



To: Policy Council of the System Dynamics Society  
From: Eliot Rich, VP Finance  
Subject: Finance Committee Budget Proposal  
Date: 30 November 2022

### **Budget Proposal for 2023**

Attached is a proposed SDS budget 2023 and a comparison to previous years. It supports our planned hybrid conference and increased member programming, building on last year's efforts. We are projecting a **-\$27,786** loss in Net Operating Income, roughly 4.5 percent of gross profit, as compared to our final 2022 budgeted NOI of \$83,207. We attribute the loss to the high conference costs at the Palmer House Hotel that were not detailed in the original contract. We do not expect these losses to continue as contracts for future conferences are firming up and these conferences are expected to return the \$150,000 goal to the Society.

Given our historically conservative estimation bias in budgeting and our cash reserves, we believe this deficit is acceptable while we continue to grow programming and membership value.

The 2023 budget includes:

- The hybrid Chicago conference assumes 260 live/250 virtual participants, level with this year's event.
- A projected 15% drop in journal income from our Wiley contract. This is a consequence of changes in market conditions outside our control.
- Membership income estimates given a more or less level membership and a small increase in dues.
- Support of our Summer School program at both the introductory and intermediate levels
- Level Society sponsorships.
- More than 50% increase in budgeted product revenue, primarily due to growth in Beer Game sales.
- Training and Facilitation revenue, a new program, equal to the amount earned in 2022.
- 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 2023 expense side, we have a mix of new initiatives supported by endowment and the anticipated program fundraising:

- An increase in Strengthening the Fund support for chapter and SIG and the biannual APCC conference
- Level funding for awards \$20,000 in funds set aside for projects defined by the Strategy Committee.
- Product development expenses consistent with our current planning.

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- Costs of reprinting books 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.

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 2023.

**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 2022 NOI is \$48,000 more than budgeted and the 2023 budget anticipates a small deficit we do not foresee a significant 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 4.

MOTION: The Policy Council designates the unrestricted assets of the Society for FY 2023 as proposed by the Finance Committee

Restricted reserves, currently the DMA endowments, may only be used for their designated purposes. While 2022 has been a challenging year for investments, we project break-even or better based on our Q3 position. There is little risk of drawing down the reserved amount soon. Again, we recommend that the Awards Committee consider establishing new awards, in the spirit of the endowment, to extend its impact.

**Attachments:**

- (1) 2023 Proposed Budget
- (2) Unrestricted Assets, Income and Expenses over time
- (3) Audited and Anticipated Reserve balances over time
- (4) Proposed allocations of reserves for 2023

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Attachment 1  
 System Dynamics Society  
 2023 Proposed Budget vs. 2022 Proposed Budget

	<b>2023 Budget</b>	<b>2022 EOY (Projected)</b>	<b>2022 Budget</b>	<b>2021 Actual</b>
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4005 · Journal Income	\$69,500	\$81,670	\$79,000	\$88,380
4010 · Membership Dues	\$110,000	\$111,283	\$113,000	\$110,432
4150 · Summer School Income	\$30,000	\$30,175	\$33,100	\$35,761
4100 · Annual Conference	\$239,000	\$250,118	\$245,000	\$158,458
4210 · Student Organized Colloquium	\$0	\$71	\$0	\$678
4400 · Product Revenue	\$44,650	\$56,000	\$26,300	\$39,215
4457 · Training & Facilitation	\$15,000	\$15,799	\$0	\$0
4500 · Society Sponsorships	\$40,000	\$38,600	\$40,000	\$38,500
4600 · Other Fundraising and Donations	\$5,020	\$9,000	\$10,000	\$4,290
4700 · Program Fundraising	\$0	\$0	\$50,000	\$0
4800 · Stewardship Current Year Fundraising	\$20,000	\$2,250	\$58,800	\$20,700
4998 · Other Income	\$0	\$0	\$0	\$0
4999 · Uncategorized Income	\$0	\$0	\$0	\$0
<b>Total Income</b>	<b>\$573,170</b>	<b>\$594,966</b>	<b>\$655,200</b>	<b>\$496,414</b>
<b>Cost of Goods Sold</b>	<b>\$17,889</b>	<b>\$25,887</b>	<b>\$2,000</b>	<b>\$5,123</b>
NEW · Transfer from Endowments	\$24,400	\$4,725	\$15,000	\$4,900
NEW · Transfer from Designated Assets	\$32,046	\$39,829	\$27,757	\$20,040
<b>Gross Profit</b>	<b>\$611,727</b>	<b>\$613,633</b>	<b>\$695,957</b>	<b>\$516,232</b>

