

**AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC.  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 AND 2020**



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# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
American Institute for Economic Research, Inc. and Subsidiary  
Great Barrington, Massachusetts

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of American Institute for Economic Research, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Institute for Economic Research, Inc. and Subsidiary as of December 31, 2021 and 2020, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of American Institute for Economic Research, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Institute for Economic Research, Inc. and Subsidiary's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

#### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute

assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 American Institute for Economic Research, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Institute for Economic Research, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities, are presented for purposes of additional analysis 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 financial statements. The information has been subjected to the auditing procedures applied in the audits 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 consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

West Hartford, Connecticut  
March 22, 2022

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 6,806,007	\$ 4,981,749	\$ 11,787,756
Investments	32,585,064	150,206	32,735,270
Accounts receivable	1,110,021	-	1,110,021
Prepaid expenses	151,655	-	151,655
Total current assets	<u>40,652,747</u>	<u>5,131,955</u>	<u>45,784,702</u>
<b>Property and Equipment, Net</b>	5,825,431	-	5,825,431
<b>Investments Held Under Split-Interest Agreements</b>	-	163,414,967	163,414,967
<b>Total Assets</b>	<u>\$ 46,478,178</u>	<u>\$ 168,546,922</u>	<u>\$ 215,025,100</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 271,708	\$ 7,500	\$ 279,208
Investment advisory fee payable	-	101,240	101,240
Distributions payable under split-interest agreements	-	3,121,021	3,121,021
Accrued salaries and paid leave	775,210	-	775,210
Accrued income tax	52,329	-	52,329
Unearned subscription income	36,432	-	36,432
Total current liabilities	<u>1,135,679</u>	<u>3,229,761</u>	<u>4,365,440</u>
<b>Long-Term Liabilities</b>			
Liabilities under split-interest agreements	-	91,086,365	91,086,365
Liabilities under retirement agreements	184,967	-	184,967
Deferred income tax	12,582	-	12,582
Total long-term liabilities	<u>197,549</u>	<u>91,086,365</u>	<u>91,283,914</u>
<b>Net Assets</b>			
Without donor restrictions:			
Undesignated	37,044,925	-	37,044,925
Designated:			
Board designated	8,100,025	-	8,100,025
With donor restrictions:			
Purpose restrictions	-	143,771	143,771
Assets held under split-interest agreements	-	74,087,025	74,087,025
Total net assets	<u>45,144,950</u>	<u>74,230,796</u>	<u>119,375,746</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 46,478,178</u>	<u>\$ 168,546,922</u>	<u>\$ 215,025,100</u>

The accompanying notes are an integral part of the consolidated financial statements

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 5,244,400	\$ 3,296,491	\$ 8,540,891
Investments	29,265,423	108,403	29,373,826
Accounts receivable	990,104	-	990,104
Accrued income tax	1,979	-	1,979
Prepaid expenses	120,591	-	120,591
Total current assets	<u>35,622,497</u>	<u>3,404,894</u>	<u>39,027,391</u>
<b>Property and Equipment, Net</b>	5,750,823	-	5,750,823
<b>Investments Held Under Split-Interest Agreements</b>	<u>-</u>	<u>154,338,618</u>	<u>154,338,618</u>
<b>Total Assets</b>	<u>\$ 41,373,320</u>	<u>\$ 157,743,512</u>	<u>\$ 199,116,832</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 266,523	\$ -	\$ 266,523
Investment advisory fee payable	-	97,991	97,991
Distributions payable under split-interest agreements	-	1,947,648	1,947,648
Accrued salaries and paid leave	632,176	-	632,176
Unearned subscription income	43,436	-	43,436
Total current liabilities	<u>942,135</u>	<u>2,045,639</u>	<u>2,987,774</u>
<b>Long-Term Liabilities</b>			
Liabilities under split-interest agreements	-	86,337,134	86,337,134
Deferred income tax	20,106	-	20,106
Total long-term liabilities	<u>20,106</u>	<u>86,337,134</u>	<u>86,357,240</u>
<b>Net Assets</b>			
Without donor restrictions:			
Undesignated	31,382,374	-	31,382,374
Designated:			
Board designated	9,028,705	-	9,028,705
With donor restrictions:			
Purpose restrictions	-	109,615	109,615
Assets held under split-interest agreements	-	69,251,124	69,251,124
Total net assets	<u>40,411,079</u>	<u>69,360,739</u>	<u>109,771,818</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 41,373,320</u>	<u>\$ 157,743,512</u>	<u>\$ 199,116,832</u>

The accompanying notes are an integral part of the consolidated financial statements

