

To: Members of the Policy Council, System Dynamics Society
From: David Andersen, VP Finance
Date: July 1, 2003
Subject: Society Budget for 2004

As you may be aware, in 2002 the Society's overall operations posted a substantial loss and although the registrations for this year's conference are at an all time high, global events may have hurt conference attendance in New York City, as the "realistic" budget numbers were set at 454. Registration issues may affect Oxford for 2004. Since conferences play such an important part in the Society's finances, I am seeking wider involvement and comment this year on the Society's budget for 2004. Attached to this memo you will find the Society's proposed staffing plan for 2004 plus a copy of the overall budget with a breakdown of that budget by major cost center. I hope that you will have time to review these figures before the Policy Council meeting in New York City and get back to me if you have any major questions or concerns.

Process for Developing this Budget

This year, I had to work on the budget while away in Scotland on sabbatical. I asked the staff at the Society's home office to come up with a series of options for balancing the budget for 2004 to arrive at a prudent restructuring of activities. Based on their recommendations, I worked with Roberta Spencer to draw up a draft budget, which I shared in detail with the Society's Administrative Committee last month. The budget that you are looking at emerged from this process spanning several months of work.

Major Features of the 2004 Budget

- **Vedat Diker's position will not be refilled.** Over the past several years, the Society has had the good fortune of being able to retain the services of Vedat Diker on a part time basis as he completed his graduate studies. Mr. Diker has proved invaluable in developing web-based resources of the Society and has played a major role in conferences. Mr. Diker intends to be in a faculty position by August 2004 and his slot will not be refilled. We have allocated additional funds to a line for "Web Development" to help cover this important function.
- **Roberta Spencer's salary is level for the budget period.** She has volunteered to opt out of the normal pay cycle at the University at Albany until we know that the Society's budget is back in balance.
- **Dues will rise by \$7 per member.** This budget-balancing move will require a vote of the Policy Council.
- **Beer Game price will rise by \$10.**
- **I Have Accepted The 2004 (Oxford) Conference Budget In Its Modified Form.** In May of this year, the Society signed a contract with Keeble College and negotiated a modified conference budget that looks quite a bit different from earlier budgets that I had seen. I have accepted the numbers and assumptions of that modified budget. While this budget "works" within the overall Society's budget, I personally believe

that this contract as structured does expose the Society to a potentially large loss at the Oxford conference.

- **Prudent Tightening of Expenditures and Reductions in Member Services.** The attached impact statement from the Society's staff indicates in more details what are the implications of this budget for Society operations as seen by the Society's officers and members. For example, we will move to a less costly electronic membership directory and President's Newsletter, some expenses will be pared, and support for some functions such as conference program design and support will devolve back to Society officers. I urge you to read the impact statement closely.

Action on This Memo

I hope that you will have time to read over these budget documents before we meet in New York. If you have substantial comments on this budget that will require further analysis, I would very much appreciate hearing about them by July 10, so that the staff and I can be prepared for the Policy Council meetings at the New York City meetings. My e-mail for such comments is:

David.andersen@albany.edu

Please note that formal action on the 2004 budget, including votes to approve the budget and increase the dues will be taken at the Policy Council meeting in New York City in July.

Attachments

1. Society Budget for 2004
2. Budget Breakdown for 2004 by Cost Centers
3. Staffing Plan for the Society for 2004
4. Implications of 2004 Budget for Society Operations
5. Budget and Actual Trends: 1996-2004
6. Audited Accountant's Report for 2002
7. Budget Comparison, First Six Months 2003
8. Profit and Loss Comparison, First Six Months 2003
9. Profit and Loss by Cost Centers, First Six months 2003

