.80	29995.80	30395.80			30508.49 @	
Differen. bet. MRB & actual	-889.00	-1515.64	-456.46	2505.60	-1987.82	-6756.05	-3908.97	756.62	5153.71	9315.93	15169.10	16309.01	18458.62	24251.73		26542.79	
Perm. Restricted Balance	23422.00	24324.00	24795.00	24892.77	25077.77	25312.77	25612.77	25827.77	26147.77	26337.77	26732.77	26937.77	27267.77	27667.77		27667.77 #	
(Sum of contributions)																	
% expended during FY	0.94	3.95	1.91	1.61	4.15	0.75	0	0	0	0.96	0.78	0.83	0.00	0.00			
CPI-U	189.70	194.50	202.90	208.35	218.82	215.69	217.97	225.722	229.478	233.504	238.343	238.638	241.038	244.955		246.819 @	2017-09-30
Endowment Fund in checking acct				1069.52	2070.66	4174.66	6550.27	6212.27	5197.27	2516.04	2336.04	1086.04	3191.04	4156.04		4156.04	
Bradley Fund in checking acct				0.00	0.00	81.58	529.02	744.02	1064.02	887.02	932.02	757.02	1087.02	1487.02		1487.02	
Total contributions	3399.50	4761.00	5093.00	4150.54	5515.00	5126.00	6146.04	6631.00	8335.00	7100.00	7370.00	6397.77	6937.77	5272.77		0.00	
EF+BF bal. - total contrib.	-8078.40	-8297.55	-4426.50	4473.93	-2482.10	-14687.77	-7433.83	6058.89	16138.81	28277.27	44545.42	48673.59	54304.79	69649.81		75894.90	
STATEMENT OF FINANCIAL POSITION																	
ASSETS																	
Current Assets:																	
Cash (checking account)	18141.00	6840.31	9162.97	2526.18	5665.73	8029.99	10558.58	12070.04	15345.34	14699.82	16990.01	15672.94	18048.94	16499.97		16093.13	2017-10-13
Publications inventory (Centennial volume)						778.37	778.37	761.75	753.44	750.67	750.67	739.59	731.28	725.74		725.74 &	
Accounts receivable							385.05	0.00						10.00			
Total Current Assets	18141.00	6840.31	9162.97	2526.18	5665.73	8808.36	11722.00	12831.79	16098.78	15450.49	17740.68	16412.53	18780.22	17235.71		16818.87	
Total Investment Portfolio	53108.60	55428.45	59770.50	71362.95	65445.78	53393.53											
Endowment (Oakmark Eq & Inc 2010-4/18/13 -- Vanguard Bal Ind after 4/18/13)							37118.40	47997.78	55506.34	67821.17	80368.02	86751.28	90232.87	99784.78		103626.12	2017-10-26
Bradley (Vanguard Wellington)							23144.02	27913.36	32454.72	37291.58	43697.88	45217.79	47367.40	53160.51		55564.26	2017-10-26
TOTAL ASSETS	71249.60	62268.76	68933.47	73889.13	71111.51	62201.89	71984.42	88742.93	104059.84	120563.24	141806.58	148381.60	156380.49	170181.00		176009.25	
LIABILITIES AND NET ASSETS																	
Current liabilities:																	
Accts payable (uncash. checks)	13098.32	4382.66	6284.48	956.66	1009.26	1187.94	865.85	962.50	825.36	750.17	1431.76	671.83	699.78	724.18		1986.88	2017-10-27
Total Current Liabilities	13098.32	4382.66	6284.48	956.66	1009.26	1187.94	865.85	962.50	825.36	750.17	1431.76	671.83	699.78	724.18		1986.88	
Net Assets:																	
Publications inventory						778.37	778.37	761.75	753.44	750.67	750.67	739.59	731.28	725.74		725.74	2017-10-13
General Fund	5043.67	2457.65	1117.49	500.00	2585.81	2998.49	4151.25	8258.69	10546.59	12290.19	13158.05	13071.10	10142.73			8463.19	
Endowment Fund	30549.40	32593.89	36908.15	44173.16	42457.25	37123.81	43668.67	54210.05	60703.61	70337.21	82704.06	87837.32	93423.91	103940.82		107782.16	
Bradley Fund	22559.20	22834.56	24623.35	28259.31	25059.19	20525.96	23673.04	28657.38	33518.74	38178.60	44629.90	45974.81	48454.42	54647.53		57051.28	

