

System Dynamics Society
VP Finance
Narrative Report
January 2009 Electronic Meeting
Submitted by David F. Andersen

Summary: This report is based on four financial reports developed each year by the Society's home office staff: (1) Revenue & Expense, 2008 Budget Comparison (2) Revenue & Expense, 2008 & 2007 Comparison, (3) Revenue & Expense, 2008 by Cost Centers, (4) Balance Sheet, 2008 & 2007 Comparison. The narrative below gives the highlights that I find in these four reports. Overall the Society had a pretty bad year financially, posting a loss of \$56,525 (This is actually an underestimate of what we really lost. The Society spent \$29,776 more in 2008 to support staff on a University at Albany (UAlbany) account than we had anticipated due to a budgeting error back in 2007.) We ended the year with total assets of \$693,523, down 8% from \$750,073 at the same time last year. All of my figures and reports are unaudited and may change somewhat after being reviewed by the CPA. For example, this is the first year that our investments have shown a dramatic decline and our CPA may advise us to post these losses as something other than "negative revenue".

So What Happened Overall? In a nutshell, two major factors dominate our financial performance. First our investments lost around \$90,000. Second, the Athens conference lost about \$35,000 in this calendar (in addition to the \$20,000 that it lost in the previous years running up the conference costs before it had any income). Aside from these two factors, the rest of the Society posted a modest surplus of around \$69,000. The rest of my report is devoted to a more detailed look at each of the attached reports.

Narrative on Revenue & Expense, 2008 Budget Comparison. At the Boston meeting, I forecasted that in 2008 the Society would post a surplus of \$45,779. Last January, we revised the Journal Expenses line up by \$8,000 retroactively to include the calendar year 2008 yielding a revised budgeted surplus of \$37,779. We did not meet the budgeted surplus. Here are some factors that contributed to this difference:

1. Investment incomes were \$137,794 less than projected (phew!).
2. Conferences income was down \$62,707; posted expenses against the conference line were also down, by \$6,359, yielding a net loss against the projected budget of \$56,348.
3. The sum of sales plus shipping income from sales was \$18,685 better than projected.
4. We did not make budgeted office equipment purchases, saving \$7,500.
5. Officer expenses were below budgeted amounts by \$7,919. (There was \$5,000 in the budget for staff training that was not used.)
6. Professional Fees shows a savings of \$41,296 but this is misleading. In the 2008 budget Robin Langer was included as an outside contractor. She was added to the UAlbany payroll in April 2008, therefore the account with UAlbany ran over by \$29,776. In addition, the 2007 market salary adjustments budgeted at \$11,234 were not paid out to our staff.
7. Other expense categories such as printing and duplication, supplies, etc. were below what was budgeted.

Narrative on Revenue & Expense, 2008 & 2007 Comparison. A small number of budget lines tell most of the story of our comparison report between 2007 and 2008:

1. Membership dues were down slightly reflecting a decline in membership that I attribute to low attendance at the Athens conference.
2. Sponsor dues appear to be up by \$27,595. They are not actually up, but the accrual-based payment pattern makes it look as if they were. Sponsorship was actually down by \$2,310.
3. Our investment income took a nose-dive, posting a revenue loss of \$90,626. (I am not sure if I have posted these losses in assets correctly).
4. Conference income and expenses were down. Analysis that is not shown on this page of my report reveals that the Athens conference lost \$35,685 this year.

5. Professional fees appear to have dropped by \$34,561 from 2007. However, about \$29,776 of these “savings” was transferred to the Contract with the University at Albany to pay Robin Langer on that account. Because we did not correctly anticipate and budget for this shift back in 2007 when we were drawing up the contract with UAlbany, I now anticipate that our account at UAlbany will be drawn negative in 2009 unless this error is corrected.

Narrative Summary of Revenue & Expense, 2008 by Cost Centers. The pattern that I see in the revenue and expense by cost centers has changed this year due to the large loss at the Athens conference and our loss of assets in our investment accounts. Every cost center except for sales posted a loss of some sort. Core operations would have operated in the black, but the total loss of assets in our investments was posted against core operations.

Narrative Summary of Balance Sheet, 2008 & 2007 Comparison. The balance sheet shows that in 2008 the Society’s total equity declined by \$56,550 or about 8%. I see this loss as composed roughly of a \$90,000 asset loss due to conditions in the financial markets and \$35,000 lost this year at the Athens conference, with both losses partially offset by a surplus in all other areas of Society operations of around \$68,450.

