



To: Policy Council of the System Dynamics Society  
From: Eliot Rich, VP Finance  
Subject: VP Finance Narrative Report FY 2024  
Date: 20 July 2025

## General Observations

**How Did the Society Do Overall in 2024?** Our financial position remains solid for the next few years. The conference revenue exceeded our financial expectations, resulting in a small surplus. Our investments also grew, allowing us to maintain our programming with confidence.

Our audited operating surplus (dues, conference proceeds, and other operating revenue) less corresponding expenses was **\$78,486**, an improvement over last year's \$49,345. The 2024 external audit has been completed successfully and reports filed with the appropriate tax authorities. We have again earned the "GOLD Transparency" seal from GUIDESTAR for the quality of our reporting. This designation helps external funders and donors leverage their giving strategies.

## Discussion

**Key Trends (Audited).** We continued the recovery of our financial state in 2024 Our positive net operating income allowed us to keep our endowment intact. Stability and growth in unrestricted assets promotes innovative programming. Our unrestricted assets are recorded at **\$1,263,496**, an 18.7% gain over the last year. See Attachment 1.

**Operational Actuals versus Budget Comparison for 2024 (Unaudited).** Our 2024 operating surplus (Attachment 2, page 2, Net Operating Revenue) also fared well in comparison to the budgeted operating loss, at **\$78,486** versus the revised budget of **\$17,883.41**.

As in the recent past, the Bergen Conference team performed remarkably to ensure a profitable activity with activities and sponsorships well above what was anticipated. The summer school program benefited greatly from the contributed effort of the instructors. . Membership dues were up, and our journal receipts met the contractual expectation. We again saw better than planned streams of revenue for products and SDS facilitation. See Attachment 2.

**Statement of Financial Position, Previous Year Comparison for 2024 (Audited).** The society ended 2024 with Total Net Assets of **\$1,690,020**, an increase of \$264,214 over the previous year. For the sixth year in a row, we did not draw from assets to cover operations. Note that Total Net Assets include unrealized capital gains or losses and are adjusted annually to fair market value. See Attachment 3.

**Revenues and Expenses, Previous Year Comparison for 2024.** This first-level breakdown shows how sources of revenue and expense changed over the last year. We benefited from a 16% return on our investments as well as accumulating a significant cash and near-cash position. Unrestricted assets are allocated by the Policy Council during budgeting to support our operations and awards. Restricted assets can be used as well, but only for specific purposes as defined by the PC or donors. Transfers from restricted assets fund some of our awards. We are now carrying the assets and liabilities of the Stewardship Committee as a designation within our balance sheet. See Attachment 4.

**Statement of Functional Expenses, Fiscal Year 2024 (Audited).** We provide a rough tracking of the portion of our expenses that go directly to program services (conference, journal, offerings) (**\$495,835**) versus office operations and fundraising (**\$132,897**). While there is no single benchmark for not-for-profit overhead ratios, our estimated overhead of **21.2%** is considered “efficient” by benchmarks established by Charity Watch.<sup>1</sup> See Attachment 5.

**Financial Statements.** The external auditor’s report documents their conformance with Generally Accepted Auditing Standards (GAAS). See Attachment 6.

**Investment activity:** The Investment Committee (Sean Morgan, Sharon Els, Jim Lyenis and myself) met in June and reviewed the positioning of our funds and approved a readjustment from cash to an interest-bearing account. The risk distribution of funds follows the existing guidelines.

#### **Attachments:**

- (1) Key Trends in Society Finances, 2011 to Present
- (2) System Dynamics Society Operational vs Budget Comparison, Fiscal Year 2024.
- (3) System Dynamics Society Statement of Financial Position, Fiscal 2024, Audited.
- (4) System Dynamics Society Revenues and Expenses, Previous Year Comparison to Fiscal Year 2024, Audited.
- (5) System Dynamics Society Revenues and Expenses, Fiscal Year, 2024 by Cost Centers January through December 2024. Audited.
- (6) System Dynamics Society, Inc. Financial Statements for the Year Ended December 31, 2024, Audited.

