

**INSTITUTE OF  
MATHEMATICAL STATISTICS**

**FINANCIAL STATEMENTS**

**For the Years Ended  
June 30, 2009 and 2008**

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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, 2009 and 2008, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2009 and 2008, 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.



San Francisco, California

December 15, 2009

INSTITUTE OF MATHEMATICAL STATISTICS

STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash	\$ 316,755	\$ 382,305
Investments, at fair market value	2,059,681	2,051,843
Accounts receivable	16,442	30,509
Interest receivable	9,484	9,731
Prepaid expenses	68,548	58,900
Investment in joint venture	45,983	43,968
Deposits	3,300	-
Restricted cash for endowment	<u>37,743</u>	<u>37,339</u>
Total assets	<u>\$ 2,557,936</u>	<u>\$ 2,614,595</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 51,793	\$ 100,422
Unearned memberships, subscription and meeting revenue	<u>1,115,979</u>	<u>994,396</u>
Total liabilities	1,167,772	1,094,818
Net assets:		
Unrestricted:		
Undesignated	906,075	1,127,656
Board-designated	<u>430,921</u>	<u>341,233</u>
Total unrestricted	1,336,996	1,468,889
Temporarily restricted	20,983	19,110
Permanently restricted	<u>32,185</u>	<u>31,778</u>
Total net assets	<u>1,390,164</u>	<u>1,519,777</u>
Total liabilities and net assets	<u>\$ 2,557,936</u>	<u>\$ 2,614,595</u>

See accompanying notes and auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Changes in unrestricted net assets:		
Revenue and support:		
Membership dues and journal subscriptions	\$ 319,953	\$ 274,487
Non-member subscriptions	1,284,708	1,203,393
Sales of back issues	4,165	1,238
Page charges	53,251	44,796
Sales of books	18,984	50,305
Scientific meetings	14,446	66,959
Advertising	31,001	35,182
Offprints, royalties and other	105,280	76,688
Net profit of joint venture publications	2,015	11,952
Unrealized loss on investments	(193,302)	(111,163)
Contributions	27,272	-
Investment income	<u>62,819</u>	<u>79,116</u>
Total unrestricted revenue and support	1,730,592	1,732,953
Net assets released from restrictions	<u>776</u>	<u>954</u>
Total unrestricted revenue, support and other	1,731,368	1,733,907
Expenses:		
Program	1,759,494	1,736,196
General and administrative	<u>103,767</u>	<u>99,373</u>
Total expenses	<u>1,863,261</u>	<u>1,835,569</u>
Decrease in unrestricted net assets	<u>(131,893)</u>	<u>(101,662)</u>
Changes in temporarily restricted net assets:		
Contributions	2,038	1,724
Investment income	611	1,715
Net assets released from restrictions	<u>(776)</u>	<u>(954)</u>
Increase in temporarily restricted net assets	<u>1,873</u>	<u>2,485</u>

See accompanying notes and auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**

**STATEMENTS OF ACTIVITIES (Continued)**

**For the Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Changes in permanently restricted net assets:		
Contributions	<u>407</u>	<u>188</u>
Increase in permanently restricted net assets	<u>407</u>	<u>188</u>
Decrease in net assets	<u>(129,613)</u>	<u>(98,989)</u>
Net assets, beginning of year	<u>1,519,777</u>	<u>1,618,766</u>
Net assets, end of year	<u>\$ 1,390,164</u>	<u>\$ 1,519,777</u>

See accompanying notes and auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Changes in net assets	\$ (129,613)	\$ (98,989)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net profit in investments in joint ventures	(2,015)	(11,952)
Realized and unrealized losses on investments	193,302	111,163
(Increase) decrease in assets:		
Accounts receivable	14,067	(11,104)
Interest receivable	247	(3,252)
Prepaid expenses	(9,648)	(12,142)
Deposits	(3,300)	-
Restricted cash for endowment	(404)	(1,740)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(48,629)	(7,977)
Unearned memberships, subscription and meeting revenue	121,583	199,654
Total adjustments	<u>265,203</u>	<u>262,650</u>
Net cash provided by operating activities	<u>135,590</u>	<u>163,661</u>
Cash flows from investing activities:		
Proceeds from the liquidation of joint venture	-	118,689
Net change in investments	<u>(201,140)</u>	<u>(198,414)</u>
Net cash used by investing activities	<u>(201,140)</u>	<u>(79,725)</u>
Net increase (decrease) in cash	(65,550)	83,936
Cash, beginning of year	<u>382,305</u>	<u>298,369</u>
Cash, end of year	<u>\$ 316,755</u>	<u>\$ 382,305</u>

See accompanying notes and auditors' report.

