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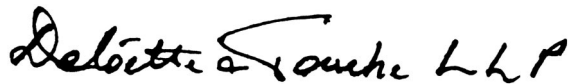
Independent Auditors' Report

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

We have audited the accompanying statements of financial position of The American Economic Association (the "Association") as of December 31, 2003 and 2002, and the related statements of unrestricted revenues, expenses and other changes in unrestricted net assets, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of The American Economic Association as of December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

March 31, 2004

THE AMERICAN ECONOMIC ASSOCIATION
**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2003 AND 2002**

	2003	2002
ASSETS		
CASH AND CASH EQUIVALENTS (Note 1)	\$ 2,366,512	\$ 1,490,530
INVESTMENTS (Notes 1 and 2)	10,214,368	8,578,522
ACCOUNTS RECEIVABLE—no allowance for doubtful accounts considered necessary	717,267	609,887
INVENTORY OF <i>INDEX OF ECONOMIC ARTICLES</i> (Note 1)	3,485	—
PREPAID EXPENSES	69,727	34,961
FURNITURE, FIXTURES, AND EQUIPMENT—net of accumulated depreciation and amortization of \$524,881 and \$464,928, respectively (Note 1)	57,729	135,283
TOTAL ASSETS	\$13,429,088	\$10,849,183
LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 1,027,069	\$ 1,030,798
DEFERRED REVENUE: (Note 1)		
Membership dues and nonmember subscriptions	2,705,891	2,112,424
<i>Job Openings for Economists</i> listing fees	300	9,600
Total deferred revenue	<u>2,706,191</u>	<u>2,122,024</u>
Total liabilities	<u>3,733,260</u>	<u>3,152,822</u>
COMMITMENTS (Note 3)		
NET ASSETS:		
Unrestricted	9,253,784	7,114,806
Temporarily restricted (Note 1)	442,044	581,555
Total net assets	<u>9,695,828</u>	<u>7,696,361</u>
TOTAL LIABILITIES AND NET ASSETS	\$13,429,088	\$10,849,183

See notes to financial statements.

THE AMERICAN ECONOMIC ASSOCIATION**STATEMENTS OF UNRESTRICTED REVENUES, EXPENSES, AND OTHER CHANGES
IN UNRESTRICTED NET ASSETS
YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
UNRESTRICTED OPERATING REVENUES:		
Membership dues and nonmember subscriptions	\$2,391,471	\$ 2,166,558
<i>Job Openings for Economists</i> listing fees	220,950	160,050
<i>Job Openings for Economists</i> subscriptions	20	8
License fees (Note 5)	2,090,679	1,813,202
Advertising	99,990	113,640
Sale of <i>Index of Economic Articles</i>	101,578	2,091
Sale of copies, reprints and handbooks	32,721	35,119
Sale of mailing list	59,078	63,533
Annual meeting (net of associated costs of \$630,542 and \$486,559, respectively)	136,957	78,222
Investment return designated for current operations (Notes 1 and 2)	503,453	579,399
Other (Note 5)	299,858	145,987
Total unrestricted operating revenues	<u>5,936,755</u>	<u>5,157,809</u>
NET ASSETS RELEASED FROM RESTRICTIONS:		
Satisfaction of program restrictions	297,211	220,389
Total unrestricted operating revenues and other support	<u>6,233,966</u>	<u>5,378,198</u>
OPERATING EXPENSES:		
Publication:		
<i>American Economic Review</i>	1,339,861	1,400,646
<i>Journal of Economic Literature</i>	1,822,346	1,754,301
<i>Journal of Economic Perspectives</i>	707,280	713,205
<i>Job Openings for Economists</i>	105,675	76,774
<i>Survey</i>	22,918	35,274
<i>Index of Economic Articles</i>	206,300	70,037
	<u>4,204,380</u>	<u>4,050,237</u>
Management and general:		
General and administrative:		
Salaries and benefits (Note 4)	428,148	411,895
Rent (Note 3)	45,044	42,883
Other (Note 6)	393,775	421,091
Committees	160,343	144,391
	<u>1,027,310</u>	<u>1,020,260</u>
Total publication, management and general expenses	<u>5,231,690</u>	<u>5,070,497</u>
Program expenses	297,211	220,389
Total unrestricted operating expenses	<u>5,528,901</u>	<u>5,290,886</u>
INCREASE IN UNRESTRICTED NET ASSETS FROM OPERATIONS	705,065	87,312
INVESTMENT RETURN MORE (LESS) THAN AMOUNTS DESIGNATED FOR CURRENT OPERATIONS (Notes 1 and 2)	1,433,913	(1,852,558)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u><u>\$2,138,978</u></u>	<u><u>\$(1,765,246)</u></u>

