

To: Policy Council of the System Dynamics Society  
From: Eliot Rich, VP Finance  
Subject: VP Finance Budget Proposal  
Date: 25 November 2020

### **Budget Proposal for 2021**

Attached is a proposed SDS budget 2021 and a comparison to 2020. It supports the virtualization of our accounting and financial operations, executes a hybrid conference in Chicago, and funds specific programs through PC designations.

Net Ordinary Income for operations during the 2021 year is projected at **-\$77,852**, as compared to our current projected 2020 gain of about \$3,077. This budget reflects our changes to a virtual operations model which reduces our overhead expenses significantly. We also use conservative estimates for revenue as well as a cushion for possible negative outcomes from the move from our contracted in-person conference to a hybrid meeting.

Conference revenue is anticipated to be slightly higher in 2021, and may include some in person activities, though all of this remains quite uncertain. Conference expenses, on the other hand, are assumed to be significantly higher as there remains uncertainty in the contract we have signed with the hotel and we want to budget sufficient funds to meet any contractual requirements that may be demanded of us. The other changes in expenditure are spread out somewhat, but this budget anticipates a higher overall level of activity in support of Society activities than we had in 2020.

The Finance Committee recommends adoption of the budget presented in Attachment 1.

MOTION: The Policy Council adopts the budget proposed by the Finance Committee for 2021.
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### **Designated Uses of Society Assets**

Attachment 2 presents our net assets over time. These are the funds available to support SDS activities over the year. In 2019 our reserves were \$935,000 (\$700,523 unrestricted/ \$234,477 restricted). Our operating state was balanced through changes in conference format and economies in operations., as well as positive capital gains.

Given our current best estimate of our 2020 position, our net asset position will be like that of the previous year. Without including unrealized capital gains, we project that we will have **\$932,577** (\$699,964 unrestricted / \$232,613 restricted) in net assets at the end of the year. Our accountant advises us that it is unsound to anticipate investment gains in budget planning because of the uncertainty of returns and market losses, and we have not done so.

If the 2021 budget is adopted, we will draw down our unrestricted reserves by about 10%. At the start of FY 2021, we will have approximately **\$622,112** in unrestricted reserves remaining to back the Forrester Award, the STFF fund, and underwrite any new program initiatives, assuming no net investment income. Success in membership growth and building our endowment will help us recover this planned loss. Reserves are also subject to capital gains and losses over the future. We recommend that our portfolio be subject to closer review over the next year.

*VP Finance 2020 Budget Proposal*

The Finance Committee recommends that the PC approve designations of unrestricted assets as listed in Attachment 3.

MOTION: The Policy Council designates the unrestricted assets of the Society for FY 2021 as proposed by the Finance Committee.

Restricted reserves can only be used for their designated purposes and have grown faster than their use over the last few years. Again, much of the growth is based on unrealized capital gains, but there is little risk of drawing down the reserved amount soon.

**Recommended PC actions to move to a balanced budget in 2022**

A combination of good planning, operational changes, good fortune, and a horrible pandemic contributed to our ability to operate at break-even this year. We have implemented a new membership model, created new and exciting offerings to attract members, and increased our membership levels.

Our ability to stay at a balanced state will require continued attention to membership retention, conference costs, and creating a greater endowment to cushion us against possible market losses.

**Attachments:**

- (1) 2020 Adopted and 2021 Proposed Budget
- (2) Net Assets (Anticipated Reserve balances) over time
- (3) Proposed allocations of reserves for 2021

Attachment 1  
 System Dynamics Society  
 2021 Proposed Budget vs. 2020 Proposed Budget and estimated EOY

