

THE ECONOMETRIC SOCIETY ANNUAL REPORTS
REPORT OF THE TREASURER

GOTHENBURG, SWEDEN
AUGUST 25–26, 2013

1. 2012 ACCOUNTS

TOTAL ASSETS OF THE ECONOMETRIC SOCIETY stood at \$2.71 million at the end of 2012 compared to \$2.65 million in 2011. The Society's net worth stood at \$1.88 million, an increase of 8.2% over the year. The increase in net worth was attributable partly to the capital gains on the Society's financial portfolio, which increased from \$2.287 million to \$2.404 million in 2012. Table I presents the balance sheet of the Society from 2009.

When financial gains and exceptional items are excluded from the analysis, the picture is less rosy. Table II gives the revenues of the Society and Table III gives the expenses. Non-financial income from the Society's publishing and meetings activity has remained static at around \$1.2 million, in spite of increases in subscription and membership rates. In contrast, the operating expenses of the Society have increased steadily since 2009. Figure 1 below summarizes the operating revenue and expenses from the Society's core activities from Tables II and III.

The increase in operating expenses reflects the higher costs on publishing activities following the launch of the Society's two new open source journals, *Theoretical Economics* and *Quantitative Economics* in 2010, as well as the increase in overall page count of the Society's journals. The increased costs also reflect the higher distribution and management expenses following the tender and renegotiation of the Society's publishing contract in 2011 and 2012. Net operating income from the Society's publishing and meetings activity was in deficit in 2012, at $-\$136,211$ and the deficit is expected to increase in 2013, with expected 2013 net operating income at $-\$197,500$.

The static nature of the operating income in the face of increases in subscription and membership rates reflect the declining trend in library subscriptions and suggest limited scope for increasing revenue through higher subscription rates alone. A possible source of income in future is charitable donations. Following the Society's incorporation as a Delaware non-stock corporation in December 2012, the Society is applying for charitable status to the US Internal Revenue Service which will allow the Society to receive tax-deductible gifts. Other activities that can bolster the Society's income are also being explored.

TABLE I
ECONOMETRIC SOCIETY BALANCE SHEETS, 2009–2012

(Unit U.S. Dollars)	2009	2010	2011	2012
Assets				
Current Assets	2,732,099	2,617,980	2,647,886	2,711,117
Cash and Cash Equivalents	811,092	734,417	638,434	637,706
Investments at Fair Value	1,587,168	1,603,643	1,649,474	1,766,437
Receivables	260,669	193,632	214,734	155,242
Publication Inventory	9,710	13,168	14,625	15,845
Other Current Assets	63,460	73,120	130,619	135,887
Other Assets	1,157	770	383	4,022
Total Assets	2,733,256	2,618,750	2,648,269	2,715,139
Liabilities				
Current Liabilities	810,849	826,204	908,125	831,866
Accounts Payable	147,795	212,502	170,454	133,136
Deferred Revenues	663,054	613,702	737,671	698,730
Net Worth	1,922,407	1,792,546	1,740,144	1,883,273
Unrestricted	1,764,575	1,621,667	1,584,298	1,728,378
Restricted	157,832	170,879	155,846	154,895
Total Liabilities	2,733,256	2,618,750	2,648,269	2,715,139

TABLE II
ECONOMETRIC SOCIETY REVENUES, 2009–2013

(Unit U.S. Dollars)	2009	2010	2011	2012	2013 Estimated
Dues and Subscriptions	900,563	1,120,581	1,046,607	1,078,643	1,100,000
Other Operating Revenue	102,521	109,514	56,791	61,387	62,000
Other Publishing Income	43,777	57,124	42,655	47,599	47,000
Meetings Income, Net	58,744	52,390	14,136	13,788	15,000
Total Operating Income	1,003,084	1,230,095	1,103,398	1,140,030	1,162,000
Investment Income	336,339	184,228	−63,729	222,241	155,585
Other Revenue	64,000	59,600	66,000	62,000	62,000
In-Kind Contribution (Rent)	60,000	48,600	56,000	62,000	68,000
Transfer From Restricted Account	4,000	11,000	10,000		
Total Unrestricted Revenue	1,403,423	1,473,923	1,105,669	1,424,271	1,379,585

