

**System Dynamics Society**  
**VP Finance Narrative Report**  
**Re FYE 2016**  
**March 2017 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, 2016 & 2015 Comparison, and (2) Balance Sheet, 2016 & 2015 Comparison. A full report with more detailed reports will be presented at the July Policy Council meeting.*

**How Did the Society Do Overall in 2016?** The Society experienced a relatively poorer financial performance in 2016 due to several factors. First, the conference in Delft was a smaller conference and hence did not perform as well financially. Second, the journal's performance has been lackluster in real terms exacerbated by the poor exchange rate between the UK and the US. Finally, the Home Office experienced unplanned turnover in key staff this fall leading to substantial expenses necessary to hire temporary personnel. Fortunately, I expect that our assets will perform substantially better in 2016 than they did in 2015. When all this is added up, we will still experience a loss in overall Net Income. That said, the Society still maintains substantial cash reserves of over \$1.2 million and is well positioned to enter into our upcoming transition.

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 2016 report will continue to happen for some time. I predict that when everything is properly accounted for the Society will close out 2016 with a substantial loss in Net Ordinary Income even greater than our final numbers for 2015.

If members of the society, its officers, or members of the PC have additional questions about how the Society performed in 2016, 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, our activities have focused primarily on the transition of the Home Office's location:

- **Transition Planning.** Transition planning has progressed very well. I hope that the PC approves the proposed plans of the transition committee so that we can begin working on details of the transition of the Home Office from the University at Albany to Capitol Hill Management Service.
- **I Plan on Stepping Down as VP Finance on January 1, 2018.** Last year at this time, I announced that I would be stepping down as VP Finance "in an orderly fashion". I believe that the transition will be well advanced by the end of this year, and it is time for the Society to seek new financial leadership.

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, 2016 & 2015 Comparison (Pre CPA Year-End Adjustments and Review)
2. Balance Sheet, 2016 & 2015 Comparison (Pre CPA Year-End Adjustments and Review)

02/14/17  
Accrual Basis

**System Dynamics Society**  
**(1) Rev & Exp, Prev Year Comparison (Pre CPA Y/E Adj-Audit)**  
**January through December 2016**

	<u>Jan - Dec 16</u>	<u>Jan - Dec 15</u>	<u>\$ Change</u>	<u>% Ch...</u>
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
<b>INC Conferences</b>	235,168	302,726	-67,558	-22%
<b>Journal Income</b>	68,263	85,173	-16,909	-20%
<b>Membership Dues</b>	59,766	61,249	-1,483	-2%
<b>Other Income</b>	17	4,776	-4,759	-100%
<b>Products</b>	48,521	48,937	-416	-1%
<b>Shipping and Handling Income</b>	7,191	8,155	-964	-12%
<b>Sponsor Dues and Donations</b>	30,647	46,590	-15,943	-34%
<b>Summer School Income</b>	39,157	9,300	29,857	321%
<b>Total Income</b>	<u>488,730</u>	<u>566,906</u>	<u>-78,176</u>	<u>-14%</u>
<b>Cost of Goods Sold</b>				
<b>Cost of Goods</b>	7,994	9,830	-1,835	-19%
<b>Total COGS</b>	<u>7,994</u>	<u>9,830</u>	<u>-1,835</u>	<u>-19%</u>
<b>Gross Profit</b>	480,735	557,076	-76,341	-14%
<b>Expense</b>				
<b>Awards-Dana Meadows</b>	0	2,000	-2,000	-100%
<b>Awards-Others</b>	6,265	9,776	-3,511	-36%
<b>Bank &amp; CC Fees</b>	17,347	14,440	2,907	20%
<b>Field Dev (\$20K Max)</b>	3,500	12,500	-9,000	-72%
<b>Contracted Expenses at UAlbany</b>	358,872	341,827	17,045	5%
<b>EXP Conferences</b>	103,050	140,954	-37,904	-27%
<b>Insurance</b>	5,038	5,313	-275	-5%
<b>Journal Expense</b>	20,000	20,000	0	0%
<b>Marketing (Sponsor Trade)</b>	2,000	2,000	0	0%
<b>Miscellaneous Expense</b>	883	712	171	24%
<b>Office Expense</b>	3,146	5,818	-2,672	-46%
<b>Officer Expenses (=Travel CPA)</b>	12,839	4,644	8,194	177%
<b>PHD Stud Chapt Support @ Conf</b>	0	2,982	-2,982	-100%
<b>Professional Fees</b>	68,249	50,096	18,153	36%
<b>Summer School Expense</b>	32,872	7,710	25,162	326%
<b>Total Expense</b>	<u>634,062</u>	<u>620,773</u>	<u>13,288</u>	<u>2%</u>
<b>Net Ordinary Income</b>	-153,327	-63,697	-89,629	-141%
<b>Other Income/Expense</b>				
<b>Other Income</b>				
<b>Investment Income</b>	113,908	-23,517	137,425	584%
<b>DM Investment Inc</b>	2,605	2,452	152	6%
<b>Total Other Income</b>	<u>116,512</u>	<u>-21,065</u>	<u>137,577</u>	<u>653%</u>
<b>Net Other Income</b>	<u>116,512</u>	<u>-21,065</u>	<u>137,577</u>	<u>653%</u>
<b>Net Income</b>	<u><u>-36,814</u></u>	<u><u>-84,762</u></u>	<u><u>47,948</u></u>	<u><u>57%</u></u>

