

THE AMERICAN ECONOMIC ASSOCIATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Years Ended December 31, 2023 and 2022

And Report of Independent Auditor

THE AMERICAN ECONOMIC ASSOCIATION
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR..... 1-2

FINANCIAL STATEMENTS

Statements of Financial Position3
Statements of Activities4
Statements of Functional Expenses 5-6
Statements of Cash Flows7
Notes to the Financial Statements 8-16

SUPPLEMENTARY INFORMATION

Supplemental Schedules of Program Expenses 17

Report of Independent Auditor

To the Executive Committee
The American Economic Association
Nashville, Tennessee

Opinion

We have audited the accompanying financial statements of The American Economic Association (the "Association") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2023 and 2022, 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. 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 the Association 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 the Association's ability to continue as a going concern within 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. 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the Association's 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 the Association's 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of program expenses on page 17 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 Bekaert LLP

Nashville, Tennessee
April 12, 2024

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 1,532,602	\$ 1,540,406
Investments	48,423,824	43,677,192
Accounts receivable	2,388,750	2,423,307
Prepaid expenses and other	765,283	319,993
Furniture, fixtures, software, and equipment, net of accumulated depreciation of \$1,731,361 and \$1,696,994, respectively	28,342	62,708
Operating lease right-of-use assets	1,282,318	717,600
Total Assets	<u>\$ 54,421,119</u>	<u>\$ 48,741,206</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 769,410	\$ 712,783
Deferred revenue	3,881,374	3,553,178
Operating lease liability	1,285,123	719,904
Total Liabilities	<u>5,935,907</u>	<u>4,985,865</u>
Net Assets:		
Without donor restrictions	48,032,490	43,560,117
With donor restrictions	452,722	195,224
Total Net Assets	<u>48,485,212</u>	<u>43,755,341</u>
Total Liabilities and Net Assets	<u>\$ 54,421,119</u>	<u>\$ 48,741,206</u>

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

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Changes in Net Assets Without Donor Restrictions:		
Operating Support and Revenue:		
License fees	\$ 4,665,679	\$ 4,734,967
Institutional subscriptions	1,794,986	1,635,582
<i>Job Openings for Economists</i> listing fees	1,210,700	1,415,660
Submission fees	768,401	773,900
Membership dues	1,294,561	998,482
ASSA annual meeting	962,038	786,395
Government grants	-	578,082
Fulltext, copyright, and other fees	273,790	270,215
Member print and foreign postage	158,617	179,587
Conference fees	78,760	76,590
Advertising	44,150	44,875
Other	16,562	26,753
Net assets released from purpose restrictions	32,602	28,010
Total Operating Support and Revenue	<u>11,300,846</u>	<u>11,549,098</u>
Operating Expenses:		
Program Services:		
Journals	6,930,887	6,622,426
ASSA annual meeting	1,933,776	830,167
EconLit	680,532	645,555
Workshops and conferences	876,703	572,251
Resources and initiatives	926,767	731,502
Program committees	511,179	379,793
Web content, maintenance, and communications	504,186	500,030
JOE Network	181,949	181,114
Total Program Services	<u>12,545,979</u>	<u>10,462,838</u>
Supporting Services:		
Management and general	<u>1,638,287</u>	<u>1,511,523</u>
Total Operating Expenses	<u>14,184,266</u>	<u>11,974,361</u>
Change in Net Assets from Operations	<u>(2,883,420)</u>	<u>(425,263)</u>
Nonoperating Activity:		
Investment return	<u>7,355,793</u>	<u>(9,100,523)</u>
Change in Net Assets Without Donor Restrictions	<u>4,472,373</u>	<u>(9,525,786)</u>
Changes in Net Assets With Donor Restrictions:		
Grant proceeds	290,100	49,935
Net assets released from purpose restrictions	<u>(32,602)</u>	<u>(28,010)</u>
Change in Net Assets With Donor Restrictions	<u>257,498</u>	<u>21,925</u>
Change in net assets	4,729,871	(9,503,861)
Net assets, beginning of year	<u>43,755,341</u>	<u>53,259,202</u>
Net assets, end of year	<u>\$ 48,485,212</u>	<u>\$ 43,755,341</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, 2023

