

President's Column
By Peter M. Eick, P.G.

Is it a depression yet?

April is tax month. On April 15, your taxes are due and thus this month I'll focus on accounting and taxes. As I was doing my taxes, I reflected on what the past year has brought us in our industry. Last year at this time we were in the heady excited period just wondering how high oil would go and cringing every time we went to the gas pump or got our summer electric bills. Now when I fill up my truck I cringe at how little it costs. Basically, the word from the economists is that the economy is a wreck and we are in a recession bordering on a global depression. Speaking as the GSH Treasurer, I can certainly say the economic hard times have impacted our society's financial condition.

Let's review what happened in 2008. What can I say? Are we in a depression yet? Looking at the GSH books, I can say our financial position today is worse than it was a year ago. I am sure that most of you have looked at your 401K's and thought the same thing. Fortunately, for most of us, we are still working so we are adding to our 401's and not drawing against them.

Unfortunately for the GSH, we are not adding to our finances at the same rate as our investments are depreciating. With this in mind, let's review our financial situation relative to one year ago. Due to publishing deadlines I am writing this article for April publication in January, and hence I'll use the December month that has been reconciled between the accounting and the treasurer.

First, a few background notes on the GSH finances and how they operate. The GSH has three basic funds. The first is our checking account from which we pay the bulk of our normal operating expenses. The second is the museum fund which we use only for the museum activities. The third fund is a Merrill Lynch account that holds our endowment and acts as our long term savings for the society. One needs to remember that our society is a non-profit group established for the advancement of geophysics and that we are not in the business of making a profit. If we do, the IRS takes a dim view of us. Given that this is tax month, I want to avoid the wrath of the IRS.

So let us start with the actual December to December accounting summary.

	<u>12/31/07</u>	<u>12/31/08</u>
ASSETS		
Current Assets		
Checking/Savings		
Checking	\$80,643.84	\$92,013.48
Museum Fund	\$9,462.78	\$9,474.71
Money Market	-\$9.03	-\$9.03
Total Checking/Savings	\$90,097.59	\$101,479.16
Accounts Receivable		
Accounts Receivable	\$14,212.12	\$6,109.12
Total Accounts Receivable	\$14,212.12	\$6,109.12
Other Current Assets		
Undeposited Funds	-\$608.00	-\$608.00
Total Other Current Assets	-\$608.00	-\$608.00
Total Current Assets	\$103,701.71	\$106,980.28
Fixed Assets		
Postal Account	\$1,130.10	\$1,130.10
Total Fixed Assets	\$1,130.10	\$1,130.10

Other Assets		
Merrill Lynch	\$449,407.43	\$339,340.21
Total Other Assets	\$449,407.43	\$339,340.21
TOTAL ASSETS	\$554,239.24	\$447,450.59

LIABILITIES & EQUITY

Equity		
Unrtzd Appr Carlton Trust	\$22,358.00	-\$64,262.00
Retained Earnings	\$510,307.82	\$529,374.96
Net Income	\$21,573.42	-\$17,662.37
Total Equity	\$554,239.24	\$447,450.59
TOTAL LIABILITIES & EQUITY	\$554,239.24	\$447,450.59

If you go straight to the bottom line, you can see that we lost \$106,788.65 in 2008. Sliding up the chart a bit you can see that the bulk of the loss was in the Merrill Lynch account. It reminds me of my 401K plan, but I have to admit that I lost even more in my 401K than Merrill lost in the GSH account. I take the pragmatic view of this problem by assuming that over the long haul, the Merrill account will come back if we can avoid tapping into it and let it grow as the economy catches up. Merrill is trying to keep some growth in our account yet keep our assets stable. When I compare Merrill's efforts to my 401K program, I can say they are doing a very good job of keeping a strong stable portfolio that has not lost a lot of value. If you compare to most of the big funds on the stock market, a common loss for 2008 is around 50% and this puts our loss of 19.3% in the Merrill account in perspective.

The losses in the Merrill account have been caused by a devaluing of the assets and are not due to GSH activities or withdrawals. One could conclude that we are in reasonable financial shape as a society. This is a true statement but if this trend continues through 2009 then the GSH will probably have to start a more aggressive fundraising effort to maintain its health.

If we continue our review of the monthly summary, the total current assets are \$3,278.57 more than at the end of 2007. We are keeping accounts receivable down when compared to the end of 2007. This is an intentional effort to try and keep the cash flow stable and not let any of our accounts get in arrears. At the same time we are keeping more cash in the checking account than previous years. We have been doing this because we have accumulated a bit of cash over the year and investing it into the Merrill account has not made much sense given the market conditions.

I have been asked a few basic questions that I would like to address. One of the most common questions to the treasurer is why are the technical meetings so expensive? The bottom line is that the fees you pay for the meeting just barely cover the cost of running the meeting if we have a lot of attendees. If you go to a meeting and see a thin crowd, the GSH is likely losing money on that meeting. We range from losses of around \$1500 per meeting (for poorly attended events) to gains of about \$1000 per meeting (for a well attended meeting.)

Another question I have been asked is about our fundraiser programs such as the Spring Symposium, Tennis Tournament, Sporting Clays or Golf Tournament. Do these make money? The answer is yes; in general we make money on each of these events and we use these funds to cover the cost of poorly attended technical meetings. For this reason I ask that you please attend these events. You can contribute to our financial stability and have some fun at the same time.

In the end, the GSH is in reasonable financial shape. We are certainly not wealthy but we are not going bankrupt. We are holding our own as the economy grinds along. The best thing we can do is participate in the society activities, help recruit more members to the GSH, and hope that the economy turns around quickly for our industry and society.