

**INSTITUTE OF
MATHEMATICAL STATISTICS**

FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2010 and 2009**

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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, 2010 and 2009, 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, 2010 and 2009, 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

San Francisco, California

December 20, 2010

INSTITUTE OF MATHEMATICAL STATISTICS

STATEMENTS OF FINANCIAL POSITION

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 516,498	\$ 316,755
Investments, at fair market value	2,319,872	2,059,681
Accounts receivable	8,956	16,442
Interest receivable	1,761	9,484
Prepaid expenses	37,696	68,548
Investment in joint venture	49,962	45,983
Deposits	11,000	3,300
Restricted cash for endowment	<u>37,614</u>	<u>37,743</u>
Total assets	<u>\$ 2,983,359</u>	<u>\$ 2,557,936</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued liabilities	\$ 131,869	\$ 51,793
Unearned memberships, subscription and meeting revenue	<u>1,159,922</u>	<u>1,115,979</u>
Total liabilities	1,291,791	1,167,772
Net assets:		
Unrestricted:		
Undesignated	1,549,582	1,245,442
Board-designated	<u>85,503</u>	<u>91,554</u>
Total unrestricted	1,635,085	1,336,996
Temporarily restricted	24,063	20,983
Permanently restricted	<u>32,420</u>	<u>32,185</u>
Total net assets	<u>1,691,568</u>	<u>1,390,164</u>
Total liabilities and net assets	<u>\$ 2,983,359</u>	<u>\$ 2,557,936</u>

See accompanying notes and auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2010 and 2009

	2010	2009
Changes in unrestricted net assets:		
Revenue and support:		
Membership dues and journal subscriptions	\$ 339,690	\$ 319,953
Non-member subscriptions	1,481,816	1,284,708
Sales of back issues	10,456	4,165
Page charges	24,408	53,251
Sales of books	17,148	18,984
Scientific meetings	15,915	31,718
Advertising	29,383	31,001
Offprints, royalties and other	116,648	105,280
Net profit of joint venture publications	3,979	2,015
Unrealized gain (loss) on investments	110,239	(193,302)
Investment income	34,802	62,819
Total unrestricted revenue and support	2,184,484	1,720,592
Net assets released from restrictions	1,282	776
Total unrestricted revenue, support and other	2,185,766	1,721,368
Expenses:		
Program	1,783,123	1,749,494
General and administrative	104,554	103,767
Total expenses	1,887,677	1,853,261
Increase (decrease) in unrestricted net assets	298,089	(131,893)
Changes in temporarily restricted net assets:		
Contributions	3,751	2,038
Investment income	611	611
Net assets released from restrictions	(1,282)	(776)
Increase in temporarily restricted net assets	3,080	1,873

See accompanying notes and auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS

STATEMENTS OF ACTIVITIES (Continued)

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Changes in permanently restricted net assets:		
Contributions	<u>235</u>	<u>407</u>
Increase in permanently restricted net assets	<u>235</u>	<u>407</u>
Increase (decrease) in net assets	<u>301,404</u>	<u>(129,613)</u>
Net assets, beginning of year	<u>1,390,164</u>	<u>1,519,777</u>
Net assets, end of year	<u>\$ 1,691,568</u>	<u>\$ 1,390,164</u>

See accompanying notes and auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Changes in net assets	\$ 301,404	\$ (129,613)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net profit in investments in joint ventures	(3,979)	(2,015)
Realized and unrealized (gains) losses on investments	(110,239)	193,302
(Increase) decrease in assets:		
Accounts receivable	7,486	14,067
Interest receivable	7,723	247
Prepaid expenses	30,852	(9,648)
Deposits	(7,700)	(3,300)
Restricted cash for endowment	129	(404)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	80,076	(48,629)
Unearned memberships, subscription and meeting revenue	43,943	121,583
	48,291	265,203
Total adjustments		
Net cash provided by operating activities	349,695	135,590
Cash flows from investing activities:		
Net change in investments	(149,952)	(201,140)
Net cash used by investing activities	(149,952)	(201,140)
Net increase (decrease) in cash	199,743	(65,550)
Cash, beginning of year	316,755	382,305
Cash, end of year	\$ 516,498	\$ 316,755

See accompanying notes and auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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, IMS Monographs, IMS Textbooks, 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.