Attachments:

1. Revenue & Expense, 2008 Budget Comparison (unaudited)
2. Revenue & Expense, 2008 & 2007 Comparison (unaudited)
3. Revenue & Expense, 2008 by Cost Centers (unaudited)
4. Balance Sheet, 2008 & 2007 Comparison (unaudited)

01/06/09
Accrual Basis

System Dynamics Society

(1) Revenue & Expense, 2008 Budget Comparison (unaudited)

January through December 2008

	Jan - Dec 08	Budget	\$ Over Bu...	% of Budget
Ordinary Income/Expense				
Income				
DM Investment Inc	2,633	1,500	1,133	176%
INC Conferences	169,251	244,708	-75,457	69%
Investment Income	-90,626	47,168	-137,794	-192%
Journal Income	11,842	42,107	-30,265	28%
Membership Dues	91,723	51,290	40,432	179%
Other Income	2			
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			
Conversion from Accrual to Cash	-165			
Total Income	380,730	549,631	-168,901	69%
Cost of Goods Sold				
Cost of Goods Sold	0			
Beer Game (Management Game)	25,570	21,084	4,486	121%
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%
Total COGS	25,570	30,334	-4,764	84%
Gross Profit	355,160	519,297	-164,137	68%
Expense				
Awards	5,097	7,000	-1,903	73%
Awards-Dana Meadows	1,200			
Bank Adjustments (Expense)	1,749	800	949	219%
Contract with Univ at Albany	203,356	203,356	0	100%
Credit card fees	12,536	13,411	-876	93%
Depreciation Expense	0	1,500	-1,500	0%
Electronic Presence Support	1,351	1,500	-149	90%
EXP Conferences	98,704	105,063	-6,359	94%
Interest Exp	-0			
Journal Expense	20,000	20,000	0	100%
Membership Directory Exp	1,716	2,000	-284	86%
Membership Services	1,220	1,218	2	100%
Membership Subsidies	0	3,000	-3,000	0%
Miscellaneous Expense	289	150	139	192%
Office Equipment Purchases	0	7,500	-7,500	0%
Officer Expenses	5,081	13,000	-7,919	39%
Phone, Fax, E-mail Services	0			
Printing & Duplicating	2,215	4,000	-1,785	55%
Product Development	64	1,000	-936	6%
Professional Fees	34,561	75,830	-41,269	46%
Shipping and Postage Expense	22,016	19,191	2,825	115%
Supplies	532	2,000	-1,468	27%
Total Expense	411,685	481,518	-69,833	85%
Net Ordinary Income	-56,525	37,779	-94,304	-150%
Net Income	-56,525	37,779	-94,304	-150%

01/06/09
Accrual Basis

System Dynamics Society
(2) Revenue & Expense, 2008 & 2007 Comparison (unaudited)
January through December 2008

	Jan - Dec 08	Jan - Dec 07	% Change
Ordinary Income/Expense			
Income			
DM Investment Inc	2,633	2,954	-11%
INC Conferences	169,251	264,081	-36%
Investment Income	-90,626	42,147	-315%
Journal Income	11,842	9,860	20%
Membership Dues	91,723	93,112	-2%
Other Income	2	0	100%
Products	126,092	112,272	12%
Publications Sales	591	700	-16%
Shipping and Handling Income	25,010	19,671	27%
Sponsor Dues and Donations	44,375	27,595	61%
Vendor Collection Credit	3	16	-84%
Conversion from Accrual to Cash	-165	137	-220%
Total Income	380,730	572,544	-34%
Cost of Goods Sold			
Cost of Goods Sold	0	0	0%
Beer Game (Management Game)	25,570	22,319	15%
Electronic Oracle	0	4,843	-100%
Proceedings	0	918	-100%
SD Review Reprints	0	2,167	-100%
Total COGS	25,570	30,247	-16%
Gross Profit	355,160	542,298	-35%
Expense			
Awards	5,097	5,244	-3%
Awards-Dana Meadows	1,200	1,200	0%
Bank Adjustments (Expense)	1,749	3,240	-46%
Contract with Univ at Albany	203,356	203,356	0%
Credit card fees	12,536	13,572	-8%
Depreciation Expense	0	62	-100%
Electronic Presence Support	1,351	1,323	2%
EXP Conferences	98,704	116,894	-16%
Foreign Taxes	0	98	-100%
Interest Exp	-0	0	-100%
Journal Expense	20,000	12,000	67%
Membership Directory Exp	1,716	1,812	-5%
Membership Services	1,220	955	28%
Miscellaneous Expense	289	244	19%
Office Equipment Purchases	0	159	-100%
Officer Expenses	5,081	6,108	-17%
Phone, Fax, E-mail Services	0	20	-100%
Printing & Duplicating	2,215	1,755	26%
Product Development	64	0	100%
Professional Fees	34,561	61,411	-44%
Shipping and Postage Expense	22,016	15,483	42%
Supplies	532	365	46%
Total Expense	411,685	445,300	-8%
Net Ordinary Income	-56,525	96,998	-158%
Other Income/Expense			
Other Expense			
Prior Period Adjustment	0	0	0%
Total Other Expense	0	0	0%
Net Other Income	0	0	0%
Net Income	-56,525	96,998	-158%

System Dynamics Society (3) Revenue & Expense, 2008 by Cost Centers (unaudited)

