

**SYSTEM DYNAMICS SOCIETY, INC.**  
**FINANCIAL REPORT**  
**DECEMBER 31, 2023**

**SYSTEM DYNAMICS SOCIETY, INC.**

**TABLE OF CONTENTS**

	<b>PAGE</b>
INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5-6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-15



BUSINESS  
ADVISORS  
AND CPAS

## INDEPENDENT AUDITOR'S REPORT

Policy Council  
System Dynamics Society, Inc.

### *Opinion*

We have audited the financial statements of System Dynamics Society, Inc., (SDS) (a Massachusetts not-for-profit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of System Dynamics Society, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SDS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SDS' ability to continue as a going concern for the year after the date that the financial statements are issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

1.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SDS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about SDS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Mengel, Metzger, Barw & Co. LLP*

Latham, NY  
July 16, 2024

**SYSTEM DYNAMICS SOCIETY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2023 AND 2022**

**ASSETS**

	<u>2023</u>	<u>2022</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 223,852	\$ 180,704
Investments	771,944	705,832
Accounts receivable		
Publications	60,426	56,000
Other	18,124	13,660
Inventory	13,799	8,212
Prepaid expenses	80,059	87,540
Total Current Assets	1,168,204	1,051,948
<b>Other Assets</b>		
Investments-restricted	344,880	276,913
<b>TOTAL ASSETS</b>	<b>\$ 1,513,084</b>	<b>\$ 1,328,861</b>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 45,074	\$ 43,778
Deferred revenue		
Conferences	3,655	20,040
Membership dues	24,924	17,885
Other	11,500	6,000
Custodial account liability	2,125	3,555
Total Current Liabilities	87,278	91,258
<b>Net Assets</b>		
Without donor restrictions		
Board designated	1,080,926	939,990
Total without donor restrictions	1,080,926	939,990
With donor restrictions	344,880	297,613
Total Net Assets	1,425,806	1,237,603
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,513,084</b>	<b>\$ 1,328,861</b>

**SYSTEM DYNAMICS SOCIETY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>Support and Revenues</b>		
Conferences		
Conferences	\$ 299,224	\$ 268,836
Contributions of nonfinancial assets	-	25,000
Total Conferences	299,224	293,836
Publications		
Revenue	64,933	58,181
Contributions of cash and other financial assets	26,617	22,500
Total Publications	91,550	80,681
Membership dues and subscriptions	111,910	101,508
Educational products, net	34,089	35,790
Contributions	48,081	46,751
Investment income (loss), net	91,326	(105,603)
Training and facilitation	9,000	15,999
Net assets released from restrictions	25,391	5,000
Total Support and Revenues	710,571	473,962
<b>Expenses</b>		
Awards	14,582	4,951
Bank and credit card fees	16,793	18,187
StFF / field development	(207)	6,500
Conferences	130,745	100,319
Insurance	675	1,297
Publications	24,592	29,457
Marketing	13,498	13,082
Office expenses	30,876	23,952
Professional fees and consultants	190,899	173,725
Personnel services	145,446	135,382
Miscellaneous	1,736	8,557
Total Expenses	569,635	515,409
<b>Change in Net Assets Without Donor Restrictions</b>	<b>140,936</b>	<b>(41,447)</b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
<b>Support and Revenues</b>		
Investment income (loss), net	72,658	(61,928)
Net assets released from restrictions	(25,391)	(5,000)
<b>Change in Net Assets With Donor Restrictions</b>	<b>47,267</b>	<b>(66,928)</b>
<b>Change in Net Assets</b>	<b>188,203</b>	<b>(108,375)</b>
Net Assets, Beginning of Year	1,237,603	1,345,978
<b>Net Assets, End of Year</b>	<b>\$ 1,425,806</b>	<b>\$ 1,237,603</b>

See accompanying notes to financial statements.

**SYSTEM DYNAMICS SOCIETY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>PROGRAM</u> <u>SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>Total</u>
	<u>System</u> <u>Dynamics</u>	<u>Management</u> <u>and General</u>	<u>Development</u> <u>and Fundraising</u>	
Awards	\$ 14,582	\$ -	\$ -	\$ 14,582
Bank and credit card fees	15,492	10	1,291	16,793
StFF / field development	(207)	-	-	(207)
Conferences	130,745	-	-	130,745
Insurance	-	675	-	675
Publications	24,592	-	-	24,592
Marketing	1,035	12,227	236	13,498
Office expenses	26,220	4,593	63	30,876
Professional fees and consultants	96,571	81,275	13,053	190,899
Personnel services	116,276	4,988	24,182	145,446
Miscellaneous	1,079	657	-	1,736
<b>Total Expenses</b>	<u>\$ 426,385</u>	<u>\$ 104,425</u>	<u>\$ 38,825</u>	<u>\$ 569,635</u>