**System Dynamics Society
Budget for 2004**

Categories		2002 Budget	2002 Actual	2003 Budget		2004 Budget	Change 03 - 04
Income							
INC Conferences *							
Registrations	95,125			178,075		142507	-20%
Income for Participant Room & Board						271500	NA
Events	3,000			3,900			-100%
Sponsors/ Exhibitors	30,000			30,000		18,000	-40%
Other	0					10,394	NA
Total INC Conferences		128,125	163,733	211,975		442,400	109%
Investment Income		13,000	-1,249	5,500		0	-100%
Membership Dues		23,000	24,130	24,000		31,600	32%
Other Income		100	3,884	100		100	0%
Prepaid Postage		15,000	15,936	15,000		13,000	-13%
Products		91,000	100,024	91,000		98,000	8%
Publications Sales		6,000	3,382	1,000		1,000	0%
Sponsor Dues and Donations		21,000	19,519	21,000		21,000	0%
Total Income		297,225	329,359	369,575		607,100	64%
Gross Profit		297,225	329,359	369,575		607,100	64%
Expense							NA
Awards		6,000	5,606	6,100		5,600	-8%
Bank Adjustments (Expense)		100	2,984	100		1,000	900%
Bibliography Update Expense		500	373	500		500	0%
Contract with Univ at Albany							NA
Office Expenses through SUNYA	17,100		16,268	18,000		22100	23%
IFR Indirect Costs	14,392		10,503	15,001		12810	-15%
Salaries & Fringe	143,915		155,779	150,013		128101	-15%
Other							
Ajustments from Previous Year	7,143			0			
Total Contract with Univ at Albany		182,550	182,550	183,014		163,011	-11%
Cost of Goods - Game/Seminar/Other		17,000	20,530	20,000		20,000	0%
Reprinting Proceedings			4,075	0		1,000	NA
Credit card fees		7,000	9,199	6,000		4,000	-33%
Electronic Presence Support		\$1,000	\$131	\$0		\$13,500	NA
EXP Conferences not in Albany Contract							
Program Chair Expenses	3,000			500		1000	-83%
Conference Chair/Local Expenses	34,960			0		1000	-100%
Expenses for Participant Room & Board						271500	NA
Other Expenses from Home Office	30,888			135,857		70231	340%
Total EXP Conferences not in Albany contract		68,848	123,476	136,357		343731	152%
Journal Expense		12,000	11,000	11,000		11,000	0%
Membership Directory Exp		4,000	4,516	3,000		1,200	-60%
Membership Services		2000	2842	3000		1500	-50%
Membership Subsidies		3200	4320	3000		4000	33%
Miscellaneous Expense		100	125	100		100	0%
Office Equipment Purchases		2,000	612	2,000		600	-70%
Officer Expenses		5,000	2,261	2,500		1,500	-40%
Printing & Duplicating		2,000	1,782	2,500		2,500	0%
Staff Expenses		\$3,000	2,085	\$3,000		\$1,500	-50%
Professional Fees		8,000	24443	12,000		17,000	42%
Shipping /Postage Expense		8,000	9,917	10,000		10,000	0%
Subscriptions & Supplies		1,500	593	1,500		1,500	0%
Uncategorized Expenses/Depreciation		0		2000		2000	0%
Total Expense		\$333,798	\$413,420	\$407,671		\$606,742	49%
Net Income		-\$36,573	-\$84,061	-\$38,096		\$358	-101%

* Conference Income and Expenses were budgeted at the "realistic" level per revised UK Budget

**System Dynamics Society
Budget for 2004 by Cost Centers**

Budget Cost Center	Total	Confer- ence	Core Ops	Web	Publications	Sales
Income						
INC Conferences						
Registrations	142,507	142,507				
Income for Participant Room & Board	271,500	271,500				
Events	0	0				
Sponsors/ Exhibitors	18,000	18,000				
Other	10,394	10,394				
Total INC Conferences	442,400	442,400				
Investment Income	0		0			
Membership Dues	31,600		31,600			
Other Income	100		100			
Prepaid Postage	13,000					13,000
Products	98,000					98,000
Publications Sales	1,000				1,000	
Sponsor Dues and Donations	21,000		21,000			
Total Income	607,100	\$442,400	\$52,700	\$0	\$1,000	\$111,000
Gross Profit	607,100	\$442,400	\$52,700		\$1,000	\$111,000
Expense	0					
Awards	5,600	5,600				
Bank Adjustments (Expense)	1,000	500				500
Bibliography Update Expense	500					500
Contract with Univ at Albany	0					
Office Expenses through SUNYA	22,100	9,587	8,716	221	1,202	2,375
IFR Indirect Costs	12,810	5,557	5,052	128	696	1,377
Salaries & Fringe	128,101	55,568	50,519	1,281	6,965	13,768
Other	0					
Ajustments from Previous Year	0	0	0	0	0	0
Estimated Allocation Fraction		0.4338	0.3944	0.0100	0.0544	0.1075
Allocation Fraction from 2001 Data		0.4338	0.3944	0.0100	0.0544	0.1075
Total Contract with Univ at Albany	163,011					
Cost of Goods - Game/Seminar/Other	20,000					20,000
Reprinting Proceedings	1,000					1,000
Credit card fees	4,000		400			3600
Electronic Presence Support	13,500	\$4,050		\$9,450		
EXP Conferences not in Albany Contract						
Program Chair Expenses	1,000	1,000				
Conference Chair/Local Expenses	1,000	1,000				
Expenses for Participant Room & Board	271,500	271,500				
Other Expenses from Home Office	70,231	70,231				
Total EXP Conferences not in Albany contract	343,731					
Journal Expense	11,000				11,000	
Membership Directory Exp	1,200				1,200	
Membership Services	1,500		750		750	
Membership Subsidies	4,000		4,000			
Miscellaneous Expense	100		50		25	25
Office Equipment Purchases	600		600			
Officer Expenses	1,500		1,500			
Printing & Duplicating	2,500		1000		500	1000
Staff Expenses	1,500		\$1,500			
Professional Fees	17,000		6,800		1700	8500
Shipping /Postage Expense	10,000		5000			5,000
Subscriptions & Supplies	1,500		750			750
Uncategorized Expenses/Depreciation	2,000		2,000			
Total Expense	\$606,742	\$424,592	\$88,637	\$11,080	\$24,038	\$58,396
Net Income	\$358	\$17,808	-\$35,937	-\$11,080	-\$23,038	\$52,604

