

THE AMERICAN ECONOMIC ASSOCIATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Years Ended December 31, 2019 and 2018

And Report of Independent Auditor

THE AMERICAN ECONOMIC ASSOCIATION

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Report of Independent Auditor

To the Executive Committee
The American Economic Association
Nashville, Tennessee

We have audited the accompanying financial statements of The American Economic Association (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Cherry Bekant LLP

Nashville, Tennessee
March 19, 2020

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,285,080	\$ 1,318,041
Accounts receivable	1,754,955	2,216,744
Prepaid expenses	216,000	276,222
Investments	44,447,988	36,796,939
Furniture, fixtures, software, and equipment, net of accumulated depreciation of \$1,640,203 and \$1,596,447, respectively	19,317	47,276
Total Assets	<u>\$ 47,723,340</u>	<u>\$ 40,655,222</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 671,680	\$ 664,889
Deferred revenue	3,300,482	3,033,639
Total Liabilities	<u>3,972,162</u>	<u>3,698,528</u>
Net Assets:		
Without donor restrictions	43,608,875	36,815,869
With donor restrictions	142,303	140,825
Total Net Assets	<u>43,751,178</u>	<u>36,956,694</u>
Total Liabilities and Net Assets	<u>\$ 47,723,340</u>	<u>\$ 40,655,222</u>

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets Without Donor Restrictions:		
Operating Support and Revenue:		
License fees	\$ 4,348,952	\$ 4,515,228
Institutional subscriptions	1,582,356	1,559,382
ASSA annual meeting	1,567,865	1,370,650
<i>Job Openings for Economists</i> listing fees	1,206,180	1,255,880
Membership dues	640,694	610,549
Submission fees	536,850	300,800
Fulltext, copyright, and other fees	279,018	687,560
Member print, CD, and foreign postage	238,868	261,502
Conference fees	82,870	79,025
Advertising	63,550	54,000
Other	13,559	27,291
Net assets released from purpose restrictions	1,722	2,435
Total Operating Support and Revenue	<u>10,562,484</u>	<u>10,724,302</u>
Operating Expenses:		
Program Services:		
Journals	6,796,008	6,774,983
Annual meeting	1,454,215	1,451,548
EconLit	858,522	981,039
Workshops/conferences	667,618	657,793
Other economic initiatives	637,377	352,575
Committees	408,205	349,666
Website	390,097	484,505
JOE Network	230,848	249,534
Total Program Services	<u>11,442,890</u>	<u>11,301,643</u>
Supporting Services:		
Management and general	1,333,086	1,250,740
Total Operating Expenses	<u>12,775,976</u>	<u>12,552,383</u>
Change in Net Assets from Operations	<u>(2,213,492)</u>	<u>(1,828,081)</u>
Non-Operating Activity:		
Investment return	<u>9,006,498</u>	<u>(2,756,632)</u>
Change in Net Assets Without Donor Restrictions	<u>6,793,006</u>	<u>(4,584,713)</u>
Changes in Net Assets With Donor Restrictions:		
Grant proceeds	3,200	1,200
Net assets released from purpose restrictions	<u>(1,722)</u>	<u>(2,435)</u>
Change in Net Assets With Donor Restrictions	<u>1,478</u>	<u>(1,235)</u>
Change in net assets	6,794,484	(4,585,948)
Net assets, beginning of year	36,956,694	41,542,642
Net assets, end of year	<u>\$ 43,751,178</u>	<u>\$ 36,956,694</u>

