

To: Policy Council of the System Dynamics Society  
From: David Andersen, VP Finance  
Subject: VP Finance Narrative Report for July, 2009  
Date: July 22, 2009

*Summary: 2008 was not a good year financially for the System Dynamics Society. We lost slightly over \$98,000 due to poor performance of our investments and an operating loss at the Athens conference. However, the Society remains in strong financial health and we have sufficient reserve assets to make it through such a bad year. (I note that without losses in our investments, we would have run in the black.) Our losses for 2008 appear now to be even greater than those I reported back in January. This is because I have now posted all of the investment losses that were still being processed back in January and because a legally-mandated shift from a cash to an accrual basis has moved some revenues and expenditures out of our 2008 report on to our balance sheet. My proposed budget for 2010 is incomplete because we do not yet have a fully articulated budget for the Korea conference and I am not able to make a reliable prediction of how our investments will perform in 2010. Finally, I present data on how the new tiered dues structure performed in 2008, the first year for which we have data.*

My report this year has two parts. The first part covers a number of general issues that frame the discussion of the several attachments that are described in Part II.

## **Part I: Some General Issues**

**How Did the Society Do Overall in 2008?** Overall, the net assets of the Society declined by \$98,109 in 2008. Our Investments lost \$142,845 and in 2008 the conference in Greece posted a loss of \$35,686. Core operations posted a modest gain of \$4,372 and strong sales of beer games and other products (\$98,481) helped out position quite a bit. If the investment market had not fallen apart, the Society would have run in the black, even with the poor financial performance of the conference in Greece.

**Impact of Revised Accounting Rules on Society Reports.** For some activities, such as conferences and dues collections, the Society's accounts keep track of the year associated with that activity. For example, conference expenses for Athens are tracked separately from conferences for Albuquerque and dues received for 2008 are segregated from dues collected for 2009. Since we now operate on an accrual rather than cash basis revenues and expenditures in the current year associated with an activity in the next year appear on the balance sheet as assets and liabilities not as current revenues and expenditures.

**Impact of Mid-Year Correction to 2009 Budget on this report.** At the winter electronic meeting of the Policy Council we approved a mid-year correction of \$35,000 to the 2009 contract with the University at Albany for the various reasons that I discussed back in January. This correction will appear in the reports for 2009, but is not reflected directly in any of the attachments presented in this report.

**I have “made up” important parts of the Society Budget for 2010.** In particular, I do not have available to me a final and fully integrated budget for the Korean conference. So I invented income and expenditure amounts that would just cover the Society’s projected expenses to put on the conference and leave a \$25,000 net contribution. These figures are my invention, and do not come from the conference planners nor the VP for Meetings. Also, I have made no attempt to estimate a gain (or loss) in our investments for 2010, yielding an implicit estimate of precisely zero net growth in our investment portfolio.

**Data on Impact of Tiered Dues on Society Membership.** I present data on our membership profile for 2008, broken down by membership tiers. I see several things in this data. First, tiered dues has not yet led to any increase in the number of low income members for the Society—this is a yet to be attained goal of this program. Second, the new dues structure appears to generate slightly more revenue from a given cross-section of members, netting about \$4 less per low income member and about \$8 to \$17 more per high income member. That said, since 2007—the high point of Society membership—we have seen about a 10% decline in membership (just about 100 members). I can not attribute this decline to our membership dues structure since it has taken place after the Boston conference and during a period of world-wide financial stress.

## **Part II: Discussion of Society Financial Reports**

### **(1) Key Trends in Society Finances 1984 to Present.**

This plot of key variables over time shows long term financial growth and an overall sound financial situation. Unrestricted assets turned down in 2008 due to poor performance of our investments and the SUNY contract is growing reflecting an expansion of the permanent staff at the home office. Prior to 2008, these staff had been working as consultants and hence were not within the SUNY contract.

### **(2) System Dynamics Society Revenue and Expense Budget Comparison (reflecting final CPA Financial Statement changes) January through December 2008 (reposted from winter PC meeting)**

Attachment #2 is a reposting of the same report that I presented in January with updates. In January I reported investment losses of \$90,626. I now report these losses as \$142,709, reflecting all end-of-the-year reports. Also this revised report moves some revenues and expenses to our balance sheet, reflecting the now mandated shift to accrual accounting for non profit organizations. For example, back in January, I reported the line item “Contract with University Albany” as \$203,356 (the actual amount of the contract for 2008). I now report that line as \$190, 610, reflecting the fact that in 2008 the Society expended \$12,746 worth of effort preparing for the Albuquerque conference, an activity that takes place in 2009.

### **(3) System Dynamics Society Balance Sheet, Previous Year Comparison (unaudited), As of December 31, 2008 (reposted from winter PC meeting).**

Attachment #3 is also a reposting of my previous report from the Winter PC meeting. This attachment has some new entries that I did not report back in January. For example I now report under “Other Current Assets” a line called “Work in Process Conference Cost” (with a value of \$16,294) that accounts for work done in 2008 for future conferences. This figure includes the \$12,746 worth of effort in the contract with the University at Albany plus other pre-payments for the 2009 conference that took place in 2008. Similarly, under “Other Current Liabilities”, I show

a new line called “Deferred Conference Receipts” (\$15,900) that captures income associated with the 2009 conference (mostly earlier payments of sponsorship) that took place in 2008. In addition, my modified balance sheet for 2008 also reflects that poorer-than-previously-reported performance in our investments.