* Conference Income and Expenses were budgeted at the "realistic" level per revised UK Budget

System Dynamics Society: Budgeted Staffing Plan 2000 - 2004

Total Budgeted Effort Level					
Effort Level for Staff In Contract with SUNY					
<i>Staff Member</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
Roberta Spencer	0.9	1	1	1	1
Jennifer Rowe	0.6	0.6	1	1	1
Vedat Diker	NA	NA	0.71	0.71	0
Budgeted Staff Outside SUNY Contract					
<i>Other Staff Dollars</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
Other Staff	??	\$9,000	\$6,000	\$12,000	\$17,000
Electronic Support	\$0	\$25,000	\$0	\$0	\$4,000

Time Allocation Data By Function					
2004 (based on 2001 with estimated updates)					
	<i>Conference</i>	<i>Core Ops</i>	<i>Web</i>	<i>Publications</i>	<i>Sales</i>
Roberta Spencer	0.46	0.39	0.01	0.05	0.09
Jennifer Rowe	0.4	0.4	0.01	0.06	0.13
Vedat Diker	0	0	0		
Overall Weighted by Salary	0.43	0.39	0.01	0.05	0.11

To: David Andersen, VP Finance
Administrative Committee

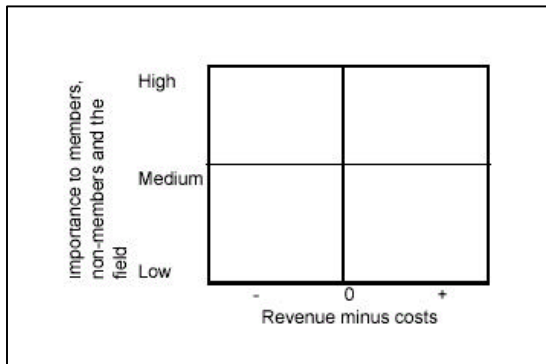
From: Roberta Spencer, Jennifer Rowe, Vedat Diker

Subject: Implications of 2004 Society Budget on Operations

Date: May 28, 2003

We have met several times since we first got your copy of the draft budget for 2004. Our purpose has been to delineate the implications of the proposed budget for home office operations.

This was an interesting discussion. We needed to set some type of decision-making criteria. During the process it became clear that there are benefits (value, longevity, etc.) for members, the office and the field. There is overlap, but many times, what may be “good” in terms of saving money for the office, is not good for the membership or the field. Most things that are good for the membership are costly, without a source of income for the office. Some things that are good for the field are not necessarily a direct benefit to a member. So, the decision-making we used, trying very hard not to mix apples and oranges was based on:



Implications of the proposed budget are discussed below. The implications are divided into 3 categories:

Tasks being done by the home office to be **DELETED (DISCONTINUED OR TRANSFERRED)**

Tasks being done by the home office to be **REDUCED OR CHANGED**

Tasks being done by the home office to **REMAIN INTACT**

Beyond these three categories are two other sections called **DRASTIC MEASURES** and **HOPES**.

Tasks being done by the home office to be DELETED (DISCONTINUED OR TRANSFERRED)

Task	Implication
New university SDR subscription campaign or similar campaigns for subscriptions: Revert to Wiley	Wiley asked this office to conduct this worthwhile campaign, which benefits the Society and Wiley. It may not ever get done again.
New in-house product development: Discontinue	If a product comes to us in finished form, we can sell it. If we need to refine it, it is a lot of work.
Layout and design of newsletter: Discontinue	Currently 10% of our membership does not have email. One idea was to send hard copies to these members, but electronic to all others. The hard copy would also be used as a marketing tool. In this scenario, these members will not be reached, no hard copies.
Updating conference paper submissions: Will not be done after a set deadline each year.	Stricter adherence to deadlines will reduce work in this office, but may reduce the number of conference presenters.
Review recruitment: Transfer to Program Chair	The home office will keep records only.
Reviewer assignments: Transfer to Program Chair	The home office will keep records only, and will assist the program chair with emailing.
Developing the conference program: Transfer to Program Chair	No decision-making or initial or follow-up manipulation of data.
Automate conference services	We anticipate maintaining (only) all websites, as they are – no new development.