GEOLOGICAL SOCIETY OF WASHINGTON FINANCIAL STATEMENTS

Fiscal Year (July 1-June 30)	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017	YTD	FY2018
Treasurer	Kotra-Belkin	Belkin	Belkin	Belkin-James	James	James	James	James	James	James	James	James	James	James	BUDGET	James	BUDGET
TOTAL NET ASSETS	58152.27	57886.10	62648.99	72932.47	70102.25	61013.95	71118.57	87780.43	103234.48	119813.07	140374.82	147709.77	155680.71	169456.82		174022.37	
TOTAL LIABIL+NET ASSETS	71250.59	62268.76	68933.47	73889.13	71111.51	62201.89	71984.42	88742.93	104059.84	120563.24	141806.58	148381.60	156380.49	170181.00		176009.25	

SUPPLEMENTAL INFORMATION

Investment earnings on melded account with Wells Fargo Advisors (formerly Wachovia Securities)

	6/30/10																
Deposits & withdrawals	54874.00		1761.00														
Interest, distributed dividends & short-term capital g	53.94	1408.64	1706.84	2284.60	1935.97	1191.90	inc 5.05 div on 7/1										
Distributed long-term gain	7.02	918.78	1732.75	3057.23	1276.63	33.64											
Investment management fee	-52.76	-580.33	-634.04	-704.33	-541.54	-657.51											
Realized long-term capital gain from sales	0.00	102.51	1527.56	713.95	-8823.18	-1518.76											
Realized short-term capital gain from sales	0.00	42.50	0.00		-540.81	-1669.17	3248.17										
Change in investment value					-10727.81	-4230.96	6047.62										
Net total return					-5917.17	-12052.25	8345.06										
Total unrealized capital gain						-6372.48	0.00										
Total basis plus cash account						59757.68	0.00										
Investment earnings, Oakmark Equity & Income to 4/11/13, Vanguard Balanced Index after 4/18/13 -- Endowment I	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	2015-06-30	2016-06-30	2017-06-30								2017-09-30	
Deposits & withdrawals	38114.26	3156.00	7980.00	4068.23	1300.00	2300.00											
Interest, distributed dividends & short-term capital gain	0.00	339.04	653.38	916.04	1458.99	1666.42	1847.95	1995.88								545.06	
Distributed long-term gain	0.00	0.00	819.12	1521.53													
Realized long-term capital gain from sales	0.00	0.00	0.00	9479.16													
Realized short-term capital gain from sales	0.00	0.00	0.00														
Change in investment value	-995.86	10879.38	7508.56	12314.83	12546.85	6383.26	3481.59	9551.91								3841.34	
Net total return	-995.86	7723.38	-471.44	8246.60	11246.85	4083.26	3481.59	9551.91								3841.34	
Basis	38114.26	41609.30	51061.80	67046.76	69805.75	73772.17	75620.12	77616.00								78161.06	
Unrealized capital gain	-995.86	6388.48	4444.54	774.41	10562.27	12979.11	14612.75	22168.78								25465.06	
Investment earnings, Vanguard Wellington -- Bradley Fund	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	2015-06-30	2016-06-30	2017-06-30								2017-09-30	
Deposits & withdrawals	23649.24	0.00	3070.00														
Interest, distributed dividends & short-term capital gain	192.07	745.47	887.67	1033.95	1262.92	1340.19	1286.56	1395.15								332.24	
Distributed long-term gain	0.00	0.00	0.00	357.34	1351.90	1433.41	1554.22	827.06									
Realized long-term capital gain from sales	0.00	0.00	0.00														
Realized short-term capital gain from sales	0.00	0.00	0.00														
Change in investment value	-697.29	4769.34	4541.36	4836.86	6406.30	1519.91	2149.61	5793.11								2403.75	
Net total return	-505.22	4769.34	1471.36	4836.86	6406.30	1519.91	2149.61	5793.11								2403.75	
Basis	23841.31	24586.78	28544.45	29935.74	32550.56	35324.16	38164.94	40387.15								40719.39	
Unrealized capital gain	-697.29	3326.58	3910.27	7355.84	11147.32	9893.63	9202.46	12773.36								14844.87	
Gross receipts for IRS 990N			22540.68	8063.67	19897.06	16855.01	30160.07	31463.02	21748.81	21243.79	21931.50	18900.86				1387.30	