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains and Other Support</b>						
Operating revenue:						
Subscriptions	\$ 48,151	\$ -	\$ 48,151	\$ 57,218	\$ -	\$ 57,218
Contributions	1,137,351	25,000	1,162,351	1,377,411	320,010	1,697,421
Contributions in-kind	423,930	-	423,930	262,740	-	262,740
Publication sales	176,132	-	176,132	127,945	-	127,945
Investment management fees	4,147,228	-	4,147,228	3,468,013	-	3,468,013
Other	56,408	-	56,408	43,871	-	43,871
Total operating revenue	<u>5,989,200</u>	<u>25,000</u>	<u>6,014,200</u>	<u>5,337,198</u>	<u>320,010</u>	<u>5,657,208</u>
Bequests	-	-	-	89,600	-	89,600
Rental	32,650	-	32,650	35,436	-	35,436
Interest and dividends	608,327	2,235	610,562	472,666	856	473,522
Realized gains on investment transactions, net	1,942,724	2,387	1,945,111	260,613	145	260,758
Unrealized gains on investments, net	1,958,084	12,034	1,970,118	1,850,598	8,614	1,859,212
Change in value of split-interest agreements, net	-	10,933,109	10,933,109	-	2,852,544	2,852,544
Net assets released from restrictions	6,104,708	(6,104,708)	-	7,003,948	(7,003,948)	-
Total revenue, gains and other support	<u>16,635,693</u>	<u>4,870,057</u>	<u>21,505,750</u>	<u>15,050,059</u>	<u>(3,821,779)</u>	<u>11,228,280</u>
<b>Expenses</b>						
Research and publications	2,989,433	-	2,989,433	3,024,550	-	3,024,550
Academic programs	2,597,882	-	2,597,882	2,277,229	-	2,277,229
Investment management	3,454,139	-	3,454,139	2,938,803	-	2,938,803
Fundraising	1,534,948	-	1,534,948	1,402,404	-	1,402,404
Management and general	1,325,420	-	1,325,420	811,303	-	811,303
Total expenses	<u>11,901,822</u>	<u>-</u>	<u>11,901,822</u>	<u>10,454,289</u>	<u>-</u>	<u>10,454,289</u>
<b>Change in Net Assets</b>	4,733,871	4,870,057	9,603,928	4,595,770	(3,821,779)	773,991
<b>Net Assets - Beginning of Year</b>	<u>40,411,079</u>	<u>69,360,739</u>	<u>109,771,818</u>	<u>35,815,309</u>	<u>73,182,518</u>	<u>108,997,827</u>
<b>Net Assets - End of Year</b>	<u>\$ 45,144,950</u>	<u>\$ 74,230,796</u>	<u>\$ 119,375,746</u>	<u>\$ 40,411,079</u>	<u>\$ 69,360,739</u>	<u>\$ 109,771,818</u>

The accompanying notes are an integral part of the consolidated financial statements

## AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

	American Institute for Economic Research				American Investment Services	Total
	Research and Publications	Academic Programs	Fundraising	Management and General		
Salaries	\$ 1,292,476	\$ 983,872	\$ 419,687	\$ 538,286	\$ 2,397,913	\$ 5,632,234
Payroll taxes	107,761	76,248	32,343	40,592	129,476	386,420
Employee benefits and staff training	212,319	165,436	82,246	100,913	256,028	816,942
Consulting	387,735	135,847	270,997	16,904	35,029	846,512
Depreciation	167,524	224,961	43,078	43,078	26,040	504,681
Advertising and appeals	6,388	21,935	457,164	-	5,166	490,653
Occupancy	156,310	220,577	40,194	40,194	12,485	469,760
Travel and other	94,729	309,322	59,319	2,859	1,919	468,148
Computer related	112,683	70,734	18,771	23,464	174,234	399,886
Retirement and unemployment	5,875	-	-	268,130	-	274,005
Publications	233,234	-	-	-	38,128	271,362
Income tax	-	-	-	-	228,340	228,340
Insurance	18,363	18,837	3,607	42,682	56,125	139,614
Trustee expenses	-	-	-	129,427	-	129,427
Conference and events	-	53,220	62,080	-	-	115,300
Honorariums and stipends	-	111,450	-	-	-	111,450
Accounting and legal fees	5,670	-	-	57,897	45,932	109,499
Public relations	78,670	9,834	9,833	-	-	98,337
Miscellaneous	21,678	43,394	8,066	5,007	1,589	79,734
Grants	-	58,320	-	-	-	58,320
Postage	24,897	5,436	12,882	7,936	6,681	57,832
Supplies	8,687	11,191	2,128	2,154	17,907	42,067
Website	24,947	12,209	3,564	-	-	40,720
Scholarships	-	38,250	-	-	-	38,250
Telephone and telecommunications	6,774	9,205	1,742	1,742	18,544	38,007
Bank and other fees	5,686	16,009	7,247	3,623	-	32,565
Books and subscriptions	17,027	1,595	-	532	2,603	21,757
<b>Total</b>	<b>\$ 2,989,433</b>	<b>\$ 2,597,882</b>	<b>\$ 1,534,948</b>	<b>\$ 1,325,420</b>	<b>\$ 3,454,139</b>	<b>\$ 11,901,822</b>