**(4) System Dynamics Society Revenues and Expenditures, Fiscal Year, by Cost Centers (reflecting final CPA Financial Statement changes) January through December 2008.**

I include a new report this year that shows revenues and expenditures by cost centers because I feel it most clearly demonstrates how we are now tracking the Society’s finances and most clearly shows some of the accounting changes that I have been describing in this report. I draw your attention to several of the columns in this report. First, this year we are showing Investments as a separate cost center. In the past, they had been co-mingled with Core Operations. The column labeled “audit” shows clearly and in one place all the changes recommended by our accountant to move some revenues and expenses to the balance sheet to reflect accrual versus cash accounting standards. Finally, the column labeled “IFR Transfers” tracks financial interactions between the Society and the University at Albany’s IFR (Income Fund Reimbursable) account, an account that is used to pay society staff and our on-campus phone and Xerox bill. I seek to always keep a solid firewall between Society and University business, but sometimes being good neighbors requires that some time or effort by staff paid for by the Society winds up supporting what are really University activities. In 2008, we tracked \$369 worth of such activity and we always seek to recover these funds through the IFR.

**(5) THE SYSTEM DYNAMICS SOCIETY, INC. FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (final statements from our CPA).**

Attachment 5 reproduces the audit of our books by our CPA. As I have discussed at several places above, this year our accountant made a number of changes to reflect a shift from cash to accrual accounting. Since this report uses a format that is slightly different from how our Quick Books are set up, I have highlighted in RED two of the “bottom line” figures that cross-check our books with the audit. We are within a dollar or two of rounding error, the largest being that our books show “Total Liabilities and Equity” as \$677,511, and the audit shows “Total net assets” as \$667,509. Close enough, I say.

**(6) 2010 Proposed Budget SYSTEM DYNAMICS SOCIETY.**

Attachment 6 is the proposed budget that I am asking the Policy Council to approve. As I have mentioned above, I have invented two key sets of data and embedded them within this budget (if you are viewing the budget online, invented portions are highlighted in yellow). First, I have not tried to project Investment Income for 2010, yielding an estimate of “unknown” (which really means neither a gain nor a loss). Second, because we do not yet have a fully integrated budget for the 2010 Korean conference, I have listed Conference Expenses Unduplicated in the Society Budget as “No Data” and any data presented for the Korean conference has been invented to have the conference cover projected home office expenses and return a net of \$25,000 to the Society. With these heroic assumptions, my 2010 budget shows a Net Income (increase in unrestricted assets) of \$17,284.

**(7) Proposed Budget by Cost Centers SYSTEM DYNAMICS SOCIETY.**

I always find these views by cost center to be the most interesting way to look at the Society’s finances. This year, I show our investments as their own cost center. What I see in this data is a familiar pattern. Society Core Operations and support for our publication activities are cost

centers that run at a loss and are subsidized by continuing strong sales (mostly of the Beer Game) and the conference and our investments. Since I can not reliably predict the performance of neither the Korean conference nor our Investments, I think that how we will do in 2010 is more or less the roll of a die.

**(8) Data Relating to Analysis of Tiered Dues Structure, 2007-2009.**

Attachment 8 presents figures that report on what has happened from our tiered dues structure. I see three conclusions. First the tiered dues structure has NOT succeeded in attracting more low income members to the society. Second, the tiered dues structure has had very little impact on our net income from a given membership base--the new dues structure has raised somewhat our net income from each high income dues paying member by 8 to 17 dollars and we net about 4 dollars less from each low income member. Third, I show that our membership shows an overall decline of about 10 % between 2007 and 2009 (estimated). Since 2007 was the 50<sup>th</sup> anniversary year in Boston and since we are now experiencing a world-wide financial turn down, I can not connect these slight declines in any sure way to the changes in dues.

