

Institute of Mathematical Statistics

**Financial Statements
December 31, 2019**

Institute of Mathematical Statistics

Financial Statements

December 31, 2019

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

Independent Auditor's Report

To the Council
Institute of Mathematical Statistics

We have audited the accompanying financial statements of the Institute of Mathematical Statistics (the "Institute", a nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, 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 audit. 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 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.

To 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 the Institute as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Institute's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ciuni + Panichi, Inc.

Cleveland, Ohio
August 13, 2020

Institute of Mathematical Statistics

Statement of Financial Position

December 31, 2019 (with comparative totals for 2018)

Assets

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 185,341	\$ 453,820
Cash held for others	14,183	19,371
Accounts receivable, net	135,675	200,844
Interest receivable	10,228	5,144
Investments	8,113,941	6,644,726
Investments held for others	259,564	218,023
Prepaid expenses	64,096	65,313
Certificates of deposit	1,793,003	1,447,186
Investments restricted for endowment	<u>270,995</u>	<u>218,803</u>
Total assets	\$ <u>10,847,026</u>	\$ <u>9,273,230</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued expenses	\$ 41,912	\$ 54,378
Fiscal agent liability	273,747	237,394
Unearned memberships, subscriptions, and meeting revenues	<u>1,095,648</u>	<u>1,417,273</u>
Total liabilities	1,411,307	1,709,045
Net assets:		
Without donor restrictions:		
Undesignated	6,930,947	5,162,007
Council-designated	<u>2,115,880</u>	<u>2,120,436</u>
Total net assets without donor restrictions	9,046,827	7,282,443
With donor restrictions	<u>388,892</u>	<u>281,742</u>
Total net assets	<u>9,435,719</u>	<u>7,564,185</u>
Total liabilities and net assets	\$ <u>10,847,026</u>	\$ <u>9,273,230</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, 2019 (with comparative totals for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2019</u>	<u>Total 2018</u>
Revenues, gains, and support:				
Membership dues and journal subscriptions	\$ 227,680	\$ -	\$ 227,680	\$ 216,356
Non-member subscriptions	1,735,321	-	1,735,321	1,780,656
Sales of back issues	2,049	-	2,049	-
Publication charges	45,662	-	45,662	72,075
Sales of books	5,862	-	5,862	4,699
Scientific meetings	12,200	-	12,200	12,200
Managed meetings	24,642	-	24,642	13,236
Advertising	50,435	-	50,435	44,794
Offprints, royalties, and other	98,663	-	98,663	97,742
Contributions	<u>1,122</u>	<u>52,510</u>	<u>53,632</u>	<u>146,018</u>
Total revenues, gains, and support	2,203,636	52,510	2,256,146	2,387,776
Expenses and losses:				
Program	1,772,256	-	1,772,256	1,788,560
General and administrative	<u>181,377</u>	<u>-</u>	<u>181,377</u>	<u>175,759</u>
Total expenses and losses	<u>1,953,633</u>	<u>-</u>	<u>1,953,633</u>	<u>1,964,319</u>
Changes in operating net assets	250,003	52,510	302,513	423,457
Non-operating revenues and gains (expenses and losses):				
Investment return, net	<u>1,514,381</u>	<u>54,640</u>	<u>1,569,021</u>	<u>(386,418)</u>
Total non-operating revenues and gains (expenses and losses)	<u>1,514,381</u>	<u>54,640</u>	<u>1,569,021</u>	<u>(386,418)</u>
Changes in net assets	1,764,384	107,150	1,871,534	37,039
Net assets at beginning of year	<u>7,282,443</u>	<u>281,742</u>	<u>7,564,185</u>	<u>7,527,146</u>
Net assets at end of year	\$ <u>9,046,827</u>	\$ <u>388,892</u>	\$ <u>9,435,719</u>	\$ <u>7,564,185</u>

The accompanying notes are an integral part of these financial statements

Institute of Mathematical Statistics

Statement of Functional Expenses

For the year ended December 31, 2019 (with comparative totals for 2018)