The accompanying notes are an integral part of the consolidated financial statements

## AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	American Institute for Economic Research				American Investment Services	Total
	Research and Publications	Academic Programs	Fundraising	Management and General		
Salaries	\$ 1,236,191	\$ 940,136	\$ 339,866	\$ 408,836	\$ 1,986,927	\$ 4,911,956
Payroll taxes	92,267	65,382	24,002	27,882	117,107	326,640
Employee benefits and staff training	179,068	151,340	52,847	74,923	252,011	710,189
Consulting	384,528	136,323	388,966	14,534	29,726	954,077
Depreciation	136,117	167,230	54,447	31,112	24,992	413,898
Advertising and appeals	14,853	21,527	304,979	-	8,998	350,357
Occupancy	253,488	311,428	101,395	57,940	14,904	739,155
Travel and other	54,451	131,479	30,502	2,376	2,155	220,963
Computer related	83,175	58,475	25,758	17,838	165,081	350,327
Retirement and unemployment	5,666	2,234	9,747	84,476	-	102,123
Publications	201,670	-	-	-	38,374	240,044
Income tax	-	-	-	-	156,714	156,714
Insurance	17,390	16,994	5,533	35,175	53,704	128,796
Trustee expenses	-	-	-	1,597	-	1,597
Conference and events	-	25,306	10,279	-	-	35,585
Honorariums and stipends	-	103,350	-	-	-	103,350
Accounting and legal fees	209,005	-	-	36,850	33,242	279,097
Public relations	75,720	9,465	9,465	-	-	94,650
Miscellaneous	4,413	32,447	3,744	868	10,351	51,823
Grants	-	58,365	-	-	-	58,365
Postage	16,909	7,784	25,949	10,176	7,610	68,428
Supplies	6,953	8,070	2,600	1,514	15,777	34,914
Website	23,687	9,812	3,384	-	-	36,883
Telephone and telecommunications	7,828	11,116	3,131	1,789	18,652	42,516
Bank and other fees	4,711	7,431	5,810	2,905	-	20,857
Books and subscriptions	16,460	1,535	-	512	2,478	20,985
<b>Total</b>	<b>\$ 3,024,550</b>	<b>\$ 2,277,229</b>	<b>\$ 1,402,404</b>	<b>\$ 811,303</b>	<b>\$ 2,938,803</b>	<b>\$ 10,454,289</b>

The accompanying notes are an integral part of the consolidated financial statements

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 9,603,928	\$ 773,991
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	504,681	413,898
Deferred income tax expense	(7,524)	(13,666)
Donated securities	(14,357)	(129,307)
Realized gain on investments transactions, net	(1,945,111)	(260,758)
Unrealized gain on investments, net	(1,970,118)	(1,859,212)
Change in investments held under split-interest agreements	(9,076,349)	4,469,332
Change in liabilities under split-interest agreements	4,749,231	(4,834,999)
Change in liabilities under retirement agreements	184,967	-
Increase in operating assets:		
Accounts receivable	(119,917)	(36,615)
Prepaid expenses	(31,064)	(16,627)
Increase (decrease) in operating liabilities:		
Accounts payable	12,685	26,561
Investment advisory fee payable	3,249	(3,757)
Distributions payable under split-interest agreements	1,173,373	(612,814)
Accrued salaries and paid leave	143,034	(134,739)
Accrued income tax	54,308	(20,569)
Unearned subscription income	(7,004)	(4,250)
Net cash provided by (used in) operating activities	<u>3,258,012</u>	<u>(2,243,531)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(5,321,700)	(5,932,854)
Proceeds from investment transactions	5,889,842	7,271,313
Purchases of property and equipment	(579,289)	(2,833,250)
Disposals of property and equipment	-	21,747
Net cash used in investing activities	<u>(11,147)</u>	<u>(1,473,044)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	3,246,865	(3,716,575)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>8,540,891</u>	<u>12,257,466</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 11,787,756</u>	<u>\$ 8,540,891</u>
<b>Supplemental Cash Flow Information</b>		
Cash paid during the year for income taxes	\$ 174,032	\$ 177,283

The accompanying notes are an integral part of the consolidated financial statements

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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.

#### Consolidated Financial Statements

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

#### Basis of Accounting and Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of the Organization are reported in the following net asset categories:

##### Net Assets Without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Trustees. Designated net assets represent reserves or special designations established by the Board of Trustees.

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

- A reserve equal to the amount required to balance the Board-approved operating budget. This reserve was \$8,100,025 and \$9,028,705 as of December 31, 2021 and 2020.