Tasks being done by the home office to be REDUCED OR CHANGED

Task	Implication
Increase membership dues (+\$7)	Will Wiley want a portion of this? Will our members refuse to pay? We are asking our members for more money and reducing services.
Increase Beer Game price (+\$10)	Beer Game sales are healthy but declining. This will keep our income at a consistent level.
Reduce membership campaigns: Revert to Wiley	Will result in less work, less mailing costs, fewer members.
Membership Payments and info to Wiley: Process memberships, acknowledge, send	Delays in processing memberships and for members to receive their

welcome packet: Options are to reduce or revert all back to Wiley.	information.
Reduce services to officers (president, secretary, VPs, etc.)	Continuity and proactivity will be reduced.
Absence of presence at Pegasus conference and MIT Beer Game, etc.	Less contact with similar groups. Less marketing and familiarity.
Survey web pages for updates (Only survey financially critical ones, such as products, beer game, sponsors.)	Increased errors and old information.
Discontinue solicit newsletter articles (goes to the president)	Lower quality/quantity newsletter.
Edit newsletter articles (option?)	Lower quality/quantity newsletter.
Electronic presence support decreases (transfer to volunteers by offering incentives)	Very costly in image for a computer based professional society.
Cut personnel	Answer inquiries: may be reduced, not done promptly. More delays, less/slower services to members, maintain rather than progress on all fronts.
Cut conference costs, mostly program chair	Shift the burden back to program chair. New committee to restructure how program is done from reviewing to scheduling.
Reduce support for conference chair	Site selection, contracting not supported by home office.
Conference brochures: CfP and Registration paperless	We will not reach as many people.
Reduce flexibility in conference deadlines and services: case-by-case basis flexibility if will lead to extra participation.	The last 5% of late authors and late registrants make for a tremendous amount of work.
Reduce variables at conference (such as AV, lunch)	Stop moving equipment, either have it or not. No lunches or buses.
Reduce document translation (conversion) for review purposes	Relax blind review. Send papers out for review in the state that they arrive.
Discourage e-mail submission of papers; encourage web submission	Email is much more work, train our authors.
Discourage e-mail submission of reviews; encourage web submission	Email is much more work, train our reviewers.
Reduce support to awards committee for Dana Meadows Award	Awards committee to totally maintain all papers review and records.
Checking, confirming, reminding conference authors with respect to deadlines, anonymity, student prize, etc.: No follow-up	End product is not as refined. Becomes the responsibility of the program chair.
Transfer event organizations to volunteers; use SIGs as a platform, provide incentives.	Roundtables, etc. Should be decided this year, for next – who is chair, etc. and notify us rather than we track

	down that information.
Conference web maintenance ONLY (non-interactive, informative section); could be transferred to volunteers.	Maintenance only – no improvements.
Checking, confirming, and reminding reviewers: not as much follow-up.	End product is not as refined. Becomes the responsibility of the program chair.
Package and transfer some tasks to more volunteers.	May be more work in the beginning?

Tasks being done by the home office to REMAIN INTACT

Tasks	Implications
Savings investments	Review, maximize benefits.
Electronic newsletter	Maintain as-is
Contact info maintained in database (CDB)	This is the backbone of the Society
Beer games sales	This sustains us
Online membership directory: permissions, passwords; upload, download directory; monitor functionality.	Remains intact for now, but could be cut. There are options to reduce this work. See Drastic Measures below.
Conference information advertising mail-outs (electronic and hardcopy)	Could be reduced, seems to work well as is.
Conference submission system maintenance	Maintain, no improvements
Collect conference submissions; download from server	Maintain, no improvements
Reviewer database maintenance	Maintain, no improvements
Conference review system maintenance	Maintain, no improvements
Collect reviews by web and e-mail	Maintain, no improvements
Produce review report from database	Maintain, no improvements
Collect, record decisions on submissions, notify authors	Maintain, no improvements
Produce program spreadsheet material from database (“new deal” file)	Maintain, no improvements. We must do this to produce the printed program, door signs, etc.
Checking, confirming, reminding conference registrants	As-is.
Conference registrations. Prepare registrant materials: badges, receipts, envelopes	As-is.
Compile door signs, chair letters, etc.	As-is.
Compile the printed conference program (15 pages, overview, program index)	As-is.
Conference CD production: Collect and enter abstracts for the CD, Document translation (conversion) for the CD, etc.	As-is.

Exhibitor services at conference	As-is.
----------------------------------	--------

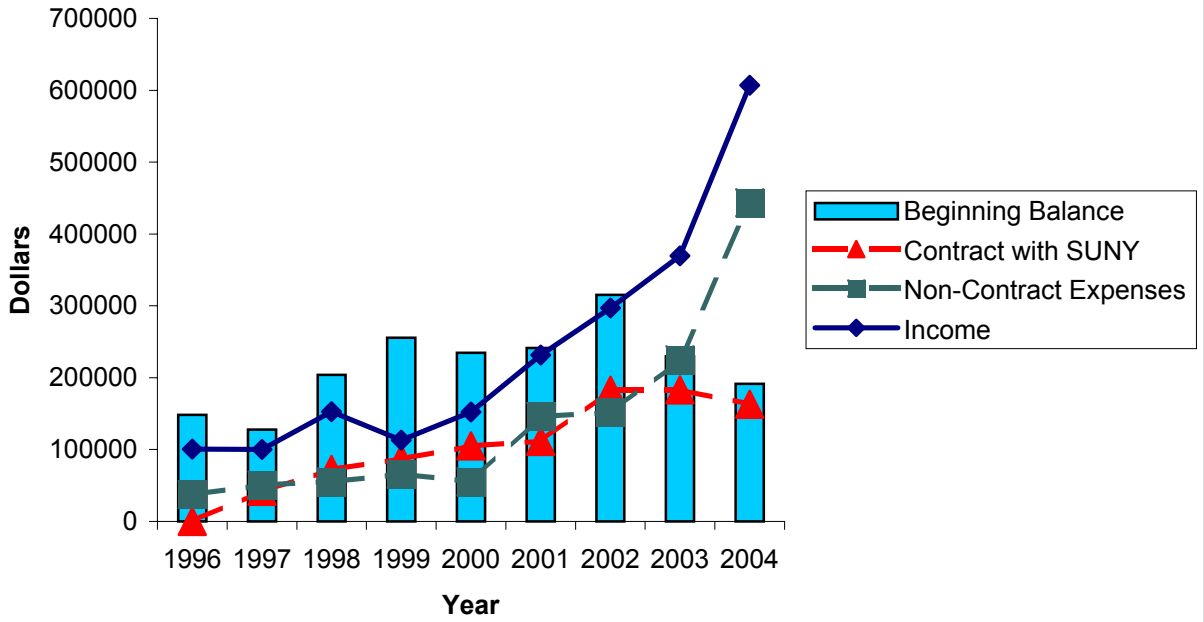
Drastic Measures:

