

AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS ENERGY MINERALS DIVISION



FINANCIAL REPORT FISCAL YEAR 2014 - Q1 (1 July – 30 September 2013) Charles M. Boyer II, Treasurer 13 November 2013

This report details the financial status of the Energy Minerals Division (EMD) of the American Association of Petroleum Geologists (AAPG) using data supplied by the AAPG Accounting Department. Please note that the financial summaries provided below for Fiscal Year (FY) 2013 and the First Quarter FY 2014 are preliminary and unaudited and are subject to change.

Fiscal Year 2013 (1 July 2012 – 30 June 2013) Preliminary Operating Income/Expense

The preliminary, unaudited operating income and expense for FY 2013 have been compiled by the AAPG Accounting Department and are shown below in **Table 1**. Also included in this table is a comparison between actual income and expenses and the planned budget for the same period.

As shown in this table, the division had an income of \$15,930.30 for the 12-month period, with the majority of the income coming from 1) the 2013 ACE (\$11,167.90); and 2) sale of publications (\$3,344.48). As discussed later in this report, the termination of dues collection from the division members occurred at the end of FY 2010 and the termination of the dues grant from AAPG in FY 2012 significantly reduced operating income for the division. Significant income variance with the FY 2012 budget was due to the under-estimation of revenue from the 2013 ACE. Under- and over-estimation of revenue from the ACE and ICE has consistently caused variance between estimated and actual income.

The division had operating expenses in the amount of \$46,679.29 for the 12-month period, with the major expenses being 1) employee salaries (\$33,599.12); and 2) employee benefits (\$5,534.91). There was a significant over-estimation - \$39,115.97 - of labor and benefit costs for FY 2012 when compared to actual. Actual labor costs over the last two years have stabilized somewhat, which should lead to better future estimates. Of importance to note in this table is the expense - \$0.00 - associated with Professional Travel for FY 2013. This was due to the President during this period (Andrea Reynolds) not charging the division for EMD-related travel; these costs were borne by her employer, Shell Exploration & Production Company, to whom we

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extend sincere thanks. However, as we move into FY 2014 we are planning to again incur these costs, which have ranged from \$1,500 to over \$8,800 over the last 3 years, thus further increasing our operating expenses.

With an operating income of \$15,930.30 and expense of \$46,679.29, the EMD Division realized a loss of \$30,748.99 during FY2013. This caused a reduction in the EMD Fund to \$207,529. Without membership dues or dues grants from AAPG, it is expected that there will be a continuing annual reduction in the EMD Fund (discussed in more detail later).

Table 1 – Summary of Income and Expense for FY 2013 (1 July 2012 to 30 June 2013)

OPERATING INCOME	Actual, US\$	Budget, US\$	Variance, US\$
Sale of Publications	3,344.48	5,000.00	-1,655.52
Interest and Dividends	4.37	0.00	4.37
Service Fees	11,167.90	5,000.00	6,167.90
Miscellaneous	1,413.55	1,000.00	413.55
Total Operating Income	15,930.30	11,000.00	4,930.30
OPERATING EXPENSE			
Salaries	33,599.12	54,067.00	-20,467.88
Employee Benefits	5,534.91	24,183.00	-18,648.09
Cost of Special Publications Sold	7.51	0.00	7.51
General Office	1,744.65	1,998.00	-253.35
Postage and Shipping	131.90	300.00	-168.10
Professional Fees	1,996.66	0.00	1,996.66
Staff Travel	2,001.25	4,000.00	-1,998.75
Professional Travel	0.00	12,500.00	-12,500.00
Depreciation	0.00	300.00	-300.00
Miscellaneous	1,663.29	1,000.00	663.29
Total Operating Expense	46,679.29	98,348.00	-51,668.71
Income/Loss from Operations	-30,748.99	-87,348.00	56,599.01
Fund Balance, beginning of FY 2013	238,278	--	--
Fund Balance, end of FY 2013	207,529	--	--

First Quarter (Q1) Fiscal Year 2014 (1 July 2013 – 30 September 2013) Preliminary Operating Income/Expenses

The preliminary, unaudited operating income and expenses for the First Quarter (Q1) FY 2014 have been compiled by the AAPG Accounting Department and are shown below in **Table 2**. Because the FY 2013 audit is not complete, the values shown in **Table 2** are very preliminary and do not capture all activity in Q1 FY 2014. A more complete understanding of actual income and expenses will be provided in the Q1 FY 2014 Report.

