



To: Policy Council of the System Dynamics Society
From: Eliot Rich, VP Finance
Subject: VP Finance Narrative Report 2022 (v2)
Date: 17 July 2023

General Observations

How Did the Society Do Overall in 2022? In 2022 we maintained operational economy in the face of a falling investment market. Our estimated operating surplus of **\$58,507** compares to last year's \$45,315. Our investments lost **-\$172,351 (-14.8%)** to **\$994,662**, though about half of this amount has been regained this spring. We are still within our reserve allocations.

The 2022 external audit has not yet been completed due to delays at our CPA firm. Therefore, all figures listed below and in the attachments for 2022 may change with reallocations among categories. We do not expect this to have an important effect on our conclusions. See Important Notes at the end of this narrative.

Discussion of Society Financial Reports (Unaudited)

(1) Changes in chart of accounts and reporting. During 2022, minor changes were again applied to the chart of accounts to simplify and clarify our reporting. There are some reclassifications within the budget and operating analysis that correct the earlier voted budget. We exceeded the mandated audit threshold for 2022.

(2) Operational Actuals versus Budget Comparison for 2022 (Unaudited). Our 2022 Net Ordinary Income (operating revenue) of **\$58,507** (versus our revised budget of **-\$11,551**) keeps us in the black, though there are some important elements in the details. Our mixed model conference performed well, in part due the heroic efforts to keep overhead costs down at a university-centered site. As we continue to learn more about the ongoing costs of this new model, our budgeting process will improve.

We also saw better than planned streams of revenue for products and SDS facilitation.

Membership Dues lagged expectations. This should be reviewed carefully during this year's budget cycle. See Attachment 1.

(3) Statement of Financial Position, Previous Year Comparison for 2022 (Unaudited). We estimate that SDS ended 2022 with Total Assets of **\$1,328,861** a decrease of **-\$73,795** over the previous year. For the third year in a row, we did not draw from assets to cover operating losses. Note that Total Assets includes unrealized capital gains or losses and are adjusted annually. See Attachment 2.

(4) Revenues and Expenses, Previous Year Comparison for 2022 (Unaudited). Net Income (revenue) for 2022 was **-\$109,025**, in comparison to our previous year's gain of \$220,871, again driven largely from market depreciation of our portfolio. See Attachment 3.

Cost center detail reporting, trend data, and investment details will be provided once our audit is completed and final overhead costs allocated.

Important Notes

Our external audit, required by Massachusetts, has not yet been completed due to backlogs at our CPA firm. This in turn has delayed the submission of our not-for-profit tax documentation to the IRS. The deadline extension is 15 November 2023.

In addition, in March 2023 the State of Massachusetts requested that we replace our 2021 external review with a full audit, as we ended up crossing the regulatory threshold for audit. The SDS is out of technical compliance with Massachusetts charitable regulations until this retroactive audit is submitted, and we have contracted with our auditor to fulfill this request. Massachusetts has not identified any issues with the content of the external review.

Attachments:

- (1) Society Operational Actuals vs Budget Comparison, Fiscal Year 2022, Unaudited
- (2) Statement of Financial Position Comparison, Fiscal Year 2022 vs Fiscal Year 2021, Unaudited
- (3) Revenue and Expenses, Previous Year Comparison, January through December 2022, Unaudited.

Attachment 1

Operational Actuals vs Budget Comparison, Fiscal Year 2022, Unaudited

	Actual	Budget
Revenue		
4005 Journal Income	80,681.36	79,000.00
4010 Membership Dues	101,508.03	113,000.00
4035 Summer School Income	30,425.00	33,100.00
4100 Annual Conference	238,410.93	245,000.00
4300 Other Income	39.99	
4400 Product Revenue	57,545.42	26,300.00
4457 Training & Facilitation	15,999.40	
4500 Society Sponsorships	36,350.00	40,000.00
4600 Other Fundraising (see balance sheet to be booked)	7,460.82	10,000.00
4700 Misc Events		50,000.00
4800 Stewardship Donations	2,250.00	58,800.00
Total Revenue	\$570,670.95	\$655,200.00
Cost of Goods Sold	\$21,754.67	\$2,000.00
GROSS PROFIT	\$548,916.28	\$653,200.00
Expenditures		
5000 Awards	4,951.08	20,200.00
5050 Banking & Credit Card Charges	18,186.91	17,000.00
5100 Field Development Fund	5,500.00	10,000.00
5110 Strategy Committee Efforts		50,000.00
5350 Annual Conference Expenses	71,948.17	95,000.00
5360 Summer School Expense	838.47	2,324.00
5370 Student Chapter Expenses	2,533.00	
5400 Insurance	1,296.70	4,000.00
5500 Journal Expense	29,457.12	23,000.00
5550 Marketing	13,082.28	17,070.00
5560 Learning and Programming		5,000.00
5570 E-Presence	16,786.29	20,000.00
5600 Miscellaneous Expense	375.00	500.00
5640 Professional Development	470.00	
5650 Office Expense	7,165.92	8,200.00
5660 Stewardship Expenses	4,481.45	58,800.00
5700 Officer Expenses		0.00
5800 Product Development	4,229.56	12,000.00
5850 Professional Fees	173,725.35	176,159.00
5870 Payroll Expenses	135,382.43	145,498.00
6998 ASK Expense	0.00	
Total Expenditures	\$490,409.73	\$664,751.00
NET OPERATING REVENUE	\$58,506.55	\$ -11,551.00
Other Revenue	\$ -167,531.20	\$0.00
NET OTHER REVENUE	\$ -167,531.20	\$0.00
NET REVENUE	\$ -109,024.65	\$ -11,551.00

