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INDEPENDENT AUDITORS' REPORT

October 23, 2002

Board of Directors and Trustees
The SETI League, Inc.
433 Liberty Street
Little Ferry, NJ 07643

We have audited the accompanying statement of assets, liabilities and net assets - cash basis of The SETI League, Inc. (a nonprofit organization) as of December 31, 2001 and the related statement of support, revenue and expenses - cash basis for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1b, these financial statements were prepared on a cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of The SETI League, Inc. as of December 31, 2001, and its support, revenue and expenses for the year then ended, on the basis of accounting described in Note 1b.

Respectfully submitted,

WILLIAM R. HOFFMANN, LTD.
Certified Public Accountants

Member:
American Institute of
Certified Public Accountants
Pennsylvania Institute of
Certified Public Accountants
National Conference of
CPA Practitioners

THE SETI LEAGUE, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
DECEMBER 31, 2001

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ <u>86,739</u>
TOTAL CURRENT ASSETS	\$ <u>86,739</u>
TOTAL ASSETS	\$ <u><u>86,739</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Credit card account	\$ <u>769</u>
TOTAL CURRENT LIABILITIES	\$ <u>769</u>

NET ASSETS:

Unrestricted	\$ <u>85,970</u>
TOTAL NET ASSETS	<u>85,970</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>86,739</u></u>

See accompanying notes and independent auditors' report.

THE SETI LEAGUE, INC.
STATEMENT OF SUPPORT, REVENUE AND EXPENSES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2001

SUPPORT AND REVENUE:

Contributions received	\$	151,219	
Membership fees		23,998	
Investment income		7,431	
Other income		<u>3,925</u>	
TOTAL SUPPORT AND REVENUE	\$		186,573

EXPENSES:

Salaries		131,765	
Payroll taxes		10,928	
Retirement plan contributions		13,074	
Employee benefits		13,679	
Travel and employee expenses		20,582	
Office supplies and expenses		12,900	
Bulk mailings and postage		5,111	
Telephone		2,668	
Professional fees		3,564	
Contract labor		2,384	
Lab fees		4,326	
Dues and subscriptions		1,582	
Advertising and promotion		966	
Repairs and maintenance		144	
Worker's compensation insurance		1,079	
Meetings and seminars		1,311	
Licenses and other fees		686	
Miscellaneous		<u>928</u>	
TOTAL EXPENSES			<u>227,677</u>

CHANGE IN NET ASSETS (41,104)

NET ASSETS, JANUARY 1 127,074

NET ASSETS, DECEMBER 31 85,970

See accompanying notes and independent auditors' report.

THE SETI LEAGUE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Nature of operations

The SETI League, Inc. (the Organization) sponsors astronomical research, education, lectures and events in the search for evidence of extra-terrestrial intelligence.

b. Basis of accounting

The Organization's policy is to prepare its financial statements on the cash basis of accounting.

c. Cash and cash equivalents

The Organization considers all highly liquid investments to be cash equivalents.

d. Support and revenue

The Organization is primarily supported by donor contributions and grants. During 2001, more than 90% of total contributions were received from three major donors.

Contributions and grants received are reported as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same year in which the contributions are recognized.

e. Contributed services

During the year ended December 31, 2001, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

f. Income taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has no unrelated business income and accordingly the financial statements include no provision for income taxes.