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

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services							Support Services				
	Journals	Annual Meeting	EconLit	Workshops/ Conferences	Other Economic Initiatives	Committees	Website	JOE Network	Total Program Services	Management and General	Total Support Services	Total Expenses
Salaries and benefits	\$ 5,115,836	\$ 467,047	\$ 662,591	\$ -	\$ -	\$ 178,793	\$ 313,063	\$ 230,848	\$ 6,968,178	\$ 753,794	\$ 753,794	\$ 7,721,972
Distribution and replication	1,196,066	-	86	-	2,769	29,947	-	-	1,228,868	-	-	1,228,868
Third party coordinator	-	-	-	374,686	539,989	77,577	-	-	992,252	-	-	992,252
Audio/video	-	397,929	-	86,887	-	7,090	1,200	-	493,106	-	-	493,106
Rent and utilities	147,070	75,210	70,900	-	-	-	25,995	-	319,175	101,804	101,804	420,979
Food and beverage	-	123,342	-	168,302	-	50,897	-	-	342,541	-	-	342,541
Other meeting expenses	-	266,296	-	16,924	-	-	-	-	283,220	-	-	283,220
Data management	153,957	-	58,374	-	-	-	12,152	-	224,483	46,818	46,818	271,301
Travel and promotion	52,649	22,288	36,104	20,819	471	36,111	-	-	168,442	42,395	42,395	210,837
Office expenses	109,230	37,227	19,660	-	-	-	261	-	166,378	26,391	26,391	192,769
Bank charges	-	58,256	-	-	-	-	-	-	58,256	91,868	91,868	150,124
Accounting and legal	-	-	-	-	-	-	-	-	-	104,173	104,173	104,173
Miscellaneous	-	-	9,320	-	-	24,185	-	-	33,505	67,014	67,014	100,519
Society dues	-	-	-	-	92,426	3,605	-	-	96,031	1,636	1,636	97,667
Insurance	-	6,620	-	-	-	-	-	-	6,620	47,263	47,263	53,883
Administrative committees	-	-	-	-	-	-	-	-	-	45,677	45,677	45,677
Depreciation and amortization	-	-	1,487	-	-	-	37,426	-	38,913	4,253	4,253	43,166
Prepress supplies	21,200	-	-	-	-	-	-	-	21,200	-	-	21,200
External grant expense	-	-	-	-	1,722	-	-	-	1,722	-	-	1,722
	<u>\$ 6,796,008</u>	<u>\$ 1,454,215</u>	<u>\$ 858,522</u>	<u>\$ 667,618</u>	<u>\$ 637,377</u>	<u>\$ 408,205</u>	<u>\$ 390,097</u>	<u>\$ 230,848</u>	<u>\$ 11,442,890</u>	<u>\$ 1,333,086</u>	<u>\$ 1,333,086</u>	<u>\$ 12,775,976</u>

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

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services							Support Services				
	Journals	Annual Meeting	EconLit	Workshops/ Conferences	Other Economic Initiatives	Committees	Website	JOE Network	Total Program Services	Management and General	Total Support Services	Total Expenses
Salaries and benefits	\$ 5,283,116	\$ 429,132	\$ 786,063	\$ -	\$ -	\$ 152,747	\$ 289,740	\$ 249,534	\$ 7,190,332	\$ 739,431	\$ 739,431	\$ 7,929,763
Distribution and replication	973,258	-	114	-	1,099	24,715	-	-	999,186	-	-	999,186
Third party coordinator	-	-	-	364,110	259,404	52,367	-	-	675,881	-	-	675,881
Audio/video	-	423,915	-	110,938	-	11,914	6,229	-	552,996	-	-	552,996
Rent and utilities	150,206	56,695	57,610	-	-	-	26,531	-	291,042	83,904	83,904	374,946
Food and beverage	-	134,331	-	141,194	-	51,214	-	-	326,739	-	-	326,739
Other meeting expenses	-	310,829	-	14,681	-	-	-	-	325,510	-	-	325,510
Data management	141,548	-	64,409	-	-	-	5,219	-	211,176	25,849	25,849	237,025
Travel and promotion	66,921	13,573	55,627	26,870	-	23,022	3,017	-	189,030	35,442	35,442	224,472
Office expenses	111,910	29,300	10,525	-	-	858	73	-	152,666	16,913	16,913	169,579
Depreciation and amortization	-	-	1,487	-	-	-	149,705	-	151,192	4,253	4,253	155,445
Bank charges	-	44,956	-	-	-	-	-	-	44,956	92,548	92,548	137,504
Miscellaneous	-	-	5,204	-	-	31,979	3,991	-	41,174	64,798	64,798	105,972
Accounting and legal	-	-	-	-	-	-	-	-	-	98,193	98,193	98,193
Society dues	-	-	-	-	89,637	850	-	-	90,487	1,283	1,283	91,770
Insurance	-	8,817	-	-	-	-	-	-	8,817	45,519	45,519	54,336
Prepress supplies	48,024	-	-	-	-	-	-	-	48,024	-	-	48,024
Administrative committees	-	-	-	-	-	-	-	-	-	42,607	42,607	42,607
External grant expense	-	-	-	-	2,435	-	-	-	2,435	-	-	2,435
	<u>\$ 6,774,983</u>	<u>\$ 1,451,548</u>	<u>\$ 981,039</u>	<u>\$ 657,793</u>	<u>\$ 352,575</u>	<u>\$ 349,666</u>	<u>\$ 484,505</u>	<u>\$ 249,534</u>	<u>\$ 11,301,643</u>	<u>\$ 1,250,740</u>	<u>\$ 1,250,740</u>	<u>\$ 12,552,383</u>

