

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL
FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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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, 2010 and 2009, 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 Association'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, 2010 and 2009, 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.

Long Beach, California

December 27, 2010

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2010	2009
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 222,240	\$ 58,377
Subscription Receivable	157,368	301,082
Accounts Receivable	6,024	
Prepaid Expenses	3,096	5,072
TOTAL CURRENT ASSETS	388,728	364,531
INVESTMENTS	1,355,772	1,166,669
FIXED ASSETS, net of		
Accumulated Depreciation	49,838	62,327
TOTAL ASSETS	\$ 1,794,338	\$ 1,593,527

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 62,675	\$ 56,350
Unearned Revenue	264,059	264,066
TOTAL CURRENT LIABILITIES	326,734	320,416
NONCURRENT LIABILITIES		
Unearned Revenue	15,013	15,877
TOTAL LIABILITIES	341,747	336,293
NET ASSETS		
Unrestricted	1,452,591	1,257,234
TOTAL LIABILITIES AND NET ASSETS	\$ 1,794,338	\$ 1,593,527

See independent auditors' report and notes to financial statements

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	June 30,	
	2010	2009
SUPPORT AND REVENUE		
Individual Membership	\$ 80,617	\$ 81,413
Institutional Membership	15,908	12,600
EI Revenue	364,733	352,165
CEP Revenue	148,193	144,683
Annual Conference Revenue	186,329	164,364
Pacific Rim Conference Revenue		84,769
TOTAL SUPPORT AND REVENUE	795,780	839,994
EXPENSES		
General and Administrative	\$ 155,276	139,205
Membership Maintenance and Services	51,403	38,927
EI Expenses	225,605	211,251
CEP Expenses	107,982	114,867
Annual Conference Expenses	189,375	201,692
Pacific Rim Conference Expenses	12,016	50,614
TOTAL OPERATING EXPENSES	741,657	756,556
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES FROM OPERATIONS	54,123	83,438
OTHER REVENUE (EXPENSES)		
Interest and Dividends	27,861	22,138
Gain (Loss) on Sale of Assets		(3,179)
Net Unrealized Gains (Losses)	108,790	(260,184)
Other Income (Expense)	4,583	9,360
TOTAL OTHER REVENUE	141,234	(231,865)
CHANGE IN NET ASSETS	195,357	(148,427)
BEGINNING NET ASSETS	1,257,234	1,383,732
Prior Period Adjustment		21,929
BEGINNING NET ASSETS, Adjusted	1,257,234	1,405,661
ENDING NET ASSETS	1,452,591	1,257,234

See independent auditors' report and notes to financial statements

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	June 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets		
Unrestricted	\$ 195,357	\$ (148,427)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	20,330	19,699
Unrealized (gains) losses on investments	(108,790)	260,184
(Increase) decrease in receivables	137,690	18,284
(Increase) decrease in prepaid expenses	1,976	5,925
Increase (decrease) in payables and accrued expenses	6,325	17,023
Increase (decrease) in unearned revenue	(871)	18,290
NET CASH PROVIDED BY OPERATING ACTIVITIES	252,017	190,978
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(7,840)	(12,840)
Purchase of marketable securities	(145,483)	(1,309,357)
Proceeds from sale of marketable securities	65,169	920,569
NET CASH USED IN INVESTING ACTIVITIES	(88,154)	(401,628)
NET DECREASE IN CASH AND CASH EQUIVALENTS	163,863	(210,650)
BEGINNING CASH AND CASH EQUIVALENTS	58,377	269,027
ENDING CASH AND CASH EQUIVALENTS	\$ 222,240	\$ 58,377

SUPPLEMENTAL DEISCLOSURES OF CASH FLOW INFORMATION

INTERST PAID	NONE	NONE
TAXES PAID	NONE	NONE

See independent auditors' report and notes to financial statements

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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 40% of the journals are being internationally distributed both in print and through electronic access. 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.

