

Treasurer's Report: Fiscal Year 2012

Introduction

This report details membership and subscription data for calendar year end 2012. In addition, it reviews the fiscal year 2012 (FY2012: July 1, 2011–June 30, 2012) financial statements.

In 2012, the total number of IMS members experienced an increase in paid members and a decrease in total members. Subscriptions by institutions experienced an 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 FY2012 are given below.

Publications

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

IMS Core Print/Electronic Publications

Annals of Applied Probability; Annals of 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; Stochastic Systems

Affiliated Publications

ALEA: Latin American Journal of Probability and Mathematical Statistics; Probability and Mathematical Statistics

Membership Data

Total individual paid membership in the Institute as of December 31, 2012 increased 11.00% from December 31, 2011. Table 1 (below) presents the membership data back to 2005.

TABLE 1: Membership, by Calendar Year

	2005	2006	2007	2008	2009	2010	2011	2012	% change
Regular	2247	2256	2266	2179	2045	1970	1863	2142	15.0%
Life/Retired Life	205	264	327	402	455	475	475	486	2.3%
Reduced Country/Retired	435	428	430	453	433	399	401	417	4.0%
New Graduate	187	144	129	122	158	149	113	117	3.5%
IMS China	n/a	n/a	n/a	180	173	2	20	26	30.0%
Student	1224	1295	1160	1328	1368	1160	1116	781	-30.0%
Total	4298	4387	4312	4664	4632	4155	3988	3969	-0.5%
Total excluding free members (students, and in 2008–9 IMS China)	3074	3092	3152	3156	3091	2995	2872	3188	11.0%
Organizational*	100	111	45*	20	11	12	5	5	0%

* Organizational Membership was reconstructed in 2007 and libraries were no longer included. This change reclassified these previous "members" to institutional subscriptions

Geographic Distribution of Members: The IMS membership is currently distributed as follows: 62% United States; 18% Europe; 11% 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 2012, 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. Members are charged actual cost for print copies of journals, so there is no net loss or gain to the bottom line from changes in print subscriptions by members. Table 2 (opposite) shows the current selection of journals by members.

Revenue from all member dues and member journal subscriptions increased 1.5%, to \$330,229 for the fiscal year ending June 30, 2012, up from \$325,341 in FY2011. This is attributed to the increase in paying members and decreased member print subscriptions.

The IMS 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 2012, we processed 623 memberships to other societies (up from 604 in 2011).

IMS China: In 2008 IMS introduced IMS China. IMS China promotes the participation of Chinese scholars in activities of the Institute of Mathematical Statistics. It 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. The program has been moderately successful to date, and in 2012 there was an increase in IMS China membership to 26 members (from 20 in 2011).

Institutional Subscription Data

Table 3 (opposite) presents comparative subscription data for institutions to each of our scientific journals for 2012 and previous years. There were subscription increases to all journals in 2012. Overall institutional subscriptions increased by 3.6%. Revenue from all non-member subscriptions was \$1,558,045 for FY2012, up from \$1,514,857 for the FY2011. The increase is due to increased subscription fees and increased subscriptions. We are seeing large increases in

our bundled offerings, which are discounted on the whole. 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 all IMS book series. In 2010 the IMS published its first volumes in a cooperative arrangement with Cambridge University Press to publish two series, *IMS Monographs* and *IMS Textbooks*. Sales of these volumes are going very well. The *CBMS-NSF Regional Conference Series* has not published a volume since 2004, but one is to be published in 2013. The *IMS Collections* series has seen very low sales, and the series has been formulated in order for the IMS to have minimal loss on these volumes. The *IMS Lecture Notes–Monograph Series* ceased publication in 2010. Overall, total revenue for all books decreased to \$12,200 in FY2012 from \$16,500 in FY2011.