	<u>Program</u>	<u>General and Administrative</u>	<u>2019 Total</u>	<u>2018 Total</u>
Production expenses (see Note 8)	\$ 1,082,041	\$ -	\$ 1,082,041	\$ 1,099,994
Editorial expenses (see Note 8)	262,750	-	262,750	281,736
Mailing and shipping at press	64,172	-	64,172	72,095
Salaries, payroll taxes, and employee benefits	88,765	88,765	177,530	172,056
Management fee	61,925	61,925	123,850	120,192
Scientific meetings	100,590	-	100,590	70,401
Supported journal royalty	51,115	-	51,115	50,830
Postage and shipping from office	2,325	997	3,322	3,399
Insurance	11,978	5,133	17,111	20,365
Credit card fees	12,754	-	12,754	14,994
Professional fees	-	19,310	19,310	16,246
Business meetings	4,210	-	4,210	3,717
Membership drives and publicity	3,621	-	3,621	4,018
Information technology service	4,497	-	4,497	6,595
Storage	3,968	-	3,968	3,803
Contributions to other organizations	9,486	-	9,486	6,497
Rent and utilities	1,800	1,800	3,600	3,600
Administrative services	-	1,743	1,743	1,852
Printing, non-journal	1,501	-	1,501	4,508
Computer equipment and software	2,470	1,059	3,529	2,734
Supplies	349	350	699	636
Office expense and other	260	111	371	3,071
Telephone	429	184	613	615
Scientific legacy	1,250	-	1,250	-
Bad debt expense	-	-	-	365
	<u>\$ 1,772,256</u>	<u>\$ 181,377</u>	<u>\$ 1,953,633</u>	<u>\$ 1,964,319</u>

The accompanying notes are an integral part of these financial statements

Institute of Mathematical Statistics

Statement of Cash Flows

For the year ended December 31, 2019 (with comparative totals for 2018)

	2019	2018
Cash flows from operating activities:		
Changes in net assets	\$ 1,871,534	\$ 37,039
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Write-off of uncollectible accounts receivable	-	365
Net realized and unrealized (gains) losses	(1,376,038)	575,650
Contributions restricted for long-term purposes	(52,192)	(140,503)
Changes in operating assets and liabilities:		
Accounts receivable	65,169	5,824
Interest receivable	(5,084)	(1,420)
Prepaid expenses	1,217	28,661
Accounts payable and accrued expenses	(12,466)	(63,749)
Unearned memberships, subscriptions, and meeting revenues	<u>(321,625)</u>	<u>(44,165)</u>
Net cash provided by operating activities	170,515	397,702
Cash flows from investing activities:		
Purchases of investments	(151,186)	(421,832)
Purchases of certificates of deposit	(1,790,000)	(1,250,000)
Proceeds at maturity of certificates of deposit	<u>1,450,000</u>	<u>1,145,000</u>
Net cash used by investing activities	(491,186)	(526,832)
Cash flows from financing activities:		
Collection of contributions restricted for long-term purposes	<u>52,192</u>	<u>140,503</u>
Net cash provided by financing activities	<u>52,192</u>	<u>140,503</u>
Net (decrease) increase in cash and cash equivalents	(268,479)	11,373
Cash and cash equivalents and cash held for others at beginning of year	<u>453,820</u>	<u>442,447</u>
Cash and cash equivalents and cash held for others at end of year	\$ <u><u>185,341</u></u>	\$ <u><u>453,820</u></u>

The accompanying notes are an integral part of these financial statements

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2019

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. 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, Bayesian Analysis, Bernoulli, Bernoulli News, and Brazilian Journal of Probability and Statistics.

The Institute is an international organization of approximately 3,500 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:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions are expendable resources used to support the Institute’s core activities. Net assets that have been designated for specific purposes by action of the governing body of the Institute (the “Council”) to be used for future periods (Council-designated) are included in net assets without donor restrictions.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2019

Note 2: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions as to time and/or purpose. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions, unless restrictions are met during the same year as the contribution is received, in which case the contribution is recorded as without donor restrictions.

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Adopted Accounting Pronouncement

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange transactions. This ASU gives further guidance related to when a contribution is deemed to be conditional such that recognition of revenue should be delayed until conditions are substantially met. This ASU is effective for fiscal years beginning after December 15, 2018 for recipients of funds and for fiscal years beginning after December 15, 2019 for resource providers. The Institute's financial statements have been updated to reflect the implementation of this standard. There was no impact on beginning net assets as a result of this implementation.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* to provide clarity in the requirements for the presentation of restricted cash on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018. The Institute's financial statements have been updated to reflect the implementation of this standard. There was no impact on beginning net assets as a result of this implementation.

Use of Estimates

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

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2019

Note 2: Summary of Significant Accounting Policies (continued)

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Cash and Cash Equivalents

The Institute considers all cash without donor restrictions and highly liquid debt instruments with initial maturities of three months or less to be cash equivalents.