NB: Minor corrections and reclassifications applied after budget resolution. Note no investment income in budget. Transfers from designated and restricted funds not applied.

Source: SDS QuickBooks 17 July 2023

Attachment 2
Statement of Financial Position Comparison (Unaudited)

	TOTAL	
	AS OF DEC 31, 2022	AS OF DEC 31, 2021 (PP)
ASSETS		
Current Assets		
Bank Accounts	\$881,037.24	\$981,988.79
Accounts Receivable	\$13,660.30	\$5,339.97
Other Current Assets	\$157,251.57	\$71,487.00
Total Current Assets	\$1,051,949.11	\$1,058,815.76
Other Assets	\$276,912.25	\$343,840.62
TOTAL ASSETS	\$1,328,861.36	\$1,402,656.38
LIABILITIES AND EQUITY		
Liabilities	\$91,906.37	\$56,676.74
Equity		
*Net Assets (QB)	0.28	0.00
3002 Board Designated - Legacy Funds	17,436.83	17,436.83
3005 Net Assets-Board Designated	1,033,930.91	743,130.91
3100 Donor Designated Restrictions	294,611.62	364,540.62
3999 Opening Bal Equity	0.00	0.00
Net Revenue	-109,024.65	220,871.28
Total Equity	\$1,236,954.99	\$1,345,979.64
TOTAL LIABILITIES AND EQUITY	\$1,328,861.36	\$1,402,656.38

Attachment 3
Revenues and Expenses, Previous Year Comparison
January through December 2022 (Unaudited)

	TOTAL	
	JAN - DEC 2022	JAN - DEC 2021 (PP)
Revenue		
4005 Journal Income	80,681.36	88,062.21
4010 Membership Dues	101,508.03	110,431.99
4035 Summer School Income	30,425.00	35,761.38
4100 Annual Conference	238,410.93	158,458.00
4300 Other Income	39.99	
4400 Product Revenue	57,545.42	39,215.42
4457 Training & Facilitation	15,999.40	
4500 Society Sponsorships	36,350.00	38,920.00
4600 Other Fundraising (see balance sheet to be booked)	7,460.82	4,547.65
4800 Stewardship Donations	2,250.00	20,700.00
Total Revenue	\$570,670.95	\$496,096.65
Cost of Goods Sold	\$21,754.67	\$5,122.88
GROSS PROFIT	\$548,916.28	\$490,973.77
Expenditures		
5000 Awards	4,951.08	10,188.04
5050 Banking & Credit Card Charges	18,186.91	15,571.99
5100 Field Development Fund	5,500.00	2,189.00
5350 Annual Conference Expenses	71,948.17	6,471.75
5360 Summer School Expense	838.47	580.65
5370 Student Chapter Expenses	2,533.00	
5400 Insurance	1,296.70	3,487.22
5500 Journal Expense	29,457.12	29,518.17
5550 Marketing	13,082.28	32,325.09
5570 E-Presence	16,786.29	9,126.91
5600 Miscellaneous Expense	375.00	375.00
5640 Professional Development	470.00	
5650 Office Expense	7,165.92	8,227.69
5660 Stewardship Expenses	4,481.45	12,663.17
5700 Officer Expenses		10.10
5800 Product Development	4,229.56	956.53
5850 Professional Fees	173,725.35	188,656.69
5870 Payroll Expenses	135,382.43	125,310.48
6998 ASK Expense	0.00	0.00
Total Expenditures	\$490,409.73	\$445,658.48
NET OPERATING REVENUE	\$58,506.55	\$45,315.29
Other Revenue	\$ -167,531.20	\$175,555.99
NET OTHER REVENUE	\$ -167,531.20	\$175,555.99
NET REVENUE	\$ -109,024.65	\$220,871.28