

**Mineralogical Society of America
2012 Treasurer's Report**

**Howard W. Day
MSA Treasurer
October 2013**

I am happy to report that MSA is on solid financial footing. The value of our investment portfolio continues to increase; our income is stable or slowly rising; we showed an operating surplus in 2012; and our 2012 audit reported no problems.

The financial health of the Society is in large measure a product of the expertise, diligence, and conscientious oversight of our Executive Director, J. Alex Speer. Alex oversees all aspects of our complex affairs. In addition, his persistence in pursuing important long-term goals has finally been rewarded this year with the incorporation of our Society in the Commonwealth of Virginia.

The Financial Advisory and Audit Committee, chaired since 2010 by Mark van Baalen, oversees our investment portfolio. Mark brings considerable expertise to the management of our portfolio, confers several times per year with our investment advisor at Wells Fargo, and together with Alex Speer, meets personally each year with our advisor in order to review our portfolio. With input from the Committee, Mark submits a detailed report to Council about our portfolio and any problems raised by our annual audits.

2013 Financial Advisory and Audit Committee

Mark van Baalen (2009-), **Chair** (2010-)

David R. Snoeyenbos (2011-2013)

David C. Palmer (2012-2014)

David L. Bish (2013-2015)

Howard W. Day (2013-2014 MSA Treasurer)

John M. Hughes (2013 MSA President)

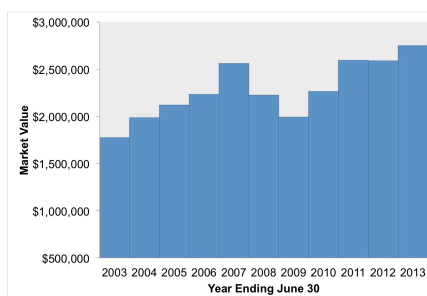
David J. Vaughan (2013 MSA Vice-President)

Andrea M. Koziol (2012-2013 MSA Secretary)

Finally, we continue to receive advice from Jeff LeClair, MSA Investment Advisor at Wells Fargo Advisors (formerly Wachovia).

2013 MSA investments

As of close of business on 6/30/13, the market value of MSA's investments had increased about \$161,000 to \$2,748,896 over the prior year, an increase of 6.2%. In addition to our investment portfolio, we had a balance of \$1.05 million dollars in various cash accounts. The figure below illustrates the recent history of our portfolio. Note that the market values should not be used to indicate investment performance because they do not take into account deposits to and withdrawals from our account.



The FAAC together with our investment advisor (Jeff LeClair of Wells Fargo Advisors of McLean, Virginia) has maintained what Wells Fargo calls a conservative growth strategy. The conservative approach is illustrated by both the diversification and quality of our investments. As of June 30, 2013, our asset allocation was 54% equities, 38% fixed income and 8% cash and other investments. Over half of the fixed income portfolio is held in FDIC insured certificates of deposits yielding 1.4% - 5.0%. In addition to the certificates of deposits, our portfolio holds securities in 27 mutual funds and exchange traded funds, all but one of which are rated by Morningstar, a widely respected, independent analyst of stocks and mutual funds. Of the 26 rated funds, the overall, risk-adjusted performances of 16 (62%) are rated in the top 32.5% of their respective categories. The FAAC and our advisor, Jeff LeClair, acted this year to remove several underperforming funds from our portfolio and only 2 funds are now ranked in the bottom 32.5 % of their categories. From Dec. 31, 2002, to Dec 31, 2012, this conservative approach has produced an annualized yield of 6.5%.

The Budget

Each year, MSA budgets are prepared by the Executive Director with appropriate input from the Treasurer and President and discussed and approved by Council at their Fall meetings. Annual income is conservatively underestimated and annual expenses are overestimated in order to allow for uncertainties in the budget cycle. Included in the budget are distributions from our endowment funds to pay for our various awards.

These distributions remain low in the range of 3.3 - 4.6% of our endowments and less than the annualized return of 6.5% over the past decade.

In 2012, our operating income exceeded expenses by \$10,000. Income was up by \$45,000 and the biggest contributors to that increase were short courses (\$22,000), dues (\$11,000) and RiMG (\$8,000). Expenses were up by \$93,000 and the biggest increases were in salaries and benefits (\$33,000) and short courses (\$23,000).

2013 Budget

The 2013 budget remains as approved by Council in October 2012. The approved budget projects an operating loss of \$33,000 before distributions from our endowments. Most of the details on the year-to-date are not meaningful, however, because so much of our dues and subscription income comes very late in the year.

