

THE AMERICAN ECONOMIC ASSOCIATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Years Ended December 31, 2020 and 2019

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, 2020 and 2019, 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Economic Association as of December 31, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 9, towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. There have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which could negatively impact the Association's operations. Although it is not possible to reasonably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction of revenues and support could negatively impact the Association's operations for an indeterminable time period. Our opinion is not modified with respect to this matter.

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 16 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.

Cheryl Bekant LLP

Nashville, Tennessee
March 29, 2021

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,090,712	\$ 1,285,080
Accounts receivable	1,826,578	1,754,955
Prepaid expenses	161,900	216,000
Investments	47,577,220	44,447,988
Furniture, fixtures, software, and equipment, net of accumulated depreciation of \$1,652,950 and \$1,640,203, respectively	24,497	19,317
Total Assets	<u>\$ 50,680,907</u>	<u>\$ 47,723,340</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 925,501	\$ 671,680
Deferred revenue	2,499,635	3,300,482
Total Liabilities	<u>3,425,136</u>	<u>3,972,162</u>
Net Assets:		
Without donor restrictions	47,089,048	43,608,875
With donor restrictions	166,723	142,303
Total Net Assets	<u>47,255,771</u>	<u>43,751,178</u>
Total Liabilities and Net Assets	<u>\$ 50,680,907</u>	<u>\$ 47,723,340</u>

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions:		
Operating Support and Revenue:		
License fees	\$ 4,583,123	\$ 4,348,952
Institutional subscriptions	1,660,702	1,582,356
ASSA annual meeting	1,538,553	1,567,865
<i>Job Openings for Economists</i> listing fees	921,880	1,206,180
Submission fees	891,200	536,850
Membership dues	655,632	640,694
Fulltext, copyright, and other fees	455,888	279,018
Member print, CD, and foreign postage	217,912	238,868
Advertising	56,250	63,550
Conference fees	33,820	82,870
Other	10,654	13,559
Net assets released from purpose restrictions	2,980	1,722
Total Operating Support and Revenue	<u>11,028,594</u>	<u>10,562,484</u>
Operating Expenses:		
Program Services:		
Journals	6,803,176	6,796,008
ASSA annual meeting	1,658,242	1,454,215
EconLit	761,794	858,522
Workshops/conferences	652,546	667,618
Resources and initiatives	959,366	663,123
Committees	424,728	382,459
Website content and communications	482,217	390,097
JOE Network	200,759	230,848
Total Program Services	<u>11,942,828</u>	<u>11,442,890</u>
Supporting Services:		
Management and general	1,335,965	1,333,086
Total Operating Expenses	<u>13,278,793</u>	<u>12,775,976</u>
Change in Net Assets from Operations	<u>(2,250,199)</u>	<u>(2,213,492)</u>
Nonoperating Activity:		
Investment return	5,730,372	9,006,498
Change in Net Assets Without Donor Restrictions	<u>3,480,173</u>	<u>6,793,006</u>
Changes in Net Assets With Donor Restrictions:		
Grant proceeds	27,400	3,200
Net assets released from purpose restrictions	(2,980)	(1,722)
Change in Net Assets With Donor Restrictions	<u>24,420</u>	<u>1,478</u>
Change in net assets	3,504,593	6,794,484
Net assets, beginning of year	43,751,178	36,956,694
Net assets, end of year	<u>\$ 47,255,771</u>	<u>\$ 43,751,178</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, 2020

