

System Dynamics Society
VP Finance
Narrative Report
January 2006 Electronic Meeting
Submitted by David F. Andersen

Summary: This report is based on four financial reports developed each year by the Society's home office staff: (1) Budget Comparison, Last Fiscal Year, (2) Profit & Loss Previous Year Comparison, (3) Profit & Loss, Fiscal Year, by Cost Centers, (4) Balance Sheet Previous Year Comparison. The narrative below gives the highlights that I find in these four reports. Overall the Society has a very strong year financially, posting the second largest ever surplus of \$111,241. We ended the year with total assets of \$562,068. A number of one-time events combined with strong performance of our core activities to create this strong performance as detailed in my report.

Narrative on Budget Comparison, Last Fiscal Year. The Society had a very strong financial performance last year. We posted our second largest ever surplus--\$111,241. This was considerably better than the \$54,878 one time budgeted surplus that I had projected in Oxford. As detailed in Table 1 below, the main reasons that the budget missed actual performance are:

1. We budgeted a \$54,878 surplus in the first case.
2. The Dana Meadows Endowment was not in the 2005 budget presented in Oxford. (\$34,125)
3. Larger than expected (even larger than the "optimistic" budget), the Boston conference yielded an extra \$67,945 in income over budget for the Society and only \$783 over budget in expenses.
4. Our investments performed almost \$14,437 better than budgeted.
5. We paid out \$25,000 un-budgeted dollars to support office space renovations at U-Albany.
6. We paid out an extra \$33,118 in professional services for compensation to staff working in the home office (salary adjustments were about \$10,000 and the rest new effort due to increased workload).

Narrative on Profit & Loss Previous Year Comparison. The story told by our profit and loss statement is much the same as the story emerging from the budget comparison above. A close reading of the profit and loss comparison also highlights that:

1. Product sales have fallen off in addition to being less than budgeted.
2. The contract with the University at Albany has increase by 25%. This was a planned shift to hire a graduate assistant.
3. Conference expenses were up considerably reflecting the fact that the Boston conference did not bundle expenses into the participant's single fee for rooms, as was the case at Keeble College in Oxford. This was an anticipated and budgeted for change.

Narrative Summary of Profit and Loss, Fiscal Year, by Cost Centers. The pattern that I see in the profit and loss by cost center is much the same as we have seen in the past—the Conferences and Sales cost centers subsidize activities related to Publications and to our Web presence. I should note that for the first time ever this year, Core Operations appeared to be close to self-sustaining. I think that this is not actually the case because we had a one-time income from Wiley under Membership Dues. But we are certainly doing much better in this area. The IFR transfer column is used to track minor resource exchanges between the Society and U-Albany (IFR is an on-campus account type).

Narrative Summary of Balance Sheet Previous Year Comparison. I find little remarkable in the Balance Sheet previous Year Comparison. Our Total Change in Liabilities & Equity of \$120,771 is in the same ballpark as the \$111,241 Net Income reported on the profit and loss statement. We end the year with the Society's total liabilities and equity at \$562,068 (unaudited). We have some flexibility and ability to make strategic investments with these funds.

Attachments:

- A. Budget Comparison, Last Fiscal Year (unaudited)
- B. Profit & Loss Previous Year Comparison (unaudited)
- C. Profit & Loss, Fiscal Year, by Cost Centers (unaudited)
- D. Balance Sheet Previous Year Comparison (unaudited)

