

**INSTITUTE OF  
MATHEMATICAL STATISTICS**

**FINANCIAL STATEMENTS**

**For the Years Ended  
June 30, 2005 and 2004**

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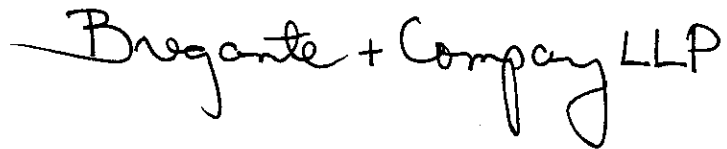
## Independent Auditors' Report

The Council  
Institute of Mathematical Statistics

We have audited the accompanying statements of financial position of Institute of Mathematical Statistics as of June 30, 2005 and 2004 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, 2005 and 2004, 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.

A handwritten signature in black ink that reads "Bregante + Company LLP". The signature is written in a cursive, flowing style.

November 7, 2005

**INSTITUTE OF MATHEMATICAL STATISTICS**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash	\$ 77,739	\$ 71,627
Investments, at fair market value	2,312,400	2,311,802
Accounts receivable	17,746	2,210
Interest receivable	21,811	8,730
Prepaid expenses	58,827	47,349
Investments in joint ventures	135,178	113,158
Restricted cash for endowment	32,829	32,525
Deposits	<u>-</u>	<u>2,175</u>
Total assets	<u>\$ 2,656,530</u>	<u>\$ 2,589,576</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 208,958	\$ 57,100
Unearned memberships, subscription and meeting revenue	<u>622,967</u>	<u>592,564</u>
Total liabilities	831,925	649,664
Net assets:		
Unrestricted:		
Undesignated	1,504,927	1,636,446
Board-designated	<u>274,193</u>	<u>258,385</u>
Total unrestricted	1,779,120	1,894,831
Temporarily restricted	14,346	13,942
Permanently restricted	<u>31,139</u>	<u>31,139</u>
Total net assets	<u>1,824,605</u>	<u>1,939,912</u>
Total liabilities and net assets	<u>\$ 2,656,530</u>	<u>\$ 2,589,576</u>

See accompanying notes and auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Changes in unrestricted net assets:		
Revenue and support:		
Membership dues and journal subscriptions	\$ 355,253	\$ 357,657
Non-member subscriptions	713,767	655,159
Contributions	-	500
Sales of back issues	6,548	8,789
Page charges	39,422	19,500
Sales of <u>Lecture Notes - Monograph Series</u>	24,303	30,540
Sales of <u>NSF-CBMS Series</u>	7,527	7,599
Scientific meetings	65,192	84,443
Advertising	31,543	27,197
Offprints, royalties and other	55,665	48,458
Net profit of joint venture publications	42,599	20,656
Unrealized gain on investments	1,600	8,200
Investment income	<u>47,817</u>	<u>34,039</u>
Total unrestricted revenue and support	1,391,236	1,302,737
Expenses:		
Program	1,438,903	1,255,052
General and administrative	<u>68,044</u>	<u>66,507</u>
Total expenses	<u>1,506,947</u>	<u>1,321,559</u>
Decrease in unrestricted net assets	<u>(115,711)</u>	<u>(18,822)</u>
Changes in temporarily restricted net assets:		
Contributions	100	10,556
Investment income	<u>304</u>	<u>112</u>
Increase in temporarily restricted net assets	<u>404</u>	<u>10,668</u>
Decrease in net assets	(115,307)	(8,154)
Net assets, beginning of year	<u>1,939,912</u>	<u>1,948,066</u>
Net assets, end of year	<u><u>\$ 1,824,605</u></u>	<u><u>\$ 1,939,912</u></u>

See accompanying notes and auditors' report.