TABLE III
ECONOMETRIC SOCIETY EXPENSES, 2009–2013

(Unit U.S. Dollars)	2009	2010	2011	2012	2013 Estimated
Publishing	673,935	762,668	737,772	849,717	885,000
Editorial	394,737	446,164	420,471	405,127	410,000
Circulation	92,898	107,554	119,745	170,340	200,000
Production	160,204	192,727	185,597	263,523	260,000
Other Publishing Expense	26,096	16,223	11,959	10,727	15,000
Administrative	299,286	262,013	284,988	309,018	340,000
Salaries and Benefits	152,204	148,744	188,105	213,551	215,000
Imputed Rent Expense	60,000	48,600	56,000	62,000	62,000
Professional Fees	73,240	39,945	34,650	20,500	50,000
Other Administrative	13,842	24,724	6,233	12,967	13,000
Executive Committee	33,588	25,188	35,514	58,285	55,000
Travel Expense	19,068	9,758	12,880	38,981	35,000
Accommodation	11,557	5,834	14,740	9,794	10,000
Other Executive Committee Costs	2,963	9,596	7,894	9,510	10,000
Regional Grants	56,459	102,933	75,162	54,864	75,000
Other Operating Expenses	5,161	21,806	4,198	4,357	4,500
Total Operating Expenses	1,068,429	1,174,608	1,137,634	1,276,241	1,359,500
<i>Net Operating Income</i>	<i>-65,345</i>	<i>55,487</i>	<i>-34,236</i>	<i>-136,211</i>	<i>-197,500</i>
Exceptional Expenses	56,459	545,156	85,162	61,758	75,000
World Congress Expenses	0	354,922	0	0	0
Penalties and Interest		85,000	10,000	6,894	
Tax		2,301			
Total Unrestricted Costs	1,124,888	1,719,764	1,222,796	1,337,999	1,434,500
<i>Net Unrestricted Income</i>	<i>278,535</i>	<i>-245,841</i>	<i>-117,127</i>	<i>86,272</i>	<i>-54,915</i>

TABLE IV
WORLD CONGRESS FUND, 2008–2012

	2008	2009	2010	2011	2012
	\$	\$	\$	\$	\$
<i>A. Income</i>	80,000	80,000	115,000	80,000	80,000
1. Transfer From General Fund	80,000	80,000	115,000	80,000	80,000
<i>B. Expenses</i>	0	0	435,000	0	0
1. Travel Grants	0	0	323,800	0	0
2. Transfer to Local Organizer	—	—	35,000	—	—
3. Transfer to General Fund	0	0	76,200	0	0
<i>C. Fund Balance</i>	320,000	400,000	80,000	160,000	240,000

TABLE V
RESTRICTED ACCOUNTS, 2008–2012

	2008	2009	2010	2011	2012
	\$	\$	\$	\$	\$
<i>A. Jacob Marschak Fund</i>					
1. Investment Income	723	157	6	2	2
2. Expenses	4,000	4,000	0	0	0
3. Fund Balance	21,649	17,806	17,812	17,814	17,816
<i>B. Far Eastern Fund</i>					
1. Transfer from Region	0	20,314	0	0	0
2. Investment Income	2,031	423	28	8	9
3. Expenses	4,000	0	0	10,000	0
4. Fund Balance	68,047	88,784	88,812	78,820	78,829
<i>C. Latin American Fund</i>					
1. Investment Income	636	140	8	2	2
2. Expenses	0	0	0	0	1,260
3. Fund Balance	22,577	22,717	22,725	22,727	21,470
<i>D. European Fund</i>					
1. Investment Income	-26,892	10,827	3,692	-5,045	6,574
2. Transfer to Region	0	0	11,000	0	6,279
3. Fund Balance	38,011	48,838	41,530	36,485	36,780

