American Institute for Economic Research and Subsidiary

Consolidated Financial Statements

December 31, 2018 and 2017

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C O N T E N T S

BST ACCOUNTING / TAX / ADVISORY

Independent Auditor's Report

Board of Trustees
American Institute for Economic Research
and Subsidiary
Great Barrington, Massachusetts

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the American Institute for Economic Research and its subsidiary, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 audit 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 entity'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 entity'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 the American Institute for Economic Research and its subsidiary as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years 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 consolidated financial statements as a whole. The consolidating information as of and for the year ended December 31, 2018 is presented for purposes of additional analysis rather than to present the financial position and the changes in net assets of the individual organizations and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

BST & Co. CPAs, LLP

Albany, New York
March 27, 2019

American Institute for Economic Research
and Subsidiary

Consolidated Statements of Financial Position

	December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 3,898,790	$ 4,328,438	$ 8,227,228
Investments	26,276,619	-	26,276,619
Accounts receivable	850,409	-	850,409
Accrued income tax	22,348	-	22,348
Deferred income tax	2,048	-	2,048
Prepaid expenses	116,578	-	116,578
Total current assets	31,166,792	4,328,438	35,495,230
PROPERTY AND EQUIPMENT, net	2,721,825	-	2,721,825
INVESTMENTS HELD UNDER SPLIT-INTEREST AGREEMENTS	-	147,158,320	147,158,320
TOTAL ASSETS	**$ 33,888,617**	**$ 151,486,758**	**$ 185,375,375**
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$ 471,674	$ -	$ 471,674
Investment advisory fee payable	-	96,557	96,557
Distributions payable	-	1,855,176	1,855,176
Accrued salaries and paid leave	702,892	-	702,892
Unearned subscription income	44,156	-	44,156
Total current liabilities	1,218,722	1,951,733	3,170,455
LONG-TERM LIABILITIES			
Liabilities under split-interest agreements	-	82,794,719	82,794,719
Unearned subscription income	5,951	-	5,951
Total long-term liabilities	5,951	82,794,719	82,800,670
NET ASSETS			
Without donor restrictions			
Undesignated	25,629,060	-	25,629,060
Designated			
Board designated	4,336,544	-	4,336,544
Investment in property and equipment	2,698,340	-	2,698,340
Total designated	7,034,884	-	7,034,884
With donor restrictions			
Assets held under split-interest agreements	-	66,740,306	66,740,306
Total net assets	32,663,944	66,740,306	99,404,250
TOTAL LIABILITIES AND NET ASSETS	**$ 33,888,617**	**$ 151,486,758**	**$ 185,375,375**

See accompanying Notes to Consolidated Financial Statements.

	December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 4,041,431	$ 5,925,095	$ 9,966,526
Investments	24,629,431	-	24,629,431
Accounts receivable	768,611	-	768,611
Deferred income tax	6,502	-	6,502
Prepaid expenses	93,240	-	93,240
Total current assets	29,539,215	5,925,095	35,464,310
PROPERTY AND EQUIPMENT, net	2,678,477	-	2,678,477
INVESTMENTS HELD UNDER SPLIT-INTEREST AGREEMENTS	-	162,453,509	162,453,509
TOTAL ASSETS	**$ 32,217,692**	**$ 168,378,604**	**$ 200,596,296**
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$ 186,720	$ -	$ 186,720
Investment advisory fee payable	-	103,853	103,853
Distributions payable	-	2,113,830	2,113,830
Accrued salaries and paid leave	506,492	-	506,492
Accrued income tax	4,889	-	4,889
Unearned subscription income	51,575	-	51,575
Total current liabilities	749,676	2,217,683	2,967,359
LONG-TERM LIABILITIES			
Liabilities under split-interest agreements	6,215	95,992,929	95,999,144
Unearned subscription income	11,761	-	11,761
Total long-term liabilities	17,976	95,992,929	96,010,905
NET ASSETS			
Without donor restrictions			
Undesignated	25,081,347	-	25,081,347
Designated			
Board designated	3,693,937	-	3,693,937
Investment in property and equipment	2,674,756	-	2,674,756
Total designated	6,368,693	-	6,368,693
With donor restrictions			
Assets held under split-interest agreements	-	70,167,992	70,167,992
Total net assets	31,450,040	70,167,992	101,618,032
TOTAL LIABILITIES AND NET ASSETS	**$ 32,217,692**	**$ 168,378,604**	**$ 200,596,296**

