Dear GSW Council members:

In preparation for our Council meeting on Oct. 24, please find attached the GSW financial statement for the fiscal year that ended June 30, 2018 (which has not yet been audited). Included in the first tab of the statement is also a budget for the current fiscal year.

The financial statement consists of two tabs. Please turn first to the first tab, for the general fund. Our total expenditures for the year, including about $6,600 (net after member payments) for the 125th Anniversary event (which was in lieu of two regular meetings), were about $22,500. Our inflows, including the 4% withdrawal from the invested funds that is allowed by our investment policy under normal circumstances, amounted to only about $20,000. The Council last spring had authorized me to withdraw up to an additional $4,000 from the Endowment Fund to balance the General Fund; in the event, I only needed to withdraw $2,500. This was better than anticipated last spring, both because inflows were better than expected (member dues and contributions ended up being about the same as the prior year, even though they were running about 10% behind during early spring) and expenses were a bit less than projected (the last two speaker dinners were hosted by Odette, who submitted much lower bills than other hosts; also, we managed to recover an additional $200 from members for the 125th Anniversary event).

Turning to the second tab,  you will see that the withdrawals for the year (even including the extra $2,500 from the Endowment Fund) were less than the market growth in the funds for the year. In other words, both the Endowment Fund and the Bradley Fund ended up growing this year, and the amount from both funds that is "spendable" (that is, above the Required Minimum Balance that we are prohibited from spending) has increased both in absolute terms and as a percentage of each fund. Bottom line: due to the buoyant stock market of this past year, we managed to cover our expenses even with the extra burden of the 125th Anniversary event. However, we cannot always count on a buoyant stock market.

Now turn back to the first tab. At the bottom, under "Memo on revenues", you will see the inflows from members for each of the past six fiscal years. Even though this past year ended up being the same as the prior year, over time the trend is still downward - on average, we are losing about 3.6% a year in revenue.

In drawing up a budget for the current fiscal year (running through June 30, 2019), I have assumed that inflows from members will drop by this 3.6%.  I have also assumed that our per-meeting costs will not increase (the basic hall rental has not increased this year, so this is dependent primarily on how many beverages are consumed and how the bills for the speaker dinners turn out). Travel for the Bradley speaker will be only about $600 this year rather than $1,000, so that also helps. Assuming that 4% is withdrawn from the invested funds at their 6/30/2018 levels (which is about where they are today after the two-day plunge in the stock market), this gives me about $900 to cover contingencies. In other words, for 2018/19 our financial situation is still in balance.

Looking to the future, though, the finances appear less sustainable. On average each member brings about $50 to the society (in both dues and contributions), so a net drop of only about 20 members from out 2017/18 membership would bring us to a situation where we could no longer afford to pay for 12 meetings annually at the Cosmos Club while limiting our withdrawals from the invested funds to 4% each year. Among the options that should probably be considered are (1) raising inflows (by a concerted membership drive, by raising dues, or by relying even more on our invested funds) and (2) reducing outflows (by either cutting the number of meetings each year or by considering a less expensive venue than the Cosmos Club).

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| Submitted by Carl-Henry Geschwind |  |  |  |  |