

**INSTITUTE OF
MATHEMATICAL STATISTICS**

FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2008 and 2007**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Financial Statements	
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, 2008 and 2007, 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, 2008 and 2007, 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

February 2, 2009

INSTITUTE OF MATHEMATICAL STATISTICS

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	\$ 382,305	\$ 298,369
Investments, at fair market value	2,051,843	1,964,592
Accounts receivable	30,509	19,405
Interest receivable	9,731	6,479
Prepaid expenses	58,900	46,758
Investments in joint ventures	43,968	150,705
Restricted cash for endowment	<u>37,339</u>	<u>35,599</u>
Total assets	<u>\$ 2,614,595</u>	<u>\$ 2,521,907</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 100,422	\$ 108,399
Unearned memberships, subscription and meeting revenue	<u>994,396</u>	<u>794,742</u>
Total liabilities	1,094,818	903,141
Net assets:		
Unrestricted:		
Undesignated	1,127,656	1,256,459
Board-designated	<u>341,233</u>	<u>314,093</u>
Total unrestricted	1,468,889	1,570,552
Temporarily restricted	19,110	16,624
Permanently restricted	<u>31,778</u>	<u>31,590</u>
Total net assets	<u>1,519,777</u>	<u>1,618,766</u>
Total liabilities and net assets	<u>\$ 2,614,595</u>	<u>\$ 2,521,907</u>

See accompanying notes and auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Changes in unrestricted net assets:		
Revenue and support:		
Membership dues and journal subscriptions	\$ 274,487	\$ 305,885
Non-member subscriptions	1,203,393	864,152
Sales of back issues	1,238	5,156
Page charges	44,796	19,100
Sales of books	50,305	25,970
Scientific meetings	66,959	63,234
Contributions	-	70
Advertising	35,182	42,826
Offprints, royalties and other	76,688	74,293
Net profit of joint venture publications	11,952	25,537
Unrealized gain (loss) on investments	(111,163)	8,708
Investment income	<u>79,116</u>	<u>102,072</u>
Total unrestricted revenue and support	1,732,953	1,537,003
Net assets released from restrictions	<u>954</u>	<u>1,387</u>
Total unrestricted revenue, support and others	1,733,907	1,538,390
Expenses:		
Program	1,736,196	1,555,977
General and administrative	<u>99,373</u>	<u>92,140</u>
Total expenses	<u>1,835,569</u>	<u>1,648,117</u>
Decrease in unrestricted net assets	<u>(101,662)</u>	<u>(109,727)</u>
Changes in temporarily restricted net assets:		
Contributions	1,724	1,160
Investment income	1,715	1,938
Net assets released from restrictions	<u>(954)</u>	<u>(1,387)</u>
Increase in temporarily restricted net assets	<u>2,485</u>	<u>1,711</u>

See accompanying notes and auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS

STATEMENTS OF ACTIVITIES (Continued)

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Changes in permanently restricted net assets:		
Contributions	<u>188</u>	<u>451</u>
Increase in permanently restricted net assets	<u>188</u>	<u>451</u>
Decrease in net assets	<u>(98,989)</u>	<u>(107,565)</u>
Net assets, beginning of year	<u>1,618,766</u>	<u>1,726,331</u>
Net assets, end of year	<u>\$ 1,519,777</u>	<u>\$ 1,618,766</u>

See accompanying notes and auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Changes in net assets	\$ (98,989)	\$ (107,565)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Net profit in investments in joint ventures	(11,952)	(25,537)
Unrealized (gain) loss on investments	111,163	(8,708)
(Increase) decrease in assets:		
Accounts receivable	(11,104)	(11,360)
Interest receivable	(3,252)	20,580
Prepaid expenses	(12,142)	(3,843)
Restricted cash for endowment	(1,740)	(1,938)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(7,977)	4,539
Unearned memberships, subscription and meeting revenue	199,654	86,923
Total adjustments	262,650	60,656
Net cash provided (used) by operating activities	163,661	(46,909)
Cash flows from investing activities:		
Proceeds from the liquidation of joint venture	118,689	-
Net change in investments	(198,414)	247,716
Net cash provided (used) by investing activities	(79,725)	247,716
Net increase in cash	83,936	200,807
Cash, beginning of year	298,369	97,562
Cash, end of year	\$ 382,305	\$ 298,369

See accompanying notes and auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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 and IMS Collections. 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, Current Index to Statistics and NSF-CBMS Regional Conference Series in Probability and Statistics. On behalf of other organizations, the Institute produces Bernoulli, Bernoulli News and Annales de l'Institut Henri Poincaré (B) Probabilités et Statistiques.

The Institute is an international organization of approximately 4,400 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, 2008 and 2007

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, 2008 and 2007

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. These expenses are 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 management believes they are not exposed to any significant credit risk.

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2008 and 2007

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) are to 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, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Merrill Lynch - Blackrock Senior Floating Rate Income Fund	\$ 162,200	\$ 178,600
Vanguard Inter-Term Bond Index Fund	222,242	215,800
Vanguard Short-Term Bond Index Fund	221,189	139,215
Vanguard Developed Markets Index Fund	86,664	210,899
Vanguard 500 Index Fund	258,201	303,342
Vanguard Small Cap Index Fund	229,347	243,736
Certificates of deposit at various institutions	<u>872,000</u>	<u>673,000</u>
 Total	 <u>\$ 2,051,843</u>	 <u>\$ 1,964,592</u>

NOTE E -- Investments in joint ventures

In April 2008, Current Index to Statistics (CIS) distributed the assets of its joint venture and the Institute acquired 100% of the publication rights. Prior to that date the Institute held a 50% joint equity interest in CIS with the American Statistics Association (ASA).