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **Net Assets With Donor Restrictions**

Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure. Net assets with donor restrictions also represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Organization to expend the income earned thereon. Net assets with donor restrictions include purpose restricted contributions, the net assets held under the two RLI Stock Funds (pooled income funds) and the charitable remainder unitrusts.

### **Use of Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less. Management considers all certificates of deposit and money market accounts readily converted to cash to be cash equivalents. The Organization's deposits in financial institutions may, at times, exceed federal depository insurance limits. However, management believes that the Organization's deposits are not subject to significant credit risk.

### **Investments**

Investments are reported 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 at the measurement date.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include the Organization's gains and losses on investments bought and sold as well as held during the year.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported on the consolidated statements of financial position.

### **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, 2021 and 2020.

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Property and Equipment, Net

Property and equipment acquisitions that individually exceed \$5,000 are capitalized at cost and are depreciated on the straight-line method over their estimated useful lives, which vary from five to thirty years. Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for major renewals and betterments are capitalized.

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, 2021 and 2020.

### 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.

### Functional Areas

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

AIER:

- a. 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.
- b. 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.
- c. 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.
- d. Management and general expense include 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.
- e. Fundraising expense includes the structure necessary to encourage and secure financial support (both unrestricted gifts and long-term split-interest gifts).

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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AIS: AIS provides investment advisory services to individuals, trusts, endowments, 401(k) plans, pension plans, foundations, and nonprofit institutions and publishes a monthly newsletter. Management considers these to be management and general expenses.

### Functional Allocation of Expenses

The costs of providing various programs and other activities have been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses are allocated based on time and effort.

### Revenue Recognition

The Organization recognizes revenue at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for transferring goods or services to its customers using the following five-step process:

1. Identify the contract(s) with the customer
2. Identify the performance obligation(s) in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations in the contract
5. Recognize revenue when (or as) the Organization satisfies a performance obligation

See Note 2 for details on how the above five-step process is applied to the Organization's contracts with customers.

### Contributions

Unconditional promises to give are recognized when pledged or received and are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports contributions and grants of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of release from obligation) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

The Organization reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions on how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations about how long those assets must be maintained, the Organization reports expirations of donor restrictions when the assets are placed in service.

### Contributions In-kind

Contributed services and goods are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Advertising

The Organization records advertising costs as expenses when they are incurred. Advertising expense was \$490,653 and \$350,357 for the years ended December 31, 2021 and 2020, respectively.

### Tax Status

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

AIS is a "C" corporation taxable entity.

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, 2021 and 2020.

Management evaluated tax positions taken and has determined that AIER has not taken any material uncertain tax position at December 31, 2021 and 2020.

### Subsequent Events

The Organization has evaluated subsequent events for potential recognition or disclosure through March 22, 2022, the date the consolidated financial statements were available to be issued.

## NOTE 2 - REVENUES FROM CONTRACTS WITH CUSTOMERS

### Investment Management Fees

The Organization enters into contracts to provide investment advisory services to clients. At contract inception, the Organization assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a good or service (or bundle of goods or services). To identify the performance obligations, the Organization considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices.

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Organization satisfies its performance obligations for investment advisory services over a period of time as services are provided. Investment management fees are billed quarterly in arrears with payment due upon receipt of invoice. The investment management fees are based on Board-approved rates and are dependent on the size of the investment portfolio.

### Subscriptions

The Company enters into contracts to provide monthly investment guides either print or digital subscriptions. At contract inception, the Company assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a good or service (or bundle of goods or services). To identify the performance obligations, the Company considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices.

The Company satisfies its performance obligations for subscriptions over a period of time as services are provided. Subscriptions are billed annually with payment due at the inception of the subscription. A contract liability is recognized due to all payments being made at inception and revenue recognized as performance obligations are satisfied. Subscription fees are charged based on either digital or print and digital options and either a 1 year or 2 year term. Print and digital subscriptions are \$59 per year or \$108 for 2 years. Digital only subscriptions are \$49 per year or \$98 for 2 years.

The opening and closing balances of the Organization's investment management fees and subscriptions receivable and unearned revenue are as follows:

	<b>Investment Management Fee and Subscriptions Contract Balances</b>	
	<b>Receivables</b>	<b>Unearned Revenue</b>
Opening (January 1, 2020)	\$ 952,574	\$ 47,686
Closing (December 31, 2020)	980,383	43,436
Increase (decrease)	27,809	(4,250)
Opening (January 1, 2021)	980,383	43,436
Closing (December 31, 2021)	1,110,021	36,432
Increase (decrease)	129,638	(7,004)

The Organization applies the practical expedient 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

### NOTE 3 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides 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 (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **Level 1**

Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Organization has the ability to access.