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 2005	2006	2007	2008	2009	2010	2011	2012	TOTAL
Total NSF-CBMS sales (8 volumes)	5,467	258	129	108	57	108	57	13	6,197
Total LNMS sales (58 volumes)	25,875	1,084	628	454	235	297	124	40	28,737
Total IMS Collections sales (9 volumes)	n/a	n/a	n/a	n/a	9	3	5	3	20
IMS Monographs sales (2 volumes)	n/a	n/a	n/a	n/a	n/a	660	586	789	2,035
IMS Textbooks sales (1 volume)	n/a	n/a	n/a	n/a	n/a	639	491	326	1,456

Financial Overview

The following is a detailed analysis of the Financial Statement for FY2012, which is presented on pages 20–23, following this Treasurer's Report. Comparisons are always made with FY2011. The overall financial status of the Institute continues to be stable.

Per the auditor's report, in FY2012 we experienced an increase in net assets of \$496,711. The IMS Council approved a FY2012 operational budget that included net operational gains of \$247,315. Due to tight fiscal controls and better than expected revenues, the actual net revenue is \$455,398 from operations in FY2012. In FY2011 the gain on operations was \$233,822. Please see Figures 1 and 2 (overleaf) for 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. Net revenues are currently being invested annually

TABLE 2: Member** Subscriptions, by Calendar Year

PRINT (paid)	2005	2006	2007	2008	2009	2010	2011	2012	% change
AAP	670	619	497	428	382	280	197	126	-36.0%
AOP	677	616	534	481	416	298	218	184	-15.6%
AOAS	n/a	n/a	n/a	1,160	1,089	714	480	379	-21.0%
AOS	1,853	1,723	1,608	1,323	1,109	763	555	447	-19.5%
STS	2,565	2,412	2,146	1,880	1,680	1,310	1,035	869	-16.0%
Total	5,765	5,370	4,785	5,272	4,676	3,365	2,485	2,005	-19.3%
ELECTRONIC (free access): members setting up individual electronic access to IMS journals									
Total	1,262	1,409	1,660	1,681	1,711	1,761	2,026	2,010	-0.8%

** 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	2005	2006	2007	2008	2009	2010	2011	2012	% change
AAP	659	659	700	636	680	684	645	687	6.5%
AOP	974	911	977	900	948	967	901	908	0.8%
AOAS	n/a	n/a	n/a	174	247	320	331	380	14.8%
AOS	1,233	1,171	1,227	1,118	1,154	1,158	1,127	1,132	0.5%
STS	949	922	976	865	890	899	861	865	0.5%
<i>Bulletin</i>	207	201	275	174	176	166	142	128	-9.9%
CIS	n/a	n/a	n/a	295	297	267	273	249	8.9%
AIHP ^s	n/a	n/a	[174]	228	271	286	289	326	16.4%
Bernoulli ^s	n/a	[199]	199	198	264	278	280	321	11.1%
BJPS ^s	n/a	n/a	n/a	n/a	64	78	88	117	33.0%
Total	4,022	3,864	4,528	4,577	5,009	5,129	4,937	5,113	3.6%

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

into long term reserves. The IMS currently has 1.5 years of expenses in long term reserve. Based on the current publishing climate, the IMS aims to have strong long term reserves.

Revenue

- Membership dues and subscription revenues were adjusted to prorate calendar-year revenues to fit with the Institute's fiscal year reporting, as was done in the past. Revenues from membership are up in FY2012 as compared to FY2011 due to increased dues. Print subscription income from members is down as more members opt to use the online access included with membership. Print journal prices for members are set at our variable cost to print.
- Revenues from institutional subscribers are up due to increases in subscription fees and total subscriptions.
- Sales of printed back issues are down in FY2012 from FY2011. In

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general, all publishers are experiencing a shift from print to online orders.

- Page charges are up in FY2012. Due to its voluntary nature, page charge contributions tend to fluctuate greatly from year to year.
- Revenue from sales of books is down. The IMS is selling fewer books in its self-published series. The series co-published with Cambridge University Press is going very well, however the income the IMS receives from these volumes is relatively lower.
- Meeting income is down in FY2012. The income shown is a result of our contractual arranged income from the Joint Statistical Meetings. There was no income from another meeting last year.
- The financial report also shows a new line item called "Managed Meetings": this includes those meetings for which the IMS processes the revenue and pays the expenses for the meeting as a service to the community. This item is down significantly as fewer meetings were managed. IMS covers its expenses for managing these meetings; in turn the expense for this line item is down.
- Advertising revenues are up due to more ads placed.
- Offprints, royalty and other showed an increase, as royalties from IMS's interest in JSTOR increased.
- Net profits of joint publication ventures is \$0 because IMS ceased its joint venture on December 31, 2011.
- Contributions are up as campaigns for the Blackwell and Schramm lecture took place in FY2012.
- The realized and unrealized gains on investments shows the decreased value we experienced on our mutual funds due to a slight dip in the markets for June 30, 2011 as compared to June 30, 2012.
- Interest and Dividends are up in FY2012.
- Net assets released from restrictions are those funds paid out from restricted funds.