See notes to financial statements.

THE AMERICAN ECONOMIC ASSOCIATION
**STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
UNRESTRICTED NET ASSETS:		
Total unrestricted operating revenues	\$ 5,936,755	\$ 5,157,809
Net assets released from restrictions	297,211	220,389
Total unrestricted operating expenses	(5,528,901)	(5,290,886)
Investment return more (less) than amounts designated for current operations	1,433,913	(1,852,558)
Increase (decrease) in unrestricted net assets	<u>2,138,978</u>	<u>(1,765,246)</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Grant proceeds	157,700	330,396
Net assets released from restrictions	(297,211)	(220,389)
(Decrease) increase in temporarily restricted net assets	<u>(139,511)</u>	<u>110,007</u>
INCREASE (DECREASE) IN NET ASSETS	1,999,467	(1,655,239)
NET ASSETS—Beginning of year	<u>7,696,361</u>	<u>9,351,600</u>
NET ASSETS—End of year	<u>\$ 9,695,828</u>	<u>\$ 7,696,361</u>

See notes to financial statements.

THE AMERICAN ECONOMIC ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipt of membership dues, nonmember subscriptions, license fees and other operating revenue	\$ 5,910,089	\$ 4,685,681
Disbursements to suppliers and employees	(5,189,717)	(4,985,109)
Grant proceeds	157,700	330,396
Grant disbursements	(297,211)	(220,389)
Proceeds from interest, dividends and capital gain distributions on investments	264,383	286,093
Net cash provided by operating activities	845,244	96,672
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(692,863)	(1,936,130)
Proceeds from sales of investments	730,000	1,755,062
Purchases of furniture, fixtures and equipment	(6,399)	(56,351)
Net cash provided by (used in) investing activities	30,738	(237,419)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	875,982	(140,747)
CASH AND CASH EQUIVALENTS—Beginning of year	1,490,530	1,631,277
CASH AND CASH EQUIVALENTS—End of year	\$ 2,366,512	\$ 1,490,530
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 1,999,467	\$(1,655,239)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	83,953	87,227
Unrealized and realized investment (gains) losses	(1,672,983)	1,559,253
Increase in accounts receivable	(107,380)	(164,006)
(Increase) decrease in inventory of <i>Index of Economic Articles</i>	(3,485)	10,287
Increase in prepaid expenses	(34,766)	(7,194)
Decrease in accounts payable and accrued liabilities	(3,729)	(4,384)
Increase in deferred revenue	584,167	270,728
Net cash provided by operating activities	\$ 845,244	\$ 96,672

See notes to financial statements.

THE AMERICAN ECONOMIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Revenue recognition—Membership dues are recognized as operating revenue over the life of the membership. Income from life membership dues is recognized over the estimated average life of these members. Nonmember subscriptions to the various periodicals of the Association are recognized as operating revenue following the distribution of the specified publications to the subscribers. License fees are recognized based on the number of users with access to the online service and the amount of time those users have access. 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 *Index of Economic Articles*, mailing lists and copies, reprints and handbooks are recognized when the related material is shipped to the customer.

Deferred revenue represents income from membership dues and nonmember subscriptions to the various periodicals of the Association which are deferred when received.

Federal income taxes—The Association files its federal income tax return as an educational organization substantially exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. As required by Section 511(a) of this Code, the Association is subject to federal income taxes on certain revenues which are not substantially related to its tax-exempt purpose. This "unrelated business income" includes income from advertising and the sale of mailing lists. There was no tax due on such revenue for 2003 or 2002. The Association has been determined to be an organization which is not a private foundation.