### **Level 2**

Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

### **Level 3**

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the 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.

The following is a description of the valuation methodologies used for assets 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, Accrued Interest and U.S. Government Bonds**

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.

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of assets and liabilities measured at fair value is as follows:

	December 31, 2021			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Investments:				
Fixed income securities:				
U.S. government bonds	\$ 7,620,744	\$ -	\$ -	\$ 7,620,744
Foreign bond funds	2,263,215	-	-	2,263,215
Crypto currencies	421	-	-	421
Equity securities:				
Real estate investment trusts	11,023	-	-	11,023
U.S. companies	14,710,199	-	-	14,710,199
Non-U.S. companies	6,506,886	-	-	6,506,886
Gold related stocks	1,622,782	-	-	1,622,782
	<u>32,735,270</u>	<u>-</u>	<u>-</u>	<u>32,735,270</u>
Investments held under split-interest agreements:				
Fixed income securities:				
Corporate bonds	-	37,346,336	-	37,346,336
U.S. government bonds	4,384,975	-	-	4,384,975
Global bond funds	3,572,252	-	-	3,572,252
Equity securities:				
Real estate investment trusts	12,523,684	-	-	12,523,684
U.S. companies	58,461,529	-	-	58,461,529
Non-U.S. companies	29,847,930	-	-	29,847,930
Gold related stocks	8,039,326	-	-	8,039,326
Global funds	9,169,291	-	-	9,169,291
Accrued interest	69,644	-	-	69,644
	<u>126,068,631</u>	<u>37,346,336</u>	<u>-</u>	<u>163,414,967</u>
<b>Total Assets at Fair Value</b>	<b><u>\$ 158,803,901</u></b>	<b><u>\$ 37,346,336</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 196,150,237</u></b>
<b>Liabilities:</b>				
Liabilities under split-interest agreements				
	<u>\$ -</u>	<u>\$ 91,086,365</u>	<u>\$ -</u>	<u>\$ 91,086,365</u>

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2020			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Investments:				
Fixed income securities:				
U.S. government bonds	\$ 6,697,458	\$ -	\$ -	\$ 6,697,458
Foreign bond funds	2,120,974	-	-	2,120,974
Crypto currencies	292,978	-	-	292,978
Equity securities:				
Real estate investment trusts	7,388	-	-	7,388
U.S. companies	12,982,480	-	-	12,982,480
Non-U.S. companies	5,817,437	-	-	5,817,437
Gold related stocks	1,455,111	-	-	1,455,111
	<u>29,373,826</u>	<u>-</u>	<u>-</u>	<u>29,373,826</u>
Investments held under split-interest agreements:				
Fixed income securities:				
Corporate bonds	-	33,717,283	-	33,717,283
U.S. government bonds	6,185,354	-	-	6,185,354
Global bond funds	3,287,135	-	-	3,287,135
Equity securities:				
Real estate investment trusts	14,257,697	-	-	14,257,697
U.S. companies	50,771,117	-	-	50,771,117
Non-U.S. companies	28,289,514	-	-	28,289,514
Gold related stocks	8,315,903	-	-	8,315,903
Global funds	9,406,873	-	-	9,406,873
Accrued interest	107,742	-	-	107,742
	<u>120,621,335</u>	<u>33,717,283</u>	<u>-</u>	<u>154,338,618</u>
<b>Total Assets at Fair Value</b>	<u>\$ 149,995,161</u>	<u>\$ 33,717,283</u>	<u>\$ -</u>	<u>\$ 183,712,444</u>
<b>Liabilities:</b>				
Liabilities under split-interest agreements				
	<u>\$ -</u>	<u>\$ 86,337,134</u>	<u>\$ -</u>	<u>\$ 86,337,134</u>

There were no transfers between levels of investments during the years ended December 31, 2021 and 2020.

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 4 - LIQUIDITY

	<u>2021</u>	<u>2020</u>
Total assets	\$ 215,025,100	\$ 199,116,832
Less assets not available for general expenditures:		
Cash held under split-interest agreements	(4,980,684)	(3,295,279)
Purpose or time restricted funds	(143,771)	(109,615)
Board-designated reserves, held in investments	(8,100,025)	(9,028,705)
Prepaid expenses	(151,655)	(120,591)
Property and equipment, net	(5,825,431)	(5,750,823)
Investments held under split-interest agreements	<u>(163,414,967)</u>	<u>(154,338,618)</u>
Financial Assets Available for General Expenditures	<u>\$ 32,408,567</u>	<u>\$ 26,473,201</u>

AIER has \$32,408,567 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. In addition, these reserves 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. AIS also has a line of credit of \$250,000 available as of December 31, 2021 that it could draw upon in the event of an unanticipated liquidity need.