**INSTITUTE OF MATHEMATICAL STATISTICS**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2005 and 2004**

	2005	2004
Cash flows from operating activities:		
Changes in net assets	\$ (115,307)	\$ (8,154)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net profit in investments in joint ventures	(22,020)	(20,656)
Unrealized gain on investments	(1,600)	(8,200)
(Increase) decrease in assets:		
Accounts receivable	(15,536)	(1,615)
Interest receivable	(13,081)	1,509
Prepaid expenses	(11,478)	14,985
Restricted cash for endowment	(304)	(415)
Deposits	2,175	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	151,858	(23,684)
Unearned memberships, subscription and meeting revenue	30,403	56,831
Total adjustments	120,417	18,755
Net cash provided by operating activities	5,110	10,601
Cash flows from investing activities:		
Net change in investments in joint venture	1,002	(52,002)
Net cash provided (used) by investing activities	1,002	(52,002)
Net increase (decrease) in cash	6,112	(41,401)
Cash, beginning of year	71,627	113,028
Cash, end of year	\$ 77,739	\$ 71,627

See accompanying notes and auditors' report.

# INSTITUTE OF MATHEMATICAL STATISTICS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005 and 2004

### **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 of the Institute are The Annals of Applied Probability, 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 Journal of Computational and Graphical Statistics, the NSF-CBMS Regional Conference Series in Probability and Statistics, Current Index to Statistics, other Indexes and collected works of well-known statisticians and probabilists.

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. Accordingly, revenue and the related assets are recognized when earned rather than when received, and expenses are recorded when the obligation is incurred rather than when paid.

#### **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, 2005 and 2004**

**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.

Certain reclassifications have been made to the 2004 financial statements to conform with the 2005 financial statements presentation. Such reclassifications had no effect on net assets as previously reported.

**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 for 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, 2005 and 2004**

**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, 2005 and 2004**

**NOTE D -- Investments**

The Institute maintains accounts with Merrill Lynch. Investments include mutual funds carried at their fair market value and certificates of deposit at various institutions maturing at various dates. The investments are immediately convertible to cash with maturities ranging from one month to less than two years. Investments at June 30, 2005 and 2004 were as follows:

	2005	2004
Mutual funds (cost \$200,000)	\$ 179,400	\$ 177,800
Certificates of deposit at various institutions	2,133,000	2,134,002
Total	\$ 2,312,400	\$ 2,311,802

**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.

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 \$90,763 and \$76,285 for Current Index to Statistics (the CIS venture) and \$44,415 and \$36,873 for Journal of Computational and Graphical Statistics (the IFNA venture) at June 30, 2005 and 2004, respectively.

See auditors' report.

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

**June 30, 2005 and 2004**

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

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

	<u>Current Index to Statistics</u>		<u>Journal of Computational and Graphical Statistics</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current assets	\$ 231,151	\$ 220,278	\$ 169,188	\$ 148,726
Total assets	<u>\$ 231,151</u>	<u>\$ 220,278</u>	<u>\$ 169,188</u>	<u>\$ 148,726</u>
Current liabilities	\$ 49,625	\$ 67,709	\$ 58,146	\$ 56,543
Undistributed co-sponsors' equity	<u>181,526</u>	<u>152,569</u>	<u>111,042</u>	<u>92,183</u>
Total liabilities and co- sponsors' equity	<u>\$ 231,151</u>	<u>\$ 220,278</u>	<u>\$ 169,188</u>	<u>\$ 148,726</u>
Revenue	<u>\$ 127,591</u>	<u>\$ 112,959</u>	<u>\$ 109,392</u>	<u>\$ 99,750</u>
Net income	<u>\$ 70,113</u>	<u>\$ 39,912</u>	<u>\$ 18,858</u>	<u>\$ 1,752</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 \$8,025 and \$7,700 for the years ended June 30, 2005 and 2004, respectively.

See auditors' report.

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

**June 30, 2005 and 2004**

**NOTE G -- Functional expenses**

Program and general and administrative expenses for the year ended June 30, 2005 were as follows:

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Production expenses (see Note H)	\$ 615,775	\$ -	\$ 615,775
Editorial expenses (see Note H)	241,333	-	241,333
Management fee	141,362	-	141,362
Salaries, payroll taxes and employee benefits	72,107	30,903	103,010
Mailing and shipping at press	144,639	-	144,639
Scientific meetings	102,202	-	102,202
Business meetings	30,090	-	30,090
Rent and utilities	2,316	993	3,309
Contributions to other organizations	7,057	-	7,057
Postage and shipping from office	18,890	8,096	26,986
Computer equipment and software	3,588	1,538	5,126
Professional fees	-	18,460	18,460
Insurance	15,105	6,474	21,579
Storage	12,152	-	12,152
Printing	7,917	-	7,917
Credit card fees and refunds	12,935	-	12,935
Supplies	1,695	727	2,422
Telephone	1,383	593	1,976
Membership drives and publicity	7,747	-	7,747
Office expense	610	260	870
	<u>\$ 1,438,903</u>	<u>\$ 68,044</u>	<u>\$ 1,506,947</u>

See auditors' report.