American Institute for Economic Research
and Subsidiary

Consolidated Statements of Activities

	Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Operating revenue			
Subscriptions	$ 70,998	$ -	$ 70,998
Contributions	509,179	242,658	751,837
Contributions in-kind	152,760	-	152,760
Publication sales	28,904	-	28,904
Investment management fees	3,346,380	-	3,346,380
Other	42,739	-	42,739
Total operating revenue	4,150,960	242,658	4,393,618
Bequests	54,258	-	54,258
Rental	21,150	-	21,150
Interest and dividends	792,281	-	792,281
Realized gain on investment transactions, net	528,565	-	528,565
Unrealized loss on investments, net	(2,879,667)	-	(2,879,667)
Change in value of split-interest agreements	-	3,030,309	3,030,309
Change in value of charitable gift annuities	4,219	-	4,219
Net assets released from restrictions	6,700,653	(6,700,653)	-
Total revenue, gains, and other support	9,372,419	(3,427,686)	5,944,733
EXPENSES			
Research and publications	2,057,628	-	2,057,628
Academic programs	1,784,612	-	1,784,612
Investment management	2,758,078	-	2,758,078
Fundraising	846,129	-	846,129
Management and general	712,068	-	712,068
Total expenses	8,158,515	-	8,158,515
CHANGE IN NET ASSETS	**1,213,904**	**(3,427,686)**	**(2,213,782)**
NET ASSETS, ***beginning of year***	31,450,040	70,167,992	101,618,032
NET ASSETS, ***end of year***	**$ 32,663,944**	**$ 66,740,306**	**$ 99,404,250**

See accompanying Notes to Consolidated Financial Statements.

	Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Operating revenue			
Subscriptions	$ 76,505	$ -	$ 76,505
Contributions	302,755	641,250	944,005
Contributions in-kind	400,544	-	400,544
Publication sales	29,898	-	29,898
Investment management fees	2,776,562	-	2,776,562
Other	1,982	-	1,982
Total operating revenue	3,588,246	641,250	4,229,496
Bequests	988,980	-	988,980
Rental	17,475	-	17,475
Interest and dividends	662,612	-	662,612
Realized gain on investment transactions, net	2,199,241	-	2,199,241
Unrealized gain on investments, net	634,191	-	634,191
Change in value of split-interest agreements	-	7,232,669	7,232,669
Change in value of charitable gift annuities	(2,249)	-	(2,249)
Net assets released from restrictions	3,065,646	(3,065,646)	-
Total revenue, gains, and other support	11,154,142	4,808,273	15,962,415
EXPENSES			
Research and publications	1,663,583	-	1,663,583
Academic programs	1,330,012	-	1,330,012
Investment management	2,338,325	-	2,338,325
Fundraising	932,509	-	932,509
Management and general	627,534	-	627,534
Total expenses	6,891,963	-	6,891,963
CHANGE IN NET ASSETS	**4,262,179**	**4,808,273**	**9,070,452**
NET ASSETS, *beginning of year*	27,187,861	65,359,719	92,547,580
NET ASSETS, *end of year*	**$ 31,450,040**	**$ 70,167,992**	**$ 101,618,032**

American Institute for Economic Research
and Subsidiary

Consolidated Statements of Functional Expenses

	Year Ended December 31, 2018					
	American Institute for Economic Research					
	Research and Publications	Academic Programs	Fundraising	Management and General	American Investment Services	Total
Salaries	$ 800,760	$ 637,176	$ 282,403	$ 300,490	$ 1,897,128	$ 3,917,957
Payroll taxes	110,748	90,279	34,759	38,029	104,502	378,317
Employee benefits and staff training	69,026	57,183	23,292	25,045	178,197	352,743
Retirement and unemployment	338	44,768	85	81,447	-	126,638
Accounting and legal fees	4,406	4,503	-	20,596	38,663	68,168
Advertising and appeals	255,000	259,558	187,673	-	6,728	708,959
Bank and other fees	1,736	4,979	5,208	-	-	11,923
Computer related	84,600	57,255	28,328	21,348	149,903	341,434
Conference and events	-	62,353	-	-	-	62,353
Consulting	178,988	119,958	141,102	48,282	4,475	492,805
Depreciation	78,581	84,952	23,362	25,486	2,885	215,266
Development	-	989	-	-	-	989
Income tax	-	-	-	-	206,006	206,006
Insurance	11,346	12,266	3,223	27,515	40,293	94,643
Books and subscriptions	31,418	3,336	-	496	6,632	41,882
Miscellaneous	542	1,333	161	1,300	2,233	5,569
Occupancy	107,690	124,044	32,016	36,294	13,625	313,669
Postage	22,873	3,466	56,370	8,115	10,752	101,576
Public relations	83,511	10,439	10,439	-	-	104,389
Publications	100,011	1,743	-	-	40,662	142,416
Grants	-	36,000	-	-	-	36,000
Honorariums and stipends	-	57,800	-	-	-	57,800
Supplies	4,233	10,645	1,199	1,321	27,472	44,870
Telephone and telecommunications	3,676	5,703	1,093	1,192	14,897	26,561
Travel and other	40,046	71,591	5,448	798	13,025	130,908
Trustee expenses	-	-	-	74,314	-	74,314
Website	68,099	22,293	9,968	-	-	100,360
Total	**$ 2,057,628**	**$ 1,784,612**	**$ 846,129**	**$ 712,068**	**$ 2,758,078**	**$ 8,158,515**