Cash Held for Others, Investments Held for Others, and Fiscal Agent Liability

The Institute operates as fiscal agent for a related entity. Cash held for others and investments held for others represent the funds of the related entity that are held within the Institute's accounts. Accordingly, these amounts are recorded as both an asset and liability of the Institute.

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. At December 31, 2019 and 2018, management estimated that an allowance for doubtful accounts of \$2,270 was required.

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 changes in net assets without donor restrictions in the accompanying statement of activities, unless donor-imposed restrictions over specific investment earnings exist, in which case, the investment earnings are classified as changes in net assets with donor restrictions in accordance with such donor-imposed restrictions. Donor restricted investment income is reported as without donor restrictions if such restrictions are met in the same fiscal year as the investment income is generated.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2019

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 with or without donor 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.

The Institute uses the allowance method to record their estimate of uncollectible promises to give receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At December 31, 2019 and 2018, management estimated that no allowance for doubtful accounts was required.

Concentrations of Credit Risk

Financial instruments which potentially subject the Institute to concentrations of credit risk consist of cash and cash equivalents, accounts receivable, investments, and certificates of deposit.

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 years ended December 31, 2019 and 2018, the Institute's cash in bank and certificates of deposit balances exceeded federally insured limits.

At December 31, 2019 and 2018, 58% and 80%, respectively, of the Institute's gross accounts receivable is due from one and two sources, respectively.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2019

Note 2: Summary of Significant Accounting Policies (continued)

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 statement of functional expenses.

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, 2019 and 2018, 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 Institute 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.

Advertising

Advertising costs are expensed as incurred and are included with "Membership drives and publicity" in the statement of functional expenses. Advertising expense amounted to \$3,621 and \$4,018 for the years ended December 31, 2019 and 2018, respectively.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delayed the effective date.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2019

Note 2: Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

of ASU 2014-09 by one year. ASU 2014-09, as amended, is effective for nonpublic companies for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. In June 2020, FASB issued *ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which amended the effective date to annual reporting periods beginning after December 15, 2019. The Institute is currently evaluating the potential impact of adopting this guidance on its financial statements.

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through August 13, 2020, the date the financial statements were available to be issued.

In early calendar 2020, the world began dealing with the effects of the Coronavirus pandemic (COVID-19). Disruptions to business operations, including government mandated actions and employee, supplier and customer related challenges have affected many businesses. The financial markets have experienced significant declines and high volatility. While the Institute's investments are subject to market volatility, the Institute does not foresee a need to liquidate investments to fund operations in the near term. The Institute does not expect COVID-19 to have a significant near-term negative impact on its operating activities, as subscription and membership renewals for 2020 had been realized prior to COVID-19. The potential impact on operating activities beyond 2020 cannot reasonably be estimated.

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) 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.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2019

Note 3: Investments (continued)

At December 31, 2019 and 2018, investments are reported at fair value and consisted of the following:

	2019	2018
Mutual funds – equities	\$ 6,256,783	\$ 4,885,394
Mutual funds – fixed-income	2,387,717	2,196,158
Total investments	\$ 8,644,500	\$ 7,081,552

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 or liability and are based on the best available information, which has been internally developed.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to the methodologies used at December 31, 2019 and 2018.

Certificates of deposit – Valued at cost, plus any accrued and unpaid interest, which approximates fair value.

Mutual funds – Investments in mutual funds are classified within Level 1 of the fair value hierarchy because they are valued using unadjusted quoted market prices for identical assets in active markets that the Institute has the ability to access.

The following table sets forth by level, within the fair value hierarchy, the Institute’s assets at fair value:

	Level 1	Level 2	Level 3	2019
Certificates of deposit	\$ -	\$ 1,793,003	\$ -	\$ 1,793,003
Investments (\$270,995 included in investments restricted for endowment):				
Mutual funds – international equity	1,745,507	-	-	1,745,507
Mutual funds – domestic equity	4,511,276	-	-	4,511,276
Mutual funds – fixed-income	2,387,717	-	-	2,387,717
	\$ 8,644,500	\$ 1,793,003	\$ -	\$ 10,437,503

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2019

Note 4: Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	2018
Certificates of deposit	\$ -	\$ 1,447,186	\$ -	\$ 1,447,186
Investments (\$218,803 included in investments restricted for endowment):				
Mutual funds – international equity	1,436,537	-	-	1,436,537
Mutual funds – domestic equity	3,448,857	-	-	3,448,857
Mutual funds – fixed-income	2,196,158	-	-	2,196,158
	<u>\$ 7,081,552</u>	<u>\$ 1,447,186</u>	<u>\$ -</u>	<u>\$ 8,528,738</u>

The Institute maintains accounts 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 approximately six months to twenty-four months.