	Program Services								Support Services			Total Expenses
	ASSA Annual Journals	ASSA Annual Meeting	EconLit	Workshops and Conferences	Resources and Initiatives	Program Committees	Website	JOE Network	Total Program Services	Management and General	Total Support Services	
Salaries and benefits	\$ 5,166,988	\$ 547,016	\$ 503,072	\$ -	\$ 20,526	\$ 94,660	\$ 435,534	\$ 181,949	\$ 6,949,745	\$ 964,525	\$ 964,525	\$ 7,914,270
Distribution and replication	1,276,651	-	329	-	-	19,442	-	-	1,296,422	-	-	1,296,422
Third party coordinator	-	-	-	405,000	527,200	102,609	4,000	-	1,038,809	-	-	1,038,809
Audio/video	-	916,117	-	89,986	-	5,902	18,000	-	1,030,005	-	-	1,030,005
Accounting and legal	-	-	-	-	283,413	-	-	-	283,413	198,766	198,766	482,179
Food and beverage	-	124,897	-	209,126	-	101,262	-	-	435,285	-	-	435,285
Rent and utilities	160,551	76,949	53,826	-	-	-	25,135	-	316,461	117,585	117,585	434,046
Other meeting expenses	-	181,537	-	122,471	20,466	-	-	-	324,474	-	-	324,474
Data management	157,996	-	77,147	-	-	-	12,936	-	248,079	47,779	47,779	295,858
Travel and promotion	25,855	19,763	18,899	50,120	32,421	16,417	399	-	163,874	34,126	34,126	198,000
Miscellaneous	-	-	9,790	-	34,866	36,996	8,032	-	89,684	79,372	79,372	169,056
Office expenses	98,636	24,808	17,469	-	-	-	-	-	140,913	17,787	17,787	158,700
Bank charges	-	33,901	-	-	-	-	150	-	34,051	105,972	105,972	140,023
Society dues	-	-	-	-	7,875	101,289	-	-	109,164	1,720	1,720	110,884
Insurance	-	8,788	-	-	-	-	-	-	8,788	63,696	63,696	72,484
Depreciation and amortization	34,366	-	-	-	-	-	-	-	34,366	-	-	34,366
External grant expense	-	-	-	-	-	32,602	-	-	32,602	-	-	32,602
Prepress supplies	9,844	-	-	-	-	-	-	-	9,844	-	-	9,844
Administrative committees	-	-	-	-	-	-	-	-	-	6,959	6,959	6,959
	<u>\$ 6,930,887</u>	<u>\$ 1,933,776</u>	<u>\$ 680,532</u>	<u>\$ 876,703</u>	<u>\$ 926,767</u>	<u>\$ 511,179</u>	<u>\$ 504,186</u>	<u>\$ 181,949</u>	<u>\$ 12,545,979</u>	<u>\$ 1,638,287</u>	<u>\$ 1,638,287</u>	<u>\$ 14,184,266</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, 2022

