

Institute of Mathematical Statistics

**Financial Statements
For the year ended December 31, 2013
and the six-month period ended December 31, 2012**

Institute of Mathematical Statistics

Financial Statements

For the year ended December 31, 2013 and the six-month period ended December 31, 2012

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Independent Auditor's Report

The Council
Institute of Mathematical Statistics

Report on the Financial Statements

We have audited the accompanying financial statements of Institute of Mathematical Statistics (the "Institute," a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the year ended December 31, 2013, and the six-month period ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Council
Institute of Mathematical Statistics

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 December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the year ended December 31, 2013, and the six-month period ended December 31, 2012, in accordance with accounting principles generally accepted in the United States of America.

Ciuni + Panichi, Inc.

Cleveland, Ohio
September 12, 2014

Institute of Mathematical Statistics

Statements of Financial Position

December 31, 2013 and 2012

	<u>Assets</u>	
	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 313,438	\$ 467,123
Accounts receivable	118,411	95,543
Interest receivable	1,470	2,147
Investments, at fair market value	3,537,237	2,309,955
Certificates of deposit	1,364,341	1,425,784
Prepaid expenses	40,505	49,824
Investments restricted for endowment	<u>76,685</u>	<u>75,970</u>
Total assets	\$ <u>5,452,087</u>	\$ <u>4,426,346</u>
	<u>Liabilities and Net Assets</u>	
Liabilities:		
Accounts payable and accrued liabilities	\$ 146,468	\$ 330,931
Unearned memberships, subscriptions, and meeting revenues	<u>1,193,407</u>	<u>951,165</u>
Total liabilities	<u>1,339,875</u>	<u>1,282,096</u>
Net assets:		
Unrestricted:		
Undesignated	3,922,348	2,960,794
Council-designated	<u>65,331</u>	<u>63,236</u>
Total unrestricted	<u>3,987,679</u>	<u>3,024,030</u>
Temporarily restricted	47,848	44,250
Permanently restricted	<u>76,685</u>	<u>75,970</u>
Total net assets	<u>4,112,212</u>	<u>3,144,250</u>
Total liabilities and net assets	\$ <u>5,452,087</u>	\$ <u>4,426,346</u>

The accompanying notes are an integral part of these financial statements

Institute of Mathematical Statistics

Statement of Activities

For the year ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2013</u>
Revenues, gains, and support:				
Membership dues and journal subscriptions	\$ 278,037	\$ -	\$ -	\$ 278,037
Non-member subscriptions	1,762,386	-	-	1,762,386
Sales of back issues	1,899	-	-	1,899
Page charges	29,156	-	-	29,156
Sales of books	983	-	-	983
Scientific meetings	12,200	-	-	12,200
Managed meetings	4,083	-	-	4,083
Advertising	58,825	-	-	58,825
Offprints, royalties, and other	103,278	-	-	103,278
Contributions	5,482	4,911	715	11,108
Net realized and unrealized gains	451,649	-	-	451,649
Interest and dividends	78,234	1,873	-	80,107
Net assets released from restrictions	<u>3,186</u>	<u>(3,186)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and support	2,789,398	3,598	715	2,793,711
Expenses:				
Program	1,659,411	-	-	1,659,411
General and administrative	<u>166,338</u>	<u>-</u>	<u>-</u>	<u>166,338</u>
Total expenses	<u>1,825,749</u>	<u>-</u>	<u>-</u>	<u>1,825,749</u>
Changes in net assets	<u>963,649</u>	<u>3,598</u>	<u>715</u>	<u>967,962</u>
Net assets, beginning of year	<u>3,024,030</u>	<u>44,250</u>	<u>75,970</u>	<u>3,144,250</u>
Net assets, end of year	\$ <u>3,987,679</u>	\$ <u>47,848</u>	\$ <u>76,685</u>	\$ <u>4,112,212</u>