Note 5: Unearned Memberships, Subscriptions, and Meeting Revenues

Unearned memberships, subscriptions, and meeting revenues consist of the following at December 31, 2019 and 2018:

	2019	2018
Member dues and subscription fees	\$ 73,516	\$ 143,069
Non-member subscription fees	879,881	1,106,267
Lifetime and lifetime retired membership dues and subscription fees	142,251	167,937
Total unearned memberships, subscriptions, and meeting revenues	<u>\$ 1,095,648</u>	<u>\$ 1,417,273</u>

Note 6: Net Asset Classification of Endowment Funds

The Institute’s endowment consists of four donor-restricted endowment funds: the Le Cam Endowment; the Blackwell Lecture Endowment; the IMS Lawrence D. Brown Ph.D. Student Award Endowment; and the Peter Gavin Hall IMS Early Career Prize Endowment (see Note 9), established in order to fund lectures at scientific conferences and awards for excellence in research. 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 of California’s enacted version of the Uniform Prudent Management of Institutional Fund Act (UPMIFA) 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, when reviewing its donor-restricted endowment fund, the Institute considers a

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2019

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

fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Institute has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures prescribed under the law. In accordance with UPMIFA, 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 Institute and the donor-restricted endowment fund;
- 3) general economic conditions;
- 4) the possible effect of inflation or deflation;
- 5) the expected total return from income and the appreciation of investments;
- 6) other resources of the Institute; and
- 7) the investment policy of the Institute.

Endowment net asset composition by type of fund as of December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u>-</u>	\$ <u>344,389</u>	\$ <u>344,389</u>

Changes in endowment net assets for the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2018	\$ -	\$ 238,498	\$ 238,498
Investment return:			
Interest and dividends	-	7,701	7,701
Net appreciation (realized and unrealized)	<u>-</u>	<u>45,998</u>	<u>45,998</u>
Total investment return	-	53,699	53,699
Contributions to perpetual endowment	<u>-</u>	<u>52,192</u>	<u>52,192</u>
Endowment net assets, December 31, 2019	\$ <u>-</u>	\$ <u>344,389</u>	\$ <u>344,389</u>

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2019

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

Endowment net asset composition by type of fund as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u>-</u>	\$ <u>238,498</u>	\$ <u>238,498</u>

Changes in endowment net assets for the year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2017	\$ -	\$ 96,889	\$ 96,889
Investment return:			
Interest and dividends	<u>-</u>	<u>2,656</u>	<u>2,656</u>
Total investment return	<u>-</u>	<u>2,656</u>	<u>2,656</u>
Contributions to perpetual endowment	-	140,503	140,503
Appropriations of endowment assets	<u>-</u>	<u>(1,550)</u>	<u>(1,550)</u>
Endowment net assets, December 31, 2018	\$ <u>-</u>	\$ <u>238,498</u>	\$ <u>238,498</u>

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. The standard for the Institute with regard to the endowment fund assets shall be the preservation of corpus while prudently maximizing investment return.

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 Institute targets low-cost, indexed investments to achieve its long-term return objectives within prudent risk constraints.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2019

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

Spending Policy

Any investment income earned on endowment assets is donor-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 and to fund the award annually for both the IMS Lawrence D. Brown Ph.D. Student Award Endowment and the Peter Gavin Hall IMS Early Career Prize 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 \$13,909 and \$13,431 for the years ended December 31, 2019 and 2018, respectively.

Note 8: Production and Editorial Expenses

Production and editorial expenses incurred were as follows during the years ended December 31:

	<u>2019</u>	<u>2018</u>
Production expenses:		
Core publications:		
The Annals of Applied Probability	\$ 154,295	\$ 156,982
The Annals of Applied Statistics	106,648	107,679
The Annals of Probability	175,018	156,623
The Annals of Statistics	181,764	218,863
Statistical Science	65,722	68,053
IMS Bulletin	27,205	25,146
Web page	<u>13,492</u>	<u>12,223</u>
Total core publications	724,144	745,569
Supported publications:		
Annales de l'Institut Henri Poincaré	78,255	77,087
ALEA	830	354
Bernoulli	129,623	129,248
Bernoulli News	3,175	2,910
Brazilian Journal of Probability and Statistics	<u>30,426</u>	<u>29,383</u>
Total supported publications	242,309	238,982

