THE AMERICAN ECONOMIC ASSOCIATION

FINANCIAL STATEMENTS

December 31, 2014 and 2013

THE AMERICAN ECONOMIC ASSOCIATION

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FRASIERDEAN HOWARDCPAs

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, 2014 and 2013, 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.

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, 2014 and 2013, 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 6, 2015

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	$ 1,258,329	$ 1,582,040
Accounts receivable	2,295,128	2,241,113
Prepaid expenses	306,692	237,946
Investments	33,116,154	29,751,539
Furniture, fixtures, software and equipment, net of accumulated depreciation and amortization of $922,460 and $821,909, respectively	251,974	210,491
Total assets	$ 37,228,277	$ 34,023,129
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$ 630,107	$ 523,066
Deferred revenue	3,012,152	3,143,542
Total liabilities	3,642,259	3,666,608
Net assets:		
Unrestricted	33,418,805	30,175,919
Temporarily restricted	167,213	180,602
Total net assets	33,586,018	30,356,521
Total liabilities and net assets	$ 37,228,277	$ 34,023,129

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, 2014 and 2013

	2014	2013
Unrestricted operating revenues:		
License fees	$ 4,231,702	$ 3,973,518
Institutional subscriptions	1,634,763	1,717,205
Annual meeting	1,213,036	1,207,540
Membership dues	1,023,404	1,068,465
Job Openings for Economists listing fees	903,300	1,044,000
Fulltext, copyright and other fees	822,930	808,479
Submission fees	194,970	192,550
Advertising	82,650	99,500
Conference fees	82,585	73,360
Sale of mailing list	12,528	18,500
Other	9,558	29,355
Total unrestricted operating revenues	10,211,426	10,232,472
Net assets released from restrictions:		
Satisfaction of program restrictions	92,890	50,828
Total unrestricted operating revenues and support	10,304,316	10,283,300
Expenses:		
Publications:		
American Economic Review	2,046,498	1,856,995
EconLit	870,569	884,791
Journal of Economic Perspectives	768,885	768,332
Journal of Economic Literature	678,103	878,517
AEJ: Economic Policy	493,621	492,956
AEJ: Macroeconomics	479,932	420,268
AEJ: Applied Economics	470,584	485,655
AEJ: Microeconomics	432,579	413,588
Job Openings for Economists	195,556	101,778
Resources for Economists	46,887	41,962
	6,483,214	6,344,842
Programs and activities:		
ASSA annual meeting	1,236,235	1,065,710
Summer program	234,555	222,406
Continuing education conference	139,855	123,566
Government relations	109,303	133,696
External grant expense	92,890	50,828
Economic education conference	87,851	80,364
Website development	85,325	7,000
Support of other organizations	81,531	78,972
CeMent workshops	50,330	23,912
RCT registry	22,313	22,313
JOE network development cost amortization	20,197	-
	2,160,385	1,808,767
Management and general:		
Employee compensation	718,596	688,892
Other	335,726	334,864
Committees	152,465	132,404
Rent	63,438	66,707
Unrelated business income tax	12,268	20,106
	1,282,493	1,242,973
Total expenses	9,926,092	9,396,582
Increase in unrestricted net assets from operations	378,224	886,718
Investment income	2,864,662	4,830,011
Increase in unrestricted net assets	$ 3,242,886	$ 5,716,729

See notes to the financial statements.

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF CHANGES IN NET ASSETS
For the Years Ended December 31, 2014 and 2013

	2014	**2013**
Unrestricted net assets:		
Total unrestricted operating revenues	$ 10,211,426	$ 10,232,472
Net assets released from restrictions	92,890	50,828
Total unrestricted operating expenses	(9,926,092)	(9,396,582)
Investment income	2,864,662	4,830,011
Increase in unrestricted net assets	3,242,886	5,716,729
Temporarily restricted net assets:		
Grant proceeds	79,501	67,695
Net assets released from restrictions	(92,890)	(50,828)
(Decrease) increase in temporarily restricted net assets	(13,389)	16,867
Increase in net assets	3,229,497	5,733,596
Net assets - beginning of year	30,356,521	24,622,925
Net assets - end of year	$ 33,586,018	$ 30,356,521

See notes to the financial statements.