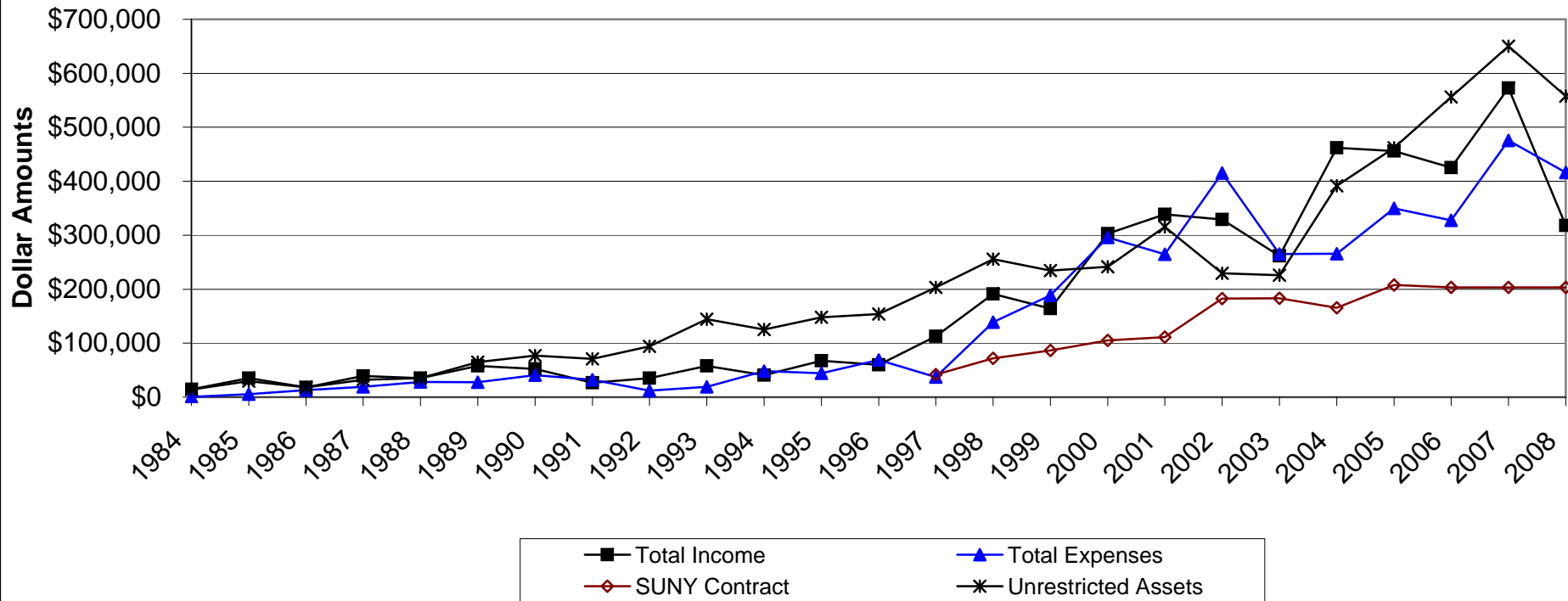
**Attachments:**

- (1) Key Trends in Society Finances 1984 to Present.
- (2) System Dynamics Society Revenue and Expense Budget Comparison  
(reflecting final CPA Financial Statement changes) January through December 2008  
(reposted from winter PC meeting).
- (3) System Dynamics Society Balance Sheet, Previous Year Comparison  
(unaudited), As of December 31, 2008 (reposted from winter PC meeting).
- (4) System Dynamics Society Revenues and Expenditures, Fiscal Year, by Cost Centers  
(reflecting final CPA Financial Statement changes) January through December 2008.
- (5) THE SYSTEM DYNAMICS SOCIETY, INC. FINANCIAL STATEMENTS FOR THE  
YEARS ENDED DECEMBER 31, 2008 AND 2007 (final statements from our CPA).
- (6) 2010 Proposed Budget SYSTEM DYNAMICS SOCIETY.
- (7) 2010 Proposed Budget by Cost Centers SYSTEM DYNAMICS SOCIETY.
- (8) Data Relating to Analysis of Tiered Dues Structure, 2007-2009.

# System Dynamics Society

Attachment (1)

## Key Trends in Society Finances since 1984



## System Dynamics Society

# 07/13/09 Attachment (2) Revenue & Expense, Budget Comparison (unaudited)

Accrual Basis

January through December 2008

	Jan - Dec 08	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
DM Investment Inc	3,073	1,500	1,573	205%
INC Conferences	156,401	244,708	-88,307	64%
Investment Income	-142,709	47,168	-189,877	-303%
Journal Income	43,499	42,107	1,392	103%
Membership Dues	61,696	51,290	10,406	120%
Other Income	-165			
Products	126,092	109,366	16,726	115%
Publications Sales	591	2,721	-2,131	22%
Shipping and Handling Income	25,010	21,873	3,137	114%
Sponsor Dues and Donations	44,375	28,896	15,479	154%
Vendor Collection Credit	3			
<b>Total Income</b>	<b>317,866</b>	<b>549,631</b>	<b>-231,765</b>	<b>58%</b>
<b>Cost of Goods Sold</b>				
Cost of Goods Sold	0			
Beer Game (Management Game)	14,874	21,084	-6,209	71%
Biblio Exp-not COGS as of 2006	0	500	-500	0%
Proceedings	0	750	-750	0%
SD Review Reprints	0	8,000	-8,000	0%
<b>Total COGS</b>	<b>14,874</b>	<b>30,334</b>	<b>-15,459</b>	<b>49%</b>
<b>Gross Profit</b>	<b>302,991</b>	<b>519,297</b>	<b>-216,306</b>	<b>58%</b>
<b>Expense</b>				
Awards	5,097	7,000	-1,903	73%
Awards-Dana Meadows	1,200			
Bank Adjustments (Expense)	1,915	800	1,115	239%
Contract with Univ at Albany	190,610	203,356	-12,746	94%
Credit card fees	12,949	13,411	-462	97%
Depreciation Expense	21	1,500	-1,479	1%
Electronic Presence Support	1,414	1,500	-86	94%
EXP Conferences	98,777	105,063	-6,286	94%
Foreign Taxes	136			
Journal Expense	20,000	20,000	0	100%
Membership Directory Exp	1,872	2,000	-128	94%
Membership Services	1,220	1,218	2	100%
Membership Subsidies	0	3,000	-3,000	0%
Miscellaneous Expense	243	150	93	162%
Office Equipment Purchases	0	7,500	-7,500	0%
Officer Expenses	5,153	13,000	-7,847	40%
Phone, Fax, E-mail Services	0			
Printing & Duplicating	2,215	4,000	-1,785	55%
Product Development	64	1,000	-936	6%
Professional Fees	35,642	75,830	-40,187	47%
Shipping and Postage Expense	21,980	19,191	2,789	115%
Supplies	591	2,000	-1,409	30%
<b>Total Expense</b>	<b>401,100</b>	<b>481,518</b>	<b>-80,418</b>	<b>83%</b>
<b>Net Ordinary Income</b>	<b>-98,109</b>	<b>37,779</b>	<b>-135,888</b>	<b>-260%</b>
<b>Net Income</b>	<b>-98,109</b>	<b>37,779</b>	<b>-135,888</b>	<b>-260%</b>