**SYSTEM DYNAMICS SOCIETY, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>PROGRAM</u> <u>SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>Total</u>
	<u>System</u> <u>Dynamics</u>	<u>Management</u> <u>and General</u>	<u>Development</u> <u>and Fundraising</u>	
Awards	\$ 4,951	\$ -	\$ -	\$ 4,951
Bank and credit card fees	16,655	239	1,293	18,187
stFF / field development	6,500	-	-	6,500
Conferences	100,319	-	-	100,319
Insurance	-	1,297	-	1,297
Publications	29,457	-	-	29,457
Marketing	11,809	1,273	-	13,082
Office expenses	15,962	7,906	84	23,952
Professional fees and consultants	114,522	49,941	9,262	173,725
Personnel services	97,250	24,878	13,254	135,382
Miscellaneous	3,231	845	4,481	8,557
<b>Total Expenses</b>	<u>\$ 400,656</u>	<u>\$ 86,379</u>	<u>\$ 28,374</u>	<u>\$ 515,409</u>

**SYSTEM DYNAMICS SOCIETY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows Provided By Operating Activities</b>		
Change in net assets	\$ 188,203	\$ (108,375)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net (gain) loss on investments	(143,880)	185,763
Change in operating assets and liabilities		
Accounts receivable	(8,890)	(4,656)
Inventory	(5,587)	(4,392)
Prepaid expenses	7,481	(79,849)
Accounts payable and accrued expenses	1,296	19,056
Deferred revenue	(3,846)	15,525
Custodial account liability	(1,430)	-
Net Cash Provided By Operating Activities	33,347	23,072
<b>Cash Flows Provided (Used) By Investing Activities</b>		
Proceeds from sales of investments	748,282	358,175
Purchases of investments	(738,481)	(422,780)
Net Cash Provided (Used) By Investing Activities	9,801	(64,605)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	43,148	(41,533)
Cash and Cash Equivalents, Beginning of Year	180,704	222,237
<b>Cash and Cash Equivalents, End of Year</b>	\$ 223,852	\$ 180,704

See accompanying notes to financial statements.

**SYSTEM DYNAMICS SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Organization***

System Dynamics Society, Inc. (SDS) was incorporated in the State of Massachusetts in November 1985. SDS is a not-for-profit organization devoted to encouraging the development and use of system dynamics and systems thinking around the world. System dynamics is a computer-aided approach to policy analysis and design. SDS provides a forum in which researchers, educators, consultants, and practitioners in the corporate and public sectors interact to introduce newcomers to the field, keep abreast of current developments, and build on each other's work. SDS is primarily supported through conference revenue and investment income.

***Basis of Accounting***

The financial statements have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities. Revenues are recognized when earned and expenses are recognized when incurred.

***Basis of Presentation***

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC). SDS is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions based on the existence or absence of donor-imposed restrictions on the use of net assets.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ.

***Income Taxes***

SDS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, is classified as an organization that is not a private foundation and qualifies for the charitable contribution deduction for individual donors. Management believes there are no sources of unrelated business taxable income and no uncertain tax positions, and no provision for income taxes has been made in the accompanying financial statements. SDS is required to file Federal Form 990 "Return of Organization Exempt from Income Tax" with the Internal Revenue Service, and similar information returns with certain states.

***Revenue Recognition***

**Conference Revenue**

SDS receives revenue for conferences held and recognizes this revenue at a point in time when the conference has taken place. Conference payments received in advance are recorded as deferred revenue. Due to the timing of the performance and/or transfer of services, substantially all deferred revenue at December 31 of each year is recognized in the following year.

**SYSTEM DYNAMICS SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Revenue Recognition***

Publications

Publication revenue is based on an annual contract covering the period January 1 to December 31 and includes a royalty based on the publishers' volume of sales revenue and a contribution for use at SDS' sole discretion to support expenses of the editorial office. The royalty is recorded at a point in time when the customer determines the promised service (i.e. final volume of sales). The earned royalty for the year ending December 31 is typically not received until the following April and is included as accounts receivable on the statements of financial position.

The contribution is considered a non-exchange transaction and is reported as an increase in net assets without donor restrictions as allowable expenditures are incurred.

