

System Dynamics Society
VP Finance Narrative Report
February 2015 Meeting
Submitted by David F. Andersen

Summary: This abbreviated report is based on two financial reports developed each year by the Society's home office staff: (1) Revenue & Expense, 2014 & 2013 Comparison, and (2) Balance Sheet, 2014 & 2013 Comparison. A full report with more detailed reports will be presented at the July Policy Council meeting.

How Did the Society Do Overall in 2014? The Society experienced a relatively poorer financial performance in 2014. The two attached reports come directly from the Quick Books system that is maintained by the Home Office staff. These reports have not been reviewed by our CPA and I am quite certain that they will change somewhat because a number of important transactions have not yet been posted. The society operates on an accrual basis so adjustments to our 2014 report will continue to happen for some time. I predict that when everything is properly accounted for the Society will close out 2014 with an overall loss in Net Ordinary Income. Our Net Income will still be positive, but less than in 2013. I see two reasons for this relatively poorer financial performance in 2014. First, expenses this year have been relatively higher at the home office. We are presently in the midst of staff transitions and at the same time Roberta Spencer has missed quite a bit of time in the office due to her broken shoulder sustained at the Delft conference. Second, our assets have performed less well in 2014 than in the previous year. If officers or members of the PC have additional questions about how the Society performed in 2014, I will be happy to try and answer your questions or get an answer ASAP. *Please remember that figures and reports will change somewhat after final postings and CPA review.*

What Else Is Going on with Society Finances? Each year, I work with the Administrative Committee and home office staff on a number of projects and issues.. This year, here are some of the things that we are working on:

- **Compensation Study.** This year, the Society retained a consultant to do a compensation study for the home office staff. This is the second such audit we have ever performed. The report found that when compared to compensation for similarly sized nonprofit organizations in our region, our home office staff was being paid slightly below the median. We have made minor adjustments to bring our compensation up to the median level and we will continue to study further the implications of this report.
- **Conflict of Interest Policies.** The Society has been out of compliance with US laws and regulations concerning formal disclosure of Conflicts of Interest on the part of Officers and Members of the Policy Council. We have crafted policies to put us into compliance and you will be hearing more about this at our regular meetings.
- **Managing our Assets.** Working with members of the Administrative Committee, we continue work on how to more clearly portray distinctions between how the Society is performing in real terms versus how our assets are performing.
- **Staff Transitions.** We continue to work with transitions in the long term staff working at the Home office. This has meant making a new part time hire and now transitioning knowledge and tasks from Robin Langer to a new staff member.

If you have any further questions about the Society's financial health, please do not hesitate to be in touch with me directly.

Attachments:

1. Revenue & Expense, 2014 & 2013 Comparison (Pre CPA Year-End Adjustments and Review)
2. Balance Sheet, 2014 & 2013 Comparison (Pre CPA Year-End Adjustments and Review)

01/26/15
Accrual Basis

System Dynamics Society
(1) Rev & Exp, Prev Year Comparison (Pre CPA Y/E Adj-Review)
January through December 2014

