

EISNERAMPER

ECONOMETRIC SOCIETY, INC.

FINANCIAL STATEMENTS

**DECEMBER 31, 2018 and 2017
(with supplementary information)**



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Econometric Society, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Econometric Society, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also 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 Econometric Society, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenues without donor restrictions and revenues with donor restrictions on pages 13 and 14 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
September 18, 2019

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ECONOMETRIC SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31,	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,220,196	\$ 867,092
Investments	2,326,216	2,419,080
Receivables	271,155	456,329
Publication inventory	7,648	8,456
Other current assets	<u>21,010</u>	<u>15,200</u>
	<u>\$ 3,846,225</u>	<u>\$ 3,766,156</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 322,010	\$ 96,526
Deferred revenues	<u>506,853</u>	<u>776,443</u>
Total current liabilities	<u>828,863</u>	<u>872,969</u>
Net assets		
Without donor restrictions	2,999,196	2,875,264
With donor restrictions	<u>18,166</u>	<u>17,923</u>
Total net assets	<u>3,017,362</u>	<u>2,893,187</u>
	<u>\$ 3,846,225</u>	<u>\$ 3,766,156</u>

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

ECONOMETRIC SOCIETY, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support						
Membership income	\$ 585,349		\$ 585,349	\$ 591,649		\$ 591,649
Institutional publishing	698,010		698,010	557,578		557,578
	<u>1,283,359</u>	<u>0</u>	<u>1,283,359</u>	<u>1,149,227</u>	<u>0</u>	<u>1,149,227</u>
Unrealized (losses)/gains	(818,383)		(818,383)	350,221		350,221
Realized gains	691,104		691,104	6,065		6,065
(Loss)/gain on foreign exchange	(11,616)		(11,616)	18,753		18,753
Dividend and interest income	43,769	\$ 256	44,025	45,011	\$ 90	45,101
	<u>(95,126)</u>	<u>256</u>	<u>(94,870)</u>	<u>420,050</u>	<u>90</u>	<u>420,140</u>
In-kind contribution	13,160		13,160	90,332		90,332
Other revenues	302,667		302,667	340,371		340,371
Total revenues	<u>1,504,060</u>	<u>256</u>	<u>1,504,316</u>	<u>1,999,980</u>	<u>90</u>	<u>2,000,070</u>
Net assets released from restriction	13	(13)	-			-
Total revenues and other support	<u>1,504,073</u>	<u>243</u>	<u>1,504,316</u>	<u>1,999,980</u>	<u>90</u>	<u>2,000,070</u>
Expenses						
Program services						
Publishing	800,505		800,505	760,038		760,038
Supporting services						
Administrative	579,636		579,636	702,966		702,966
Total expenses	<u>1,380,141</u>		<u>1,380,141</u>	<u>1,463,004</u>		<u>1,463,004</u>
Increase in net assets	123,932	243	124,175	536,976	90	537,066
Net assets, beginning of year	<u>2,875,264</u>	<u>17,923</u>	<u>2,893,187</u>	<u>2,338,288</u>	<u>17,833</u>	<u>2,356,121</u>
Net assets, end of year	<u>\$ 2,999,196</u>	<u>\$ 18,166</u>	<u>\$ 3,017,362</u>	<u>\$ 2,875,264</u>	<u>\$ 17,923</u>	<u>\$ 2,893,187</u>

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

ECONOMETRIC SOCIETY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Years Ended December 31,	2018	2017
Program Services		
Editorial	\$ 418,144	\$ 408,336
Circulation	125,425	127,472
Production	243,418	208,507
Editorial (in-kind)	2,760	5,332
Editorial meetings and dinners	1,758	1,391
Editorial software	9,000	9,000
	<u>800,505</u>	<u>760,038</u>
Supporting Services		
Salaries and benefits	301,991	261,116
Rent expense (in-kind)	10,400	85,000
Professional fees	60,757	37,802
Office	10,828	9,727
Depreciation	-	596
Bank charges	28,410	34,502
Loss on asset disposal	-	478
Regional meeting expenses	57,482	155,266
Grants awarded	19,846	25,000
World Congress expenses	20,000	20,000
Website	14,351	14,497
Penalties and interest	575	25
Travel expenses	54,996	58,957
	<u>579,636</u>	<u>702,966</u>
Total expenses per statements of activities	<u>\$ 1,380,141</u>	<u>\$ 1,463,004</u>