GEOLOGICAL SOCIETY OF WASHINGTON FINANCIAL STATEMENTS

GEOLOGICAL SOCIETY OF WASHINGTON FINANCIAL STATEMENTS																YTD
Fiscal Year (July 1-June 30)	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2018
Treasurer	Kotra-	Belkin	Belkin	Belkin-	James	James	James	James	James	James	James	James	James	James	BUDGET	BUDGET
	Belkin			James												

Data to be entered with each update

Values changed whenever transfers between Funds are made or Endowment or Bradley money is sent to their mutual funds

&As of 12/31/2008, 281 copies unsold at a cost of \$2.77 each, asset must be reduced by \$2.77 for each copy sold whenever a copy is sold

#Finance Committee searched records in fall 2000 to determine principal of each Fund. Results as follows: \$21500 Bradley; \$29500 Endowment

@ most recent CPI is used to calculate minimum required balances of Endowment and Bradley Funds if contributions have not kept up with inflation

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GEOLOGICAL SOCIETY OF WASHINGTON -- OPERATIONS

FY	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Treasurer	Ehlen-Kotra	Kotra	Kotra	Kotra-Belkin	Belkin	Belkin	Belkin-James	James	James	James	James
GENERAL FUND											
Income											
Dues	8937	8285	9760	9210	9350	8880	8485	9710	9390	9910	9580
Meeting cards					90	175	160	120	124	114	72
Book sales		150	120		10	25	30	35			58
Net invest. income	1361	7	-114	-124	-42	1	84	-13			
Royalties + misc								620	550	580	430
Total	10298	8442	9766	9086	9408	9081	8759	10472	10064	10604	10140
Expenses											
Cosmos Club	8383	8732	9291	9897	10496	10227	8645	9031	8718	8897	8322
Speaker dinners	969	1003	1047	1276	670	971	1274	1192	1178	1172	1167
Meeting cards					243	223	138	140	122	109	80
Admin fees-MSA	3645	3605	2980	2969	2979	1870	1935	1994	2452	3100	2253
Awards etc.	400	410	226	635	730	371	455	468	535	362	550
PayPal fees										105	200
DC registration+lawyer		50		115		75		75		75	
Miscellaneous	125					15	10			80	12
Total	13521	13800	13544	14892	15118	13753	12457	12900	13005	13900	12584
Net loss	-3223	-5357	-3778	-5806	-5710	-4672	-3698	-2428	-2941	-3296	-2444
Number of meetings	12	11	11	11	12	12	10	11	11	10	9
Contributions											
General Fund	875	917	798	1508	2222	2861	2150	3475	2787	3708	3598
Endowment Fund	2524	2063	1997	1681	1637	1761	1903	1855	2104	2138	2818
AAPG to Endowment											
Bradley Fund	502	697	512	211	902	471	98	185	235	300	215
AAPG to Bradley											
Total	3901	3677	3307	3400	4761	5093	4151	5515	5126	6146	6631
Investment net total return											
Endowment	531	325	26	-5	407	2553	5838	-3574	-7437	4407	7723
Bradley	558	228	6	-16	275	1789	3993	-2343	-4615	2847	4769
Differences between actual and minimum required balances											
Endowment						-4255	1107	-2464	-9901	-5494	3229
Bradley						-456	2506	-1988	-6756	-3909	757

