

IMS Treasurer: Annual Report 2010

Introduction

This report details membership and subscription data for calendar year end 2010. In addition, it reviews the fiscal year 2010 (FY2010: July 1, 2009 – June 30, 2010) financial statements. In 2010, the total number of IMS members declined. Subscriptions by institutions continued to increase this past year. The financial status of the Institute continues to be stable, and actions have been taken to ensure its long-term stability. Details of the events of the past year, membership and subscription data, sales data, and a detailed analysis of the financial statement for FY2010 are given below.

Publications

<http://imstat.org/publications/>

In 2010, two new joint publications were introduced. *IMS Monographs* and *IMS Textbooks* are published jointly with the Cambridge University Press. Each publication had its first volume appear during 2010. In turn, the former IMS publication, *IMS Lecture Notes–Monograph Series* ceased publication in 2010. Any volumes that would have previously gone into this series will now either be included in *IMS Collections* or in one of the two new series.

The following is a list of current IMS core journals, as well as IMS co-sponsored, affiliated and supported journals:

IMS Core Print/Electronic Publications

- * *Annals of Probability*
- * *Annals of Applied Probability*
- * *Annals of Statistics*
- * *Annals of Applied Statistics*
- * *Statistical Science*
- * *Current Index to Statistics*
- * *IMS Collections*
- * *IMS Monographs*
- * *IMS Textbooks*
- * *IMS Bulletin*

Co-Sponsored Print/Electronic Publications

- * *Electronic Communications in Probability*
- * *Electronic Journal of Probability*
- * *Electronic Journal of Statistics*
- * *Journal of Computational and Graphical Statistics*
- * *NSF-CBMS Series in Probability and Statistics*
- * *Probability Surveys*
- * *Statistics Surveys*

Supported Publications

- * *Annales de l'Institut Henri Poincaré*
- * *Bayesian Analysis*
- * *Bernoulli*
- * *Bernoulli News*
- * *Brazilian Journal of Probability and Statistics*

Affiliated Publications

- * *ALEA: Latin American Journal of Probability and Mathematical Statistics*
- * *Probability and Mathematical Statistics*

Membership, Subscription and Sales Data

Membership Data

Total individual paid membership in the Institute as of December 31, 2010 decreased 3.17% from December 31, 2009. Table 1 overleaf presents the membership data back to 2002.

Geographic Distribution of Members

The IMS membership is currently distributed as follows:

- * 62% United States
- * 18% Europe
- * 10% Asia
- * 4% Canada
- * 2% South America, Mexico and the Caribbean
- * 2% Australia and New Zealand
- * 1% Africa

Selection of Journals by Members

Print subscriptions by members continued to decrease in 2010, as expected, because members are opting to reduce their use of print while enjoying free electronic access to all journals. Electronic access by individual members has increased this year. Table 2 overleaf shows the current selection of journals by members.

Revenue from all member dues and journal subscriptions increased 6.2%, to \$339,690 for the fiscal year ending June 30, 2010, up from \$319,953 in FY2009. This is attributed to increased dues and subscription rates for 2010.

The IMS also offers joint membership opportunities with the following societies:

- * Bernoulli Society (BS)
- * International Statistical Institute/ Bernoulli Society (ISI/BS)
- * International Society for Bayesian Analysis (ISBA)
- * Applied Probability Society/INFORMS (APS/INFORMS)
- * Sociedad Latino Americana de Probabilidad y Estadística Matemática (SLAPEM).

In 2010, we processed 619 memberships to other societies (up from 599 in 2009).

IMS China

In 2008, the IMS introduced IMS China. IMS China promotes the participation of Chinese scholars in activities of the Institute of Mathematical Statistics. It provides members in China with an easier method for membership payment and allows the IMS an opportunity to introduce our organization to a constituency that may not have had easy access to our offerings in the past. IMS China members residing in mainland China received free membership in 2008 and 2009. In 2010 there was a drop in this membership as plans for member renewals were ironed out. We expect this category

to improve in 2011 as these issues are addressed.

Institutional Subscription Data

Table 3 presents comparative subscription data for institutions to each of our scientific journals for 2010 and previous years. All journals experienced subscription increases in 2010. Two publications, the IMS Bulletin and the Current Index to Statistics, experienced decreases. Revenue from all non-member subscriptions was \$1,481,816 for the fiscal year ending June 30, 2010, up from \$1,284,708 for the FY2009. The increase is due to increased subscription fees and increased subscription rates. Approximately 60% of the non-member subscribers to IMS journals are in USA and Canada, with the remaining subscribers distributed throughout the world.