	Program Services								Support Services			
	Journals	ASSA Annual Meeting	EconLit	Workshops and Conferences	Resources and Initiatives	Program Committees	Website	JOE Network	Total Program Services	Management and General	Total Support Services	Total Expenses
Salaries and benefits	\$ 4,904,262	\$ 526,233	\$ 489,856	\$ -	\$ 5,314	\$ 91,444	\$ 424,959	\$ 181,114	\$ 6,623,182	\$ 877,969	\$ 877,969	\$ 7,501,151
Distribution and replication	1,269,084	-	796	-	-	18,401	-	-	1,288,281	-	-	1,288,281
Third party coordinator	-	-	-	420,000	497,457	92,556	4,000	-	1,014,013	-	-	1,014,013
Rent and utilities	145,557	77,066	61,041	-	-	-	31,063	-	314,727	115,207	115,207	429,934
Accounting and legal	-	-	-	-	140,615	-	-	-	140,615	167,378	167,378	307,993
Data management	154,099	-	59,819	-	-	-	12,299	-	226,217	53,202	53,202	279,419
Audio/video	-	117,282	-	29,363	16	768	17,496	-	164,925	-	-	164,925
Office expenses	94,664	23,078	10,212	-	-	-	-	-	127,954	30,088	30,088	158,042
Miscellaneous	-	-	8,707	-	34,581	26,547	9,419	-	79,254	66,060	66,060	145,314
Bank charges	-	32,046	-	-	-	-	-	-	32,046	110,555	110,555	142,601
Travel and promotion	18,423	7,015	12,061	5,986	50,669	4,663	794	-	99,611	28,510	28,510	128,121
Food and beverage	-	-	-	98,892	-	3,559	-	-	102,451	-	-	102,451
Society dues	-	-	-	-	2,850	97,278	-	-	100,128	2,156	2,156	102,284
Other meeting expenses	-	45,523	-	18,010	-	16,567	-	-	80,100	-	-	80,100
Insurance	-	1,924	-	-	-	-	-	-	1,924	56,661	56,661	58,585
Depreciation and amortization	27,282	-	3,063	-	-	-	-	-	30,345	-	-	30,345
External grant expense	-	-	-	-	-	28,010	-	-	28,010	-	-	28,010
Prepress supplies	9,055	-	-	-	-	-	-	-	9,055	-	-	9,055
Administrative committees	-	-	-	-	-	-	-	-	-	3,737	3,737	3,737
	<u>\$ 6,622,426</u>	<u>\$ 830,167</u>	<u>\$ 645,555</u>	<u>\$ 572,251</u>	<u>\$ 731,502</u>	<u>\$ 379,793</u>	<u>\$ 500,030</u>	<u>\$ 181,114</u>	<u>\$ 10,462,838</u>	<u>\$ 1,511,523</u>	<u>\$ 1,511,523</u>	<u>\$ 11,974,361</u>

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flow from operating activities:		
Change in net assets	\$ 4,729,871	\$ (9,503,861)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	34,366	30,345
Realized and unrealized investment (gain) loss	(6,052,939)	10,296,831
Noncash lease expense	501	2,304
Changes in operating assets and liabilities:		
Accounts receivable	34,557	(779,374)
Prepaid expenses and other	(445,290)	(123,949)
Accounts payable and accrued liabilities	56,627	208,356
Deferred revenue	328,196	1,031,504
Net cash flows from operating activities	<u>(1,314,111)</u>	<u>1,162,156</u>
Cash flows from investing activities:		
Purchases of investments	(2,429,900)	(2,949,300)
Proceeds from sale of investments	3,736,207	1,756,670
Purchases of furniture, fixtures, software, and equipment	-	(21,225)
Net cash flows from investing activities	<u>1,306,307</u>	<u>(1,213,855)</u>
Change in cash and cash equivalents	(7,804)	(51,699)
Cash and cash equivalents, beginning of year	1,540,406	1,592,105
Cash and cash equivalents, end of year	<u>\$ 1,532,602</u>	<u>\$ 1,540,406</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	<u>\$ 4,477</u>	<u>\$ 4,748</u>

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

THE AMERICAN ECONOMIC ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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, 2023 and 2022.

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, 2023 and 2022 amounted to \$34,366 and \$30,345, respectively.

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 \$269,000 and \$292,000 for the years ended December 31, 2023 and 2022, respectively.

THE AMERICAN ECONOMIC ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

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 \$6,550 and \$9,341 in 2023 and 2022, 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% likely of being realized upon ultimate settlement. The Association does not believe there were any uncertain tax positions at December 31, 2023 and 2022. 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.

Recently Adopted Accounting Pronouncement – In February 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes will result in more timely recognition of credit losses.

The Association adopted ASU 2016-13, as amended, effective January 1, 2023. The Association considers historical loss rates over customer groupings with similar risk characteristics to develop the allowance for expected credit losses. The Association reviews these factors annually to determine if any adjustments are needed to the allowance. The adoption of this guidance did not have a material impact on the Association’s financial statements.

Subsequent Events – The Association evaluated subsequent events through April 12, 2024, 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.