The accompanying notes are an integral part of these financial statements

Institute of Mathematical Statistics

Statement of Activities

For the six-month period ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>
Revenues, gains, and support:				
Membership dues and journal subscriptions	\$ 231,319	\$ -	\$ -	\$ 231,319
Non-member subscriptions	859,283	-	-	859,283
Sales of back issues	-	-	-	-
Page charges	21,158	-	-	21,158
Sales of books	1,749	-	-	1,749
Scientific meetings	12,200	-	-	12,200
Managed meetings	12,060	-	-	12,060
Advertising	18,790	-	-	18,790
Offprints, royalties, and other	82,220	-	-	82,220
Contributions	70	5,474	890	6,434
Net realized and unrealized gains	101,344	-	-	101,344
Interest and dividends	41,572	1,456	-	43,028
Net assets released from restrictions	<u>2,000</u>	<u>(2,000)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and support	1,383,765	4,930	890	1,389,585
Expenses:				
Program	814,095	-	-	814,095
General and administrative	<u>84,355</u>	<u>-</u>	<u>-</u>	<u>84,355</u>
Total expenses	<u>898,450</u>	<u>-</u>	<u>-</u>	<u>898,450</u>
Changes in net assets	<u>485,315</u>	<u>4,930</u>	<u>890</u>	<u>491,135</u>
Net assets, beginning of period	<u>2,538,715</u>	<u>39,320</u>	<u>75,080</u>	<u>2,653,115</u>
Net assets, end of period	\$ <u>3,024,030</u>	\$ <u>44,250</u>	\$ <u>75,970</u>	\$ <u>3,144,250</u>

The accompanying notes are an integral part of these financial statements

Institute of Mathematical Statistics

Statements of Cash Flows

For the year ended December 31, 2013 and the six-month period ended December 31, 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Changes in net assets	\$ 967,962	\$ 491,135
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Write-off of uncollectible accounts receivable	4,470	2,615
Net realized and unrealized gains	(451,649)	(101,344)
Contributions restricted for long-term purposes	(715)	(890)
Changes in operating assets and liabilities:		
Accounts receivable	(27,338)	(79,848)
Interest receivable	677	(230)
Prepaid expenses	9,319	(5,608)
Accounts payable and accrued liabilities	(184,463)	151,334
Unearned memberships, subscriptions, and meeting revenues	<u>242,242</u>	<u>(301,295)</u>
Net cash provided by operating activities	560,505	155,869
Cash flows from investing activities:		
Purchases of investments, net of proceeds from sales	(774,905)	(127,408)
Restricted cash for endowment	-	42,422
Purchases of certificates of deposit	(1,265,000)	(1,010,000)
Proceeds from the sale of certificates of deposit	<u>1,325,000</u>	<u>839,000</u>
Net cash used by investing activities	(714,905)	(255,986)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	<u>715</u>	<u>890</u>
Net cash provided by financing activities	<u>715</u>	<u>890</u>
Decrease in cash and cash equivalents	(153,685)	(99,227)
Cash and cash equivalents, beginning of period	<u>467,123</u>	<u>566,350</u>
Cash and cash equivalents, end of period	\$ <u><u>313,438</u></u>	\$ <u><u>467,123</u></u>

The accompanying notes are an integral part of these financial statements

Institute of Mathematical Statistics

Notes to the Financial Statements

For the year ended December 31, 2013 and the six-month period ended December 31, 2012

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 scholarly publications, organization of scientific meetings, presentation of awards, 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 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 3,800 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.

Institute of Mathematical Statistics

Notes to the Financial Statements

For the year ended December 31, 2013 and the six-month period ended December 31, 2012

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.

Fiscal Year

As of July 1, 2012, the Institute changed its fiscal year-end from June 30 to December 31. Accordingly, the accompanying financial statements for the six-month period ended December 31, 2012 only reflect activity from July 1, 2012 to December 31, 2012.

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 debt instruments 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 statements 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 statements 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/period as the investment income is generated.

Institute of Mathematical Statistics

Notes to the Financial Statements

For the year ended December 31, 2013 and the six-month period ended December 31, 2012

Note 2: Summary of Significant Accounting Policies (continued)

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. An additional factor management uses when estimating an allowance for the aggregate remaining receivables is historical collectability. Management estimates the allowance for doubtful accounts at December 31, 2013 and 2012 as \$2,300 and \$2,300, respectively.