Book Sales Data

Table 4 presents sales data for sales of the five past and current IMS book series. In 2010, two new series were started, *IMS Textbooks* and *IMS Monographs*, jointly with the Cambridge University Press. Each series published one volume in the second half of 2010. The *IMS Lecture Notes–Monograph Series* ceased publication in 2010. Total revenue for all books decreased slightly to \$17,148 in FY2010 from \$18,984 in FY2009.

TABLE 1: Membership, by Calendar Year

	2002	2003	2004	2005	2006	2007	2008	2009	2010	% change
Members	2940	2981	3044	3074	3092	3152	3156	3091	2993	-10.3%
IMS China	n/a	n/a	n/a	n/a	n/a	n/a	180	173	2	-98.8%
Student	496	707	971	1224	1295	1160	1328	1368	1160	-15.2%
Total Individual	3436	3688	4015	4298	4387	4312	4664	4632	4155	-3.2%
Organizational	98	102	107	100	111	45*	20	11	12	9.1%

* Organizational Membership was reconstructed in 2007 and libraries were no longer included. This change reclassified these previous organizational members to institutional subscribers. This was merely a reclassification and not a loss.

TABLE 2: Member** Subscriptions, by Calendar Year

PRINT (paid)	2002	2003	2004	2005	2006	2007	2008	2009	2010	% change
AAP	669	640	586	670	619	497	428	382	280	-26.7%
AOP	722	706	693	677	616	534	481	416	298	-28.4%
AOAS	n/a	n/a	n/a	n/a	n/a	n/a	1,160	1,089	714	-34.4%
AOS	1,753	1,713	1,773	1,853	1,723	1,608	1,323	1,109	763	-31.2%
STS	2,582	2,642	2,536	2,565	2,412	2,146	1,880	1,680	1,310	-22.0%
Total	5,726	5,701	5,588	5,765	5,370	4,785	5,272	4,676	3,365	-28.0%
ELECTRONIC (free access): members setting up individual electronic access to IMS journals										
Total	482	943	1,112	1,262	1,409	1,660	1,681	1,711	1,761	2.9%

** Previously this information was reported as all members (including organizational), however data has been reformatted to show individual members only, to reflect the change in classification and to better view the current status of the data.

TABLE 3: Institutional Paid Subscriptions, by Calendar Year

PRINT	2002	2003	2004	2005	2006	2007	2008	2009	2010	% change
AAP	690	716	675	659	659	700	636	680	684	0.6%
AOP	1,001	1,034	1,001	974	911	977	900	948	967	2.0%
AOAS	n/a	n/a	n/a	n/a	n/a	n/a	174	247	320	29.6%
AOS	1,320	1,342	1,268	1,233	1,171	1,227	1,118	1,154	1,158	0.3%
STS	1,041	1,064	976	949	922	976	865	890	899	1.0%
Bulletin	267	229	222	207	201	275	174	176	166	-5.7%
CIS	n/a	n/a	n/a	n/a	n/a	n/a	295	297	267	-10.1%
AIHP^s	n/a	n/a	n/a	n/a	n/a	[174]	217	289	312	8.0%
Bernoulli^s	n/a	n/a	n/a	n/a	[199]	199	198	264	278	8.0%
BJPS^s	n/a	64	78	21.9%						
Total	4,319	4,385	4,142	4,022	3,864	4,528	4,577	5,009	5,129	2.4%

^s denotes IMS-supported journals. Numbers in [brackets] are prior to journal becoming IMS-supported.

TABLE 4: Total sales from the NSF-CBMS Regional Conference Series, the Lecture Notes – Monograph Series, and IMS Collections, Monographs and Textbooks [Fiscal Year Data (July 1-June 30)]

	to 2002	2003	2004	2005	2006	2007	2008	2009	2010	TOTAL
Total NSF-CBMS sales (8 vols)	4,436	307	394	328	258	129	108	57	108	6,017
Total LNMS sales (58 vols)	22,643	910	887	603	1,084	628	454	235	297	27,741
Total IMS Collections sales (7 vols)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	9	3	12
IMS Monographs sales (1 vol)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	660	660
IMS Textbooks sales (1 vol)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	639	639

FINANCIAL OVERVIEW

The following is a detailed analysis of the Financial Statement for FY2010, which is presented in this issue of the *IMS Bulletin*, following this Treasurer's Report. Comparisons are always with FY2009.

The overall financial status of the Institute continues to be stable.

Per the auditor's report, in FY2010 we experienced an increase in unrestricted net assets of \$298,089. This increase is due in part to unrealized gains on our long term investments which totaled \$110,293. These gains are a reflection of the improvements in the financial markets over the last year. We do not expect to have to pull funds out of these long term reserves into our operational accounts in the near future.