Online membership directory: permissions, passwords; upload, download directory; monitor functionality.	Totally revert to Wiley hard copy, produce once a year on CD.
Conference CD production	Delete, revert to program chair
Electronic newsletter	Delete, revert to president
Exhibitor services at conference	Delete, revert to conference chair

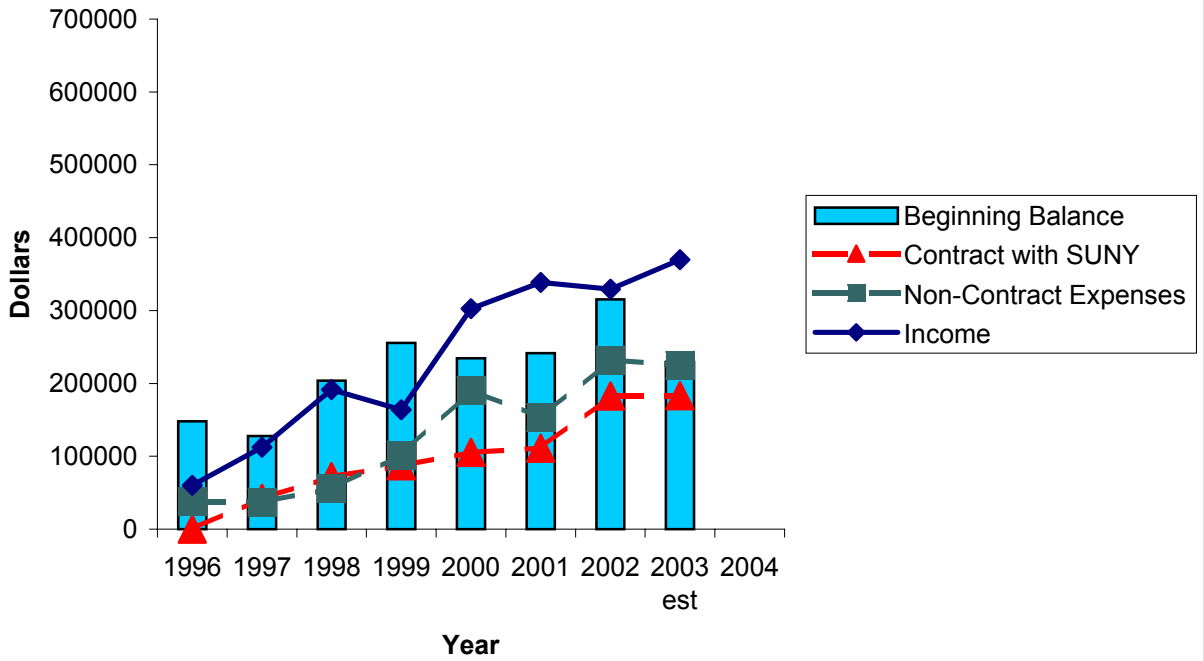
Hopes:

Invest in the website.	Use “savings” to increase quality of website.
Successful Capital Campaign	Provide funding to progress rather than maintain, including attention to a “scholarship” fund for conference attendees.
Clear definition of what the Society wants the office to do, including conference issues.	We are doing everything that comes our way. If we need to pick and choose, what is the vision of the wise ones?
That we are able to be sustaining and that we keep our jobs.	

