

**INSTITUTE OF  
MATHEMATICAL STATISTICS**

**FINANCIAL STATEMENTS**

**For the Years Ended  
June 30, 2007 and 2006**

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 15

Independent Auditors' Report

The Council  
Institute of Mathematical Statistics

We have audited the accompanying statements of financial position of Institute of Mathematical Statistics as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Institute of Mathematical Statistics' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Institute of Mathematical Statistics as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Bregante + Company LLP*

December 17, 2007

**INSTITUTE OF MATHEMATICAL STATISTICS**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash	\$ 298,369	\$ 97,562
Investments, at fair market value	1,964,592	2,203,600
Accounts receivable	19,405	8,045
Interest receivable	6,479	27,059
Prepaid expenses	46,758	42,915
Investments in joint ventures	150,705	125,168
Restricted cash for endowment	<u>35,599</u>	<u>33,661</u>
Total assets	<u>\$ 2,521,907</u>	<u>\$ 2,538,010</u>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable and accrued liabilities	\$ 108,399	\$ 103,860
Unearned memberships, subscription and meeting revenue	<u>794,742</u>	<u>707,819</u>
Total liabilities	903,141	811,679
Net assets:		
Unrestricted:		
Undesignated	1,256,459	1,376,630
Board-designated	<u>314,093</u>	<u>303,649</u>
Total unrestricted	1,570,552	1,680,279
Temporarily restricted	16,624	14,913
Permanently restricted	<u>31,590</u>	<u>31,139</u>
Total net assets	<u>1,618,766</u>	<u>1,726,331</u>
Total liabilities and net assets	<u>\$ 2,521,907</u>	<u>\$ 2,538,010</u>

See accompanying notes and auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Changes in unrestricted net assets:		
Revenue and support:		
Membership dues and journal subscriptions	\$ 305,885	\$ 329,646
Non-member subscriptions	864,152	771,545
Sales of back issues	5,156	5,314
Page charges	19,100	34,412
Sales of <u>The IMS Lecture Notes - Monograph Series</u>	23,352	21,951
Sales of <u>NSF-CBMS Series</u>	2,618	7,039
Scientific meetings	63,234	25,744
Contributions	70	-
Advertising	42,826	36,215
Offprints, royalties and other	74,293	63,288
Net profit of joint venture publications	25,537	26,097
Unrealized gain (loss) on investments	8,708	(800)
Investment income	<u>102,072</u>	<u>80,317</u>
Total unrestricted revenue and support	1,537,003	1,400,768
Net assets released from restrictions	<u>1,387</u>	<u>1,765</u>
Total unrestricted revenue, support and others	1,538,390	1,402,533
Expenses:		
Program	1,555,977	1,385,279
General and administrative	<u>92,140</u>	<u>116,095</u>
Total expenses	<u>1,648,117</u>	<u>1,501,374</u>
Decrease in unrestricted net assets	<u>(109,727)</u>	<u>(98,841)</u>
Changes in temporarily restricted net assets:		
Contributions	1,160	1,500
Investment income	1,938	832
Net assets released from restrictions	<u>(1,387)</u>	<u>(1,765)</u>
Increase in temporarily restricted net assets	<u>1,711</u>	<u>567</u>

See accompanying notes and auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**

**STATEMENTS OF ACTIVITIES (Continued)**

**For the Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Changes in permanently restricted net assets:		
Contributions	<u>451</u>	<u>-</u>
Increase in permanently restricted net assets	<u>451</u>	<u>-</u>
Decrease in net assets	<u>(107,565)</u>	<u>(98,274)</u>
Net assets, beginning of year	<u>1,726,331</u>	<u>1,824,605</u>
Net assets, end of year	<u>\$ 1,618,766</u>	<u>\$ 1,726,331</u>

See accompanying notes and auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2007 and 2006**

	2007	2006
Cash flows from operating activities:		
Changes in net assets	\$ (107,565)	\$ (98,274)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Net profit in investments in joint ventures	(25,537)	(26,097)
Unrealized (gain) loss on investments	(8,708)	800
(Increase) decrease in assets:		
Accounts receivable	(11,360)	9,701
Interest receivable	20,580	(5,248)
Prepaid expenses	(3,843)	15,912
Restricted cash for endowment	(1,938)	(832)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	4,539	(105,098)
Unearned memberships, subscription and meeting revenue	86,923	84,852
	60,656	(26,010)
Total adjustments		
Net cash used by operating activities	(46,909)	(124,284)
Cash flows from investing activities:		
Distributions from joint ventures	-	36,107
Net change in investments	247,716	108,000
	247,716	144,107
Net cash provided by investing activities		
Net increase in cash	200,807	19,823
Cash, beginning of year	97,562	77,739
Cash, end of year	\$ 298,369	\$ 97,562

See accompanying notes and auditors' report.