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 92.3% (vs. 92.9% 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 8 and 9 sections below.

Discussion of Note 8 in Financial Statements for FY2012

Here you will see the allocation for expenses for Program and General Administrative Expenses. Production and Editorial expenses will be

Figure 1: Net Operating Gain (Loss)

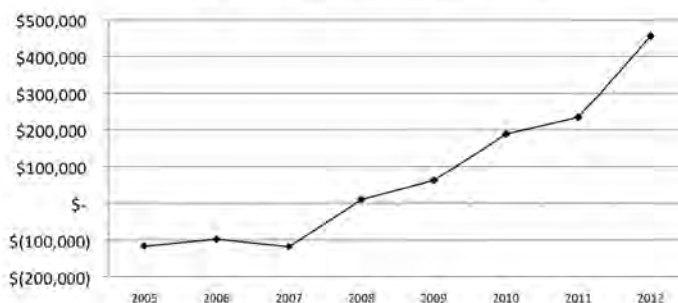
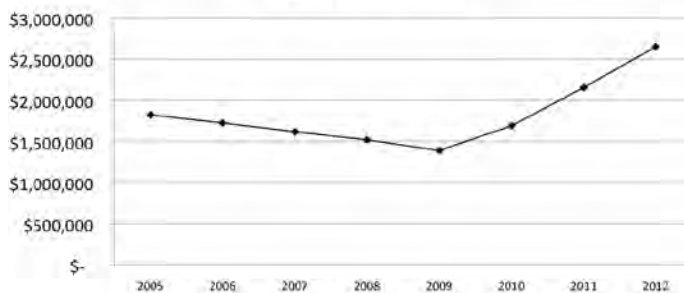


Figure 2: Net Assets



discussed below in the "Discussion of Note 9."

- Mailing and shipping at the press is down in FY2012 due to decreases in total issues mailed as members and institutions opt to use electronic access for journals.
- Salaries are up in FY2012 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 FY2012 as slightly fewer services were needed in FY2012.
- Scientific meeting expenses were down slightly in FY2012 due to the meeting venue and slightly lower expenses.
- Managed meetings are down as fewer meetings were managed.
- 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 for each publication. This is down in FY2012 as one publication (CIS) no longer has payments to be made.
- 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. It is down in FY2012 as more members renew online, thereby saving us mailing expenses. In addition, book sales are down so less shipping was required.
- 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 is decreased as bundling payments with FASEB allowed us a fee break.
- Professional fees includes fees paid to accountants and lawyers. These are down in FY2012 as we changed to new accountants.
- Business meeting expenses are stable.
- 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 stable in FY2012.
- Storage fees are stable as we are now storing only two years of back issues.
- 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, and the American Mathematical Society annual salary survey. These are down as one more expensive membership was dropped and the involvement by the IMS in the AMS annual survey was scaled back.
- 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. This is down as fewer copies are printed.
- 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.
- Presidential funds are allocated to each president to use as needed during his/her tenure.
- Bad Debt expense are those invoices written off for non-payment.

Discussion of Note 9 in Financial Statement for FY2011

Production Expenses:

- Production expenses for *Annals of Applied Statistics* is down as less color was printed in FY2012.
- Production expenses for *Annals of Applied Probability* and *Annals of Statistics* are down as fewer pages were published in FY2012.

