

EISNERAMPER

ECONOMETRIC SOCIETY, INC.

FINANCIAL STATEMENTS

**DECEMBER 31, 2017 and 2016
(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, 2017 and 2016, and the related statements of activities and changes in net assets, 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, 2017 and 2016, 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 unrestricted revenues and other support, unrestricted costs and expenses, and temporarily restricted revenues on page 11 through 13 is presented for purposes of additional analysis and is 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
June 7, 2018

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ECONOMETRIC SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31,	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 867,092	\$ 591,431
Investments	2,419,080	1,979,846
Receivables	456,329	314,778
Publication inventory	8,456	10,148
Other current assets	15,200	172,692
Total current assets	<u>3,766,156</u>	<u>3,068,895</u>
Furniture and equipment		
Furniture and equipment	-	3,576
Accumulated depreciation	-	(2,502)
Furniture and equipment, net	<u>-</u>	<u>1,074</u>
	<u>\$ 3,766,156</u>	<u>\$ 3,069,969</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 96,526	\$ 76,071
Deferred revenues	776,443	637,777
Total current liabilities	<u>872,969</u>	<u>713,848</u>
Net assets		
Unrestricted	2,875,264	2,338,288
Temporarily restricted	17,923	17,833
Total net assets	<u>2,893,187</u>	<u>2,356,121</u>
	<u>\$ 3,766,156</u>	<u>\$ 3,069,969</u>

ECONOMETRIC SOCIETY, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31,	2017	2016
UNRESTRICTED NET ASSETS		
Revenues and other support		
Dues and subscriptions	\$ 1,149,227	\$ 1,238,562
Investment gains		
Unrealized gains	350,221	65,021
Realized gains	6,065	6,600
Gain on foreign exchange	18,753	-
Dividend and interest income	45,011	40,761
	420,050	112,382
In-kind contribution	90,332	102,000
Other revenues	340,371	367,673
Total revenues	1,999,980	1,820,617
Net assets released from restriction	-	-
Total revenues and other support	1,999,980	1,820,617
Expenses		
Program services		
Publishing	760,038	776,562
Total program services	760,038	776,562
Supporting services		
Administrative	630,274	727,165
Website	14,497	21,870
Executive committee	58,195	83,711
Total supporting services	702,966	832,746
Total expenses	1,463,004	1,609,308
Change in unrestricted net assets	536,976	211,309
TEMPORARILY RESTRICTED NET ASSETS		
Revenues		
Investment gains		
Dividend and interest income	90	9
Total revenues	90	9
Net assets released from restriction	-	-
Change in temporarily restricted net assets	90	9
Increase in net assets	\$ 537,066	\$ 211,318
Net assets, beginning of year	2,356,121	2,144,803
Net assets, end of year	\$ 2,893,187	\$ 2,356,121

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

ECONOMETRIC SOCIETY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31,	2017	2016
Cash flows from operating activities		
Increase in net assets	\$ 537,066	\$ 211,318
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	596	715
Unrealized gains	(350,220)	(65,021)
Realized gains	(6,065)	(6,600)
Loss on asset disposal	478	-
Changes in operating assets and liabilities:		
Receivables	(141,551)	114,580
Publication inventory	1,692	3,028
Other current assets	157,492	(28,105)
Accounts payable and accrued expenses	20,455	(25,849)
Deferred revenues	138,666	(82,760)
Net cash provided by operating activities	<u>358,609</u>	<u>121,306</u>
Cash flows from investing activities		
Purchases of investments	<u>(82,948)</u>	<u>(40,107)</u>
Net cash used in investing activities	<u>(82,948)</u>	<u>(40,107)</u>
Increase in cash and cash equivalents	275,661	81,199
Cash and cash equivalents, beginning of year	<u>591,431</u>	<u>510,232</u>
Cash and cash equivalents, end of year	<u>\$ 867,092</u>	<u>\$ 591,431</u>

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

ECONOMETRIC SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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.

Financial Statement Presentation

Under the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("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. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations and are not subject to donor restriction.

Temporarily Restricted Net Assets – 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 temporarily restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Society's actions. The restrictions stipulate that resources be maintained permanently, but permit the Society to expend the income generated in accordance with the provisions of the agreements.

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.

ECONOMETRIC SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

2. Summary of significant accounting policies (continued)

Subsequent Events

Management evaluated subsequent events that occurred through June 7, 2018, the date on which the financial statements were available to be issued.

Investments

Investments are recorded at fair value as of year-end. 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. 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 2017 and 2016, there were no transfers among levels.