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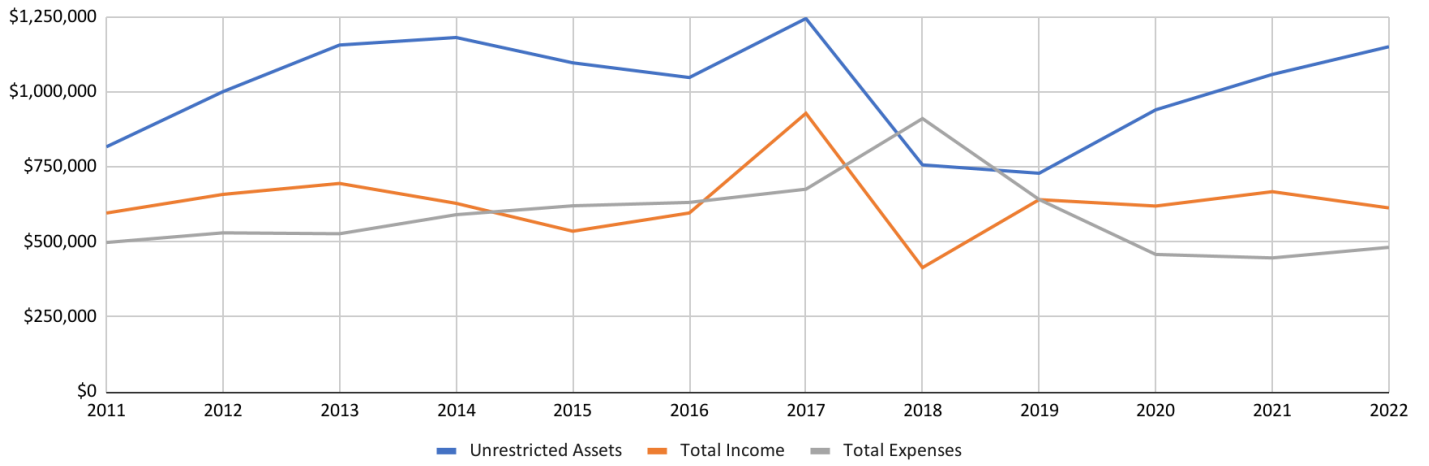
	2023 Budget	2022 EOY (Projected)	2022 Budget	2021 Actual
<b>Expense</b>				
5000 · Awards	\$20,200	\$4,951	\$20,200	\$10,188
5050 · Bank & CC Fees	\$19,300	\$18,487	\$17,000	\$15,572
5100 · StFF (UPDATE IN BOOKS)	\$20,000	\$10,000	\$10,000	\$2,189
5110 · Strategy Committee Efforts	\$10,000	\$0	\$50,000	\$0
5350 · Annual Conference Expenses	\$123,408	\$72,950	\$95,000	\$6,472
5360 · Summer School Expense	\$10,000	\$838	\$2,324	\$581
5400 · Insurance	\$3,500	\$4,000	\$4,000	\$3,487
5500 · Journal Expense	\$24,500	\$24,837	\$23,000	\$29,518
5550 · Marketing	\$20,450	\$3,000	\$17,070	\$32,325
5560 · Learning and Programming	\$5,000	\$2,500	\$5,000	\$0
5570 · Epresence	\$18,691	\$16,000	\$20,000	\$9,127
5600 · Miscellaneous Expense	\$500	\$500	\$500	\$375
5640 · Professional Development	\$1,000	\$0	\$0	\$0
5650 · Office Expense	\$4,500	\$6,454	\$6,200	\$8,227
5660 · Stewardship Committee	\$29,400	\$4,000	\$58,800	\$12,663
5700 · Officer Expenses	\$0	\$0	\$0	\$10
5800 - Product Dev.	\$500	\$1,000	\$12,000	\$957
5850 - Professional Fees	\$184,069	\$169,040	\$176,159	\$188,657
5900 · Depreciation Expense	\$0	\$0	\$0	
5870 · Payroll Expense	\$145,497	\$143,763	\$145,497	\$125,310
<b>Inventory Changes</b>				
5950 · Bad Debt/Uncollectable Invoices	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$639,514</b>	<b>\$482,321</b>	<b>\$612,750</b>	<b>\$445,658</b>
<b>Net Operating Income</b>	<b>-\$27,786</b>	<b>\$131,312</b>	<b>\$83,207</b>	<b>\$70,574</b>