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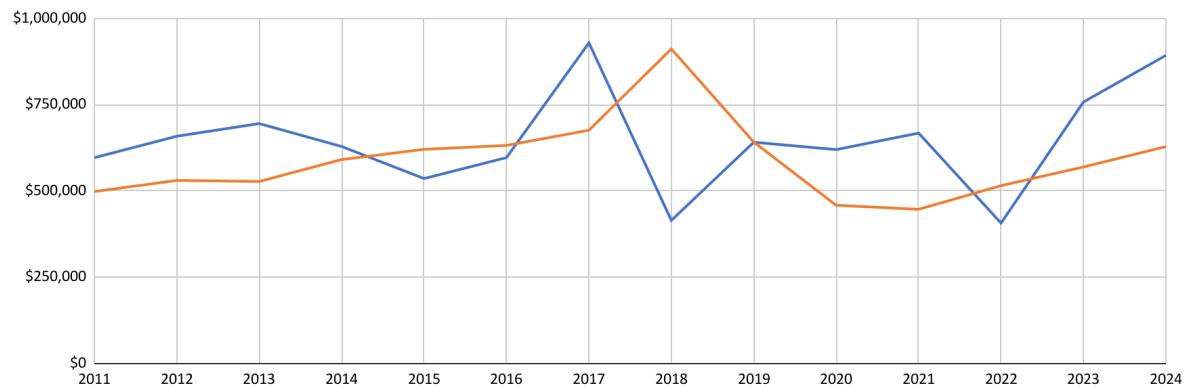
<sup>1</sup> <https://www.charitywatch.org/our-charity-rating-process#the-rating-basics>, retrieved July 5, 2025

## Attachment 1

### Key Trends in Society Finances 2011-Current

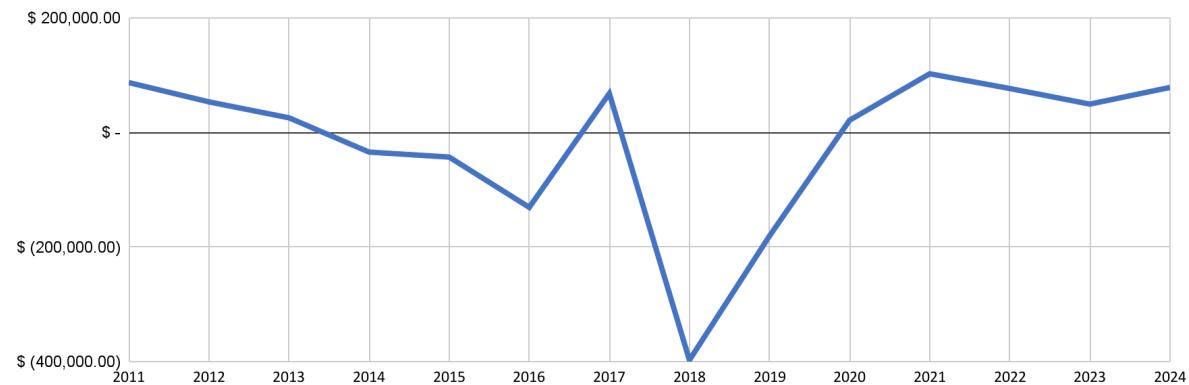
#### Total Income and Total Expenses (USD)