# INSTITUTE OF MATHEMATICAL STATISTICS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

### **NOTE A -- Description of organization**

The Institute of Mathematical Statistics (the Institute) is an international professional and scholarly society devoted to the development and dissemination of the theory and applications of statistics and probability. Its activities include sponsorship of journals and other scientific publications, organization of scientific meetings and cooperation with other scientific organizations.

The scientific journals are The Annals of Applied Probability, The Annals of Applied Statistics, The Annals of Probability, The Annals of Statistics and Statistical Science. The IMS Bulletin is the news organ of the Institute. In addition, the Institute publishes The IMS Lecture Notes - Monograph Series. Jointly with other organizations, the Institute publishes the Electronic Journal of Probability, Electronic Communications in Probability, Electronic Journal of Statistics, Journal of Computational and Graphical Statistics, Probability Surveys, Statistics Surveys, NSF-CBMS Regional Conference Series in Probability and Statistics and Current Index to Statistics. On behalf of another society, the Institute produces Bernoulli and the Bernoulli News.

The Institute is an international organization of approximately 4,300 statisticians, probabilists, epidemiologists and econometricians from industry, academia and government.

### **NOTE B -- Summary of significant accounting policies**

#### **Basis of accounting**

The Institute maintains its accounting records and prepares its financial statements on the accrual basis.

#### **Financial statement presentation**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. The financial activities are classified into three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Unrestricted net assets: These amounts consist of net assets that are not subject to donor-imposed restrictions. Unrestricted net assets are expendable resources used to support the Institute's core activities. These net assets may be designated for specific purposes by action of the Council to be used for future periods.

See auditors' report.



**INSTITUTE OF MATHEMATICAL STATISTICS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2007 and 2006**

**NOTE B** -- **Summary of significant accounting policies** (continued)

Temporarily restricted: Those net assets and activities which are donor restricted for: (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently restricted: Those net assets and activities which are permanently donor restricted for holdings of: (a) assets donated with stipulations that they be preserved and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income. Permanently restricted net assets consist of cash gifts restricted by donors to establish a fund honoring the memory of Professor Le Cam.

**Revenue and support recognition**

Membership dues and subscription fees are recognized as revenue on a straight-line basis over the term of the applicable membership and subscription period. Membership and subscription periods run from January 1 to December 31. Any time a member or non-member subscribes, he/she is entitled to all issues of the journal(s) published during the subscription period. The unearned portion of the revenue is recorded as a liability under the unearned memberships, subscription and meeting revenue in the Statements of Financial Position.

The Institute recognizes contributions upon the earlier of receipt or when a pledge is executed. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as either temporarily restricted or permanently restricted support, depending upon the type of restriction. The Institute does not solicit contributions.

**Income taxes**

The Institute is a qualified organization exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2007 and 2006**

**NOTE B** -- Summary of significant accounting policies (continued)

**Investments in joint ventures**

Investments in joint ventures are stated at cost plus the equity in the undistributed earnings of the joint ventures since the dates of acquisition.

**Production costs of publications**

The Institute's policy is to expense the production costs of its publications as incurred rather than capitalize these costs as inventory. The Institute follows this policy as there is no discernible market for the publications after the initial distribution.

**Shipping and handling costs**

Shipping and handling costs are recorded as incurred. The expenses were included in the functional expenses in Note G.

**Functional allocation of expenses**

The costs of providing the program and supporting activities of the Institute are summarized in the Statements of Activities and are shown in detail in Note G. Expenses that can be directly identified with a specific function are allocated directly to that function. Expenses that cannot be directly identified with a specific function are allocated between the program services and the general and administrative based on allocation methods and estimates made by management.

**NOTE C** -- Concentration of credit risk

The Institute maintains cash balances at three financial institutions. The balances at times may exceed federally insured limits. The Institute has not experienced any losses in these accounts and believes they are not exposed to any significant credit risk.

See auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2007 and 2006**

**NOTE D -- Investments**

In August 2006, the Institute adopted a new investment policy whereby the Institute is committed to a policy of low-cost long-term indexed investing with minimal intervention. The Institute's investment funds (that is, the funds other than the operating funds or the operating reserve) should be invested as follows:

- 60% in domestic and international equities
- 40% in fixed-income instruments

The distribution of funds is reviewed annually and is rebalanced if the actual allocations differ from the targets given here by more than 5%.

