

THE AMERICAN ECONOMIC ASSOCIATION

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2018 and 2017

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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended December 31, 2018 and 2017, 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, 2018 and 2017, 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.

Changes in Financial Statement Presentation

As discussed in Note 1, The American Economic Association adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented. 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 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Cheryl Bekant LLP

Nashville, Tennessee
March 19, 2019

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 1,318,041	\$ 1,285,663
Accounts receivable	2,216,744	2,379,496
Prepaid expenses	276,222	168,350
Investments	36,796,939	41,112,178
Furniture, fixtures, software, and equipment, net of accumulated depreciation of \$1,596,447 and \$1,441,002, respectively	47,276	199,765
Total Assets	\$ 40,655,222	\$ 45,145,452
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 664,889	\$ 585,057
Deferred revenue	3,033,639	3,017,753
Total Liabilities	3,698,528	3,602,810
Net Assets:		
Without donor restrictions	36,815,869	41,400,582
With donor restrictions	140,825	142,060
Total Net Assets	36,956,694	41,542,642
Total Liabilities and Net Assets	\$ 40,655,222	\$ 45,145,452

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Changes in Net Assets Without Donor Restrictions:		
Operating Support and Revenue:		
License fees	\$ 4,515,228	\$ 4,446,710
Institutional subscriptions	1,559,382	1,479,871
ASSA annual meeting	1,370,650	1,359,931
<i>Job Openings for Economists</i> listing fees	1,255,880	1,187,800
Fulltext, copyright, and other fees	687,560	805,947
Membership dues	610,549	603,702
Submission fees	300,800	269,650
Member print, CD, and foreign postage	261,502	295,042
Conference fees	79,025	83,874
Advertising	54,000	50,650
Other	23,348	14,457
Sale of mailing list	3,943	7,412
Net assets released from purpose restrictions	2,435	3,736
Total Operating Support and Revenue	<u>10,724,302</u>	<u>10,608,782</u>
Operating Expenses:		
Program Services:		
Journals	6,774,983	6,140,103
Annual meeting	1,451,548	1,663,354
EconLit	981,039	841,817
Workshops/conferences	657,793	682,182
Website	484,505	498,465
Committees	400,515	357,181
Other economic initiatives	301,726	204,852
JOE Network	249,534	348,841
Total Program Services	<u>11,301,643</u>	<u>10,736,795</u>
Supporting Services:		
Management and general	1,250,740	1,156,424
Total Operating Expenses	<u>12,552,383</u>	<u>11,893,219</u>
Change in Net Assets from Operations	<u>(1,828,081)</u>	<u>(1,284,437)</u>
Non-Operating Activity:		
Investment return	<u>(2,756,632)</u>	<u>6,617,331</u>
Change in Net Assets Without Donor Restrictions	<u>(4,584,713)</u>	<u>5,332,894</u>
Changes in Net Assets With Donor Restrictions:		
Grant proceeds	1,200	1,200
Net assets released from purpose restrictions	<u>(2,435)</u>	<u>(3,736)</u>
Change in Net Assets With Donor Restrictions	<u>(1,235)</u>	<u>(2,536)</u>
Change in net assets	(4,585,948)	5,330,358
Net assets, beginning of year	<u>41,542,642</u>	<u>36,212,284</u>
Net assets, end of year	<u>\$ 36,956,694</u>	<u>\$ 41,542,642</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, 2018