System Dynamics Society Budget Trends 1996-2004



System Dynamics Society Actual Trends 1996-2003



Hall, Vasil & Dowd

Certified Public Accountants

~

30 Church Street - Suite 310 - Belmont, MA 02478-1384

Tel. (617) 484 - 0000

Fax (617) 489 - 0521

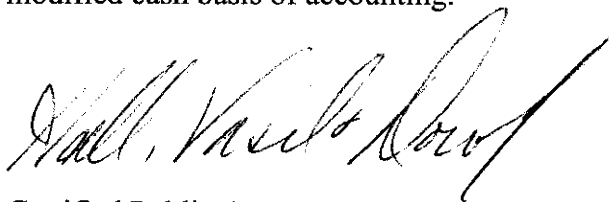
Policy Council
The Systems Dynamics Society, Inc.
Albany, New York

We have reviewed the accompanying statements of assets, liabilities, and net assets -- modified cash basis of The Systems Dynamics Society, Inc., as of December 31, 2002 and 2001 and the related statements of revenues, expenses, and changes in net assets -- modified cash basis and statements of cash flows -- modified cash basis for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of The Systems Dynamics Society, Inc.

A review consists principally of inquiries of Society personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based upon our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in Note B.

Our review was made for the purpose of expressing limited assurance. Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting.



Certified Public Accountants

May 7, 2003

THE SYSTEMS DYNAMICS SOCIETY, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 69,738	\$ 151,704
Money market mutual funds	130,636	128,598
Marketable securities	26,217	30,519
Total current assets	<u>226,591</u>	<u>310,821</u>
PROPERTY		
Furniture and equipment	10,396	9,783
Less: Accumulated depreciation	(7,355)	(5,147)
	<u>3,041</u>	<u>4,636</u>
 Total assets	 <u>\$ 229,632</u>	 <u>\$ 315,457</u>
 <u>NET ASSETS</u>		
NET ASSETS		
Unrestricted - General fund	\$ 229,632	\$ 315,457
 Total net assets	 <u>\$ 229,632</u>	 <u>\$ 315,457</u>

See accompanying notes and accountants' report.

THE SYSTEMS DYNAMICS SOCIETY, INC.
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
Changes in unrestricted net assets		
Revenues and gains		
Conference	\$ 163,733	\$ 142,580
Bibliographies and teaching games	103,599	111,541
Donations	19,519	29,660
Membership dues and subscriptions	24,130	22,626
Prepaid postage	15,936	17,926
Interest and dividends	3,665	7,970
Publications	3,382	5,411
Unrealized (loss)/gain on securities	(4,849)	661
Miscellaneous	28	337
Total unrestricted revenues and gains	329,143	338,712
Expenses and losses		
Administration	182,550	111,211
Bank fees	12,182	7,734
Bibliographies and games	16,464	20,841
Conference	123,476	43,256
Depreciation	2,208	2,188
Grants	5,606	6,020
Membership mailings	7,358	6,777
Membership subsidies	4,320	6,120
Office expenses	277	148
Professional fees	24,443	18,897
Proceedings 2002	4,075	1,056
Publications	12,782	14,392
Seminars	4,337	7,909
Shipping and postage	9,917	11,341
Supplies	627	1,282
Travel	4,346	5,511
Total expenses and losses	414,968	264,683
(DECREASE)/INCREASE IN UNRESTRICTED NET ASSETS	(85,825)	74,029
NET ASSETS - beginning of year	315,457	241,428
NET ASSETS - end of year	\$ 229,632	\$ 315,457

See accompanying notes and accountants' report.

THE SYSTEMS DYNAMICS SOCIETY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities		
Cash received from customers	\$ 329,143	\$ 338,712
Cash paid to suppliers and employees	<u>(412,760)</u>	<u>(262,496)</u>
Net cash provided by operating activities	(83,617)	76,216
Cash flows from investing activities		
Capital expenditures	<u>(613)</u>	<u>(3,267)</u>
Net cash used in investing activities	(613)	(3,267)
Net increase in cash and cash equivalents	(84,230)	72,949
Cash and cash equivalents at beginning of year	<u>310,821</u>	<u>237,872</u>
Cash and cash equivalents at end of year	<u>\$ 226,591</u>	<u>\$ 310,821</u>

Reconciliation of net loss to net cash
provided by operating activities

Net Loss	\$ (85,825)
Adjustments to reconcile net income to net cash provided by operating activities	
Add: Depreciation	<u>2,208</u>
Total adjustments	<u>2,208</u>
Cash provided by operating activities	<u>\$ (83,617)</u>

THE SYSTEMS DYNAMICS SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

A. Organization

The Systems Dynamics Society, Inc., incorporated on November 7, 1985, as an international non-profit corporation, was organized to encourage the development and use of systems dynamics in solving problems in such areas as environmental change, economic development, social unrest, urban decay, psychology, and physiology.

B. Significant Accounting Policies

1. Basis of accounting – The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Non-cash transactions are recognized in the financial statements.

The modified cash basis differs from generally accepted accounting principles primarily due to the effects of accounts receivable and accounts payable not being reflected in the accompanying financial statements. In addition to recording cash receipts and disbursements, the Society records property acquisitions as fixed assets and records the corresponding depreciation over the useful life of the assets. The Society records the acquisition of investments (money market mutual funds, U. S. Treasury notes, and marketable securities) as assets and recognizes the unrealized gain or loss on the value of the investments due to market fluctuations.