Notes:

FY 2001: near beginning of FY, all funds invested in money market funds at Merrill-Lynch; investment income not just from General Fund

FY 2002: investment income declined; number of meetings cut from 12 to 11

FY 2003: dues raised to \$30 regular, \$15 student and out-of-area; total investment income negative

FY 2004: investment income negative; large expense for Science Fair ribbons

FY 2005: automatic mailing of meeting cards discontinued and fee for meeting cards instituted; many Science Fair awards;

number of meetings increased to 12; change of investments to Wachovia Securities at end of FY

FY 2006: large decrease in administrative costs due to elimination of most mailed cards; large GF contributions and investment returns

FY 2007: large investment returns; number of meetings decreased to 10

FY 2008: recession; dues raised to \$35 regular, \$15 student and out-of-area; large contributions; royalties resumed

FY 2009: recession depletes invested Funds

FY 2010: market recovery and record high contributions, but new procedure for calculation of Minimum Required Balances greatly reduces available funds

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GEOLOGICAL SOCIETY OF WASHINGTON -- Budgets compared to actual year-end

FY	2008 BUDGET	2008 ACTUAL	2009 BUDGET	2009 ACTUAL	2010 BUDGET	2010 ACTUAL	2011 BUDGET	2011 ACTUAL	2012 BUDGET
GENERAL FUND									
Beginning balance	500.00	500.00	2585.81	2585.81	2585.81	2585.81	2998.49	2998.49	4151.25
Income									
Dues	9345.00	9710.00	9710.00	9390.00	9390.00	9910.00	9800.00	9580.00	10475.00
Meeting cards	160.00	120.00	140.00	124.00	124.00	114.00	110.00	72.00	
Book sales	25.00	35.00	30.00					57.50	
Contributions	2000.00	3475.00	2200.00	2787.00	2200.00	3708.04	3170.00	4598.00	2800.00
Transfer from Endowment	285.00				1021.19			-1000.00	
Transfer from Bradley	1380.00	1038.86	370.00	153.42	370.00				
Net Interest	0.00	-13.15	-20.00						
Other (royalties+misc)	620.00	620.00	550.00	550.00	580.00	580.00	430.00	430.00	430.00
Total	13815.00	14985.71	12980.00	13004.42	13685.19	14312.04	13510.00	13737.50	13705.00
Expenses									
Cosmos Club	9680.00	9031.38	9100.00	8717.72	8650.00	8896.80	8900.00	8322.00	10000.00
Speaker dinners	1450.00	1191.88	1200.00	1177.94	1200.00	1171.76	1180.00	1167.22	1300.00
Bradley speaker travel									
Meeting cards	160.00	139.75	140.00	121.83	124.00	108.59	110.00	80.22	
Administrative fees-MSA	2000.00	1993.53	2000.00	2451.55	3180.00	3099.85	2700.00	2252.91	2700.00
Pay Pal fees						105.36	150.00	200.39	220.00
Awards etc.	450.00	468.36	470.00	535.38	470.00	362.00	470.00	550.00	470.00
DC registration + Lawyer	75.00	75.00			75.00	75.00			75.00
Miscellaneous					72.00	80.00		12.00	24.00
Total	13815.00	12899.90	12910.00	13004.42	13771.00	13899.36	13510.00	12584.74	14789.00
Net profit or loss	0.00	2085.81	70.00	0.00	-85.81	412.68	0.00	1152.76	-1084.00
Balance	500.00	2585.81	2655.81	2585.81	2500.00	2998.49	2998.49	4151.25	3067.25
number of meetings	11	11	11	11	10	10	10	9	10

Report of the Geological Society of Washington Finance Committee, November 1, 2017

The Geological Society of Washington Finance Committee met Wednesday, October 4, 2017, at the Cosmos Club. Individuals attending were Committee members Jamie Allan (Chair and Past-President), Odette James (Treasurer), and Jane Hammarstrom, Brooks Hanson, and Steve Shirey. President Callan Bentley and Second Vice President Carl-Henry Geschwind also attended. Business manager Alex Speer was unable to attend but sent comments prior to the meeting. In addition, following the meeting there were email discussions of the proposed budget for the current fiscal year.