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2019

Note 8: Production and Editorial Expenses (continued)

	2019	2018
Co-sponsored publications:		
Probability Surveys	2,691	3,103
Statistics Surveys	3,371	3,342
Current Index to Statistics	1,650	1,800
Electronic Journal of Probability/ Electronic Communications in Probability	17,767	14,822
Electronic Journal of Statistics	14,579	12,859
Conference Board of the Mathematical Sciences	272	2,152
Total co-sponsored publications	40,330	38,078
General publication expenses:		
Electronic operations for all publications	75,258	77,365
Total general publication expenses	75,258	77,365
Total production expenses	\$ <u>1,082,041</u>	\$ <u>1,099,994</u>
Editorial expenses:		
IMS Bulletin	\$ 72,884	\$ 72,531
WWW editor	47,530	68,057
Managing and production editors	115,336	114,148
Central editorial office	27,000	27,000
Total editorial expenses	\$ <u>262,750</u>	\$ <u>281,736</u>

Note 9: Net Assets

The following are net assets at December 31:

	2019	2018
Without donor restrictions:		
Undesignated	\$ 6,930,947	\$ 5,162,007
Council-designated:		
Operating Reserves Fund	2,000,000	2,000,000
New Researchers Meeting Fund	33,214	34,064
New Researchers Award Fund	143	-
Development Fund	25,000	25,000
Open Access Fund	5,176	4,945
Scientific Legacy Fund	-	1,623
Hannan Fund	52,347	54,804
Total Council-designated	2,115,880	2,120,436
Total without donor restrictions	9,046,827	7,282,443

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2019

Note 9: Net Assets (continued)

	<u>2019</u>	<u>2018</u>
With donor restrictions:		
Schramm Lecture Fund	29,512	28,873
Tweedie Memorial Fund	14,991	14,370
Le Cam Earnings Fund	20,459	11,811
Le Cam Endowment	33,605	33,505
Blackwell Earnings Fund	18,816	7,885
Blackwell Lecture Endowment	50,342	45,040
Brown Earnings Fund	16,951	-
Brown Award Endowment	96,185	53,720
Hall Earnings Fund	17,168	-
Hall Prize Endowment	<u>90,863</u>	<u>86,538</u>
Total with donor restrictions	<u>388,892</u>	<u>281,742</u>
Total net assets	\$ <u>9,435,719</u>	\$ <u>7,564,185</u>

Net assets released from donor restrictions by incurring expenditures satisfying the purpose and/or the elapse of time restrictions were as follows during the years ended December 31:

	<u>2019</u>	<u>2018</u>
Tweedie Memorial Fund	\$ -	\$ 1,647
Open Access Fund	-	6,446
Le Cam Earnings Fund	<u>-</u>	<u>1,550</u>
	\$ <u>-</u>	\$ <u>9,643</u>

Note 10: Functional Expenses

The statement of functional expenses presents expenses by functional and natural classification. Expenses directly attributable to program and general and administrative are reported as expenses of that functional area. Payroll expenses have been allocated between program and general and administrative based on job roles. Other indirect expenses have been allocated to functional areas on the basis of the amount of time spent on administrative functions and the amount of time spent on programmatic functions.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2019

Note 11: Liquidity and Availability of Resources

The Institute's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 185,341	\$ 453,820
Cash held for others	14,183	19,371
Accounts receivable, net	135,675	200,844
Interest receivable	10,228	5,144
Investments	8,113,941	6,644,726
Investments held for others	259,564	218,023
Certificates of deposit	1,793,003	1,447,186
Investments restricted for endowment	<u>270,995</u>	<u>218,803</u>
 Total financial assets	 10,782,930	 9,207,917
 Less:		
Amounts unavailable for general expenditures within one year, due to:		
Cash held for others	14,183	19,371
Investments held for others	259,564	218,023
Restricted by donors – purpose and/or time restrictions	117,897	62,939
Restricted by donors – to be held in perpetuity	<u>270,995</u>	<u>218,803</u>
	662,639	519,136
 Amounts unavailable to management without the Council's approval:		
Council designated – purpose restrictions	<u>2,115,880</u>	<u>2,120,436</u>
 Total amount unavailable for general expenditure within one year	<u>2,778,519</u>	<u>2,639,572</u>
 Total financial assets available to management for general expenditures within one year	 \$ <u>8,004,411</u>	 \$ <u>6,568,345</u>

The Institute maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Institute has the ability to access Council-designated funds by special authorization of the Council, if necessary.