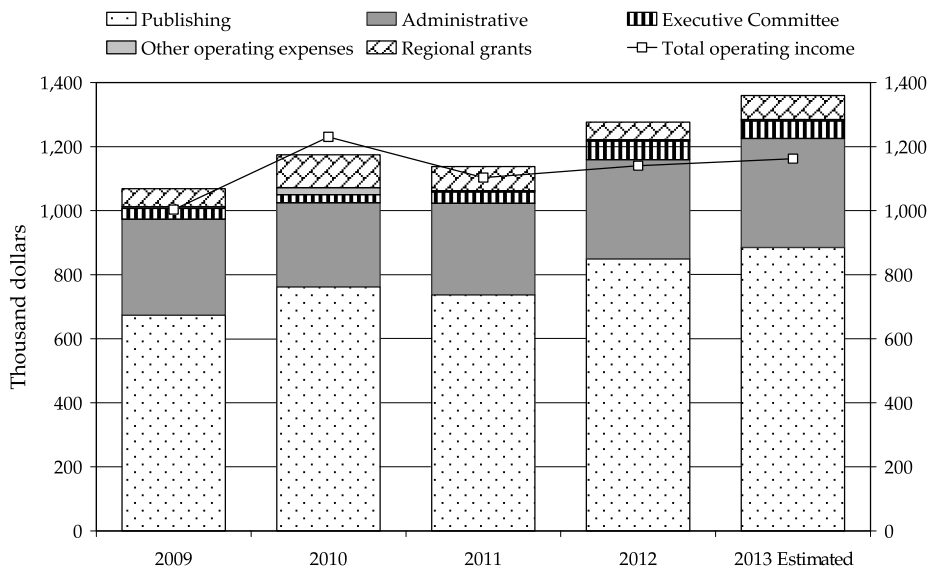


FIGURE 1.—Operating income and operating expenses of the Econometric Society excluding financial income and exceptional items (see Table III for details).

Away from the Society's operating expenses, Table III also records the one-time expenses associated with the penalties imposed by the Internal Revenue Service for the late filing of the tax returns for 2009, 2010, and 2011. A total of \$104,195 has been accrued for the IRS penalties by the Society's auditors. The Executive Committee has appointed a committee to establish the circumstances of the penalties and to recommend safeguards to prevent a recurrence such penalties in future. Audited accounts are now posted on the Society's website. The Society has engaged Schulman Lobel of North Brunswick, New Jersey as its new accounting firm to assist us with book-keeping and advise us on compliance requirements. Rothstein, Kass & Company, 1350 Avenue of the Americas, New York, NY 10019 audited the financial statements for the calendar years 2010, 2011, and 2012 during the course of the last year and are now posted on the Society's webpage.

2. MEMBERSHIP AND INSTITUTIONAL SUBSCRIPTION RATES

The Executive Committee decided in 2009 to introduce a three-tier pricing scheme for institutional subscriptions. The tiers are based on the World Bank classification of countries, with a high income tier, a middle income tier, and a low income tier comprising those economies classified as low income by the World Bank plus the International Development Association (IDA) countries. Income classifications are set by the World Bank each year on July 1.

The Executive Committee agreed by e-mail in June 2013 to increase the institutional subscription rates by 6% across the board for 2014 compared to the 2013 rates, which are indicated below.

	2013
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High income	
Print + Online	\$700
Online only	\$550
Middle income	
Print + Online	\$200
Online only	\$150
Low income	
Print + Online	\$75
Online only	\$10

Print + Online subscribers receive hard copies of the three Econometric Society journals (*Econometrica*, *Quantitative Economics*, and *Theoretical Economics*) for the corresponding year and have free online access to volumes of *Econometrica* back to 1999 (*Quantitative Economics* and *Theoretical Economics* are open access). Online only subscribers do not get the hard copies

of the journals. Since 2006, institutional subscribers to *Econometrica* have perpetual online access to the volumes to which they subscribed.

