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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of The American Economic Association (the "Association") as of December 31, 2000 and 1999, and the related statements of unrestricted revenues, expenses and other changes in unrestricted net assets, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of The American Economic Association as of December 31, 2000 and 1999, 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.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

March 16, 2001

THE AMERICAN ECONOMIC ASSOCIATION STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2000 AND 1999

	2000	1999
Assets		
CASH AND CASH EQUIVALENTS (Note 1)	\$ 1,452,166	\$ 1,257,407
INVESTMENTS (Notes 1 and 2)	11,320,947	12,566,182
ACCOUNTS RECEIVABLE, no allowance for doubtful accounts considered necessary	363,065	330,047
INVENTORY OF <i>Index of Economic Articles</i> (Note 1)	17,860	34,967
PREPAID EXPENSES	58,922	36,832
FURNITURE, FIXTURES AND EQUIPMENT, net of accumulated depreciation and amortization of \$289,129 and \$283,890, respectively (Note 1)	145,171	110,329
TOTAL ASSETS	<u>\$13,358,131</u>	<u>\$14,335,764</u>
Liabilities and Net Assets		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 917,593	\$ 808,906
DEFERRED REVENUE: (Note 1)		
Membership dues and nonmember subscriptions	1,824,927	1,798,499
<i>Job Openings for Economists</i> subscriptions	4,122	6,069
Total deferred revenue	<u>1,829,049</u>	<u>1,804,568</u>
ACCRUAL FOR SURVEY (Note 1)	170,281	141,542
Total liabilities	<u>2,916,923</u>	<u>2,755,016</u>
COMMITMENTS (Note 3)		
NET ASSETS:		
Unrestricted	10,146,245	11,343,156
Temporarily restricted (Note 1)	294,963	237,592
Total net assets	<u>10,441,208</u>	<u>11,580,748</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$13,358,131</u>	<u>\$14,335,764</u>

See notes to financial statements.

THE AMERICAN ECONOMIC ASSOCIATION STATEMENTS OF UNRESTRICTED REVENUES,
EXPENSES, AND OTHER CHANGES IN UNRESTRICTED NET ASSETS
YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
UNRESTRICTED OPERATING REVENUES:		
Membership dues and nonmember subscriptions (Note 1)	\$ 2,024,559	\$1,979,880
<i>Job Openings for Economists</i> subscriptions (Note 1)	8,634	11,647
License fees (Note 5)	1,392,567	1,309,796
Advertising	151,805	139,793
Sale of <i>Index of Economic Articles</i>	90,697	78,266
Sale of copies, reprints and handbooks	48,646	39,785
Sale of mailing list	80,589	68,894
Annual meeting (net of associated costs of \$451,002 and \$456,928)	90,503	61,852
Investment return designated for current operations (Notes 1 and 2)	691,180	607,298
Other (Note 5)	77,772	77,101
Total unrestricted operating revenues	<u>4,656,952</u>	<u>4,374,312</u>
NET ASSETS RELEASED FROM RESTRICTIONS:		
Satisfaction of program restrictions	<u>215,068</u>	<u>206,755</u>
Total unrestricted operating revenues and other support	<u>4,872,020</u>	<u>4,581,067</u>
OPERATING EXPENSES:		
Publication:		
<i>American Economic Review</i>	1,130,079	1,007,495
<i>Journal of Economic Literature</i>	1,444,511	1,535,979
<i>Journal of Economic Perspectives</i>	614,452	555,809
<i>Job Openings for Economists</i>	77,633	74,167
<i>Survey</i> (Note 1)	31,239	47,181
<i>Index of Economic Articles</i>	189,129	174,189
	<u>3,487,043</u>	<u>3,394,820</u>
Management and general:		
General and administrative:		
Salaries and benefits (Note 4)	348,018	351,571
Rent (Note 3)	31,749	34,980
Other (Note 6)	338,027	277,701
Committees	136,220	119,376
	<u>854,014</u>	<u>783,628</u>
Total publication, management and general expenses	<u>4,341,057</u>	<u>4,178,448</u>
Program expenses	<u>209,068</u>	<u>206,755</u>
Total unrestricted operating expenses	<u>4,550,125</u>	<u>4,385,203</u>
INCREASE IN UNRESTRICTED NET ASSETS FROM OPERATIONS	321,895	195,864
INVESTMENT RETURN (LESS THAN) IN EXCESS OF AMOUNTS DESIGNATED FOR CURRENT OPERATIONS (Notes 1 and 2)		
	<u>(1,518,806)</u>	<u>1,316,515</u>
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	<u>\$(1,196,911)</u>	<u>\$1,512,379</u>

