

ECONOMETRIC SOCIETY, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2013 and 2012

ECONOMETRIC SOCIETY, INC.

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ECONOMETRIC SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31,	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 776,767	\$ 637,706
Investments	1,912,010	1,766,437
Receivables	273,239	155,242
Publication inventory	19,912	15,845
Other current assets	139,706	135,887
Total current assets	<u>3,121,634</u>	<u>2,711,117</u>
Furniture and equipment, net	<u>3,219</u>	<u>4,022</u>
	<u>\$ 3,124,853</u>	<u>\$ 2,715,139</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 70,842	\$ 133,136
Deferred revenues	<u>853,234</u>	<u>698,730</u>
Total current liabilities	<u>924,076</u>	<u>831,866</u>
Net assets		
Unrestricted	2,037,864	1,728,378
Temporarily restricted	<u>162,913</u>	<u>154,895</u>
Total net assets	<u>2,200,777</u>	<u>1,883,273</u>
	<u>\$ 3,124,853</u>	<u>\$ 2,715,139</u>

ECONOMETRIC SOCIETY, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31,	2013	2012
UNRESTRICTED NET ASSETS		
Revenues		
Dues and subscriptions	\$ 1,123,322	\$ 1,078,643
Investment gains		
Unrealized gains	212,377	147,346
Realized gains	51,284	35,725
Dividend income	33,941	39,170
	<u>297,602</u>	<u>222,241</u>
In-kind contribution (rent)	94,000	62,000
Other revenues	101,475	56,791
	<u>1,616,399</u>	<u>1,419,675</u>
Total revenues		
	<u>1,616,399</u>	<u>1,419,675</u>
Net assets released from restriction	-	-
Total revenues and other support	<u>1,616,399</u>	<u>1,419,675</u>
Program services		
Publishing	753,060	849,717
Total program services	<u>753,060</u>	<u>849,717</u>
Supporting services		
Administrative	508,437	370,776
Website	6,203	4,357
Executive committee	39,213	58,285
Total supporting services	<u>553,853</u>	<u>433,418</u>
Total expenses	<u>1,306,913</u>	<u>1,283,135</u>
Change in unrestricted net assets	<u>309,486</u>	<u>136,540</u>
TEMPORARILY RESTRICTED NET ASSETS		
Revenues		
Investment gains (losses)		
Unrealized gains	6,901	9,374
Realized gains (losses)	42	(3,811)
Dividend income	1,075	1,026
Total revenues	<u>8,018</u>	<u>6,589</u>
Net assets released from restriction	-	-
Change in temporarily restricted net assets	<u>8,018</u>	<u>6,589</u>
Change in net assets	317,504	143,129
Net assets , beginning of year	<u>1,883,273</u>	<u>1,740,144</u>
Net assets , end of year	<u>\$ 2,200,777</u>	<u>\$ 1,883,273</u>

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

ECONOMETRIC SOCIETY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31,	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 317,504	\$ 143,129
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	803	835
Unrealized gains	(219,278)	(156,720)
Realized gains	(51,279)	(31,914)
Changes in operating assets and liabilities:		
Receivables	(117,997)	59,492
Publication inventory	(4,067)	(1,220)
Other current assets	(3,819)	(5,268)
Accounts payable and accrued expenses	(62,294)	(37,318)
Deferred revenues	154,504	(38,941)
Net cash provided by (used in) operating activities	<u>14,077</u>	<u>(67,925)</u>
Cash flows from investing activities		
Purchases of furniture and equipment	-	(4,474)
Proceeds from sale of investments	200,000	715,000
Purchases of investments	(75,016)	(643,329)
Net cash provided by investing activities	<u>124,984</u>	<u>67,197</u>
Net increase (decrease) in cash and cash equivalents	139,061	(728)
Cash and cash equivalents, beginning of year	<u>637,706</u>	<u>638,434</u>
Cash and cash equivalents, end of year	<u>\$ 776,767</u>	<u>\$ 637,706</u>

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

ECONOMETRIC SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

1. Nature of operations

The Econometric Society (the "Society") was founded in 1930 as an international society for the advancement of economic theory in its relation to statistics and mathematics. Its major activities are the publication of a scholarly journal, *Econometrica*; the publication of a monograph series; the Society of scientific meetings in six regions of the world (including a World Congress every five years); and conducting elections for Fellow of The Econometric Society. During 2013 The Econometric Society elected to transfer all operations, rights and obligations held as of June 30, 2013 to Econometric Society, Inc. which has been formed as corporation pursuant to the laws of the State of Delaware on December 27, 2012, the commencement of operations being July 1, 2013.

2. Summary of significant accounting policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as well as the *AICPA Audit and Accounting Guide for Not-for-Profit Organizations*.