	<u>Jan - Dec 14</u>	<u>Jan - Dec 13</u>
Ordinary Income/Expense		
Income		
INC Conferences	335,379	303,765
Journal Income	23,121	81,676
Membership Dues	95,661	64,487
Other Income	338	725
Products	54,158	49,828
Shipping and Handling Income	9,110	7,320
Sponsor Dues and Donations	38,350	33,150
Total Income	<u>556,118</u>	<u>540,950</u>
Cost of Goods Sold		
Cost of Goods	4,705	10,249
Total COGS	<u>4,705</u>	<u>10,249</u>
Gross Profit	551,413	530,701
Expense		
Advertising & PR donated	1,000	0
Awards-Dana Meadows	1,500	750
Awards-Others	1,220	0
Bank & CC Fees	9,198	12,528
Field Dev (\$20K Max)	17,500	6,405
Contracted Expenses at UAlbany	353,897	298,280
EXP Conferences	143,388	133,283
Insurance	8,301	4,645
Journal Expense	20,000	20,000
Membership Directory Exp	0	615
Miscellaneous Expense	644	683
Office Expense	3,111	4,416
Officer Expenses (=Travel CPA)	10,035	9,871
PHD Luncheon @ Conf	837	1,000
Professional Fees	40,928	35,132
Total Expense	<u>611,558</u>	<u>527,606</u>
Net Ordinary Income	-60,145	3,095
Other Income/Expense		
Other Income		
Investment Income	88,248	161,659
DM Investment Inc	1,530	2,933
Total Other Income	<u>89,778</u>	<u>164,593</u>
Net Other Income	<u>89,778</u>	<u>164,593</u>
Net Income	<u><u>29,633</u></u>	<u><u>167,688</u></u>

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(2) Balance Sheet, Prev Yr Comparison (PreCPA Y/E Adj-Rev.)

Accrual Basis

As of December 31, 2014

	Dec 31, 14	Dec 31, 13	\$ Change	% Change
ASSETS				
Current Assets				
Checking/Savings				
Bank of America Checking 2474	79,841	54,753	25,088	46%
Elec. Transfer BOA Check 5757	10,918	10,638	280	3%
Bank Paypal	296	1,131	-835	-74%
Companion Savings - BoA	35,632	75,631	-39,998	-53%
Travel Cash	108	111	-3	-2%
Charles Schwab-Windhaven	248,446	240,647	7,799	3%
UBS Financial (was PaineWebber)	26,572	25,409	1,162	5%
Vanguard Society (88008478957)	728,534	657,777	70,757	11%
Total Checking/Savings	1,130,347	1,066,096	64,251	6%
Accounts Receivable				
Accounts Receivable	24,653	0	24,653	100%
Total Accounts Receivable	24,653	0	24,653	100%
Other Current Assets				
Accounts Receivable - Wiley	0	60,545	-60,545	-100%
Inventory	26,220	26,220	0	0%
Prepaid Expenses	25,551	74,889	-49,339	-66%
Cash-Undeposited Funds	47	140	-93	-66%
Total Other Current Assets	51,817	161,794	-109,976	-68%
Total Current Assets	1,206,817	1,227,890	-21,073	-2%
Fixed Assets				
Accumulated Depreciation	-651	-651	0	0%
Equipment	651	651	0	0%
Total Fixed Assets	0	0	0	0%
Other Assets				
Vanguard DMA (88006930361)	111,647	104,465	7,182	7%
Total Other Assets	111,647	104,465	7,182	7%
TOTAL ASSETS	1,318,464	1,332,355	-13,891	-1%
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Accounts Payable				
Accounts Payable	61	837	-776	-93%
Total Accounts Payable	61	837	-776	-93%
Other Current Liabilities				
Deferred Revenue	0	46,079	-46,079	-100%
Due to Conference Host	9,075	9,225	-150	-2%
Membership Sub Payable 2005+	14,612	12,825	1,787	14%
PPD Journal Editor	3,374	2,044	1,330	65%
Restricted Conf.Scholar/Awards	200	0	200	100%
Sales Tax Payable	230	66	164	249%
Total Other Current Liabilities	27,491	70,240	-42,748	-61%
Total Current Liabilities	27,553	71,077	-43,524	-61%
Total Liabilities	27,553	71,077	-43,524	-61%
Equity				
*Net Assets (QB)	167,688	0	167,688	100%
Net Assets - Temp Rest (DMA)	104,465	104,465	0	0%
Net Assets-Designated	989,126	989,126	0	0%
Net Income	29,633	167,688	-138,054	-82%
Total Equity	1,290,911	1,261,278	29,633	2%
TOTAL LIABILITIES & EQUITY	1,318,464	1,332,355	-13,891	-1%