Fair value of financial instruments

The carrying amount of cash, accounts receivable, interest receivable, deposits and accounts payable are stated at a fair value or approximate fair value.

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.

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

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

Financial statement presentation (continued)

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.

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.

Income taxes

The Institute is a Section 501(c)(3) organization exempt from income taxes under Section 501(a) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. Therefore, no provision for federal and California income tax is reflected in the financial statements.

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

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

Income taxes (continued)

As required by the *Income Taxes Topic of the Financial Accounting Standards Board Accounting Standards Codification*, the Institute recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Institute does not believe its financial statements include any uncertain tax positions.

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.

Reclassifications

Certain reclassifications have been made to the financial statements for the year ended June 30, 2009 to conform to the year ended June 30, 2010 financial statements presentation. Such reclassifications have no effect on net assets as previously reported.

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 H.

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

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

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 H. 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:

- 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.

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE D -- Valuation of investments (continued)

Accounting standards define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. The standards prioritized, within the measurement of fair value, the use of market-based information over entity-specific information and established a three-level hierarchy for fair value measurements based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

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.

All of the Institute's investments are considered Level I. Ending investments value was \$2,319,872 and \$2,059,681 as of June 30, 2010 and 2009, respectively.

NOTE E -- Investment in joint venture

The Institute, American Statistical Association (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 \$49,962 and \$45,983 for Journal of Computational and Graphical Statistics (the IFNA venture) at June 30, 2010 and 2009, respectively.

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE E -- Investment in joint venture (continued)

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	
	2010	2009
Current assets	\$ 204,922	\$ 200,145
Total assets	\$ 204,922	\$ 200,145
Current liabilities	\$ 80,017	\$ 85,187
Undistributed co-sponsors' equity	124,905	114,958
Total liabilities and co- sponsors' equity	\$ 204,922	\$ 200,145
Revenue	\$ 123,356	\$ 122,386
Net income	\$ 9,947	\$ 5,037

NOTE F -- Unearned memberships, subscription and meeting revenue

Unearned memberships, subscription and meeting revenue consists of the following for the years ended June 30:

	2010	2009
Regular members subscription dues	\$ 136,664	\$ 124,825
Non-members subscription dues	713,587	683,071
Lifetime and retired membership dues	305,597	304,314
Other deferred revenue	4,074	3,769
Total unearned memberships, subscription and meeting revenue	\$ 1,159,922	\$ 1,115,979

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE G -- 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 \$10,267 and \$9,883 for the years ended June 30, 2010 and 2009, respectively.

NOTE H -- Functional expenses

Program and general and administrative expenses for the year ended June 30, 2010 were as follows:

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Production expenses (see Note I)	\$ 983,795	\$ -	\$ 983,795
Editorial expenses (see Note I)	248,753	-	248,753
Mailing and shipping at press	162,503	-	162,503
Salaries, payroll taxes and employee benefits	66,253	66,253	132,506
Management fee	120,835	-	120,835
Scientific meetings	55,673	-	55,673
Supported journal royalty	29,827	-	29,827
Postage and shipping from office	16,662	7,141	23,803
Insurance	14,135	6,058	20,193
Credit card fees and refunds	18,556	-	18,556
Professional fees	-	18,000	18,000
Business meetings	14,898	-	14,898
Membership drives and publicity	13,085	-	13,085
Information technology service	10,642	-	10,642
Storage	9,932	-	9,932
Contributions to other organizations	9,443	-	9,443
Rent and utilities	1,650	1,650	3,300
Administrative services	-	3,230	3,230
Printing	2,443	-	2,443
Computer equipment and software	1,345	576	1,921
Supplies	861	861	1,722
Office expense and other	1,173	502	1,675
Telephone	659	283	942
	<u>\$ 1,783,123</u>	<u>\$ 104,554</u>	<u>\$ 1,887,677</u>