The Committee was deeply impressed by the growth and financial management of the Society investments, which more than offset a drop in 2017 from both membership dues and contributions. Overall, the total assets of the Society as of the date of the meeting were about \$175,500, about 10 times the GSW annual expenses and \$19,000 higher than at the end of fiscal year 2016 (June 30, 2016). The Committee was concerned about the 9% drop in dues collected in fiscal year 2017 as compared to fiscal year 2016 (representing declining Society membership), and the 13% drop in contributions (the decline in contributions may be related to members feeling that the financial health of the Society is so strong that contributions are no longer needed). The Treasurer noted that rising Cosmos Club meeting and beverage costs, combined with declining Society membership and dues revenue, constitute a long-term worry, even with the current excellent financial health of GSW.

The Committee recommends that the Society should “stay the course” in terms of maintaining twelve meetings per fiscal year, supporting Bradley lecture travel expenses and best paper prizes, and obtaining general liability insurance.

The Committee noted that at present, dues can pay only about half of projected expenses if the Society holds twelve meetings per fiscal year. The cost of expenses not paid by dues must come from contributions, investments, and/or a dues increase. The Committee discussed various tentative budgets presented by the Treasurer and agreed that, given the current high balances of our investments, there is no need to raise the dues at present, and we should instead rely on our investments to support a much greater proportion of our expenses than in the past. Accordingly, the Committee recommended that the Society's Investment Policy be revised to allow transfer to the General Fund of as much as 4% of the total net assets of each of the invested Funds (the Bradley and Endowment Funds) each year. The current limit on transfers is 3%, and transfers of 3% will not permit the Society to hold twelve meetings without a dues increase.

The Committee also recommends that the Investment Objectives in the Investment Policy be revised to increase the target long-term appreciation for the invested Funds from 1.5% to 3% over the CPI annually, averaged over a ten-year period. This target was recently revised downward, from 3% to 1.5%, but growth in our investments actually has far exceeded this target, averaging about 7-8% more than the CPI. A target of 3% is more realistic than the current target.

The Committee further proposes changing the GSW Investment Policy to increase the flexibility of the Treasurer in managing the balance of the General Fund. The Policy currently recommends that the General Fund balance be “about” 60% of annual expenses. The term “about” can be interpreted narrowly or broadly. The Committee recommends that, for clarity and flexibility, the target be revised to “between 50% and 70%” of annual expenses.

During the Committee meeting and afterward by email, the Committee reviewed several possible budgets for fiscal year 2018 (July 1, 2017-June 30, 2018). Because the Society will be holding only eleven meetings this fiscal year, a transfer of only about 3% of the net assets of the invested Funds into the General Fund should permit the General Fund to pay all of its expenses. Next year, however, if the Society plans to hold twelve meetings, a transfer closer to 4% is anticipated.

Potential replacements were discussed for Committee member Steve Shirey, who is rotating off at the end of the calendar year.

The meeting ended with a round of applause for Treasurer Odette James, acknowledging her profound influence on insuring the financial health and thus viability of the Society.

Respectfully submitted, Jamie Allan

**GEOLOGICAL SOCIETY OF WASHINGTON
INVESTMENT POLICY**

Adopted by Council October 26, 2016

Introduction

This Investment Policy provides guidelines for the investment of funds held by the Society and use of the proceeds therefrom. The invested funds are the Endowment Fund and the Bradley Fund. A third fund, the General Fund, accounts for the operations of the Society. The balance of the General Fund is held in a checking account. The bulk of the assets of the Endowment and Bradley Funds are held in investment accounts, but a portion of each of these invested Funds is held in the Society's checking account.