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

**June 30, 2005 and 2004**

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

Program and general and administrative expenses for the year ended June 30, 2004 were as follows:

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Production expenses (see Note H)	\$ 511,785	\$ -	\$ 511,785
Editorial expenses (see Note H)	208,341	-	208,341
Management fee	131,885	-	131,885
Salaries, payroll taxes and employee benefits	68,762	29,470	98,232
Mailing and shipping at press	109,659	-	109,659
Scientific meetings	114,465	-	114,465
Business meetings	5,379	-	5,379
Rent and utilities	2,425	1,039	3,464
Contributions to other organizations	6,362	-	6,362
Postage and shipping from office	20,927	8,969	29,896
Computer equipment and software	3,354	1,438	4,792
Professional fees	-	17,010	17,010
Insurance	15,246	6,534	21,780
Storage	11,684	-	11,684
Printing	13,633	-	13,633
Credit card fees and refunds	12,099	-	12,099
Supplies	2,176	933	3,109
Telephone	969	415	1,384
Membership drives and publicity	14,272	-	14,272
Office expense	1,629	699	2,328
	<u>\$ 1,255,052</u>	<u>\$ 66,507</u>	<u>\$ 1,321,559</u>

See auditors' report.

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

**June 30, 2005 and 2004**

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

Production and editorial expenses incurred were as follows:

	2005	2004
Production expenses:		
<u>The Annals of Statistics</u>	\$ 166,307	\$ 129,058
<u>The Annals of Probability</u>	144,051	145,981
<u>The Annals of Applied Probability</u>	134,058	90,979
<u>Statistical Science</u>	63,990	59,058
<u>NSF - CBMS Series</u>	4,062	-
<u>IMS Bulletin</u>	43,286	36,636
<u>Lecture Notes - Monograph Series</u>	19,580	20,002
<u>Probability Surveys</u>	4,788	-
Electronic operations for all publications	35,653	30,071
Total production expenses	\$ 615,775	\$ 511,785
Editorial expenses:		
<u>The Annals of Statistics</u>	\$ 65,357	\$ 61,660
<u>The Annals of Probability</u>	5,464	6,284
<u>The Annals of Applied Probability</u>	6,000	7,315
<u>Statistical Science</u>	3,228	11,748
<u>IMS Bulletin</u>	49,801	32,595
Managing and production editors	85,372	76,763
WWW editor	16,111	11,976
Electronic operations for all publications	10,000	-
Total editorial expenses	\$ 241,333	\$ 208,341

See auditors' report.

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

**June 30, 2005 and 2004**

**NOTE I -- Net assets**

	2005	2004
The following are net assets available at June 30:		
Unrestricted:		
Undesignated	\$ 1,504,927	\$ 1,636,446
Board-designated:		
Dorweiller Fund	3,600	3,600
Hotelling Fund	1,600	1,600
Reserve Life Fund	141,933	105,936
New Researchers Meeting Fund	37,441	40,544
Development Fund	25,000	25,000
Laha Fund	64,619	81,705
Total board-designated	274,193	258,385
Temporarily restricted:		
Tweedie Memorial Fund	12,656	12,556
Le Cam earnings fund	1,690	1,386
Total temporarily restricted	14,346	13,942
Permanently restricted:		
Le Cam Endowment	31,139	31,139
Total net assets	\$ 1,824,605	\$ 1,939,912

During the year ended June 30, 2005, the Institute determined that the Tweedie Memorial Fund should be reported under temporarily restricted net assets rather than unrestricted board-designated net assets at June 30, 2004. Reclassifications have been made accordingly to properly reflect net asset ending balances.

See auditors' report.