	Program Services								Support Services			
	Journals	Annual Meeting	EconLit	Workshops/ Conferences	Website	Committees	Other Economic Initiatives	JOE Network	Total Program Services	Management and General	Total Support Services	Total Expenses
Salaries and benefits	\$ 5,283,116	\$ 429,132	\$ 786,063	\$ -	\$ 289,740	\$ 152,747	\$ -	\$ 249,534	\$ 7,190,332	\$ 739,431	\$ 739,431	\$ 7,929,763
Distribution and replication	973,258	-	114	-	-	25,814	-	-	999,186	-	-	999,186
Third party coordinator	-	-	-	364,110	-	102,117	209,654	-	675,881	-	-	675,881
Audio/video	-	423,915	-	110,938	6,229	11,914	-	-	552,996	-	-	552,996
Food and beverage	-	134,331	-	141,194	-	51,214	-	-	326,739	-	-	326,739
Other meeting expenses	-	310,829	-	14,681	-	-	-	-	325,510	-	-	325,510
Rent and utilities	150,206	56,695	57,610	-	26,531	-	-	-	291,042	83,904	83,904	374,946
Data management	141,548	-	64,409	-	5,219	-	-	-	211,176	25,849	25,849	237,025
Travel and promotion	66,921	13,573	55,627	26,870	3,017	23,022	-	-	189,030	35,442	35,442	224,472
Office expenses	111,910	29,300	10,525	-	73	858	-	-	152,666	16,913	16,913	169,579
Depreciation and amortization	-	-	1,487	-	149,705	-	-	-	151,192	4,253	4,253	155,445
Bank charges	-	44,956	-	-	-	-	-	-	44,956	92,548	92,548	137,504
Miscellaneous	-	-	5,204	-	3,991	31,979	-	-	41,174	64,798	64,798	105,972
Accounting and legal	-	-	-	-	-	-	-	-	-	98,193	98,193	98,193
Prepress costs	48,024	-	-	-	-	-	-	-	48,024	-	-	48,024
Society dues	-	-	-	-	-	850	89,637	-	90,487	1,283	1,283	91,770
Insurance	-	8,817	-	-	-	-	-	-	8,817	45,519	45,519	54,336
Administrative committees	-	-	-	-	-	-	-	-	-	42,607	42,607	42,607
External grant expense	-	-	-	-	-	-	2,435	-	2,435	-	-	2,435
	<u>\$ 6,774,983</u>	<u>\$ 1,451,548</u>	<u>\$ 981,039</u>	<u>\$ 657,793</u>	<u>\$ 484,505</u>	<u>\$ 400,515</u>	<u>\$ 301,726</u>	<u>\$ 249,534</u>	<u>\$ 11,301,643</u>	<u>\$ 1,250,740</u>	<u>\$ 1,250,740</u>	<u>\$ 12,552,383</u>

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

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services							Support Services				
	Journals	Annual Meeting	EconLit	Workshops/ Conferences	Website	Committees	Other Economic Initiatives	JOE Network	Total Program Services	Management and General	Total Support Services	Total Expenses
Salaries and benefits	\$ 4,656,280	\$ 534,346	\$ 622,908	\$ -	\$ 328,437	\$ 168,206	\$ -	\$ 297,806	\$ 6,607,983	\$ 612,948	\$ 612,948	\$ 7,220,931
Distribution and replication	998,757	-	114	-	-	13,121	-	-	1,011,992	-	-	1,011,992
Third party coordinator	-	-	-	378,000	-	67,390	111,627	-	557,017	-	-	557,017
Audio/video	-	509,745	-	86,726	10,000	480	-	-	606,951	-	-	606,951
Food and beverage	-	154,026	-	169,199	-	58,059	-	-	381,284	-	-	381,284
Other meeting expenses	-	283,644	-	29,859	-	10,999	-	-	324,502	-	-	324,502
Rent and utilities	148,960	66,899	64,795	-	-	-	-	10,447	291,101	84,402	84,402	375,503
Data management	141,848	-	45,407	-	5,219	-	-	180	192,654	86,106	86,106	278,760
Travel and promotion	57,585	20,952	88,958	18,398	2,721	36,751	-	-	225,365	33,231	33,231	258,596
Office expenses	109,910	33,997	13,035	-	214	77	-	-	157,233	27,208	27,208	184,441
Depreciation and amortization	4,063	-	2,008	-	149,705	-	-	40,408	196,184	712	712	196,896
Bank charges	-	47,863	-	-	-	-	-	-	47,863	90,566	90,566	138,429
Miscellaneous	-	-	4,592	-	2,169	1,223	-	-	7,984	58,421	58,421	66,405
Accounting and legal	-	-	-	-	-	-	-	-	-	74,991	74,991	74,991
Prepress costs	22,700	-	-	-	-	-	-	-	22,700	-	-	22,700
Society dues	-	-	-	-	-	875	89,489	-	90,364	837	837	91,201
Insurance	-	11,882	-	-	-	-	-	-	11,882	48,589	48,589	60,471
Administrative committees	-	-	-	-	-	-	-	-	-	38,413	38,413	38,413
External grant expense	-	-	-	-	-	-	3,736	-	3,736	-	-	3,736
	<u>\$ 6,140,103</u>	<u>\$ 1,663,354</u>	<u>\$ 841,817</u>	<u>\$ 682,182</u>	<u>\$ 498,465</u>	<u>\$ 357,181</u>	<u>\$ 204,852</u>	<u>\$ 348,841</u>	<u>\$ 10,736,795</u>	<u>\$ 1,156,424</u>	<u>\$ 1,156,424</u>	<u>\$ 11,893,219</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flow from operating activities:		
Change in net assets	\$ (4,585,948)	\$ 5,330,358
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	155,445	196,896
Realized and unrealized investment loss (gain)	3,862,151	(5,542,910)
Changes in operating assets and liabilities:		
Accounts receivable	162,752	(187,809)
Prepaid expenses	(107,872)	218,296
Accounts payable and accrued liabilities	79,832	(52,864)
Deferred revenue	15,886	97,209
Net cash (used in) provided by operating activities	<u>(417,754)</u>	<u>59,176</u>
Cash flows from investing activities:		
Purchases of investments	(2,329,660)	(18,338,923)
Proceeds from sale of investments	2,782,748	18,030,501
Purchases of furniture, fixtures, software, and equipment	<u>(2,956)</u>	<u>(12,757)</u>
Net cash provided by (used in) investing activities	<u>450,132</u>	<u>(321,179)</u>
Net increase (decrease) in cash and cash equivalents	32,378	(262,003)
Cash and cash equivalents, beginning of year	<u>1,285,663</u>	<u>1,547,666</u>
Cash and cash equivalents, end of year	<u>\$ 1,318,041</u>	<u>\$ 1,285,663</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	<u>\$ 2,891</u>	<u>\$ 12,054</u>