### NOTE 5 - PROPERTY AND EQUIPMENT, NET

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

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 8,274,810	\$ 8,067,730
Equipment	485,586	955,674
Vehicles	178,571	155,371
	<u>8,938,967</u>	<u>9,178,775</u>
Less accumulated depreciation	3,819,264	3,910,766
	<u>5,119,703</u>	<u>5,268,009</u>
Construction in progress	411,225	188,311
Land	<u>294,503</u>	<u>294,503</u>
Property and Equipment, Net	<u>\$ 5,825,431</u>	<u>\$ 5,750,823</u>

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 6 - SPLIT-INTEREST AGREEMENTS

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

	December 31, 2021			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents	\$ 4,980,684	\$ -	\$ -	\$ 4,980,684
Equity securities	94,704,288	26,095,317	2,757,846	118,041,759
Fixed income securities	46,337,593	359,699	1,393,728	45,303,564
Accrued interest	69,644	-	-	69,644
	<u>\$ 146,092,209</u>	<u>\$ 26,455,016</u>	<u>\$ 4,151,574</u>	<u>\$ 168,395,651</u>

  

	December 31, 2020			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents	\$ 3,295,279	\$ -	\$ -	\$ 3,295,279
Equity securities	94,205,894	19,730,953	2,895,743	111,041,104
Fixed income securities	42,535,998	737,547	83,773	43,189,772
Accrued interest	107,742	-	-	107,742
	<u>\$ 140,144,913</u>	<u>\$ 20,468,500</u>	<u>\$ 2,979,516</u>	<u>\$ 157,633,897</u>

### Liabilities Under Split-Interest Agreements

The obligations as trustee for each pooled income fund and charitable remainder trust are reported 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, 2021 and 2020 was 7.60% and 7.28%, respectively.

### NOTE 7 - 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 (3.25% as of December 31, 2021 and 2020, respectively). No amounts were outstanding under the line of credit at December 31, 2021 and 2020. The line of credit is renewable on an annual basis.

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 8 - NET ASSETS AND STOCKHOLDER'S EQUITY

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

	<b>December 31, 2021</b>			
	<b>AIER</b>	<b>AIS</b>	<b>Eliminating Entries</b>	<b>Consolidated Total</b>
Common stock, no par value; 1,000 shares authorized, 400 shares issued and outstanding	\$ -	\$ 355,154	\$ (355,154)	\$ -
Retained earnings	-	1,411,142	(1,411,142)	-
Net assets without donor restrictions	45,144,950	-	-	45,144,950
Net assets with donor restrictions	<u>74,230,796</u>	<u>-</u>	<u>-</u>	<u>74,230,796</u>
	<u>\$ 119,375,746</u>	<u>\$ 1,766,296</u>	<u>\$ (1,766,296)</u>	<u>\$ 119,375,746</u>
	<b>December 31, 2020</b>			
	<b>AIER</b>	<b>AIS</b>	<b>Eliminating Entries</b>	<b>Consolidated Total</b>
Common stock, no par value; 1,000 shares authorized, 400 shares issued and outstanding	\$ -	\$ 355,154	\$ (355,154)	\$ -
Retained earnings	-	1,326,141	(1,326,141)	-
Net assets without donor restrictions	40,411,079	-	-	40,411,079
Net assets with donor restrictions	<u>69,360,739</u>	<u>-</u>	<u>-</u>	<u>69,360,739</u>
	<u>\$ 109,771,818</u>	<u>\$ 1,681,295</u>	<u>\$ (1,681,295)</u>	<u>\$ 109,771,818</u>

### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<b>2021</b>	<b>2020</b>
Purpose restricted for scholarship	\$ 143,771	\$ 109,615
Pooled income funds:		
Subject to expiration of income beneficiaries' interest	65,547,918	61,431,668
Charitable remainder unitrust:		
Subject to expiration of trust terms	<u>8,539,107</u>	<u>7,819,456</u>
Total Net Assets with Donor Restrictions	<u>\$ 74,230,796</u>	<u>\$ 69,360,739</u>

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 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:

	<u>2021</u>	<u>2020</u>
Investment income	\$ 9,138,017	\$ 5,036,095
Realized gain on investment transactions	8,411,005	2,562,928
Unrealized gain (loss) on investments	4,814,459	(4,331,825)
Change in liabilities under split-interest agreements	(4,749,231)	4,834,999
Distributions to beneficiaries	(6,243,076)	(4,830,859)
Investment advisory fee	(401,052)	(382,344)
Other	(37,013)	(36,450)
	<u>                    </u>	<u>                    </u>
Total Change in Value of Donor-Restricted Net Assets	\$ <u>10,933,109</u>	\$ <u>2,852,544</u>

### NOTE 10 - RETIREMENT PLANS

The Organization offers a defined contribution plan that includes a safe harbor match equal to a percentage of each eligible employee's compensation. These safe harbor matching contributions are always 100 percent vested. For the years ended December 31, 2021 and 2020, the Organization's contributions were \$197,845 and \$198,769, respectively.