	Program Services							Support Services				
	ASSA Annual Meetings	EconLit	Workshops/ Conferences	Resources and Initiatives	Committees	Website	JOE Network	Total Program Services	Management and General	Total Support Services	Total Expenses	
Salaries and benefits	\$ 5,253,253	\$ 583,336	\$ 608,523	\$ -	\$ 18,609	\$ 123,744	\$ 429,051	\$ 200,759	\$ 7,217,275	\$ 802,266	\$ 802,266	\$ 8,019,541
Third party coordinator	-	-	-	394,424	581,388	70,368	-	-	1,046,180	-	-	1,046,180
Distribution and replication	1,113,184	-	3,760	-	-	18,197	-	-	1,135,141	-	-	1,135,141
Audio/video	-	426,782	-	79,968	-	14,020	14,580	-	535,350	-	-	535,350
Accounting and legal	-	-	-	-	343,987	-	-	-	343,987	144,784	144,784	488,771
Rent and utilities	146,170	73,616	66,280	-	-	-	22,192	-	308,258	109,488	109,488	417,746
Other meeting expenses	-	375,851	-	2,293	-	-	-	-	378,144	-	-	378,144
Food and beverage	-	142,760	-	161,718	-	65,759	-	-	370,237	-	-	370,237
Data management	172,876	-	53,388	-	-	-	11,632	-	237,896	29,930	29,930	267,826
Office expenses	87,560	20,298	11,162	-	-	-	2,165	-	121,185	19,259	19,259	140,444
Miscellaneous	-	-	5,723	-	15,382	29,110	2,597	-	52,812	62,969	62,969	115,781
Bank charges	-	24,079	-	-	-	-	-	-	24,079	86,370	86,370	110,449
Society dues	-	-	-	-	-	91,607	-	-	91,607	1,507	1,507	93,114
Travel and promotion	14,332	10,110	12,013	14,143	-	8,943	-	-	59,541	13,616	13,616	73,157
Insurance	-	1,410	-	-	-	-	-	-	1,410	49,096	49,096	50,506
Administrative committees	-	-	-	-	-	-	-	-	-	13,136	13,136	13,136
Depreciation and amortization	8,257	-	945	-	-	-	-	-	9,202	3,544	3,544	12,746
Prepress supplies	7,544	-	-	-	-	-	-	-	7,544	-	-	7,544
External grant expense	-	-	-	-	-	2,980	-	-	2,980	-	-	2,980
	<u>\$ 6,803,176</u>	<u>\$ 1,658,242</u>	<u>\$ 761,794</u>	<u>\$ 652,546</u>	<u>\$ 959,366</u>	<u>\$ 424,728</u>	<u>\$ 482,217</u>	<u>\$ 200,759</u>	<u>\$ 11,942,828</u>	<u>\$ 1,335,965</u>	<u>\$ 1,335,965</u>	<u>\$ 13,278,793</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			
	ASAA Annual Meeting	EconLit	Workshops/ Conferences	Resources and 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	\$ -	\$ 108,215	\$ 70,578	\$ 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	463,927	77,577	-	-	916,190	-	-	916,190
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	8,544	28,038	-	-	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
Accounting and legal	-	-	-	-	76,062	-	-	-	76,062	104,173	104,173	180,235
Bank charges	-	58,256	-	-	-	-	-	-	58,256	91,868	91,868	150,124
Miscellaneous	-	-	9,320	-	-	24,185	-	-	33,505	67,014	67,014	100,519
Society dues	-	-	-	-	3,606	92,425	-	-	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>\$ 663,123</u>	<u>\$ 382,459</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 these statements.

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flow from operating activities:		
Change in net assets	\$ 3,504,593	\$ 6,794,484
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	12,746	43,166
Realized and unrealized investment gain	(4,653,120)	(7,678,214)
Changes in operating assets and liabilities:		
Accounts receivable	(71,623)	461,789
Prepaid expenses	54,100	60,222
Accounts payable and accrued liabilities	253,821	6,791
Deferred revenue	(800,847)	266,843
Net cash flows from operating activities	<u>(1,700,330)</u>	<u>(44,919)</u>
Cash flows from investing activities:		
Purchases of investments	(2,566,517)	(2,264,847)
Proceeds from sale of investments	4,090,405	2,292,012
Purchases of furniture, fixtures, software, and equipment	(17,926)	(15,207)
Net cash flows from investing activities	<u>1,505,962</u>	<u>11,958</u>
Change in cash and cash equivalents	(194,368)	(32,961)
Cash and cash equivalents, beginning of year	1,285,080	1,318,041
Cash and cash equivalents, end of year	<u>\$ 1,090,712</u>	<u>\$ 1,285,080</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	<u>\$ 11,700</u>	<u>\$ 11,242</u>

THE AMERICAN ECONOMIC ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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, 2020 and 2019.