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

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flow from operating activities:		
Change in net assets	\$ 6,794,484	\$ (4,585,948)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	43,166	155,445
Realized and unrealized investment (gain) loss	(7,678,214)	3,862,151
Changes in operating assets and liabilities:		
Accounts receivable	452,387	162,752
Prepaid expenses	60,222	(107,872)
Accounts payable and accrued liabilities	6,791	79,832
Deferred revenue	266,843	15,886
Net cash used in operating activities	<u>(54,321)</u>	<u>(417,754)</u>
Cash flows from investing activities:		
Purchases of investments	(2,264,847)	(2,329,660)
Proceeds from sale of investments	2,292,012	2,782,748
Purchases of furniture, fixtures, software, and equipment	(15,207)	(2,956)
Net cash provided by investing activities	<u>11,958</u>	<u>450,132</u>
Net (decrease) increase in cash and cash equivalents	(42,363)	32,378
Cash and cash equivalents, beginning of year	<u>1,318,041</u>	<u>1,285,663</u>
Cash and cash equivalents, end of year	<u>\$ 1,275,678</u>	<u>\$ 1,318,041</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	<u>\$ 11,242</u>	<u>\$ 2,891</u>

THE AMERICAN ECONOMIC ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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 (“U.S. GAAP”). Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association’s management and the board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions represent amounts available for various research programs and economic conferences. None of the Association’s net assets with donor restrictions are required to be held in perpetuity by the donors at December 31, 2019 and 2018.

Adoption of New Accounting Pronouncement – In May 2014, FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)* and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Subsequent to ASU 2014-09, FASB issued several related ASUs (collectively “ASC 606”). The Association adopted the provisions of ASU 2014-09 and the related ASUs as of January 1, 2019 using a modified retrospective approach, which resulted in no cumulative effect adjustment to net assets as of January 1, 2019. There was no change in the timing and amount of revenue recognition as a result of the adoption of these ASUs.

Revenue Recognition, Accounts Receivable, Allowance for Doubtful Accounts, and Deferred Revenue – See Note 2.

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.

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 three to five years. Depreciation and amortization expense for the years ended December 31, 2019 and 2018 amounted to \$43,166 and \$155,445, respectively.

THE AMERICAN ECONOMIC ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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

Annual Meeting – An annual meeting is held in January of each year by the Association under the name Allied Social Science Associations. Revenues and expenses from the annual meeting are shown at gross on the accompanying statements of activities. The expenses of the annual meeting are expensed as incurred. Also included in the accompanying statements of activities 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 \$310,000 and \$329,000 for the years ended December 31, 2019 and 2018, 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 \$10,622 and \$9,686 in 2019 and 2018, respectively, in federal and state income taxes on unrelated business income which are included in management and general expense on the statements of activities. 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 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 50 percent likely of being realized upon ultimate settlement. The Association does not believe there were any uncertain tax positions at December 31, 2019 and 2018. 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 U.S. GAAP 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.

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consisted primarily of salaries and wages expense which was allocated based on time and effort.

Accounting Policies for Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statements. This standard will be effective for the fiscal year ending December 31, 2021. The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Reclassification – Certain reclassifications have been made to the 2018 financial statements to conform with the 2019 presentation.

THE AMERICAN ECONOMIC ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 2—Revenue

On January 1, 2019, the Association adopted ASC 606 using the modified retrospective approach. The Association determined that there was no cumulative effect adjustment to net assets upon adoption of the new revenue standard as of January 1, 2019. Under ASC 606, revenue is recognized when the Association transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

Contract Balances – Timing differences among revenue recognition may result in contract assets or liabilities. Contract liabilities on the accompanying statements of financial position totaled \$3,300,482 and \$3,033,639 as of December 31, 2019 and 2018, respectively. 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 membership or contract period. The deferred income related to the annual meeting is recognized when the meeting takes place.