2011-2024 Audited



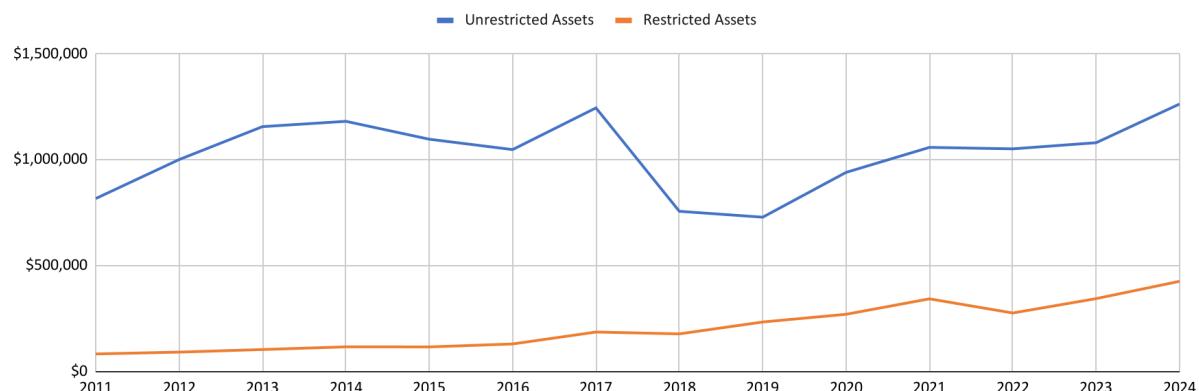
#### Net Operating Income

2011-2024 Audited



#### SDS Net Assets

2011-2024, Audited



**Attachment 2**  
**Operational Actuals vs Budget Comparison, Fiscal Year 2024,**  
**Revenues, Unaudited**

<b>System Dynamics Society</b>		
<b>Budget vs. Actuals: FY 2024 Budget - FY24 P&amp;L</b>		
<b>January - December 2024</b>		
	<b>Total</b>	
	<b>Actual</b>	<b>Budget</b>
<b>Revenue</b>		
4005 Journal Income	\$ 75,006.26	\$ 72,390.00
4010 Membership Dues	\$ 129,316.24	\$ 110,000.00
4100 Annual Conference	\$ 349,108.81	\$ 251,405.00
4300 Other Operations Income	\$ 45.00	
4400 Product Revenue	\$ 63,113.73	\$ 44,450.00
4429 Service Revenue	\$ 15,000.00	\$ 11,000.00
4491 Learning Revenue	\$ 37,660.29	\$ 36,500.00
4500 Society Sponsorships	\$ 41,000.00	\$ 38,000.00
4600 Other Fundraising	\$ 6,561.35	\$ 4,000.00
4700 Miscellaneous Income	\$ 27.27	
4800 Stewardship Donations	\$ 29,600.00	\$ 0.00
<b>Total Revenue</b>	<b>\$ 746,438.95</b>	<b>\$ 567,745.00</b>
<b>Cost of Goods Sold</b>		
<b>Total Cost of Goods Sold</b>	<b>\$ 45,384.92</b>	<b>\$ 17,300.00</b>
<b>Gross Profit</b>	<b>\$ 701,054.03</b>	<b>\$ 550,445.00</b>

**Attachment 2 (Continued)**  
**Operational Actuals vs Budget Comparison, Fiscal Year 2024,**  
**Expenses and Net Surplus, Unaudited**

	<b>Total</b>	
	<b>Actual</b>	<b>Budget</b>
<b>Expenditures</b>		
5000 Awards	\$ 7,877.19	\$ 13,700.00
5050 Banking & Credit Card Charges	\$ 27,913.78	\$ 15,548.00
5100 StFF / Field Development Fund	\$ 495.00	\$ 10,000.00
5110 Strategy Committee Efforts	\$ 0.00	\$ 0.00
5350 Annual Conference Expenses	\$ 170,076.51	\$ 101,329.00
5360 Summer School Expense	\$ 3,500.04	\$ 15,000.00
5370 Student Chapter Expenses	\$ 2,068.39	\$ 1,000.00
5500 Journal Expense	\$ 25,554.13	\$ 27,390.00
5550 Marketing	\$ 12,165.99	\$ 34,100.00
5560 Learning and Programming	\$ 0.00	\$ 0.00
5570 EPresence	\$ 36,009.29	\$ 31,250.00
5600 Miscellaneous Expense	\$ 346.27	\$ 500.00
5640 Professional Development	\$ 62.47	\$ 500.00
5650 Office Expense	\$ 7,238.31	\$ 4,525.00
5660 Stewardship Expenses	\$ 800.69	\$ 0.00
5800 Product Development	\$ 270.70	\$ 0.00
5850 Professional Fees	\$ 183,454.50	\$ 173,278.47
5870 Payroll Expenses	\$ 143,122.35	\$ 136,401.50
<b>Total Expenditures</b>	<b>\$ 622,567.26</b>	<b>\$ 568,328.41</b>
<b>Net Operating Revenue</b>	<b>\$ 78,486.77</b>	<b>-\$ 17,883.41</b>
6100 Investment Income, Unrestricted	\$ 97,788.23	-\$ 1,500.00
6300 Investment Income, Restricted DMA	\$ 88,103.60	\$ 0.00
9000 Investment Allocations	\$ 0.00	\$ 19,496.00
<b>Total Other Revenue</b>	<b>\$ 185,891.83</b>	<b>\$ 17,996.00</b>
<b>Net Other Revenue</b>	<b>\$ 185,891.83</b>	<b>\$ 17,996.00</b>
<b>Net Revenue</b>	<b>\$ 264,378.60</b>	<b>\$ 112.59</b>