## System Dynamics Society

# Attachment (3) Balance Sheet, Prev Year Comparison (unaudited)

07/13/09  
Accrual Basis

As of December 31, 2008

	Dec 31, 08	Dec 31, 07	\$ Change	% Change
<b>ASSETS</b>				
<b>Current Assets</b>				
<b>Checking/Savings</b>				
Bank of America Checking	78,343	13,949	64,394	462%
Bank Paypal	495	326	170	52%
Companion Savings - BoA	16,489	16,456	33	0%
Travel Cash	211	611	-399	-65%
UBS Financial (was PaineWebber)	53,024	22,214	30,810	139%
Vanguard Society (88008478957)	438,146	573,150	-135,004	-24%
<b>Total Checking/Savings</b>	586,709	626,705	-39,996	-6%
<b>Accounts Receivable</b>				
Accounts Receivable	1,171	0	1,171	100%
<b>Total Accounts Receivable</b>	1,171	0	1,171	100%
<b>Other Current Assets</b>				
Inventory	10,695	0	10,695	100%
Work In Process Conference Cost	16,294	0	16,294	100%
Prepaid Conf Contract Deposit	16,000	38,938	-22,938	-59%
Undeposited Funds	0	11,273	-11,273	-100%
<b>Total Other Current Assets</b>	42,989	50,211	-7,222	-14%
<b>Total Current Assets</b>	630,869	676,916	-46,047	-7%
<b>Fixed Assets</b>				
Accumulated Depreciation	-11,046	-11,025	-21	-0%
Equipment	11,046	11,046	0	0%
<b>Total Fixed Assets</b>	-0	21	-21	-102%
<b>Other Assets</b>				
UBS DM CD	0	29,492	-29,492	-100%
Vanguard DMA (88006930361)	36,643	43,644	-7,001	-16%
<b>Total Other Assets</b>	36,643	73,136	-36,494	-50%
<b>TOTAL ASSETS</b>	<b>667,511</b>	<b>750,073</b>	<b>-82,562</b>	<b>-11%</b>
<b>LIABILITIES &amp; EQUITY</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
<b>Accounts Payable</b>				
Accounts Payable	1,282	0	1,282	100%
<b>Total Accounts Payable</b>	1,282	0	1,282	100%
<b>Other Current Liabilities</b>				
Deferred Conference Receipts	15,900	0	15,900	100%
Advance on Journal Royalty	5,000	5,000	0	0%
Membership Sub Payable 2005+	19,957	21,823	-1,865	-9%
Sales Tax Payable	314	85	230	272%
<b>Total Other Current Liabilities</b>	41,172	26,907	14,265	53%
<b>Total Current Liabilities</b>	42,454	26,907	15,547	58%
<b>Total Liabilities</b>	42,454	26,907	15,547	58%
<b>Equity</b>				
Net Assets - Restricted (DMA)	67,437	73,136	-5,699	-8%
Net Assets - Unrestricted	655,729	553,032	102,697	19%
Net Income	-98,109	96,998	-195,106	-201%
<b>Total Equity</b>	625,057	723,166	-98,109	-14%
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>667,511</b>	<b>750,073</b>	<b>-82,562</b>	<b>-11%</b>