	Year Ended December 31, 2017					
	American Institute for Economic Research					
	Research and Publications	Academic Programs	Fundraising	Management and General	American Investment Services	Total
Salaries	$ 864,196	$ 670,009	$ 254,357	$ 247,407	$ 1,532,071	$ 3,568,040
Payroll taxes	127,054	83,482	34,240	32,598	94,771	372,145
Employee benefits and staff training	91,273	54,961	25,184	19,893	159,895	351,206
Retirement and unemployment	34,518	2,078	4,155	82,159	-	122,910
Accounting and legal fees	2,043	7,721	-	29,584	51,570	90,918
Advertising and appeals	-	2,938	441,261	-	13,620	457,819
Bank and other fees	3,214	3,637	930	677	-	8,458
Computer related	81,465	73,866	43,428	9,236	125,219	333,214
Conferences and events	-	31,931	11,092	-	-	43,023
Consulting	64,301	60,439	35,886	1,323	5,682	167,631
Depreciation	69,680	78,849	20,171	14,670	196	183,566
Development	-	4,499	-	-	-	4,499
Income tax	-	-	-	-	219,453	219,453
Insurance	11,453	12,960	3,315	25,254	30,766	83,748
Books and subscriptions	74,343	8,363	461	461	7,329	90,957
Miscellaneous	727	3,887	238	1,215	283	6,350
Occupancy	91,489	113,224	26,484	19,261	13,041	263,499
Postage	29,709	3,111	10,158	8,116	9,041	60,135
Public relations	20,300	5,800	2,900	-	-	29,000
Publications	54,659	1,420	-	-	39,506	95,585
Honorariums and stipends	-	39,750	-	-	-	39,750
Supplies	2,796	5,018	802	584	22,842	32,042
Telephone and telecommunications	3,856	5,005	1,116	812	7,579	18,368
Travel and other	2,578	52,242	1,866	429	5,461	62,576
Trustee expenses	-	-	-	133,855	-	133,855
Website	33,929	4,822	14,465	-	-	53,216
Total	**$ 1,663,583**	**$ 1,330,012**	**$ 932,509**	**$ 627,534**	**$ 2,338,325**	**$ 6,891,963**

See accompanying Notes to Consolidated Financial Statements.

American Institute for Economic Research
and Subsidiary

Consolidated Statements of Cash Flows

	Years Ended December 31, 2018	2017
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	$ (2,213,782)	$ 9,070,452
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	215,266	183,566
Deferred income tax	4,453	(473)
Donated securities	(513)	(1,396)
Realized gain on investments transactions, net	(528,565)	(2,199,241)
Unrealized (gain) loss on investments, net	2,879,667	(634,191)
Change in investments held under split-interest agreements	15,295,189	(10,957,973)
Change in liabilities under split-interest agreements	(13,204,424)	5,702,809
(Increase) decrease in		
Accounts receivable	(81,798)	(119,341)
Bequests receivable	-	96,192
Prepaid expenses	(23,338)	16,924
Increase (decrease) in		
Accounts payable	284,954	73,427
Investment advisory fee payable	(7,296)	12,041
Distributions payable	(258,654)	527,937
Accrued salaries and paid leave	196,400	19,799
Accrued income tax	(27,238)	(30,331)
Unearned subscription income	(13,229)	1,420
	2,517,092	**1,761,621**
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchase of investments	(7,159,961)	(17,040,761)
Proceeds from investment transactions	3,162,184	15,592,603
Purchases of property and equipment	(258,613)	(98,368)
	(4,256,390)	**(1,546,526)**
Net increase (decrease) in cash and cash equivalents	**(1,739,298)**	**215,095**
CASH AND CASH EQUIVALENTS, *beginning of year*	9,966,526	9,751,431
CASH AND CASH EQUIVALENTS, *end of year*	**$ 8,227,228**	**$ 9,966,526**
SUPPLEMENTAL CASH FLOWS INFORMATION		
Cash paid during the year for		
Income taxes	$ 233,243	$ 249,784

See accompanying Notes to Consolidated Financial Statements.

Note 1 - Organization and Summary of Significant Accounting Policies

a. Business Organization

American Institute for Economic Research, Inc. (AIER) began operations during December 1933 and was incorporated on May 15, 1939, under the provisions of Chapter 180 of the General Laws of Massachusetts as an organization operated for charitable, scientific, and educational purposes.

During October 1978, American Investment Services, Inc. (AIS) was incorporated under the General Laws of Delaware. AIER is the sole stockholder of AIS. AIS began operations as an SEC registered investment advisor in February 1979.

AIER is trustee of two pooled income funds: RLI Stock Fund I and RLI Stock Fund II. The pooled income funds are subject to split-interest agreements with donors. The charitable remainders become available to AIER upon expiration of the income beneficiaries' interests. When assets are contributed to the pooled income funds, the beneficiaries are assigned units of participation in the funds. These units are used to determine each beneficiary's share of distributable net income and to value the remainder interests when the beneficiary's income interest is expired. Capital gains are retained within the trust. All investment income, less associated expenses, is distributed to the income beneficiaries of the funds on a quarterly basis.

AIER is trustee and charitable remainderman of numerous charitable remainder unitrusts, each subject to a fixed rate payout obligation. One trust instrument has been approved by the Internal Revenue Service and the others follow the approved form in all material aspects. Upon expiration of each trust term, the balance of the trust assets is distributed to AIER as the charitable remainderman.