ECONOMETRIC SOCIETY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31,	2018	2017
Cash flows from operating activities		
Increase in net assets	\$ 124,175	\$ 537,066
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	-	596
Unrealized losses/(gains)	818,383	(350,220)
Realized gains	(691,104)	(6,065)
Loss on asset disposal	-	478
Changes in operating assets and liabilities:		
Receivables	185,174	(141,551)
Publication inventory	808	1,692
Other current assets	(5,810)	157,492
Accounts payable and accrued expenses	225,484	20,455
Deferred revenues	(269,590)	138,666
Net cash provided by operating activities	<u>387,520</u>	<u>358,609</u>
Cash flows from investing activities		
Proceeds from sales of investments	2,454,854	-
Purchases of investments	(2,489,269)	(82,948)
Net cash used in investing activities	<u>(34,415)</u>	<u>(82,948)</u>
Increase in cash and cash equivalents	353,104	275,661
Cash and cash equivalents, beginning of year	<u>867,092</u>	<u>591,431</u>
Cash and cash equivalents, end of year	<u>\$ 1,220,196</u>	<u>\$ 867,092</u>
Supplemental disclosure of cash flow information:		
In-kind contribution	\$ 13,160	\$ 90,332

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

1. Nature of operations

The Econometric 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 maintaining and expanding the membership in the Society; the publication of three scholarly journals, *Econometrica*; *Quantitative Economics* and *Theoretical Economics*; 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. (the "Society") which has been formed as a corporation pursuant to the laws of the State of Delaware on December 27, 2012; the commencement of operations began July 1, 2013.

2. Summary of significant accounting policies

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applicable to not-for-profit organizations.

Net Assets

The net assets of the Society and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and are not subject to donor restriction.

Net Assets With Donor Restrictions – Net assets for which the use has been restricted by donors for specific purposes and/or the passage of time. The Society reports contributions as nets assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as "net assets released from restrictions."

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank accounts and highly liquid investments held in money market funds with original maturities of three months or less.

Concentration of Credit Risk

All of the Society's cash and cash equivalents are held at financial institutions that management believes to be of high credit quality. The Society's cash and cash equivalent accounts exceed federally insured limits at times. The Society has not experienced any losses on cash and cash equivalents to date.

Subsequent Events

Management evaluated subsequent events that occurred through September 18, 2019, the date on which the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

Investments

Investments are recorded at fair value as of year-end. In accordance with U.S. 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. 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.

In determining fair value, the Society uses various valuation approaches. The Society is subject to the FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, which establishes 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:

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

Level 2 - Valuations based on quoted prices of similar instruments in active markets or quoted prices of identical or similar instruments in markets that are not active or for which all significant inputs are observable, either directly or indirectly at the reporting date.

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

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. 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. During 2018 and 2017, there were no transfers among levels.

Receivables

Receivables are stated at the original invoice amounts, net of any estimated loss allowance, and due within one year. 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. The allowance is based on historical experience and management's evaluation of outstanding receivables. Based on past collections, no allowance is considered necessary.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

In-kind Contributions

Contributions of services are recognized by the Society as both revenues and expense if the services (a) create or enhance assets, and (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

In-kind contribution (editorial) represents the value of contributed honorarium for services performed. Additionally, the Society recorded in-kind contribution (rent) which represents the fair value of office space contributed to the Society by New York University.

Revenue Recognition

Dues and subscriptions are recognized over the term of the membership period. Dues and subscriptions collected in advance of the membership period are recorded as deferred revenue. Regional funds income is recorded as collected. Royalties are recognized when received. 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 U.S. 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. 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 by management among the programs and supporting services benefited. The statements of functional expenses present expenses by functional and natural classification. Accordingly, direct costs have been functionalized within the program and supporting services based on the nature of the expense. Indirect costs have been allocated on the basis of time and effort by employees.

Adoption of accounting pronouncement

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 amends financial-statement presentations and disclosures. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, and (iv) liquidity and availability of resources. ASU 2016-14 was

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

Adoption of accounting pronouncement

effective for annual reporting periods issued for years beginning after December 15, 2017. Accordingly, the Society was required to adopt ASU 2016-14 for its year ended December 31, 2018, which under U.S. GAAP was a change in accounting principle requiring retroactive application in the financial statements of certain areas, whereas certain other areas were adopted on a prospective basis. Although the Society's adoption of ASU 2016-14 had no effect on the Society's total net assets or its changes in net assets for 2018 and 2017, certain reclassifications were required. Accordingly, the Society changed its presentation of its net asset classes and expanded certain footnotes.