AIER has entered into agreements with two former officers whereby AIER has agreed to provide lifetime retirement benefits. Retirement benefits under these agreements had previously been accounted for as amounts were paid. Beginning January 2021, an adjustment fully expensed the amounts owed and recorded the full liability of the benefits payable. The liability under retirement agreements of \$184,967 is reported on the consolidated statement of financial position as of December 31, 2021. For the years ended December 31, 2021 and 2020, retirement payments were \$83,163 and \$84,060, respectively.

### NOTE 11 - INCOME TAXES

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

	<u>2021</u>	<u>2020</u>
Federal	\$ 166,797	\$ 120,488
State	69,067	49,892
Deferred tax	(7,524)	(13,666)
	<u>                    </u>	<u>                    </u>
Total Income Tax Expense	\$ <u>228,340</u>	\$ <u>156,714</u>

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 operations as a result of state taxes, accrued paid leave and depreciation differences.

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 12 - RELATED PARTY TRANSACTIONS

AIS provides investment advisory services to the two pooled income funds and charitable remainder unitrusts. AIS received \$401,052 and \$382,343 in investment management fees, of which \$101,240 and \$97,991 was included in accounts receivable, from the two pooled income funds and charitable remainder unitrusts as of and for the years ended December 31, 2021 and 2020, respectively.

### NOTE 13 - CORONAVIRUS

On March 11, 2020, the World Health Organization classified the Coronavirus outbreak as a pandemic, triggering significant instability in the global economy and investment markets. As a result, the Organization's investments experienced significant volatility during the years ended December 31, 2021 and 2020. The current fair value of the Organization's investments may be materially different from the amounts presented on the statement of financial position as of December 31, 2021. As of the report date, the pandemic is still ongoing and, therefore, the total impact it may have on the Organization's investments cannot be reasonably determined at this time.

## **Supplementary Information**

# AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021

	American Institute for Economic Research, Inc.				American Investment Services	Eliminating Entries	Consolidated Totals
	Without Donor Restrictions	With Donor Restrictions (McCain)	With Donor Restrictions (Trust Funds)	Total			
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 5,659,142	\$ 1,065	\$ 4,980,684	\$ 10,640,891	\$ 1,146,865	\$ -	\$ 11,787,756
Investments	32,029,067	150,206	-	32,179,273	555,997	-	32,735,270
Investment in subsidiary	1,766,296	-	-	1,766,296	-	(1,766,296)	-
Accounts receivable	569,533	-	-	569,533	1,110,289	(569,801)	1,110,021
Prepaid expenses	98,023	-	-	98,023	53,632	-	151,655
Due from related party	1,285	-	-	1,285	-	(1,285)	-
Total current assets	40,123,346	151,271	4,980,684	45,255,301	2,866,783	(2,337,382)	45,784,702
<b>Property and Equipment, Net</b>	5,725,679	-	-	5,725,679	99,752	-	5,825,431
<b>Investments Held Under Split-Interest Agreements</b>	-	-	163,414,967	163,414,967	-	-	163,414,967
<b>Total Assets</b>	\$ 45,849,025	\$ 151,271	\$ 168,395,651	\$ 214,395,947	\$ 2,966,535	\$ (2,337,382)	\$ 215,025,100
<b>LIABILITIES, NET ASSETS AND STOCKHOLDER'S EQUITY</b>							
<b>Current Liabilities</b>							
Accounts payable	\$ 253,815	\$ 7,500	\$ -	\$ 261,315	\$ 17,893	\$ -	\$ 279,208
Investment advisory fee payable	19,801	-	101,240	121,041	-	(19,801)	101,240
Distributions payable under split-interest agreements	-	-	3,121,021	3,121,021	-	-	3,121,021
Accrued dividends	-	-	-	-	550,000	(550,000)	-
Accrued salaries and paid leave	245,492	-	-	245,492	529,718	-	775,210
Accrued income tax	-	-	-	-	52,329	-	52,329
Unearned subscription income	-	-	-	-	36,432	-	36,432
Due to related party	-	-	-	-	1,285	(1,285)	-
Total current liabilities	519,108	7,500	3,222,261	3,748,869	1,187,657	(571,086)	4,365,440
<b>Long-Term Liabilities</b>							
Liabilities under split-interest agreements	-	-	91,086,365	91,086,365	-	-	91,086,365
Liabilities under retirement agreements	184,967	-	-	184,967	-	-	184,967
Deferred income tax	-	-	-	-	12,582	-	12,582
Total long-term liabilities	184,967	-	91,086,365	91,271,332	12,582	-	91,283,914
<b>Net Assets and Stockholder's Equity</b>							
Without donor restrictions:							
Undesignated	37,044,925	-	-	37,044,925	-	-	37,044,925
Designated:							
Board designated	8,100,025	-	-	8,100,025	-	-	8,100,025
With donor restrictions:							
Purpose restrictions	-	143,771	-	143,771	-	-	143,771
Assets held under split-interest agreements	-	-	74,087,025	74,087,025	-	-	74,087,025
Stockholder's equity	-	-	-	-	1,766,296	(1,766,296)	-
Total net assets and stockholder's equity	45,144,950	143,771	74,087,025	119,375,746	1,766,296	(1,766,296)	119,375,746
<b>Total Liabilities, Net Assets and Stockholder's Equity</b>	\$ 45,849,025	\$ 151,271	\$ 168,395,651	\$ 214,395,947	\$ 2,966,535	\$ (2,337,382)	\$ 215,025,100