See notes to financial statements.

THE AMERICAN ECONOMIC ASSOCIATION STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
UNRESTRICTED NET ASSETS:		
Total unrestricted operating revenues	\$ 4,656,952	\$ 4,374,312
Net assets released from restrictions	215,068	206,755
Total unrestricted operating expenses	(4,550,125)	(4,385,203)
Investment return (less than) in excess of amounts designated for current operations	(1,518,806)	1,316,515
(Decrease) increase in unrestricted net assets	<u>(1,196,911)</u>	<u>1,512,379</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Grant proceeds	272,439	303,642
Net assets released from restrictions	(215,068)	(206,755)
Increase in temporarily restricted net assets	<u>57,371</u>	<u>96,887</u>
(DECREASE) INCREASE IN NET ASSETS	(1,139,540)	1,609,266
NET ASSETS AT BEGINNING OF YEAR	11,580,748	9,971,482
NET ASSETS AT END OF YEAR	<u>\$10,441,208</u>	<u>\$11,580,748</u>

See notes to financial statements.

THE AMERICAN ECONOMIC ASSOCIATION STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipt of membership dues, nonmember subscriptions, license fees and other operating revenue	\$ 3,957,235	\$ 3,821,297
Disbursements to suppliers and employees	(4,163,376)	(4,114,095)
Grant proceeds	272,439	303,642
Grant disbursements	(209,068)	(206,755)
Proceeds from interest, dividends and capital gain distributions on investments	334,348	387,661
NET CASH PROVIDED BY OPERATING ACTIVITIES	191,578	191,750
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(316,739)	(373,957)
Proceeds from sale of investments	400,000	200,000
Purchases of furniture, fixtures and equipment	(80,080)	(50,275)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	3,181	(224,232)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	194,759	(32,482)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,257,407	1,289,889
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,452,166	\$ 1,257,407
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$(1,139,540)	\$ 1,609,266
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	45,238	56,520
Unrealized and realized investment losses (gains)	1,161,974	(1,536,152)
Increase in accounts receivable	(33,018)	(40,485)
Decrease (increase) in inventory of <i>Index of Economic Articles</i>	17,107	(11,559)
(Increase) decrease in prepaid expenses	(22,090)	15,574
Increase (decrease) in accounts payable and accrued liabilities	108,687	(43,362)
Increase in deferred revenue	24,481	94,768
Increase in accrual for <i>Survey</i>	28,739	47,180
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 191,578	\$ 191,750

See notes to financial statements.

THE AMERICAN ECONOMIC ASSOCIATION NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000 AND 1999

1. Summary of Significant Accounting Policies

The American Economic Association (the "Association") is an educational organization whose purposes are 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.

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

Investments are reported at fair value as reported by the respective funds. The Association designates only a portion of its cumulative investment return for support of current operations; the remainder is designated to support operations of future years and to offset potential market declines and other unforeseen contingencies. Investment returns representing five percent of total cash and cash equivalents and investments at the beginning of the year are designated to support current operations.

Inventory of Index of Economic Articles is stated at the lower of cost or market.

Furniture, fixtures and equipment is stated at cost net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Deferred revenue represents income from membership dues and nonmember subscriptions to the various periodicals of the Association which are deferred when received. These amounts are then recognized as operating revenue following the distribution of the specified publications to the members and subscribers of the Association. Income from life membership dues is recognized over the estimated average life of these members.