THE AMERICAN ECONOMIC ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

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

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

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, 2018 and 2017.

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

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

Accounts Receivable – Accounts receivable are stated at the amount the Association expects to collect from outstanding balances. The Association accounts for potential losses in accounts receivable through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes that accounts receivable are fully collectible at December 31, 2018 and 2017. As a result, no allowance for uncollectible accounts has been provided.

Furniture, Fixtures, Software, and Equipment – Furniture, fixtures, software, and equipment are stated at cost net of accumulated depreciation. Expenditures for ordinary maintenance and repairs are charged to expense. Renewals and betterments that materially extend the life of assets are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years. Depreciation and amortization expense for the years ended December 31, 2018 and 2017 amounted to \$155,445 and \$196,896, respectively.

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

THE AMERICAN ECONOMIC ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

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

Annual Meeting – An annual meeting is held in January of each year by the Association under the name Allied Social Science Associations. 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 \$329,000 and \$341,000 for the years ended December 31, 2018 and 2017, 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 \$9,686 and \$6,577 in 2018 and 2017, respectively, in federal and state income taxes on unrelated business income which are included in management and general expense on the statement 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 the FASB ASC. The guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Association does not believe there were any uncertain tax positions at December 31, 2018 and 2017. Additionally, the Association has not recognized any significant tax related interest and penalties in the accompanying financial statements.

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

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statement 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.

THE AMERICAN ECONOMIC ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

Change in Accounting Principle – In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented.

Accounting Policies for Future Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ending December 31, 2019. The Association is currently evaluating the effect of the implementation of this new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending December 31, 2020. The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the fiscal year ending December 31, 2019. The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – The Association evaluated subsequent events through March 19, 2019, 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, 2018 AND 2017

Note 2—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 statement of financial position date, comprise the following at December 31:

	<u>2018</u>	<u>2017</u>
Financial Assets:		
Cash and cash equivalents	\$ 1,318,041	\$ 1,285,663
Investments	36,796,939	41,112,178
Accounts receivable	<u>2,216,744</u>	<u>2,379,496</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 40,331,724</u>	<u>\$ 44,777,337</u>

Note 3—Investments and investment income

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

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

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

Level 2 – Inputs to the valuation methodology include the following:

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

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in methodologies used at December 31, 2018 and 2017. The Association's mutual funds are valued at the net asset values of shares held by the Association at year-end.