## AMERICAN INSTITUTE FOR ECONOMIC RESEARCH, INC. AND SUBSIDIARY

### CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

	American Institute for Economic Research, Inc.				American Investment Services	Eliminating Entries	Consolidated Totals
	Without Donor Restrictions	With Donor Restrictions (McCain)	With Donor Restrictions (Trust Funds)	Total			
<b>Revenue, Gains and Other Support</b>							
Operating revenue:							
Subscriptions	\$ -	\$ -	\$ -	\$ -	\$ 48,151	\$ -	\$ 48,151
Contributions	1,137,351	25,000	-	1,162,351	-	-	1,162,351
Contributions in-kind	423,930	-	-	423,930	-	-	423,930
Publication sales	176,132	-	-	176,132	-	-	176,132
Investment management fees	-	-	-	-	4,228,651	(81,423)	4,147,228
Other	56,408	-	-	56,408	-	-	56,408
Total operating revenue	<u>1,793,821</u>	<u>25,000</u>	<u>-</u>	<u>1,818,821</u>	<u>4,276,802</u>	<u>(81,423)</u>	<u>6,014,200</u>
Bequests	-	-	-	-	-	-	-
Rental	183,490	-	-	183,490	-	(150,840)	32,650
Net income of subsidiary	635,001	-	-	635,001	-	(635,001)	-
Interest and dividends	607,552	2,235	8,699,952	9,309,739	775	(8,699,952)	610,562
Realized gains on investment transactions, net	1,942,724	2,387	8,411,005	10,356,116	-	(8,411,005)	1,945,111
Unrealized gains (losses) on investments, net	1,959,166	12,034	4,814,459	6,785,659	(1,082)	(4,814,459)	1,970,118
Change in value of split-interest agreements, net	-	-	(4,749,231)	(4,749,231)	-	15,682,340	10,933,109
Net assets released from restrictions	6,104,708	(7,500)	(6,097,208)	-	-	-	-
Total revenue, gains and other support	<u>13,226,462</u>	<u>34,156</u>	<u>11,078,977</u>	<u>24,339,595</u>	<u>4,276,495</u>	<u>(7,110,340)</u>	<u>21,505,750</u>
<b>Expenses</b>							
Research and publications	2,976,653	-	-	2,976,653	-	12,780	2,989,433
Academic programs	2,580,720	-	-	2,580,720	-	17,162	2,597,882
Investment management	-	-	-	-	3,641,494	(187,355)	3,454,139
Fundraising	1,531,662	-	-	1,531,662	-	3,286	1,534,948
Distributions	-	-	6,243,076	6,243,076	-	(6,243,076)	-
Management and general	1,403,556	-	-	1,403,556	-	(78,136)	1,325,420
Total expenses	<u>8,492,591</u>	<u>-</u>	<u>6,243,076</u>	<u>14,735,667</u>	<u>3,641,494</u>	<u>(6,475,339)</u>	<u>11,901,822</u>
<b>Change in Net Assets</b>	<u>4,733,871</u>	<u>34,156</u>	<u>4,835,901</u>	<u>9,603,928</u>	<u>635,001</u>	<u>(635,001)</u>	<u>9,603,928</u>
<b>Net Assets - Beginning of Year</b>	<u>40,411,079</u>	<u>109,615</u>	<u>69,251,124</u>	<u>109,771,818</u>	<u>1,681,295</u>	<u>(1,681,295)</u>	<u>109,771,818</u>
<b>Dividends to Parent</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(550,000)</u>	<u>550,000</u>	<u>-</u>
<b>Net Assets - End of Year</b>	<u>\$ 45,144,950</u>	<u>\$ 143,771</u>	<u>\$ 74,087,025</u>	<u>\$ 119,375,746</u>	<u>\$ 1,766,296</u>	<u>\$ (1,766,296)</u>	<u>\$ 119,375,746</u>