Accrual for Survey. Every four years, the Association publishes a *Survey* which lists, among other things, the names and addresses of its membership. The *Survey* was published and distributed most recently in 1997 at no cost to the membership. To properly match the publishing cost of these publications with revenue from membership dues, the Association provided approximately \$29,000 and \$47,000 during the years ended December 31, 2000 and 1999, respectively, for estimated publishing costs which will reduce actual *Survey* expenses in the year of publication.

Temporarily restricted net assets represent amounts available for various student programs and economic conferences. Certain temporarily restricted net assets are administered on a reimbursement basis; therefore, disbursements are allowed prior to receipt of grant proceeds.

Federal 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. As required by Section 511(a) of this Code, the Association is subject to federal income taxes on certain revenues which are not substantially related to its tax-exempt purpose. This "unrelated business income" includes income from advertising and the sale of mailing lists. There was no tax due on such revenue for 2000 or 1999. The Association has been determined to be an organization which is not a private foundation.

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 reclassifications also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and reclassifications.

2. Investments and Investment Return

Investments consist of:

	2000	1999
Mutual funds:		
Equity	\$ 8,696,844	\$ 9,998,029
Debt	2,624,103	2,568,153
	<u>\$11,320,947</u>	<u>\$12,566,182</u>

Investment return for the years ended December 31, 2000 and 1999, consists of:

	2000	1999
Dividends and unrealized gains and losses, net	\$ (846,820)	\$1,795,575
Net realized gain on sales	1,585	114,534
Interest	17,609	13,704
	<u>(827,626)</u>	<u>1,923,813</u>
Investment return designated for current operations	(691,180)	(607,298)
Investment return (less than) in excess of amounts designated for current operations	<u>\$ (1,518,806)</u>	<u>\$1,316,515</u>

3. Commitments

The Association leases office space under cancelable and noncancelable operating leases. Total rental expense under these leases, which is included in various categories of operating expenses, was approximately \$106,000 during the years ended December 31, 2000 and 1999.

The minimum future rental commitments under noncancelable operating leases at December 31, 2000 are as follows:

Year Ending December 31,	
2001	\$ 99,587
2002	70,108
2003	35,670
2004	26,753
	<u>\$232,118</u>

The Association also has contracts for hotel rooms and facilities for various meetings through 2005.

4. Retirement Annuity Plan

Employees of the Association are eligible for participation in a contributory retirement annuity plan. Payments by the Association and participating employees are based on the employees' compensation. Benefit payments are based on the amounts accumulated from such contributions. Total pension expense was approximately \$101,000 and \$100,000 for the years ended December 31, 2000 and 1999, respectively.

5. License Fees and Other Unrestricted Operating Revenues

License fees for the years ended December 31, 2000 and 1999, consist of the following:

	2000	1999
SilverPlatter	\$ 863,650	\$ 915,652
OCLC	253,378	194,616
Ovid	81,936	85,624
EconLit	37,950	46,680
Dialog/Knight-Ridder	25,936	26,147
Miscellaneous	129,717	41,077
	<u>\$1,392,567</u>	<u>\$1,309,796</u>

Other unrestricted operating revenues for the years ended December 31, 2000 and 1999, consist of the following:

	2000	1999
AER submission fees	\$62,845	\$56,000
CSWEP dues	14,544	20,650
Other	383	451
	<u>\$77,772</u>	<u>\$77,101</u>

6. Other General and Administrative Expenses

Other general and administrative expenses for the years ended December 31, 2000 and 1999, consist of the following:

	2000	1999
Dues and subscriptions	\$ 86,301	\$ 79,341
Accounting and legal	41,608	31,440
Mailing list file maintenance	50,721	36,218
Bank charges	26,135	16,872
Postage	22,908	17,658
Depreciation	36,200	37,456
Election expenses	16,703	15,334
Insurance and miscellaneous	17,385	14,877
Office supplies	24,117	14,693
Telephone	9,181	7,754
President and president-elect expenses	6,768	6,058
	<u>\$338,027</u>	<u>\$277,701</u>