# INSTITUTE OF MATHEMATICAL STATISTICS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

### **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 Bayesian Analysis, Bernoulli, Bernoulli News, Brazilian Journal of Probability and Statistics and Annales de l'Institut Henri Poincaré (B) Probabilités et Statistiques.

The Institute is an international organization of approximately 4,500 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, 2009 and 2008**

**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, 2009 and 2008**

**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.

**NOTE D -- Valuation of 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:

See auditors' report.

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

**June 30, 2009 and 2008**

**NOTE D** -- Valuation of investments (continued)

- 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.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which is effective for the Institute's fiscal year beginning July 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The new standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction as prescribed by SFAS 157. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level I include listed equities held in the name of the Institute, and exclude listed equities and other securities held indirectly through commingled funds.

Level II - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III - Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

See auditors' report.

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

**June 30, 2009 and 2008**

**NOTE D** -- Valuation of investments (continued)

All of the Institute's investments are considered Level I. Ending investments value was \$2,059,681 as of June 30, 2009.

**NOTE E** -- Investment in joint venture

The Institute 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 \$45,983 and \$43,968 for Journal of Computational and Graphical Statistics (the IFNA venture) at June 30, 2009 and 2008, respectively.

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

	Journal of Computational and Graphical Statistics	
	2009	2008
Current assets	\$ 200,145	\$ 180,315
Total assets	\$ 200,145	\$ 180,315
Current liabilities	\$ 85,187	\$ 70,394
Undistributed co-sponsors' equity	114,958	109,921
Total liabilities and co- sponsors' equity	\$ 200,145	\$ 180,315
Revenue	\$ 122,386	\$ 114,345
Net income (loss)	\$ 5,037	\$ (6,187)

**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 \$9,883 and \$9,408 for the years ended June 30, 2009 and 2008, respectively.

See auditors' report.

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

**June 30, 2009 and 2008**

**NOTE G -- Functional expenses**

Program and general and administrative expenses for the year ended June 30, 2009 were as follows:

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Production expenses (see Note H)	\$ 892,400	\$ -	\$ 892,400
Editorial expenses (see Note H)	287,921	-	287,921
Mailing and shipping at press	167,824	-	167,824
Management fee	139,382	-	139,382
Salaries, payroll taxes and employee benefits	63,604	63,604	127,208
Scientific meetings	68,059	-	68,059
Postage and shipping from office	16,143	6,919	23,062
Insurance	14,622	6,266	20,888
Professional fees	-	18,000	18,000
Credit card fees and refunds	17,589	-	17,589
Membership drives and publicity	14,443	-	14,443
Presidential Fund	13,794	-	13,794
Contributions to other organizations	9,629	-	9,629
Business meetings	9,120	-	9,120
Supported journal royalty	8,645	-	8,645
Storage	8,492	-	8,492
Bad debts	8,255	-	8,255
Information technology service	6,370	-	6,370
Computer equipment and software	3,774	1,617	5,391
Printing	5,165	-	5,165
Administrative services	-	4,224	4,224
Rent and utilities	1,650	1,650	3,300
Office expense and other	1,312	562	1,874
Supplies	644	644	1,288
Telephone	657	281	938
	<u>\$ 1,759,494</u>	<u>\$ 103,767</u>	<u>\$ 1,863,261</u>

See auditors' report.