- Production expenses for *Annals of Probability* and *Statistical Science* are up as the total page count for all these journals was up in FY2012.
- The *IMS Bulletin* expenses are down due to a decrease from 10 issues to 8 per year and an option for members to receive the publication electronically rather than in print.
- *IMS Collections* printed one issue in FY2011.
- Some *LNMS* volumes can now be ordered in print copy from Euclid. To set this up, it costs a couple hundred dollars for a volume. Only those higher sales volumes are moved to this option when back print stock is no longer available.
- The Web Page production expenses were stable in FY2011.
- *AIHP*, *Bernoulli*, and *Bernoulli News* were stable in FY2012.
- *Brazilian Journal of Probability and Statistics* printed fewer pages in FY2012.
- 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 FY2012. In addition, some development funds were allocated in FY2012.
- 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 increased rates in FY2012 as more articles are available in the platforms and using the EJMS.

Editorial Expenses:

- Editorial expenses for all journals are minimal in FY2012 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 increased 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 approved. 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 10 in Financial Statement for FY2012

Note 10 shows distribution of funds in restricted accounts.

- Dorweiller, Hotelling, New Researchers and Development Funds experienced no changes.
- The Laha Fund decreased as grants were awarded in FY2012.
- The Tweedie Fund decreased as an award was made in FY2012.
- The Open Access Fund increased due to donations.

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- The Le Cam Fund increased due to return on investment for the endowment.
- The Blackwell and Schramm Funds are both new to IMS in FY2012.

Recommendation

The Executive Committee recommended an institutional subscription fee increase of approximately 5% for 2013. Dues rates for members are increased by US\$4 to US\$112. Subscription rates to members are adjusted to the variable cost. Members are given a 10% discount off dues if they renew by December 31.



The 2012 IMS Council approved these recommendations in June and August 2012.

Jean Opsomer, Treasurer



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Independent Auditor's Report

The Council
Institute of Mathematical Statistics

We have audited the accompanying statement of financial position of the Institute of Mathematical Statistics (the "Institute", a nonprofit organization) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Institute's 2011 financial statements and, in our report dated November 28, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides 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 the Institute of Mathematical Statistics as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ciuni & Panichi, Inc.

Cleveland, Ohio
November 5, 2012



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Institute of Mathematical Statistics

Statement of Financial Position

June 30, 2012 (with comparative totals for 2011)

	<u>Assets</u>	
	2012	2011
Cash and cash equivalents	\$ 566,350	\$ 392,986
Investments, at fair market value	2,161,332	1,892,790
Certificates of deposit	1,212,566	1,124,478
Accounts receivable	18,310	3,625
Interest receivable	1,917	1,088
Prepaid expenses	44,216	28,000
Assets restricted for endowment	80,481	37,746
Total assets	\$ 4,085,172	\$ 3,480,713
	<u>Liabilities and Net Assets</u>	
Liabilities:		
Accounts payable and accrued liabilities	\$ 179,597	\$ 132,080
Unearned memberships, subscriptions, and meeting revenues	1,252,460	1,192,229
Total liabilities	1,432,057	1,324,309
Net assets:		
Unrestricted:		
Undesignated	2,466,496	2,020,541
Council-designated	72,219	79,494
Total unrestricted	2,538,715	2,100,035
Temporarily restricted	39,320	23,949
Permanently restricted	75,080	32,420
Total net assets	2,653,115	2,156,404
Total liabilities and net assets	\$ 4,085,172	\$ 3,480,713

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Institute of Mathematical Statistics

Statement of Activities

For the year ended June 30, 2012 (with comparative totals for 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	Total 2011
Revenues, gains, and support:					
Membership dues and journal subscriptions	\$ 330,229	\$ -	\$ -	\$ 330,229	\$ 325,341
Non-member subscriptions	1,558,045	-	-	1,558,045	1,514,857
Sales of back issues	5,841	-	-	5,841	12,559
Page charges	48,537	-	-	48,537	41,763
Sales of books	3,719	-	-	3,719	12,360
Scientific meetings	12,200	-	-	12,200	16,500
Managed meetings	16,670	-	-	16,670	151,019
Advertising	38,786	-	-	38,786	35,500
Offprints, royalties, and other	93,234	-	-	93,234	90,422
Net profit of joint venture publications	-	-	-	-	5,659
Contributions	300	16,835	42,660	59,795	1,694
Realized and unrealized (losses) gains	(18,482)	-	-	(18,482)	229,320
Interest and dividends	56,616	224	-	56,840	37,974
Net assets released from restrictions	1,688	(1,688)	-	-	-
Total revenues, gains, and support	2,147,383	15,371	42,660	2,205,414	2,474,968
Expenses:					
Program	1,577,513	-	-	1,577,513	1,867,088
General and administrative	131,190	-	-	131,190	143,044
Total expenses	1,708,703	-	-	1,708,703	2,010,132
Changes in net assets	438,680	15,371	42,660	496,711	464,836
Net assets, beginning of year	2,100,035	23,949	32,420	2,156,404	1,691,568
Net assets, end of year	\$ 2,538,715	\$ 39,320	\$ 75,080	\$ 2,653,115	\$ 2,156,404