AIER and AIS are referred to collectively herein as the Organization.

b. Consolidated Financial Statements

The consolidated financial statements include the accounts of AIER and its subsidiary, AIS. All significant intercompany transactions and accounts are eliminated.

c. Functional Areas

The statements of activities include the revenues and expenses allocable to the major areas of program activities conducted by the Organization.

AIER

AIER researches topics of current and long-term interest in the field of economics. The results of the research activity are disseminated to the public through periodic economic reports and occasional booklets in the areas of fiscal and monetary economics, reflecting detailed analyses of particular subjects with some emphasis on personal economic issues.

AIER conducts education and fellowship programs in economics. Fellowships are awarded to graduate and college seniors majoring in economics, finance, business or related fields. Fellows attend seminars, conduct independent research, and study during the summer sessions at AIER. Visiting Research Fellows conduct research in fields such as money, banking, and credit; public and personal finance; economic and monetary policy; economic methodology, and the role of individual freedom, private property, and free enterprise in economic progress.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

c. Functional Areas - Continued

AIER - Continued

AIER hosts periodic conferences on topics of current interest in the areas of economics, finance, and business. Leading scholars are invited to participate, and the results are published and disseminated to the public.

Management and general expense includes the functions necessary to provide coordination and articulation of AIER's program strategy, to secure proper administrative functioning for AIER, the costs associated with maintaining AIER's Planned Giving programs, and to manage the financial responsibilities of AIER.

Fundraising expense includes the structure necessary to encourage and secure financial support (both unrestricted gifts and long-term split-interest gifts).

AIS

AIS provides investment advisory services to individuals, trusts, endowments, 401(k) plans, pension plans, foundations, and nonprofit institutions and publishes a monthly newsletter.

d. Basis of Accounting

The accompanying consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit entities.

e. Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues, gains, other support, and expenses during the reporting period. Actual results could differ from those estimates.

f. Fair Value Measurements

The Organization reports certain assets and liabilities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. See Note 12 for additional information.

g. Cash Equivalents

Management considers all certificates of deposit and money market accounts readily converted to cash to be cash equivalents.

h. Investments

Marketable securities are carried at fair value. The net realized and unrealized gains (losses) on investments are reflected in the statements of activities.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

i. Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Management determined that no allowance was necessary at both December 31, 2018 and 2017.

j. Property and Equipment, Net

Property and equipment are reported at cost, net of accumulated depreciation. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is credited in the statements of activities.

Depreciation is provided for in amounts to relate the cost of depreciable assets to operations over their estimated useful lives on a straight-line basis. The estimated lives used in determining depreciation vary from five to thirty years.

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. There are no impairments of long-lived assets at December 31, 2018 and 2017.

k. Split-Interest Agreements

AIER records its interest in trusts at the fair value of the related assets with a corresponding liability for the actuarially determined present value of payments to be made to designated beneficiaries. This liability is measured using discount rates and actuarial assumptions reflecting the terms of the agreement and the estimated time of receipt. The change in the value of split-interest agreements represents year-to-year changes in the actuarial life of beneficiaries, new gifts, remainders released from the trust funds, and changes in the value of assets held by the trust.

l. Revenue Recognition

The Organization recognizes revenue when amounts and timing are fixed or determinable, and collection is reasonably assured. Recognition criteria by revenue type is as follows:

- Income from subscriptions is initially deferred and is recognized over the subscription terms;
- Revenue from unconditional contributions are recognized when made;
- Revenue from conditional contributions and related investment earnings are recognized when restrictions lapse;
- Revenue from the sales of books and publications is recognized when an order is received; and
- Investment management fees and investment advisor fees to manage clients' funds are recognized in the period in which the services are provided.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

m. Net Assets

Net assets, revenues, gains, other support, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions are net assets available for use in general operations and not subject to donor restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for various purposes.

The Board of Trustees has approved the following Board designations on net assets:

- A $500,000 reserve as of December 31, 2018 and 2017 for legal defense beyond insured coverage, other unforeseen events, or affirmative legal actions. Drawing on this reserve requires Board approval.
- A reserve equal to the amount required to balance the Board-approved operating budget. This reserve was $3,836,544 and $3,193,937 as of December 31, 2018 and 2017, respectively.
- A reserve of $2,698,340 and $2,674,756 as of December 31, 2018 and 2017, respectively, for investment in property and equipment.

Net Assets With Donor Restrictions consist of net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Net assets with donor restrictions include the net assets held under the two RLI Stock Funds (pooled income funds), and the charitable remainder unitrusts.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

n. Donated Assets and Services

Donated services and other noncash donations (in-kind) are recorded as contributions at their fair values at the time of contribution.

o. Advertising

The Organization records advertising costs as expenses when they are incurred. Advertising expense was $708,959 and $457,819 for the years ended December 31, 2018 and 2017, respectively.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

p. Tax Status

AIER is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. AIER has been classified as a publicly-supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

AIER files Form 990 annually with the Internal Revenue Service. When annual returns are filed, some tax positions taken are highly certain to be sustained upon examination by the taxing authorities, while other tax positions are subject to uncertainty about the technical merits of the position or amount of the position's tax benefit that would ultimately be sustained. Management evaluated tax positions taken and has determined that AIER has not taken any material uncertain tax positions at December 31, 2018 and 2017.