(Source: SDS Rolling Budget, 11/23/2022)

**SDS 2023 Budget Proposal**  
**Attachment 2**  
**System Dynamics Society**  
**Unrestricted Assets, Income and Expenses over time**

**Unrestricted Assets, Income and Expenses (USD)**

2011-2022 3Q, Estimated



(Source: SDS Rolling Budget, 11/30/2022)

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Attachment 3  
System Dynamics Society  
Audited and Anticipated Reserve Balances over time

<b>2020</b>	Reserves Balance (EOY 2019, Audited, Adjusted on 2020 FS)	\$ 935,000	\$ 729,271	\$ 234,477
	+ Investment income (net) and contributions to reserves	\$ 151,569	\$ 108,870	\$ 42,699
	+ 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				
		Unrestricted	Restricted	
<b>2021</b>	Reserves Balance (EOY 2020)	\$ 1,125,107	\$ 854,281	\$ 270,826
	+ Investment income (net) and contributions to reserves	\$ 196,257	\$ 98,542	\$ 97,715
	+ Operating income (loss)	\$ 24,614	\$ 28,614	\$ (4,000)
	Change in net assets	\$ 220,871	\$ 127,156	\$ 93,715
	Reserves Balance (EOY 2021, reviewed)	\$ 1,345,978	\$ 981,437	\$ 364,541
<b>2022 est</b>	Reserves Balance (EOY 2021)	\$ 1,345,978	\$ 981,437	\$ 364,541
	+ Investment income (net) and contributions to reserves	\$ (67,796)	\$ (51,676)	\$ (16,120)
	+ Operating income (loss)	\$ 131,312	\$ 131,312	
	Change in net assets	\$ 63,516	\$ 79,636	\$ (16,120)
	Reserves Balance (EOY 2022, estimated)	\$ 1,409,494	\$ 1,061,073	\$ 348,421

(Source: SDS Statement of Activity 11/23/2022 with operating income estimated through year end)

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Attachment 4  
System Dynamics Society  
Proposed Reserve Designations

**Proposed designations for Reserves (2023)**

	<b>TOTAL</b>	<b>Unrestricted</b>	<b>Restricted</b>
Capital Reserve		\$ 450,488	
<b>Proposed Designations</b>			
Operations Cash		\$106,586	
Chapter Development / Staff		\$400,000	
JWF award reserve		\$104,000	
Restricted			
DMA1			\$ 327,421
DMA2			\$ 21,000
TOTAL	\$ 1,409,494	\$ 1,061,073	\$ 348,421

(Source: SDS Rolling Budget, 11/23/2022)