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, 2020 and 2019 amounted to \$12,746 and \$43,166, 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.

THE AMERICAN ECONOMIC ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

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 \$292,000 and \$310,000 for the years ended December 31, 2020 and 2019, respectively.

Income Taxes – The Association files its federal income tax return as an educational organization substantially exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Association is subject to federal and state income taxes on certain revenues, which are not substantially related to its tax-exempt purpose. This “unrelated business income” includes income from advertising. The Association has recorded expenses of \$6,376 and \$10,622 in 2020 and 2019, 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, 2020 and 2019. 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 statement of financial position 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 statement of activities. This standard will be effective for the fiscal year ending December 31, 2022. The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Reclassifications – Certain reclassifications have been made to the 2019 financial statements to conform with the 2020 presentation.

Subsequent Events – The Association evaluated subsequent events through March 29, 2021, 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, 2020 AND 2019

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 \$2,499,635 and \$3,300,482 as of December 31, 2020 and 2019, 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 \$1,826,578 and \$1,754,955 as of December 31, 2020 and 2019, 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, 2020 and 2019. 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, 2020 AND 2019

Note 2—Revenue (continued)

The following table provides information about significant changes in the contract liabilities for the year ended December 31, 2020:

	ASSA Annual Meeting	Membership Dues	Institutional Subscriptions	Total
Deferred revenue, beginning of year	\$ 1,346,784	\$ 838,783	\$ 1,114,915	\$ 3,300,482
Revenue recognized that was included in deferred revenue at the beginning of year	(1,346,784)	(594,197)	(1,114,915)	(3,055,896)
Increase in deferred revenue due to cash received during the period	<u>622,005</u>	<u>593,475</u>	<u>1,039,569</u>	<u>2,255,049</u>
Deferred revenue, end of year	<u>\$ 622,005</u>	<u>\$ 838,061</u>	<u>\$ 1,039,569</u>	<u>\$ 2,499,635</u>

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

	ASSA Annual Meeting	Membership Dues	Institutional Subscriptions	Total
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)	(595,063)	(1,058,031)	(2,772,930)
Increase in deferred revenue due to cash received during the period	<u>1,346,784</u>	<u>578,074</u>	<u>1,114,915</u>	<u>3,039,773</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>

THE AMERICAN ECONOMIC ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 1,090,712	\$ 1,285,080
Investments	47,577,220	44,447,988
Accounts receivable	1,826,578	1,754,955
Total financial assets	<u>50,494,510</u>	<u>47,488,023</u>
Less amounts not available to be used for general expenditures within one year:		
Purpose restrictions	166,723	142,303
Financial assets not available to be used within one year	<u>166,723</u>	<u>142,303</u>
Financial assets available to meet general expenditures within one year	<u>\$ 50,327,787</u>	<u>\$ 47,345,720</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.

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DECEMBER 31, 2020 AND 2019

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, 2020 and 2019. 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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Large blend	\$ 18,752,859	\$ -	\$ -	\$ 18,752,859
Foreign large blend	13,685,438	-	-	13,685,438
Corporate bond	5,240,564	-	-	5,240,564
Large value	5,166,614	-	-	5,166,614
World bond	2,196,012	-	-	2,196,012
Real estate	2,470,273	-	-	2,470,273
Intermediate-term bond	65,460	-	-	65,460
Total investments, at fair value	<u>\$ 47,577,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,577,220</u>

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>

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

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 1,077,252	\$ 1,328,284
Realized and unrealized gain, net	4,653,120	7,678,214
	<u>\$ 5,730,372</u>	<u>\$ 9,006,498</u>

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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 \$354,378 and \$348,519 during the years ended December 31, 2020 and 2019, respectively.