AIS is a taxable corporation.

AIS records income taxes using the asset and liability method whereby deferred tax assets and liabilities are determined based on the differences between the consolidated financial statement and tax basis of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse.

When income tax returns are filed, some tax positions taken are highly certain to be sustained upon examination by the taxing authorities, while other tax positions are subject to uncertainty about the technical merits of the position or the amount of the position's tax benefit that would be ultimately sustained. The portion of the benefits associated with tax positions taken that exceeds the amount measured as previously described is reflected as a liability for unrecognized tax benefits in the accompanying consolidated statements of financial position and includes, where applicable, accrued interest and/or penalties attributable to the unrecognized tax benefits.

AIS presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management evaluated tax positions taken and has determined that AIS has not taken any material uncertain tax positions at December 31, 2018 and 2017.

q. Allocation of Expenses

Expenses that are specific to a function are charged directly to that function. Direct expenses that relate to more than one program are allocated between and charged to the appropriate programs based on time and effort. Expenses that are not directly identifiable with a specific program but provide for the overall support and direction of the Organization, are charged to management and general expenses.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

r. Adoption of New Accounting Standard

Effective January 1, 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. As a result of adopting the ASU, the Organization has included the required liquidity disclosures, replaced the three previous classes of net assets with two new classes, expanded disclosures regarding the nature and amount of donor restrictions, added a statement of functional expenses and recorded investments earnings, net of related investment expenses. The adoption of this ASU was applied retrospectively to the prior year consolidated financial statements.

s. Pending Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 requires recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The FASB has also issued several updates to ASU 2014-09. The new standard supersedes U.S. GAAP guidance on revenue recognition and requires the use of more estimates and judgments than the present standards. It also requires additional disclosures. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018. The Organization has substantially completed their assessment of the new standard and they do not expect the impact of adoption to be material to the consolidated financial statements. The Organization continues to evaluate the disclosure requirements related to the new standard.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Organization is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Organization is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

t. Subsequent Events

The Organization has evaluated subsequent events for potential recognition or disclosure through March 27, 2019, the date the consolidated financial statements were available to be issued.

Note 2 - Liquidity

Total assets at December 31, 2018	$ 185,375,375
Less assets not available for general expenditures:	
Cash held under split interest agreements	(4,328,438)
Board designated reserves, held in investments	(7,034,884)
Prepaid expenses	(116,578)
Property and equipment, net	(2,721,825)
Investments held under split interest agreements	(147,158,320)
Financial assets available for general expenditures	$ 24,015,330

AIER has $24,015,330 of financial assets available within one year of the statement of financial position date as reflected in the table above. As part of its liquidity management, investments are held within the following types of funds: The Operating Reserve funds the operations of AIER, including operating expenses and capital investments. The Operating Reserve portfolio has a very short-term time horizon, one year or less. Asset allocation reflects the liquidity needs of AIER. The Contingency Reserve serves as a source for replenishing the Operating Reserve and has a medium-term time horizon which is five years or less. The allocated portion of the portfolio supports ongoing expenditures for projects or identified risks. The Strategic Reserve is used to support the development of new initiatives that further AIER's mission by funding long-term projects and has a longer term time horizon. These non-operating reserve funds may be used to fund the purchase of fixed assets, to fund development of new programs, to take advantage of unanticipated opportunities, and for other such purposes.

Note 3 - Property and Equipment, Net

A summary of property and equipment, net, is as follows:

	December 31,	
	2018	2017
Buildings and improvements	$ 4,692,379	$ 4,679,380
Driveway and sewer	439,136	439,136
Equipment	781,791	833,226
Vehicles	93,033	34,847
	6,006,339	5,986,589
Less accumulated depreciation	3,395,320	3,322,058
	2,611,019	2,664,531
Construction in progress	96,860	-
Land	13,946	13,946
Property and equipment, net	$ 2,721,825	$ 2,678,477

Note 4 - Split-Interest Agreements

Investments Held Under Split-Interest Agreements

A summary of investments held under split-interest agreements is as follows:

	December 31, 2018			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents	$ 4,328,438	$ -	$ -	$ 4,328,438
Equity securities	98,926,686	17,113,728	7,008,710	109,031,704
Fixed income securities	38,548,455	55,715	654,538	37,949,632
Accrued interest	176,984	-	-	176,984
	$ 141,980,563	$ 17,169,443	$ 7,663,248	$ 151,486,758

	December 31, 2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents	$ 5,925,095	$ -	$ -	$ 5,925,095
Equity securities	96,263,096	26,648,402	1,749,696	121,161,802
Fixed income securities	41,273,863	90,602	256,330	41,108,135
Accrued interest	183,572	-	-	183,572
	$ 143,645,626	$ 26,739,004	$ 2,006,026	$ 168,378,604

Liabilities Under Split-Interest Agreements

The obligations as trustee for each pooled income fund and charitable remainder trust are reported herein as liabilities under split-interest agreements. The obligations are estimated at the time of the agreements (pooled income or unitrust) based on the average life expectancies of the beneficiaries and the expected rate of return on invested assets. Any excess amount of the gift over the estimated liability is recorded as net assets with donor restrictions. The obligations are subject to adjustments and reflect amortization of any discount, reevaluation of the present value of estimated future payments, and any change in actuarial assumptions. Such adjustments, if any, are recorded in the statement of activities as a change in value of split-interest agreements. The assumptions used in computing the liabilities under split-interest agreements include discount rates and life expectancies based on published single and multiple life expectancy tables. The discount rate used for the years ended December 31, 2018 and 2017, was 7.08% and 7.66% respectively.