The IMS Council approved a FY2010 operational budget that included net operational losses of \$10,758. Due to tight fiscal controls and better than expected revenues, the actual net revenue is \$188,461 from operations in FY2010. In FY2009 the gain on operations was \$61,409. Please see Figures 1 and 2, right, which show the history of our net assets and net operating revenue. The Council and Executive Committee made it a high priority to have an operational balanced budget in FY2010 and beyond and to increase net assets back to the levels appropriate for our revenue and expense stream.

Revenue

- * Membership dues and subscription revenues were adjusted, as in the past to prorate calendar-year revenues to fit with the Institute's fiscal year reporting. Revenues from membership dues and subscriptions are up in FY2010 as compared to FY2009 due to increased dues and subscription fees. Print journal prices for members are set at our variable cost to print.
- * Revenues from institutional subscribers

Figure 1: Net Operating Gain (Loss)

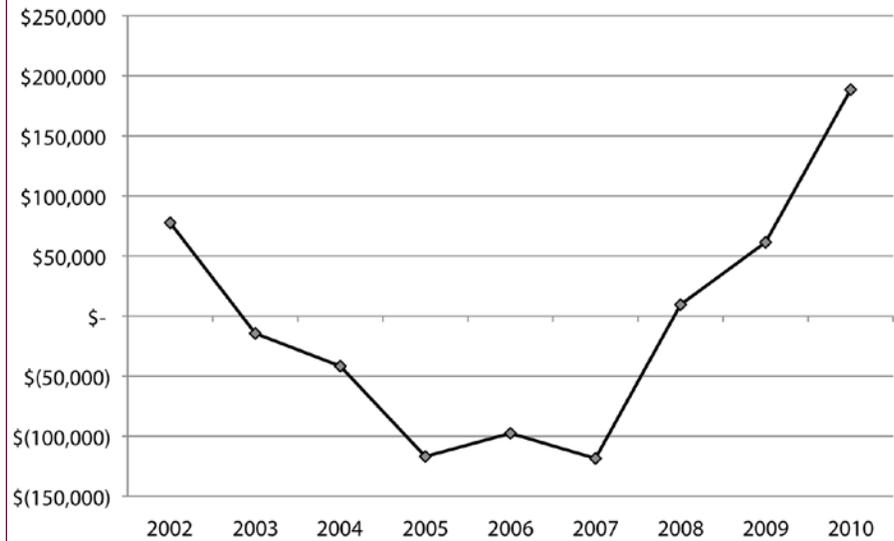
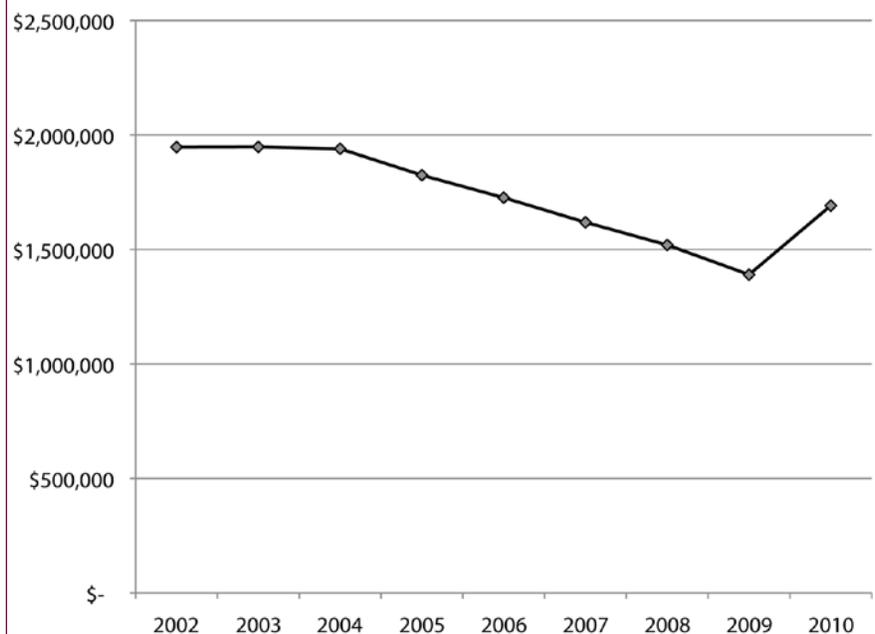


Figure 2: Net Assets



are up due to increases in subscription fees and increases in the total number of institutional subscribers.