Financial Statement Presentation

Under Financial Accounting Standard (ASC) No. 958, "Not-for-Profit Organizations," the Society is required to report information regarding its financial position and activities according to three classes of net assets based upon the existence or absence of donor-imposed restrictions. In addition, the Society is required to present a statement of cash flows.

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank accounts and highly liquid investments held in money market funds.

Subsequent Events

Management evaluated subsequent events for the Society through February 6, 2015, the date the financial statements were available to be issued.

Investments

Investments are recorded at fair value. In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Society uses various valuation approaches. In accordance with GAAP, a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Society. Unobservable inputs reflect the Society's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

ECONOMETRIC SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

2. Summary of significant accounting policies (continued)

Investments in Securities (continued)

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Society has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Society in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy.

In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Society's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Society uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

The Society values investments in securities that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

Receivables

Receivables are stated at the original invoice amounts, net of any estimated loss allowance. If an invoice amount has been deemed permanently uncollectible, such amount is written off against the allowance. On a periodic basis, the Society evaluates its receivables and determines if an allowance for doubtful accounts is necessary. Based on past collections, no allowance is considered necessary.

ECONOMETRIC SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

2. Summary of significant accounting policies (continued)

In-kind Contributions (Rent)

In-kind contribution (rent) represents the fair value of office space contributed to the Society by New York University.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform with current period presentation.

Revenue Recognition

The Society records dues and subscriptions received in advance of the subscription period as deferred revenues. Grants and contributions, which include unconditional promises to donate assets, services, or reductions of liabilities, are recognized as revenues and are measured at fair value on the date received.

Foreign Currency Translations

Assets and liabilities held by foreign agents are recorded at the exchange rate in effect at the end of the year. Transactions denominated in foreign currencies are translated at the approximate rates of exchange in effect at the time of the transactions. Translation gains and losses resulting from exchange rate fluctuations are included in current year investment gains (losses).

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 also affect the reported amounts of revenues and expenses during the reporting period. Areas where estimates are used in the accompanying financial statements include depreciable lives of furniture and equipment and the fair value of in-kind contribution (rent). Actual results could differ from those estimates.

Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities and changes in net assets; accordingly, certain costs have been allocated among the programs and supporting services benefited.

3. Tax-exempt status

The Society is a not-for-profit Organization as described in Section 501c(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code. Certain revenues that are unrelated to the Society's exempt purpose are subject to unrelated business income taxes.

In accordance with GAAP, the Society is required to determine whether a tax position 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. It is management's estimation that there are no material tax liabilities that need to be recorded at December 31, 2013 and 2012. The Society remains subject to income tax examinations by major taxing authorities for the years 2010, 2011 and 2012.

ECONOMETRIC SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

3. Tax exempt status (continued)

The Society files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states and foreign jurisdictions. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Society recording a tax liability that would reduce net assets. This policy also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities. It must be applied to all existing tax positions upon initial adoption and the cumulative effect, if any, is to be reported as an adjustment to net assets as of December 31, 2012. Based on its analysis, the Society has determined that the adoption of this policy did not have a material impact on the Society's financial statement upon adoption. However, management's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof. The Society filed a Form 1023 application on January 14, 2015.

4. Fair value measurements

Investments consist primarily of mutual funds of U.S. and international equity and debt securities. The Society's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GAAP. See Note 2 for a discussion of the Society's policies.

The following table presents information about the Society's assets measured at fair value as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investments				
U.S. Equities	\$ 666,889	\$ -	\$ -	\$ 666,889
International Equities	811,730	-	-	811,730
Debt Funds	433,391	-	-	433,391
Money market fund (included in cash and cash equivalents)	338,897	-	-	338,897
	<u>\$ 2,250,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,250,907</u>

ECONOMETRIC SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

4. Fair value measurements (continued)

The following table presents information about the Society's assets measured at fair value as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investments				
U.S. Equities	\$ 579,453	\$ -	\$ -	\$ 579,453
International Equities	719,492	-	-	719,492
Debt Funds	467,492	-	-	467,492
Money market fund (included in cash and cash equivalents)	287,866	-	-	287,866
	<u>\$ 2,054,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,054,303</u>

5. Temporarily restricted net assets

Temporarily restricted net assets have been established as a result of contributions to the Society which have donor-imposed restrictions on their use. At December 31, temporarily restricted net assets consist of the following:

	2013	2012
Far Eastern Fund	\$ 78,837	\$ 78,829
Latin American Fund	21,472	21,470
European Fund	44,784	36,780
Marschak Fund	17,817	17,816
	<u>\$ 162,910</u>	<u>\$ 154,895</u>

ECONOMETRIC SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

5. Temporarily restricted net assets (continued)

The Far Eastern Fund was established in 1995 through a donor designation of World Congress grants and is to be used for the purpose of funding Society activities in and on behalf of the Standing Committee of the Far Eastern Region.