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 statements 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 statements 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.

Institute of Mathematical Statistics

Notes to the Financial Statements

For the year ended December 31, 2013 and the six-month period ended December 31, 2012

Note 2: Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk (continued)

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 December 31, 2013 and during the six-month period ended December 31, 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.

Shipping and Handling Costs

Shipping and handling costs are recorded as incurred. These expenses are included within "Postage and shipping from office" 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 December 31, 2013 and 2012, the Institute has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year and six-month period 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/periods before 2010.

Advertising

Advertising costs are expensed as incurred. Advertising expense amounted to \$5,914 and \$7,984 for the year ended December 31, 2013 and for the six-month period ended December 31, 2012, respectively.

Institute of Mathematical Statistics

Notes to the Financial Statements

For the year ended December 31, 2013 and the six-month period ended December 31, 2012

Note 2: Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through September 12, 2014, 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

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.

At December 31, 2013 and 2012, investments are reported at fair value and consisted of the following:

	<u>2013</u>	<u>2012</u>
Mutual funds – equities	\$ 2,592,575	\$ 1,726,659
Mutual funds – fixed-income	<u>1,021,347</u>	<u>659,266</u>
Total investments	<u>\$ 3,613,922</u>	<u>\$ 2,385,925</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.

The Organization's Level 2 investments in certificates of deposit are valued based on the last trade that occurred prior to period-end.

Institute of Mathematical Statistics

Notes to the Financial Statements

For the year ended December 31, 2013 and the six-month period ended December 31, 2012

Note 4: Fair Value Measurements (continued)

Financial assets consisted of the following at December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 1,364,341	\$ -	\$ 1,364,341
Investments (\$76,685 included in investments restricted for endowment):				
Mutual funds – international equity	749,609	-	-	749,609
Mutual funds – domestic equity	1,842,966	-	-	1,842,966
Mutual funds – fixed-income	<u>1,021,347</u>	<u>-</u>	<u>-</u>	<u>1,021,347</u>
	<u>\$ 3,613,922</u>	<u>\$ 1,364,341</u>	<u>\$ -</u>	<u>\$ 4,978,263</u>

Financial assets consisted of the following at December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 1,425,784	\$ -	\$ 1,425,784
Investments (\$75,970 included in investments restricted for endowment):				
Mutual funds – international equity	502,601	-	-	502,601
Mutual funds – domestic equity	1,224,058	-	-	1,224,058
Mutual funds – fixed-income	<u>659,266</u>	<u>-</u>	<u>-</u>	<u>659,266</u>
	<u>\$ 2,385,925</u>	<u>\$ 1,425,784</u>	<u>\$ -</u>	<u>\$ 3,811,709</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 initial maturities ranging from three months to nine months.

Note 5: Unearned Memberships, Subscriptions, and Meeting Revenues

Unearned memberships, subscriptions, and meeting revenues consist of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Member dues and subscription fees	\$ 173,114	\$ 170,082
Non-member subscription fees	804,600	546,627
Lifetime and lifetime retired membership dues and subscription fees	<u>215,693</u>	<u>234,456</u>
Total unearned memberships, subscriptions, and meeting revenues	<u>\$ 1,193,407</u>	<u>\$ 951,165</u>

Institute of Mathematical Statistics

Notes to the Financial Statements

For the year ended December 31, 2013 and the six-month period ended December 31, 2012

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 December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	\$ <u> -</u>	\$ <u> 9,775</u>	\$ <u> 76,685</u>	\$ <u> 86,460</u>

Endowment net asset composition by type of fund as of December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	\$ <u> -</u>	\$ <u> 8,047</u>	\$ <u> 75,970</u>	\$ <u> 84,017</u>

Institute of Mathematical Statistics

Notes to the Financial Statements

For the year ended December 31, 2013 and the six-month period ended December 31, 2012