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE H -- Functional expenses (continued)

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 I)	\$ 892,400	\$ -	\$ 892,400
Editorial expenses (see Note I)	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
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
Presidential Fund	3,794	-	3,794
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>\$ 1,749,494</u>	<u>\$ 103,767</u>	<u>\$ 1,853,261</u>

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE I -- Production and editorial expenses

Production and editorial expenses incurred were as follows:

	2010	2009
Production expenses:		
Core publications:		
<u>The Annals of Applied Probability</u>	\$ 104,000	\$ 122,827
<u>The Annals of Applied Statistics</u>	144,072	110,335
<u>The Annals of Probability</u>	121,561	115,704
<u>The Annals of Statistics</u>	247,839	187,997
<u>Statistical Science</u>	56,476	59,970
<u>IMS Bulletin</u>	44,451	46,132
<u>NSF - CBMS Series</u>	507	-
<u>IMS Collections</u>	8,569	5,171
<u>The IMS Lecture Notes - Monograph Series</u>	14,253	2,910
Web page	13,331	12,763
Total core publications	755,059	663,809
Supported publications:		
<u>Annales de l'Institut Henri Poincaré</u>	55,576	63,699
<u>Bernoulli</u>	64,152	58,701
<u>Bernoulli News</u>	3,420	2,598
<u>Brazilian Journal of Probability and Statistics</u>	19,598	5,992
Total supported publications	142,746	130,990
Co-sponsored publications:		
<u>Probability Surveys</u>	1,550	1,419
<u>Statistics Surveys</u>	1,680	684
<u>Current Index to Statistics</u>	6,404	-
<u>Electronic Journal of Statistics</u>	5,150	1,627
Total co-sponsored publications	14,784	3,730
General publication expenses:		
Electronic operations for all publications	71,206	93,871
Total general publication expenses	71,206	93,871
Total production expenses	\$ 983,795	\$ 892,400

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE I -- Production and editorial expenses (continued)

	2010	2009
Editorial expenses:		
<u>The Annals of Applied Probability</u>	\$ -	\$ 1,000
<u>The Annals of Statistics</u>	2,000	-
<u>The Annals of Probability</u>	1,000	
<u>Current Index to Statistics</u>	30,000	30,000
<u>IMS Bulletin</u>	64,936	72,206
WWW editor	41,009	76,010
Managing and production editors	91,808	90,455
Central editorial office	18,000	18,250
Total editorial expenses	\$ 248,753	\$ 287,921

NOTE J -- Net assets

	2010	2009
The following are net assets available at June 30:		
Unrestricted:		
Undesignated	\$ 1,549,582	\$ 1,245,442
Board-designated:		
Dorweiller Fund	3,600	3,600
Hotelling Fund	1,600	1,600
New Researchers Meeting Fund	31,594	31,219
Development Fund	25,000	25,000
Laha Fund	23,709	30,135
Total Board-designated	85,503	91,554

See auditors' report.

INSTITUTE OF MATHEMATICAL STATISTICS
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2010 and 2009

NOTE J -- Net assets (continued)

	2010	2009
Temporarily restricted:		
Tweedie Memorial Fund	14,524	12,884
Open Access Fund	3,144	2,134
Le Cam Earnings Fund	6,395	5,965
Total temporarily restricted	24,063	20,983
Permanently restricted:		
Le Cam Endowment	32,420	32,185
Total net assets	\$ 1,691,568	\$ 1,390,164

NOTE K -- Subsequent events

The date to which events occurring after June 30, 2010 have been evaluated for possible adjustments to the financial statements or disclosure is December 20, 2010, which is the date on which the financial statements were available to be issued.

See auditors' report.