



To: Policy Council of the System Dynamics Society  
From: Eliot Rich, VP Finance  
Subject: Finance Committee Budget Proposal  
Date: 4 November 2021

## **Budget Proposal for 2022**

Attached is a proposed SDS budget 2022 and a comparison to previous years. It supports our planned hybrid conference and increased member programming, building on last year's efforts. We project a better than break-even operating budget, with a potential upside of growth in our reserves and subsequent ability to invest in future activities.

Net Ordinary Income for operations during 2022 is budgeted at **\$33,207**, as compared to our final 2021 budgeted NOI of **-\$102,449** (including mid-year adjustments) and a projected 2021 NOI of \$21,267.

The budget includes:

- Steady journal income from our Wiley contract..
- Membership income estimates reflecting retention of the successful growth seen in 2021.
- The Frankfurt in-person conference with support for distance participation, with some uncertainty in the return of live participants for our first mixed-mode conference.
- Continuation of our Summer School program in an online only format two weeks before the conference.
- Level Society sponsorships.
- Modest growth in product revenue.
- Increased program fundraising in support of new programs planned for next year.
- A second year of break-even efforts of the Stewardship Committee.

On the expense side, we have a mix of new initiatives supported by endowment and the anticipated program fundraising:

- Level funding for awards and Strengthening the Field Fund activities (with APCC conference now shifted to 2023).
- Plans for additional Field Development activities, the execution of which is based upon successful closing of anticipated program fundraising..
- Product development expenses consistent with our current planning.
- Re-allocation of web and services overhead costs associated with EPresence and Marketing..
- Costs of reprinting book and product inventory.
- Level base costs for professional services and home office operations.
- Allocation of funds for inflation-linked salary increases (5%) and achievement-based bonuses.

*SDS 2022 Budget Proposal*

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 2022.

**Designated Uses of Society Assets**

Attachment 2 presents our net assets over time, including estimated capital gains for this year.. These are the funds available to support SDS activities over the year.

As the projected 2021 actuals are near break-even and the 2022 budget anticipates a small surplus we do not foresee a drawdown of our reserve assets from programming and awards. Reserves are also subject to capital gains and losses.

Designations for our anticipated reserves are listed in Attachment 3. These include operating cash and conservative investments to support awards and StFF activities. Funds that are not part of the designated assets or cash reserves will be positioned for capital gains, and reviewed periodically for performance, as per the report of the Investment Committee and the current SDS investment policy submitted this year to the PC.

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 2022 as proposed by the Finance Committee and the Investment Committee.

Restricted reserves, currently the DMA endowments, may 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. We recommend that the Award Committee consider establishing new awards, in the spirit of the endowment, to extend its impact.

**Attachments:**

- (1) 2022 Proposed Budget
- (2) Net Assets and Reserves Balances over time
- (3) Proposed allocations of reserves for 2022

SDS 2022 Budget Proposal

Attachment 1  
System Dynamics Society  
2022 Proposed Budget vs. 2021 Proposed Budget

