

WESTERN ECONOMIC ASSOCIATION
INTERNATIONAL
FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

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September 19, 2003

INDEPENDENT AUDITORS' REPORT

Board of Directors
Western Economic Association International

We have audited the accompanying statements of financial position of Western Economic Association International as of June 30, 2003 and 2002, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Company'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, the financial statements referred to above present fairly, in all material respects, the financial position of Western Economic Association International as of June 30, 2003 and 2002, 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.

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL

STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>June 30,</u>	
	<u>2003</u>	<u>2002</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 396,158	\$247,620
Subscription receivable	158,405	170,089
Accounts receivable	22,546	10,266
Prepaid expenses	<u>10,732</u>	<u>10,732</u>
Total Current Assets	<u>587,841</u>	<u>438,707</u>
INVESTMENTS	<u>542,659</u>	<u>531,748</u>
FIXED ASSETS, at cost		
Less net of accumulated depreciation of \$48,027 for 2003 and \$53,966 for 2002	<u>21,872</u>	<u>25,750</u>
TOTAL ASSETS	<u>\$1,152,372</u>	<u>\$ 996,205</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 64,054	\$ 39,747
Contract payable	32,186	31,493
Unearned revenue	235,008	245,884
Unearned advances	<u>42,884</u>	<u>24,094</u>
Total Current Liabilities	<u>374,132</u>	<u>341,218</u>
LONG-TERM LIABILITIES		
Unearned revenue	<u>22,445</u>	<u>19,354</u>
Total long-term liabilities	<u>22,445</u>	<u>19,354</u>
TOTAL LIABILITIES	<u>396,577</u>	<u>360,572</u>
NET ASSETS – UNRESTRICTED	<u>755,795</u>	<u>635,633</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,152,372</u>	<u>\$ 996,205</u>

See Notes to the Financial Statements and Independent Auditor's Report

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL
STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS

	For the Years Ending June 30,	
	<u>2003</u>	<u>2002</u>
REVENUE		
Individual membership	\$ 93,133	\$ 99,364
Institutional membership	12,880	15,850
Economic inquiry revenue	266,457	265,633
CEP revenue	152,540	129,957
Annual conference revenue	149,565	161,014
Pacific Rim conference revenue	<u>15,860</u>	<u>140</u>
Total Revenue	<u>690,435</u>	<u>671,958</u>
EXPENSES		
General and administrative	86,908	79,635
Membership maintenance and services	46,909	42,813
Economic inquiry expenses	183,553	168,830
CEP expenses	125,075	117,337
Annual conference expenses	126,889	152,433
Pacific Rim conference expenses	<u>40,431</u>	<u>9,048</u>
Total Expenses	<u>609,765</u>	<u>570,096</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES FROM OPERATIONS	<u>80,670</u>	<u>101,862</u>
OTHER REVENUE (EXPENSES)		
Interest and dividends	15,965	15,833
Gain (loss) on sale of assets	(17,738)	(36,944)
Net unrealized gains (losses)	36,999	(33,330)
Miscellaneous income (expense)	<u>4,266</u>	<u>(2,612)</u>
Total Other Revenue (Expense)	<u>39,492</u>	<u>(57,053)</u>
INCREASE IN NET ASSETS – UNRESTRICTED	120,162	44,809
NET ASSETS AT BEGINNING OF YEAR	<u>635,633</u>	<u>590,824</u>
NET ASSETS AT END OF YEAR	<u>\$755,795</u>	<u>\$635,633</u>

See Notes to the Financial Statements and Independent Auditor's Report

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL

STATEMENTS OF CASH FLOWS

	For the Years Ending June 30,	
	<u>2003</u>	<u>2002</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in net assets	<u>\$120,162</u>	<u>\$ 44,809</u>
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	7,109	8,239
(Gain) loss on sale of assets	17,738	36,944
Unrealized (gains) losses on investments	(36,999)	33,330
(Increase) decrease in prepaid expenses		9,600
(Increase) decrease in receivables	(596)	(14,681)
Increase (decrease) in accounts and contracts payable	25,000	3,924
Increase (decrease) in unearned revenue and advances	<u>11,005</u>	<u>(6,991)</u>
Total adjustments	<u>23,257</u>	<u>70,365</u>
Net cash provided by (used in) operating activities	<u>143,419</u>	<u>115,174</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(3,564)	(25,813)
Proceeds from sale of investments and distributions	272,463	199,455
Purchase and reinvestments of investments	<u>(263,780)</u>	<u>(217,089)</u>
Net cash provided (used) by investing activities	<u>5,119</u>	<u>(43,447)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>148,538</u>	<u>71,727</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>247,620</u>	<u>175,893</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$396,158</u>	<u>\$247,620</u>
SUPPLEMENTAL DISCLOSURES		
INTEREST PAID	NONE	NONE
TAXES PAID	NONE	NONE

See Notes to the Financial Statements and Independent Auditor's Report

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Western Economic Association International is a non-profit organization founded in 1922. Its purposes are to encourage economic research and discussion and to disseminate economic knowledge. It accomplishes this through the publication of journals, Economic Inquiry and Contemporary Economic Policy, and organizing conferences. Approximately 26% of all journals are distributed internationally. The annual conference is held in the western United States or Western Canada. The Pacific Rim conference is held internationally on a bi-annual basis.

Basis of Accounting

The accounting records of Western Economic Association International are maintained on the accrual basis of accounting. Subscription revenue is recognized ratably over the length of the subscription term and matched against appropriate publication expenses. Annual conference income and expenses are matched and recorded in the year to which the conference relates.