Membership Dues

Through August 31, 2022, membership dues, which are nonrefundable, were recognized ratably over the one-year membership period ending December 31. Effective September 1, 2022, membership dues are accepted on a rolling basis throughout the year and recognized ratably over the one-year period. Membership dues paid in advance are deferred to the following membership period to which they relate.

Deferred Revenue

Revenue recognized for the years ended December 31, 2023 and 2022 that was included in deferred revenue at the beginning of each year was \$43,925 and \$28,400, respectively.

Contributions and Investment Income

Contributions and investment income are recorded as without donor restrictions or with donor restrictions depending on the existence of donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional contributions are not recorded as revenue until the conditions on which they depend have been met. Conditions and/or restrictions imposed that are met in the same year they are received are included in net assets without donor restrictions.

Contributions of nonfinancial assets

Contributions of nonfinancial assets that either create or enhance long-lived assets, or require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not provided by donation are presented separately from contributions of cash and other financial assets in the accompanying statements of activities.

***Cash and Cash Equivalents***

SDS defines cash and cash equivalents as amounts readily convertible into cash and includes deposit accounts with banks and money market accounts with investment companies.

**SYSTEM DYNAMICS SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Concentration of Credit Risk***

Financial instruments that potentially subject SDS to concentrations of credit risk consist principally of cash accounts in financial institutions which, from time to time, may exceed the Federal depository insurance coverage limit of \$250,000. No amounts exceeded federally insured limits at December 31, 2023 and 2022.

***Investments***

Investments consist of exchange traded products (principally equity and fixed income products) and mutual funds (equity funds) which are carried at fair value. Fair value is determined based on quoted market prices. Investment gains and losses are recognized in the statements of activities. Investment income is reported as an increase in net assets without donor restrictions unless a donor or law restricts its use.

***Accounts Receivable and Allowance for Credit Losses***

Accounts receivable relate to conference fees and publication royalties. SDS performs continuing credit evaluation on customers' financial conditions, and if considered necessary will record an allowance for credit losses at each statement of financial position date. The allowance for credit losses is calculated on a pooled basis where similar characteristics exist.

The allowance for credit losses is derived from a review of SDS' historical losses based on the aging of receivables. The estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant. SDS believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses.

SDS writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any subsequent recoveries are made from accounts previously written off, they will be recognized as revenue in the year of recovery. There were no writes for the years ended December 31, 2023 and 2022, and there is no allowance for credit losses at December 31, 2023 and 2022.

***Inventory***

Inventory is stated at the lower of FIFO (first-in, first-out method) cost and net realizable value.

***Property and Equipment***

Property and equipment are recorded at cost at date of acquisition or estimated fair value at date of donation. SDS' policy is to capitalize property and equipment with a unit value equal to or greater than \$1,000 and a useful life greater than one year. Depreciation is computed under the straight-line method over the estimated useful lives of property and equipment (3 years).

***Marketing***

Marketing costs are expensed as incurred.

**SYSTEM DYNAMICS SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Adoption of New Accounting Standard*

On January 1, 2023, SDS adopted ASU 2016-13, “*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*” (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by SDS that are subject to the guidance in FASB ASC 326 were trade accounts receivable. SDS has elected the optional transition method and adopted new guidance on a prospective basis with no restatement of prior periods presented. The adoption of the ASU did not have a material impact on SDS’ financial statements.

**2. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY OF RESOURCES**

SDS regularly monitors liquidity required to meet the operating needs of the organization. For purposes of analyzing resources available to meet general expenditures over a 12 month period, SDS considers all expenditures related to its ongoing activities of providing benefits to its members and takes this into consideration during the annual budget process. SDS has reserve funds that are invested for long term appreciation but are available and may be spent at the discretion of the Policy Council. In cases when expenses exceed the income for a period of time, the Policy Council will assess and make the determination if it is necessary to withdraw funds from investment reserves for operating expenses.

The following table reflects SDS’ financial assets as of December 31, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of external restrictions or internal board designations.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 223,852	\$ 180,704
Accounts receivable	78,550	69,660
Investments	1,116,824	982,745
Total Financial Assets	1,419,226	1,233,109
Net assets with donor restrictions	(344,880)	(297,613)
Board designated net assets	(1,080,926)	(939,990)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ (6,580)	\$ (4,494)

**SYSTEM DYNAMICS SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**2. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY OF RESOURCES**

As part of its liquidity management, SDS has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. SDS has a goal to maintain financial assets to meet 60 days of normal operating expenses, and SDS reserves cash and investments in excess of those requirements with a goal of building investments available for current use to \$1,500,000 by 2025.

