

VP Finance 2005 Winter Narrative Report

Sloan School, Cambridge MA

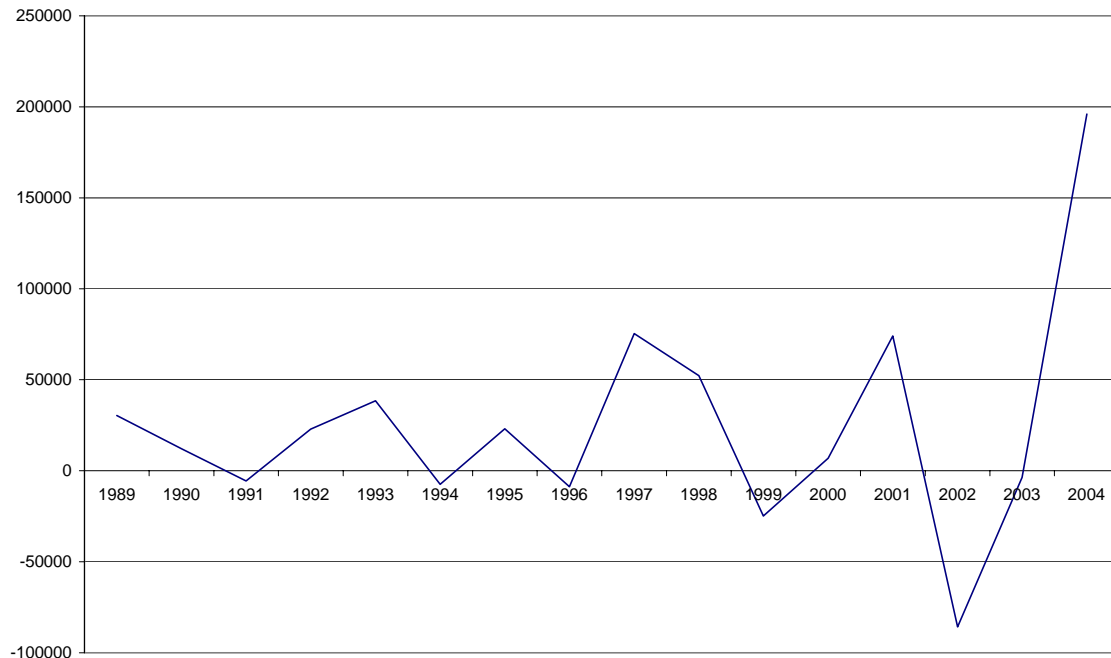
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Submitted by David F. Andersen

Summary: In 2004, the Society performed approximately \$198,000 better than had been budgeted—the largest discrepancy in its history. Approximately \$103,000 of the surplus can be attributed to unpredicted strong financial performance of the Oxford Conference and the remainder is due to strong product sales, some cost savings, and new initiatives. I have completed a compensation survey for Society employees. I find that we are compensating employees below open market rates for persons with similar duties, but in line with University at Albany employees with similar duties. I will recommend some changes to current Society compensation policies to the administrative committee.

2004 Surplus Placed in Context. Figure 1 plots net income of the System Dynamics Society between 1989 and 2004. The pattern in this graph is periodic surpluses and deficits. The surplus in 2004 approached \$200,000, by far the largest surplus for the Society ever.

Figure 1: System Dynamics Society--Net Income 1989-2004



Budget Comparison Last Fiscal Year or Why Did We Have Such a Large Surplus?

Figure 2 below is a table that details the causes for the unexplained surpluses in 2004. Most of the unbudgeted surplus incomes can be attributed to extra income from or savings associated with the Oxford conference. In addition, a net total of \$37,752 expenses associated with the Oxford conference had been paid prior to 2004, making the

conference appear even more profitable in 2004. Two new activities contributed to the unpredicted surplus—we collected \$31,527 for the Dana Meadows fund and we collected \$17,802 above the expected amount for dues because of the new arrangements with Wiley (we were collecting 2005 dues in 2004). In addition, product sales were significantly above expectations, in part due to new products coming on line. We did not hire to replace Vedat Diker in 2004 leading to a savings of \$13,500. Actually, all other budgeted categories overspent by approximately \$15,000 (most notably credit card fees and professional services).

**Figure 2: Causes of Unbudgeted
Surpluses for System Dynamics Society
During 2004**

Causes from Oxford Conference	
Higher Conference Attendance (Approx)	\$15,000
Conference Savings (Approx)	\$50,000
Conference Payments in Prior Year	\$37,752
Causes from Other 2004 Activities	
Meadows Award (new activity)	\$31,527
Product Sales	\$35,548
Membership Dues (early 2005 Collections)	\$17,802
Publication Sales & Shipping	\$13,127
Electronic Presence Support	\$13,500
All Other Budgeted Categories (overspending)	-\$15,389
Total	\$198,867

Profit and Loss Previous Year Comparison. Two items are worthy of special attention in this report. First, conference income and expenses were handled in a different way in 2004. Most conference expenses were bundled into a contract with Keble College. The Keble Contract was paid for by a liability account that was filled by payments from conference attendees. This accounting tactic kept the bulk of conference expenses off of the Society’s cash books. Hence conference expenses and income do not reflect the complete volume of activity in this area. Second, as outlined above, a number of income items due to sales performed very well in 2004.

Profit and Loss by Cost Center. Aside from the stronger than usual performance by the Oxford Conference and Sales, already noted above, the overall pattern on this report follows what we have seen in past years. This year, the Dana Meadows Campaign appears as a special item named “DMC”. The “IFR Transfer” column is used to track minor resources exchanges between the Society and the University at Albany (IFR is an on-campus account type).

Balance Sheet Previous Year Comparison. The balance sheet comparison shows that assets increased by around \$212,000 during 2004, while net income from the profit and loss statement was only around \$194,000. The explanation for this apparent discrepancy is that we are starting to show liabilities around the Dana Meadows Fund and we are keeping track of 2005 dues paid in 2004 as liabilities.

Employee Compensation Study. At the summer meeting of the administrative committee, I was directed to review the compensation of staff who work for the Society. I have completed a preliminary compensation study for Society staff and have made those preliminary results available to the administrative committee. While our staff are being compensated on a scale appropriate to University personnel, we appear to be compensating our staff below open market rates for our region of the nation. I estimate that our direct compensation package may be up to 18% behind employees of non-profit organizations with similar duties. I do not have data on quality of benefit packages, but would surmise that University benefit packages are better than those available on the not for profit open market. I will be recommending actions to deal with these discrepancies to the administrative committee. I hope that the policy council will have something to act on in this area soon.

VP Reports for Winter 2005 Policy Council Meeting

1. Budget Comparison Last Fiscal Year (unaudited)
2. Profit and Loss Previous Year Comparison (unaudited)
3. Profit and Loss by Cost Center (unaudited)
4. Balance Sheet Previous Year Comparison (unaudited)