One detail that is firm, however, is our 2013 income from Geoscience World for downloads of the *American Mineralogist* articles and RiMG chapters. Our income from that source is down \$37,000 (15%) from the prior year, reversing a three-year trend of increases. This will bear watch closely.

Proposed 2014 Budget

The budget passed by Council for 2014 reflects past budgets with small changes to reflect known or estimated changes in costs or incomes.

The projected operational loss for 2014 is \$51,769 before distributions from the endowments.

Consistent with our policy of attempting to underestimate income and overestimate expenses, operating income is projected to decrease by about 1.5% compared to actual 2012 income and operating expenses are projected to increase about 3.3%.

The budget reflects an increased investment in the *American Mineralogist* of approximately \$52,000 over what was budgeted in 2013 and \$74,000 over actual 2012 expenses. The largest increases are: \$41,000 for employee compensation and \$32,000 for AllenTrack services.

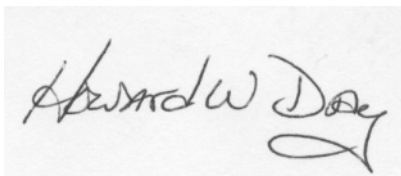
This year Council increased dues for all members by \$10 with a compensating benefit of universal electronic access to our journal for the membership. The increase was necessary in order to pay rising costs of activities normally covered by the membership. These include Council, dues and contributions to other

societies, our business office, and other direct support of the membership such as Elements magazine, receptions at professional meetings and expenses associated with renewals and balloting. We anticipate that this increase will remove the budget deficit

Council also approved small increases in the subscription rates for *Am. Min.* for both individuals and institutions. Subscriptions that include paper copies of the journal will increase \$5 (5%) for individuals and \$25 (3%) for institutions. These increases ensure that subscribers at least begin to cover the real costs of producing paper copies. All classes of subscriptions, however, continue to be heavily subsidized by MSA.

Summary

As Treasurer of the MSA, I strongly recommend that we continue to be conservative in the allocation of endowment funds to the operating budget of the MSA and if possible to minimize such transfers. The fund transfers cover defined costs such as the MSA Undergraduate Prize, the MSA Award, the Roebling Medal, the Dana Medal, the Lecture Program, and the Kraus and Mineralogy/Petrology grants, many of which are dictated by the terms of the individual endowments. Currently the Society undertakes an annual fund transfer allocation of 3-5% of the market value of its investments. The conservative, long-term performance of our portfolio (6.5% per year) gives us only a small margin above inflation by which to grow the endowment. Consequently, I also strongly recommend continued efforts to increase contributions to our endowment from members and corporations. Such actions are essential for the future financial health of the Society.

A handwritten signature in black ink, reading "Howard W. Day". The signature is written in a cursive style with a large, stylized 'D' at the end.