**Table 1: Analysis of Major Factors Contributing to \$111,241 Surplus
(Keyed to Budget Comparison, Last Fiscal Year)**

Item(s)	Contribution to Surplus	Discussion
Previously Budgeted Surplus	\$ 54,878	At the Oxford meeting, we projected a one time surplus due primarily to shift in relationships with Wiley.
Dana Meadows Endowment Fund	\$ 34,125	The Dana Meadows Fund was not budgeted in our initial 2005 budget.
Conference Income	\$ 67,945	Conference attendance exceeded our most optimistic plan; we had budgeted for lower than the most optimistic amount.
DM Investment Income PLUS Investment Income	\$ 14,437	Investment was much stronger than expected. We could take credit for this due to our new investment policies. But it is probably just due to better performance of financial markets.
Membership Dues PLUS Membership Services	\$ -6,804	This is a complicated interaction between three budget line items. We show an apparent shortfall of \$3,382 in Membership Dues and a shortfall of \$34,006 in Other Income, plus there was \$30,584 less expended in Membership Services (an expense line) What actually happened is that our \$30 per member owed to Wiley for each new member was booked to a liability account so it did not show up as either income or expense. The -\$6,804 is not an actual deficit, rather a result of how Wiley bundles other payments such as travel expenses and advances and how we budget line items.
Miscellaneous Expenses (Payment to U-Albany for space renovations)	\$ -25,036	The apparent expenditure over budgeted amounts represents the \$25,000 payment to U-Albany for the renovation and expansion of our home office space.
Professional Fees	\$ -33,118	The Professional Fees line is where we paid about \$10,000 in market adjustments to Society staff for strong performance in 2004. We also are paying for more time for Robin Langer and Joan Yanni because of the added workload at the home office.
All Other	\$ 4,814	If I have done my subtraction right, this is the residual between the major items above and the actual surplus.
Total Surplus	\$111,241	

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Accrual Basis

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A. Budget Comparison, Last Fiscal Year (unaudited)

January through December 2005

	Jan - Dec 05	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
DMA Endow. Fund Camp.	34,125	0	34,125	100%
Products	109,013	121,876	-12,863	89%
Restocking Fee	0	0	0	0%
Finance Charges	0	0	0	0%
Gain on redemption	0	0	0	0%
INC Conferences	219,255	151,310	67,945	145%
DM Investment Inc	1,502	0	1,502	100%
Investment Income	14,935	2,000	12,935	747%
Journal Income	12,479	0	12,479	100%
Membership Dues	109,272	112,654	-3,382	97%
Other Income	269	34,275	-34,006	1%
Shipping and Handling	18,624	18,281	343	102%
Publications Sales	2,064	5,840	-3,776	35%
Sponsor Dues and Donations	35,952	23,966	11,986	150%
Conversion from Accrual to Cash	3,549			
Total Income	561,040	470,202	90,838	119%
Cost of Goods Sold				
Bibliography Update Expense	333	445	-113	75%
Literature Collection	0	3,000	-3,000	0%
Management Game	20,852	20,479	373	102%
PhD Seminar in System Dynamics	162	2,334	-2,173	7%
Proceedings	0	1,626	-1,626	0%
Cost of Goods Sold	0			
SD Review Reprints	7,942	200	7,742	3,971%
Total COGS	29,287	28,084	1,203	104%
Gross Profit	531,752	442,118	89,634	120%
Expense				
Awards	5,054	7,000	-1,946	72%
Bank Adjustments (Expense)	656	835	-179	79%
Contract with Univ at Albany	207,855	207,855	0	100%
Credit card fees	11,444	9,567	1,877	120%
Depreciation Expense	0	1,621	-1,621	0%
EXP Conferences	72,291	71,508	783	101%
Journal Expense	12,000	11,500	500	104%
Membership Directory Exp	1,526	1,687	-161	90%
Membership Services	0	30,584	-30,584	0%
Membership Subsidies	0	2,157	-2,157	0%
Miscellaneous Expense	25,175	139	25,036	18,112%
Office Equipment Purchases	0	4,641	-4,641	0%
Less Capitalized Equip	0	-2,309	2,309	0%
Officer Expenses	7,748	3,856	3,892	201%
Phone, Fax, E-mail Services	0	26	-26	0%
Printing & Duplicating	5,152	3,292	1,860	156%
Professional Fees	56,016	22,898	33,118	245%
Repairs	287	0	287	100%
Shipping /Postage Expense	14,065	9,484	4,581	148%
Supplies	1,243	899	344	138%
DM Exp reallocated to Core	0			
Total Expense	420,511	387,240	33,271	109%
Net Ordinary Income	111,241	54,878	56,363	203%
Net Income	111,241	54,878	56,363	203%

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Accrual Basis

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B. Profit & Loss Prev Year Comparison (unaudited)