**Attachment 3**  
**Statement of Financial Position (Audited)**

ASSETS	<u>2024</u>	<u>2023</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 380,190	\$ 223,852
Investments	870,577	771,944
Accounts receivable		
Publications	47,590	60,426
Other	14,794	18,124
Inventory	8,847	13,799
Prepaid expenses	34,757	80,059
Total Current Assets	<u>1,356,755</u>	<u>1,168,204</u>
<b>Other Assets</b>		
Investments-restricted	<u>426,524</u>	<u>344,880</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,783,279</u></b>	<b><u>\$ 1,513,084</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 36,467	\$ 45,074
Deferred revenue		
Conferences	18,305	3,655
Membership dues	28,035	24,924
Other	8,492	11,500
Custodial account liability	1,960	2,125
Total Current Liabilities	<u>93,259</u>	<u>87,278</u>
<b>Net Assets</b>		
Without donor restrictions		
Board designated	<u>1,263,496</u>	<u>1,080,926</u>
Total without donor restrictions	<u>1,263,496</u>	<u>1,080,926</u>
With donor restrictions	<u>426,524</u>	<u>344,880</u>
Total Net Assets	<u>1,690,020</u>	<u>1,425,806</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,783,279</u></b>	<b><u>\$ 1,513,084</u></b>

**Attachment 4**  
**Statement of Activities (Revenues and Expenses) Previous Year Comparison, Audited**

**SYSTEM DYNAMICS SOCIETY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>Support and Revenues</b>		
Conferences		
Conferences	\$ 389,809	\$ 299,224
Total Conferences	<u>389,809</u>	<u>299,224</u>
Publications		
Revenue	47,590	64,933
Contributions of cash and other financial assets	<u>27,416</u>	<u>26,617</u>
Total Publications	<u>75,006</u>	<u>91,550</u>
Membership dues and subscriptions	129,316	111,910
Educational products, net	20,689	34,089
Contributions	77,234	48,081
Investment income, net	97,788	91,326
Training and facilitation	15,000	9,000
Net assets released from restrictions	6,460	25,391
Total Support and Revenues	<u>811,302</u>	<u>710,571</u>
<b>Expenses</b>		
Awards	7,877	14,582
Bank and credit card fees	27,914	16,793
StFF / field development	495	(207)
Conferences	181,645	130,745
Insurance	1,612	675
Publications	25,554	24,592
Marketing	12,166	13,498
Office expenses	43,248	30,876
Professional fees and consultants	183,455	190,899
Personnel services	143,123	145,446
Miscellaneous	1,643	1,736
Total Expenses	<u>628,732</u>	<u>569,635</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<u>182,570</u>	<u>140,936</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
<b>Support and Revenues</b>		
Investment income, net	88,104	72,658
Net assets released from restrictions	<u>(6,460)</u>	<u>(25,391)</u>
<b>Change in Net Assets With Donor Restrictions</b>	<u>81,644</u>	<u>47,267</u>
<b>Change in Net Assets</b>		
Net Assets, Beginning of Year	264,214	188,203
<b>Net Assets, End of Year</b>	<u>\$ 1,690,020</u>	<u>\$ 1,425,806</u>

**Attachment 5**  
**Statement of Functional Expenses**  
**January through December 2024 (Audited)**

**SYSTEM DYNAMICS SOCIETY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<b>PROGRAM SERVICES</b>		<b>SUPPORTING SERVICES</b>			<b>Total</b>
	<b>System Dynamics</b>	<b>Management and General</b>	<b>Development and Fundraising</b>			
Awards	\$ 7,877	\$ -	\$ -			\$ 7,877
Bank and credit card fees	26,114	3	1,797			27,914
StFF / field development	495	-	-			495
Conferences	181,421	-	224			181,645
Insurance	-	1,612	-			1,612
Publications	25,554	-	-			25,554
Marketing	-	12,166	-			12,166
Office expenses	34,879	5,835	2,534			43,248
Professional fees and consultants	95,117	76,903	11,435			183,455
Personnel services	123,143	12,909	7,071			143,123
Miscellaneous	1,235	408	-			1,643
<b>Total Expenses</b>	<b>\$ 495,835</b>	<b>\$ 109,836</b>	<b>\$ 23,061</b>			<b>\$ 628,732</b>

Attachment 6 - Financial Statements attached as PDF

ATTACHMENT 6

**SYSTEM DYNAMICS SOCIETY, INC.**  
**FINANCIAL REPORT**  
**DECEMBER 31, 2024**

**SYSTEM DYNAMICS SOCIETY, INC.**

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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, 2024 and 2023, 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, 2024 and 2023, 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 one year after the date that the financial statements are available to be 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.