Table 2 – Summary of Income and Expense for First Quarter (Q1) FY 2014 (1 July 2013 to 30 June 2014)

	Actual, US\$
OPERATING INCOME	
Sale of Publications	117.86
Interest and Dividends	0.00
Service Fees	0.00
Miscellaneous	0.00
Total Operating Income	117.86
OPERATING EXPENSE	
Salaries	5,394.74
Employee Benefits	1,657.55
Cost of Special Publications Sold	0.00
General Office	370.19
Postage and Shipping	0.00
Professional Fees	0.00
Staff Travel	0.00
Professional Travel	0.00
Depreciation	0.00
Miscellaneous	13.83
Total Operating Expense	7,436.31
Income/Loss from Operations	-7,318.45

Historic EMD Operating Income and Expense

Using data compiled and presented this past April 2013 by the previous EMD Treasurer (David Tabet) and the latest unaudited FY 2013 data, a summary table of operating income and expense for the last nine years has been prepared, **Table 3** below. A few observations and comments on the data in this table:

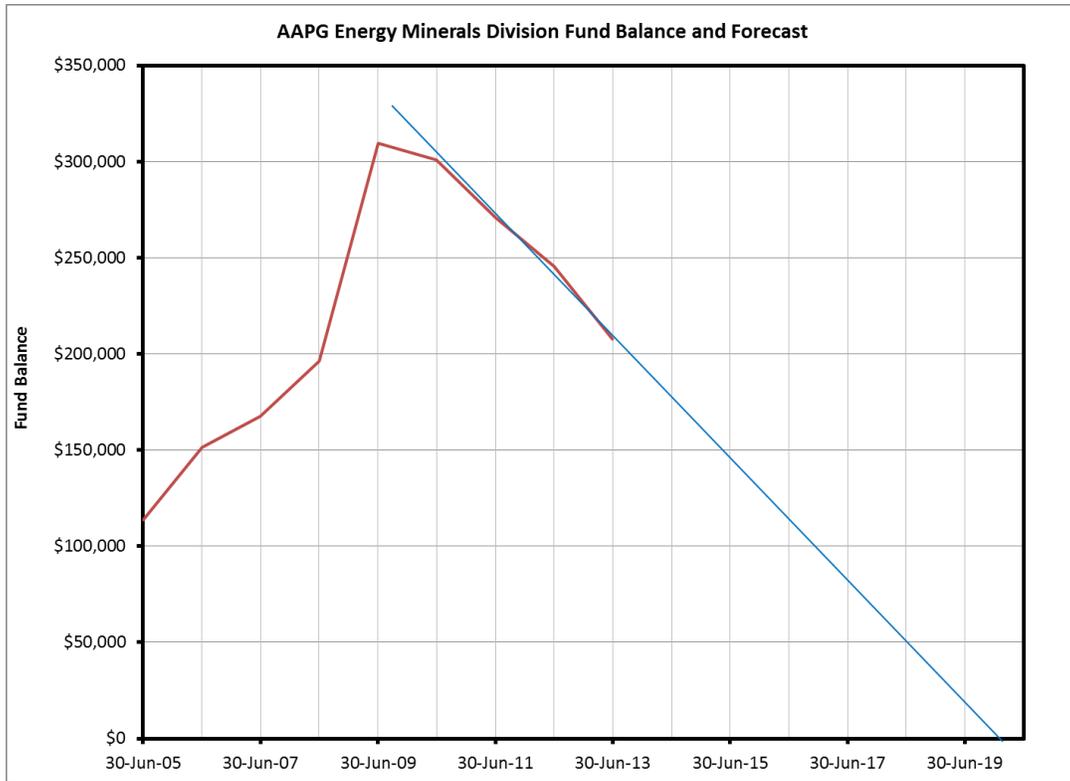
1. As previously discussed, the ending of the member dues in FY 2010 and the subsequent ending of the 2-year dues subsidy by the AAPG in FY 2011 and 2012 has significantly reduced the baseline income for the division. Without adding another source of income or reducing the expense, the division will continue operating with a deficit until the EMD Fund balance is exhausted. Using current income/expense data, it is expected that the fund will be depleted sometime in 2019, **Figure 1**.
2. A significant influx of funds occurred in FY 2009 through the co-sponsorship of the HGS Gulf Coast Mudrocks Symposium with the Houston Geological Society. Additional co-sponsorship opportunities with other societies should be explored as additional potential sources of income.
3. AAPG staff wages and benefits have generally increased over the past nine years, becoming recently (FY 2011 – 2013) the primary expense item of the EMD budget. With the elimination of the dues and the AAPG dues grant, we should seriously petition the AAPG for a reduction or elimination of this HQ cost item.
4. Income from AAPG events (ACE, ICE, etc.) has varied significantly through the years. It would be beneficial for budgeting purposes to establish a more consistent revenue stream from these events and possibly expand the revenue through closer association with other AAPG events. This item will be explored in more detail by the Treasurer, with results presented in the next quarterly report.
5. Interest gained from the EMD Fund is virtually nonexistent, due to the current investment portfolio. This item will be reviewed in more detail by the Treasurer, with results presented in the next quarterly report

