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, 2000 and 1999, 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, 2000 and 1999, 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.

March 16, 2001
## The American Economic Association Statements of Financial Position
### December 31, 2000 and 1999

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents (Note 1)</td>
<td>$1,452,166</td>
<td>$1,257,407</td>
</tr>
<tr>
<td>Investments (Notes 1 and 2)</td>
<td>11,320,947</td>
<td>12,566,182</td>
</tr>
<tr>
<td>Accounts Receivable, no allowance for doubtful accounts considered necessary</td>
<td>363,065</td>
<td>330,047</td>
</tr>
<tr>
<td>Inventory of <em>Index of Economic Articles</em> (Note 1)</td>
<td>17,860</td>
<td>34,967</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>58,922</td>
<td>36,832</td>
</tr>
<tr>
<td>Furniture, Fixtures and Equipment, net of accumulated depreciation and amortization of $289,129 and $283,890, respectively (Note 1)</td>
<td>145,171</td>
<td>110,329</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$13,358,131</strong></td>
<td><strong>$14,335,764</strong></td>
</tr>
</tbody>
</table>

| **Liabilities and Net Assets** |               |               |
| Accounts Payable and Accrued Liabilities | $917,593      | $808,906      |
| Deferred Revenue: (Note 1) |               |               |
| Membership dues and nonmember subscriptions | 1,824,927     | 1,798,499     |
| *Job Openings for Economists* subscriptions | 4,122         | 6,069         |
| Total deferred revenue | 1,829,049     | 1,804,568     |
| Accrual for Survey (Note 1) | 170,281       | 141,542       |
| Total liabilities | 2,996,923     | 2,755,016     |

| **Commitments (Note 3)** |               |               |
| Net Assets: |               |               |
| Unrestricted | 10,146,245    | 11,343,156    |
| Temporarily restricted (Note 1) | 294,963       | 237,592       |
| Total net assets | 10,441,208    | 11,580,748    |
| **Total Liabilities and Net Assets** | **$13,358,131** | **$14,335,764** |

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, 2000 and 1999

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted Operating Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership dues and nonmember subscriptions (Note 1)</td>
<td>$2,024,559</td>
<td>$1,979,880</td>
</tr>
<tr>
<td><em>Job Openings for Economists</em> subscriptions (Note 1)</td>
<td>8,634</td>
<td>11,647</td>
</tr>
<tr>
<td>License fees (Note 5)</td>
<td>1,392,567</td>
<td>1,309,796</td>
</tr>
<tr>
<td>Advertising</td>
<td>151,805</td>
<td>139,793</td>
</tr>
<tr>
<td>Sale of <em>Index of Economic Articles</em></td>
<td>90,697</td>
<td>78,266</td>
</tr>
<tr>
<td>Sale of copies, reprints and handbooks</td>
<td>48,646</td>
<td>39,785</td>
</tr>
<tr>
<td>Sale of mailing list</td>
<td>80,589</td>
<td>68,894</td>
</tr>
<tr>
<td>Annual meeting (net of associated costs of $451,002 and $456,928)</td>
<td>90,503</td>
<td>61,852</td>
</tr>
<tr>
<td>Investment return designated for current operations (Notes 1 and 2)</td>
<td>691,180</td>
<td>607,298</td>
</tr>
<tr>
<td>Other (Note 5)</td>
<td>77,772</td>
<td>77,101</td>
</tr>
<tr>
<td><strong>Total unrestricted operating revenues</strong></td>
<td>4,656,952</td>
<td>4,374,312</td>
</tr>
</tbody>
</table>

|                           |                       |                       |
| **Net Assets Released From Restrictions:** |                       |                       |
| Satisfaction of program restrictions | 215,068               | 206,755               |
| **Total unrestricted operating revenues and other support** | 4,872,020             | 4,581,067             |

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Publication:</td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>American Economic Review</em></td>
<td>1,130,079</td>
<td>1,007,495</td>
</tr>
<tr>
<td><em>Journal of Economic Literature</em></td>
<td>1,444,511</td>
<td>1,535,979</td>
</tr>
<tr>
<td><em>Journal of Economic Perspectives</em></td>
<td>614,452</td>
<td>555,809</td>
</tr>
<tr>
<td><em>Job Openings for Economists</em></td>
<td>77,633</td>
<td>74,167</td>
</tr>
<tr>
<td><em>Survey</em> (Note 1)</td>
<td>31,239</td>
<td>47,181</td>
</tr>
<tr>
<td><em>Index of Economic Articles</em></td>
<td>189,129</td>
<td>174,189</td>
</tr>
<tr>
<td><strong>Total publication expenses</strong></td>
<td>3,487,043</td>
<td>3,394,820</td>
</tr>
<tr>
<td>Management and general:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits (Note 4)</td>
<td>348,018</td>
<td>351,571</td>
</tr>
<tr>
<td>Rent (Note 3)</td>
<td>31,749</td>
<td>34,980</td>
</tr>
<tr>
<td>Other (Note 6)</td>
<td>338,027</td>
<td>277,701</td>
</tr>
<tr>
<td>Committees</td>
<td>136,220</td>
<td>119,376</td>
</tr>
<tr>
<td><strong>Total publication, management and general expenses</strong></td>
<td>4,341,057</td>
<td>4,178,448</td>
</tr>
<tr>
<td>Program expenses</td>
<td>209,068</td>
<td>206,755</td>
</tr>
<tr>
<td><strong>Total unrestricted operating expenses</strong></td>
<td>4,550,125</td>
<td>4,385,203</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase in Unrestricted Net Assets From Operations</strong></td>
<td>321,895</td>
<td>195,864</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Return (Less Than) in Excess of Amounts Designated for Current Operations (Notes 1 and 2)</strong></td>
<td>(1,518,806)</td>
<td>1,316,515</td>
</tr>
<tr>
<td><strong>(Decrease) Increase in Unrestricted Net Assets</strong></td>
<td>$(1,196,911)</td>
<td>$1,512,379</td>
</tr>
</tbody>
</table>

