



To: Policy Council of the System Dynamics Society
From: Eliot Rich, VP Finance
Subject: Finance Committee Budget Proposal
Date: 29 November 2023

Budget Proposal for 2024

Attached is a proposed SDS budget 2024 with a comparison to previous years.

How do we project the Society will end 2023?

For 2023, we are projecting that we will end with a Net Operating Income of **\$27,004**, versus our budgeted loss of **-\$26,589**. Lower than budgeted costs (particularly hard fought savings on conference expenses and a lack of spending by the Strategy and StFF committees as well as deferred tasks in the home office) offset weaknesses in summer school, and lower society sponsorships. This is worrisome, as aggressive one-time actions are not a reliable way to counter continuing cost increases. Thus we have worked to refine our estimations and present a balanced budget for next year.

Proposed 2024 Budget

The proposed budget supports our planned hybrid conference and increased member programming, building on last year's efforts. After discussions with all the VPs and revenue-sensitive committees, we are recommending a virtually break-even budget, with **\$1,613** in Net Operating Income

Operating costs are rising and revenues are not increasing in tandem, making it increasingly difficult to achieve a balanced budget. Given our historically conservative estimation bias in budgeting and our cash reserves, however, we believe this budget is achievable. We propose to focus on improving our web presence and in developing programming and membership value, building on the innovations from the last two years.

Our biggest area of financial uncertainty remains the annual conference. The VP Meetings and her committee have obtained contracts for the next three years, with each conference expected to return \$150,000 to the Society if we maintain the attendance seen in the recent post-COVID years. Net revenue from publications is still uncertain as we move into a new Wiley contract.

The 2024 budget includes:

- The hybrid Bergen conference assumes 260 live/250 virtual participants. This is in line with projections for the last two hybrid conferences in Frankfurt (2022) and Chicago (2023).
- A one-time \$3,000 (4%) increase in projected journal income from our Wiley contract. This revenue projection is more in line with what has been achieved in the recent past, but is expected to decline in 2025 under the new contract.

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- Membership income estimates given a more or less level membership close to the level we project for EOY 2023.
- Additional \$5,000 from our Summer School program at both the introductory and intermediate levels.
- A slight drop in Society sponsorships but a level budget for Conference sponsorship.
- A \$3,800 (10%) increase in budgeted product revenue, primarily due to growth in Beer Game sales that seem to be humming along due to online advertising and a return to in person events
- Approximately \$6,500 (34%) less in our Service and Learning revenue budget based on 2023 actuals.
- Another year of break-even efforts of the Stewardship Committee.

On the 2024 expense side, we recommend building on our web-based initiatives and solidifying our platform:

- A \$13,700 (40%) increase in marketing expenses, shifting \$10,800 in funds from undifferentiated contracted services for managing our Google Ad Grant and additional resources for development of materials to entice members to join.
- A \$10,000 (50%) increase in Epresence spending to complete a queue of bug fixes and to embark on an effort to shift from Divvy builder to increase speed and to a Salesforce CRM (Customer Relationship Management) system to give us better access to our data.
- A reduction in the Strengthening the Fund support to \$10,000 as the biannual APCC conference has been deferred again.
- Removal of \$10,000 of pre-approved funding for Strategy Committee projects and \$5,000 for Learning Committee projects, as there are no activities planned at this time. Funding can be reinstated by a vote of the PC.
- A reduction in contractor costs due to deferral of some planned projects.

We note that much of this funding is maintenance rather than creating new initiatives. The absence of product development and strategic investment concerns us.

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 2024.

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. We continue to progress towards our goal of \$1.5M in investments by 2025, though not at the rate we had anticipated. We will review the feasibility of this goal during the next year,

As the anticipated 2023 NOI is about \$27K, we do not foresee a significant drawdown of our unrestricted reserve assets from programming and awards. Reserves are also subject to capital gains and losses.