The Executive Committee agreed in August 2013 to revise individual membership rates for 2014 in the following manner:

	2013	2014
Ordinary member (High income)		
Print + Online	\$150	\$165
Online only	\$100	\$110
Ordinary member (Middle and low income)		
Print + Online	\$75	\$80
Online only	\$25	\$25
Student member		
Print + Online	\$75	\$75
Online only	\$25	\$25

Members that choose the Print + Online option receive hard copies of the three Econometric Society journals for the corresponding year and have free online access to volumes of *Econometrica* back to 1933 (*Quantitative Economics* and *Theoretical Economics* are open access).

3. INVESTMENTS

The Society's Investments Committee consists of the Executive Vice-President and two Fellows appointed by the Executive Committee for a term of three years that can be renewed once. Until June 30, 2012, the appointed Fellows were Darrell Duffie and Hyun Song Shin, and from July 1, 2012 until December 31, 2012, the appointed Fellows were Darrell Duffie and Rafael Repullo. On January 1, 2013 Rafael Repullo was replaced by Jose Scheinkman.

The composition of the Society's portfolio at the beginning of 2013 was close to the benchmark asset allocation of 20 percent cash and short-term US government bonds, 15 percent other bonds, 30 percent US equities, 30 percent international equities, and 5 percent emerging market equities. In January 2013, the Committee executed a modest rebalancing away from long-term bonds.

On 7/31/2013, the total value of the unrestricted investment portfolio was \$2,045,872. The breakdown by type of asset was 18.4 percent cash and short-term US government bonds, 10.9 percent other bonds, 33.9 percent US equities, 31.0 percent international equities, and 5.7 percent emerging markets equities (Table VI, final column). The overall return on the unrestricted portfolio from the end of 2012 to July 31, 2013 was 7.93 percent taking account of net transfers. All investments are in no-load Fidelity mutual funds. A separate

TABLE VI
ECONOMETRIC SOCIETY INVESTMENT PORTFOLIO

Name of Fund	Market Value 7/31/2012		Market Value 12/31/2012		Market Value 7/31/2013	
	\$	%	\$	%	\$	%
<i>Unrestricted Investment Portfolio</i>	2,064,295	100.0	1,894,697	100.0	2,045,872	100.0
Fidelity Money Market	205,032	9.9	165,039	8.7	165,049	8.1
Spartan S/T Treasury Bond	206,952	10.0	191,948	10.1	211,397	10.3
Fidelity Total Bond	154,213	7.5	136,081	7.2	94,234	4.6
Fidelity Inflation Protected Bond	168,322	8.2	139,463	7.4	129,898	6.3
Spartan 500 Index	641,304	31.1	579,453	30.6	692,897	33.9
Spartan International Index	588,301	28.5	582,065	30.7	634,533	31.0
Fidelity Emerging Markets	100,171	4.9	100,647	5.3	116,864	5.7
Fidelity Govt. Money Market					1,000	0.0
<i>Restricted Investment Portfolio</i>	161,127	100.0	154,893	100.0	158,204	100.0
Fidelity Money Market	119,369	74.1	118,113	76.3	118,121	74.7
Spartan International Index	41,759	25.9	36,780	23.7	40,083	25.3
<i>Working Capital</i>	271,429	100.0	477,485	100.0	383,830	100.0
Fidelity Cash Reserves	164,710	60.7	4,712	1.0	4,712	1.2
Northern Trust Accounts	106,719	39.3	472,773	99.0	379,118	98.8
<i>Total Financial Assets</i>	2,496,851		2,527,075		2,587,906	

account fully invested in the Fidelity Cash Reserves Fund is used to manage the liquidity of the Society without interfering with the allocation of its investments.

HYUN SONG SHIN