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

New Accounting Pronouncements—In November 2002, the Financial Accounting Standards Board ("FASB") issued Interpretation ("FIN") No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others*. The initial recognition and initial measurement provisions of FIN No. 45 were applicable on a prospective basis to guarantees issued or modified after December 31, 2002, and require that the Association record a liability, if any, for the fair value of such guarantees in the balance sheet. The adoption of FIN No. 45 in 2003 did not have a material impact on the Association's financial position or results of operations.

2. INVESTMENTS AND INVESTMENT RETURN

Investments consist of:

	2003	2002
Mutual funds:		
Equity	\$ 7,250,940	\$ 5,156,246
Debt	<u>2,963,428</u>	<u>3,422,276</u>
	<u>\$10,214,368</u>	<u>\$ 8,578,522</u>

Investment return for the years ended December 31, 2003 and 2002, consists of:

	2003	2002
Dividends and unrealized gains (losses), net	\$ 1,928,601	\$ (838,174)
Net realized gain (loss) on sales	7,246	(440,012)
Interest	<u>1,519</u>	<u>5,027</u>
Investment gain (loss)	1,937,366	(1,273,159)
Investment return designated for current operations	<u>(503,453)</u>	<u>(579,399)</u>
Investment return more (less) than amounts designated for current operations	<u>\$ 1,433,913</u>	<u>\$(1,852,558)</u>

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. Total rental expense under these leases, which is included in various categories of operating expenses, was approximately \$116,000 and \$123,000 during the years ended December 31, 2003 and 2002.

The minimum future rental commitments under noncancelable operating leases at December 31, 2003 are as follows:

Year Ending	
December 31,	
2004	\$107,136
2005	38,309
2006	<u>1,920</u>
	<u>\$147,365</u>

The Association also has contracts for hotel rooms and facilities for various meetings through 2008. Most of these contracts contain indemnification clauses whereby the Association indemnifies the hotel for claims, losses and other liabilities arising from the use of the hotel and facilities or the Association's noncompliance with the Americans with Disabilities Act.

4. RETIREMENT ANNUITY PLAN

Employees of the Association are eligible for participation in a contributory retirement annuity plan. Payments by the Association and participating employees are based on the employees' compensation. Benefit payments are based on the amounts accumulated from such contributions. Total pension expense was approximately \$118,000 and \$110,000 for the years ended December 31, 2003 and 2002, respectively.

5. LICENSE FEES AND OTHER UNRESTRICTED OPERATING REVENUES

License fees for the years ended December 31, 2003 and 2002, consist of the following:

	2003	2002
SilverPlatter/Ovid	\$ 698,615	\$ 786,137
Ebsco	718,631	451,379
OCLC	265,953	291,047
Cambridge Scientific Abstracts	176,999	132,164
Elsevier Science	68,990	48,198
Copyright Clearance Center	81,378	27,713
EconLit—AEA	19,650	25,860
Dialog	27,891	21,034
Miscellaneous	32,572	29,670
	<u>\$2,090,679</u>	<u>\$1,813,202</u>

Other unrestricted operating revenues for the years ended December 31, 2003 and 2002, consist of the following:

	2003	2002
AER submission fees	\$117,773	\$95,765
CSWEP	17,950	17,700
Other	164,135	32,522
	<u>\$299,858</u>	<u>\$145,987</u>

6. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Other general and administrative expenses for the years ended December 31, 2003 and 2002, consist of the following:

	2003	2002
Dues and subscriptions	\$85,051	\$84,406
Accounting and legal	57,954	33,166
Mailing list file maintenance	80,414	93,430
Bank charges	51,224	45,082
Postage	37,647	47,767
Depreciation	23,301	29,781
Election expenses	14,239	27,520
Insurance and miscellaneous	20,360	26,985
Office supplies	15,559	23,554
Telephone	8,026	9,400
	<u>\$393,775</u>	<u>\$421,091</u>