THE AMERICAN ECONOMIC ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 2—Revenue

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 \$3,881,374 and \$3,553,178 as of December 31, 2023 and 2022, 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 from contracts with customers were \$1,810,668 and \$1,845,225 as of December 31, 2023 and 2022, respectively. Accounts receivable is stated at the amount the Association expects to collect from outstanding balances. The amounts due are stated at their estimated net realizable value. The Association reduces the carrying amount of accounts receivable by an allowance for credit losses that reflects the Association's best estimate of the amounts that will not be collected. The allowance for doubtful accounts is based on the Association's assessment of the collectability of customer accounts receivable. In accordance with *ASC Topic 326, Financial Instruments-Credit Losses*, the Association makes estimates relating to the collectability of accounts receivable and records an allowance for estimated losses expected from the inability of its customers to make required payments. The Association establishes expected credit losses by evaluating historical levels of credit losses, current economic conditions that may affect a customer's ability to pay, and creditworthiness of significant customers. These inputs are used to determine a range of expected credit losses and an allowance is recorded within the range. Accounts receivable are written off when there is no reasonable expectation of recovery. The allowance for doubtful accounts was considered immaterial for the years ended December 31, 2023 and 2022.

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 significant revenue streams within the scope of ASC 606 consists of revenue from license fees, institutional subscriptions, annual meeting, job listing fees, submission fees, and membership dues. The contract obligation for license fees, annual meeting income (registration, advertising, and exhibitor income), job listing fees, and submission fees are 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 satisfied 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 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, 2023 AND 2022

Note 2—Revenue (continued)

The following table provides information about significant changes in the contract liabilities for the year ended December 31, 2023:

	<u>ASSA Annual Meeting</u>	<u>Membership Dues</u>	<u>Institutional Subscriptions</u>	<u>Total</u>
Deferred revenue, beginning of year	\$ 931,342	\$ 1,423,161	\$ 1,198,675	\$ 3,553,178
Revenue recognized that was included in deferred revenue at the beginning of year	(931,342)	(955,691)	(1,198,675)	(3,085,708)
Increase in deferred revenue due to cash received during the period	<u>1,083,881</u>	<u>1,026,480</u>	<u>1,303,543</u>	<u>3,413,904</u>
Deferred revenue, end of year	<u>\$ 1,083,881</u>	<u>\$ 1,493,950</u>	<u>\$ 1,303,543</u>	<u>\$ 3,881,374</u>

The following table provides information about significant changes in the contract liabilities for the year ended December 31, 2022:

	<u>ASSA Annual Meeting</u>	<u>Membership Dues</u>	<u>Institutional Subscriptions</u>	<u>Total</u>
Deferred revenue, beginning of year	\$ 649,060	\$ 744,180	\$ 1,128,434	\$ 2,521,674
Revenue recognized that was included in deferred revenue at the beginning of year	(649,060)	(616,762)	(1,128,434)	(2,394,256)
Increase in deferred revenue due to cash received during the period	<u>931,342</u>	<u>1,295,743</u>	<u>1,198,675</u>	<u>3,425,760</u>
Deferred revenue, end of year	<u>\$ 931,342</u>	<u>\$ 1,423,161</u>	<u>\$ 1,198,675</u>	<u>\$ 3,553,178</u>

THE AMERICAN ECONOMIC ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 3—Liquidity and availability of resources

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>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 1,532,602	\$ 1,540,406
Investments	48,423,824	43,677,192
Accounts receivable	2,388,750	2,423,307
Total financial assets	<u>52,345,176</u>	<u>47,640,905</u>
Less amounts not available to be used for general expenditures within one year:		
Purpose restrictions	<u>452,722</u>	<u>195,224</u>
Financial assets not available to be used within one year	<u>452,722</u>	<u>195,224</u>
Financial assets available to meet general expenditures within one year	<u>\$ 51,892,454</u>	<u>\$ 47,445,681</u>

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 AMERICAN ECONOMIC ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 4—Investments and investment income (continued)

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, 2023 and 2022. The Association's mutual funds are valued at the net asset values ("NAV") of shares held by the Association at year-end. NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. NAV is classified within Level 1 of the valuation hierarchy based on the underlying assets of the account, which are traded on an active market.

