



AAPG

Advancing the World of Petroleum Geosciences

Treasurer's Report

The COVID-19 Global Pandemic has had a profound effect on the world economy and continues to threaten a sustained recovery. It had a very negative effect on AAPG's finances. We know that our members have been struggling just as our Association has. At the height of the pandemic, late April 2020, the price of oil even went *negative*. For some good news, energy (oil and gas) prices are starting to rebound, which is a very welcome turn of events. Between bankruptcies and M&A activity, there is no doubt that the number of companies supporting our organization and employing our members are fewer now than before the pandemic. Although that trend is alarming, it is not surprising as our industry is in a period of consolidation

Your Executive Committee and the staff have worked diligently during this downturn to confront the ongoing challenges while searching for ways to meet member needs. In FY 2021 we had to cancel several events and activities, which were our main sources of revenue. This cut the revenue stream and put enormous financial pressure on the Association. It was no small comfort that the same thing was happening to other not-for-profit organizations.

In response, we cut back to "essential services" reducing our staff an additional 25% in FY 2021 beyond the reductions implemented in 2015 and 2016. The intention was to reduce costs to come inline with new lower revenue levels. Although the number of the staff is lower, we have not yet reduced programs. Given both manpower and financial constraints, we are endeavoring to provide the best service and science possible.

For AAPG in FY 2021, a large theme was on-line conferences and meetings as every event we hosted took place in an electronic setting. This new challenge of delivering the world-class content that our members, customers, and profession have come to expect was met head on by our events team. For the first time they launched both Unconventional Resource Technology Conference (URTeC), followed by the Annual Conference and Exhibition (ACE) using an online platform. Both events suffered reduced sponsorship, necessitated venue renegotiation, and suffered a financial loss. However, the technical content delivery was fantastic, and the organizers came up with innovative ways to keep participants engaged and involved. Producing a meeting using an online platform added a new cost category to the picture. Unfortunately, event sponsors tell us they are also enduring financial distress and can no longer support AAPG (or any of the energy geoscience societies) at the same rate they did in the past. AAPG relies on the positive margin from events to support many of our other popular activities. The financial impact of both URTeC and ACE to AAPG in 2021 was a loss of a little under \$489,000. The result is that we are really feeling the strain.

Due to the continuing decline in membership, revenue from dues is down just under \$250,000 (or 13.8%) for the year compared to the prior year. We are pleased that the rate of decline has slowed as compared to the past several years. Indeed, compared to the prior year, most revenue categories are down as you would expect. In FY 2020, half the year was with pre-pandemic activities and the financial results were better.

Looking to FY 2022, our URTEC meeting was scheduled as a hybrid event in July 2021, which was welcome news after the near shutdown that took place in the second half of FY 2020. This was our first event of the new fiscal year with an in-person attendance option since the start of the pandemic. Attendance was good, both in person and online.

Understanding the current reality of the challenges with live events, the AAPG Executive Committee voted to join forces with the Society of Exploration Geophysicists to launch the International Meeting of Applied Geoscience and Engineering. (IMAGE) in place of our ACE that had originally been scheduled in May 2021. We are excited about the initial support we received from industry for this new initiative. We are expecting this joint activity to get traction in the marketplace as our teams become even better at working together in complimentary roles.

We continue to push ourselves and headquarters staff to be good stewards of our members' resources. With aggressive cost saving and expense reduction efforts, overall expenses for the year were lower compared to the prior year and were lower than budget. Despite those efforts, at the end of the year, we suffered a significant financial shortfall (loss) of \$2.14 million as the revenue had mostly dried up. This loss in revenue was specifically from those activities that provide positive margin for our other activities. Our positive margin generating activities are mainly conferences, both those we operate directly and those operated by our partners. All events AAPG participated in have experienced negative revenue impacts due to the global pandemic.

As a qualifying not-for-profit organization, AAPG applied for and was granted nearly \$1.76 million in PPP (Personal Payroll Protection) loans from the federal government. These funds provided critical cash flow during the year and softened the cash impact of our lost revenue. These loans, or the bulk of these loans, should be forgiven after AAPG demonstrates it has complied with all loan requirements. There was no income statement effect in FY 2021 from the PPP loans.

Looking forward to FY 2022, we are going to have eight events in the upcoming fiscal year, when generally we only have five. We expect all to be margin producing. Those extra events, NAPE, OTC and URTEC less than 12 months from their date the prior year, are expected to absorb more cost and the Association may even end up in positive territory for the fiscal year. We welcome that outcome, though for long-term planning, we do not expect the anticipated temporary increase in events and event revenue to continue, as the normal five events schedule would resume.

The AAPG Budget Review Committee and Executive Committee are continuing to evaluate AAPG's programs and activities to determine which should continue to be supported in these challenging economic times, and which should not. The business uncertainties facing the oil and gas industry are huge and will continue to put pressure on our pool of available resources. For this reason, we are exploring joining forces with other member organizations to find solutions. We will continue to not only focus on cost savings, but also invest in programs that provide value to our members, revenue to AAPG and promote our profession.

Denise M. Stone
AAPG Treasurer

Statement of Income and Expenses

	General Fund FY 2019-20	General Fund FY 2020-21	Budget FY 2020-21
Operating Income			
Dues	\$ 1,815,233	\$ 1,565,719	\$ 1,603,983
BULLETIN Subscriptions	179,014	160,662	184,396
Advertising Income	567,132	326,775	188,410
Sales of Publications	712,935	610,183	601,871
Interest and Dividends	754,586	428,707	250,000
Investment Income - Other	217,831	-	330,000
Investment Income from NAPE	52,590	-	230,000
Education and Misc. Service Fees	1,887,289	228,590	509,229
Conferences and Meetings	6,017,604	2,951,064	6,179,231
Gain (Loss) on Datapages	39,358	356,844	150,000
Gain (Loss) on International Pavilion	(40,558)	(19,416)	-
Grant Income	499,336	456,067	571,934
Miscellaneous	59,901	315,278	15,259
TOTAL OPERATING INCOME:	12,762,251	7,380,473	10,814,313
Operating Expenses			
Salaries	3,707,280	3,212,434	3,689,421
Employee Benefits	1,388,024	1,109,901	1,516,689
Publishing Cost of BULLETIN	300,517	232,213	336,000
Publishing Cost of EXPLORER	88,970	84,445	108,000
Cost of Special Publications Sold	126,297	123,541	78,813
General Office	571,545	371,433	726,866
Postage and Shipping	246,536	189,169	251,864
Building and Occupancy	525,358	349,325	358,797
Professional Fees	1,561,335	1,545,880	1,275,124
Staff Travel	167,195	2,943	218,858
Professional Travel	174,366	3,142	542,280
Meeting Presence / Display	-	-	-
Conferences and Meetings	4,437,175	1,682,005	3,638,470
Depreciation	208,814	219,645	205,222
Dues & Support - Am. Geol. Institute	33,555	26,844	20,737
Miscellaneous	331,026	301,621	439,069
Miscellaneous Grants and Awards	66,456	64,000	102,303
TOTAL OPERATING EXPENSES:	13,934,449	9,518,541	13,508,513
Income (loss) from Operations	\$ (1,172,198)	\$ (2,138,068)	\$ (2,694,200)

BALANCE SHEET SUMMARY

Assets	\$ 17,302,663	\$ 20,152,383
Liabilities	5,831,349	7,110,908
Fund Balance	11,471,314	13,041,475
Total Liabilities and fund Balance	\$ 17,302,663	\$ 20,152,383