Canandaigua + Elmira + Latham + Queensbury + Rochester  
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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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment 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 judgment, 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, Barr & Co. LLP*

Latham, NY  
June 30, 2025

**SYSTEM DYNAMICS SOCIETY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 380,190	\$ 223,852
Investments	870,577	771,944
Accounts receivable		
Publications	47,590	60,426
Other	14,794	18,124
Inventory	8,847	13,799
Prepaid expenses	34,757	80,059
Total Current Assets	<u>1,356,755</u>	<u>1,168,204</u>
<b>Other Assets</b>		
Investments-restricted	<u>426,524</u>	<u>344,880</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,783,279</u></b>	<b><u>\$ 1,513,084</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 36,467	\$ 45,074
Deferred revenue		
Conferences	18,305	3,655
Membership dues	28,035	24,924
Other	8,492	11,500
Custodial account liability	1,960	2,125
Total Current Liabilities	<u>93,259</u>	<u>87,278</u>
<b>Net Assets</b>		
Without donor restrictions		
Board designated	<u>1,263,496</u>	<u>1,080,926</u>
Total without donor restrictions	<u>1,263,496</u>	<u>1,080,926</u>
With donor restrictions	<u>426,524</u>	<u>344,880</u>
Total Net Assets	<u>1,690,020</u>	<u>1,425,806</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,783,279</u></b>	<b><u>\$ 1,513,084</u></b>

**SYSTEM DYNAMICS SOCIETY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>Support and Revenues</b>		
Conferences		
Conferences	\$ 389,809	\$ 299,224
Total Conferences	<u>389,809</u>	<u>299,224</u>
Publications		
Revenue	47,590	64,933
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Total Publications	<u>75,006</u>	<u>91,550</u>
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Investment income, net	97,788	91,326
Training and facilitation	15,000	9,000
Net assets released from restrictions	6,460	25,391
Total Support and Revenues	<u>811,302</u>	<u>710,571</u>
<b>Expenses</b>		
Awards	7,877	14,582
Bank and credit card fees	27,914	16,793
StFF / field development	495	(207)
Conferences	181,645	130,745
Insurance	1,612	675
Publications	25,554	24,592
Marketing	12,166	13,498
Office expenses	43,248	30,876
Professional fees and consultants	183,455	190,899
Personnel services	143,123	145,446
Miscellaneous	1,643	1,736
Total Expenses	<u>628,732</u>	<u>569,635</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<u>182,570</u>	<u>140,936</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
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Investment income, net	88,104	72,658
Net assets released from restrictions	<u>(6,460)</u>	<u>(25,391)</u>
<b>Change in Net Assets With Donor Restrictions</b>	<u>81,644</u>	<u>47,267</u>
<b>Change in Net Assets</b>		
Net Assets, Beginning of Year	264,214	188,203
<b>Net Assets, End of Year</b>	<u>1,425,806</u>	<u>1,237,603</u>
	<u>\$ 1,690,020</u>	<u>\$ 1,425,806</u>

**SYSTEM DYNAMICS SOCIETY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<b>PROGRAM SERVICES</b>		<b>SUPPORTING SERVICES</b>		<b>Total</b>
	<b>System Dynamics</b>	<b>Management and General</b>	<b>Development and Fundraising</b>		
Awards	\$ 7,877	\$ -	\$ -	\$ 7,877	
Bank and credit card fees	26,114	3	1,797	27,914	
StFF / field development	495	-	-	495	
Conferences	181,421	-	224	181,645	
Insurance	-	1,612	-	1,612	
Publications	25,554	-	-	25,554	
Marketing	-	12,166	-	12,166	
Office expenses	34,879	5,835	2,534	43,248	
Professional fees and consultants	95,117	76,903	11,435	183,455	
Personnel services	123,143	12,909	7,071	143,123	
Miscellaneous	1,235	408	-	1,643	
<b>Total Expenses</b>	<b>\$ 495,835</b>	<b>\$ 109,836</b>	<b>\$ 23,061</b>	<b>\$ 628,732</b>	

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

	<b>PROGRAM SERVICES</b>		<b>SUPPORTING SERVICES</b>			<b>Total</b>
	<b>System Dynamics</b>	<b>Management and General</b>	<b>Development and Fundraising</b>			
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>	<b>\$ 426,385</b>	<b>\$ 104,425</b>	<b>\$ 38,825</b>			<b>\$ 569,635</b>