The following table sets forth by level, within the fair value hierarchy, the Association's investments at fair value as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Large blend	\$ 18,542,363	\$ -	\$ -	\$ 18,542,363
Foreign large blend	12,950,829	-	-	12,950,829
Corporate bond	6,110,824	-	-	6,110,824
Large value	5,391,456	-	-	5,391,456
Real estate	2,722,893	-	-	2,722,893
World bond	2,646,665	-	-	2,646,665
Intermediate-term bond	58,794	-	-	58,794
Total investments, at fair value	<u>\$ 48,423,824</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,423,824</u>

The following table sets forth by level, within the fair value hierarchy, the Association's investments at fair value as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Large blend	\$ 16,157,589	\$ -	\$ -	\$ 16,157,589
Foreign large blend	12,128,727	-	-	12,128,727
Corporate bond	5,608,604	-	-	5,608,604
Large value	5,127,913	-	-	5,127,913
World bond	2,526,482	-	-	2,526,482
Real estate	2,072,446	-	-	2,072,446
Intermediate-term bond	55,431	-	-	55,431
Total investments, at fair value	<u>\$ 43,677,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,677,192</u>

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

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 1,302,854	\$ 1,196,308
Realized and unrealized gain (loss), net	6,052,939	(10,296,831)
	<u>\$ 7,355,793</u>	<u>\$ (9,100,523)</u>

THE AMERICAN ECONOMIC ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 5—Government grants

The Coronavirus Aid Relief, Economic Security Act (“CARES Act”) contains the Employee Retention Credit (“ERC”), a refundable payroll tax credit available to employers that have experienced hardship in their operations due to the COVID-19 outbreak. During the year ended December 31, 2022, the Association reviewed its eligibility for ERC and determined that the Association qualified for \$578,082 of ERC related to the first quarter of 2021. The Association selected ASC 958-605 as the applicable standard for accounting for ERC and, as such, recognized the ERC when the amended payroll tax returns were filed. Employee retention credit income of \$578,082 has been recorded in government grants on the statement of activities for the year ended December 31, 2022, and is included in accounts receivable on the statement of financial position at December 31, 2023 and 2022.

Note 6—Leases

The Association leases certain office space and equipment. The Association determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The Association has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on relative stand-alone prices.

ROU assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses are factored into the determination of the lease term if it is reasonably certain that these options would be exercised by the Association. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. Certain lease agreements include variable payments. Variable lease payments not dependent on an index or rate primarily consist of common area maintenance charges and are not included in the calculation of the ROU asset and lease liability and are expensed as incurred. In order to determine the present value of lease payments, the Association uses the implicit rate when it is readily determinable. As most of the Association’s leases do not provide an implicit rate, management uses the risk-free discount rate based on the information available at lease commencement to determine the present value of lease payments.

The Association’s lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Association does not have leases where it is involved with the construction or design of an underlying asset. The Association has no material obligation for leases signed but not yet commenced as of December 31, 2023. The Association does not have any material sublease activities.

Practical Expedients Elected:

- The Association elected the three transition practical expedients that permit an entity to: (a) not reassess whether expired or existing contracts contain leases, (b) not reassess lease classification for existing or expired leases, and (c) not consider whether previously capitalized initial direct costs would be appropriate under the new standard.
- The Association has elected the practical expedient not to recognize leases with terms of 12 months or less on the balance sheet and instead recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred. Lease expense for such short-term leases was not material for the year ended December 31, 2023.
- The Association has elected to account for lease and non-lease components as a single component.
- The Association has elected to utilize the risk-free discount rate to calculate lease assets and liabilities.

THE AMERICAN ECONOMIC ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 6—Leases (continued)

Classification of ROU assets and lease liabilities is as follows as of December 31:

<u>Leases</u>	<u>Balance Sheet Classification</u>	<u>2023</u>	<u>2022</u>
<u>Assets:</u>			
Operating right-of-use assets	Operating lease assets, net	\$ 1,282,318	\$ 717,600
Total lease assets		<u>\$ 1,282,318</u>	<u>\$ 717,600</u>
<u>Liabilities:</u>			
Current:			
Operating lease liabilities	Operating lease liabilities	305,003	359,639
Noncurrent:			
Operating lease liabilities	Operating lease liabilities	<u>980,120</u>	<u>360,265</u>
Total lease liabilities		<u>\$ 1,285,123</u>	<u>\$ 719,904</u>

Future minimum lease payments is as follows as of December 31, 2023:

Maturity Analysis:

2024	\$ 365,592
2025	368,285
2026	214,573
2027	214,573
2028	214,573
Thereafter	<u>71,524</u>
Total undiscounted cash flows	1,449,120
Less present value discount	<u>(163,997)</u>
Total lease liabilities	<u>\$ 1,285,123</u>