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Table 3 - Preliminary Year-On-Year Operating Income and Expenses

	FY 2012-13	FY 2011-12	FY 2010-11	FY 2009-10	FY 2008-09	FY 2007-08	FY 2006-07	FY 2005-06	FY 2004-05
	6/30/2013	06/30/12	06/30/11	06/30/10	06/30/09	06/30/08	06/30/07	06/30/06	06/30/05
OPERATING INCOME									
Dues	\$0	\$4	-\$767	\$27,442	\$26,199	\$24,284	\$22,815	\$21,595	\$22,303
AAPG dues grant	\$0	\$27,000	\$27,000	\$0	\$0	\$0	\$0	\$0	\$0
Sale of Publications	\$3,344	\$6,668	\$9,207	\$10,153	\$4,220	\$2,601	\$2,818	\$4,339	\$727
Service Fees (1)	\$11,168	\$2,707	\$12,678	\$65	\$114,150	\$38,052	\$750	\$13,067	\$5,934
Interest & Dividends	\$4	\$9	\$48	\$80	\$1,303	\$5,778	\$7,362	\$2,144	\$1,343
Miscellaneous	\$1,414	\$0	\$0	\$0	\$1,000	-\$40	\$0	\$17,750	\$0
TOTAL INCOME	\$15,930	\$36,388	\$48,166	\$37,740	\$146,872	\$70,675	\$33,745	\$58,895	\$30,307
OPERATING EXPENSES									
Staff Wages	\$33,599	\$34,628	\$43,080	\$17,014	\$11,087	\$6,760	\$6,487	\$6,263	\$6,426
Staff Benefits	\$5,535	\$12,336	\$11,809	\$6,611	\$2,875	\$1,402	\$1,095	\$947	\$856
General Office	\$1,745	\$1,437	\$3,111	\$1,521	\$4,123	\$3,635	\$2,486	\$3,005	\$4,538
Postage & Shipping	\$132	\$313	\$1,202	\$905	\$838	\$772	\$1,457	\$704	\$1,409
Professional Fees	\$1,997	\$1,057	\$7,341	\$11,858	\$318	\$2,500	\$0	\$1,025	\$0
Staff Travel	\$2,001	\$1,620	\$1,594	\$3,921	\$9,076	\$2,637	\$2,085	\$1,432	\$1,701
Professional Travel	\$0	\$8,859	\$3,699	\$1,475	\$692	\$1,863	\$594	\$1,437	\$600
Meeting/ Display	\$0	\$0	\$0	\$0	\$0	\$427	\$0	\$11	\$865
Conferences & Meetings	\$0	\$0	\$0	\$2,246	\$428	\$300	\$0	\$1,489	\$225
Depreciation	\$0	\$0	\$0	\$151	\$363	\$363	\$228	\$72	\$124
Publishing Cost of Bulletin	\$8	\$15	\$2,500	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$1,663	\$1,539	\$898	\$0	\$3,319	\$2,447	\$2,249	\$2,657	\$3,383
Awards & Grants	\$0	\$0	\$0	\$658	\$285	\$19,090	\$901	\$2,186	\$812
TOTAL EXPENSES	\$46,679	\$61,804	\$75,234	\$46,360	\$33,404	\$42,196	\$17,582	\$21,228	\$20,939
INCOME (LOSS)	-\$30,749	-\$25,416	-\$27,068	-\$8,620	\$113,468	\$28,479	\$16,163	\$37,667	\$9,368
EMD FUND BALANCE	\$207,528	\$245,528	\$270,944	\$300,963	\$309,583	\$196,115	\$167,636	\$151,473	\$113,806