**System Dynamics Society**  
**Attachment (4) Rev & Exp, Fiscal Yr, by Cost Centers (unaudited)**  
January through December 2008

		y/e adj	2009 ABQ	2008 Greece	MiscConf	Core Ops	Sales	Publication	Investments	DMC	IFR	Transfer	TOTAL
<b>Ordinary Income/Expense</b>													
<b>Income</b>	<b>DM Investment Inc</b>	0	0	0	0	0	0	0	0	3,073		0	3,073
	<b>INC Conferences</b>	-15,900	15,900	156,342	59	0	0	0	0	0		0	156,401
	<b>Investment Income</b>	136	0	0	0	0	0	0	-142,845	0		0	-142,709
	<b>Journal Income</b>	0	0	0	0	31,657	0	11,842	0	0		0	43,499
	<b>Membership Dues</b>	0	0	0	0	61,696	0	0	0	0		0	61,696
	<b>Other Income</b>	0	0	0	0	-197	2	0	0	0		0	-195
	<b>Products</b>	0	0	0	0	0	126,092	0	0	0		0	126,092
	<b>Publications Sales</b>	0	0	0	0	0	401	190	0	0		0	591
	<b>Shipping and Handling Income</b>	0	0	175	0	51	24,784	0	0	0		0	25,010
	<b>Sponsor Dues and Donations</b>	0	0	0	0	44,375	0	0	0	0		0	44,375
	<b>Vendor Collection Credit</b>	0	0	0	0	3	0	0	0	0		0	3
	<b>Total Income</b>	-15,764	15,900	156,517	59	0	151,279	12,032	-142,845	3,073		0	180,251
	<b>Cost of Goods Sold</b>												
	<b>Beer Game (Management Game)</b>	0	0	0	0	0	14,874	0	0	0		0	14,874
	<b>Total COGS</b>	0	0	0	0	0	14,874	0	0	0		0	14,874
	<b>Gross Profit</b>	-15,764	15,900	156,517	59	137,615	136,405	12,032	-142,845	3,073		0	302,992
<b>Expense</b>	<b>Awards</b>	0	0	0	0	5,097	0	0	0	0		0	5,097
	<b>Awards-Dana Meadows</b>	0	0	0	0	0	0	0	0	1,200		0	1,200
	<b>Bank Adjustments (Expense)</b>	-15	15	765	0	1,113	38	0	0	0		0	1,916
	<b>Contract with Univ at Albany</b>	-12,746	12,746	86,143	4,426	86,968	8,875	4,134	0	0		63	190,609
	<b>Credit card fees</b>	-168	168	3,802	1	6,127	3,018	1	0	0		0	12,949
	<b>Depreciation Expense</b>	21	0	0	0	0	0	0	0	0		0	21
	<b>Electronic Presence Support</b>	0	0	0	0	1,414	0	0	0	0		0	1,414
	<b>EXP Conferences</b>	-3,013	3,013	97,782	995	0	0	0	0	0		0	98,777
	<b>Foreign Taxes</b>	136	0	0	0	0	0	0	0	0		0	136
	<b>Journal Expense</b>	0	0	0	0	0	0	20,000	0	0		0	20,000
	<b>Membership Directory Exp</b>	0	0	0	0	0	0	1,872	0	0		0	1,872
	<b>Membership Services</b>	0	0	0	0	1,220	0	0	0	0		0	1,220
	<b>Miscellaneous Expense</b>	0	0	0	0	243	0	0	0	0		0	243
	<b>Officer Expenses</b>	72	0	0	0	4,280	0	801	0	0		0	5,153
	<b>Phone, Fax, E-mail Services</b>	0	0	0	0	0	0	0	0	0		0	0
	<b>Printing &amp; Duplicating</b>	0	0	0	0	2,215	0	0	0	0		0	2,215
	<b>Product Development</b>	0	0	0	0	0	64	0	0	0		0	64
	<b>Professional Fees</b>	858	351	3,535	1,838	22,929	5,196	626	0	0		306	35,639
	<b>Shipping and Postage Expense</b>	0	0	175	0	1,091	20,713	0	0	0		0	21,979
	<b>Supplies</b>	0	0	0	30	541	19	0	0	0		0	590
	<b>Total Expense</b>	-14,855	16,293	192,202	7,290	133,241	37,923	27,434	0	1,200		369	401,097
	<b>Net Ordinary Income</b>	<b>-909</b>	<b>-393</b>	<b>-35,685</b>	<b>-7,231</b>	<b>4,374</b>	<b>98,482</b>	<b>-15,402</b>	<b>-142,845</b>	<b>1,873</b>		<b>-369</b>	<b>-98,105</b>



## Attachment (5)

THE SYSTEM DYNAMICS SOCIETY, INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2008 AND 2007

THE SYSTEM DYNAMICS SOCIETY, INC.  
REPORT ON REVIEW OF FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

CONTENTS

	<u>Page</u>
Accountants' report.....	1
FINANCIAL STATEMENTS	
Statements of financial position.....	2
Statements of activities.....	3
Statements of functional expenses.....	4
Statements of cash flows.....	5
Notes to financial statements.....	6-8

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Policy Council  
The System Dynamics Society, Inc.  
Albany, New York

We have reviewed the accompanying statements of financial position of The System Dynamics Society, Inc., (a non-profit organization) as of December 31, 2008 and 2007 and the related statements of activities, functional expenses and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of The System Dynamics Society, Inc.