02/14/17  
Accrual Basis

**System Dynamics Society**  
**(2) Balance Sheet, Prev Yr Comparison (PreCPA Y/E Adj-Aud.)**  
**As of December 31, 2016**

	<u>Dec 31, 16</u>	<u>Dec 31, 15</u>	<u>\$ Change</u>	<u>% Change</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
<b>Checking/Savings</b>				
Bank of America Checking 2474	21,640	56,411	-34,771	-62%
Elec. Transfer BOA Check 5757	16,190	10,474	5,717	55%
Bank Paypal	1,058	714	344	48%
Companion Savings - BoA	13,864	30,639	-16,775	-55%
Travel Cash	81	112	-31	-27%
Charles Schwab-Windhaven	0	235,428	-235,428	-100%
Fidelity - 3 Edge	217,216	0	217,216	100%
UBS Financial (was PaineWebber)	0	26,220	-26,220	-100%
Vanguard Society (88008478957)	744,947	712,703	32,244	5%
<b>Total Checking/Savings</b>	<b>1,014,996</b>	<b>1,072,700</b>	<b>-57,703</b>	<b>-5%</b>
<b>Accounts Receivable</b>				
Accounts Receivable	-179	0	-179	-100%
<b>Total Accounts Receivable</b>	<b>-179</b>	<b>0</b>	<b>-179</b>	<b>-100%</b>
<b>Other Current Assets</b>				
Conference Host -Summer Sci	-4,734	0	-4,734	-100%
Conference Host Finances	-20,278	0	-20,278	-100%
Accounts Receivable - Wiley	54,527	61,952	-7,425	-12%
Inventory	22,032	16,800	5,232	31%
Prepaid Expenses	44,220	35,023	9,198	26%
Cash-Undeposited Funds	1,638	0	1,638	100%
<b>Total Other Current Assets</b>	<b>97,405</b>	<b>113,774</b>	<b>-16,369</b>	<b>-14%</b>
<b>Total Current Assets</b>	<b>1,112,222</b>	<b>1,186,474</b>	<b>-74,252</b>	<b>-6%</b>
<b>Fixed Assets</b>				
Accumulated Depreciation	-651	-651	0	0%
Equipment	651	651	0	0%
<b>Total Fixed Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
<b>Other Assets</b>				
Vanguard DMA (88006930361)	130,737	116,806	13,931	12%
<b>Total Other Assets</b>	<b>130,737</b>	<b>116,806</b>	<b>13,931</b>	<b>12%</b>
<b>TOTAL ASSETS</b>	<b><u>1,242,959</u></b>	<b><u>1,303,280</u></b>	<b><u>-60,321</u></b>	<b><u>-5%</u></b>
<b>LIABILITIES &amp; EQUITY</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
<b>Credit Cards</b>				
Hyatt CC - 0794	1,016	48	968	2,018%
<b>Total Credit Cards</b>	<b>1,016</b>	<b>48</b>	<b>968</b>	<b>2,018%</b>
<b>Other Current Liabilities</b>				
Accounts Payable*	8,341	12,224	-3,883	-32%
Deferred Revenue	35,849	54,580	-18,731	-34%
Due to Conference Host	4,625	7,525	-2,900	-39%
Due (from)/to ED	-34	0	-34	-100%
Membership Sub Payable 2005+	7,823	9,211	-1,388	-15%
PPD Journal Editor	6,929	5,214	1,715	33%
Restricted Conf.Scholar/Awards	785	0	785	100%
Sales Tax Payable	91	130	-39	-30%
<b>Total Other Current Liabilities</b>	<b>64,409</b>	<b>88,884</b>	<b>-24,475</b>	<b>-28%</b>
<b>Total Current Liabilities</b>	<b>65,425</b>	<b>88,932</b>	<b>-23,507</b>	<b>-26%</b>
<b>Total Liabilities</b>	<b>65,425</b>	<b>88,932</b>	<b>-23,507</b>	<b>-26%</b>
<b>Equity</b>				
*Net Assets (QB)	-98,693	0	-98,693	-100%
Net Assets - Temp Rest (DMA)	130,737	116,806	13,931	12%
Net Assets-Designated	1,182,304	1,182,304	0	0%

02/14/17

Accrual Basis

**System Dynamics Society**  
**(2) Balance Sheet, Prev Yr Comparison (PreCPA Y/E Adj-Aud.)**  
**As of December 31, 2016**

	<u>Dec 31, 16</u>	<u>Dec 31, 15</u>	<u>\$ Change</u>	<u>% Change</u>
Net Income	-36,814	-84,762	47,948	57%
Total Equity	1,177,534	1,214,348	-36,814	-3%
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>1,242,959</u></b>	<b><u>1,303,280</u></b>	<b><u>-60,321</u></b>	<b><u>-5%</u></b>