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2008 and 2007

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 \$0 and \$104,262 for Current Index to Statistics (the CIS venture) and \$43,968 and \$46,443 for Journal of Computational and Graphical Statistics (the IFNA venture) at June 30, 2008 and 2007, 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	
	2008	2007	2008	2007
Current assets	\$ -	\$ 280,342	\$ 180,315	\$ 186,150
Total assets	\$ -	\$ 280,342	\$ 180,315	\$ 186,150
Current liabilities	\$ -	\$ 71,817	\$ 70,394	\$ 70,042
Undistributed co-sponsors' equity	-	208,525	109,921	116,108
Total liabilities and co- sponsors' equity	\$ -	\$ 280,342	\$ 180,315	\$ 186,150
Revenue	\$ 57,407	\$ 120,425	\$ 114,345	\$ 113,218
Net income (loss)	\$ 28,853	\$ 53,329	\$ (6,187)	\$ (2,823)

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 \$9,408 and \$8,707 for the years ended June 30, 2008 and 2007, respectively.

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2008 and 2007

NOTE G -- Functional expenses

Program and general and administrative expenses for the year ended June 30, 2008 were as follows:

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Production expenses (see Note H)	\$ 833,659	\$ -	\$ 833,659
Editorial expenses (see Note H)	248,389	-	248,389
Administrative services	-	3,125	3,125
Information technology service	46,574	-	46,574
Management fee	133,154	-	133,154
Salaries, payroll taxes and employee benefits	60,340	60,340	120,680
Mailing and shipping at press	189,754	-	189,754
Scientific meetings	104,721	-	104,721
Business meetings	14,996	-	14,996
Rent and utilities	2,328	998	3,326
Contributions to other organizations	7,372	-	7,372
Postage and shipping from office	16,555	7,095	23,650
Computer equipment and software	4,016	1,721	5,737
Professional fees	-	18,600	18,600
Insurance	14,755	6,324	21,079
Storage	12,054	-	12,054
Printing	7,529	-	7,529
Credit card fees and refunds	18,770	-	18,770
Supplies	640	274	914
Telephone	1,235	529	1,764
Membership drives and publicity	16,464	-	16,464
Presidential Fund	2,031	-	2,031
Office expense and other	860	367	1,227
	<u>\$ 1,736,196</u>	<u>\$ 99,373</u>	<u>\$ 1,835,569</u>

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2008 and 2007

NOTE G -- Functional expenses (continued)

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, 2008 and 2007

NOTE H -- Production and editorial expenses

Production and editorial expenses incurred were as follows:

	2008	2007
Production expenses:		
Core publications:		
<u>The Annals of Applied Probability</u>	\$ 87,643	\$ 109,197
<u>The Annals of Applied Statistics</u>	76,406	32,860
<u>The Annals of Probability</u>	134,470	125,157
<u>The Annals of Statistics</u>	166,345	158,501
<u>Statistical Science</u>	72,245	62,305
<u>IMS Bulletin</u>	50,169	55,066
<u>NSF - CBMS Series</u>	1,717	-
<u>IMS Collections</u>	21,953	-
<u>The IMS Lecture Notes - Monograph Series</u>	50,303	40,673
Web page	7,205	11,801
Total core publications	668,456	595,560
Supported publications:		
<u>Annales de l'Institut Henri Poincaré</u>	33,909	-
<u>Bernoulli</u>	58,276	33,603
<u>Bernoulli News</u>	3,154	2,170
Total supported publications	95,339	35,773
Co-sponsored publications:		
<u>Probability Surveys</u>	2,542	3,737
<u>Statistical Surveys</u>	1,234	-
<u>Electronic Journal of Statistics</u>	1,061	1,946
Total co-sponsored publications	4,837	5,683
General publication expenses:		
Electronic operations for all publications	65,027	54,297
Total general publication expenses	65,027	54,297
Total production expenses	\$ 833,659	\$ 691,313

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2008 and 2007

NOTE H -- Production and editorial expenses (continued)

	2008	2007
Editorial expenses:		
<u>The Annals of Applied Probability</u>	\$ -	\$ 847
<u>The Annals of Applied Statistics</u>	3,000	4,384
<u>The Annals of Statistics</u>	-	34,623
<u>Statistical Science</u>	2,579	2,127
<u>Current Index to Statistics</u>	10,000	-
<u>IMS Bulletin</u>	72,703	72,690
WWW editor	42,632	31,333
Managing and production editors	87,725	85,568
Central editorial office	29,750	14,500
Total editorial expenses	\$ 248,389	\$ 246,072

NOTE I -- Net assets

	2008	2007
The following are net assets available at June 30:		
Unrestricted:		
Undesignated	\$ 1,127,656	\$ 1,256,459
Board-designated:		
Dorweiller Fund	3,600	3,600
Hotelling Fund	1,600	1,600
Reserve Life Fund	243,146	208,322
New Researchers Meeting Fund	30,251	31,321
Development Fund	25,000	25,000
Laha Fund	37,636	44,250
Total Board-designated	341,233	314,093

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE I -- Net assets (continued)

	2008	2007
Temporarily restricted:		
Tweedie Memorial Fund	12,113	11,527
Open Access Fund	1,248	637
Le Cam Earnings Fund	5,749	4,460
Total temporarily restricted	19,110	16,624
Permanently restricted:		
Le Cam Endowment	31,778	31,590
Total net assets	\$ 1,519,777	\$ 1,618,766

See auditors' report.