Note 5 - Line-of-Credit

AIS has available a $250,000 working line-of-credit. Borrowings under the line-of-credit are payable on demand and are secured by all assets of AIS. Borrowings under the line-of-credit bear interest at *The Wall Street Journal* prime rate (5.5% and 4.5% as of December 30, 2018 and 2017, respectively). No amounts were outstanding under the line-of-credit at December 31, 2018 and 2017. The line-of-credit is renewable on an annual basis.

Note 6 - Net Assets and Stockholder's Equity

A summary of the net assets and stockholder's equity for AIER and AIS is as follows:

	December 31, 2018			
	AIER	AIS	Eliminating Entries	Consolidated Total
Common stock, no par value, 1,000 shares authorized, 400 shares issued and outstanding	$ -	$ 355,154	$ (355,154)	$ -
Retained earnings	-	703,379	(703,379)	-
Accumulated comprehensive income	-	3,618	(3,618)	-
Net assets, without donor restrictions	32,663,944	-	-	32,663,944
Net assets, with donor restrictions	66,740,306	-	-	66,740,306
	$ 99,404,250	$ 1,062,151	$ (1,062,151)	$ 99,404,250

	December 31, 2017			
	AIER	AIS	Eliminating Entries	Consolidated Total
Common stock, no par value, 1,000 shares authorized, 400 shares issued and outstanding	$ -	$ 355,154	$ (355,154)	$ -
Retained earnings	-	614,803	(614,803)	-
Accumulated comprehensive income	-	3,618	(3,618)	-
Net assets, without donor restrictions	31,450,040	-	-	31,450,040
Net assets, with donor restrictions	70,167,992	-	-	70,167,992
	$ 101,618,032	$ 973,575	$ (973,575)	$ 101,618,032

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	December 31,	
	2018	2017
Pooled income funds		
Subject to expiration of income beneficiaries' interest	$ 60,081,220	62,463,727
Charitable remainder unitrust		
Subject to expiration of trust terms	6,659,086	7,704,265
Total net assets with donor restrictions	$ 66,740,306	$ 70,167,992

Note 7 - Net Assets with Donor Restrictions - Continued

Change in Value of Donor Restricted Net Assets

A summary of the components of the changes in value of the donor restricted net assets, which consists of split-interest agreements, is as follows:

	Years Ended December 31,	
	2018	2017
Investment income	$ 5,645,542	$ 5,806,105
Realized gain on investment transactions	4,818,609	8,939,648
Unrealized gain (losses) on investments	(15,226,782)	3,568,488
Change in liabilities under split-interest agreements	13,198,209	(5,703,222)
Distributions to beneficiaries	(4,977,198)	(4,928,567)
Investment advisory fee	(398,312)	(418,719)
Other	(29,759)	(31,064)
	$ 3,030,309	$ 7,232,669

Note 8 - Retirement Plans

The Organization offers a defined contribution plan that includes a discretionary contribution equal to a percentage of each eligible employee's compensation. For the years ended December 31, 2018 and 2017, the Organization's contributions were $129,838 and $120,147, respectively.

AIER has entered into agreements with two former officers whereby AIER has agreed to provide lifetime retirement benefits. Retirement benefits under these agreements are accounted for as amounts are paid. For the years ended December 31, 2018 and 2017, retirement payments were $81,362 and $80,081, respectively.

Note 9 - Income Taxes

Components of income tax expense of AIS, consist of the following:

	Years Ended December 31,	
	2018	2017
Federal	$ 145,242	$ 180,778
State	60,764	38,675
	$ 206,006	$ 219,453

Note 9 - Income Taxes - Continued

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income of AIS from continuing operations as a result of state taxes, accrued paid leave, and depreciation differences.

Note 10 - Risks and Uncertainties

a. Concentrations of Credit Risk - Cash

The Organization maintains cash and cash equivalent balances at various financial institutions and brokerage firms. Accounts at each institution and brokerage firm are insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protections Corporation (SIPC) up to certain limits. At times, the Organization has balances in excess of amounts insured by the FDIC and SIPC.

b. Fair Value of Marketable Securities

AIER has investments in various fixed income and equity securities. Marketable securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain marketable securities, it is at least reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the net assets of AIER.

Note 11 - Related Party Transactions

AIS provides investment advisory services to the two pooled income funds and charitable remainder unitrusts. AIS received $398,312 and $418,719 in investment management fees, of which $96,557 and $103,853 was included in accounts receivable, from the two pooled income funds and charitable remainder unitrusts as of and for the years ended December 31, 2018 and 2017, respectively.