Statement of Cash Flows

For the year ended June 30, 2012 (with comparative totals for 2011)

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	2012	2011
Cash flows from operating activities:		
Changes in net assets	\$ 496,711	\$ 464,836
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Write-off of uncollectible accounts receivable	271	8,856
Net profit of joint venture publications	-	(5,659)
Realized and unrealized losses (gains)	18,482	(229,320)
Contributions restricted for long-term purposes	(42,660)	-
Changes in operating assets and liabilities:		
Accounts receivable	(14,956)	(3,525)
Interest receivable	(829)	673
Prepaid expenses	(16,216)	9,696
Deposits	-	11,000
Accounts payable and accrued liabilities	47,517	211
Unearned memberships, subscriptions, and meeting revenues	60,231	32,307
Net cash provided by operating activities	548,551	289,075
Cash flows from investing activities:		
Purchases of investments and certificates of deposit, net of proceeds from sales	(417,682)	(468,076)
Restricted cash for endowment	(165)	(132)
Proceeds from dissolution of joint venture	-	55,621
Net cash used by investing activities	(417,847)	(412,587)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	42,660	-
Net cash provided by financing activities	42,660	-
Increase (decrease) in cash and cash equivalents	173,364	(123,512)
Cash and cash equivalents, beginning of year	392,986	516,498
Cash and cash equivalents, end of year	\$ 566,350	\$ 392,986

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

June 30, 2012

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Note 2: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained by the Institute in perpetuity. Generally, the donors of these assets permit the Institute to use all or part of the income earned on any related investments for general or specific purposes.

Functional Allocation of Expenses

The costs of providing the program and supporting activities of the Institute have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the appropriate programs and supporting activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash and Cash Equivalents

The Institute considers all unrestricted cash and highly liquid investments with initial maturities of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the accompanying statement of financial position. Interest and dividend income, and realized and unrealized gains and losses are included in the change in unrestricted net assets in the accompanying statement of activities, unless donor-imposed restrictions over specific investment earnings exist, in which case, the investment earnings are classified as either changes in temporarily or permanently restricted net assets in accordance with such donor-imposed restrictions. Temporarily restricted investment income is reported as unrestricted if such restrictions are met in the same fiscal year as the investment income is generated.

Receivables and Credit Policies

Accounts receivable includes uncollateralized obligations due primarily from the Institute's customers. Payments of receivables are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all receivable balances that exceed 90 days from invoice date and estimates the portion, if any, of the balance that will not be collected. Additionally, management estimates an allowance for the aggregate remaining receivables based on historical collectability. At June 30, 2012, the allowance for doubtful accounts was \$-0-

Notes to the Financial Statements

June 30, 2012

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Note 1: 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 Annales de l'Institut Henri Poincaré (B) Probabilités et Statistiques, Bernoulli, Bernoulli News, Brazilian Journal of Probability and Statistics, and Stochastic Systems.

The Institute is an international organization of approximately 4,000 statisticians, probabilists, epidemiologists, and econometricians from industry, academia, and government.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The Institute follows authoritative guidance issued by the Financial Accounting Standards Board ("FASB") which established the FASB Accounting Standards Codification ("ASC") as the single source of authoritative accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Institute and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. 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 governing body of the Institute (the "Council") to be used for future periods (Council-designated).

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Institute and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If donor-imposed restrictions are met in the same year as they are imposed, the net assets are reported as unrestricted.