ECONOMETRIC SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

2. Summary of significant accounting policies (continued)

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. The allowance is based on historical experience and management's evaluation of outstanding receivables. Based on past collections, no allowance is considered necessary.

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.

ECONOMETRIC SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

2. Summary of significant accounting policies (continued)

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 Society incurs minimal fundraising costs.

3. Tax-exempt status

The Society is a not-for-profit Organization as described in Section 501(c)(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, 2017 and 2016.

4. Recent 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, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard is effective for fiscal years beginning after December 15, 2017. The Society will adopt this new pronouncement in 2018.

5. 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, 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>

ECONOMETRIC SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

5. Fair value measurements (continued)

The following table presents information about the Society's investments measured at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
U.S. Equities	\$ 765,910	\$ -	\$ -	\$ 765,910
International Equities	796,926	-	-	796,926
Debt Funds	<u>417,010</u>	<u>-</u>	<u>-</u>	<u>417,010</u>
	<u>\$ 1,979,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,979,846</u>

6. 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. As of December 31, 2017 and 2016, temporarily restricted net assets of \$17,923 and \$17,833, 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.

7. 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.

8. 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 AND OTHER SUPPORT

Years Ended December 31,	2017	2016
Dues and subscriptions	<u>\$ 1,149,227</u>	<u>\$ 1,238,562</u>
Investment income		
Interest Income	-	-
Dividends:		
Fidelity Spartan International Index	18,463	18,475
Fidelity Money Market	0	3
Fidelity Government Money Market	1,335	584
Spartan 500 Index	15,454	14,042
Fidelity Cash Reserves	-	-
Fidelity Total Bond	4,594	3,689
Fidelity Spartan Short Term Treasury Bond	2,047	1,660
Fidelity Inflation Protected	276	192
Fidelity Emerging Markets	765	699
Far East Regional Fund	409	41
Latin America Regional Fund	82	12
Europe Regional Fund	1,510	1,357
Australia Regional Fund	69	7
Africa Regional Fund	7	-
Gain on foreign exchange	18,753	-
Unrealized gains	350,221	65,021
Realized gains	6,065	6,600
	<u>420,050</u>	<u>112,382</u>
In-kind contribution	<u>90,332</u>	<u>102,000</u>
Other revenues		
Back issues	40,737	44,489
Meetings income	97,735	200,418
Regional funds	65,587	85,975
Permission and copies	13,760	295
Advertising	-	4,100
Reprints	-	-
List rentals	2,528	829
Royalties and donations	120,024	31,567
	<u>340,371</u>	<u>367,673</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>
Total unrestricted revenues	<u>\$ 1,999,980</u>	<u>\$ 1,820,617</u>

ECONOMETRIC SOCIETY, INC.

SUPPLEMENTARY INFORMATION SCHEDULES OF UNRESTRICTED EXPENSES

Years Ended December 31,	2017	2016
Publishing		
Editorial	\$ 408,336	\$ 408,448
Circulation	127,472	158,398
Production	208,507	208,259
Editorial (in-kind)	5,332	-
Editorial meetings and dinners	1,391	1,457
Editorial software	9,000	-
	<u>760,038</u>	<u>776,562</u>
Administrative		
Salaries and benefits	261,116	246,090
Rent expense (in-kind)	85,000	102,000
Professional fees	37,802	69,789
Office	9,727	10,847
Professional development	-	-
Depreciation	596	715
Bank charges	34,502	25,726
Loss on foreign exchange	-	2,861
Loss on asset disposal	478	-
Grants and regional meeting expenses	155,266	221,030
Young Economist activities expenses	25,000	46,940
World Congress expenses	20,000	-
Lecture expense	-	-
Marschak lecture expense	-	-
Penalties and interest	25	865
Travel expenses	762	302
	<u>630,274</u>	<u>727,165</u>
Website	<u>14,497</u>	<u>21,870</u>
Executive committee		
Airfare and transportation	32,961	31,648
Hotel	16,359	29,887
Registration	722	6,217
Meals and entertainment	7,706	5,959
Per diem	447	622
Regional meetings	-	9,378
	<u>58,195</u>	<u>83,711</u>
Total unrestricted expenses	<u>\$ 1,463,004</u>	<u>\$ 1,609,308</u>

ECONOMETRIC SOCIETY, INC.

SUPPLEMENTARY INFORMATION SCHEDULES OF TEMPORARILY RESTRICTED REVENUES

Years Ended December 31,	2017	2016
Marschak Fund		
Dividends - Fidelity Spartan Money Market	<u>90</u>	<u>9</u>
Changes in temporarily restricted net assets	<u><u>\$ 90</u></u>	<u><u>\$ 9</u></u>