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.

Cleveland, Ohio
September 12, 2014
## Institute of Mathematical Statistics

### Statements of Financial Position

#### December 31, 2013 and 2012

### Assets

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 313,438</td>
<td>$ 467,123</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>118,411</td>
<td>95,543</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>1,470</td>
<td>2,147</td>
</tr>
<tr>
<td>Investments, at fair market value</td>
<td>3,537,237</td>
<td>2,309,955</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>1,364,341</td>
<td>1,425,784</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>40,505</td>
<td>49,824</td>
</tr>
<tr>
<td>Investments restricted for endowment</td>
<td>76,685</td>
<td>75,970</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 5,452,087</strong></td>
<td><strong>$ 4,426,346</strong></td>
</tr>
</tbody>
</table>

### Liabilities and Net Assets

#### Liabilities:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$ 146,468</td>
<td>$ 330,931</td>
</tr>
<tr>
<td>Unearned memberships, subscriptions, and meeting revenues</td>
<td>1,193,407</td>
<td>951,165</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>1,339,875</strong></td>
<td><strong>1,282,096</strong></td>
</tr>
</tbody>
</table>

#### Net assets:

**Unrestricted:**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undesignated</td>
<td>3,922,348</td>
<td>2,960,794</td>
</tr>
<tr>
<td>Council-designated</td>
<td>65,331</td>
<td>63,236</td>
</tr>
<tr>
<td><strong>Total unrestricted</strong></td>
<td><strong>3,987,679</strong></td>
<td><strong>3,024,030</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporarily restricted</td>
<td>47,848</td>
<td>44,250</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>76,685</td>
<td>75,970</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>4,112,212</strong></td>
<td><strong>3,144,250</strong></td>
</tr>
</tbody>
</table>

### 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

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership dues and journal subscriptions $278,037</td>
<td>- $</td>
<td>- $</td>
<td>$278,037</td>
</tr>
<tr>
<td>Non-member subscriptions 1,762,386</td>
<td>-</td>
<td>-</td>
<td>1,762,386</td>
</tr>
<tr>
<td>Sales of back issues 1,899</td>
<td>-</td>
<td>-</td>
<td>1,899</td>
</tr>
<tr>
<td>Page charges 29,156</td>
<td>-</td>
<td>-</td>
<td>29,156</td>
</tr>
<tr>
<td>Sales of books 983</td>
<td>-</td>
<td>-</td>
<td>983</td>
</tr>
<tr>
<td>Scientific meetings 12,200</td>
<td>-</td>
<td>-</td>
<td>12,200</td>
</tr>
<tr>
<td>Managed meetings 4,083</td>
<td>-</td>
<td>-</td>
<td>4,083</td>
</tr>
<tr>
<td>Advertising 58,825</td>
<td>-</td>
<td>-</td>
<td>58,825</td>
</tr>
<tr>
<td>Offprints, royalties, and other 103,278</td>
<td>-</td>
<td>-</td>
<td>103,278</td>
</tr>
<tr>
<td>Contributions 5,482</td>
<td>4,911</td>
<td>715</td>
<td>11,108</td>
</tr>
<tr>
<td>Net realized and unrealized gains 451,649</td>
<td>-</td>
<td>-</td>
<td>451,649</td>
</tr>
<tr>
<td>Interest and dividends 78,234</td>
<td>1,873</td>
<td>-</td>
<td>80,107</td>
</tr>
<tr>
<td>Net assets released from restrictions 3,186</td>
<td>(3,186)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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 166,338 | - | - | 166,338 |

Total expenses 1,825,749 | - | - | 1,825,749 |

Changes in net assets 963,649 3,598 715 967,962

Net assets, beginning of year 3,024,030 44,250 75,970 3,144,250

Net assets, end of year $3,987,679 $47,848 $76,685 $4,112,212

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

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

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**

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

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 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.
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.
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:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds – equities</td>
<td>$2,592,575</td>
<td>$1,726,659</td>
</tr>
<tr>
<td>Mutual funds – fixed-income</td>
<td>1,021,347</td>
<td>659,266</td>
</tr>
<tr>
<td>Total investments</td>
<td>$3,613,922</td>
<td>$2,385,925</td>
</tr>
</tbody>
</table>

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.
Note 4: Fair Value Measurements (continued)

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposit</td>
<td>$</td>
<td>- $1,425,784</td>
<td>$</td>
<td>$1,425,784</td>
</tr>
<tr>
<td>Investments ($75,970 included in investments restricted for endowment):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual funds – international equity</td>
<td>502,601</td>
<td>-</td>
<td>-</td>
<td>502,601</td>
</tr>
<tr>
<td>Mutual funds – domestic equity</td>
<td>1,224,058</td>
<td>-</td>
<td>-</td>
<td>1,224,058</td>
</tr>
<tr>
<td>Mutual funds – fixed-income</td>
<td>659,266</td>
<td>-</td>
<td>-</td>
<td>659,266</td>
</tr>
<tr>
<td>Total</td>
<td>$2,385,925</td>
<td>$1,425,784</td>
<td>$</td>
<td>$3,811,709</td>
</tr>
</tbody>
</table>

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:

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

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment</td>
<td>$ -</td>
<td>$ 9,775</td>
<td>$ 76,685</td>
<td>$ 86,460</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment</td>
<td>$ -</td>
<td>$ 8,047</td>
<td>$ 75,970</td>
<td>$ 84,017</td>
</tr>
</tbody>
</table>
### 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:

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

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

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

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
  - 2013: $ 76,685
  - 2012: $ 75,970

- Total endowment funds classified as permanently restricted net assets
  - 2013: $ 76,685
  - 2012: $ 75,970
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:

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

$1,659,411 $166,338 $1,825,749
Program and general and administrative expenses for the six-month period ended December 31, 2012 were as follows:

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

$814,095 $84,355 $898,450
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 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:

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

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

Note 10: Net assets

The following are net assets available at December 31:

<table>
<thead>
<tr>
<th>Unrestricted:</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undesignated</td>
<td>$3,922,348</td>
<td>$2,960,794</td>
</tr>
</tbody>
</table>

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|