THE AMERICAN ECONOMIC ASSOCIATION

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2017 and 2016

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

THE AMERICAN ECONOMIC ASSOCIATION

TABLE OF CONTENTS

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Executive Committee of
The American Economic Association
Nashville, Tennessee

We have audited the accompanying financial statements of The American Economic Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of unrestricted revenues, expenses and other changes in unrestricted net assets, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Economic Association as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of December 31, 2016, were audited by other auditors whose report dated March 3, 2017, expressed an unmodified opinion on those statements.

Cherry Bekaert LLP

Nashville, Tennessee
March 15, 2018

THE AMERICAN ECONOMIC ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 1,285,663	$ 1,547,666
Accounts receivable	2,379,496	2,191,687
Prepaid expenses	168,350	386,646
Investments	41,112,178	35,260,846
Furniture, fixtures, software, and equipment, net of accumulated depreciation of $1,441,002 and $1,244,105, respectively	199,765	383,904
Total Assets	$ 45,145,452	$ 39,770,749
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 585,057	$ 637,921
Deferred revenue	3,017,753	2,920,544
Total Liabilities	3,602,810	3,558,465
Net Assets:		
Unrestricted	41,400,582	36,067,688
Temporarily restricted	142,060	144,596
Total Net Assets	41,542,642	36,212,284
Total Liabilities and Net Assets	$ 45,145,452	$ 39,770,749

The accompanying notes to the financial statements are an integral part of these statements.

THE AMERICAN ECONOMIC ASSOCIATION

STATEMENTS OF UNRESTRICTED REVENUES, EXPENSES, AND OTHER CHANGES IN UNRESTRICTED NET ASSETS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Unrestricted Operating Revenues:		
License fees	$ 4,446,710	$ 4,421,562
Institutional subscriptions	1,479,871	1,552,579
ASSA annual meeting	1,359,931	1,261,652
Job Openings for Economists listing fees	1,187,800	1,105,160
Fulltext, copyright and other fees	805,947	799,845
Membership dues	603,702	598,724
Member print, CD, and foreign postage	295,042	327,891
Submission fees	269,650	221,050
Conference fees	83,874	69,455
Advertising	50,650	77,850
Other	14,457	16,605
Sale of mailing list	7,412	8,537
Total Unrestricted Operating Revenues	10,605,046	10,460,910
Net Assets Released from Restrictions:		
Satisfaction of program restrictions	3,736	5,912
Total Unrestricted Operating Revenues and Support	10,608,782	10,466,822

The accompanying notes to the financial statements are an integral part of these statements.

THE AMERICAN ECONOMIC ASSOCIATION

STATEMENTS OF UNRESTRICTED REVENUES, EXPENSES, AND OTHER CHANGES IN UNRESTRICTED NET ASSETS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Expenses:		
Publications:		
American Economic Review	2,151,955	1,978,032
EconLit	841,817	874,732
Journal of Economic Perspectives	765,191	779,951
Journal of Economic Literature	706,364	667,943
AEJ: Economic Policy	687,026	586,308
AEJ: Applied Economics	606,411	561,643
AEJ: Macroeconomics	573,337	470,644
AEJ: Microeconomics	568,112	466,501
Job Openings for Economists	308,433	208,853
AER: Insights	81,707	-
Resources for Economists	27,803	26,851
	7,318,156	6,621,458
Programs and Activities:		
ASSA annual meeting	1,663,354	1,440,824
Website content, maintenance & management	320,957	361,990
Summer program	300,000	261,280
Program committees	226,822	213,383
Continuing education conference	181,815	136,940
Amortization of website development costs	149,705	112,359
Government relations	130,359	116,789
RCT registry	111,627	116,054
CeMent workshops	104,842	61,146
CTREE conference	95,525	94,002
Support of other organizations	89,489	85,193
JOE network development cost amortization	40,408	60,612
External grant expense	3,736	5,912
	3,418,639	3,066,484
Management and General:		
Employee compensation	612,947	662,151
Other	405,562	471,297
Rent	72,406	67,825
Administrative committees	58,932	68,041
Unrelated business income tax	6,577	12,618
	1,156,424	1,281,932
Total Expenses	11,893,219	10,969,874
Decrease in unrestricted net assets from operations	(1,284,437)	(503,052)
Investment income	6,617,331	3,178,068
Increase in unrestricted net assets	$ 5,332,894	$ 2,675,016

The accompanying notes to the financial statements are an integral part of these statements.

THE AMERICAN ECONOMIC ASSOCIATION

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Unrestricted Net Assets:		
Total unrestricted operating revenues	$ 10,605,046	$ 10,460,910
Net assets released from restrictions	3,736	5,912
Total unrestricted operating expenses	(11,893,219)	(10,969,874)
Investment income	6,617,331	3,178,068
Increase in unrestricted net assets	5,332,894	2,675,016
Temporarily Restricted Net Assets:		
Grant proceeds	1,200	2,200
Net assets released from restrictions	(3,736)	(5,912)
Decrease in temporarily restricted net assets	(2,536)	(3,712)
Increase in net assets	5,330,358	2,671,304
Net assets, beginning of year	36,212,284	33,540,980
Net assets, end of year	$ 41,542,642	$ 36,212,284

The accompanying notes to the financial statements are an integral part of these statements.