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

Changes in endowment net assets for the year ended December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2012	\$ -	\$ 8,047	\$ 75,970	\$ 84,017
Investment return		1,728	-	1,728
Contributions to perpetual endowment	<u>-</u>	<u>-</u>	<u>715</u>	<u>715</u>
Endowment net assets, December 31, 2013	\$ <u>-</u>	\$ <u>9,775</u>	\$ <u>76,685</u>	\$ <u>86,460</u>

Changes in endowment net assets for the six-month period ended December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2012	\$ -	\$ 6,734	\$ 75,080	\$ 81,814
Investment return		1,313	-	1,313
Contributions to perpetual endowment	<u>-</u>	<u>-</u>	<u>890</u>	<u>890</u>
Endowment net assets, December 31, 2012	\$ <u>-</u>	\$ <u>8,047</u>	\$ <u>75,970</u>	\$ <u>84,017</u>

	<u>2013</u>	<u>2012</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	\$ <u>76,685</u>	\$ <u>75,970</u>
Total endowment funds classified as permanently restricted net assets	\$ <u>76,685</u>	\$ <u>75,970</u>

Institute of Mathematical Statistics

Notes to the Financial Statements

For the year ended December 31, 2013 and the six-month period ended December 31, 2012

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

Return Objectives and Risk Parameters

The Institute has adopted investment and spending policies for the endowment funds that attempt to grow at a rate at least equal to the rate of inflation over time, net of annual payouts. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity. Currently, the endowment assets are invested in mutual funds.

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, dividends, realized/unrealized gains). The Organization targets low-cost, indexed investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

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.

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 \$12,409 and \$4,772 for the year ended December 31, 2013 and the six-month period ended December 31, 2012, respectively.

Institute of Mathematical Statistics

Notes to the Financial Statements

For the year ended December 31, 2013 and the six-month period ended December 31, 2012

Note 8: Functional Expenses

Program and general and administrative expenses for the year ended December 31, 2013 were as follows:

	Program	General and Administrative	Total
Production expenses (see Note 9)	\$ 950,027	\$ -	\$ 950,027
Editorial expenses (see Note 9)	278,615	-	278,615
Mailing and shipping at press	89,115	-	89,115
Salaries, payroll taxes, and employee benefits	74,415	74,415	148,830
Management fee	56,630	56,629	113,259
Scientific meetings	80,473	-	80,473
Managed meetings	3,000	-	3,000
Supported journal royalty	45,720	-	45,720
Postage and shipping from office	9,357	4,010	13,367
Insurance	14,965	6,414	21,379
Credit card fees	16,357	-	16,357
Professional fees	-	12,246	12,246
Business meetings	2,985	-	2,985
Membership drives and publicity	5,914	-	5,914
Information technology service	6,591	-	6,591
Storage	8,517	-	8,517
Contributions to other organizations	5,210	-	5,210
Rent and utilities	2,475	2,475	4,950
Administrative services	-	3,098	3,098
Printing, non-journal	836	-	836
Computer equipment and software	1,560	669	2,229
Supplies	470	469	939
Office expense and other	2,850	1,221	4,071
Telephone	517	222	739
Scientific legacy	2,812	-	2,812
Bad debt expense	-	4,470	4,470
	<u>\$ 1,659,411</u>	<u>\$ 166,338</u>	<u>\$ 1,825,749</u>

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Notes to the Financial Statements

For the year ended December 31, 2013 and the six-month period ended December 31, 2012

Note 8: Functional Expenses (continued)

Program and general and administrative expenses for the six-month period ended December 31, 2012 were as follows:

