

System Dynamics Society
VP Finance
Narrative Report
January 2011 Meeting
Submitted by David F. Andersen

Summary: This report is based on three financial reports developed each year by the Society's home office staff: (1) Revenue & Expense, 2010 Budget Comparison (2) Revenue & Expense, 2010 & 2009 Comparison, (3) Revenue & Expense, 2010 by Cost Centers. I have not included a draft balance sheet this year because I expect that our final balance sheet will change after final year-end adjustments are made by our CPA (our unaudited total assets as of December 31, 2010 are \$864,113). Indeed, all of my figures and reports are unaudited and will change somewhat after being reviewed.

I am presenting an abbreviated report this winter--I am on sabbatical leave and not able to attend the Winter PC meeting in person. I thank the home office staff, Roberta Spencer, Robin Langer, and Navid Ghaffarzadegan for their help in putting this and other financial reports together.

So What Happened Overall? In a nutshell, the Society is performing well financially. Three major factors dominate these financial reports. First our investments performed well. Second, the Korea conference performed well and was able to contribute to our financial success this year (my thanks to the hard work of the Korean organizing committee). Third, our beer game sales are the lowest in over 12 years, and declining over the past two years. We continue employing the full accrual accounting method and hence I expect to see some changes after our end of the year investments are posted and we have accrual adjustments made in our audit review.

Narrative on Revenue & Expense, 2010 Budget Comparison. Compared to our budget for last year, we have done better than expected. When including our investment income, the report shows we performed quite well last year. I am sure that after our CPA's review of our books, some of these figures will move about—I will update these figures at the annual meeting next summer.

Narrative on Revenue & Expense, 2010 & 2009 Comparison. When I compare 2010 to 2009, I see that the Society had less revenue and fewer expenses in 2010 than in 2009--much of this is related to a smaller conference. I draw you attention to several features of this report that summarizes how the Society performed in 2010:

1. Conference income, conference expense and Professional Fees are all lower due to a smaller conference.
2. Although sponsor dues and donations continue to be stable in each sponsorship year, due to accrual in the calendar year we show a decline in 2010.
3. Due to slow beer game sales over the past two years, there have been no major cost of goods expenses.
4. Under "Contracted Expenses at UAlbany", the amount for 2010 are more stable since the accrual adjustments are starting to balance out. As for the past few years, we will no longer see the expenditures being just equal to the actually contracted amounts shown in the annual budget.
5. Credit card fees are lower because we have renegotiated our contract.
6. Shipping and Postage Expenses are now bundled in with the "Contracted Expenses at UAlbany" for more competitive prices through the NY State contract.

Narrative Summary of Revenue & Expense, 2010 by Cost Centers. The Revenue and Expense report broken out by Cost Centers shows a continuing pattern of cross-subsidy between various areas of Society operations. As has always been the case, our Core Operations, those expenses necessary to keep the home office operating (not counting costs associated with running our conferences) is subsidized by other activities of the Society. Note that the "Investment" cost center is now providing a significant subsidy to other areas of activity within

the Society, especially core operations. Indeed, were it not for the strong performance of our investments, the Society would be performing at a loss for 2010.

Other Financial Issues—Investment and Cash Flow Policies. I continue to work with the Administrative Committee to fine tune two aspects of the Society’s performance. First, a sub-committee of the Administrative Committee is working on a formal draft of the Society’s investment policies as well as a possible change in our professional investment advising consultant. Second, I am also working with the home office and the Administrative Committee to look into cash flow policies and procedures. The Society’s expenses and income are not evenly paced throughout the year and we are now relying on some investment income to support all other operations. Hence, from time to time it will continue to be necessary to move funds back and forth between our most liquid cash accounts and some of our investment accounts. I plan to provide more details on each of these on-going studies with the Administrative Committee in future reports to the Policy Council.

Attachments:

1. Revenue & Expense, 2010 Budget Comparison (Pre CPA Year-End Adjustments)
2. Revenue & Expense, 2010 & 2009 Comparison (Pre CPA Year-End Adjustments)
3. Revenue & Expense, 2010 by Cost Centers (Pre CPA Year-End Adjustments)

02/08/11
Accrual Basis

System Dynamics Society

#1 Rev & Exp Budget Compare (Pre CPA Year-End Adj)