Notes to the Financial Statements

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Note 2: Summary of Significant Accounting Policies (continued)

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 revenues in the statement of financial position.

Lifetime membership fees are recognized as revenue over an amortization period of 12 to 15 years. Membership and subscriptions periods for lifetime members run from the first day of the calendar year a member subscribes through the member's death. The unearned portion of the revenue is recorded as a liability under the unearned memberships, subscription, and meeting revenues in the statement of financial position.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are recognized as revenues in the period the promise is received. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. The promises are initially recorded at their estimated fair value.

Concentrations of Credit Risk

Financial instruments which potentially subject the Institute to concentrations of credit risk consist of cash and cash equivalents and investments.

The Institute has significant investments in equity and debt securities and is, therefore, subject to concentrations of credit risk. Though the market value of investments is subject to fluctuations on a year to year basis, the Institute believes that the investment policy is prudent for its long-term welfare.

At various times during the year ended June 30, 2012, the Institute's cash in bank balances may have exceeded federally insured limits.

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.

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Note 2: Summary of Significant Accounting Policies (continued)Shipping and Handling Costs

Shipping and handling costs are recorded as incurred. These expenses are included in the functional expenses in Note 8.

Income Taxes

The Institute is a Section 501(c)(3) organization exempt from income taxes on activities related to its exempt purpose under Section 501(a) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. No provision for federal or state income taxes has been reported in its financial statements.

Income taxes are accounted for under the provisions of the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. The Institute classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of June 30, 2012 and 2011, the Institute has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the years then ended.

The Organization files its Federal Form 990 in the U.S. federal jurisdiction and a state registration at the office of the state's attorney general for the states of Ohio and California. The Institute is generally no longer subject to examination by the Internal Revenue Service for fiscal years before 2009.

Advertising

Advertising costs are expenses as incurred. Advertising expense amounted to \$8,190 and \$10,585 for the years ended June 30, 2012 and 2011, respectively.

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through November 5, 2012, the date the financial statements were available to be issued.

Note 3: Investments

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:

- 70% in domestic and international equities
- 30% in fixed-income instruments

Notes to the Financial Statements

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Note 5: Unearned Memberships, Subscriptions, and Meeting Revenues

Unearned memberships, subscriptions, and meeting revenues consist of the following for the years ended June 30:

	2012	2011
Member dues and subscription fees	\$ 195,288	\$ 144,636
Non-member subscription fees	785,077	771,963
Lifetime and lifetime retired membership dues and subscription fees	260,475	275,630
Meeting fees	11,620	-
Total unearned memberships, subscriptions, and meeting revenues	\$ <u>1,252,460</u>	\$ <u>1,192,229</u>

Note 6: Net Asset Classification of Endowment Funds

The Institute's endowment consists of two donor-restricted endowment funds, the Le Cam Endowment and the Blackwell Lecture Endowment (see Note 10), established in order to fund professional lectures. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Institute has interpreted the State Prudent Management of Institutional Fund Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard prudence prescribed by SPMIFA. In accordance with SPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- 1) the duration and preservation of the fund;
- 2) the purposes of the donor-restricted endowment fund;
- 3) general economic conditions; and
- 4) the expected total return.

Endowment net asset composition by type of fund as of June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	\$ -	\$ 6,734	\$ 75,080	\$ <u>81,814</u>

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Note 3: Investments (continued)

The allocation of funds held within the investment portfolio is reviewed quarterly and is rebalanced if the actual allocations differ from the targets stated above by more than five percent.

The Institute's investments are stated at fair value and are summarized as follows at June 30, 2012:

	2012		
	Cost	Fair Value	Unrealized Appreciation
Mutual funds – equities	\$ 1,508,157	\$ 1,537,327	\$ 29,170
Mutual funds – fixed income	595,293	624,005	28,712
Total investments	\$ <u>2,103,450</u>	\$ <u>2,161,332</u>	\$ <u>57,882</u>

Note 4: Fair Value Measurements

In accordance with the "Fair Value Measurements" topic of the FASB ASC, the Institute uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs for which little or no market data exists, therefore, requiring an entity to develop its own valuation assumptions. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the asset and are based on the best available information, which has been internally developed.