Purpose of the Invested Funds

The W.H. Bradley Memorial Fund was established in May, 1979. The purpose of the Fund, as stated in the original solicitation for contributions, was that the "proceeds" would "be used to support a W.H. Bradley Prize(s) for the best paper(s) of the year or for such other award or activity bearing his name that may later prove desirable." In subsequent years, this Fund has also supported the Great Dane prize for the best informal communication and part of the costs of an annual Bradley lecture.

The Endowment Fund was established in November, 1989. The Council minutes creating this Fund indicated that the "interest on this fund would be used to augment the General Fund in running the meetings of the Society, but the principal would not be touched." The purpose of this Fund is to ensure the future financial health of the Society.

Procedures

The following procedures should be followed to ensure that the investments continue to grow and continue to provide enough return that the Bradley and Endowment Funds can always be used for their intended purposes:

- 1) The Finance Committee will meet to consider the financial health of the Society and review its investments at least twice every year, once preceding the fall Council meeting and once preceding the spring Council meeting (meetings may be by electronic means if no substantive discussions are anticipated). The evaluation of the investments will include comparing their total returns to total returns of equivalent, alternative investments and to the investment objectives. Based on the results of these reviews, the Finance Committee may make recommendations for changes of investment strategy to Council; any changes that are made must first be approved by Council.
- 2) Contributions to the Endowment and Bradley Funds are solicited on the basis that they will be added to the Fund balance so that their "interest" or "proceeds" can be used to support the Society in the future. (The terms "interest" and "proceeds" are used here as equivalent to net total return, which equals interest plus dividends plus

realized and unrealized capital gain minus fees.) The Society solicits the contributions on this basis, so is bound by it. Ideally the balances of the Bradley and Endowment Funds should increase each year, at a minimum, by an amount representing the contributions received for that year. In addition, so that these two Funds can continue to support the Society in the future, the balance of each Fund should increase each year, at a minimum, by an amount representing inflationary growth (policy established by Council in autumn 2000, reaffirmed by Council in spring 2007).

- 3) In order to ensure that 1) all contributions to the Bradley and Endowment Funds have been added to the relevant Fund, and 2) each of these Funds is growing at a rate at least equal to the rate of inflation, the Treasurer will calculate a Minimum Required Balance (MRB) that fulfills these constraints for each of these Funds. Procedures for calculating the MRB of each Fund are given in the Appendix. The difference between the actual balance and the MRB provides a metric for evaluating the health of the Funds. If the actual balance of a Fund is greater than the MRB, the Fund is growing at a rate greater than that required to fulfill the two constraints because of appreciation of its investments. If the actual balance of a Fund is less than the MRB, the Fund is not growing at a rate that fulfills the constraints because the investments are performing poorly and/or too much is being expended. If the actual balance of a Fund is less than its MRB, expenditures from the Fund should be minimized until appreciation of the Fund's investments again yields an actual balance that exceeds the MRB, and Council should balance the General Fund budget by means other than transfer of monies from that invested Fund (such as decreasing number of meetings, soliciting contributions to the General Fund, or increasing dues).
- 4) If, at any point, the actual balance of the Bradley or the Endowment Fund is less than the total of contributions received during the life of that Fund, there must be no more expenditure from that Fund. In this situation, there should be an attempt, by soliciting contributions to the General Fund, to increase the General Fund balance so that it compensates for the total of the deficits in the two invested Funds. If expenditures from an invested Fund in this situation are necessary because there are no alternatives, Council must justify the expenditures in light of the factors governing prudent management in the most recent version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).
- 5) The total of contributions received during the life of an invested Fund constitutes its permanently restricted balance and the difference between the actual balance of the Fund at any given time and its total of contributions as of that time constitutes its temporarily restricted balance.
- 6) The sums of contributions for the Bradley and the Endowment Fund as of the end of fiscal year 2001 are the starting points for adoption of the policy stated above and are the starting MRBs for the Funds (for the Bradley Fund, \$22002; for the Endowment Fund, \$32024).
- 7) If the actual balance of the Bradley or Endowment Fund is greater than its MRB, the transfer of monies from that Fund to the General Fund should not, in any given year, exceed 4% of the total balance of the Fund from which the transfer is derived. This limitation is intended to prevent depletion of the entire expendable portion of a