Howard W. Day

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MSA Treasurer

MSA Finances Are Stable

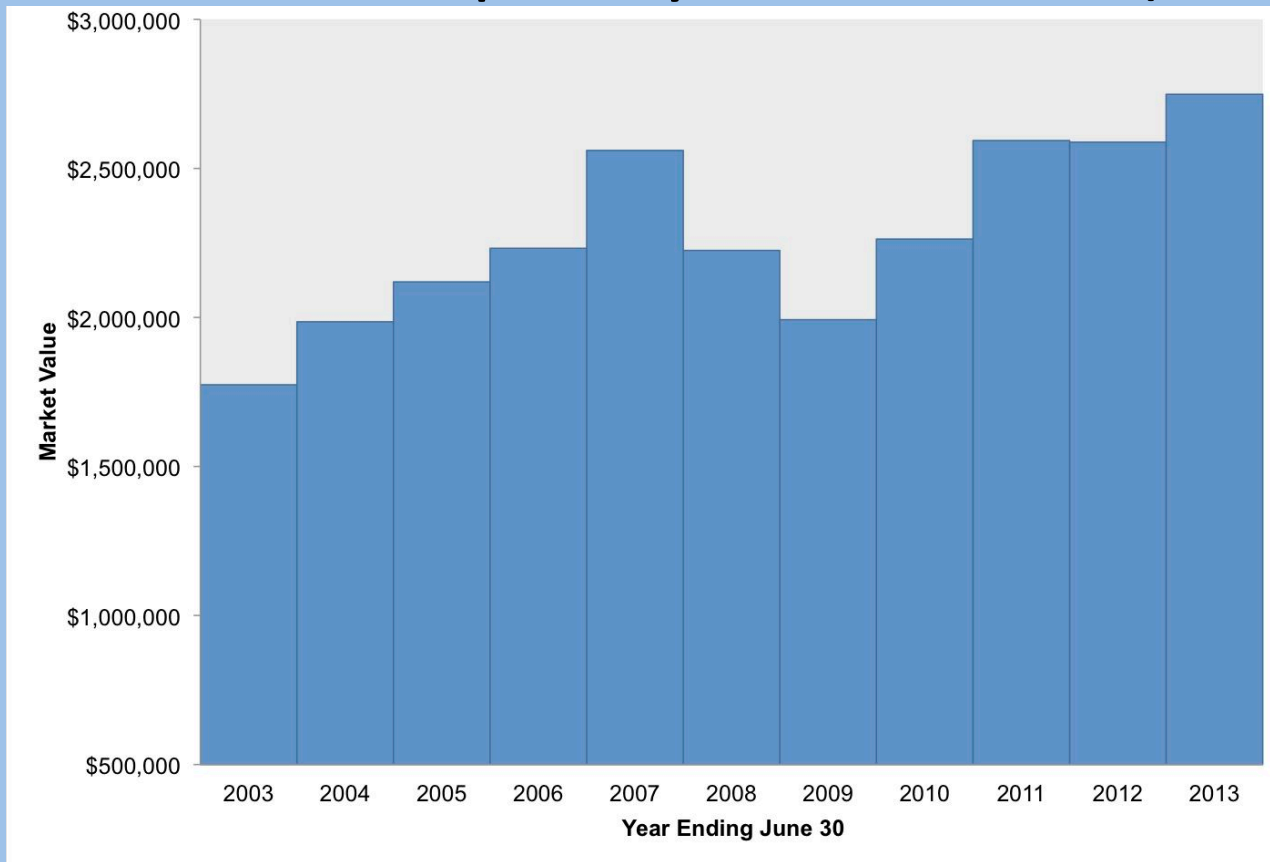
- Investment Portfolio: Rising
- Budget: Income is stable or slowly rising
- Budget: Operating Surplus for 2012
- 2012 Audit: Clean

THE FINANCIAL TEAM

- Executive Director, J. Alex Speer
- Financial Advisory and Audit Committee
 - Mark van Baalen, Chair
 - David R. Snoeyenbos
 - David C. Palmer
 - David L. Bish
 - Howard W. Day (MSA Treasurer)
 - John M. Hughes (MSA President)
 - David J. Vaughan (MSA Vice-President)
 - Andrea M. Koziol (MSA Secretary)
- Wells Fargo Investment Advisor, Jeff LeClair

MSA Investment Portfolio

- \$2,748,896 on June 30, 2013
- Increase over prior year: ~\$161K (6.2%)



Conservative Strategy

- Asset Allocation
 - 54% Equities; 38% Fixed Income; 8% Cash
 - Fixed Income: 58% FDIC insured CDs
- Quality of Funds
 - 62% of 26 funds ranked in top 32% of asset class
- Performance
 - 6.5% annualized over past ten years
 - Recovered from 22% dip during recession

Budget 2012

- Conservative Budget Strategy
- Operating Income Exceeded Expenses: \$10K
 - Income \$1,287,786: up \$45K
 - Expenses \$ 1,277,347: up \$93 K
- Audit by Rubino & Co. Bethesda MD
 - “Clean”: our statements fairly represent status

Budget 2013

- Details not meaningful
- Project Operating Loss \$33K
- Geoscience World Income down \$37K

Budget 2014

- Projected Operating Loss: \$52K
 - Operating Income down 1.5% compared to 2012
 - Operating Expenses up 3.3%
- Increased Investment in *Am. Min.*
 - \$74 K over 2012 actual expense
 - \$41 K employee compensation
 - \$32 K for Allen Track services

Budget 2014

- Dues Increase of \$10 to cover increased costs
 - New Benefit: Electronic Access to *Am.Min.*
 - Council, Dues and Contributions, Business Office
 - Elements, Receptions, Renewals and Balloting
- Two Major Benefits
 - Remove Budget Deficit Normally Assigned to Dues
 - Increased Access to Journal

Budget 2014

- Increased Subscription Rates for *Am. Min.*
 - \$5 (5%) for individuals getting paper copies
 - \$25 (3%) for institutions getting paper copies
 - Increases ensure that we start covering real costs
 - All subscriptions heavily subsidized by MSA

Summary

- Finances are stable
- Project operating losses
- Rely on our endowments
- Essential to invest conservatively
- Essential to increase our endowments