January through December 2008

	2009ALQ	2008ATH	MiscConf	Core Ops	Sales	Publication	Web	DMC	IFR Tran	TOTAL
Ordinary Income/Expense										
Income										
DM Investment Inc	0	0	0	0	0	0	0	2,633	0	2,633
INC Conferences	15,900	153,292	59	0	0	0	0	0	0	169,251
Investment Income	0	0	0	-84,939	0	0	0	-5,687	0	-90,626
Journal Income	0	0	0	0	0	11,842	0	0	0	11,842
Membership Dues	0	0	0	91,723	0	0	0	0	0	91,723
Other Income	0	0	0	0	2	0	0	0	0	2
Products	0	0	0	0	126,092	0	0	0	0	126,092
Publications Sales	0	0	0	0	591	0	0	0	0	591
Shipping and Handling Income	0	175	0	0	24,835	0	0	0	0	25,010
Sponsor Dues and Donations	0	0	0	44,375	0	0	0	0	0	44,375
Vendor Collection Credit	0	0	0	3	0	0	0	0	0	3
Conversion from Accrual to Cash	0	0	0	-165	0	0	0	0	0	-165
Total Income	15,900	153,467	59	50,997	151,520	11,842	0	-3,054	0	380,731
Cost of Goods Sold										
Beer Game (Management Game)	0	0	0	0	25,570	0	0	0	0	25,570
Total COGS	0	0	0	0	25,570	0	0	0	0	25,570
Gross Profit	15,900	153,467	59	50,997	125,950	11,842	0	-3,054	0	355,161
Expense										
Awards	0	0	0	5,097	0	0	0	0	0	5,097
Awards-Dana Meadows	0	0	0	0	0	0	0	1,200	0	1,200
Bank Adjustments (Expense)	15	765	0	926	43	0	0	0	0	1,749
Contract with Univ at Albany	12,746	86,143	4,426	74,127	8,875	4,134	12,841	0	63	203,355
Credit card fees	139	3,802	1	5,709	2,883	1	0	0	0	12,535
Electronic Presence Support	0	0	0	0	0	0	1,351	0	0	1,351
EXP Conferences	2,978	94,732	995	0	0	0	0	0	0	98,705
Journal Expense	0	0	0	0	0	20,000	0	0	0	20,000
Membership Directory Exp	0	0	0	0	0	1,716	0	0	0	1,716
Membership Services	0	0	0	1,220	0	0	0	0	0	1,220
Miscellaneous Expense	0	0	0	289	0	0	0	0	0	289
Officer Expenses	0	0	0	4,280	0	801	0	0	0	5,081
Printing & Duplicating	0	0	0	2,215	0	0	0	0	0	2,215
Product Development	0	0	0	0	64	0	0	0	0	64
Professional Fees	351	3,535	1,838	19,925	5,196	836	2,573	0	306	34,560
Shipping and Postage Expense	36	175	0	1,091	20,713	0	0	0	0	22,015
Supplies	0	0	30	502	0	0	0	0	0	532
Total Expense	16,265	189,152	7,290	115,381	37,774	27,488	16,765	1,200	369	411,684
Net Income	-365	-35,685	-7,231	-64,384	88,176	-15,646	-16,765	-4,254	-369	-56,525

01/06/09
Accrual Basis

System Dynamics Society
(4) Balance Sheet, 2008 & 2007 Comparison (unaudited)
As of December 31, 2008

	Dec 31, 08	Dec 31, 07	\$ Change	% Change
ASSETS				
Current Assets				
Checking/Savings				
Bank of America Checking	78,656	13,949	64,707	464%
Bank Paypal	-57	326	-382	-117%
Companion Savings - BoA	16,482	16,456	27	0%
Travel Cash	211	611	-399	-65%
UBS Financial (was PaineWebber)	52,920	22,214	30,706	138%
Vanguard Society (88008478957)	488,174	573,150	-84,976	-15%
Total Checking/Savings	636,388	626,705	9,683	2%
Accounts Receivable				
Accounts Receivable	1,103	0	1,103	100%
Total Accounts Receivable	1,103	0	1,103	100%
Other Current Assets				
Prepaid Conference Fees	16,000	38,938	-22,938	-59%
Undeposited Funds	1,434	11,273	-9,839	-87%
Total Other Current Assets	17,434	50,211	-32,778	-65%
Total Current Assets	654,925	676,916	-21,991	-3%
Fixed Assets				
Accumulated Depreciation	-11,025	-11,025	0	0%
Equipment	11,046	11,046	0	0%
Total Fixed Assets	21	21	0	0%
Other Assets				
UBS DM CD	0	29,492	-29,492	-100%
Vanguard DMA (88006930361)	38,578	43,644	-5,066	-12%
Total Other Assets	38,578	73,136	-34,559	-47%
TOTAL ASSETS	693,523	750,073	-56,550	-8%
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Other Current Liabilities				
Advance on Journal Royalty	5,000	5,000	0	0%
Membership Sub Payable 2005+	21,568	21,823	-255	-1%
Sales Tax Payable	314	85	230	272%
Total Other Current Liabilities	26,882	26,907	-25	-0%
Total Current Liabilities	26,882	26,907	-25	-0%
Total Liabilities	26,882	26,907	-25	-0%
Equity				
Net Assets - Restricted (DMA)	73,136	73,136	0	0%
Net Assets - Unrestricted	650,030	553,032	96,998	18%
Net Income	-56,525	96,998	-153,522	-158%
Total Equity	666,641	723,166	-56,525	-8%
TOTAL LIABILITIES & EQUITY	693,523	750,073	-56,550	-8%