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

**June 30, 2009 and 2008**

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

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
Mailing and shipping at press	189,754	-	189,754
Management fee	133,154	-	133,154
Salaries, payroll taxes and employee benefits	60,340	60,340	120,680
Scientific meetings	104,721	-	104,721
Information technology service	46,574	-	46,574
Postage and shipping from office	16,555	7,095	23,650
Insurance	14,755	6,324	21,079
Credit card fees and refunds	18,770	-	18,770
Professional fees	-	18,600	18,600
Membership drives and publicity	16,464	-	16,464
Business meetings	14,996	-	14,996
Storage	12,054	-	12,054
Printing	7,529	-	7,529
Contributions to other organizations	7,372	-	7,372
Computer equipment and software	4,016	1,721	5,737
Rent and utilities	2,328	998	3,326
Administrative services	-	3,125	3,125
Presidential Fund	2,031	-	2,031
Telephone	1,235	529	1,764
Office expense and other	860	367	1,227
Supplies	640	274	914
	<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, 2009 and 2008**

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

Production and editorial expenses incurred were as follows:

	2009	2008
Production expenses:		
Core publications:		
<u>The Annals of Applied Probability</u>	\$ 122,827	\$ 87,643
<u>The Annals of Applied Statistics</u>	110,335	76,406
<u>The Annals of Probability</u>	115,704	134,470
<u>The Annals of Statistics</u>	187,997	166,345
<u>Statistical Science</u>	59,970	72,245
<u>IMS Bulletin</u>	46,132	50,169
<u>NSF - CBMS Series</u>	-	1,717
<u>IMS Collections</u>	5,171	21,953
<u>The IMS Lecture Notes - Monograph Series</u>	2,910	50,303
Web page	12,763	7,205
Total core publications	663,809	668,456
Supported publications:		
<u>Annales de l'Institut Henri Poincaré</u>	63,699	33,909
<u>Bernoulli</u>	58,701	58,276
<u>Bernoulli News</u>	2,598	3,154
<u>Brazilian Journal of Probability and Statistics</u>	5,992	-
Total supported publications	130,990	95,339
Co-sponsored publications:		
<u>Probability Surveys</u>	1,419	2,542
<u>Statistics Surveys</u>	684	1,234
<u>Electronic Journal of Statistics</u>	1,627	1,061
Total co-sponsored publications	3,730	4,837
General publication expenses:		
Electronic operations for all publications	93,871	65,027
Total general publication expenses	93,871	65,027
Total production expenses	\$ 892,400	\$ 833,659

See auditors' report.

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

**June 30, 2009 and 2008**

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

	<u>2009</u>	<u>2008</u>
Editorial expenses:		
<u>The Annals of Applied Probability</u>	\$ 1,000	\$ -
<u>The Annals of Applied Statistics</u>	-	3,000
<u>Statistical Science</u>	-	2,579
<u>Current Index to Statistics</u>	30,000	10,000
<u>IMS Bulletin</u>	72,206	72,703
WWW editor	76,010	42,632
Managing and production editors	90,455	87,725
Central editorial office	<u>18,250</u>	<u>29,750</u>
Total editorial expenses	<u>\$ 287,921</u>	<u>\$ 248,389</u>

**NOTE I -- Net assets**

	<u>2009</u>	<u>2008</u>
The following are net assets available at June 30:		
Unrestricted:		
Undesignated	\$ 906,075	\$ 1,127,656
Board-designated:		
Dorweiller Fund	3,600	3,600
Hotelling Fund	1,600	1,600
Reserve Life Fund	312,095	243,146
New Researchers Meeting Fund	31,219	30,251
Development Fund	25,000	25,000
Laha Fund	30,135	37,636
IMS China Fund	<u>27,272</u>	<u>-</u>
Total Board-designated	430,921	341,233

See auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2009 and 2008**

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

	<u>2009</u>	<u>2008</u>
Temporarily restricted:		
Tweedie Memorial Fund	12,884	12,113
Open Access Fund	2,134	1,248
Le Cam Earnings Fund	<u>5,965</u>	<u>5,749</u>
Total temporarily restricted	20,983	19,110
Permanently restricted:		
Le Cam Endowment	<u>32,185</u>	<u>31,778</u>
Total net assets	<u>\$ 1,390,164</u>	<u>\$ 1,519,777</u>

**NOTE J -- Subsequent events**

The date to which events occurring after June 30, 2009 have been evaluated for possible adjustments to the financial statements or disclosure is December 15, 2009, which is the date on which the financial statements were available to be issued.

See auditors' report.