Financial assets (liabilities) consisted of the following at June 30, 2012:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Money market funds (\$37,911 included in assets restricted for endowment)	\$ 237,058	\$ -	\$ -	\$ 237,058
Certificates of deposit (\$42,570 included in assets restricted for endowment)	1,255,136	-	-	1,255,136
Investments:				
Mutual funds – equities	1,537,327	-	-	1,537,327
Mutual funds – fixed income	624,005	-	-	624,005
	\$ <u>3,653,526</u>	\$ -	\$ -	\$ <u>3,653,526</u>

The Institute maintains an account with Vanguard Group for operating, operating reserve and reserve funds. Financial assets include a money market fund and several mutual funds carried at their fair market value and certificates of deposit maturing at various dates. The certificates of deposit are immediately convertible to cash with maturities ranging from three months to nine months.

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Note 6: Net Asset Classification of Endowment Funds (continued)

Changes in endowment net assets for the year ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2011	\$ -	\$ 6,569	\$ 32,420	\$ 38,989
Investment return:				
Interest income	-	165	-	165
Total investment return	-	165	-	165
Contributions to perpetual endowment	-	-	42,660	42,660
Endowment net assets, June 30, 2012	\$ -	\$ 6,734	\$ 75,080	\$ <u>81,814</u>

Permanently restricted net assets:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA

\$ 75,080

Total endowment funds classified as permanently restricted net assets

\$ 75,080

Return Objectives and Risk Parameters

While no formal investment or spending policy existed at June 30, 2012, the goal of the Institute was to invest in low-risk vehicles that provide a predictable stream of funding. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity. Currently, the endowment assets are invested in certificates of deposit.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through current yield (interest income). The Organization targets low-risk investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

While there was no formal spending policy established at June 30, 2012, any investment income earned on endowment assets is temporarily restricted to be appropriated for expenditure to fund the cost of a lecturer once every three years for the Le Cam Endowment and once every three to four years for the Blackwell Lecture Endowment.

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Note 7: 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 \$11,075 and \$10,557 for the years ended June 30, 2012 and 2011, respectively.

Note 8: Functional Expenses

Program and general and administrative expenses for the year ended June 30, 2012 were as follows:

	Program	General and Administrative	Total
Production expenses (see Note 9)	\$ 850,431	\$ -	\$ 850,431
Editorial expenses (see Note 9)	251,715	-	251,715
Mailing and shipping at press	97,099	-	97,099
Salaries, payroll taxes, and employee benefits	70,385	70,385	140,770
Management fee	93,882	31,294	125,176
Scientific meetings	55,488	-	55,488
Managed meetings	15,479	-	15,479
Supported journal royalty	68,577	-	68,577
Postage and shipping from office	8,056	3,453	11,509
Insurance	14,688	6,295	20,983
Credit card fees and refunds	14,201	-	14,201
Professional fees	-	12,673	12,673
Business meetings	1,726	-	1,726
Membership drives and publicity	8,190	-	8,190
Information technology service	8,804	-	8,804
Storage	7,395	-	7,395
Contributions to other organizations	3,001	-	3,001
Rent and utilities	1,650	1,650	3,300
Administrative services	-	2,685	2,685
Printing, non-journal	901	-	901
Computer equipment and software	2,075	889	2,964
Supplies	543	543	1,086
Office expense and other	2,012	862	2,874
Telephone	442	190	632
Presidential fund	773	-	773
Bad debt expense	-	271	271
	<u>\$ 1,577,513</u>	<u>\$ 131,190</u>	<u>\$ 1,708,703</u>

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Note 8: Functional Expenses (continued)

Program and general and administrative expenses for the year ended June 30, 2011 were as follows:

	Program	General and Administrative	Total
Production expenses (see Note 9)	\$ 896,210	\$ -	\$ 896,210
Editorial expenses (see Note 9)	299,269	-	299,269
Mailing and shipping at press	113,970	-	113,970
Salaries, payroll taxes, and employee benefits	67,304	67,304	134,608
Management fee	95,317	31,773	127,090
Scientific meetings	60,189	-	60,189
Managed meetings	164,169	-	164,169
Supported journal royalty	84,377	-	84,377
Postage and shipping from office	8,512	3,648	12,160
Insurance	14,685	6,294	20,979
Credit card fees and refunds	19,264	-	19,264
Professional fees	-	19,000	19,000
Business meetings	1,184	-	1,184
Membership drives and publicity	10,585	-	10,585
Information technology service	7,890	-	7,890
Storage	7,566	-	7,566
Contributions to other organizations	7,158	-	7,158
Rent and utilities	1,650	1,650	3,300
Administrative services	-	2,476	2,476
Printing, non-journal	3,812	-	3,812
Computer equipment and software	1,786	766	2,552
Supplies	591	591	1,182
Office expense and other	1,104	473	1,577
Telephone	496	213	709
Presidential fund	-	-	-
Bad debt expense	-	8,856	8,856
	<u>\$ 1,867,088</u>	<u>\$ 143,044</u>	<u>\$ 2,010,132</u>

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Note 9: Production and Editorial Expenses

Production and editorial expenses incurred were as follows:

	2012	2011
Production expenses:		
Core publications:		
The Annals of Applied Probability	\$ 110,369	\$ 115,490
The Annals of Applied Statistics	115,932	164,968
The Annals of Probability	118,221	105,200
The Annals of Statistics	187,130	204,817
Statistical Science	62,675	53,542
IMS Bulletin	20,162	27,951
IMS Collections	-	5,662
IMS Lecture Notes-Monograph Series	223	-
Web page	<u>12,462</u>	<u>11,576</u>
Total core publications	627,174	689,206
Supported publications:		
Annales de l'Institut Henri Poincaré	56,434	57,320
Bernoulli	60,242	58,555
Bernoulli News	3,026	3,209
Brazilian Journal of Probability and Statistics	<u>11,649</u>	<u>19,057</u>
Total supported publications	131,351	138,141
Co-sponsored publications:		
Probability Surveys	2,236	348
Statistics Surveys	618	193
Current Index to Statistics	10,802	10,721
Electronic Journal of Statistics	<u>6,615</u>	<u>579</u>
Total co-sponsored publications	20,271	11,841
General publication expenses:		
Electronic operations for all publications	<u>71,635</u>	<u>57,022</u>
Total general publication expenses	<u>71,635</u>	<u>57,022</u>
Total production expenses	<u>\$ 850,431</u>	<u>\$ 896,210</u>

Notes to the Financial Statements

June 30, 2012

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Note 9: Production and Editorial Expenses (continued)

	2012	2011
Editorial expenses:		
The Annals of Applied Statistics	\$ -	\$ 215
Current Index to Statistics	32,137	30,000
IMS Bulletin	72,329	69,074
WWW editor	28,546	81,979
Managing and production editors	97,703	95,501
Central editorial office	<u>21,000</u>	<u>22,500</u>
Total editorial expenses	<u>\$ 251,715</u>	<u>\$ 299,269</u>

Note 10: Net assets

	2012	2011
The following are net assets available at June 30:		
Unrestricted:		
Undesignated	\$ 2,466,496	\$ 2,020,541
Council-designated:		
Dorweiler Fund	3,600	3,600
Hotelling Fund	1,600	1,600
New Researchers Meeting Fund	31,533	31,533
Development Fund	25,000	25,000
Laha Fund	<u>10,486</u>	<u>17,761</u>
Total Council-designated	<u>72,219</u>	<u>79,494</u>
Total unrestricted	2,538,715	2,100,035
Temporarily restricted:		
Schramm Lecture Fund	15,265	-
Tweedie Memorial Fund	12,985	13,642
Open Access Fund	4,336	3,738
Le Cam Earnings Fund	<u>6,734</u>	<u>6,569</u>
Total temporarily restricted	39,320	23,949
Permanently restricted:		
Blackwell Lecture Endowment	42,570	-
Le Cam Endowment	<u>32,510</u>	<u>32,420</u>
Total permanently restricted	<u>75,080</u>	<u>32,420</u>
Total net assets	<u>\$ 2,653,115</u>	<u>\$ 2,156,404</u>