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- Fund's balance in a single year, thus preserving some monies for future use. Exceptions are possible in the case of unusual, one-time expenditures.
- 8) The desired balance for the General Fund at the end of each fiscal year should be ~~between 50% and 70%~~ of the annual expenses of the General Fund for that year. If the General Fund balance is below this ~~target range~~, transfers from the Bradley and Endowment Funds should be made to adjust the General Fund balance to the desired level, subject to the limitations on such transfers cited in items 3), 4) and 7) above. Should the General Fund balance at the end of a fiscal year be above ~~the target range~~, even if there are no transfers made from the invested Funds, adjustment of the Fund balance to ~~within the target range~~ shall be made at the end of the following fiscal year(s) by adjusting the amounts transferred from the invested Funds.
 - 9) The Treasurer will hold the contributions to the Endowment and Bradley Funds in the checking account at least until the end of the calendar year following the end of the fiscal year in which such contributions were received, although these contributions will be assigned to the MRB and actual balance of the relevant invested Fund as they are received. At the end of the fiscal year, any transfers from the Bradley or the Endowment Fund to the General Fund will be taken from the amounts held in the checking account unless the amount in the checking account does not cover the total transfer. The Endowment and Bradley contributions remaining in the checking account through the fall, along with the General Fund balance, will be used as a cushion to cover General Fund expenses until most dues payments have been received, at the end of January. At the time dues notices are sent out in the fall, the Treasurer will evaluate the checking account balance (the desired amount is at least 50% of the total budgeted expenses for that fiscal year); any excess that represents assets of the Bradley and Endowment Funds may be transferred to the invested accounts of those Funds early in the following calendar year.
 - 10) At the first fall Council meeting, the Treasurer will propose a budget for the new fiscal year and report on the actual balances and MRBs of the Bradley and Endowment Funds.
 - 11) Every year, the Finance Committee will compare the growth of the MRBs of the Bradley and Endowment Funds to the growth of the expenses of the Society. If the Society's expenses have been increasing more rapidly than the MRBs, the Finance Committee will report this situation to Council and may recommend appropriate measures to Council to ensure that the two invested Funds can continue to support Society activities.
 - 12) The Finance Committee will review this policy every two years. If changes are deemed advisable, the Committee will recommend such changes to the Council for approval.
 - 13) Signatories to the checking account are the current President and Treasurer. Signatories to the investment accounts are the President, Past President, Council Secretary, and Treasurer. Only one signature is required for withdrawals.

Investment Objectives

The Endowment and Bradley Funds should be invested so that the MRB of each Fund increases with time, thus ensuring that the Funds remain able to contribute to support of

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Society programs, and their ability to support the Society is neither eroded by inflation nor adversely affected by market volatility. Recognizing that short-term market fluctuations may cause variations in account performance, the long-term target for each Fund will be that its total return should exceed the increase in the Consumer Price Index for all Urban Consumers (CPI-U) by at least 3% annually, averaged over a ten-year period.

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Investment Guidelines and Asset Allocation Parameters

The Endowment and Bradley Funds should be invested in moderately conservative accounts, to ensure growth over time and to minimize large losses during economic downturns. Investments are to be in mutual funds rather than individual securities or tangible property. Diversification is an important consideration because it reduces volatility and possible loss of principal over short periods of time. The total portfolio of each Fund should be classified as a moderate-allocation balanced portfolio and should include cash, fixed income (or bond) investments, and stocks; the proportion of stocks should generally be equal to or greater than the proportion of bonds. Note: Filters applied in selection of moderate-allocation balanced mutual funds in 2010 were as follows: rated five-star by Morningstar; net total return equal to or greater than the average of similar mutual funds; risk equal to or lower than the average of similar mutual funds; consistent performance through rising and falling markets; relatively low volatility; relatively low expense ratio; assets greater than \$1 billion; relatively diverse holdings.