# SDS Budget

11/25/2020

	2021 Budget	2020 Estimate	Revised 5/20 2020 Budget	Adopted 12/19 2020 Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4100 · Annual Conference	\$217,673	\$196,807	\$294,843	\$294,843
4150 · Summer School Income	\$37,500	\$35,985	\$25,000	\$25,000
4200 · Journal Income	\$73,000	\$80,065	\$63,000	\$63,000
4000 · Membership Dues	\$88,125	\$80,322	\$69,600	\$69,600
4300 · Other Income	\$0	\$1,181	\$0	\$0
4400 · Product Revenue	\$25,000	\$13,318	\$40,500	\$40,500
4500 · Sponsor Dues and Donations	\$40,000	\$36,000	\$15,000	\$15,000
4600 · Fundraising and Donations	\$10,000	\$7,132	\$5,000	\$5,000
<b>Total Income</b>	<b>\$491,298</b>	<b>\$450,809</b>	<b>\$512,943</b>	<b>\$512,943</b>
NEW - Dana Meadows Awards Transfer	\$9,250	\$5,500		
<b>Gross Profit</b>	<b>\$500,548</b>	<b>\$456,309</b>	<b>\$512,943</b>	<b>\$512,943</b>
<b>Expense</b>				
5000 · Awards	\$19,450	\$6,000	\$10,500	\$10,500
5050 · Bank & CC Fees	\$16,500	\$15,511	\$12,309	\$12,309
5100 · Field Dev	\$10,000	\$5,983	\$13,794	\$10,000
5150 · Contracted Expenses at Ualbany	\$0	\$8,817	\$8,817	\$0
5200 · Continuity of Employment	\$0	\$0	\$0	\$0
5250 · Contracted Expenses CHMS	\$5,000	\$148,900	\$170,200	\$175,000
5270 · Salary Expense	\$207,334	\$135,104	\$135,500	\$135,500
5350 · Annual Conference Expenses	\$93,000	\$19,550	\$142,096	\$142,096
5360 · Summer School Expense	\$13,616	\$486	\$25,000	\$25,000
5400 · Insurance	\$3,000	\$4,000	\$4,000	\$4,000
5500 · Journal Expense	\$23,000	\$23,000	\$32,600	\$32,600
5550 · Marketing	\$40,000	\$24,800	\$24,800	\$10,000
5600 · Miscellaneous Expense	\$2,000	\$0	\$2,000	\$2,000
5650 · Office Expense	\$12,000	\$10,338	\$12,900	\$12,900
5700 · Officer Expenses	\$4,000	\$2,988	\$10,000	\$10,000
5800 · Product Dev.	\$25,000	\$13,000	\$54,000	\$54,000
5850 · Professional Fees	\$104,500	\$40,844	\$41,500	\$41,500
5900 · Depreciation Expense	\$0	\$0	\$0	\$0
5950 · Bad Debt/Uncollectable Invoices	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$578,400</b>	<b>\$459,321</b>	<b>\$700,015</b>	<b>\$677,405</b>
<b>Net Ordinary Income</b>	<b>-\$77,852</b>	<b>-\$3,011</b>	<b>-\$187,072</b>	<b>-\$164,462</b>
<b>Other Income/Expense</b>				
Investment Income	\$2,738	\$6,088	\$135,306	\$135,306
<b>Net Income</b>	<b>-\$75,114</b>	<b>\$3,077</b>	<b>-\$51,766</b>	<b>-\$29,156</b>

