



To: Policy Council of the System Dynamics Society
From: Eliot Rich, VP Finance
Subject: Finance Committee Budget Proposal
Date: 4 December 2024

Budget Proposal for 2025

Attached is a proposed SDS budget 2025 with a comparison to previous years.

How do we project the Society will end 2024?

The Society expects to end the year with an operating surplus of about \$91,790, as compared to our budgeted **-\$3,587**. We also anticipate an increase in unrestricted reserves of about \$275,619 to \$1,356,545, though this is largely unrealized appreciation in our portfolio.

Proposed 2025 Budget

The proposed budget supports our planned hybrid conference, increased support to Chapters and SIGs, and additional funds for special projects by the Office. After discussions with VPs and revenue-sensitive committees, we are recommending a budget with an operating loss of **-\$44,448**. We view this loss as a reasonable investment in capability building, as discussed in the New Initiatives section, below. This will be offset by the operational and investment gain expected from last year.

Our biggest area of financial uncertainty remains the annual conference. The late change to a Boston-based conference included a cancellation penalty from the previous site as well as higher costs for the meeting and lodgings. Still, we believe that the new location will be more attractive than a return to the Chicago area. Additionally, net revenue from publications is still uncertain as we move into a new Wiley contract.

The 2025 budget includes:

- The hybrid Boston conference assumes 420 live/165 virtual participants. This is somewhat optimistic, but we expect better than usual interest in our historical home. The conference revenues and expenses are higher than last year's budget, owing to differences in location and conference sponsorships.
- A slight drop in Society sponsorships and a level budget for Conference sponsorship.
- No change in projected journal income from our Wiley contract, summer school, or membership income.
- An 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
- A decrease in our Service and Learning revenue budget based on 2023 actuals.
- Another year of break-even efforts for operations of the Stewardship Committee. Unlike previous years we chose to include the operational expense and revenue (net zero) in our budget request.

SDS 2025 Budget Proposal

On the 2025 expense side, we recommend building on our web-based initiatives and solidifying our platform:

- \$25,000 set aside to explore an alternative web platform that is based on customer relationship management (CRM) to be selected in conversations with the finance and marketing committees
- Creation of \$30,000 scholarship for SD training from the DM reserves. VP Chapters and SIGs will present a formal report for Policy Council review.
- \$20,000 increase in the professional fees line, and a reduction in the categorized expenses. The Home Office asked for more flexibility in assigning staff to projects rather than to predefined categories of work.

New initiatives and projects including:

- Increased administrative support for SIGs and Chapters from home office. Additional staff time will be available on request.
- Funding for new learning initiatives.
- Assuming hiring of administrative support for one time data entry projects.

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 2025.

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. By the end of Q3, 2024, we reached about \$1.3 M of our goal of \$1.5M in investments by 2025. Final numbers will depend on our portfolio performance for the remainder of the year.

As the anticipated 2025 NOI is about **-\$45,948**, and there are some uncertainties around the conference, we may see a small drawdown of our unrestricted reserve assets from programming and awards. Reserves are also subject to capital gains and losses. Our recent history shows that we generally perform better than our budget indicates.

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 2025 as proposed by the Finance Committee

SDS 2025 Budget Proposal

Restricted reserves, currently the DMA endowments, may only be used for their designated purposes. While 2024 continued to see rapid cycling of investment value we project break-even or better based on our Q3 position. The budget anticipates the approval of a future proposal for reallocating the income from DM reserves to support a student scholarship. If the proposal is approved by the PC, we expect that the funds will come from income and not risk the principal.

Attachments:

- (1) 2025 Proposed Budget
- (2) Unrestricted Assets, Total Income and Total Expenses over time
- (3) Audited and Anticipated Reserve balances over time
- (4) Proposed allocations of reserves for 2025