January through December 2010

	Jan - Dec 10	Budget	\$ Over Bu...	% of Budget
Ordinary Income/Expense				
Income				
DM Investment Inc	2,490	1,200	1,290	208%
INC Conferences	173,561	161,524	12,037	107%
Investment Income	102,963	17,000	85,963	606%
Journal Income	56,292	44,314	11,978	127%
Membership Dues	58,741	62,468	-3,727	94%
Products	67,970	113,756	-45,786	60%
Publications Sales	1,620	320	1,300	506%
Shipping and Handling Income	17,691	22,751	-5,060	78%
Sponsor Dues and Donations	18,500	32,965	-14,465	56%
Vendor Collection Credit	1			
Total Income	<u>499,827</u>	<u>456,298</u>	<u>43,529</u>	<u>110%</u>
Cost of Goods Sold				
Beer Game (Management Game)	10,331			
Cost of Goods Sold	0	23,979	-23,979	0%
Elec Oracle	526			
Fireside Chat	-1,627			
Forrester PhD Seminar Series	1,985			
MIT Collection	-1,001			
Proceedings	0			
Total COGS	<u>10,214</u>	<u>23,979</u>	<u>-13,765</u>	<u>43%</u>
Gross Profit	489,613	432,319	57,294	113%
Expense				
Awards	6,900	6,705	195	103%
Awards-Dana Meadows	1,200			
Bank Adjustments (Expense)	1,544	1,548	-4	100%
Contracted Expenses at UAlbany	261,719	280,497	-18,778	93%
Credit card fees	8,054	14,473	-6,419	56%
Depreciation Expense	0	263	-263	0%
Electronic Presence Support	867	1,583	-716	55%
EXP Conferences	62,350			
Foreign Taxes	81	100	-20	81%
Insurance	1,354			
Journal Expense	20,000	20,000	0	100%
Membership Directory Exp	2,074	2,033	41	102%
Membership Services	1,060	1,670	-610	63%
Miscellaneous Expense	1,805	250	1,555	722%
Office Equipment Purchases	0	40	-40	0%
Officer Expenses	5,417	6,910	-1,493	78%
Printing & Duplicating	1,005	2,783	-1,778	36%
Product Development	0	444	-444	0%
Professional Fees	32,338	38,826	-6,488	83%
Shipping and Postage Expense	1,684	19,751	-18,067	9%
Supplies	1,016	1,000	16	102%
Uncategorized Expenses	0	25,000	-25,000	0%
Total Expense	<u>410,467</u>	<u>423,876</u>	<u>-13,409</u>	<u>97%</u>
Net Ordinary Income	<u>79,147</u>	<u>8,443</u>	<u>70,704</u>	<u>937%</u>
Net Income	<u><u>79,147</u></u>	<u><u>8,443</u></u>	<u><u>70,704</u></u>	<u><u>937%</u></u>

02/08/11
Accrual Basis

System Dynamics Society

#2 Rev & Exp Prev Year Compare (Pre CPA Year-End Adj)

January through December 2010

	Jan - Dec 10	Jan - Dec 09	% Change
Ordinary Income/Expense			
Income			
DM Investment Inc	2,490	1,833	36%
INC Conferences	173,561	233,148	-26%
Investment Income	102,963	103,461	-1%
Journal Income	56,292	51,963	8%
Membership Dues	58,741	57,389	2%
Other Income	0	0	0%
Products	67,970	70,887	-4%
Publications Sales	1,620	750	116%
Shipping and Handling Income	17,691	13,878	28%
Sponsor Dues and Donations	18,500	30,125	-39%
Vendor Collection Credit	1	17	-96%
Total Income	499,827	563,450	-11%
Cost of Goods Sold			
Beer Game (Management Game)	10,331	12,578	-18%
Cost of Goods Sold	0	0	0%
Elec Oracle	526	-2,763	119%
Fireside Chat	-1,627	-198	-722%
Forrester PhD Seminar Series	1,985	-5,973	133%
MIT Collection	-1,001	-80	-1,155%
Proceedings	0	0	0%
Total COGS	10,214	3,564	187%
Gross Profit	489,613	559,886	-13%
Expense			
Awards	6,900	0	100%
Awards-Dana Meadows	1,200	1,200	0%
Bank Adjustments (Expense)	1,544	2,404	-36%
Contracted Expenses at UAlbany	261,719	253,739	3%
Credit card fees	8,054	12,688	-37%
Electronic Presence Support	867	976	-11%
EXP Conferences	62,350	92,754	-33%
Foreign Taxes	81	58	39%
Insurance	1,354	0	100%
Journal Expense	20,000	20,000	0%
Membership Directory Exp	2,074	1,958	6%
Membership Services	1,060	2,765	-62%
Miscellaneous Expense	1,805	253	612%
Officer Expenses	5,417	5,955	-9%
Phone, Fax, E-mail Services	0	10	-100%
Printing & Duplicating	1,005	1,805	-44%
Professional Fees	32,338	40,284	-20%
Shipping and Postage Expense	1,684	10,290	-84%
Supplies	1,016	1,336	-24%
Total Expense	410,467	448,475	-9%
Net Ordinary Income	79,147	111,412	-29%
Net Income	79,147	111,412	-29%