Note 12 - Fair Value of Financial Instruments

The framework for measuring fair value includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The following three levels of inputs may be used to measure fair value:

Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.

Level 3 Unobservable inputs that are supported by little or no market activity.

Note 12 - Fair Value of Financial Instruments - Continued

The fair value measurement level within fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Corporate Bonds: Valued at third-party evaluated appraised prices that maximize observable quantitative and qualitative inputs currently available on comparable securities with similar features (type of issuer, credit rating, coupon, maturity, etc.) and apply yield levels that reflect comparable credit and liquidity risks.

Foreign and Global Bond Funds, Crypto Currencies, Equity Securities and US Government Obligations: Valued at the closing price reported on the active market on which the individual security is traded.

Liabilities Under Split-Interest Agreements: Fair value is equivalent to the present value of the future payments to be made and any changes in actuarial assumptions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

A summary of assets and liabilities measured at fair value on a recurring basis is as follows:

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Fixed income securities				
U.S. government bonds	$ 3,218,457	$ -	$ -	$ 3,218,457
Foreign bond funds	909,230			909,230
Crypto Currencies	170	-	-	170
Equity securities				
Real estate investment trusts	1,764,345	-	-	1,764,345
U.S. companies	14,815,051	-	-	14,815,051
Non-U.S. companies	3,875,124	-	-	3,875,124
Gold related stocks	1,694,242	-	-	1,694,242
	26,276,619	-	-	26,276,619
Investments held under split-interest agreements:				
Fixed income securities				.
Corporate bonds	-	18,832,045	-	18,832,045
U.S. government bonds	15,810,366	-	-	15,810,366
Global bond funds	3,307,221			3,307,221
Equity securities				
Real estate investment trusts	18,313,957	-	-	18,313,957
U.S. companies	63,699,729	-	-	63,699,729
Non-U.S. companies	7,513,080	-	-	7,513,080
Gold related stocks	11,928,695	-	-	11,928,695
Global funds	7,576,243			7,576,243
Accrued interest	176,984	-	-	176,984
	128,326,275	18,832,045	-	147,158,320
	$ 154,602,894	$ 18,832,045	$ -	$ 173,434,939
Liabilities				
Liabilities under split-interest agreements	$ -	$ 82,794,719	$ -	$ 82,794,719

Note 12 - Fair Value of Financial Instruments - Continued

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Fixed income securities				
U.S. government bonds	$ 2,653,334	$ -	$ -	$ 2,653,334
Foreign bond funds	1,049,776			1,049,776
Equity securities				
Real estate investment trusts	1,951,942	-	-	1,951,942
U.S. companies	13,695,861	-	-	13,695,861
Non-U.S. companies	3,684,974	-	-	3,684,974
Gold related stocks	1,553,067	-	-	1,553,067
Global funds	40,477	-	-	40,477
	24,629,431	-	-	24,629,431
Investments held under split-interest agreements:				
Fixed income securities				.
Corporate bonds	-	20,055,812	-	20,055,812
U.S. government bonds	17,402,523	-	-	17,402,523
Global bond funds	3,649,800			3,649,800
Equity securities				
Real estate investment trusts	18,836,885	-	-	18,836,885
U.S. companies	71,459,749	-	-	71,459,749
Non-U.S. companies	9,173,112	-	-	9,173,112
Gold related stocks	12,120,563	-	-	12,120,563
Global funds	9,571,493	-	-	9,571,493
Accrued interest	183,572	-	-	183,572
	142,397,697	20,055,812	-	162,453,509
Grand Total	$ 167,027,128	$ 20,055,812	$ -	$ 187,082,940
Liabilities				
Liabilities under split-interest agreements	$ -	$ 95,999,144	$ -	$ 95,999,144