2. Income taxes – The Society qualifies under IRS Section 501(c) (3) as an organization exempt from federal taxation on income related to its stated purpose.
3. Property and equipment and depreciation – Property and equipment are recorded at cost. Depreciation is computed using accelerated methods over the estimated useful lives of the assets.
4. Use of estimates – The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE SYSTEMS DYNAMICS SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

5. Basis of presentation – In 1995, the Organization adopted Statement of Financial Accounting Standards No. 116, “Accounting for Contributions Received and Contributions Made” and Statement of Financial Accounting Standards No. 117, “Financial Statements for Not-for-Profit Organizations.” Under these standards, net assets and revenues and expenses are classified on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are all classified and reported according to the level of restriction imposed by donors into either “unrestricted” or “permanently restricted” categories.
6. Administrative expenses – The Society has a contract with the University of New York at Albany for administrative support services. In 2002 and 2001 the Society paid \$182,550 and \$111,359, respectively to the University for the necessary support service.
7. Cash in banks – The Society maintains all cash balances at one bank. The account at this institution is insured by the Federal Deposit Insurance Corporation up to \$100,000.

07/01/03

System Dynamics Society
Budget Comparison, First Six Months
 January through June 2003

	<u>Jan - Jun 03</u>	<u>Budget</u>	<u>% of Budget</u>
Income			
Products	48,387.00	91,000.00	53.17%
INC Conferences	155,432.50	211,975.00	73.33%
Investment Income	-580.34	5,500.00	-10.55%
Membership Dues	27,340.00	24,000.00	113.92%
Other Income	0.00	100.00	0.0%
Shipping and Handling	9,455.35	15,000.00	63.04%
Publications Sales	4,175.25	1,000.00	417.53%
Sponsor Dues and Donations	8,993.50	21,000.00	42.83%
Total Income	<u>253,203.26</u>	<u>369,575.00</u>	<u>68.51%</u>
Cost of Goods Sold			
Bibliography Update Expense	235.00	500.00	47.0%
Management Game	5,299.74	20,000.00	26.5%
PhD Seminar in System Dynamics	928.00		
Total COGS	<u>6,462.74</u>	<u>20,500.00</u>	<u>31.53%</u>
Gross Profit	246,740.52	349,075.00	70.68%
Expense			
Awards	59.00	6,100.00	0.97%
Bank Adjustments (Expense)	229.97	100.00	229.97%
Contract with Univ at Albany	91,507.00	183,014.00	50.0%
Credit card fees	1,714.78	6,000.00	28.58%
Electronic Presence Support	137.41		
EXP Conferences	23,904.15	136,357.00	17.53%
EX Conference Prepaid	20,326.00		
Journal Expense	11,000.00	11,000.00	100.0%
Membership Directory Exp	518.11	3,000.00	17.27%
Membership Services	0.00	3,000.00	0.0%
Membership Subsidies	2,205.00	3,000.00	73.5%
Miscellaneous Expense	0.00	100.00	0.0%
Office Equipment Purchases	0.00	2,000.00	0.0%
Officer Expenses	1,631.22	5,500.00	29.66%
Printing & Duplicating	1,631.81	2,500.00	65.27%
Professional Fees	9,269.94	12,000.00	77.25%
Shipping /Postage Expense	6,864.46	10,000.00	68.65%
Supplies	32.40	1,500.00	2.16%
Uncategorized Expenses	0.00	2,000.00	0.0%
Total Expense	<u>171,031.25</u>	<u>387,171.00</u>	<u>44.18%</u>
Net Income	<u><u>75,709.27</u></u>	<u><u>-38,096.00</u></u>	<u><u>-198.73%</u></u>

System Dynamics Society
Profit and Loss Comparison for First 6 Months
 January through June 2003

	<u>Jan - Jun 03</u>	<u>Jan - Jun 02</u>	<u>% Change</u>
Income			
Products	48,387	48,568	-0%
INC Conferences	155,433	133,195	17%
Investment Income	-580	2,615	-122%
Membership Dues	27,340	24,130	13%
Other Income	0	-21	100%
Shipping and Handling	9,455	8,286	14%
Publications Sales	4,175	550	659%
Sponsor Dues and Donations	8,994	11,828	-24%
Conversion from Accrual to Cash	0	3,754	-100%
Total Income	<u>253,204</u>	<u>232,905</u>	<u>9%</u>
Cost of Goods Sold			
Proceedings	0	1,740	-100%
Bibliography Update Expense	235	0	100%
Management Game	5,300	10,479	-49%
PhD Seminar in System Dynamics	928	3,837	-76%
Total COGS	<u>6,463</u>	<u>16,056</u>	<u>-60%</u>
Gross Profit	246,741	216,849	14%
Expense			
Awards	59	0	100%
Bank Adjustments (Expense)	230	59	290%
Contract with Univ at Albany	91,507	91,275	0%
Credit card fees	1,715	5,452	-69%
Electronic Presence Support	137	131	5%
EXP Conferences	23,904	22,176	8%
EX Conference Prepaid	20,326	5,000	307%
Journal Expense	11,000	11,000	0%
Membership Directory Exp	518	4,516	-89%
Membership Services	0	1,617	-100%
Membership Subsidies	2,205	2,250	-2%
Officer Expenses	1,631	1,891	-14%
Phone, Fax, E-mail Services	0	21	-100%
Printing & Duplicating	1,632	1,507	8%
Professional Fees	9,270	9,529	-3%
Shipping /Postage Expense	6,864	5,859	17%
Supplies	32	69	-54%
Total Expense	<u>171,030</u>	<u>162,352</u>	<u>5%</u>
Net Income	<u><u>75,711</u></u>	<u><u>54,497</u></u>	<u><u>39%</u></u>