See notes to financial statements.
### The American Economic Association Statements of Changes in Net Assets

**Years Ended December 31, 2000 and 1999**

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted Net Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total unrestricted operating revenues</td>
<td>$4,656,952</td>
<td>$4,374,312</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>215,068</td>
<td>206,755</td>
</tr>
<tr>
<td>Total unrestricted operating expenses</td>
<td>$(4,550,125)</td>
<td>$(4,385,203)</td>
</tr>
<tr>
<td>Investment return (less than) in excess of amounts designated for current operations</td>
<td>$(1,518,806)</td>
<td>$1,316,515</td>
</tr>
<tr>
<td>(Decrease) increase in unrestricted net assets</td>
<td>$(1,196,911)</td>
<td>$1,512,379</td>
</tr>
<tr>
<td><strong>Temporarily Restricted Net Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant proceeds</td>
<td>272,439</td>
<td>303,642</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>(215,068)</td>
<td>(206,755)</td>
</tr>
<tr>
<td>Increase in temporarily restricted net assets</td>
<td>57,371</td>
<td>96,887</td>
</tr>
<tr>
<td>(Decrease) increase in net assets</td>
<td>$(1,139,540)</td>
<td>1,609,266</td>
</tr>
<tr>
<td><strong>Net Assets at Beginning of Year</strong></td>
<td>11,580,748</td>
<td>9,971,482</td>
</tr>
<tr>
<td><strong>Net Assets at End of Year</strong></td>
<td>$10,441,208</td>
<td>$11,580,748</td>
</tr>
</tbody>
</table>

See notes to financial statements.
## THE AMERICAN ECONOMIC ASSOCIATION STATEMENTS OF CASH FLOWS
### YEARS ENDED DECEMBER 31, 2000 AND 1999

### CASH FLOWS FROM OPERATING ACTIVITIES:
- Receipt of membership dues, nonmember subscriptions, license fees and other operating revenue $3,957,235 $3,821,297
- Disbursements to suppliers and employees $(4,163,376) $(4,114,095)
- Grant proceeds 272,439 303,642
- Grant disbursements $(209,068) $(206,755)
- Proceeds from interest, dividends and capital gain distributions on investments 334,348 387,661

**Net Cash Provided by Operating Activities**

<table>
<thead>
<tr>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>191,578</td>
<td>191,750</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM INVESTING ACTIVITIES:
- Purchases of investments $(316,739) $(373,957)
- Proceeds from sale of investments 400,000 200,000
- Purchases of furniture, fixtures and equipment $(80,080) $(50,275)

**Net Cash Provided By (Used in) Investing Activities**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3,181</td>
<td>(224,232)</td>
</tr>
</tbody>
</table>

### Net Increase (Decrease) in Cash and Cash Equivalents 194,759 (32,482)

### Cash and Cash Equivalents at Beginning Of Year 1,257,407 1,289,889

### Cash and Cash Equivalents at End Of Year 1,452,166 1,257,407

### Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:
- Change in net assets $(1,139,540) $1,609,266
- Adjustments to reconcile change in net assets to net cash provided by operating activities:
  - Depreciation and amortization 45,238 56,520
  - Unrealized and realized investment losses (gains) 1,161,974 (1,536,152)
  - Increase in accounts receivable (33,018) (40,485)
  - Decrease (increase) in inventory of *Index of Economic Articles* 17,107 (11,559)
  - (Increase) decrease in prepaid expenses (22,090) 15,574
  - Increase (decrease) in accounts payable and accrued liabilities 108,687 (43,362)
  - Increase in deferred revenue 24,481 94,768
  - Increase in accrual for *Survey* 28,739 47,180

**Net Cash Provided by Operating Activities**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>191,578</td>
<td>191,750</td>
</tr>
</tbody>
</table>

See notes to financial statements.
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.

Deferred revenue represents income from membership dues and nonmember subscriptions to the various periodicals of the Association which are deferred when received. These amounts are then recognized as operating revenue following the distribution of the specified publications to the members and subscribers of the Association. Income from life membership dues is recognized over the estimated average life of these members.