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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 2024 as proposed by the Finance Committee

Restricted reserves, currently the DMA endowments, may only be used for their designated purposes. While 2023 continued to see rapid cycling of investment value 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) 2024 Proposed Budget
- (2) Unrestricted Assets, Income and Expenses over time
- (3) Audited and Anticipated Reserve balances over time
- (4) Proposed allocations of reserves for 2024

SDS 2024 Budget Proposal

Attachment 1
System Dynamics Society
2024 Proposed Budget vs. 2023 Proposed Budget

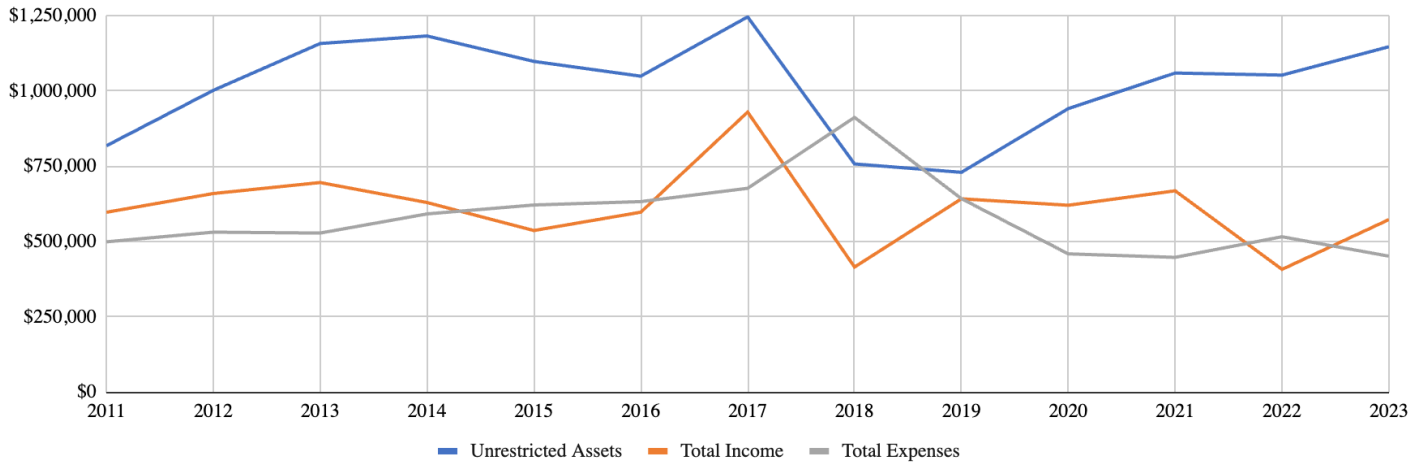
	Account	2022 Actuals	2023 Budget	2023 EOY (Projected)	2024 Budget
REVENUE					
	Total 4005 Journal Income	\$80,681	\$69,500	\$82,534	\$72,390
	4010 Membership Dues	\$101,508	\$110,000	\$114,342	\$110,000
	4035 Summer School Income	\$30,425	\$30,000	\$36,510	\$35,000
	Total 4100 Annual Conference	\$237,811	\$214,000	\$209,607	\$226,405
	4152 Sponsorships - Conference	\$25,600	\$25,000	\$55,350	\$25,000
	4300 Other Operations Income	\$40		\$0	\$0
	Total 4400 Product Revenue	\$52,153	\$40,650	\$51,995	\$44,450
	Total 4429 Service Revenue	\$15,999	\$15,000	\$9,750	\$11,000
	Total 4491 Learning Revenue	\$5,393	\$4,000	\$50	\$1,500
	Total 4500 Society Sponsorships	\$37,850	\$40,000	\$28,050	\$38,000
	Total 4600 Other Fundraising	\$5,961	\$5,020	\$2,587	\$4,000
	4800 Stewardship Donations	\$2,250	\$20,000		\$0
	4700 Miscellaneous Income	\$0	\$0	\$377	\$0
	TOTAL REVENUE	\$595,671	\$573,170	\$591,153	\$567,745
	TOTAL COGS	\$21,755	\$17,889	\$27,308	\$17,300
	GROSS PROFIT	\$573,916	\$555,281	\$563,845	\$550,445
EXPENSES					
	Total 5000 Awards	\$4,951	\$20,200	\$11,533	\$13,700
	Total 5050 Banking & Credit Card Charges	\$18,187	\$17,100	\$15,094	\$15,548
	5100 StFF / Field Development Fund	\$6,500	\$20,000	\$4,500	\$10,000
	5110 Strategy Committee Efforts	\$0	\$10,000	\$0	\$0
	Total 5350 Annual Conference Expenses	\$96,948	\$123,408	\$117,892	\$101,329
	5360 Summer School Expense	\$838	\$10,000	\$13,128	\$15,000
	Total 5370 Student Chapter Expenses	\$2,533		\$160	\$1,000
	Total 5400 Insurance	\$1,297	\$3,500	\$273	\$3,806
	Total 5500 Journal Expense	\$29,457	\$24,500	\$24,092	\$27,390
	Total 5550 Marketing	\$13,082	\$20,450	\$12,733	\$34,100
	5560 Learning and Programming	\$0	\$5,000		\$0
	Total 5570 E-Presence	\$16,786	\$18,691	\$21,772	\$31,250
	Total 5600 Miscellaneous Expense	\$373	\$500	\$75	\$500
	5640 Professional Development	\$470	\$1,000	\$76	\$500
	Total 5650 Office Expense	\$7,165	\$4,500	\$5,425	\$4,525
	Total 5660 Stewardship Expenses	\$4,481	\$5,000		\$0
	5800 Product Development	\$3,230	\$500	\$273	\$0
	Total 5850 Professional Fees	\$173,725	\$184,069	\$175,103	\$173,278
	Total 5870 Payroll Expenses	\$135,382	\$169,898	\$155,083	\$136,402
	TOTAL EXPENDITURES	\$515,407	\$638,316	\$557,212	\$568,328
	Total 9000 Investment Allocations	\$15,733	\$56,446	\$20,371	\$19,496
	NET OPERATING INCOME	\$74,242	-\$26,589	\$27,004	\$1,613
	Total Other Revenue	-\$167,531	-\$2,200	\$64,315	-\$1,500
	Total Other Expenditures	\$0		\$0	
	NET OTHER REVENUE	-\$167,531	-\$2,200	\$64,315	-\$1,500
	NET REVENUE	-\$93,290	-\$28,789	\$91,319	\$113