SDS 2025 Budget Proposal

Attachment 1

System Dynamics Society

2025 Proposed Budget vs. 2024 Proposed Budget

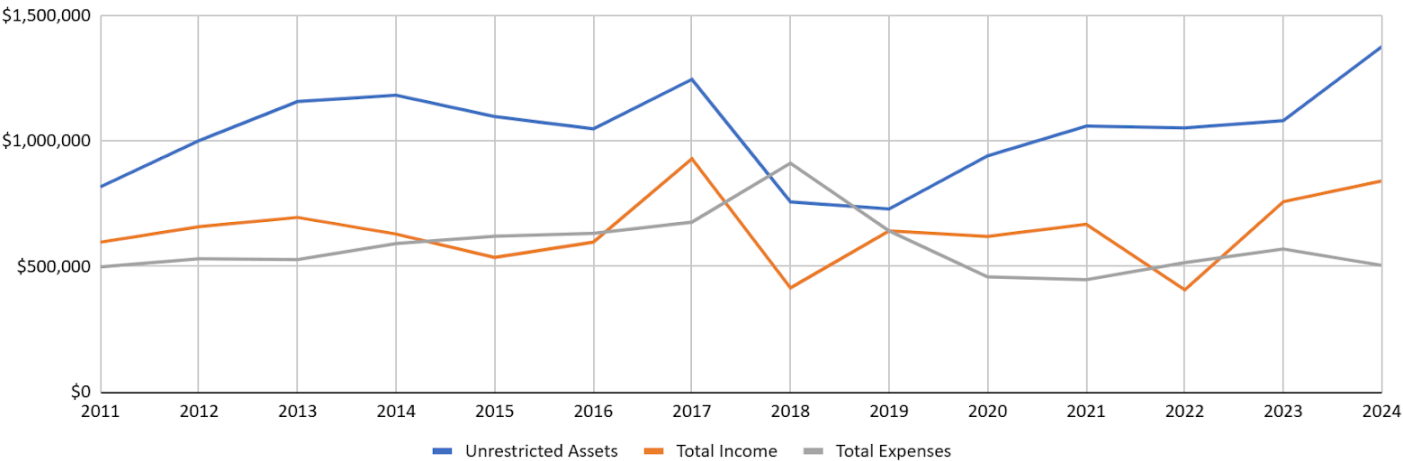
		2025 Budget	2024 Budget	2024 Actuals (Year End Estimate)	2024 Diff Act - Bud
REVENUE					
	Journal	\$72,416	\$72,390	\$82,293	9,903
	Membership	\$110,000	\$110,000	\$109,605	(395)
	Summer School	\$35,000	\$35,000	\$35,000	0
	Conference	\$284,780	\$226,405	\$312,417	86,012
	Sponsorships (Conference)	\$25,000	\$25,000	\$35,180	10,180
	Products	\$48,300	\$44,450	\$61,786	17,336
	Services	\$11,000	\$11,000	\$15,000	4,000
	Learning	\$1,500	\$1,500	\$2,376	876
	Sponsorships (Society)	\$40,000	\$38,000	\$40,500	2,500
	Other Fundraising	\$3,500	\$4,000	\$4,821	821
	Stewardship Donations	\$15,000	\$0	\$9,600	9,600
	TOTAL REVENUE	\$646,496	\$567,745	\$708,579	140,834
	TOTAL COGS	\$25,550	\$17,300	\$38,337	21,037
	GROSS PROFIT	\$620,946	\$550,445	\$670,242	119,797
EXPENSES					
	Awards	\$28,845	\$13,700	\$7,877	(5,823)
	Bank Charges	\$14,554	\$15,548	\$24,385	8,837
	StFF Fund	\$10,000	\$10,000	\$0	(10,000)
	Strategy Committee Efforts	\$0	\$0	\$0	0
	Conference	\$170,533	\$101,329	\$143,104	41,775
	Summer School	\$10,000	\$15,000	\$9,500	(5,500)
	Student Chapter	\$1,000	\$1,000	\$818	(182)
	Insurance	\$3,806	\$3,806	\$3,310	(496)
	Journal	\$27,416	\$27,390	\$27,390	0
	Marketing	\$12,165	\$34,100	\$12,166	(21,934)
	Learning	\$5,000	\$0	\$0	0
	EPresence	\$56,250	\$31,250	\$34,284	3,034
	Miscellaneous	\$0	\$500	\$0	(500)
	Professional Development	\$500	\$500	\$0	(500)
	Office	\$6,000	\$4,525	\$5,438	913
	Stewardship	\$3,000	\$0	\$801	801
	Product Development	\$0	\$0	\$0	0
	Professional Fees	\$193,720	\$173,278	\$183,840	10,562
	Payroll Expenses	\$142,606	\$136,402	\$128,411	(7,991)
	TOTAL EXPENDITURES	\$685,394	\$568,328	\$581,325	12,996
		\$20,000	\$14,296	\$2,873	(11,424)
	NET OPERATING INCOME	-\$44,448	-\$3,587	\$91,790	95,378
	Investment Expenses	-\$1,500	-\$1,500	\$0	1,500
	NET OTHER REVENUE	-\$1,500	-\$1,500	\$0	1,500
	NET REVENUE	-\$45,948	-\$5,087	\$91,790	96,878

(Source: SDS Budget - working 20241028)

SDS 2025 Budget Proposal
Attachment 2
System Dynamics Society
Unrestricted Assets, Total Income and Total Expenses over Time

Unrestricted Assets, Total Income and Total Expenses (USD)

2011-2023 Audited, 2024 Q3



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

SDS 2025 Budget Proposal
Attachment 3
System Dynamics Society
Audited and Anticipated Reserve Balances over time

		EOY FMV investments		\$1,103,903
		Unrestricted	Restricted	
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		\$994,661
2023	Reserves Balance (EOY 2022)	\$ 1,237,603	\$ 939,990	\$ 297,613
	+ Investment income (net) and contributions to reserves	\$ 163,984	\$ 91,326	\$ 72,658
	+ Operating income (loss)	\$ 24,219	\$ 49,610	\$ (25,391)
	Change in net assets	\$ 188,203	\$ 140,936	\$ 47,267
	Reserves Balance (EOY 2023, audited)	\$ 1,425,806	\$ 1,080,926	\$ 344,880
		EOY FMV investments		\$1,130,854
2024 (Q3)	Reserves Balance (EOY 2023)	\$ 1,425,806	\$ 1,080,926	\$ 344,880
	+ Investment income (net) and contributions to reserves	\$ 179,957	\$ 101,852	\$ 78,105
	+ Operating income (loss)	\$ 169,034	\$ 173,767	\$ (4,733)
	Change in net assets	\$ 348,991	\$ 275,619	\$ 73,372
	Reserves Balance (q3 2024, projected, unaudited)	\$ 1,774,797	\$ 1,356,545	\$ 418,252

(Source: SDS Statement of Activity 11/9/2024)

SDS 2025 Budget Proposal

**Attachment 4
System Dynamics Society
Proposed Reserve Designations**

PROPOSED DESIGNATIONS FOR RESERVES (2025)

	TOTAL	Unrestricted	Restricted
Capital Reserve		\$ 957,606	
Proposed Designations			
Operations Cash		\$94,939	
Chapter Development / Stff		\$200,000	
JWF award reserve		\$104,000	
Restricted			
DMA1			\$ 397,252
DMA2			\$ 21,000
TOTAL	\$ 1,774,797	\$ 1,356,545	\$ 418,252

(Source: Reserve Balances Calculation, 11/9/2024)