System Dynamics Society
#3 Rev & Exp, Fiscal Yr, by Cost Centers (Pre CPA Year-End Adjustments)
 January through December 2010

		y/e adj	2011 DC	2010 Korea	2014	2013	2012	2009	MiscC onf	Core	Sales	Publication	Investmnts	DMC	IFR Tnfr	TOTAL
Ordinary Income/Expense																
Income	DM Investment Inc	0	0	0	0	0	0	0	0	0	0	0	0	2,490	0	2,490
	INC Conferences	-7,150	9,150	169,742	0	0	0	313	1,506	0	0	0	0	0	0	173,561
	Investment Income	81	0	0	0	0	0	0	0	16	0	0	99,879	2,988	0	102,964
	Journal Income	0	0	0	0	0	0	0	0	0	0	56,292	0	0	0	56,292
	Membership Dues	0	0	0	0	0	0	0	0	58,741	0	0	0	0	0	58,741
	Products	0	0	0	0	0	0	0	0	0	67,970	0	0	0	0	67,970
	Publications Sales	0	0	0	0	0	0	0	0	0	510	1,110	0	0	0	1,620
	Shipping and Handling Income	0	0	120	0	0	0	0	0	0	17,571	0	0	0	0	17,691
	Sponsor Dues and Donations	-22,100	0	0	0	0	0	0	0	40,600	0	0	0	0	0	18,500
	Total Income	-29,169	9,150	169,862	0	0	0	313	1,506	99,357	86,051	57,402	99,879	5,478	0	499,829
	Total COGS	0	0	0	0	0	0	0	0	0	10,214	0	0	0	0	10,214
	Gross Profit	-29,169	9,150	169,862	0	0	0	313	1,506	99,357	75,837	57,402	99,879	5,478	0	489,615
Expense	Awards	0	0	0	0	0	0	0	0	6,900	0	0	0	0	0	6,900
	Awards-Dana Meadows	0	0	0	0	0	0	0	0	0	0	0	0	1,200	0	1,200
	Bank Adjustments (Expense)	-1	0	-181	0	0	1	0	0	1,650	0	0	75	0	0	1,544
	Contracted Expenses at UAlbany	-7,484	19,314	78,320	1,026	3,078	4,103	0	0	129,604	19,427	13,825	0	0	507	261,720
	Credit card fees	18	7	1,549	0	0	0	0	0	5,541	934	3	0	0	0	8,052
	Electronic Presence Support	0	0	0	0	0	0	0	0	867	0	0	0	0	0	867
	EXP Conferences	-2,582	3,131	60,493	0	54	1,254	0	0	0	0	0	0	0	0	62,350
	Foreign Taxes	81	0	0	0	0	0	0	0	0	0	0	0	0	0	81
	Insurance	0	0	0	0	0	0	0	0	1,354	0	0	0	0	0	1,354
	Journal Expense	0	0	0	0	0	0	0	0	0	0	20,000	0	0	0	20,000
	Membership Directory Exp	0	0	0	0	0	0	0	0	0	0	2,074	0	0	0	2,074
	Membership Services	0	0	0	0	0	0	0	0	1,060	0	0	0	0	0	1,060
	Miscellaneous Expense	0	0	0	0	0	0	0	0	1,805	0	0	0	0	0	1,805
	Officer Expenses	11	0	0	0	0	0	0	0	3,185	0	2,222	0	0	0	5,418
	Printing & Duplicating	5	0	0	0	0	0	0	0	845	155	0	0	0	0	1,005
	Professional Fees	2,386	368	2,634	0	0	0	13	0	23,363	3,517	57	0	0	0	32,338
	Shipping and Postage Expense	-41	0	0	0	0	0	0	0	1,353	372	0	0	0	0	1,684
	Supplies	2	0	0	0	0	0	0	0	1,014	0	0	0	0	0	1,016
	Total Expense	-7,605	22,820	142,815	1,026	3,132	5,358	13	0	178,541	24,405	38,181	75	1,200	507	410,468
	Net Ordinary Income	-21,564	-13,670	27,047	-1,026	-3,132	-5,358	300	1,506	-79,184	51,432	19,221	99,804	4,278	-507	79,147