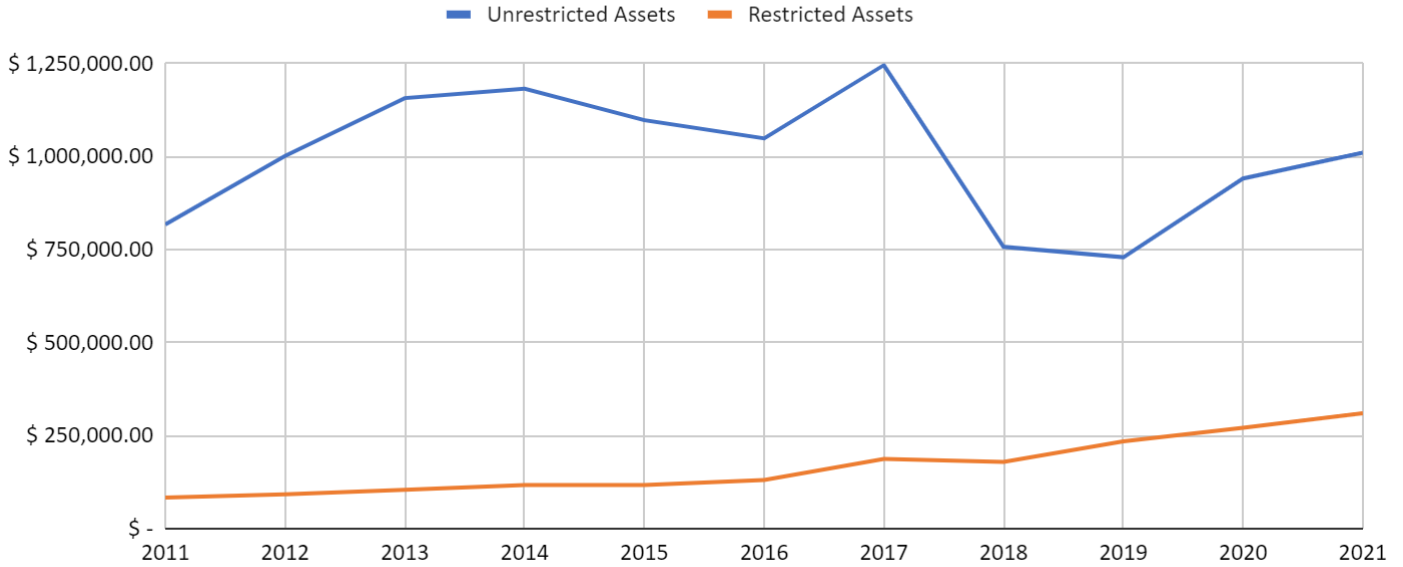
	2022 Budget	2021 EOY (Projected)	2021 YTD	2021 Budget	2020 Actual
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
4005 · Journal Income	\$79,000	\$87,754	\$87,754	\$81,125	\$85,530
4010 · Membership Dues	\$113,000	\$111,037	\$111,037	\$80,000	\$79,095
4150 · Summer School Income	\$33,100	\$35,761	\$35,761	\$37,500	\$37,685
4100 · Annual Conference	\$245,000	\$159,195	\$159,195	\$217,673	\$213,133
4210 · Student Organized Colloquium		\$678	\$678		
4400 · Product Revenue	\$26,300	\$27,792	\$21,540	\$25,000	\$15,539
4500 · Society Sponsorships	\$40,000	\$39,600	\$39,600	\$40,000	\$37,000
4600 · Other Fundraising and Donations	\$10,000	\$3,876	\$2,376	\$10,000	\$8,435
4700 · Program Fundraising	\$50,000	\$0			
4800 · Stewardship Current Year Fundraising	\$58,800				
4300 · Other Income	\$0			\$0	\$2,173
4999 · Uncategorized Income	\$0			\$0	
<b>Total Income</b>	<b>\$655,200</b>	<b>\$465,693</b>	<b>\$457,942</b>	<b>\$491,298</b>	<b>\$478,590</b>
<b>Cost of Goods Sold</b>					
NEW · Transfer from Endowments	\$15,000	\$4,900	\$0	\$9,250	\$0
NEW · Transfer from Designated Assets	\$27,757	\$26,796	\$0	\$39,803	\$0
<b>Gross Profit</b>	<b>\$697,957</b>	<b>\$495,428</b>	<b>\$455,980</b>	<b>\$540,351</b>	<b>\$478,590</b>
<b>Expense</b>					
5000 · Awards	\$20,200	\$9,838	\$8,588	\$19,450	\$4,235
5050 · Bank & CC Fees	\$17,000	\$19,464	\$15,333	\$16,500	\$16,872
5100 · Field Dev	\$60,000	\$2,189	\$2,189	\$10,000	\$3,794
5150 · Contracted Expenses at Ualbany	\$0	\$0	\$0	\$0	\$8,817
5350 · Annual Conference Expenses	\$95,000	\$5,893	\$5,893	\$93,000	\$19,483
5360 · Summer School Expense	\$2,324	\$569	\$569	\$13,616	\$1,586
5400 · Insurance	\$4,000	\$3,487	\$3,487	\$3,000	\$2,165
5500 · Journal Expense	\$23,000	\$23,248	\$23,248	\$23,000	\$43,775
5550 · Marketing	\$17,070	\$35,775	\$27,027	\$35,000	\$15,824
5560 · Learning and Programming	\$5,000	\$0	\$0		
5570 · Epresence	\$20,000	\$6,312	\$5,064	\$5,000	\$9,264
5600 · Miscellaneous Expense	\$500	\$919	\$421	\$2,000	\$139
5650 · Office Expense	\$8,200	\$8,726	\$5,852	\$12,000	\$6,039
5660 · Stewardship Committee	\$58,800	\$22,046	\$4,406	\$29,400	
5700 · Officer Expenses	\$0	\$10	\$10	\$4,000	\$2,436
5800 · Product Dev.	\$12,000	\$8,387	\$2,135	\$25,000	\$1,909
5850 · Professional Fees	\$176,159	\$176,322	\$135,945	\$189,500	\$224,139
5900 · Depreciation Expense	\$0		\$0	\$0	\$192
5870 · Payroll Expense	\$145,497	\$150,975	\$94,137	\$162,334	\$100,200
Inventory Changes					\$11,227
5950 · Bad Debt/Uncollectable Invoices	\$0		\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$664,750</b>	<b>\$474,161</b>	<b>\$334,306</b>	<b>\$642,800</b>	<b>\$472,096</b>
<b>Net Operating Income</b>	<b>\$33,207</b>	<b>\$21,267</b>	<b>\$121,674</b>	<b>-\$102,449</b>	<b>\$6,495</b>
<b>Other Income/Expense</b>					
Investment Income	-\$28,737	\$121,372	\$148,695	-\$37,065	\$154,866
<b>Net Income</b>	<b>\$4,470</b>	<b>\$142,639</b>	<b>\$270,369</b>	<b>-\$139,514</b>	<b>\$161,361</b>