A review consists principally of inquiries of Society personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based upon our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

  
Certified Public Accountants

February 4, 2009

THE SYSTEM DYNAMICS SOCIETY, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 95,538	\$ 42,615
Money market mutual funds	18,160	17,678
Marketable securities	442,214	577,686
Accounts receivable	1,171	-
Inventory (at cost)	10,695	-
Prepaid expenses	<u>32,294</u>	<u>38,938</u>
Total current assets	<u>600,072</u>	<u>676,917</u>
PROPERTY		
Furniture and equipment	11,046	11,046
Less: Accumulated depreciation	<u>(11,046)</u>	<u>(11,025)</u>
	-	21
OTHER ASSETS		
Restricted marketable securities	67,437	43,644
Restricted certificate of deposit	<u>-</u>	<u>29,492</u>
	<u>67,437</u>	<u>73,136</u>
Total assets	<u>\$ 667,509</u>	<u>\$ 750,074</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 1,282	-
Deferred revenue	15,900	-
Memberships subscriptions payable	19,957	21,823
Sales tax payable	314	85
Royalty payable	<u>5,000</u>	<u>5,000</u>
Total current liabilities	42,453	26,908
NET ASSETS		
Unrestricted - General fund	\$ 557,619	\$ 650,030
Permanently restricted	<u>67,437</u>	<u>73,136</u>
	<u>625,056</u>	<u>723,166</u>
Total net assets	<u>\$ 667,509</u>	<u>\$ 750,074</u>

See accompanying notes and accountants' report.

THE SYSTEM DYNAMICS SOCIETY, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
Revenues and gains		
Conferences	\$ 156,401	\$ 264,081
Bibliographies and teaching games	125,927	112,409
Donations	44,375	27,595
Membership dues and subscriptions	61,696	93,112
Postage	25,010	19,671
Interest and dividends	17,503	16,830
Publications	44,090	10,560
Unrealized (loss) gain on securities	(152,188)	23,976
Miscellaneous	<u>3</u>	<u>16</u>
Total unrestricted revenues and gains	322,817	568,250
<b>EXPENSES</b>		
Administration	190,610	203,356
Bank fees	14,865	16,812
Conferences	98,777	116,894
Depreciation	21	62
Foreign taxes	136	98
Grants and awards	6,297	6,444
Membership mailings and services	3,092	2,767
Office expenses	2,312	2,111
Professional fees	35,642	61,411
Publications	22,215	20,765
Seminars	-	918
Shipping and postage	21,983	15,484
Teaching game	14,874	22,319
Travel	<u>5,152</u>	<u>6,108</u>
Total expenses	415,976	475,549
<b>(DECREASE) INCREASE IN UNRESTRICTED NET ASSET</b>	<b>(93,159)</b>	<b>92,701</b>
Other changes in permanently restricted net assets		
Interest and dividends	3,073	2,954
Unrealized (loss) gain on securities	<u>(8,024)</u>	<u>1,341</u>
<b>(DECREASE) INCREASE IN PERMANENTLY RESTRICTED NET ASSETS</b>	<b>(4,951)</b>	<b>4,295</b>
<b>NET ASSETS - beginning of year</b>	<b><u>723,166</u></b>	<b><u>626,170</u></b>
<b>NET ASSETS - end of year</b>	<b><u>\$ 625,056</u></b>	<b><u>\$ 723,166</u></b>

Total of these items compares to QB Y/E Rev (Exp) - see also pg 5.

THE SYSTEM DYNAMICS SOCIETY, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008, WITH COMPARATIVE TOTALS FOR 2007

	<u>Program</u> <u>Services</u>	<u>Supporting</u> <u>Services</u>	<u>2008</u>	<u>2007</u>
<b>EXPENSES</b>				
Administration	\$ 95,305	\$ 95,305	\$ 190,610	\$ 203,356
Bank fees	-	14,865	14,865	16,812
Conferences	98,777	-	98,777	116,894
Depreciation	-	21	21	62
Foreign taxes	-	136	136	98
Grants	6,297	-	6,297	6,444
Membership mailings	3,092	-	3,092	2,767
Office expenses	-	2,312	2,312	2,111
Professional fees	11,852	23,790	35,642	61,411
Publications	22,215	-	22,215	20,765
Seminars	-	-	-	918
Shipping and postage	17,586	4,397	21,983	15,484
Teaching game	14,874	-	14,874	22,319
Travel	-	5,152	5,152	6,108
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 269,998</u>	<u>\$ 145,978</u>	<u>\$ 415,976</u>	<u>\$ 475,549</u>

See accompanying notes and accountants' report.