Required supplemental information relating to the Association's leases is as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Lease expense:		
Operating lease expense	<u>\$ 366,979</u>	<u>\$ 363,580</u>
Total operating lease cost	<u>\$ 366,979</u>	<u>\$ 363,580</u>
Cash flow information:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 366,326	\$ 361,022
ROU assets obtained in exchange for new operating lease liabilities	\$ 905,461	\$ 1,069,927
Lease term and discount rate:		
Weighted average remaining lease term in years for operating leases	4.57 years	2.07 years
Weighted average discount rate for operating leases	5.42%	1.26%

THE AMERICAN ECONOMIC ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 7—Commitments

The Association has contracts for hotel rooms and facilities for various meetings through 2029, although the majority of these contracts do not contain attrition clauses.

Note 8—License fees

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

	<u>2023</u>	<u>2022</u>
Ebsco	\$ 3,943,466	\$ 3,986,313
ProQuest	569,661	598,908
Ovid	150,876	148,350
Other	1,676	1,396
	<u>\$ 4,665,679</u>	<u>\$ 4,734,967</u>

Note 9—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 \$187,147 and \$181,116 for the years ended December 31, 2023 and 2022, respectively.

Note 10—Concentrations

The Association maintains deposit accounts with financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 2023 and 2022, all deposit account balances per financial institution were insured up to \$250,000. Excess uninsured balances of the Association at December 31, 2023 and 2022 were approximately \$1,208,000 and \$1,283,000, respectively. The Association also maintains cash in money market funds in the amount of \$260,684 and \$248,144 at December 31, 2023 and 2022, respectively. The money market funds were not insured at December 31, 2023 and 2022.

At December 31, 2023 and 2022, investments in various mutual funds were managed by brokerage and investment companies with an account balance totaling \$48,423,824 and \$43,677,192, 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, 2023 and 2022, accounts receivable from three and two companies, respectively, who have an agreement with the Association to sell *EconLit* represented approximately 68% and 66%, respectively, of total accounts receivable.

During 2023 and 2022, the Association received approximately 39% and 35%, respectively, of its operating support and revenue from one company who has an agreement with the Association to sell *EconLit*.

Note 11—Uncertainties

The Association is subject to various claims and legal actions arising in the ordinary course of business. Management does not believe any such action will have a material adverse effect on the Association's financial position.

SUPPLEMENTARY INFORMATION

THE AMERICAN ECONOMIC ASSOCIATION
SUPPLEMENTAL SCHEDULES OF PROGRAM EXPENSES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Program Expenses:		
Journals:		
American Economic Review	\$ 2,076,516	\$ 1,939,550
Journal of Economic Perspectives	773,178	736,473
Journal of Economic Literature	571,438	544,895
AEJ: Economic Policy	820,394	779,428
AEJ: Applied Economics	760,194	751,824
AEJ: Macroeconomics	633,183	621,803
AEJ: Microeconomics	706,039	684,920
AER: Insights	589,945	563,533
	<u>6,930,887</u>	<u>6,622,426</u>
ASSA Annual Meeting	<u>1,933,776</u>	<u>830,167</u>
EconLit	<u>680,532</u>	<u>645,555</u>
Workshops and Conferences:		
Summer training program	300,000	300,000
Continuing education conference	148,043	48,671
CTREE conference	87,434	109,208
CeMENT workshops	137,932	42,500
CSQIEP mentoring conference	34,209	-
Summer mentoring pipeline conference	109,076	-
EDUCATE	60,009	71,872
	<u>876,703</u>	<u>572,251</u>
Resources and Initiatives:		
Data editor project	341,053	317,743
RCT registry	92,558	90,359
Other diversity and inclusion initiatives	11,609	5,000
Government relations	125,868	131,470
Formal complaints and investigations	109,268	48,379
CSMGEP mentoring program	72,266	46,315
Ombudsperson	174,145	92,236
	<u>926,767</u>	<u>731,502</u>
Committees:		
Program committees	377,288	254,505
Support of other organizations	101,289	97,278
External grant expense	32,602	28,010
	<u>511,179</u>	<u>379,793</u>
Website:		
Web content, maintenance and communications	<u>504,186</u>	<u>500,030</u>
JOE Network	<u>181,949</u>	<u>181,114</u>
Total Program Expenses	<u>\$ 12,545,979</u>	<u>\$ 10,462,838</u>