The Latin American Fund was established in 1996 through a restricted contribution and is to be used for the purpose of organizing future Latin American meetings.

The European Fund was established in 2007 through a restricted contribution and is to be used for the purpose of organizing future European meetings.

The Marschak Fund is to be used at the discretion of the Executive Committee for the purpose of supporting a Jacob Marschak lecture, the location of which rotates among the regional meetings held outside North America and Europe.

6. Commitments and contingent liabilities

The Society is subject to potential legal proceedings and claims which may arise in the ordinary course of its activities. In the opinion of management, the amount of ultimate liability with respect to any such matters does not have a material adverse effect on its change in net assets, cash flows, or financial position.

7. Risks and uncertainties

The Society's future activities may be affected by a number of factors. The Society is dependent on circulation income from a specialized academic journal which competes with other Society's for membership and circulation. The Society is also dependent on income and capital gains from its investments. In addition, the Society is dependent on a small number of key employees and a few outside service providers. Due to the concentrations of revenue sources, receivables, and human resources, it is reasonably possible that the Society's activities could be adversely impacted in the near term should its circulation, membership, or investment income decline, or if one or more of its current employees or suppliers is lost.

ECONOMETRIC SOCIETY, INC.

SUPPLEMENTARY INFORMATION SCHEDULES OF UNRESTRICTED REVENUES

Years Ended December 31,	2013	2012
Dues and subscriptions	<u>\$ 1,123,322</u>	<u>\$ 1,078,643</u>
Investment income		
Interest, Northern Trust	15	522
Dividends:		
Fidelity Spartan International Index	15,689	17,132
Fidelity Money Market	17	19
Spartan 500 Index	13,570	13,533
Fidelity Cash Reserves	1	31
Fidelity Total Bond	2,718	4,118
Fidelity Spartan Short Term Treasury Bond	1,733	2,089
Fidelity Inflation Protected	112	425
Fidelity Emerging Markets	86	1,301
Unrealized gains	212,377	147,346
Realized gains	51,284	35,725
	<u>297,602</u>	<u>222,241</u>
In-kind contribution (rent)	<u>94,000</u>	<u>62,000</u>
Other revenues		
Back issues	58,791	38,307
Meetings income, net	30,926	14,136
Permission and copies	10,030	3,390
Reprints	228	576
List rentals	1,500	199
Royalties	-	183
	<u>101,475</u>	<u>56,791</u>
Total unrestricted revenues	<u>\$ 1,616,399</u>	<u>\$ 1,419,675</u>

ECONOMETRIC SOCIETY, INC.

SUPPLEMENTARY INFORMATION SCHEDULES OF UNRESTRICTED EXPENSES

Years Ended December 31,	2013	2012
Publishing		
Editorial	\$ 394,662	\$ 405,127
Circulation	140,129	170,340
Production	209,685	263,523
Editorial meetings and dinners	2,084	1,810
Editorial software	6,500	8,917
	<u>753,060</u>	<u>849,717</u>
Administrative		
Salaries and benefits	223,574	213,551
Rent expense (in-kind)	94,000	62,000
Professional fees	127,551	20,500
Office	4,052	8,631
Depreciation	803	835
Bank charges	1,306	2,005
Travel expenses	1,111	1,496
	<u>452,397</u>	<u>309,018</u>
Website	<u>6,203</u>	<u>4,357</u>
Executive committee		
Airfare and transportation	18,365	38,981
Hotel	10,756	9,794
Registration	2,508	3,901
Meals and entertainment	6,173	4,835
Per diem	1,411	774
	<u>39,213</u>	<u>58,285</u>
Other expenses		
Grants and regional meeting expenses	25,019	19,864
Young Economist activities expenses	30,345	35,000
Penalties and interest	676	6,894
	<u>56,040</u>	<u>61,758</u>
Total unrestricted expenses	<u>\$ 1,306,913</u>	<u>\$ 1,283,135</u>

ECONOMETRIC SOCIETY, INC.

SUPPLEMENTARY INFORMATION SCHEDULES OF TEMPORARILY RESTRICTED REVENUES

Years Ended December 31,	2013	2012
Far Eastern Fund		
Dividends - Fidelity Spartan Money Market	\$ 9	\$ 8
Funds released from restrictions	-	-
Total	<u>9</u>	<u>8</u>
Latin American Fund		
Dividends - Fidelity Spartan Money Market	<u>3</u>	<u>6</u>
European Fund		
Dividends	1,061	1,010
Unrealized gains	6,901	9,374
Realized gains (losses)	<u>42</u>	<u>(3,811)</u>
Total	<u>8,004</u>	<u>6,573</u>
Marschak Fund		
Dividends - Fidelity Spartan Money Market	<u>2</u>	<u>2</u>
Total temporarily restricted revenues	<u><u>\$ 8,018</u></u>	<u><u>\$ 6,589</u></u>