Accounts receivable were \$1,764,357 and \$2,216,744 as of December 31, 2019 and 2018, respectively. 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, 2019 and 2018. As a result, no allowance for uncollectible accounts has been provided. However, actual write-offs could exceed the recorded allowance for doubtful accounts.

Performance Obligations and Revenue Recognition – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Association's revenue within the scope of ASC 606 consists of revenue from license fees, institutional subscriptions, annual meeting, job listing fees, and membership dues. The contract obligation for license fees, annual meeting income (registration, advertising, and exhibitor income), and job listing fees is generally satisfied at the time these services are provided or when a good is transferred to the customer. For the license fees, the point in time is when the Association delivers the intellectual property to the customer in a usable format. For the annual meeting it is at the time of the meeting, and for job listings it is satisfied when the Association posts the job listing to their website. The contract performance obligation for annual memberships and institutional subscriptions is performed over the membership or contract period.

Practical Expedients and Exemptions – There are several practical expedients and exemptions allowed under ASC 606 that impact timing of revenue recognition and disclosures. The one practical expedient the Association applied in the adoption and application of ASC 606 allows the Association to elect to treat similar contracts as part of a portfolio of contracts. The contracts have the same provision terms and management has the expectation that the result will not be materially different from the consideration of each individual contract.

THE AMERICAN ECONOMIC ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 2—Revenue (continued)

The following table provides information about significant changes in the contract liabilities for the year ended December 31, 2019:

	<u>Annual Meeting</u>	<u>Membership Dues</u>	<u>Institutional Subscriptions</u>	<u>Total</u>
Deferred revenue, beginning of year	\$ 1,119,836	\$ 855,772	\$ 1,058,031	\$ 3,033,639
Revenue recognized that was included in deferred revenue at the beginning of year	(1,119,836)	(471,927)	(1,058,031)	(2,649,794)
Increase in deferred revenue due to cash received during the period	<u>1,346,784</u>	<u>454,938</u>	<u>1,114,915</u>	<u>2,916,637</u>
Deferred revenue, end of year	<u>\$ 1,346,784</u>	<u>\$ 838,783</u>	<u>\$ 1,114,915</u>	<u>\$ 3,300,482</u>

Note 3—Liquidity and availability

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing activities of publishing journals and promoting economic research, as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 1,285,080	\$ 1,318,041
Investments	44,447,988	36,796,939
Accounts receivable	<u>1,754,955</u>	<u>2,216,744</u>
Total financial assets	<u>47,488,023</u>	<u>40,331,724</u>
Less amounts not available to be used for general expenditures within one year:		
Purpose restrictions	<u>142,303</u>	<u>140,825</u>
Financial assets not available to be used within one year	<u>142,303</u>	<u>140,825</u>
Financial assets available to meet general expenditures within one year	<u>\$ 47,345,720</u>	<u>\$ 40,190,899</u>

THE AMERICAN ECONOMIC ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 4—Investments and investment income

Fair value of assets is measured as required by the Fair Value Measurements topic of 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, 2019 and 2018. 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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Large blend	\$ 16,343,406	\$ -	\$ -	\$ 16,343,406
Foreign large blend	12,150,827	-	-	12,150,827
Corporate bond	6,084,323	-	-	6,084,323
Large value	4,990,497	-	-	4,990,497
World bond	2,342,048	-	-	2,342,048
Real estate	2,477,267	-	-	2,477,267
Intermediate-term bond	59,620	-	-	59,620
Total investments, at fair value	<u>\$ 44,447,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,447,988</u>

THE AMERICAN ECONOMIC ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 4—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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Large blend	\$ 13,834,629	\$ -	\$ -	\$ 13,834,629
Foreign large blend	9,155,853	-	-	9,155,853
Corporate bond	5,050,979	-	-	5,050,979
Large value	4,064,777	-	-	4,064,777
World bond	2,253,546	-	-	2,253,546
Real estate	2,133,958	-	-	2,133,958
Intermediate-term bond	303,197	-	-	303,197
Total investments, at fair value	<u>\$ 36,796,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,796,939</u>

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

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 1,328,284	\$ 1,105,519
Realized and unrealized gain (loss), net	7,678,214	(3,862,151)
	<u>\$ 9,006,498</u>	<u>\$ (2,756,632)</u>

Note 5—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 \$348,519 and \$342,658 during the years ended December 31, 2019 and 2018, respectively.