Tax Exempt Status

The Association is classified as a non-profit organization under Section 501 (c)(3) of the Internal Revenue Code, is exempt from federal and state income taxes. The Association is classified as other than a private foundation. The Association pays taxes on unrelated business income, if applicable.

Basis of Accounting

The accounting records are maintained on the accrual basis of accounting.

Basis of Presentation

The Association reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of each of these net assets is as follows:

- *Unrestricted net assets* – Unrestricted net assets represent net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the organization.
- *Temporarily restricted net assets* – Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.
- *Permanently restricted net assets* – Permanently restricted net assets are utilized to record resources received that are permanently restricted as to use by the donor or grantor.

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, liabilities, revenues and expenses and disclosures of contingent obligations at the date of the financial statements and accompanying notes.

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Correction of Error in Comparative Financial Statements

As disclosed in Note 5, the Association has a journal publishing agreement in which the publishing company keeps records on a calendar year basis. During the current fiscal year, it was discovered that Wiley-Blackwell's semi-annual income and expense cut-offs that correspond to the Association's fiscal year were inconsistently reported to the Association. As a result, the Association has restated its previously issued financial statements for the year ended June 30, 2009 for matters related to the following previously reported items: EI revenue, CEP revenue, accounts receivable, and unearned revenue. The accompanying financial statements for year ended June 30, 2009 have been restated to reflect the corrections. Retained earnings as of June 30, 2009 were increased by \$21,929 as a result of adjustments to subscription revenue.

The following is a summary of the restatements for the year ended June 30, 2009:

Statement of Activities and Change in Net Assets

Beginning net assets, as previously reported	\$ 1,383,732
Prior period adjustment – Error in allocation of subscription revenue	<u>\$ 21,929</u>
Beginning net assets, as restated	\$ 1,405,661
Reduction in EI revenue	\$ (28,285)
Reduction in CEP revenue	\$ (14,262)
Reduction in change in net assets	<u>\$ (42,547)</u>

Statement of Financial Position

Increase of previously reported subscription receivable	\$ 5,663
Increase of previously reported unearned revenue, current	\$ 33,912
Reduction of previously reported unearned revenue, noncurrent	\$ 7,631

There was no income tax effect for the year ended June 30, 2009.

Cash and Cash Equivalents

All highly-liquid debt instruments purchased with original maturities of three months or less are considered to be cash equivalents.

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Accounting standards codification (ASC) 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair market value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data are available. The fair value hierarchy gives lowest priority to level 3 inputs.

The carrying values of cash and cash equivalents and assets, carried at fair value as of June 30, 2010 are classified in the table below in accordance with the categories described above:

	<u>Fair Value Measurements at June 30, 2010</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash & Cash Equivalents	\$ 222,240			\$ 222,240
Mutual Fund Investments	1,355,772			1,355,772
	<u>\$ 1,578,012</u>			<u>\$ 1,578,012</u>

As of June 30, 2010, the Organization had no assets that were valued using Level 2 or Level 3 inputs.

Net realized and unrealized gains and losses on restricted and unrestricted investments are reflected in the statement of activities.

Subscription and Accounts Receivable

Subscriptions receivable represent amounts collected by Wiley-Blackwell under a journal publishing agreement as noted in Note 5.

The Association uses the allowance method to record doubtful accounts receivable. There was no allowance for the years ended June 30, 2010 and 2009, as management has determined that all receivables are current and collectible.

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid expenses

Prepaid expenses include prepaid rent for the leased office.

Fixed Assets

Furniture and equipment are carried at cost or, if donated, at the fair market value at date of donation. Depreciation is provided on the straight-line method over estimated useful lives of three to seven years. Software used regarding membership information and conference management is amortized over seven years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repair and maintenance costs are expensed as incurred.

Unearned Revenue

Subscriptions and memberships received in advance are recognized as revenue during future periods in which they are earned. The unearned revenues represent an obligation to render services during future periods until the subscription and membership term expires. Subscription and membership terms range from one to three year periods. As of June 30, 2010 and 2009, current unearned revenue was \$264,059 and \$264,066, respectively. As of June 30, 2010 and 2009, noncurrent unearned revenue was \$15,013 and \$15,877, respectively.