Net assets are categorized as unrestricted, temporarily restricted, or permanently restricted, a description of which is as follows:

Unrestricted net assets is utilized to record memberships, journal and conference income and other forms of unrestricted revenue and expenditures related to the general operations and special events efforts of the organization that are not restricted by the donor through uses or time restrictions.

Temporarily restricted net assets is utilized to record resources received that are temporarily restricted as to use or expiration of time. Contributions whose restrictions are met in the same reporting period are recorded as unrestricted. The organization has no temporarily restricted net assets.

Permanently restricted net assets is utilized to record resources received that are permanently restricted as to use by the donor or grantor. The organization does not currently have any such resources.

Tax Exempt Status

The Association is classified as a non-profit organization under IRS code section 501(c)(3), is exempt from income taxes, and has no unrelated business income tax liability. The Association is classified as other than a private foundation.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reported period.

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the cash flows statement, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less and certificates of deposit to be cash equivalents.

Subscription and Accounts Receivable

The Association uses the allowance method to record doubtful accounts receivable. There was no allowance for the year ending June 30, 2003 and 2002, as management has determined that all receivables are current and collectible.

Subscriptions receivable represent amounts collected by Oxford University Press under a journal publishing agreement as noted in Note 7.

Prepaid expenses

Prepaid expenses consist mostly of rent and July editorial office advances.

Fixed Assets

Equipment with a useful life of more than one year is capitalized at cost if purchased or fair value if donated and depreciated on a straight line basis, generally three to five years. Repairs and maintenance in the nature of improvements are capitalized whereas normal repairs and maintenance are expensed in the year incurred.

Software used regarding membership information and conference management is being amortized over seven years.

Fixed assets were as follows at June 30:

	<u>2003</u>	<u>2002</u>
Equipment	\$42,913	\$55,516
Software	<u>26,986</u>	<u>24,200</u>
	69,899	79,716
Less accumulated depreciation & amortization	<u>(48,027)</u>	<u>(53,966)</u>
	<u>\$21,872</u>	<u>\$ 25,750</u>

Depreciation and amortization for the years ending June 30 were:

Depreciation	\$ 3,519	\$ 4,782
Amortization	<u>3,590</u>	<u>3,457</u>
	<u>\$ 7,109</u>	<u>\$ 8,239</u>

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

Subscriptions and memberships received in advance are treated as revenue of the future period or periods in which they are earned. These amounts carried as unearned revenue represent a liability to render services in the future until the earnings process is complete. As of June 30, 2003 and 2002, unearned revenue was \$257,453 and \$265,238, respectively. The long term portion of \$22,445 and \$19,354 of June 30, 2003 and 2002, represent payments received in advance for three year subscriptions and memberships.

Investments

Investments are stated at fair market value. Net realized and unrealized gains and losses on investments are reflected in the Statement of Activities. Investments, when purchased are recorded at cost, when donated are recorded at market value at date of gift.

NOTE 2 – INVESTMENTS

Investments are stated at market value and summarized as follows as of June 30:

	<u>2003</u>		<u>2002</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Mutual funds	\$ 21	\$ 19	\$ 21	\$ 19
Government securities	120,744	129,450	137,557	142,765
Stock	412,243	394,470	418,871	367,563
Corporate fixed income	<u>17,907</u>	<u>18,720</u>	<u>20,554</u>	<u>21,401</u>
	<u>\$550,915</u>	<u>\$542,659</u>	<u>\$577,003</u>	<u>\$531,748</u>

As of June 30, 2003 and 2002, net unrealized gains and (losses) were (\$8,256) and (\$45,255) respectively on unrestricted investments.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Association at times may have cash balances that exceed insured limits. At June 30, 2003 and 2002 there were uninsured cash balances of \$276,458 and \$123,784 respectively. Investments, as noted in Note 2, are subject to risk of market fluctuations.

As noted in Note 1, 27% of the Association's subscriptions are from international sources, and the Association periodically holds conferences in foreign countries, which are subject to the world economy.

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

NOTE 4 - RETIREMENT PLAN

During the fiscal year June 30, 1995, the Association implemented an Internal Revenue Service Code 403 (b) tax shelter annuity for all eligible employees. Employee contributions made to the plan for the fiscal year ending June 30, 2003 and 2002 were \$6,735 and \$2,900 respectively.

NOTE 5 - FUNCTIONAL EXPENSES

Western Economic Association International expenses are functionally classified as follows:

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Program Services	\$475,948	\$447,648
Management and General	86,908	79,365
Memberships	<u>46,909</u>	<u>42,813</u>
	<u>\$ 609,765</u>	<u>\$570,096</u>

NOTE 6 – LEASES

The terms of the lease are from May 2003 through April 2006 at a rental rate of \$1,565.50 per month.

Total rental expense for the years ending June 30, 2003 and 2002 were \$18,486 and \$19,422 respectively. Minimum rent payments for the years ending June 30 are as follows:

<u>Year</u>	<u>Total</u>
2004	\$ 18,786
2005	18,786
2006	<u>15,655</u>
	<u>\$ 53,227</u>

NOTE 7 – PUBLISHING AGREEMENT

The Association has entered into a journal publishing agreement, effective June 1998 through December 31, 2004, subject to various termination and extension options, with Oxford University Press (OUP). The parties have agreed that OUP shall share the responsibilities for producing, marketing and distributing the Association's journals. As part of the agreement OUP will collect subscriptions, pay certain expenditures on behalf of the Association, and periodically make an accounting and settlement to the Association.

As of June 30, 2003 and 2002, OUP held \$158,405 and \$170,089 respectively in subscriptions collected and had remitted \$42,884 and \$24,094 respectively in unearned advances.