THE AMERICAN ECONOMIC ASSOCIATION

FINANCIAL STATEMENTS

December 31, 2013 and 2012

THE AMERICAN ECONOMIC ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Executive Committee of
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, 2013 and 2012, 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, 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 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.

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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, 2013 and 2012, 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.

Fraser, Dean & Howard, PLLC

Nashville, Tennessee
March 4, 2014

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	$ 1,582,040	$ 1,486,040
Accounts receivable	2,241,113	2,147,973
Prepaid expenses	237,946	199,260
Investments	29,751,539	24,621,591
Furniture, fixtures and equipment, net of accumulated depreciation and amortization of $821,909 and $774,924, respectively	210,491	117,991
Total assets	$ 34,023,129	$ 28,572,855
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$ 523,066	$ 671,363
Deferred revenue	3,143,542	3,278,567
Total liabilities	3,666,608	3,949,930
Net assets:		
Unrestricted	30,175,919	24,459,190
Temporarily restricted	180,602	163,735
Total net assets	30,356,521	24,622,925
Total liabilities and net assets	$ 34,023,129	$ 28,572,855

See notes to the financial statements.

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF UNRESTRICTED REVENUES, EXPENSES AND OTHER CHANGES IN UNRESTRICTED NET ASSETS
For the Years Ended December 31, 2013 and 2012

	2013	2012
Unrestricted operating revenues:		
License fees	$ 3,973,518	$ 3,914,641
Institutional subscriptions	1,717,205	1,798,284
Annual meeting	1,207,540	1,276,016
Membership dues	1,068,465	1,239,429
Job Openings for Economists listing fees	1,044,000	1,039,025
Fulltext, copyright and other fees	808,479	841,225
Submission fees	192,550	191,800
Advertising	99,500	89,450
Conference fees	73,360	61,765
Other	29,355	11,732
Sale of mailing list	18,500	17,471
Total unrestricted operating revenues	10,232,472	10,480,838
Net assets released from restrictions:		
Satisfaction of program restrictions	50,828	16,925
Total unrestricted operating revenues and support	10,283,300	10,497,763
Expenses:		
Publications:		
American Economic Review	1,856,995	2,042,624
Journal of Economic Literature	878,517	894,797
Journal of Economic Perspectives	768,332	810,722
AEJ: Applied Economics	485,655	486,008
AEJ: Economic Policy	492,956	467,576
AEJ: Macroeconomics	420,268	436,270
AEJ: Microeconomics	413,588	421,042
EconLit	884,791	898,228
Job Openings for Economists	101,778	142,479
Resources for Economists	41,962	36,536
	6,344,842	6,636,282
Programs and activities:		
AEA annual meeting - Chicago 2012	-	1,185,674
AEA annual meeting - San Diego 2013	592,026	495,927
AEA annual meeting - Philadelphia 2014	473,088	-
Summer program	222,406	211,815
Government relations	133,696	95,376
Continuing education conference	123,566	129,553
Economic education conference	80,364	76,906
Support of other organizations	78,972	65,432
External grant expense	50,828	16,925
CeMent workshops	23,912	69,406
Website - graduate and undergraduate	7,000	7,873
	1,785,858	2,354,887
Management and general:		
Employee compensation	688,892	734,851
Other	357,773	293,248
Committees	132,404	146,151
Rent	66,707	57,943
Unrelated business income tax	20,106	14,268
	1,265,882	1,246,461
Total expenses	9,396,582	10,237,630
Increase in unrestricted net assets from operations	886,718	260,133
Investment income	4,830,011	3,308,203
Increase in unrestricted net assets	$ 5,716,729	$ 3,568,336

See notes to the financial statements.

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF CHANGES IN NET ASSETS
For the Years Ended December 31, 2013 and 2012

	2013	**2012**
Unrestricted net assets:		
Total unrestricted operating revenues	$ 10,232,472	$ 10,480,838
Net assets released from restrictions	50,828	16,925
Total unrestricted operating expenses	(9,396,582)	(10,237,630)
Investment income	4,830,011	3,308,203
Increase in unrestricted net assets	5,716,729	3,568,336
Temporarily restricted net assets:		
Grant proceeds	67,695	19,899
Net assets released from restrictions	(50,828)	(16,925)
Increase in temporarily restricted net assets	16,867	2,974
Increase in net assets	5,733,596	3,571,310
Net assets - beginning of year	24,622,925	21,051,615
Net assets - end of year	$ 30,356,521	$ 24,622,925

See notes to the financial statements.

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash flow from operating activities:		
Change in net assets	$ 5,733,596	$ 3,571,310
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	67,138	26,930
Realized and unrealized investment gains	(4,025,890)	(2,522,178)
Changes in operating assets and liabilites:		
Increase in accounts receivable	(93,140)	(66,524)
Increase in prepaid expenses	(38,686)	(122,182)
Decrease in accounts payable and accrued liabilities	(148,297)	(41,479)
(Decrease) increase in deferred revenue	(135,025)	482,858
Net cash provided by operating activities	1,359,696	1,328,735
Cash flows from investing activities:		
Purchases of investments, net	(1,504,058)	(5,562,926)
Proceeds from sale of investments	400,000	4,407,247
Purchases of property and equipment	(159,638)	(121,641)
Net cash used in investing activities	(1,263,696)	(1,277,320)
Net increase in cash and cash equivalents	96,000	51,415
Cash and cash equivalents - beginning of year	1,486,040	1,434,625
Cash and cash equivalents - end of year	$ 1,582,040	$ 1,486,040
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	$ 7,225	$ 1,500

See notes to the financial statements.