Concentration of Credit Risk/Economic Dependency

Cash deposits in financial institutions may exceed federally insured limits at times during the year. As of June 30, 2010 and 2009, the Association did not have cash on deposit that exceeded the United States (FDIC) federally insurance limit of \$250,000 per bank. Investment assets are subject to risk of market fluctuations.

The Association derives its subscription receivable from a contract with Wiley-Blackwell under a journal publishing agreement.

As noted in Note 1, 40% of the Association's subscriptions are from international sources. The Association periodically holds conferences in foreign countries which are subject to the world economy.

Revenues

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.

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and Goods

In accordance with ASC 958, *Accounting for Contributions Received and Contributions Made*, the contribution of services shall be recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria shall not be recognized.

Donated goods are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated goods to a specific purpose.

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) released a new FASB Interpretation entitled "Accounting for Uncertainty in Income Taxes". This interpretation provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. It also requires the evaluation of tax positions taken in the course of preparing the Organization's informational returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the "more-likely-than-not" threshold would be booked as a tax expense in the current year and recognized as a liability for unrecognized tax benefit, an increase in deferred tax liability, or a combination thereof. The provisions of this interpretation are effective for the Organization's 2010 and 2009 fiscal year financial statements. As of June 30, 2010, the Organization had no uncertain tax positions requiring accrual.

In May 2009 the FASB issued a new Statement of Financial Accounting Standards entitled "Subsequent Events," subsequently included in the Codification as ASC 855. This statement establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or available to be issued. The Organization adopted the statement for the year ended June 30, 2010.

NOTE 2 – FIXED ASSETS

Fixed assets consists of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Furniture and Equipment	\$ 34,673	\$ 47,503
Software	103,701	96,911
Less: Accumulated Depreciation	(88,536)	(82,087)
	<u>\$ 49,838</u>	<u>\$ 62,327</u>

Depreciation and amortization expense for the years ended June 30, 2010 and 2009 was \$20,330 and \$19,699, respectively.

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 3 – FUNCTIONAL EXPENSES

The cost of providing various programs and other activities has been summarized on a functional basis as follows:

	2010	2009
Program Services	\$ 534,978	\$ 578,424
Management and General	155,276	139,205
Membership	51,403	38,927
	\$ 741,657	\$ 756,556

NOTE 4 - RETIREMENT PLAN

The Association provides an Internal Revenue Service Non Contributory Code 403(b) tax shelter annuity for all eligible employees. For the years ended June 30, 2010 and 2009, the Association contributed \$3,848 and \$1,952 to the retirement plan for eligible employees, respectively.

NOTE 5 – PUBLISHING AGREEMENT

The Association entered into a journal publishing agreement with Blackwell Publishing Inc, effective January 2007 through December 2011. During February 2007, Blackwell Publishing Inc. became Wiley-Blackwell as a result of an acquisition. Wiley-Blackwell shares the responsibilities for producing, marketing, and distributing the Association’s Journals. Wiley-Blackwell also collects subscriptions, pays certain expenditures on behalf of the Association, and maintains the accounting for such activities. As of June 30, 2010 and 2009, Wiley-Blackwell held \$157,368 and \$301,082 in subscriptions collected in advance and fees due.

NOTE 6 – OPERATING LEASES

In February 2008, the Association entered a five year lease agreement for an office facility. The agreement requires a base rent of \$1,548 per month and is subject to annual increases in the range of two and four percent. For the years ended June 30, 2010 and 2009, rent expense was \$18,575 and \$18,576, respectively.

Future minimum lease payments associated with lease obligations are as follows:

Year Ending June 30	Equipment
2011	\$ 18,807
2012	19,371
2013	11,495
Total	\$ 49,673

NOTE 7 – SUBSEQUENT EVENTS

Management evaluated subsequent events through December 27, 2010. No material events or transactions occurred during that period.