(Source: SDS Rolling Budget, 11/04/2021)

*SDS 2022 Budget Proposal*  
Attachment 2  
System Dynamics Society  
Anticipated Reserve Balances

### SDS Net Assets

Unrestricted Assets available for designation (current year estimated, as of Q3)



(Source: SDS Rolling Budget, 11/04/2021)

	<b>TOTAL</b>	Unrestricted	Restricted
Reserves Balance (EOY 2018, Audited)	\$ 935,451	\$ 757,082	\$ 178,369
+ Investment income (net)	\$ 195,674	\$ 139,566	\$ 56,108
<b>2019</b> + 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

Reserves Balance (EOY 2019, Audited, Adjusted on 2020 FS)	\$ 935,000	\$ 729,271	\$ 234,477
+ Investment income (net)	\$ 151,569	\$ 108,870	\$ 42,699
<b>2020</b> + Operating income (loss)	\$ 9,790	\$ 16,140	\$ (6,350)
Change in net assets	\$ 161,359	\$ 125,010	\$ 36,349
<b>Reserves Balance (EOY 2020, Reviewed)</b>	<b>\$ 1,125,107</b>	<b>\$ 854,281</b>	<b>\$ 270,826</b>

EOY FMV investments

<b>Reserves Balance (EOY 2020)</b>	<b>\$ 1,125,107</b>	<b>\$ 854,281</b>	<b>\$ 270,826</b>
+ Investment income (net)		\$ 63,993	\$ 37,138
<b>2021 est</b> + Operating income (loss)		\$ (9,179)	\$ -
Change in net assets	\$ 91,952	\$ 54,814	\$ 37,138
Reserves Balance (EOY 2021, estimated)	<b>\$ 1,217,059</b>	<b>\$ 909,095</b>	<b>\$ 307,964</b>

(Source: SDS Budget Proposal 10/23/2021)

*SDS 2022 Budget Proposal*

Attachment 3  
System Dynamics Society  
Proposed Reserve Designations

**Proposed designations for Reserves (2022)**

From Investment committee report

Updated for estimated EOY expenditures 10/24/2021

	<b>Unrestricted</b>	<b>Restricted</b>
Capital Reserve	\$ 490,095	
<b>Proposed Designations</b>		
Operations Cash	\$115,000	
Chapter Development / Stff	\$200,000	
JWF award reserve	\$104,000	
Restricted		
DMA1		\$ 287,000
DMA2		\$ 21,000
	\$ 1,217,095	\$ 308,000

(Sources: SDS Investment Committee report, Revised 10/23/2021; (Source: SDS Rolling Budget, 11/04/2021) )