NOTE 1 – 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:

> **Unrestricted net assets** – Net assets that are not subject to donor-imposed stipulations.
>
> **Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of changes in net assets as net assets released from restrictions.

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, 2013 and 2012. As a result, no allowance for uncollectible accounts has been provided.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Furniture, Fixtures and Equipment

Furniture, fixtures 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 expense for the years ended December 31, 2013 and 2012 amounted to $67,138 and $26,930, respectively.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent amounts available for various research programs and economic conferences.

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. Fulltext, copyright and other fees are recognized when received or over the term of the contract.

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 statement of unrestricted revenues, expenses and other changes in unrestricted net assets, and the expenses of the annual meeting are expensed as incurred. Also included in the accompanying statements of unrestricted revenues, expenses and other changes in unrestricted net assets 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.

NOTE 1 – 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 $410,068 and $585,866 for the years ended December 31, 2013 and 2012, 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 $20,106 and $14,268 in 2013 and 2012, respectively, in federal and state income taxes on unrelated business income. 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, 2013 and 2012. Additionally, the Association has not recognized any significant tax related interest and penalties in the accompanying financial statements. Tax years that remain open for examination include years ended December 31, 2010 through December 31, 2013.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Association evaluated subsequent events through March 4, 2014, 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.

NOTE 2 – 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;
- 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, 2013 and 2012. The Association's mutual funds are valued at the net asset values of shares held by the Association at year end.

NOTE 2 – 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, 2013:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Large blend	$ 13,524,867	$ -	$ -	$ 13,524,867
Foreign large blend	7,127,775	-	-	7,127,775
Large value	3,450,942	-	-	3,450,942
Corporate bond	3,117,498	-	-	3,117,498
World bond	1,342,379	-	-	1,342,379
Intermediate-term bond	1,188,078	-	-	1,188,078
Total investments at fair value	$ 29,751,539	$ -	$ -	$ 29,751,539

The following table sets forth by level, within the fair value hierarchy, the Association's investments at fair value as of December 31, 2012:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Large blend	$ 10,219,053	$ -	$ -	$ 10,219,053
Foreign large blend	5,933,541	-	-	5,933,541
Long-term bond	3,257,652	-	-	3,257,652
Large value	2,593,601	-	-	2,593,601
World bond	1,330,446	-	-	1,330,446
Intermediate-term bond	1,287,298	-	-	1,287,298
Total investments at fair value	$ 24,621,591	$ -	$ -	$ 24,621,591

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

	2013	2012
Dividends and interest	$ 804,121	$ 786,025
Realized and unrealized gain, net	4,025,890	2,522,178
	$ 4,830,011	$ 3,308,203

NOTE 3 – 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 approximately $314,972 and $300,708 during the years ended December 31, 2013 and 2012, respectively.

The minimum future rental commitments under noncancelable operating leases at December 31, 2013 are as follows:

Years ending December 31,	
2014	$ 311,928
2015	315,128
2016	318,424
2017	205,243
2018	68,415
Thereafter	-
	$ 1,219,138

The Association also has contracts for hotel rooms and facilities for various meetings through 2022, although the majority of these contracts do not contain attrition clauses.

NOTE 4 – LICENSE FEES

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

	2013	2012
Ebsco	$ 3,196,093	$ 3,102,210
ProQuest	549,927	545,765
Ovid	215,219	254,601
Dialog	10,331	8,894
Other	1,948	3,171
	$ 3,973,518	$ 3,914,641

NOTE 5 – OTHER MANAGEMENT AND GENERAL EXPENSES

Other management and general expenses consist of the following for the years ended December 31:

	2013	2012
Bank and credit card charges	$ 85,291	$ 87,688
Accounting and legal	84,596	53,878
Database Management	45,260	2,912
Miscellaneous	41,618	49,461
Insurance	22,842	21,112
Telephone	17,111	11,702
Election expenses	16,516	17,105
Mailing list file maintenance	13,829	12,769
Postage and shipping	11,587	22,312
Office supplies	8,428	8,105
Website and minor equipment	5,489	4,822
Marketing	5,206	1,382
	$ 357,773	$ 293,248

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 approximately $315,793 and $298,967 for the years ended December 31, 2013 and 2012, 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, 2013, all deposit account balances per financial institution were insured up to $250,000. Excess uninsured balances of the Association at December 31, 2013 were approximately $1,180,000. At December 31, 2012, all deposit account balances of the Association were fully insured under the Temporary Unlimited Coverage for Noninterest-bearing Transaction Accounts, which expired on December 31, 2012.

The Association also maintains cash in money market funds in the amount of $474,110 at December 31, 2013 and $474,053 at December 31, 2012. The money market funds were not insured at December 31, 2013 and 2012.

NOTE 7 – CONCENTRATIONS (Continued)

At December 31, 2013 and 2012, investments in various mutual funds were managed by brokerage and investment companies with an account balance totaling $29,751,539 and $24,621,591, 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 and Investor Protection Corporation, which covers investor losses, in some cases, attributable to bankruptcy or fraudulent practices of brokerage firms.

At December 31, 2013 and 2012, accounts receivable from two companies who have an agreement with the Association to sell *EconLit* represented approximately 87% and 85%, respectively, of total accounts receivable.

During 2013 and 2012, the Association received approximately 32% and 30%, respectively, of its revenue from one company who has an agreement with the Association to sell *EconLit*.