The minimum future rental commitments under noncancelable operating leases at December 31, 2020 are as follows:

Years Ending December 31,

2021	\$	351,455
2022		355,655
2023		211,463
2024		211,463
2025		70,488
	\$	<u>1,200,524</u>

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

Note 6—License fees

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

	<u>2020</u>	<u>2019</u>
Ebsco	\$ 3,819,097	\$ 3,627,901
ProQuest	621,918	608,826
Ovid	139,686	110,336
Other	2,422	1,889
	<u>\$ 4,583,123</u>	<u>\$ 4,348,952</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 \$441,163 and \$413,773 for the years ended December 31, 2020 and 2019, respectively.

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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, 2020 and 2019, all deposit account balances per financial institution were insured up to \$250,000. Excess uninsured balances of the Association at December 31, 2020 and 2019 were approximately \$917,000 and \$1,115,000, respectively. The Association also maintains cash in money market funds in the amount of \$244,435 at December 31, 2020 and \$243,294 at December 31, 2019. The money market funds were not insured at December 31, 2020 and 2019.

At December 31, 2020 and 2019, investments in various mutual funds were managed by brokerage and investment companies with an account balance totaling \$47,577,220 and \$44,447,988, 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, 2020 and 2019, accounts receivable from two companies who have an agreement with the Association to sell *EconLit* represented approximately 86% and 85%, respectively, of total accounts receivable.

During 2020 and 2019, the Association received approximately 35% of its license fees from one company who has an agreement with the Association to sell *EconLit*.

Note 9—Uncertainty

On January 30, 2020, the World Health Organization declared the coronavirus “COVID-19” outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or stay-at-home restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which the Association operates.

While it is unknown how long these conditions will last and what the complete financial impact will be, the Association is closely monitoring the impact of the COVID-19 pandemic on all aspects of the business/operations and are unable at this time to predict the continued impact that COVID-19 will have on their business, financial position, and operating results in future periods due to numerous uncertainties.

SUPPLEMENTARY INFORMATION

THE AMERICAN ECONOMIC ASSOCIATION
SUPPLEMENTAL SCHEDULES OF PROGRAM EXPENSES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Program Expenses:		
Journals:		
American Economic Review	\$ 2,155,349	\$ 2,156,065
Journal of Economic Perspectives	785,508	861,891
Journal of Economic Literature	536,186	568,891
AEJ: Economic Policy	783,138	802,964
AEJ: Applied Economics	736,768	753,568
AEJ: Macroeconomics	609,477	603,185
AEJ: Microeconomics	576,188	556,407
AER: Insights	620,562	493,037
	<u>6,803,176</u>	<u>6,796,008</u>
ASSA Annual Meeting	<u>1,658,242</u>	<u>1,454,215</u>
EconLit	<u>761,794</u>	<u>858,522</u>
Workshops/Conferences:		
Summer program	309,424	311,686
Continuing education conference	208,877	190,768
CTREE conference	-	101,148
CeMent workshops	134,245	64,016
	<u>652,546</u>	<u>667,618</u>
Resources and Initiatives:		
Data editor project	273,415	277,764
RCT registry	215,749	136,414
Other diversity and inclusion initiatives	11,029	52,989
Government relations	115,186	119,894
Formal complaints and investigations	235,284	-
Ombudsperson	108,703	76,062
	<u>959,366</u>	<u>663,123</u>
Committees:		
Program committees	330,141	288,311
Support of other organizations	91,607	92,426
External grant expense	2,980	1,722
	<u>424,728</u>	<u>382,459</u>
Website:		
Web content and communications	469,550	327,858
Amortization of website development costs	-	37,426
Resources for Economists	12,667	24,813
	<u>482,217</u>	<u>390,097</u>
JOE Network	<u>200,759</u>	<u>230,848</u>
Total Program Expenses	<u>\$ 11,942,828</u>	<u>\$ 11,442,890</u>