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 uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure to the financial statements at December 31, 2018 and 2017.

4. Fair value measurements

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

The following table presents information about the Society's investments measured at fair value as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
U.S. Equities	\$ 939,278	\$ -	\$ -	\$ 939,278
International Equities	915,186	-	-	915,186
Debt Funds	<u>471,752</u>	<u>-</u>	<u>-</u>	<u>471,752</u>
	<u>\$ 2,326,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,326,216</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

4. Fair value measurements

The following table presents information about the Society's investments measured at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
U.S. Equities	\$ 928,257	\$ -	\$ -	\$ 928,257
International Equities	1,022,470	-	-	1,022,470
Debt Funds	<u>468,353</u>	<u>-</u>	<u>-</u>	<u>468,353</u>
	<u>\$ 2,419,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,419,080</u>

5. Net assets with donor restrictions

Net assets with donor restrictions have been established as a result of contributions to the Society which have donor-imposed restrictions on their use. As of December 31, 2018 and 2017, net assets with donor restrictions of \$18,166 and \$17,923, respectively, were restricted for the Marschak Fund. 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. Contingency

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. Liquidity and availability of resources

The following reflects the Society's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of December 31, 2018 because of donor-imposed restrictions.

The Society's financial assets available for general use within one year of the statements of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 1,220,196
Investments	2,326,216
Accounts receivable	<u>271,155</u>
Total financial assets available within one year	<u>3,817,567</u>
Less:	
Amounts unavailable for general expenditures within one year due to restrictions by donors with purpose restrictions	<u>(18,166)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,799,401</u>



NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

7. Liquidity and availability of resources

Liquidity policy:

The Society's liquidity policy is to ensure that the Society operates with an adequate level of institutional liquidity to minimize risk associated with temporary, unforeseen liquidity needs. Liquid funds that are without donor restriction will be used to satisfy the minimum liquidity target.

ECONOMETRIC SOCIETY, INC.

SUPPLEMENTARY INFORMATION

SCHEDULES OF REVENUES WITHOUT DONOR RESTRICTIONS AND OTHER SUPPORT

Years Ended December 31,	2018	2017
Dues and subscriptions		
Membership income	\$ 585,349	\$ 591,649
Institutional publishing	698,010	557,578
	1,283,359	1,149,227
Investment (loss)/income		
Dividends:		
Spartan International Index	916	18,463
Federal Money Market	4,571	-
Government Money Market	2,049	1,335
Spartan 500 Index	12,823	15,454
S&P - Small Cap	282	-
Total Bond	4,365	4,594
Developed Markets	7,275	-
Spartan Short Term Treasury Bond	2,638	2,047
Inflation Protected	4,619	276
Emerging Markets	907	765
Far East Regional Fund	1,087	409
Latin America Regional Fund	297	82
Europe Regional Fund	1,526	1,510
Australia Regional Fund	247	69
Africa Regional Fund	48	7
North America Regional Fund	119	-
(Loss)/Gain on foreign exchange	(11,616)	18,753
Unrealized (losses)/gains	(818,383)	350,221
Realized gains	691,104	6,065
	(95,126)	420,050
In-kind contribution	13,160	90,332
Other revenues		
JSTOR	40,117	40,737
Regional meeting income	9,630	97,735
Regional surplus income	86,870	65,587
Permissions	1,000	13,760
List rentals	-	2,528
Job Market	8,500	-
Royalties	154,279	-
Donations	2,271	120,024
	302,667	340,371
Net assets released from restrictions	13	-
Total revenues without donor restrictions	\$ 1,504,073	\$ 1,999,980

ECONOMETRIC SOCIETY, INC.

SUPPLEMENTARY INFORMATION SCHEDULES OF REVENUES WITH DONOR RESTRICTIONS

Years Ended December 31,	2018	2017
Marschak Fund		
Dividends - Fidelity Spartan Money Market	<u>256</u>	<u>90</u>
Changes in net assets with donor restrictions	<u>\$ 256</u>	<u>\$ 90</u>