I would like to begin this report by thanking three individuals.

- Bob Tracy served as the chair of the Financial Advisory and Audit Committee for a number of years. Bob helped steer MSA through the financial rollercoaster of the last several years and made sure that MSA was on a sound financial base through it all.

- Mark van Baalen became new chair of the Financial Advisory and Audit Committee about one year ago. Mark has brought in new ideas and energy and will carry on the effective financial oversight tradition that Bob Tracy established.

- Alex Speer, Executive Director of MSA, continues to keep the financial well-being of MSA as part of his central mission.

In this report I would like to (1) provide an overview of financial position of MSA at the close of the 2009 Fiscal Year, (2) make brief comments about the current 2010 fiscal year, (3) address MSA’s investment status and (4) give a summary of the Fiscal Year 2011 budget.

(1) In terms of the 2009 fiscal year, we have received the draft of the 2009 Independent Audit Report from the firm of Rubino and McGeehin, Certified Public Accountants and Consultants. MSA received a clean audit with no material findings in the Audit Report.

FY 2009 ended with income over expenses of $159,647.

(2) We are in the midst of the 2010 budget, and, as expenditures are not linear it is not possible to anticipate all matters of the budget, but the budget and actuals are in line with expected values at this time of year. There are a few noteworthy items.

- Fund Transfer Allocations remain at an essentially static level of—$85,000+/year. Since 2005, Fund Transfer Allocations have ranged between $65,698 (2005) and $89,505 (2008). With the 2010 budget, MSA continues to undertake conservative annual fund-
transfer allocations relative to the market value of its investments. Allocations for 2009 are: Kraus Fund: 3.8%; Min/Pet Fund: 4.5%; and Roebling Fund: 6.6%. The Fund Transfer Allocations cover defined costs such as the American Mineralogist Undergraduate awards, the MSA Award, the Roebling Medal, the Dana Medal, the Lecture Program, and the Kraus and Mineralogy/Petrology grants, many of which are dictated by the terms of the individual endowment. The percentages of the funds used are comparable to previous years.

• One particularly bright spot for the finances of MSA is the income received from downloads of MSA publications on GeoScience World. As of June 30, 2010 the income received from GSW was $107,181 for American Mineralogist and $47,462 for RIMG. This is compared to the June 30, 2009 income of $112,788 for American Mineralogist and $44,262 for RIMG. It is anticipated that the 2011 GSW payouts will be higher by ~30-40% due to late payments to GSW and a significant number of new subscribers to GSW in 2010.

(3) The financial status of MSA’s investments continues to improve. As of close of business on June 30, 2010, the market value of MSA's investments was $2.263M. This compares with previous June 30 closings of $1.992M in 2008. As of the October 21, 2010 the MSA investments have continued their upward trends and stood at ~$2.4M. This compares to the highest-ever June 30 closing of $2.560M in 2007. The change of the MSA investments as of June 30, 2010 relative to June 30, 2009 represents an increase of 13.6%.

The oscillations in the value of the MSA investments, at least at their current level, do not markedly affect the MSA budget. In times of increasing market value we do not purposefully increase our spending, nor in times of decreasing market value, at least at the levels seen to date, we do not purposefully decrease our spending, as the market investments are undertaken for long-term performance. The conservative level of fund transfer allocations noted above anticipates fluctuations in the value of MSA investments. The FAAC is actively working with our investment counselor at Wachovia
Investments to monitor the progress of the funds and make adjustments as needed. Since 2003 our investments have attained an average increase of 7% per year – a value that is better than most organizations of comparable size.

(4) The 2011 budget was adopted by MSA Council this past Saturday (October 30, 2010) at the First 2011 Council Meeting.

- The approved 2011 budget of $1.275 M is somewhat higher than the 2010 approved budget of $1.247M.
- The approved budget predicts a net loss for the Society of $42,662 for 2011. This projected loss is largely a result of an earlier anticipated 3 RIMG volumes. However, it is likely that 2011 will have only 2 RIMG volumes, thus reducing the anticipated loss.
- Income from dues is anticipated to slightly increase based on current trends.
- Income from American Mineralogist is projected to decline to $662,521 (down from the 2010 approved budget of $758,420). This is partially offset by the projected increased income from American Mineralogist downloads from GSW anticipated to be $140,000 and from RIMG anticipated to be $175,710.
- MSA members are reminded that the Society continues its policy of conservative assumptions in the development of annual budgets. A summary of recent annual budgets shows that annual income is conservatively underestimated and annual expenses are overestimated.

This concludes the report of MSA Treasurer Darrell J. Henry.