(Source: SDS Rolling Budget, 11/28/2023)

SDS 2024 Budget Proposal
Attachment 2
System Dynamics Society
Unrestricted Assets, Income and Expenses over time

Unrestricted Assets, Income and Expenses (USD)

2011-2023 Estimated



(Source: Reserves Balances Calculation, 11/28/2023)

SDS 2024 Budget Proposal
Attachment 3
System Dynamics Society
Audited and Anticipated Reserve Balances over time

			Unrestricted	Restricted
2021	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
EOY FMV investments				
2022	Reserves Balance (EOY 2021)	\$ 1,345,978	\$ 981,437	\$ 364,541
	+ Investment income (net) and contributions to reserves	\$ (167,531)	\$ (105,603)	\$ (61,928)
	+ Operating income (loss)	\$ 59,156	\$ 64,156	\$ (5,000)
	Change in net assets	\$ (108,375)	\$ (41,447)	\$ (66,928)
	Reserves Balance (EOY 2022, audited)	\$ 1,237,603	\$ 939,990	\$ 297,613
EOY FMV investments				
2023 (Q3 unaudited)	Reserves Balance (EOY 2022)	\$ 1,237,603	\$ 939,990	\$ 297,613
	+ Investment income (net) and contributions to reserves	\$ 65,359	\$ 28,451	\$ 36,908
	+ Operating income (loss)	\$ 27,000	\$ 27,000	
	Change in net assets	\$ 92,359	\$ 55,451	\$ 36,908
	Reserves Balance (EOY 2023, projected, unaudited)	\$ 1,329,962	\$ 995,441	\$ 334,521

(Source: SDS Statement of Activity 11/28/2023 with operating income estimated through year end)

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Attachment 4
System Dynamics Society
Proposed Reserve Designations

PROPOSED DESIGNATIONS FOR RESERVES (2024)

	TOTAL	Unrestricted	Restricted
Capital Reserve		\$ 605,540	
Proposed Designations			
Operations Cash		\$85,902	
Chapter Development / Staff		\$200,000	
JWF award reserve		\$104,000	
Restricted			
DMA1			\$ 313,521
DMA2			\$ 21,000
TOTAL	\$ 1,329,962	\$ 995,441	\$ 334,521

(Source: Reserve Balances Calculation, 11/28/2023)