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Production expenses (see Note 9)	\$ 407,934	\$ -	\$ 407,934
Editorial expenses (see Note 9)	144,081	-	144,081
Mailing and shipping at press	43,578	-	43,578
Salaries, payroll taxes, and employee benefits	35,190	35,189	70,379
Management fee	27,896	27,896	55,792
Scientific meetings	40,162	-	40,162
Managed meetings	-	-	-
Supported journal royalty	78,902	-	78,902
Postage and shipping from office	4,661	1,998	6,659
Insurance	3,064	1,313	4,377
Credit card fees	5,446	-	5,446
Professional fees	-	11,400	11,400
Business meetings	2,499	-	2,499
Membership drives and publicity	7,984	-	7,984
Information technology service	2,339	-	2,339
Storage	4,066	-	4,066
Contributions to other organizations	1,929	-	1,929
Rent and utilities	825	825	1,650
Administrative services	-	2,227	2,227
Printing, non-journal	1,618	-	1,618
Computer equipment and software	928	397	1,325
Supplies	121	121	242
Office expense and other	648	278	926
Telephone	224	96	320
Scientific legacy	-	-	-
Bad debt expense	-	2,615	2,615
	<u>\$ 814,095</u>	<u>\$ 84,355</u>	<u>\$ 898,450</u>

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Notes to the Financial Statements

For the year ended December 31, 2013 and the six-month period ended December 31, 2012

Note 9: Production and Editorial Expenses

Production and editorial expenses incurred were as follows for the year and six-month period ended December 31, 2013 and 2012, respectively:

	<u>2013</u>	<u>2012</u>
Production expenses:		
Core publications:		
The Annals of Applied Probability	\$ 110,196	\$ 54,373
The Annals of Applied Statistics	133,389	76,211
The Annals of Probability	186,759	59,485
The Annals of Statistics	141,852	66,622
Statistical Science	62,231	27,729
IMS Bulletin	22,094	9,348
IMS Collections	3,799	5,190
NSF-CBMS Regional Conference Series	2,562	-
Web page	<u>14,184</u>	<u>6,919</u>
Total core publications	677,066	305,877
Supported publications:		
Annales de l'Institut Henri Poincaré	53,481	29,599
Bayesian Analysis	126	-
Bernoulli	107,996	31,725
Bernoulli News	2,728	1,095
Brazilian Journal of Probability and Statistics	17,615	10,114
Stochastic Systems	<u>2,881</u>	<u>-</u>
Total supported publications	184,827	72,533
Co-sponsored publications:		
Probability Surveys	1,395	2,065
Statistics Surveys	1,458	230
Current Index to Statistics	955	237
IMS Monographs	3,627	62
Electronic Journal of Probability	396	1,133
Electronic Journal of Statistics	<u>13,138</u>	<u>6,966</u>
Total co-sponsored publications	20,969	10,693
General publication expenses:		
Electronic operations for all publications	<u>67,165</u>	<u>18,831</u>
Total general publication expenses	<u>67,165</u>	<u>18,831</u>
 Total production expenses	 \$ <u><u>950,027</u></u>	 \$ <u><u>407,934</u></u>

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Notes to the Financial Statements

For the year ended December 31, 2013 and the six-month period ended December 31, 2012

Note 9: Production and Editorial Expenses (continued)

	2013	2012
Editorial expenses:		
Current Index to Statistics	32,912	15,687
IMS Bulletin	73,160	38,600
WWW editor	47,716	31,682
Managing and production editors	103,827	47,612
Central editorial office	21,000	10,500
Total editorial expenses	\$ 278,615	\$ 144,081

Note 10: Net assets

	2013	2012
The following are net assets available at December 31:		
Unrestricted:		
Undesignated	\$ 3,922,348	\$ 2,960,794
Council-designated:		
Dorweiller Fund	-	3,616
Hotelling Fund	-	1,607
New Researchers Meeting Fund	31,799	31,672
Development Fund	25,000	25,000
Scientific Legacy Fund	8,532	-
Laha Fund	-	1,341
Total Council-designated	65,331	63,236
Total unrestricted	3,987,679	3,024,030
Temporarily restricted:		
Schramm Lecture Fund	22,347	20,686
Tweedie Memorial Fund	11,173	11,092
Open Access Fund	4,553	4,425
Le Cam Earnings Fund	8,199	7,364
Blackwell Earnings Fund	1,576	683
Total temporarily restricted	47,848	44,250
Permanently restricted:		
Blackwell Lecture Endowment	43,740	43,070
Le Cam Endowment	32,945	32,900
Total permanently restricted	76,685	75,970
Total net assets	\$ 4,112,212	\$ 3,144,250