SDS was able to manage revenues and expenses, there were no draws against reserves during 2023 or 2022. In addition, SDS has board-designated funds that can be drawn upon during the year for specific operational expenses. Most expenditures from these funds are approved by an appointed committee, and the targeted spending rate on each designated fund is no more than 5% in a given year. Although SDS does not intend to spend from its board-designated funds for operating expenses, other than amounts appropriated for specific expenditures as part of its normal committee review and awarding process, amounts from its board-designated funds could be made available if necessary.

**3. INVESTMENTS**

A summary of investments at December 31, 2023 and 2022 is set forth below:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Exchange traded products:				
Equity	\$ 171,669	\$ 188,856	\$ 48,244	\$ 57,337
Fixed income	105,059	102,227	224,009	218,339
Other	12,291	13,664	32,701	37,239
	<u>289,019</u>	<u>304,747</u>	<u>304,954</u>	<u>312,915</u>
Mutual funds	321,300	812,077	315,405	669,830
	<u>\$ 610,319</u>	<u>\$ 1,116,824</u>	<u>\$ 620,359</u>	<u>\$ 982,745</u>

Net investment income (loss) for the years ended December 31, 2023 and 2022 consists of:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 22,689	\$ 20,924
Net gain (loss) on investments	143,880	(185,763)
Investment fees	(2,585)	(2,692)
	<u>\$ 163,984</u>	<u>\$ (167,531)</u>

**SYSTEM DYNAMICS SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**4. FUNCTIONAL REPORTING OF EXPENSES**

SDS is required to present its expenses by functional classification, which shows the amount spent for program and supporting services. Expenses that can be specifically identified as a program or supporting service are charged directly to the respective program or supporting service. The statement of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting service (i.e., common to both functions); therefore, these expenses are allocated. The expenses that are allocated include bank and credit card fees which are allocated based on income, and marketing, office expenses, professional fees and consultants, personnel services and miscellaneous which are allocated based on estimates of time and effort.

**5. NET ASSETS**

Net Assets Without Donor Restrictions - Board Designated

Net assets have been designated by the Policy Council for the following purposes at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Capital reserve	\$ 662,441	\$ 511,967
Legacy campaign	7,899	17,437
Buffer funds	106,586	106,586
Chapter development	200,000	200,000
Jay Wright Forrester Award	104,000	104,000
	<u>\$ 1,080,926</u>	<u>\$ 939,990</u>

Net Assets With Donor Restrictions

The significant restriction on net assets relates to funds established to honor the late Dana Meadows and encourage the next generation of students in the field of system dynamics. Net assets with donor restrictions available to fund the Dana Meadows Award are summarized as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 276,913	\$ 343,841
Investment income (loss)	72,658	(61,928)
Releases	(4,691)	(5,000)
Ending balance	<u>\$ 344,880</u>	<u>\$ 276,913</u>

Additionally, there were net assets with donor restrictions for SDS' stewardship program totaling \$20,700 at 2022, these funds were released from restricted net assets during the period ended December 31, 2023.

**SYSTEM DYNAMICS SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**6. FAIR VALUE OF FINANCIAL INSTRUMENTS**

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The fair value of assets measured on a recurring basis at December 31, 2023 and 2022, using Level 1 inputs, follows:

	<u>2023</u>	<u>2022</u>
Cash equivalents	\$ 14,030	\$ 11,916
Investments:		
Mutual Funds	812,077	669,830
Exchange traded products:		
Equity	188,856	57,337
Fixed income	102,227	218,339
Other	13,664	37,239
Total Investments	<u>1,116,824</u>	<u>982,745</u>
	<u>\$ 1,130,854</u>	<u>\$ 994,661</u>

Cash, accounts receivable and current liabilities - carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

**7. RISKS AND UNCERTAINTIES**

Investments are exposed to risks, such as interest rate, market and credit risks. Due to these risks, it is at least reasonably possible that changes in the near term would materially affect the amounts reported in the statements of financial position and activities.

**SYSTEM DYNAMICS SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**8. CONTRIBUTIONS OF NONFINANCIAL ASSETS**

SDS records in-kind contributions, which are recognized at fair value, if service received either create or enhance long-lived assets or require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not provided by donation. SDS also recognizes rental space provided for conferences. SDS recognized \$-0- and \$25,000 for rental space for conference during the year ended December 31, 2023 and 2022, respectively.

**9. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 16, 2024, the date on which the financial statements were available to be issued, and determined there were no subsequent events that require recording or disclosure.