Figure 1 – Energy Minerals Division Fund Balance, Actual (2005 – 2013) and Projected (2014 – 2019)



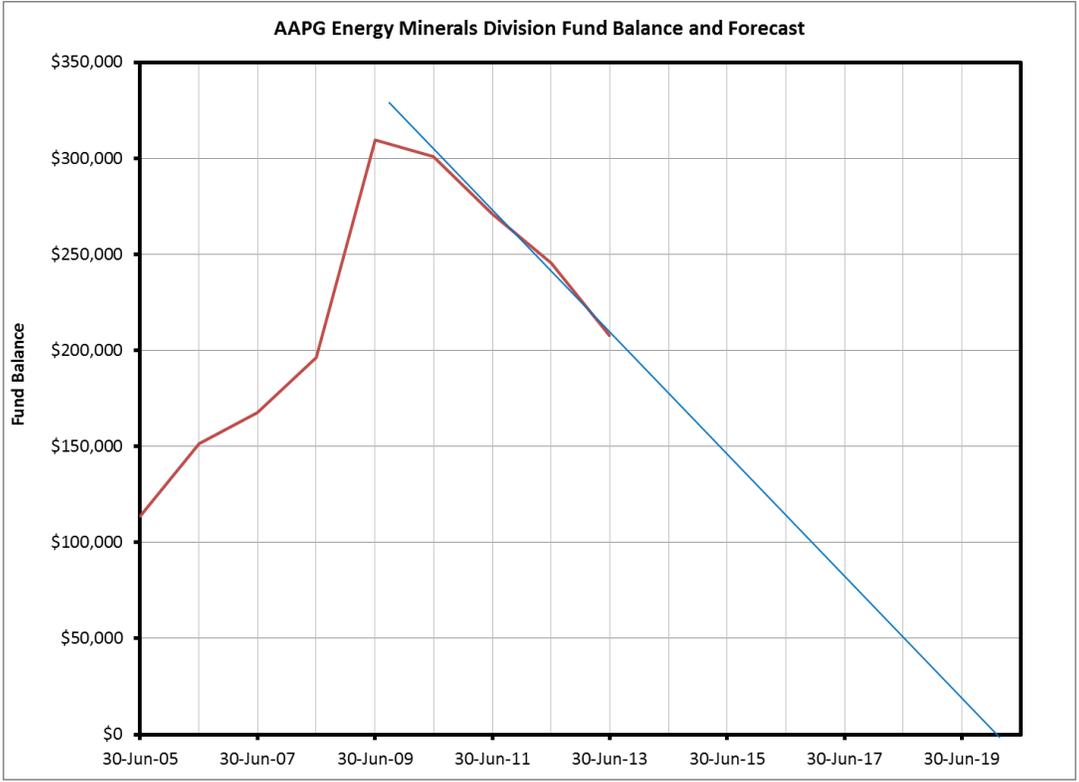
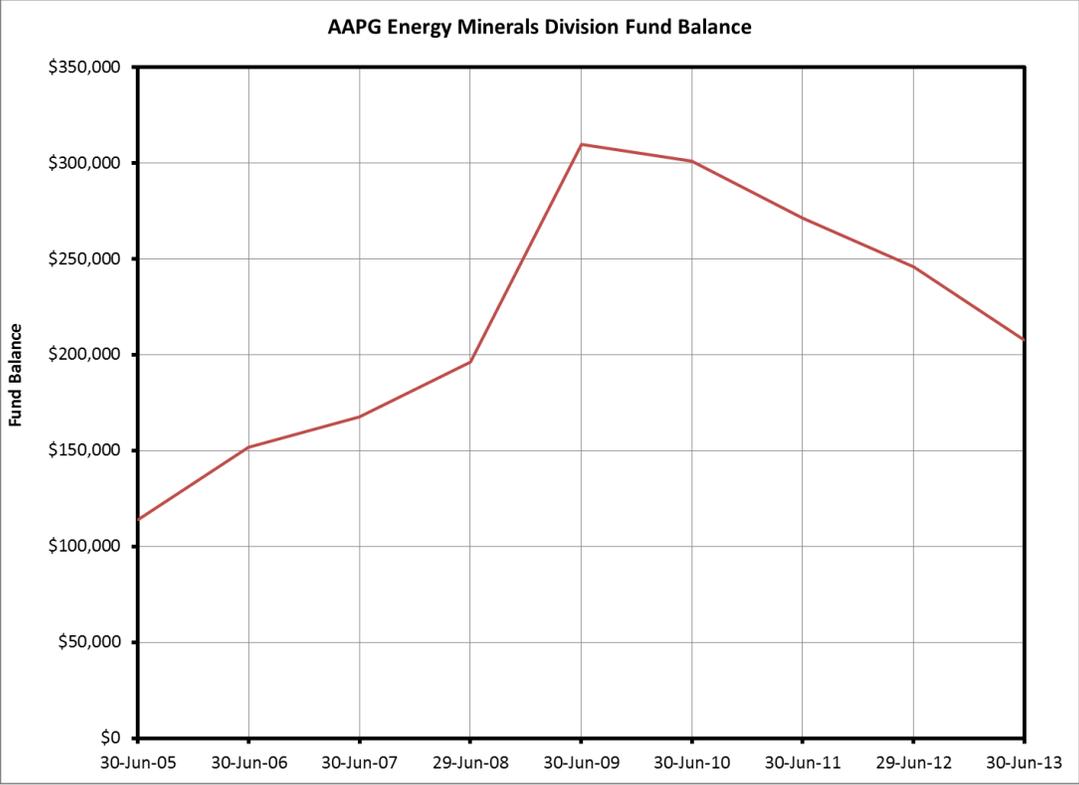
AAPG Energy Minerals Division
Preliminary FY 2012-2013 Operating Income and Expenses versus Budget

	Actual*	EMD Budget	AAPG Budget
OPERATING INCOME			
Sale of Publications	\$3,344	\$5,000	\$5,000
Interest and Dividends	\$4	\$15	\$0
Service Fees	\$11,168	\$3,000	\$5,000
Miscellaneous	\$1,414	\$0	\$1,000
TOTAL OPERATING INCOME	\$15,930	\$11,015	\$11,000
OPERATING EXPENSES			
Salaries	\$33,599	\$30,122	\$54,068
Employee Benefits	\$5,535	\$12,582	\$24,183
Publishing Cost of Explorer and Newsletters	\$0	\$0	\$0
Cost of Special Publications Sold	\$8	\$0	\$0
General Office	\$1,745	\$4,040	\$1,998
Postage & Shipping	\$132	\$300	\$300
Professional Fees	\$1,997	\$500	\$0
Staff Travel	\$2,001	\$4,000	\$4,000
Professional Travel	\$0	\$12,500	\$12,500
Depreciation	\$0	\$300	\$300
Miscellaneous	\$1,663	\$1,500	\$1,000
Miscellaneous Grant Expense	\$0	\$0	\$0
TOTAL OPERATING EXPENSES	\$46,680	\$65,844	\$98,349
GAIN (LOSS)	(\$30,750)	(\$54,829)	(\$87,349)
Net Additions/(Reductions) to Fund Balance	(\$30,750)	(\$54,829)	(\$87,349)
Fund Balance ending 6/30/2012	\$238,278	\$238,278	\$238,278
Fund Balance ending 6/30/2013	\$207,528	\$183,449	\$150,929