The Institute maintains accounts with Merrill Lynch and Vanguard Group for operating, operating reserve and reserve funds. Investments include mutual funds carried at their fair market value and certificates of deposit at various institutions maturing at various dates. The certificates of deposit are immediately convertible to cash with maturities ranging from one month to less than two years. Investments at June 30, 2007 and 2006 were as follows:

	2007	2006
Merrill Lynch - Blackrock Senior Floating Rate Income Fund	\$ 178,600	\$ 178,600
Vanguard Inter-Term Bond Index Fund	215,800	-
Vanguard Short-Term Bond Index Fund	139,215	-
Vanguard Developed Markets Index Fund	210,899	-
Vanguard 500 Index Fund	303,342	-
Vanguard Small Cap Index Fund	243,736	-
Certificates of deposit at various institutions	673,000	2,025,000
Total	\$ 1,964,592	\$ 2,203,600

**NOTE E -- Investments in joint ventures**

The Institute and the American Statistical Association (ASA) are involved in a joint venture for the production and sale of the Current Index to Statistics (CIS). The Institute and ASA each hold a 50% interest in this joint venture.

See auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2007 and 2006**

**NOTE E -- Investments in joint ventures (continued)**

The Institute, ASA and Interface Foundation of North America (IFNA) participate in a joint venture for periodic publication of the Journal of Computational and Graphical Statistics. The Institute's participation in profits and ownership of this venture is 40%.

The Institute's equity was \$104,262 and \$77,598 for Current Index to Statistics (the CIS venture) and \$46,443 and \$47,570 for Journal of Computational and Graphical Statistics (the IFNA venture) at June 30, 2007 and 2006, respectively.

The following is a summary of the financial position and results of operations of the joint ventures for the years ended June 30:

	Current Index to Statistics		Journal of Computational and Graphical Statistics	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current assets	\$ 280,342	\$ 222,824	\$ 186,150	\$ 186,694
Total assets	<u>\$ 280,342</u>	<u>\$ 222,824</u>	<u>\$ 186,150</u>	<u>\$ 186,694</u>
Current liabilities	\$ 71,817	\$ 67,628	\$ 70,042	\$ 67,763
Undistributed co-sponsors' equity	<u>208,525</u>	<u>155,196</u>	<u>116,108</u>	<u>118,931</u>
Total liabilities and co- sponsors' equity	<u>\$ 280,342</u>	<u>\$ 222,824</u>	<u>\$ 186,150</u>	<u>\$ 186,694</u>
Revenue	<u>\$ 120,425</u>	<u>\$ 107,870</u>	<u>\$ 113,218</u>	<u>\$ 108,782</u>
Net income (loss)	<u>\$ 53,329</u>	<u>\$ 45,884</u>	<u>\$ (2,823)</u>	<u>\$ 7,889</u>

**NOTE F -- Retirement plan**

The Institute participates in an employer matching 403(b) retirement annuity plan. The Institute matches 200% of the contributions of eligible employees up to 10% of the employee's gross salary. Employees who have completed three years of service are eligible to participate. The Institute contributed \$8,707 and \$8,373 for the years ended June 30, 2007 and 2006, respectively.

See auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2007 and 2006**

**NOTE G -- Functional expenses**

Program and general and administrative expenses for the year ended June 30, 2007 were as follows:

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Production expenses (see Note H)	\$ 691,313	\$ -	\$ 691,313
Editorial expenses (see Note H)	246,072	-	246,072
Administrative services	-	850	850
Information technology service	15,266	-	15,266
Management fee	137,582	-	137,582
Salaries, payroll taxes and employee benefits	56,023	56,022	112,045
Mailing and shipping at press	153,532	-	153,532
Scientific meetings	107,475	-	107,475
Business meetings	10,390	-	10,390
Rent and utilities	2,310	990	3,300
Contributions to other organizations	8,257	-	8,257
Postage and shipping from office	17,274	7,403	24,677
Computer equipment and software	922	395	1,317
Professional fees	-	18,300	18,300
Insurance	15,285	6,551	21,836
Storage	8,835	-	8,835
Printing	5,650	-	5,650
Credit card fees and refunds	17,918	-	17,918
Supplies	1,948	835	2,783
Telephone	769	330	1,099
Membership drives and publicity	19,540	-	19,540
Office expense and other	1,082	464	1,546
Electronic developments	38,534	-	38,534
	<u>\$ 1,555,977</u>	<u>\$ 92,140</u>	<u>\$ 1,648,117</u>

See auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2007 and 2006**

**NOTE G -- Functional expenses** (continued)

Program and general and administrative expenses for the year ended June 30, 2006 were as follows:

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Production expenses (see Note H)	\$ 566,289	\$ -	\$ 566,289
Editorial expenses (see Note H)	250,087	-	250,087
Management fee	137,008	-	137,008
Salaries, payroll taxes and employee benefits	53,689	53,689	107,378
Mailing and shipping at press	156,061	-	156,061
Scientific meetings	83,178	-	83,178
Business meetings	6,406	-	6,406
Rent and utilities	2,310	990	3,300
Contributions to other organizations	8,601	-	8,601
Postage and shipping from office	19,521	8,366	27,887
Computer equipment and software	1,303	559	1,862
Professional fees	-	19,008	19,008
Insurance	15,140	6,489	21,629
Storage	6,209	-	6,209
Printing	8,476	-	8,476
Credit card fees and refunds	15,060	-	15,060
Supplies	608	260	868
Telephone	1,355	581	1,936
Membership drives and publicity	15,940	-	15,940
Office expense and other	2,689	26,153	28,842
Electronic developments	35,349	-	35,349
	<u>\$ 1,385,279</u>	<u>\$ 116,095</u>	<u>\$ 1,501,374</u>

See auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2007 and 2006**

**NOTE H -- Production and editorial expenses**

Production and editorial expenses incurred were as follows:

	2007	2006
Production expenses:		
Core publications:		
<u>The Annals of Applied Probability</u>	\$ 109,197	\$ 103,567
<u>The Annals of Applied Statistics</u>	32,860	-
<u>The Annals of Probability</u>	125,157	124,356
<u>The Annals of Statistics</u>	158,501	177,655
<u>Statistical Science</u>	62,305	51,323
<u>IMS Bulletin</u>	55,066	50,208
<u>NSF - CBMS Series</u>	-	2,215
<u>The IMS Lecture Notes - Monograph Series</u>	40,673	-
Web page	11,801	-
Total core publications	595,560	509,324
Supported publications:		
<u>Bernoulli</u>	33,603	-
<u>Bernoulli News</u>	2,170	-
Total supported publications	35,773	-
Co-sponsored publications:		
<u>Probability Surveys</u>	3,737	7,210
<u>Electronic Journal of Statistics</u>	1,946	-
Total co-sponsored publications	5,683	7,210
General publication expenses:		
Electronic operations for all publications	54,297	49,755
Total general publication expenses	54,297	49,755
Total production expenses	\$ 691,313	\$ 566,289

See auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2007 and 2006**

**NOTE H -- Production and editorial expenses** (continued)

	2007	2006
Editorial expenses:		
<u>The Annals of Applied Probability</u>	\$ 847	\$ 2,926
<u>The Annals of Applied Statistics</u>	4,384	-
<u>The Annals of Probability</u>	-	3,588
<u>The Annals of Statistics</u>	34,623	60,000
<u>Statistical Science</u>	2,127	-
<u>IMS Bulletin</u>	72,690	66,620
WWW editor	31,333	25,451
Managing and production editors	85,568	91,502
Central editorial office	14,500	-
Total editorial expenses	\$ 246,072	\$ 250,087

**NOTE I -- Net assets**

	2007	2006
The following are net assets available at June 30:		
Unrestricted:		
Undesignated	\$ 1,256,459	\$ 1,376,630
Board-designated:		
Dorweiller Fund	3,600	3,600
Hotelling Fund	1,600	1,600
Reserve Life Fund	208,322	181,011
New Researchers Meeting Fund	31,321	41,746
Development Fund	25,000	25,000
Laha Fund	44,250	50,692
Total board-designated	314,093	303,649

See auditors' report.



**INSTITUTE OF MATHEMATICAL STATISTICS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2007 and 2006**

**NOTE I -- Net assets** (continued)

	<u>2007</u>	<u>2006</u>
Temporarily restricted:		
Tweedie Memorial Fund	11,527	12,391
Open Access Fund	637	-
Le Cam Earnings Fund	<u>4,460</u>	<u>2,522</u>
Total temporarily restricted	16,624	14,913
Permanently restricted:		
Le Cam Endowment	<u>31,590</u>	<u>31,139</u>
Total net assets	<u>\$ 1,618,766</u>	<u>\$ 1,726,331</u>

See auditors' report.