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash flow from operating activities:		
Change in net assets	$ 3,229,497	$ 5,733,596
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	100,551	67,138
Realized and unrealized investment gains	(1,867,366)	(4,025,890)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(54,015)	(93,140)
Increase in prepaid expenses	(68,746)	(38,686)
Increase (decrease) in accounts payable and accrued liabilities	107,041	(148,297)
Decrease in deferred revenue	(131,390)	(135,025)
Net cash provided by operating activities	1,315,572	1,359,696
Cash flows from investing activities:		
Purchases of investments, net	(1,997,249)	(1,504,058)
Proceeds from sale of investments	500,000	400,000
Purchases of property, software and equipment	(142,034)	(159,638)
Net cash used in investing activities	(1,639,283)	(1,263,696)
Net (decrease) increase in cash and cash equivalents	(323,711)	96,000
Cash and cash equivalents - beginning of year	1,582,040	1,486,040
Cash and cash equivalents - end of year	$ 1,258,329	$ 1,582,040
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	$ 20,210	$ 7,225

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, 2014 and 2013. As a result, no allowance for uncollectible accounts has been provided.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 expense for the years ended December 31, 2014 and 2013 amounted to $100,551 and $67,138, 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 $414,153 and $410,068 for the years ended December 31, 2014 and 2013, 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 $12,268 and $20,106 in 2014 and 2013, 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, 2014 and 2013. 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, 2011 through December 31, 2014.

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.

Reclassifications

Certain reclassifications have been made to the 2013 statement of unrestricted revenues, expenses and other changes in unrestricted net assets in order to conform with the 2014 presentation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Association evaluated subsequent events through March 6, 2015, 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, 2014 and 2013. 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 FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

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, 2014:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Large blend	$ 15,371,428	$ -	$ -	$ 15,371,428
Foreign large blend	6,840,645	-	-	6,840,645
Corporate bond	4,142,083	-	-	4,142,083
Large value	3,905,854	-	-	3,905,854
World bond	1,492,010	-	-	1,492,010
Intermediate-term bond	1,364,134	-	-	1,364,134
Total investments at fair value	$ 33,116,154	$ -	$ -	$ 33,116,154

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

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

	2014	2013
Dividends and interest	$ 997,296	$ 804,121
Realized and unrealized gain, net	1,867,366	4,025,890
	$ 2,864,662	$ 4,830,011

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 $318,832 and $314,972 during the years ended December 31, 2014 and 2013, respectively.

The minimum future rental commitments under noncancelable operating leases at December 31, 2014 are as follows:

Years ending December 31,	
2015	$ 315,128
2016	318,424
2017	205,243
2018	68,415
	$ 907,210

The Association also has contracts for hotel rooms and facilities for various meetings through 2023, 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:

	2014	2013
Ebsco	$ 3,454,572	$ 3,196,093
ProQuest	582,523	549,927
Ovid	193,661	215,219
Other	946	12,279
	$ 4,231,702	$ 3,973,518

NOTE 5 – OTHER MANAGEMENT AND GENERAL EXPENSES

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

	2014	2013
Accounting and legal	$ 92,079	$ 84,596
Bank and credit card charges	81,428	85,291
Database Management	42,032	45,260
Insurance	31,025	22,842
Election expenses	21,085	16,516
Telephone	15,844	17,111
Miscellaneous	14,866	23,915
Mailing list file maintenance	13,908	13,829
Postage and shipping	13,229	11,587
Office supplies	10,051	8,428
Non-capital equipment	179	5,489
	$ 335,726	$ 334,864

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 $314,794 and $315,793 for the years ended December 31, 2014 and 2013, 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, 2014 and 2013, all deposit account balances per financial institution were insured up to $250,000. Excess uninsured balances of the Association at December 31, 2014 and 2013 were approximately $764,000 and $1,180,000, respectively.

The Association also maintains cash in money market funds in the amount of $474,157 at December 31, 2014 and $474,110 at December 31, 2013. The money market funds were not insured at December 31, 2014 and 2013.

NOTE 7 – CONCENTRATIONS (Continued)

At December 31, 2014 and 2013, investments in various mutual funds were managed by brokerage and investment companies with an account balance totaling $33,116,154 and $29,751,539, 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, 2014 and 2013, accounts receivable from two companies who have an agreement with the Association to sell *EconLit* represented approximately 86% and 87%, respectively, of total accounts receivable.

During 2014 and 2013, the Association received approximately 34% and 32%, respectively, of its revenue from one company who has an agreement with the Association to sell *EconLit*.