*Preliminary and unaudited

AAPG Energy Minerals Division
Preliminary Year-On-Year Operating Income and Expenses

	FY 2012-13	FY 2011-12	FY 2010-11	FY 2009-10	FY 2008-09	FY 2007-08	FY 2006-07	FY 2005-06	FY 2004-05
	6/30/2013	06/30/12	06/30/11	06/30/10	06/30/09	06/30/08	06/30/07	06/30/06	06/30/05
OPERATING INCOME									
Dues	\$0	\$4	-\$767	\$27,442	\$26,199	\$24,284	\$22,815	\$21,595	\$22,303
AAPG dues grant	\$0	\$27,000	\$27,000	\$0	\$0	\$0	\$0	\$0	\$0
Sale of Publications	\$3,344	\$6,668	\$9,207	\$10,153	\$4,220	\$2,601	\$2,818	\$4,339	\$727
Service Fees (1)	\$11,168	\$2,707	\$12,678	\$65	\$114,150	\$38,052	\$750	\$13,067	\$5,934
Interest & Dividends	\$4	\$9	\$48	\$80	\$1,303	\$5,778	\$7,362	\$2,144	\$1,343
Miscellaneous	\$1,414	\$0	\$0	\$0	\$1,000	-\$40	\$0	\$17,750	\$0
TOTAL INCOME	\$15,930	\$36,388	\$48,166	\$37,740	\$146,872	\$70,675	\$33,745	\$58,895	\$30,307
OPERATING EXPENSES									
Staff Wages	\$33,599	\$34,628	\$43,080	\$17,014	\$11,087	\$6,760	\$6,487	\$6,263	\$6,426
Staff Benefits	\$5,535	\$12,336	\$11,809	\$6,611	\$2,875	\$1,402	\$1,095	\$947	\$856
General Office	\$1,745	\$1,437	\$3,111	\$1,521	\$4,123	\$3,635	\$2,486	\$3,005	\$4,538
Postage & Shipping	\$132	\$313	\$1,202	\$905	\$838	\$772	\$1,457	\$704	\$1,409
Professional Fees (2)	\$1,997	\$1,057	\$7,341	\$11,858	\$318	\$2,500	\$0	\$1,025	\$0
Staff Travel (3)	\$2,001	\$1,620	\$1,594	\$3,921	\$9,076	\$2,637	\$2,085	\$1,432	\$1,701
Professional Travel (4)	\$0	\$8,859	\$3,699	\$1,475	\$692	\$1,863	\$594	\$1,437	\$600
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Miscellaneous	\$1,663	\$1,539	\$898	\$0	\$3,319	\$2,447	\$2,249	\$2,657	\$3,383
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INCOME (LOSS)	-\$30,750	-\$25,416	-\$27,068	-\$8,620	\$113,468	\$28,479	\$16,163	\$37,667	\$9,368
EMD FUND BALANCE	\$207,528	\$245,528	\$270,944	\$300,963	\$309,583	\$196,115	\$167,636	\$151,473	\$113,806



AAPG Energy Minerals Division
Preliminary FY 2012-2013 Operating Income and Expenses versus Budget

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OPERATING INCOME			
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AAPG Energy Minerals Division
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