January through December 2005

	Jan - Dec 05	Jan - Dec 04	% Change
Ordinary Income/Expense			
Income			
DMA Endow. Fund Camp.	34,125	31,528	8%
Products	109,013	132,587	-18%
INC Conferences	219,255	216,501	1%
DM Investment Inc	1,502	0	100%
Investment Income	14,935	5,566	168%
Journal Income	12,479	1,429	774%
Membership Dues	109,272	49,402	121%
Other Income	269	264	2%
Shipping and Handling	18,624	20,157	-8%
Publications Sales	2,064	6,962	-70%
Sponsor Dues and Donations	35,952	32,190	12%
Conversion from Accrual to Cash	3,549	-2,395	248%
Total Income	561,040	494,190	14%
Cost of Goods Sold			
Bibliography Update Expense	333	308	8%
Literature Collection	0	1,550	-100%
Management Game	20,852	29,696	-30%
PhD Seminar in System Dynamics	162	0	100%
Cost of Goods Sold	0	0	0%
SD Review Reprints	7,942	318	2,401%
Total COGS	29,287	31,871	-8%
Gross Profit	531,752	462,319	15%
Expense			
Awards	5,054	5,560	-9%
Bank Adjustments (Expense)	656	344	91%
Contract with Univ at Albany	207,855	165,788	25%
Credit card fees	11,444	19,227	-41%
Depreciation Expense	0	1,011	-100%
Electronic Presence Support	0	307	-100%
EXP Conferences	72,291	2,527	2,761%
Journal Expense	12,000	12,000	0%
Membership Directory Exp	1,526	907	68%
Membership Services	0	811	-100%
Membership Subsidies	0	2,430	-100%
Miscellaneous Expense	25,175	120	20,880%
Office Equipment Purchases	0	0	0%
Officer Expenses	7,748	3,121	148%
Printing & Duplicating	5,152	2,960	74%
Professional Fees	56,016	33,758	66%
Repairs	287	0	100%
Shipping /Postage Expense	14,065	14,794	-5%
Supplies	1,243	336	270%
DM Exp reallocated to Core	0	0	0%
Uncategorized Expenses	0	0	0%
Total Expense	420,511	266,000	58%
Net Ordinary Income	111,241	196,318	-43%
Other Income/Expense			
Other Expense			
Restricted DMA Donations & Int.	0	0	0%
Total Other Expense	0	0	0%
Net Other Income	0	0	0%
Net Income	111,241	196,318	-43%

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Accrual Basis **C. Profit and Loss, Fiscal Year, by Cost Centers (unaudited)**
 January through December 2005