07/01/03

System Dynamics Society
Profit and Loss, First Six Months, by Cost Centers
 January through June 2003

	<u>2005</u>	<u>Core Ops</u>	<u>2004 UK</u>	<u>2003 NYC</u>	<u>2002 Italy</u>	<u>Sales</u>	<u>Publication</u>	<u>Web</u>	<u>Unclassified</u>	<u>TOTAL</u>
Income										
Products	0.00	0.00	0.00	0.00	0.00	48,387.00	0.00	0.00	0.00	48,387.00
INC Conferences	0.00	0.00	0.00	153,182.50	2,250.00	0.00	0.00	0.00	0.00	155,432.50
Investment Income	0.00	-580.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-580.34
Membership Dues	0.00	27,340.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27,340.00
Shipping and Handling	0.00	0.00	0.00	0.00	0.00	9,435.35	20.00	0.00	0.00	9,455.35
Publications Sales	0.00	0.00	0.00	0.00	0.00	3,905.25	270.00	0.00	0.00	4,175.25
Sponsor Dues and Donations	0.00	8,993.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,993.50
Total Income	<u>0.00</u>	<u>35,753.16</u>	<u>0.00</u>	<u>153,182.50</u>	<u>2,250.00</u>	<u>61,727.60</u>	<u>290.00</u>	<u>0.00</u>	<u>0.00</u>	<u>253,203.26</u>
Cost of Goods Sold										
Bibliography Update Expense	0.00	0.00	0.00	0.00	0.00	235.00	0.00	0.00	0.00	235.00
Management Game	0.00	0.00	0.00	0.00	0.00	5,299.74	0.00	0.00	0.00	5,299.74
PhD Seminar in System Dynamics	0.00	0.00	0.00	0.00	0.00	928.00	0.00	0.00	0.00	928.00
Total COGS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>6,462.74</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>6,462.74</u>
Gross Profit	0.00	35,753.16	0.00	153,182.50	2,250.00	55,264.86	290.00	0.00	0.00	246,740.52
Expense										
Awards	0.00	59.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	59.00
Bank Adjustments (Expense)	0.00	179.96	0.00	0.00	35.00	-10.00	25.01	0.00	0.00	229.97
Contract with Univ at Albany	761.58	20,737.43	1,909.36	39,661.90	2,521.56	6,929.28	1,638.16	8,888.09	8,459.64	91,507.00
Credit card fees	0.00	434.38	0.00	348.25	0.00	926.89	5.26	0.00	0.00	1,714.78
Electronic Presence Support	0.00	137.41	0.00	0.00	0.00	0.00	0.00	0.00	0.00	137.41
EXP Conferences	0.00	0.00	-210.11	24,114.26	0.00	0.00	0.00	0.00	0.00	23,904.15
EX Conference Prepaid	0.00	0.00	20,326.00	0.00	0.00	0.00	0.00	0.00	0.00	20,326.00
Journal Expense	0.00	0.00	0.00	0.00	0.00	0.00	11,000.00	0.00	0.00	11,000.00
Membership Directory Exp	0.00	0.00	0.00	0.00	0.00	0.00	518.11	0.00	0.00	518.11
Membership Subsidies	0.00	2,205.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,205.00
Officer Expenses	0.00	1,631.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,631.22
Printing & Duplicating	0.00	1,260.00	0.00	0.00	0.00	195.00	176.81	0.00	0.00	1,631.81
Professional Fees	0.00	6,134.94	40.00	797.00	0.00	2,298.00	0.00	0.00	0.00	9,269.94
Shipping /Postage Expense	0.00	208.25	0.00	0.00	0.00	6,656.21	0.00	0.00	0.00	6,864.46
Supplies	0.00	32.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	32.40
Total Expense	<u>761.58</u>	<u>33,019.99</u>	<u>22,065.25</u>	<u>64,921.41</u>	<u>2,556.56</u>	<u>16,995.38</u>	<u>13,363.35</u>	<u>8,888.09</u>	<u>8,459.64</u>	<u>171,031.25</u>
Net Income	<u>-761.58</u>	<u>2,733.17</u>	<u>-22,065.25</u>	<u>88,261.09</u>	<u>-306.56</u>	<u>38,269.48</u>	<u>-13,073.35</u>	<u>-8,888.09</u>	<u>-8,459.64</u>	<u>75,709.27</u>