THE AMERICAN ECONOMIC ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 3—Investments and investment income (continued)

The following table sets forth by level, within the fair value hierarchy, the Association's investments at fair value as of December 31, 2018:

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

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

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

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

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 1,105,519	\$ 1,074,421
Realized and unrealized (loss) gain, net	<u>(3,862,151)</u>	<u>5,542,910</u>
	<u>\$ (2,756,632)</u>	<u>\$ 6,617,331</u>

Note 4—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 \$342,658 and \$334,834 during the years ended December 31, 2018 and 2017, respectively.

THE AMERICAN ECONOMIC ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 4—Commitments (continued)

The minimum future rental commitments under noncancellable operating leases at December 31, 2018 are as follows:

<u>Years Ending December 31,</u>	
2019	\$ 341,519
2020	211,463
2021	211,463
2022	211,463
2023	211,463
Thereafter	281,951
	<u>\$ 1,469,322</u>

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

Note 5—License fees

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

	<u>2018</u>	<u>2017</u>
Ebsco	\$ 3,831,672	\$ 3,729,502
ProQuest	561,871	558,941
Ovid	117,749	152,376
Other	3,936	5,891
	<u>\$ 4,515,228</u>	<u>\$ 4,446,710</u>

Note 6—Retirement annuity plan

Employees of the Association are eligible for participation in a defined contribution retirement annuity plan. Contributions by the Association and participating employees are based on the employees' compensation. Benefit payments are based on the amounts accumulated from such contributions. Plan expense totaled \$420,010 and \$391,262 for the years ended December 31, 2018 and 2017, respectively.

Note 7—Concentrations

The Association maintains deposit accounts with financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 2018 and 2017, all deposit account balances per financial institution were insured up to \$250,000. Excess uninsured balances of the Association at December 31, 2018 and 2017 were approximately \$756,000 and \$895,000, respectively.

The Association also maintains cash in money market funds in the amount of \$487,846 at December 31, 2018 and \$479,237 at December 31, 2017. The money market funds were not insured at December 31, 2018 and 2017.

THE AMERICAN ECONOMIC ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 7—Concentrations (continued)

At December 31, 2018 and 2017, investments in various mutual funds were managed by brokerage and investment companies with an account balance totaling \$36,796,939 and \$41,112,178, 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, 2018 and 2017, accounts receivable from two companies who have an agreement with the Association to sell *EconLit* represented approximately 71% and 70%, respectively, of total accounts receivable.

During 2018 and 2017, the Association received approximately 36% of its revenue from one company who has an agreement with the Association to sell *EconLit*.

SUPPLEMENTARY INFORMATION

THE AMERICAN ECONOMIC ASSOCIATION
SUPPLEMENTAL SCHEDULE OF PROGRAM EXPENSES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Program Expenses:		
Journals:		
American Economic Review	\$ 2,204,851	\$ 2,151,955
Journal of Economic Perspectives	858,179	765,191
Journal of Economic Literature	681,562	706,364
AEJ: Economic Policy	770,083	687,026
AEJ: Applied Economics	715,299	606,411
AEJ: Macroeconomics	605,292	573,337
AEJ: Microeconomics	547,408	568,112
AER: Insights	392,309	81,707
	<u>6,774,983</u>	<u>6,140,103</u>
ASSA annual meeting	<u>1,451,548</u>	<u>1,663,354</u>
EconLit	<u>981,039</u>	<u>841,817</u>
Workshops/Conferences:		
Summer program	301,110	300,000
Continuing education conference	181,854	181,815
CTREE conference	117,283	95,525
CeMent workshops	57,546	104,842
	<u>657,793</u>	<u>682,182</u>
Website:		
Website content, maintenance, and management	307,626	320,957
Amortization of website development costs	149,705	149,705
Resources for Economists	27,174	27,803
	<u>484,505</u>	<u>498,465</u>
Committees:		
Program committees	236,187	226,822
Government relations	113,479	130,359
Professional climate and career concerns	50,849	-
	<u>400,515</u>	<u>357,181</u>
Other Economic Initiatives:		
Data editor project	112,029	-
RCT registry	97,625	111,627
Support of other organizations	89,637	89,489
External grant expense	2,435	3,736
	<u>301,726</u>	<u>204,852</u>
JOE:		
Job Openings for Economists	249,534	308,433
JOE network development cost amortization	-	40,408
	<u>249,534</u>	<u>348,841</u>
Total Program Expenses	<u>\$ 11,301,643</u>	<u>\$ 10,736,795</u>