- * Sales of back issues are up in FY2010 from FY2009. However, we should bear in mind that, as a trend, print orders are decreasing as electronic access increases.
- * Page charges are down significantly in FY2010. Due to its voluntary nature, page charge contributions tend to fluctuate greatly from year to year.
- * Revenue from sales of books are down slightly as lower cost volumes were sold in FY2010.
- * Meeting income is down in FY2010 because IMS did not manage any meetings in FY2010. The income shown is a result of our contractual arranged income from the Joint Statistical Meetings and a small amount of income from the WNAR/IMS Meeting.
- * Advertising revenues are down due to fewer ads placed.
- * Offprints, royalty and other showed an increase, as royalties from IMS's interest in JSTOR increased due to our placing of *IMS Lecture Notes—Monograph Series* on JSTOR.
- * Net profits of joint publication ventures is for the *Journal of Computational and Graphical Statistics* relationship. It is up in FY 2010, due to decreased expenses of that journal.
- * Investment income is down in FY2010. This is interest on CDs which was down over the past year.
- * The unrealized gains on investments shows the increased value we experienced on our mutual funds due to the increase in the markets.

Expenses

The IMS makes a distinction between Program and General Administrative expenses in its audited reports. This is appropriate reporting for a non-profit

organization and gives members a better idea of how much is being spent on actual programming (journals, meetings, etc) versus what is spent purely on administration of the Institute. We are happy to report that 94.5% (vs. 94.4% last year) of your dues dollars goes directly into the program functions of the IMS. More on expenses can be found in the “Discussion of Note H” section below.

Changes in temporarily restricted assets

The contributions listed in FY2009 and FY2010 represent donations made to the Open Access, Le Cam and Tweedie Funds. The investment income under “Contributions” is that amount allocated to specific funds and not the general fund. Funds released were from the Tweedie Memorial Fund.

Discussion of Note F in Financial Statements for FY2010

Note F has been added to the Financial Statements this year to clarify the breakdown of “Unearned memberships, subscriptions and meeting revenue.” The amounts listed for “Regular members and Non-members” is then earned during the first half of FY2011 (second half of calendar year 2010). The lifetime membership is then earned over a 12-year period for each life member.

Discussion of Note H in Financial Statements for FY2010

Here you will see the allocation for expenses for Program and General Administration. Production and Editorial expenses will be discussed below in the “Discussion of Note I.”

- * Mailing and shipping at the press is down from FY2009 due to decreases in total issues mailed as members opt to use electronic version of journals.
- * Salaries are up in FY2010 reflecting

wage increases.

- * The management fee shows the expenses paid to FASEB for the dues, subscriptions and web services they provide for IMS. This is down in FY2010 as more services have been automated, decreasing costs.
- * Scientific meeting expenses are down in FY2010 because the IMS did not manage a meeting.
- * The supported journal royalty is the contractual amount paid to supported journals for our agreement to assist them with publishing. The royalty is a percentage of net income.
- * Postage and shipping from the office includes mailing of all dues and subscription paper renewal forms and catalogs. It also includes shipment of all IMS book orders.
- * Insurance fees are stable. This includes liability insurance for all officers and editors, publications and business equipment.
- * Credit card fees include all processing fees for credit cards. This has increased as more members opt to pay their membership online.
- * Professional fees includes fees paid to accountants and lawyers.
- * Business meeting expenses are up since the business meetings in FY2010 required further travel by executive committee members.
- * Membership drives and publicity includes advertising of journals and IMS membership.
- * Information technology services represent the hiring of contractors to provide needed services. This is up in FY2010 due to increased needs, particularly in order to meet regulations regarding online transactions.
- * Storage fees are up as we are now storing more titles.
- * Contributions to other organizations

includes all dues and subscriptions to several organizations by the IMS and the Executive Director. These include Conference Board of Mathematical Statistics, Association for Women in Math, the Council for Engineering and Scientific Society Executive, the Society for Scholarly Publishing, Association for Learned and Society Publishers and the American Mathematical Society annual salary survey.

- * Rent and utilities is for the Executive Director's office.
- * Administrative Services includes assistance with data entry for the Executive Director.
- * Printing includes all non-journal printing, including annual invoices and catalogs.
- * Computer equipment and software includes equipment for the Executive Director, the Production Manager and the Bulletin Assistant Editor.
- * Supplies include all needed office supplies for Executive Director's office.
- * Office and other expenses includes bank fees and other miscellaneous expenses.
- * Telephone is for both the Executive Director's phone and an allocation of calls to FASEB on IMS dues and subscription inquiries.