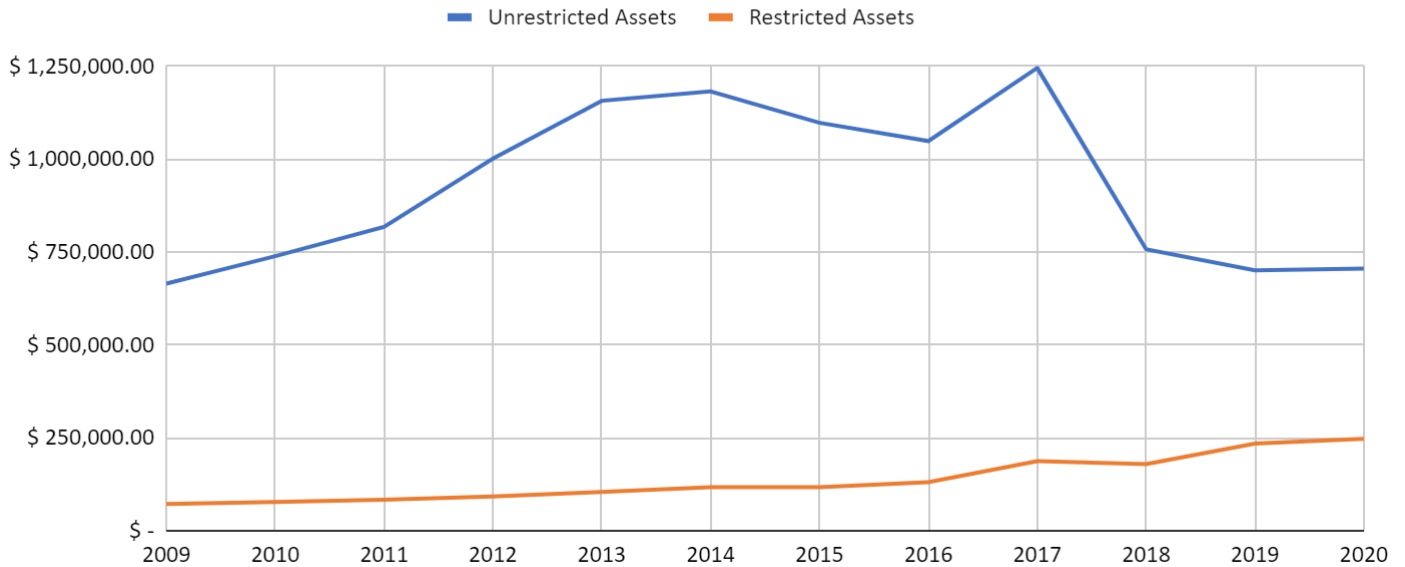
(Source: Budget SDS 2021 Simplified, 11/24/2020)

VP Finance 2020 Budget Proposal

Attachment 2  
System Dynamics Society  
Anticipated Reserve Balances  
(Updated 11/2020)

SDS Net Assets

Unrestricted Assets available for designation (current year estimated). Restricted for information only



Source: Budget 2020 Simplified, updated 11/24/2020

	TOTAL	Unrestricted	Restricted	
Reserves Balance (EOY 2018, Audited)	\$ 935,451	\$ 757,082	\$ 178,369	:
2019 -- Investment income (net)	\$ 195,674	\$ 139,566	\$ 56,108	:
-- Operating income (loss)	\$ (196,125)	\$ (196,125)	\$ -	:
Change in net assets	\$ (451)	\$ (56,559)	\$ 56,108	:
<b>Reserves Balance (EOY 2019, Audited)</b>	<b>\$ 935,000</b>	<b>\$ 700,523</b>	<b>\$ 234,477</b>	:
		EOY FMV Investments		\$850,423 :
Reserves Balance (EOY 2019, Audited)	\$ 935,000	\$ 700,523	\$ 234,477	
2020 est -- Investment income (net)	\$ 6,088	\$ 7,952	\$ (1,864)	
-- Operating income (loss)	\$ (8,511)	\$ (8,511)	\$ -	
Change in net assets	\$ (559)	\$ (559)	\$ -	
<b>Reserves Balance (EOY 2020, Estimated)</b>	<b>\$ 932,577</b>	<b>\$ 699,964</b>	<b>\$ 232,613</b>	
<b>Reserves Balance (EOY 2020, Estimated)</b>	<b>\$ 932,577</b>	<b>\$ 699,964</b>	<b>\$ 232,613</b>	
2021 est -- Investment income (net)	\$ -	\$ -	\$ -	
-- Operating income (loss)	\$ (77,852)	\$ (77,852)	\$ -	
Change in net assets	\$ (77,852)	\$ (77,852)	\$ -	
Reserves Balance (EOY 2021, estimated)	\$ 854,725	\$ 622,112	\$ 232,613	

(Source: Budget SDS 2021 Simplified, 11/24/2020)

*VP Finance 2020 Budget Proposal*

Attachment 3  
System Dynamics Society  
Proposed Reserve Designations

**Proposed designations for Reserves (2021)**

	Unrestricted	Restricted
Capital Reserve	\$ 265,855	
<b>Proposed Designations</b>		
Legacy Campaign	\$30,109	
Buffer Funds	\$100,000	
Chapter Development / Stff	\$200,000	
JWF award reserve	\$104,000	
Restricted		
DMA1		\$ 211,613
DMA2		\$ 21,000
	\$ 932,577	\$ 699,964
		\$ 232,613

(Source: Budget SDS 2021 Simplified, 11/24/2020)