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September 8, 2017

This is a letter from the IMS auditors, relating to FY2016

To the Council
Institute of Mathematical Statistics

We have audited the financial statements of Institute of Mathematical Statistics (the "Institute") for the year ended December 31, 2016, and have issued our report thereon dated September 8, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 30, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Financial statements are at http://imstat.org/officials/reports.html

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Institute are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Institute during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the amortization period for lifetime and retired memberships which determines the amount of lifetime and retired membership revenue recognized annually (amortized over 15 years and 12 years, respectively).

- Management's allocation of expenses to functional categories based upon appropriate allocation bases.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure in Note 4 to the financial statements of the fair value hierarchy level of investments held by the Institute.

- The disclosure of the Institute's net assets classification of endowment funds in Note 6 to the financial statements. This disclosure outlines donor-restricted endowment activity, as well as the net asset classification of the endowment funds.

- The disclosure outlining the Institute's functional categorization of expenses in Note 8 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes an uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 8, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Institute's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Institute's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

This information is intended solely for the use of the Council and management of the Institute and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Ciuni + Panichi, Inc.

CIUNI & PANICHI, INC.

Schedule referred to on page 7

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	W/P Reference	Financial Statement Effect—Amount of Over (Under) Statement of:						
				Total Assets	Total Liabilities	Net Assets	Revenues	Expenses	Change in Net Assets	Working Capital
To record the CY effect of 2017 revenue received in the CY and recorded to revenue in the current period, rather than deferred revenue.	Factual	2017 memberships and subscriptions were recorded as revenue in the CY.	P-1		(7,690)	7,690	7,690		$7,690	
									$0	
									$0	
									$0	
									$0	
									$0	
									$0	
									$0	
									$0	
									$0	
Total				$0	-$7,690	$7,690	$7,690	$0	$7,690	$0
Less Audit Adjustments Subsequently Booked									$0	
Unadjusted AD—Current Year (Iron Curtain Method)				$0	-$7,690	$7,690	$7,690	$0	$7,690	$0
Effect of Unadjusted AD—Prior Years									$0	
Combined Current and Prior Year AD (Rollover Method)				$0	-$7,690	$7,690	$7,690	$0	$7,690	$0
Financial Statement Caption Totals				$7,870,970	1,650,202	$6,220,768	$2,740,533	$1,909,430	$831,103	
Current Year AD as % of FS Captions (Iron Curtain Method)				0.00%	-0.47%	0.12%	0.28%	0.00%	0.93%	0.00%
Current and Prior Year AD as % of FS Captions (Rollover Method)				0.00%	-0.47%	0.12%	0.28%	0.00%	0.93%	0.00%

Financial Statements for FY2016 on IMS website

The letter from the auditors, Cuini and Panichi, Inc., which appears on the preceding three pages, refers to the Financial Statements for the fiscal year ending December 31, 2016. This document is available on the IMS website at **http://imstat.org/ officials/reports.html** (as are those for previous years).

Stochastic Systems now an IMS-affiliated journal

Focusing on the interface of applied probability and operations research, *Stochastic Systems* is the flagship journal of the INFORMS Applied Probability Society and is published through a cooperative agreement between INFORMS and the IMS. This open-access journal seeks to pub-lish high-quality papers that substantively contribute to the modeling, analysis, and control of stochastic systems.

We are delighted to announce that *Stochastic Systems* is the latest journal to become affiliated to IMS, along with *Observational Studies* (http://obsstudies. org/) and *Probability and Mathematical Statistics* (http://www.math.uni.wroc. pl/~pms/). See http://imstat.org/ publications/affiliated.html for more infor-mation about affiliated journals.

You can read *Stochastic Systems* online: http://www.i-journals.org/ssy/index.php.

Open-Source Software info

In the January/February 2015 issue, Hadley Wickham wrote a column called "Impact the world by being useful" (http://bulletin.imstat.org/2014/12/hadley-wickham-impact-the-world-by-being-useful/). In it, he suggested that "the best way to impact the world as a data scientist or statistician is to be useful,"which, he said, we can do by (among other things) writing code and "working in the open." He proposed that you should release your code with an open source license (https://opensource.org/licenses).

Evan Eubanks from the website WhoIsHostingThis? (https://www.whoishostingthis. com) wrote to share a resource that they have put together about Open-Source Software Licenses: http://wiht.link/OS-licenses

This guide (see below) shares the most popular open-source licenses currently available, with further reading (guides, tutorials and infographics).

About Open-Source Software Licenses

Open-source software is licensed so that anyone can use, alter, and share it. An open-source license (OSS) is a legal contract that determines the copyright of software. Open-source licenses have many practical uses for business and development. The open-source move-ment has solved many problems that plagued software developers in the past, particularly through crowdsourcing. Rapid development is much easier when millions of users can help developers test and improve the software. One of the most well-known open-source projects is Linux, a free operating system kernel built on top of the GNU operating system. Linux uses the GPL version 2 license. All open-source licenses are intended to govern how the software will be used. This includes:

- **Private Use:** the freedom to use and change software for non-commercial purposes
- **Distribution:** sharing for commercial or non-commercial use
- **Linking:** linking to free and proprietary sources
- **Patent Grants:** rights to intellectual property granted by the government
- **Sublicensing:** an agreement in which the owner of something allows people to use their software to create new things so long as whatever they create is also distributed under GPL
- **Trademarks:** a symbol or word that represents an organization or product

Open-Source Software vs Free Software

Just because software has an open-source license, does not mean it is free. It may be easy to interpret the term "open-source" to mean "free". Both of these terms have complex definitions that are constantly changing. While all free software licenses are technically open-source, not all open-source licenses are free. Legal interpretations and enforcement of the terms and conditions contained in any given open-source license will depend on the legal jurisdiction protecting the copyright. It also depends on the country connected to that jurisdiction. The seeds of open-source licensing can be traced to free, copyleft licenses created in the United States during the 1980s. The creation of the Open Source Initiative (OSI) in 1998 has helped shape the landscape of the open-source software licensing today. The resource page lists lots of sources, with helpful definitions of key terms, organizational bodies, and historical landmarks related to open-source licensing.

If you have any questions about OSS, email Evan Eubanks: evan@teamwiht.com