THE SYSTEM DYNAMICS SOCIETY, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Cash received	\$ 456,333	\$ 388,231
Cash paid to suppliers and employees	(404,463)	(417,957)
Interest and dividends	<u>20,576</u>	<u>19,784</u>
Net cash provided (used) by operating activities	72,446	(9,942)
Cash flows from investing activities		
Acquisition of securities	<u>(19,523)</u>	<u>(98,016)</u>
Net cash (used) in investing activities	<u>(19,523)</u>	<u>(98,016)</u>
Net increase (decrease) in cash	52,923	(107,958)
Cash beginning of year	<u>42,615</u>	<u>150,573</u>
Cash at end of year	<u>\$ 95,538</u>	<u>\$ 42,615</u>

Reconciliation of increase in net assets  
used by operating activities

Decrease in net assets	\$ (98,110)
Adjustments to reconcile net income to net cash provided by operating activities	
Add: Depreciation	21
Less: Increase in accounts receivable	(1,171)
Less: Increase in inventory	(10,695)
Add: Decrease in prepaid expenses	6,644
Add: Increase in accounts payable	1,282
Add: Increase in deferred revenue	15,900
Less: Decrease in memberships payable	(1,866)
Add: Increase in sales tax payable	229
Add: Unrealized loss	<u>160,212</u>
Total adjustments	<u>170,556</u>
Cash used by operating activities	<u>\$ 72,446</u>

Net Revenue (Expense)

See accompanying notes and accountants' report.

THE SYSTEM DYNAMICS SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

A. NATURE OF ACTIVITIES

The System Dynamics Society, Inc., incorporated on November 7, 1985, as an international non-profit corporation, was organized to encourage the development and use of system dynamics in solving problems in such areas as environmental change, economic development, social unrest, urban decay, psychology, and physiology.

B. SIGNIFICANT ACCOUNTING POLICIES

Contributed Services – Certain contributed services are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and equipment and depreciation – Property and equipment are recorded at cost. Expenditures for maintenance, repairs, and renewals are charged to expense as incurred whereas betterments are capitalized. Depreciation is computed using accelerated methods over the estimated useful lives of the assets.

Financial statement presentation – Under statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organization*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions – Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Taxes – The Organization is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.



**Attachment (6) 2010 Proposed Budget** *(Conference and Investment Estimates Missing)*  
previous year comparison and % increase/decrease

	2008 Actual Profit /Loss	2009 Budget Proposed	2010 Budget Proposed	% Changed
<b>Income</b>				
<b>Products</b>	125930	114,982	113,756	-1%
<b>Total INC Conferences</b>	156401	204,400	161,524	-21%
<b>Investment Income</b>	-139636	35,478	Unknown	NA
<b>Net Membership Dues</b>	61696	53,567	62,468	17%
<b>Journal Royalty Payments (Wiley)</b>	31657	34,484	34,454	NA
<b>Journal Support from Wiley</b>	11842	9,930	9,860	-1%
<b>Publications Sales</b>	591	700	320	-54%
<b>Shipping and Handling</b>	25010	22,996	22,751	-1%
<b>Sponsor Dues and Donations</b>	44375	26,545	32,965	24%
<b>Conversion from Accrual to Cash</b>	0	0	0	NA
<b>Total Income</b>	317866	503,082	438,098	-13%
<b>Cost of Goods Sold</b>				
<b>Proceedings</b>	0	1,222	423	-65%
<b>Management Game</b>	14874	23,886	23,555	-1%
<b>Reprint Outdated SDR/Proceedings</b>	0	3,685	0	-100%
<b>Total COGS</b>	14874	28,793	23,979	-17%
<b>Gross Profit</b>	302992	474,289	414,120	-13%
<b>Expense</b>				
<b>Awards</b>	6297	6,907	6,705	-3%
<b>Bank Adjustments/Foreign Tax (Expense)</b>	1915	1,269	1,548	22%
<b>Conf Expenses Unduplicated in Society Budget</b>	98777	50,458	No Data	NA
<b>Contract w/ UAlbany</b>				
Office Expenses through UAlbany		23,304	23,200	0%
IFR Indirect Costs		23,964	23,391	-2%
Salaries & Fringe		239,641	233,906	-2%
Adjustments (from previous year)		(13,554)	0	-100%
<b>Total Contract w/ UAlbany</b>	190610	298,355	280,497	-6%
<b>Credit card fees</b>	12949	13,202	13,635	3%
<b>Depreciation Expense</b>	21	633	263	-58%
<b>Electronic Presence Support</b>	1414	813	1,583	95%
<b>Foreign Taxes</b>	136	100	100	0%
<b>Journal Expense</b>	20000	20,000	20,000	0%
<b>Membership Directory Expenses</b>	1872	2,000	2,033	2%
<b>Membership Services (Newsletter)</b>	1220	1,252	1,670	33%
<b>Miscellaneous Expenses (MA fees, gifts)</b>	243	400	250	-38%
<b>Office Equipment Purchases</b>		1,915	40	-98%
<b>Officer Expenses</b>	5153	7,122	6,410	-10%
<b>Phone, Fax, E-mail Services</b>	0	20	0	-100%
<b>Printing &amp; Duplicating</b>	2215	3,229	2,783	-14%
<b>Product Development</b>	64	0	444	NA
<b>Professional Fees</b>	35642	25,876	27,826	8%
<b>Shipping/Postage Expense</b>	21980	20,598	19,751	-4%
<b>Staff Expenses (training)</b>	0	1,500	500	-67%
<b>Staff Salary Market Adjustment</b>	0	12,473	11,000	-12%
<b>Supplies</b>	591	1,920	1,000	-48%
<b>Total Expense</b>	401,097	470,042	398,036	-15%
<b>Net Ordinary Income (restricted/unrestricted assets)</b>	(98,105)	4,247	16,084	279%
Less <b>Restricted DMA donations and interest inc/exp</b>	0	1,500	1,200	-20%
<b>Net Income (unrestricted assets)</b>	(98,105)	5,747	17,284	201%