The minimum future rental commitments under noncancelable operating leases at December 31, 2019 are as follows:

<u>Years Ending December 31,</u>	
2020	\$ 347,378
2021	351,455
2022	355,655
2023	211,463
2024	211,463
Thereafter	70,488
	<u>\$ 1,547,902</u>

The Association also has contracts for hotel rooms and facilities for various meetings through 2027, although the majority of these contracts do not contain attrition clauses.

THE AMERICAN ECONOMIC ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 6—License fees

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

	<u>2019</u>	<u>2018</u>
Ebsco	\$ 3,627,901	\$ 3,831,672
ProQuest	608,826	561,871
Ovid	110,336	117,749
Other	1,889	3,936
	<u>\$ 4,348,952</u>	<u>\$ 4,515,228</u>

Note 7—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 \$413,773 and \$420,010 for the years ended December 31, 2019 and 2018, respectively.

Note 8—Concentrations

The Association maintains deposit accounts with financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 2019 and 2018, all deposit account balances per financial institution were insured up to \$250,000. Excess uninsured balances of the Association at December 31, 2019 and 2018 were approximately \$1,115,000 and \$756,000, respectively. The Association also maintains cash in money market funds in the amount of \$243,294 at December 31, 2019 and \$487,846 at December 31, 2018. The money market funds were not insured at December 31, 2019 and 2018.

At December 31, 2019 and 2018, investments in various mutual funds were managed by brokerage and investment companies with an account balance totaling \$44,447,988 and \$36,796,939, 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, 2019 and 2018, accounts receivable from two companies who have an agreement with the Association to sell *EconLit* represented approximately 85% and 71%, respectively, of total accounts receivable.

During 2019 and 2018, the Association received approximately 35% and 36%, respectively, of its revenue from one company who has an agreement with the Association to sell *EconLit*.

Note 9—Subsequent events

The Association evaluated subsequent events through March 19, 2020, when these financial statements were available to be issued. Towards the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen, which are likely to negatively impact the Association's investments, and could potentially impact revenue and operations for an indeterminable time period. The fair value of the Association's investments at March 19, 2020 was \$34,082,042, as compared to \$44,447,988 at December 31, 2019, resulting in an unrealized loss of approximately \$10 million for the period from January 1, 2020 through March 19, 2020. Other financial impacts could occur though such potential impacts are unknown at this time.

SUPPLEMENTARY INFORMATION

THE AMERICAN ECONOMIC ASSOCIATION
SUPPLEMENTAL SCHEDULES OF PROGRAM EXPENSES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Program Expenses:		
Journals:		
American Economic Review	\$ 2,156,065	\$ 2,204,851
Journal of Economic Perspectives	861,891	858,179
Journal of Economic Literature	568,891	681,562
AEJ: Economic Policy	802,964	770,083
AEJ: Applied Economics	753,568	715,299
AEJ: Macroeconomics	603,185	605,292
AEJ: Microeconomics	556,407	547,408
AER: Insights	493,037	392,309
	<u>6,796,008</u>	<u>6,774,983</u>
ASSA annual meeting	<u>1,454,215</u>	<u>1,451,548</u>
EconLit	<u>858,522</u>	<u>981,039</u>
Workshops/Conferences:		
Summer program	311,686	301,110
Continuing education conference	190,768	181,854
CTREE conference	101,148	117,283
CeMent workshops	64,016	57,546
	<u>667,618</u>	<u>657,793</u>
Other Economic Initiatives:		
Data editor project	277,764	112,029
RCT registry	136,414	97,625
Professional climate and career concerns	129,051	50,849
Support of other organizations	92,426	89,637
External grant expense	1,722	2,435
	<u>637,377</u>	<u>352,575</u>
Committees:		
Program committees	288,311	236,187
Government relations	119,894	113,479
	<u>408,205</u>	<u>349,666</u>
Website:		
Website content, maintenance, and management	327,858	307,626
Amortization of website development costs	37,426	149,705
Resources for Economists	24,813	27,174
	<u>390,097</u>	<u>484,505</u>
JOE:		
Job Openings for Economists	230,848	249,534
Total Program Expenses	<u>\$ 11,442,890</u>	<u>\$ 11,301,643</u>