	Conferences	Core Ops	Sales	Publication	Web	DMC	IFR Transfer	TOTAL
Ordinary Income/Expense								
DMA Endow. Fund Camp.	0	0	0	0	0	34,125	0	34,125
Products	0	-30	109,043	0	0	0	0	109,013
INC Conferences	219,255	0	0	0	0	0	0	219,255
DM Investment Inc	0	756	0	0	0	746	0	1,502
Investment Income	0	14,245	0	0	0	690	0	14,935
Journal Income	0	0	0	12,479	0	0	0	12,479
Membership Dues	0	109,272	0	0	0	0	0	109,272
Other Income	0	259	10	0	0	0	0	269
Shipping and Handling	0	0	18,624	0	0	0	0	18,624
Publications Sales	0	120	1,914	30	0	0	0	2,064
Sponsor Dues and Donations	0	35,951	0	0	0	0	0	35,951
Conversion from Accrual to Cash	0	3,549	0	0	0	0	0	3,549
	<u>219,255</u>	<u>164,122</u>	<u>129,591</u>	<u>12,509</u>	<u>0</u>	<u>35,561</u>	<u>0</u>	<u>561,038</u>
Bibliography Update Expense	0	0	333	0	0	0	0	333
Management Game	0	0	20,852	0	0	0	0	20,852
PhD Seminar in System Dynamics	0	0	162	0	0	0	0	162
Cost of Goods Sold	0	0	0	0	0	0	0	0
SD Review Reprints	0	0	0	7,942	0	0	0	7,942
	<u>0</u>	<u>0</u>	<u>21,347</u>	<u>7,942</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,289</u>
Gross Profit	219,255	164,122	108,244	4,567	0	35,561	0	531,749
Awards	0	5,054	0	0	0	0	0	5,054
Bank Adjustments (Expense)	0	656	0	0	0	0	0	656
Contract with Univ at Albany	85,775	85,791	17,481	8,621	9,496	0	691	207,855
Credit card fees	4,348	4,406	2,568	5	0	116	0	11,443
EXP Conferences	72,291	0	0	0	0	0	0	72,291
Journal Expense	0	0	0	12,000	0	0	0	12,000
Membership Directory Exp	0	0	0	1,526	0	0	0	1,526
Miscellaneous Expense	0	25,175	0	0	0	0	0	25,175
Officer Expenses	0	4,883	0	2,864	0	0	0	7,747
Printing & Duplicating	0	4,492	660	0	0	0	0	5,152
Professional Fees	8,784	34,777	6,681	1,650	2,185	150	1,787	56,014
Repairs	0	287	0	0	0	0	0	287
Shipping /Postage Expense	0	161	13,899	0	0	5	0	14,065
Supplies	95	1,032	16	0	100	0	0	1,243
DM Exp reallocated to Core	0	271	0	0	0	-271	0	0
	<u>171,293</u>	<u>166,985</u>	<u>41,305</u>	<u>26,666</u>	<u>11,781</u>	<u>0</u>	<u>2,478</u>	<u>420,508</u>
Net Ordinary Income	<u>47,962</u>	<u>-2,863</u>	<u>66,939</u>	<u>-22,099</u>	<u>-11,781</u>	<u>35,561</u>	<u>-2,478</u>	<u>111,241</u>
Net Income	<u>47,962</u>	<u>-2,863</u>	<u>66,939</u>	<u>-22,099</u>	<u>-11,781</u>	<u>35,561</u>	<u>-2,478</u>	<u>111,241</u>

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Accrual Basis

System Dynamics Society
D. Balance Sheet Prev Year Comparison (unaudited)
As of December 31, 2005

	Dec 31, 05	Dec 31, 04	\$ Change	% Change
ASSETS				
Current Assets				
Checking/Savings				
Bank of America (Fleet)	103,152	241,283	-138,131	-57%
Bank Paypal	2,594	1,838	756	41%
Fidelity Cash Reserves	0	63,639	-63,639	-100%
UBS Financial (PaineWebber)	49,099	133,211	-84,112	-63%
Vanguard DM Endow(88006930361)	37,580	0	37,580	100%
Vanguard Society (88008478957)	338,717	0	338,717	100%
Travel Cash	179	184	-5	-3%
Total Checking/Savings	531,321	440,154	91,167	21%
Accounts Receivable				
Accounts Receivable	3,157	0	3,157	100%
Total Accounts Receivable	3,157	0	3,157	100%
Other Current Assets				
Transfers	25,601	0	25,601	100%
Undeposited Funds	632	90	542	602%
Total Other Current Assets	26,233	90	26,143	29,048%
Total Current Assets	560,711	440,244	120,467	27%
Fixed Assets				
Equipment	11,350	11,046	305	3%
Accumulated Depreciation	-9,993	-9,993	0	0%
Total Fixed Assets	1,357	1,053	305	29%
TOTAL ASSETS	562,068	441,297	120,771	27%
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Other Current Liabilities				
Advance on Journal Royalty	5,000	0	5,000	100%
Prepaid Editorial/Travel	0	3,054	-3,054	-100%
Restricted Conf.Scholar/Awards	304	1,285	-981	-76%
Membership Sub Payable 2005+	23,190	14,640	8,550	58%
Refunds Pending CLEARING	16	0	16	100%
Total Other Current Liabilities	28,510	18,979	9,530	50%
Total Current Liabilities	28,510	18,979	9,530	50%
Total Liabilities	28,510	18,979	9,530	50%
Equity				
Net Assets - Restricted (DMA)	30,966	30,966	0	0%
Net Assets - Unrestricted	391,351	195,033	196,318	101%
Net Income	111,241	196,318	-85,077	-43%
Total Equity	533,558	422,317	111,241	26%
TOTAL LIABILITIES & EQUITY	562,068	441,297	120,771	27%