

**System Dynamics Society**  
**Report of the VP for Finance**  
(David F. Andersen)  
Palermo, July 2002

***Summary of Report.** The time series trend attached to this report gives an overview of the recent financial picture of the Society. The major trend that I see in this graph is a projected decline in the beginning balances for the Society in 2003 and again in 2004. I see this as a long-term structural feature of the Society's finances caused by increasing professionalism (decreasing volunteerism) within the Society and a need to rely on sales and conferences surpluses to support other areas of Society operations. I believe that this trend cannot continue for the long term. However, we do have a number of years to seek a solution to this problem.*

*I am again proposing that the Society sustain a deficit of approximately \$38,000 for fiscal year 2003. I am proposing one resolution this year—that the Policy Council approve the budget for 2002.*

**Audited Reports for 2001.** The audited reports from our CPA, Hall, Vasil & Dowd, are attached. These reports show a number of slight discrepancies with the unaudited reports that I released at the February Policy Council meeting. Final and revised copies of the Society's own books have been corrected to agree with our accountant and appear in *the Annual Report on Home Operations for the System Dynamics Society*.

**Budget Comparison, First Six Months, January through June 2002.** This report shows how we are doing at the mid-year against our budget for the year 2002. It is difficult to fully interpret this report because much conference income has been posted at this time, but conference expenditures have not been posted. Our budget projects a 36,573 net operating loss for this year. I do not yet know if it will or will not occur.

**Profit and Loss Comparison, First Six Months, January through June 2002 (compared to 2001).** This report shows that overall we appear to be behind where we were last year at this time. These reports should be read with caution, because the Society operates on a cash basis and the timing of payments can make things look temporarily better or worse.

**Profit and Loss by Cost Centers, First Six Months, January through June 2002.** This report shows how our overall "profit" (read "Net Income") is distributed across various cost centers. The current \$78,691 "profit" from the Palermo conference is very misleading since on a cash basis we had received most of the income for that conference, but have not yet made all of the expenditures. How we do overall this year will probably depend on the final financial outcome of the Palermo conference.

**Budgeted Staffing Plan 2000-2003.** The staffing plan for 2003 is virtually the same as it was in 2002. Roberta Spencer and Jennifer Rowe continue as full time employees. Vedat Diker continues as a part time staff person primarily to support web and conference operations. The level staffing plan leads to a relatively level budget between the Society and the University at Albany—salaries contained a 3.5% cost of living adjustment.

**Budget for 2003.** This attachment contains the overall budget for next year. The major components of this budget have been reviewed and approved by the Society's administrative committee. The major features of this document are:

- The projected deficit is about the same this year (\$38,000) as it was last year (\$36,000)
- The contract with the University at Albany will grow by less than one percent.
- The budget approved in February showed the New York City conference as posting a net “profit” of about \$10,000. I project that the NYC conference will not quite recover all of its projected labor cost and hence will post a loss of about \$16,000. This difference arises from differing methodologies used to project overall conference labor costs. In any case, unless attendance moves well beyond the "realistic" range, the conference will not return a strong subsidy to other areas of Society operations.

**RESOLUTION #1: I MOVE THAT THE POLICY COUNCIL OF THE SYSTEM DYNAMICS SOCIETY APPROVE THE PROPOSED SOCIETY BUDGET FOR 2002**

**I have been consistently wrong in my projections of operating deficits for the Society.** The table below shows my budget projections versus actual surpluses or losses since 1998.

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Projected Surplus or Deficit</b>	\$-2,505	\$-27,098	\$-5,116	\$-26,112	\$-35,945	\$-38,096
<b>Actual Surplus or Deficit</b>	\$44,050	\$-22,624	\$4,363	\$74,028	NA	NA

**Projected vs. Actual Surpluses or Deficits for the System Dynamics Society—1998-2003**

I dearly hope that I am wrong again for this year and next year. However, I think that each year the Home Office staff makes us look good by selling more products, finding more sponsors, or running a very profitable conference. I see several trends that we need to be concerned about. First, more and more of our operations are now being run by paid staff. Things that used to be done by volunteer help (managing a conference or its program, maintaining financial records, working on the web site, etc.) are now being done by our paid staff. Second, we do not have a sustained source of funds to support core operations, publication activities, and web activities. Most of our dues support journal publication. Hence, we have to rely on product sales and conference profits to remain solvent. And we need good entrepreneurial staff to launch and maintain these activities. But good staff, over time, draws more and more of the work that was done by us volunteers.

Attachments:

1. Budget Trends 1996-2004
2. Audited Reports for 2001 from Hall, Vasil & Dowd, CPAs
3. Budget Comparison, First Six Months, January through June 2002
4. Profit and Loss Comparison, First Six Months, January through June 2002 (compared to 2001)
5. Profit and Loss by Cost Centers, First Six Months, January through June 2002
6. Budgeted Staffing Plan 2000-2003
7. Budget for 2003
8. Budget for 2003 by Cost Centers