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flow from operating activities:		
Change in net assets	$ 5,330,358	$ 2,671,304
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	196,896	195,356
Realized and unrealized investment gain	(5,542,910)	(2,145,799)
Changes in operating assets and liabilities:		
Accounts receivable	(187,809)	36,947
Prepaid expenses	218,296	(176,879)
Accounts payable and accrued liabilities	(52,864)	(109,931)
Deferred revenue	97,209	(144,412)
Net cash provided by operating activities	59,176	326,586
Cash flows from investing activities:		
Purchases of investments	(18,338,923)	(1,031,064)
Proceeds from sale of investments	18,030,501	800,000
Purchases of furniture, fixtures, software, and equipment	(12,757)	(75,176)
Net cash used in investing activities	(321,179)	(306,240)
Net (decrease) increase in cash and cash equivalents	(262,003)	20,346
Cash and cash equivalents, beginning of year	1,547,666	1,527,320
Cash and cash equivalents, end of year	$ 1,285,663	$ 1,547,666
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	$ 12,054	$ 8,905

Note 1—Nature of operations and summary of significant accounting policies

The American Economic Association (the "Association") is an educational organization whose purpose is to encourage economic research, especially the historical and statistical study of the actual conditions of industrial life, to issue publications on economic subjects and to encourage freedom of economic discussion.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"). Accordingly, net assets of the Association and changes therein are classified and reported as follows:

> *Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations.
>
> *Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents – Cash and cash equivalents include highly liquid investments with original maturities of three months or less when purchased.

Investments – Investments are reported at fair value as reported by the respective funds using quoted market prices.

Accounts Receivable – Accounts receivable are stated at the amount the Association expects to collect from outstanding balances. The Association accounts for potential losses in accounts receivable through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes that accounts receivable are fully collectible at December 31, 2017 and 2016. As a result, no allowance for uncollectible accounts has been provided.

Furniture, Fixtures, Software, and Equipment – Furniture, fixtures, software, and equipment are stated at cost net of accumulated depreciation. Expenditures for ordinary maintenance and repairs are charged to expense. Renewals and betterments that materially extend the life of assets are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years. Depreciation expense for the years ended December 31, 2017 and 2016 amounted to $196,896 and $195,356, respectively.

Temporarily Restricted Net Assets – Temporarily restricted net assets represent amounts available for various research programs and economic conferences.

Revenue Recognition – Membership dues are recognized as operating revenue over the life of the membership. Institutional subscriptions to the various periodicals of the Association are recognized over the term of the subscriptions. License fees are recognized as operating revenue as users obtain access to the online service. Listing fees and advertising revenues are recognized when the related publication is published or made available online. Sales of mailing lists and back issues are recognized when the related material is shipped to the customer. Full text, copyright, submission, and other fees are recognized when received or over the term of the contract.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Deferred Revenue – Deferred revenue represents income from membership dues and institutional subscriptions to the various periodicals of the Association, as well as registration, advertising, and exhibitor income related to the annual meeting in January of the subsequent year. The membership dues and institutional subscriptions are deferred when received and amortized over the terms of the memberships. The deferred income related to the annual meeting is recognized when the meeting takes place.

Annual Meeting – An annual meeting is held in January of each year by the Association under the name Allied Social Science Associations ("ASSA"). Revenues and expenses from the annual meeting are shown at gross on the accompanying statements of unrestricted revenues, expenses, and other changes in unrestricted net assets. The expenses of the annual meeting are expensed as incurred. Also included in the accompanying statements of unrestricted revenues, expenses, and other changes in unrestricted net assets are expenses incurred during the year for the meeting held in January of the following year, which primarily consist of personnel costs of the Association for planning the meeting.

Shipping and Handling Costs – It is the Association's policy to classify shipping and handling costs as a part of operating expenses in the line items to which they relate. Total shipping and handling costs were approximately $341,000 and $346,800 for the years ended December 31, 2017 and 2016, respectively.

Income Taxes – The Association files its federal income tax return as an educational organization substantially exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Association is subject to federal and state income taxes on certain revenues, which are not substantially related to its tax-exempt purpose. This "unrelated business income" includes income from advertising. The Association has recorded expenses of $6,577 and $12,618 in 2017 and 2016, respectively, in federal and state income taxes on unrelated business income. The Association has been determined to be an organization which is not a private foundation.

The Association accounts for income taxes in accordance with income tax accounting guidance in the Income Taxes topic of the FASB ASC. The guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Association does not believe there were any uncertain tax positions at December 31, 2017 and 2016. Additionally, the Association has not recognized any significant tax related interest and penalties in the accompanying financial statements.

Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Subsequent Events – The Association evaluated subsequent events through March 15, 2018, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the accompanying financial statements.

Note 2—Investments and investment income

Fair value of assets is measured as required by the Fair Value Measurements topic of the FASB ASC, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in methodologies used at December 31, 2017 and 2016. The Association's mutual funds are valued at the net asset values of shares held by the Association at year end.

The following table sets forth by level, within the fair value hierarchy, the Association's investments at fair value as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Large blend	$ 15,696,267	$ -	$ -	$ 15,696,267
Foreign large blend	11,477,631	-	-	11,477,631
Corporate bond	5,029,072	-	-	5,029,072
Large value	4,458,172	-	-	4,458,172
World bond	1,988,998	-	-	1,988,998
Real estate	1,951,607	-	-	1,951,607
Intermediate-term bond	510,431	-	-	510,431
Total investments, at fair value	$ 41,112,178	$ -	$ -	$ 41,112,178

Note 2—Investments and investment income (continued)

The following table sets forth by level, within the fair value hierarchy, the Association's investments at fair value as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Large blend	$ 16,102,496	$ -	$ -	$ 16,102,496
Foreign large blend	8,051,515	-	-	8,051,515
Corporate bond	4,396,943	-	-	4,396,943
Large value	4,114,614	-	-	4,114,614
World bond	1,884,029	-	-	1,884,029
Intermediate-term bond	711,249	-	-	711,249
Total investments, at fair value	$ 35,260,846	$ -	$ -	$ 35,260,846

Investment income consists of the following for the years ended December 31:

	2017	2016
Dividend and interest	$ 1,074,421	$ 1,032,269
Realized and unrealized gain (loss), net	5,542,910	2,145,799
	$ 6,617,331	$ 3,178,068

Note 3—Commitments

The Association leases office space under cancelable and noncancelable operating leases. The Association indemnifies the lessor under one of these leases for claims, losses, and other liabilities arising from the conduct of the Association or its agents. Rental expense under these leases, which is included in various categories of operating expenses, totaled $334,834 and $325,425 during the years ended December 31, 2017 and 2016, respectively.

The minimum future rental commitments under noncancelable operating leases at December 31, 2017 are as follows:

Years Ending December 31,	
2018	$ 335,658
2019	341,519
2020	211,463
2021	211,463
2022	211,463
Thereafter	493,414
	$ 1,804,980

The Association also has contracts for hotel rooms and facilities for various meetings through 2026, although the majority of these contracts do not contain attrition clauses.

Note 4—License fees

License fees consist of the following for the years ended December 31:

	2017	2016
Ebsco	$ 3,729,502	$ 3,582,497
ProQuest	558,941	618,894
Ovid	152,376	218,833
Other	5,891	1,338
	$ 4,446,710	$ 4,421,562

Note 5—Other management and general expenses

Other management and general expenses consist of the following for the years ended December 31:

	2017	2016
Bank and credit card charges	$ 90,566	$ 94,491
Database management	86,106	115,818
Accounting and legal	75,699	73,522
Insurance	48,589	45,185
Miscellaneous	27,427	56,842
Election expenses	22,565	22,650
Telephone	17,493	20,317
Mailing list file maintenance	15,406	15,581
Postage and shipping	8,912	8,350
Office supplies	6,711	9,523
Non-capital equipment	6,088	9,018
	$ 405,562	$ 471,297

Note 6—Retirement annuity plan

Employees of the Association are eligible for participation in a defined contribution retirement annuity plan. Contributions by the Association and participating employees are based on the employees' compensation. Benefit payments are based on the amounts accumulated from such contributions. Plan expense totaled $391,262 and $348,949 for the years ended December 31, 2017 and 2016, respectively.

Note 7—Concentrations

The Association maintains deposit accounts with financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 2017 and 2016, all deposit account balances per financial institution were insured up to $250,000. Excess uninsured balances of the Association at December 31, 2017 and 2016 were approximately $895,000 and $1,125,000, respectively.

Note 7—Concentrations (continued)

The Association also maintains cash in money market funds in the amount of $479,237 at December 31, 2017 and $475,467 at December 31, 2016. The money market funds were not insured at December 31, 2017 and 2016.

At December 31, 2017 and 2016, investments in various mutual funds were managed by brokerage and investment companies with an account balance totaling $41,112,178 and $35,260,846, respectively. Investments are not insured by FDIC or any other government agency and are subject to investment risk, including loss of principal. However, investments are insured by the Securities Investor Protection Corporation, which covers investor losses, in some cases, attributable to bankruptcy or fraudulent practices of brokerage firms.

At December 31, 2017 and 2016, accounts receivable from two companies who have an agreement with the Association to sell *EconLit* represented approximately 70% and 87%, respectively, of total accounts receivable.

During 2017 and 2016, the Association received approximately 36% and 35%, respectively, of its revenue from one company who has an agreement with the Association to sell *EconLit*.