Accrual for Survey. Every four years, the Association publishes a Survey which lists, among other things, the names and addresses of its membership. The Survey was published and distributed most recently in 1997 at no cost to the membership. To properly match the publishing cost of these publications with revenue from membership dues, the Association provided approximately $29,000 and $47,000 during the years ended December 31, 2000 and 1999, respectively, for estimated publishing costs which will reduce actual Survey expenses in the year of publication.

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.

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 2000 or 1999. 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.
2. Investments and Investment Return

Investments consist of:

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>$ 8,696,844</td>
<td>$ 9,998,029</td>
</tr>
<tr>
<td>Debt</td>
<td>2,624,103</td>
<td>2,568,153</td>
</tr>
<tr>
<td></td>
<td><strong>$11,320,947</strong></td>
<td><strong>$12,566,182</strong></td>
</tr>
</tbody>
</table>

Investment return for the years ended December 31, 2000 and 1999, consists of:

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends and unrealized gains and losses, net</td>
<td>$(846,820)</td>
<td>$1,795,575</td>
</tr>
<tr>
<td>Net realized gain on sales</td>
<td>1,585</td>
<td>114,534</td>
</tr>
<tr>
<td>Interest</td>
<td>17,609</td>
<td>13,704</td>
</tr>
<tr>
<td>Investment return designated for current operations</td>
<td>(827,626)</td>
<td>1,923,813</td>
</tr>
<tr>
<td>Investment return (less than) in excess of amounts designated for current operations</td>
<td>$(1,518,806)</td>
<td>$1,316,515</td>
</tr>
</tbody>
</table>

3. Commitments

The Association leases office space under cancelable and noncancelable operating leases. Total rental expense under these leases, which is included in various categories of operating expenses, was approximately $106,000 during the years ended December 31, 2000 and 1999.

The minimum future rental commitments under noncancelable operating leases at December 31, 2000 are as follows:

<table>
<thead>
<tr>
<th>Year Ending December 31,</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 99,587</td>
<td>70,108</td>
<td>35,670</td>
<td>26,753</td>
</tr>
<tr>
<td></td>
<td><strong>$232,118</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Association also has contracts for hotel rooms and facilities for various meetings through 2005.

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 $101,000 and $100,000 for the years ended December 31, 2000 and 1999, respectively.
5. License Fees and Other Unrestricted Operating Revenues

License fees for the years ended December 31, 2000 and 1999, consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>SilverPlatter</td>
<td>$863,650</td>
<td>$915,652</td>
</tr>
<tr>
<td>OCLC</td>
<td>253,378</td>
<td>194,616</td>
</tr>
<tr>
<td>Ovid</td>
<td>81,936</td>
<td>85,624</td>
</tr>
<tr>
<td>EconLit</td>
<td>37,950</td>
<td>46,680</td>
</tr>
<tr>
<td>Dialog/Knight-Ridd</td>
<td>25,936</td>
<td>26,147</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>129,717</td>
<td>41,077</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,392,567</td>
<td>$1,309,796</td>
</tr>
</tbody>
</table>

Other unrestricted operating revenues for the years ended December 31, 2000 and 1999, consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>AER submission fees</td>
<td>$62,845</td>
<td>$56,000</td>
</tr>
<tr>
<td>CSWEP dues</td>
<td>14,544</td>
<td>20,650</td>
</tr>
<tr>
<td>Other</td>
<td>383</td>
<td>451</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$77,772</td>
<td>$77,101</td>
</tr>
</tbody>
</table>

6. Other General and Administrative Expenses

Other general and administrative expenses for the years ended December 31, 2000 and 1999, consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dues and subscriptions</td>
<td>$86,301</td>
<td>$79,341</td>
</tr>
<tr>
<td>Accounting and legal</td>
<td>41,608</td>
<td>31,440</td>
</tr>
<tr>
<td>Mailing list file maintenance</td>
<td>50,721</td>
<td>36,218</td>
</tr>
<tr>
<td>Bank charges</td>
<td>26,135</td>
<td>16,872</td>
</tr>
<tr>
<td>Postage</td>
<td>22,908</td>
<td>17,658</td>
</tr>
<tr>
<td>Depreciation</td>
<td>36,200</td>
<td>37,456</td>
</tr>
<tr>
<td>Election expenses</td>
<td>16,703</td>
<td>15,334</td>
</tr>
<tr>
<td>Insurance and miscellaneous</td>
<td>17,385</td>
<td>14,877</td>
</tr>
<tr>
<td>Office supplies</td>
<td>24,117</td>
<td>14,693</td>
</tr>
<tr>
<td>Telephone</td>
<td>9,181</td>
<td>7,754</td>
</tr>
<tr>
<td>President and president-elect expenses</td>
<td>6,768</td>
<td>6,058</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$338,027</td>
<td>$277,701</td>
</tr>
</tbody>
</table>