

Hall, Vasil & Dowd

Certified Public Accountants

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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, 2001 and 2000 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

June 13, 2002

THE SYSTEMS DYNAMICS SOCIETY, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 151,704	\$ 91,337
Money market mutual funds	128,598	117,455
U. S. Treasury notes	26,500	26,105
Marketable securities	<u>4,019</u>	<u>2,975</u>
Total current assets	<u>310,821</u>	<u>237,872</u>
PROPERTY		
Furniture and equipment	9,783	6,516
Less: Accumulated depreciation	<u>(5,147)</u>	<u>(2,959)</u>
	<u>4,636</u>	<u>3,557</u>
Total assets	<u>\$ 315,457</u>	<u>\$ 241,429</u>
<u>NET ASSETS</u>		
NET ASSETS		
Unrestricted - General fund	<u>\$ 315,457</u>	<u>\$ 241,429</u>
Total net assets	<u>\$ 315,457</u>	<u>\$ 241,429</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, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
Changes in unrestricted net assets		
Revenues and gains		
Conference	\$ 142,580	\$ 140,248
Bibliographies and teaching games	111,541	90,058
Donations	29,660	22,262
Membership dues and subscriptions	22,626	21,680
Prepaid postage	17,926	9,074
Interest and dividends	7,970	12,410
Publications	5,411	6,896
Unrealized gain on securities	661	-
Miscellaneous	337	79
Total unrestricted revenues and gains	<u>338,712</u>	<u>302,707</u>
Expenses and losses		
Administration	111,359	105,293
Bank fees	7,734	7,189
Bibliographies and games	20,841	21,923
Conference	43,256	103,181
Depreciation	2,188	1,153
Grants	6,020	2,066
Membership mailings	6,777	6,335
Membership subsidies	6,120	-
Professional fees	18,897	13,379
Proceedings 2000	1,056	1,650
Publications	14,392	16,261
Seminars	7,909	-
Shipping and postage	11,341	6,891
Sponsor membership incentives	-	3,865
Supplies	1,282	1,084
Travel	5,512	5,567
Total expenses and losses	<u>264,684</u>	<u>295,837</u>
INCREASE IN UNRESTRICTED NET ASSETS	74,028	6,870
NET ASSETS - beginning of year	<u>241,429</u>	<u>234,559</u>
NET ASSETS - end of year	<u>\$ 315,457</u>	<u>\$ 241,429</u>

See accompanying notes and accountants' report.

THE SYSTEMS DYNAMICS SOCIETY, INC.
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
Cash flows from operating activities		
Cash received from activities	\$338,712	\$302,707
Cash paid to suppliers and employees	(262,496)	(294,684)
Net cash provided by operating activities	76,216	8,023
Cash flows from investing activities		
Capital expenditures	(3,267)	(3,659)
Net cash used in investing activities	(3,267)	(3,659)
Net increase in cash and cash equivalents	72,949	4,364
Cash and cash equivalents at beginning of year	237,872	233,508
Cash and cash equivalents at end of year	\$310,821	\$237,872

Reconciliation of net income to net cash
provided by operating activities

Net income	\$74,028
Adjustments to reconcile net income to net cash provided by operating activities	
Add: Depreciation	2,188
Total adjustments	2,188
Cash provided by operating activities	\$76,216

THE SYSTEMS DYNAMICS SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

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 straight-line and 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, 2001 AND 2000

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 2001 and 2000 the Society paid \$111,359 and \$105,293, 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.