## Attachment (7) 2010 Proposed Budget by Cost Centers (Conference and Investment Estimates Missing)

	2010 Budget Proposed	Cost Centers					Dana Meadows
		Conferences	Core	Sales	Publications	Investment	
<b>Income</b>							
Products	113,756			113,756			
Total INC Conferences	161,524	161,524					
Investment Income	Unknown					Unknown	
Net Membership Dues	62,468		62,468				
Journal Royalty Payments (Wiley)	34,454		34,454				
Journal Support from Wiley	9,860				9,860		
Publications Sales	320				320		
Shipping and Handling	22,751			22,751			
Sponsor Dues and Donations	32,965		32,965				
Conversion from Accrual to Cash	0						
<b>Total Income</b>	438,098	161,524	129,887	136,507	10,180	0	0
<b>Cost of Goods Sold</b>	0						
Proceedings	423			423			
Management Game	23,555			23,555			
Reprint Outdated SDR/Proceedings	0				0		
<b>Total COGS</b>	23,979			23,979	0		
<b>Gross Profit</b>	414,120	161,524	129,887	112,528	10,180	0	0
<b>Expense</b>							
Awards	6,705		5,505				1200
Bank Adjustments/Foreign Tax Exp	1,548		774	774			
Conf Expenses Unduplicated in Home Office Budget	No Data	No Data					
Contract w/ UAlbany	0						
Office Expenses through UAlbany	23,200	10,029	11,000	1,280	892		
IFR Indirect Costs	23,391	10,111	11,090	1,290	899		
Salaries & Fringe	233,906	101,111	110,902	12,903	8,990		
Adjustments from previous year	0	0	0	0	0		
<b>Total Contract w/ UAlbany</b>	280,497	121,251	132,992	15,474	10,780	0	
Credit card fees	13,635		6,681	6,818	136		
Depreciation Expense	263	114	125	15	10		
Electronic Presence Support	1,583		1,583				
Foreign Taxes	100		100				
Journal Expense	20,000				20,000		
Membership Directory Expenses	2,033				2,033		
Membership Services (Newsletter)	1,670		1,670				
Miscellaneous Expenses (MA fees, gifts)	250		250				
Office Equipment Purchases	40	17	19	2	2		
Officer Expenses	6,410		3,846		2,564		
Phone, Fax, E-mail Services	0		0				
Printing & Duplicating	2,783		1,113	1,113	557		
Product Development	444			444			
Professional Fees	27,826	9,739	9,739	6,957	1,391		
Shipping/Postage Expense	19,751		790	18,171	790		
Staff Expenses (training)	500	216	237	28	19		
Staff Salary Market Adjustment	11,000	4,755	5,215	607	423		
Supplies	1,000	432	474	55	38		
<b>Total Expense</b>	398,036	136,524	171,113	50,456	38,744	0	1200
<b>Net Ordinary Income (restricted/unrestricted)</b>	16,084	25,000	(41,226)	62,072	(28,563)	0	(1,200)
Less Restricted DMA donations & interest inc/exp	1,200						1,200
<b>Net Income (unrestricted assets)</b>	17,284	25,000	(41,226)	62,072	(28,563)	0	0

## Attachment (8) Data Relating to Analysis of Tiered Dues Structure, 2007-2009

### 8-A: Distribution of System Dynamics Society Members by Dues Category in 2008

2008	Members in the tier
E-Tier 1	62
Tier 1	45
E-Tier 2	37
Tier 2	89
E-Tier 3	43
Tier 3	97
E-Tier 4	37
Tier 4	192
E-Tier 5	30
Tier 5	129
E-Tier 6	30
Tier 6	192
E-Student	1
Student	1
E-Regular	4
Regular	10
WSM	7
Sponsor	98
Comp	2
	1106
<b>Current income:</b>	
	<b>\$90,065</b>

### 8-B: Several Indicators of Society Membership and Income Related to Adoption of Tiered Dues Structure (2008 is the first year for which Tiered Dues have been implemented)

Year	Total Society Members	Total Lo Income Members	New Low Income Members	Net Income from Member Dues	Net Income per Lo Income Member	Net Income per Hi Income Member
2007	1152	264	107	\$58,598	\$15	\$60
2008	1106	242	93	\$61,969	\$11	\$68-\$77 *
2009	1056 (est.)	NA	NA	\$58,866 (est.)	\$11 (est.)	\$68-\$77 * (est.)

\* Net Income for Hi Income Members depends on how sponsor memberships are handled in the computation.