American Institute for Economic Research
and Subsidiary

Supplementary Information
Consolidating Statement of Financial Position

	December 31, 2018					
	American Institute for Economic Research			American		
ASSETS	Without Donor Restrictions	With Donor Restrictions	Total	Investment Services	Eliminating Entries	Consolidated Totals
CURRENT ASSETS						
Cash and cash equivalents	$ 3,357,620	$ 4,328,438	$ 7,686,058	$ 541,170	$ -	$ 8,227,228
Investments	25,970,434	-	25,970,434	306,185	-	26,276,619
Investment in subsidiary	1,062,151	-	1,062,151	-	(1,062,151)	-
Accounts receivable	29,643	-	29,643	836,127	(15,361)	850,409
Dividend receivable	250,000	-	250,000	-	(250,000)	-
Accrued income tax	-	-	-	22,348	-	22,348
Deferred income tax	-	-	-	2,048	-	2,048
Prepaid expenses	43,468	-	43,468	73,110	-	116,578
Due from related party	3,150	-	3,150	-	(3,150)	-
Total current assets	30,716,466	4,328,438	35,044,904	1,780,988	(1,330,662)	35,495,230
PROPERTY AND EQUIPMENT, net	2,698,340	-	2,698,340	23,485	-	2,721,825
INVESTMENTS HELD UNDER SPLIT-INTEREST AGREEMENTS	-	147,158,320	147,158,320	-	-	147,158,320
TOTAL ASSETS	**$ 33,414,806**	**$ 151,486,758**	**$ 184,901,564**	**$ 1,804,473**	**$ (1,330,662)**	**$ 185,375,375**
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	$ 464,295	$ -	$ 464,295	$ 7,379	$ -	$ 471,674
Investment advisory fee payable	15,361	96,557	111,918	-	(15,361)	96,557
Distributions payable	-	1,855,176	1,855,176	-	-	1,855,176
Accrued dividends	-	-	-	250,000	(250,000)	-
Accrued salaries and paid leave	271,206	-	271,206	431,686	-	702,892
Unearned subscription income	-	-	-	44,156	-	44,156
Due to related party	-	-	-	3,150	(3,150)	-
Total current liabilities	750,862	1,951,733	2,702,595	736,371	(268,511)	3,170,455
LONG-TERM LIABILITIES						
Liabilities under split-interest agreements	-	82,794,719	82,794,719	-	-	82,794,719
Unearned subscription income	-	-	-	5,951	-	5,951
Total long-term liabilities	-	82,794,719	82,794,719	5,951	-	82,800,670
NET ASSETS						
Without donor restrictions						
Undesignated	25,629,060	-	25,629,060	-	-	25,629,060
Designated						
Board designated	4,336,544	-	4,336,544	-	-	4,336,544
Investment in property and equipment	2,698,340	-	2,698,340	-	-	2,698,340
Total designated	7,034,884	-	7,034,884	-	-	7,034,884
With donor restrictions						
Assets held under split-interest agreements	-	66,740,306	66,740,306	-	-	66,740,306
Stockholder's equity	-	-	-	1,062,151	(1,062,151)	-
Total net assets and stockholder's equity	32,663,944	66,740,306	99,404,250	1,062,151	(1,062,151)	99,404,250
TOTAL LIABILITIES, NET ASSETS, AND STOCKHOLDER'S EQUITY	**$ 33,414,806**	**$ 151,486,758**	**$ 184,901,564**	**$ 1,804,473**	**$ (1,330,662)**	**$ 185,375,375**

See Independent Auditor's Report.

American Institute for Economic Research
and Subsidiary

Supplementary Information
Consolidating Statement of Activities

	Year Ended December 31, 2018					
	American Institute for Economic Research			American		
	Without Donor	With Donor		Investment	Eliminating	Consolidated
	Restrictions	Restrictions	Total	Services	Entries	Totals
REVENUE, GAINS, AND OTHER SUPPORT						
Operating revenue						
Subscriptions	$ -	$ -	$ -	$ 70,998	$ -	$ 70,998
Contributions	509,179	242,658	751,837	-	-	751,837
Contributions in-kind	152,760	-	152,760	-	-	152,760
Publication sales	28,904	-	28,904	-	-	28,904
Investment management fees	-	-	-	3,408,694	(62,314)	3,346,380
Other	42,739	-	42,739	-	-	42,739
Total operating revenue	733,582	242,658	976,240	3,479,692	(62,314)	4,393,618
Bequests	54,258	-	54,258	-	-	54,258
Rental	150,750	-	150,750	-	(129,600)	21,150
Net income of subsidiarty	538,576	-	538,576	-	(538,576)	-
Interest and dividends	785,887	5,217,471	6,003,358	6,394	(5,217,471)	792,281
Realized gain on investment transactions, net	528,565	4,818,609	5,347,174	-	(4,818,609)	528,565
Unrealized loss on investments, net	(2,879,667)	(15,226,782)	(18,106,449)	-	15,226,782	(2,879,667)
Change in value of split-interest agreements	-	13,198,209	13,198,209	-	(10,167,900)	3,030,309
Change in value of charitable gift annuities	4,219	-	4,219	-	-	4,219
Net assets released from restrictions	6,700,653	(6,700,653)	-	-	-	-
Total revenue, gains, and other support	6,616,823	1,549,512	8,166,335	3,486,086	(5,707,688)	5,944,733
EXPENSES						
Research and publications	2,034,539	-	2,034,539	-	23,089	2,057,628
Academic programs	1,762,565	-	1,762,565	-	22,047	1,784,612
Investment management	-	-	-	2,947,510	(189,432)	2,758,078
Fundraising	839,044	-	839,044	-	7,085	846,129
Distributions	-	4,977,198	4,977,198	-	(4,977,198)	-
Management and general	766,771	-	766,771	-	(54,703)	712,068
Total expenses	5,402,919	4,977,198	10,380,117	2,947,510	(5,169,112)	8,158,515
CHANGE IN NET ASSETS	**1,213,904**	**(3,427,686)**	**(2,213,782)**	**538,576**	**(538,576)**	**(2,213,782)**
NET ASSETS, beginning of year	31,450,040	70,167,992	101,618,032	973,575	(973,575)	101,618,032
Dividends to parent	-	-	-	(450,000)	450,000	-
NET ASSETS, end of year	**$ 32,663,944**	**$ 66,740,306**	**$ 99,404,250**	**$ 1,062,151**	**$ (1,062,151)**	**$ 99,404,250**

See Independent Auditor's Report.