Discussion of Note I in Financial Statement for FY2010

Production Expenses:

- * Production expenses for *Annals of Applied Statistics*, *Annals of Probability* and *Annals of Statistics* are up, as the total page count for all these journals was up in FY2010.
- * *Statistical Science* and the *Annals of Applied Probability* production expenses are down as pages decreased.
- * The *IMS Bulletin* expenses are down due to printing fewer pages, because of the use of new web-based job boards.

- * *NSF-CBMS Series* reprinted one volume in FY2010.
- * *IMS Collections* printed three issues in FY2010 and only one issue in FY2009.
- * *LNMS* printed one volume in FY2010 and only reprinted one issue in FY2009.
- * The web page production expenses were stable in FY2010.
- * *AIHP* published 5 issues in FY2009 and 4 issues in FY2010.
- * *Bernoulli* printed extra pages in FY2010 and *Bernoulli News* moved to a new format in FY2010. These additional expenses are covered entirely by the Bernoulli Society.
- * *Brazilian Journal of Probability and Statistics* was a new supported journal in FY2009. It published one issue in FY2009. In FY2010 it published three issues.
- * Expenses for *Probability Surveys*, *Statistics Surveys* and *Electronic Journal of Statistics* are minimal and shared with the other co-sponsoring societies.
- * *Current Index to Statistics* had hosting expenses in FY2010. These are expected to be ongoing.
- * Electronic operations include expenses for placement and hosting of our journals on Project Euclid and ArXiv, and expenses associated with our Electronic Journal Management System. We experienced decreased rates in FY2010 as all back issues are now in Project Euclid and IMS is no longer posting articles for the open access journals to ArXiv.

Editorial Expenses:

- * Editorial expenses for all journals are minimal in FY2010 as all journals have moved into the central editorial office. All editors are within their budgets for the length of their term.
- * *Current Index to Statistics* expenses are stable.
- * The *IMS Bulletin* assistant editor expenses decreased due to changes in

the exchange rate as she is located in the UK.

- * The web editor expenses are down. In FY2009 work on a new content management system for the web page was in place. The final phase of this project was completed in FY2011.
- * Managing and production editorial expenses are up slightly.
- * The Central Editorial Office handles all secretarial support for the IMS core, supported and electronic based journals.

Discussion of Note J in Financial Statement for FY2010

Note J shows distribution of funds in restricted accounts.

- * Dorweiler, Hotelling and Development Funds experienced no changes.
- * The Reserve Life Fund increased as more members opted to become Life members.
- * The New Researchers Meeting Fund increased as funds left over from previous meetings were added to the fund in FY2010.
- * The Laha Fund decreased as grants were awarded in FY2010.
- * The Tweedie and Open Access Funds increased due to donations.
- * The Le Cam Fund increased due to return on investment for the endowment.

Recommendation

The Executive Committee recommended an institutional subscription fee increase of approximately 9% for 2011. Dues rates for members are increased by US\$5 to US\$103. Subscription rates to members are adjusted to the variable cost. Members are given a 10% discount off dues if they renewed by December 31. The 2010–2011 Council approved these recommendations in June and August 2010.

Jean Opsomer, Treasurer

INSTITUTE OF MATHEMATICAL STATISTICS

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STATEMENTS OF FINANCIAL POSITION

June 30, 2010 and 2009

	2010	2009
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	37,614	37,743
Total assets	\$ 2,983,359	\$ 2,557,936
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 131,869	\$ 51,793
Unearned memberships, subscription and meeting revenue	1,159,922	1,115,979
Total liabilities	1,291,791	1,167,772
Net assets:		
Unrestricted:		
Undesignated	1,549,582	1,245,442
Board-designated	85,503	91,554
Total unrestricted	1,635,085	1,336,996
Temporarily restricted	24,063	20,983
Permanently restricted	32,420	32,185
Total net assets	1,691,568	1,390,164
Total liabilities and net assets	\$ 2,983,359	\$ 2,557,936

INSTITUTE OF MATHEMATICAL STATISTICS

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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

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INSTITUTE OF MATHEMATICAL STATISTICS

STATEMENTS OF ACTIVITIES (Continued)

For the Years Ended June 30, 2010 and 2009

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

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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
Total adjustments	48,291	265,203
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

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.

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.

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.

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.

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.

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

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:

	Program	General and Administrative	Total
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

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:

	Program	General and Administrative	Total
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
	\$ 1,749,494	\$ 103,767	\$ 1,853,261

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
<u>Web page</u>	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	<u>\$ 983,795</u>	<u>\$ 892,400</u>

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	<u>\$ 1,691,568</u>	<u>\$ 1,390,164</u>

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.

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	<u>\$ 248,753</u>	<u>\$ 287,921</u>

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:		
Dorweiler 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

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CERTIFIED PUBLIC ACCOUNTANTS
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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