**SYSTEM DYNAMICS SOCIETY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash Flows Provided By Operating Activities</b>		
Change in net assets	\$ 264,214	\$ 188,203
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net gain on investments	(163,491)	(143,880)
Change in operating assets and liabilities		
Accounts receivable	16,166	(8,890)
Inventory	4,952	(5,587)
Prepaid expenses	45,302	7,481
Accounts payable and accrued expenses	(8,607)	1,296
Deferred revenue	14,753	(3,846)
Custodial account liability	(165)	(1,430)
Net Cash Provided By Operating Activities	<u>173,124</u>	<u>33,347</u>
<b>Cash Flows Provided (Used) By Investing Activities</b>		
Proceeds from sales of investments	993,372	748,282
Purchases of investments	(1,010,158)	(738,481)
Net Cash Provided (Used) By Investing Activities	<u>(16,786)</u>	<u>9,801</u>
<b>Net Increase in Cash and Cash Equivalents</b>	156,338	43,148
Cash and Cash Equivalents, Beginning of Year	<u>223,852</u>	<u>180,704</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 380,190</u>	<u>\$ 223,852</u>

**SYSTEM DYNAMICS SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**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.

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**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**

Membership dues, which are nonrefundable, were recognized 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, 2024 and 2023 that was included in deferred revenue at the beginning of each year was \$39,731 and \$43,925, 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. There were no contributions of nonfinancial assets for at December 31, 2024 and 2023.

***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.

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**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, 2024 and 2023.

***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, 2024 and 2023, and there is no allowance for credit losses at December 31, 2024 and 2023.

***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.

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**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, 2024 and 2023, 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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 380,190	\$ 223,852
Accounts receivable	62,384	78,550
Investments	<u>1,297,101</u>	<u>1,116,824</u>
Total Financial Assets	<u>1,739,675</u>	<u>1,419,226</u>
Net assets with donor restrictions	(426,524)	(344,880)
Board designated net assets	<u>(1,263,496)</u>	<u>(1,080,926)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 49,655</u>	<u>\$ (6,580)</u>

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 2024 or 2023. 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.

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**3. INVESTMENTS**

A summary of investments at December 31, 2024 and 2023 is set forth below:

	<b>2024</b>		<b>2023</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Exchange traded products:				
Equity	\$ 118,329	\$ 144,943	\$ 171,669	\$ 188,856
Fixed income	137,752	134,519	105,059	102,227
Other	39,183	42,867	12,291	13,664
	<u>295,264</u>	<u>322,329</u>	<u>289,019</u>	<u>304,747</u>
Mutual funds	611,551	974,772	321,300	812,077
	<u><u>\$ 906,815</u></u>	<u><u>\$ 1,297,101</u></u>	<u><u>\$ 610,319</u></u>	<u><u>\$ 1,116,824</u></u>

Net investment income for the years ended December 31, 2024 and 2023 consists of:

	<b>2024</b>	<b>2023</b>
Interest and dividends	\$ 24,978	\$ 22,689
Net gain on investments	163,491	143,880
Investment fees	(2,577)	(2,585)
	<u><u>\$ 185,892</u></u>	<u><u>\$ 163,984</u></u>

**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.

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**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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Capital reserve	\$ 864,557	\$ 662,441
Legacy campaign	-	7,899
Buffer funds	94,939	106,586
Chapter development	200,000	200,000
Jay Wright Forrester Award	104,000	104,000
	<u>\$ 1,263,496</u>	<u>\$ 1,080,926</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>2024</u>	<u>2023</u>
Beginning balance	\$ 344,880	\$ 276,913
Investment income	88,104	72,658
Releases	(6,460)	(4,691)
Ending balance	<u>\$ 426,524</u>	<u>\$ 344,880</u>

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

**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.

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**6. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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, 2024 and 2023, using Level 1 inputs, follows:

	<u>2024</u>	<u>2023</u>
Cash equivalents	<u>\$ 292,172</u>	<u>\$ 14,030</u>
Investments:		
Mutual Funds		
Stock index fund	551,218	441,090
Small cap index fund	175,515	153,646
Mid cap index fund	185,451	160,948
Emerging markets index fund	62,588	56,393
Exchange traded products:		
Equity	144,943	188,856
Fixed income	134,519	102,227
Other	42,867	13,664
Total Investments	<u>1,297,101</u>	<u>1,116,824</u>
	<u><u>\$ 1,589,273</u></u>	<u><u>\$ 1,130,854</u></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.

**8. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 30 2025, the date on which the financial statements were available to be issued, and determined there were no subsequent events that require recording or disclosure.