Appendix – Calculation of the Minimum Required Balance

The Minimum Required Balance (MRB) of the Endowment and Bradley Funds will be determined throughout each fiscal year and will be the larger of: 1) the MRB of the Fund at the end of fiscal year 2001 multiplied by the value of the Consumer Price Index for All Urban Consumers (CPI-U) as of time of determination of the MRB divided by the CPI-U at the end of fiscal year 2001; and 2) the prior year's MRB plus the contributions received as of the time of determination of the MRB. An arithmetic expression of this calculation is as follows. Let $MRB_{[n]}$ represent the new Minimum Required Balance, $MRB_{[n-1]}$ represent the Minimum Required Balance at the end of the previous fiscal year, and $MRB_{[0]}$ represent the Minimum Required Balance at the end of fiscal year 2001. Let $CPI_{[n]}$ and $CPI_{[0]}$ represent the value of the Consumer Price Index for All Urban Consumers (not seasonally adjusted) at the time of determination of the MRB and at the end of fiscal year 2001, respectively. Let $C_{[n]}$ represent the value of contributions to the Fund since the end of the previous fiscal year. Two calculations will be made, as follows: 1) $MRB_{[n]} = (MRB_{[0]} \times CPI_{[n]} / CPI_{[0]})$; and 2) $MRB_{[n]} = MRB_{[n-1]} + C_{[n]}$. The new MRB will be the larger of the two calculated values of $MRB_{[n]}$.

THE CIMA COMPANIES



QUOTE PROPOSAL

PREPARED FOR

GEOLOGICAL SOCIETY OF WASHINGTON, INC.

**C/O MINERALOGICAL SOCIETY OF AMERICA
3635 CONCORDE PKWY. #500
CHANTILLY, VA 20151**

EFFECTIVE DATES:

NOVEMBER 13, 2017 - NOVEMBER 13, 2018

PREPARED BY

CORPORATE INSURANCE MANAGEMENT, INC.

Jessica Pittman, Senior Account Executive

DATE: SEPTEMBER, 2017

THE CIMA COMPANIES

GEOLOGICAL SOCIETY OF WASHINGTON, INC.**QUOTE PROPOSAL**

<u>WORKERS COMPENSATION & EMPLOYER'S LIABILITY</u>		
NOT QUOTED		
<u>COMMERCIAL GENERAL LIABILITY</u>		
General Aggregate (Other than products-completed operations)	\$	2,000,000
Products-Completed Operations Aggregate (Any one person or organization)	\$	2,000,000
Personal and Advertising Injury	\$	1,000,000
Each Occurrence	\$	1,000,000
Premises Rented To You	\$	500,000
Medical Expense (Any one person)	\$	20,000
Employee Benefits Liability		NOT QUOTED
Sex Abuse and Molestation Liability		NOT QUOTED
Social Service Professional Liability		NOT QUOTED
Full Liquor Liability		
Aggregate	\$	1,000,000
Per Occurrence	\$	1,000,000
<u>BUSINESS AUTOMOBILE COVERAGE</u>		
NOT QUOTED		
<u>COMMERCIAL REAL PROPERTY</u>		
NOT QUOTED		
<u>BUSINESS PERSONAL PROPERTY</u>		
NOT QUOTED		
<u>BUSINESS INTERRUPTION</u>		
NOT QUOTED		
<u>CRIME</u>		
NOT QUOTED		
<u>EXECUTIVE LIABILITY</u>		
NOT QUOTED		
<u>COMMERCIAL UMBRELLA</u>		
NOT QUOTED		
<u>CYBER LIABILITY</u>		
Limit of Coverage	\$	25,000
<u>FLOOD COVERAGE</u>		
NOT QUOTED		
<u>ACCIDENT COVERAGE</u>		
NOT QUOTED		
TOTAL ANNUAL PREMIUM	\$	655

This summary is intended for review only and does not supersede the written policy.
Rev. 12/08

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