

Institute of Mathematical Statistics

**Financial Statements
December 31, 2020**

Institute of Mathematical Statistics

Financial Statements

December 31, 2020

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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 organization), which comprise the statement of financial position as of December 31, 2020, 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 of the
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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ciuni + Panichi, Inc.

Cleveland, Ohio
September 7, 2021

Institute of Mathematical Statistics

Statement of Financial Position

December 31, 2020 (with comparative totals for 2019)

Assets

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 163,074	\$ 128,215
Cash held for others	14,298	14,183
Accounts receivable, net	197,323	135,675
Interest receivable	4,868	10,228
Investments	9,723,295	8,171,067
Investments held for others	282,247	259,564
Prepaid expenses	60,678	64,096
Certificates of deposit	1,807,924	1,793,003
Investments restricted for endowment	328,827	270,995
Total assets	\$ <u><u>12,582,534</u></u>	\$ <u><u>10,847,026</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 60,523	\$ 41,912
Fiscal agent liability	296,545	273,747
Unearned memberships, subscriptions, and meeting revenues	<u>1,150,589</u>	<u>1,095,648</u>
Total liabilities	1,507,657	1,411,307

Net assets:

Without donor restrictions:

Undesignated	8,475,244	6,930,947
Council-designated	<u>2,116,937</u>	<u>2,115,880</u>
Total net assets without donor restrictions	10,592,181	9,046,827

With donor restrictions

	<u>482,696</u>	<u>388,892</u>
Total net assets	<u>11,074,877</u>	<u>9,435,719</u>
Total liabilities and net assets	\$ <u><u>12,582,534</u></u>	\$ <u><u>10,847,026</u></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, 2020 (with comparative totals for 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>	<u>Total 2019</u>
Revenues and support:				
Membership dues and journal subscriptions	\$ 167,336	\$ -	\$ 167,336	\$ 227,680
Non-member subscriptions	1,742,272	-	1,742,272	1,735,321
Sales of back issues	817	-	817	2,049
Publication charges	55,774	-	55,774	45,662
Sales of books	4,602	-	4,602	5,862
Scientific meetings	12,200	-	12,200	12,200
Managed meetings	220	-	220	24,642
Advertising	22,387	-	22,387	50,435
Offprints, royalties, and other	100,202	-	100,202	98,663
Contributions	<u>1,384</u>	<u>58,513</u>	<u>59,897</u>	<u>53,632</u>
Total revenues and support	2,107,194	58,513	2,165,707	2,256,146
Net assets released from restrictions	<u>4,500</u>	<u>(4,500)</u>	<u>-</u>	<u>-</u>
	2,111,694	54,013	2,165,707	2,256,146
Expenses:				
Program	1,710,956	-	1,710,956	1,772,256
General and administrative	<u>165,167</u>	<u>-</u>	<u>165,167</u>	<u>181,377</u>
Total expenses	<u>1,876,123</u>	<u>-</u>	<u>1,876,123</u>	<u>1,953,633</u>
Changes in operating net assets	235,571	54,013	289,584	302,513
Non-operating revenues and gains:				
Investment return, net	<u>1,309,783</u>	<u>39,791</u>	<u>1,349,574</u>	<u>1,569,021</u>
Total non-operating revenues and gains	<u>1,309,783</u>	<u>39,791</u>	<u>1,349,574</u>	<u>1,569,021</u>
Changes in net assets	1,545,354	93,804	1,639,158	1,871,534
Net assets at beginning of year	<u>9,046,827</u>	<u>388,892</u>	<u>9,435,719</u>	<u>7,564,185</u>
Net assets at end of year	<u>\$ 10,592,181</u>	<u>\$ 482,696</u>	<u>\$ 11,074,877</u>	<u>\$ 9,435,719</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, 2020 (with comparative totals for 2019)

	Program	General and Administrative	2020 Total	2019 Total
Production expenses (see Note 8)	\$ 1,105,222	\$ -	\$ 1,105,222	\$ 1,082,041
Editorial expenses (see Note 8)	275,617	-	275,617	262,750
Mailing and shipping at press	57,502	-	57,502	64,172
Salaries, payroll taxes, and employee benefits	91,724	91,724	183,448	177,530
Management fee	43,059	43,060	86,119	123,850
Scientific meetings	14,996	-	14,996	100,590
Supported journal royalty	70,837	-	70,837	51,115
Postage and shipping from office	3,723	1,595	5,318	3,322
Insurance	12,783	5,479	18,262	17,111
Credit card fees	13,381	-	13,381	12,754
Professional fees	-	18,695	18,695	19,310
Business meetings	162	-	162	4,210
Membership drives and publicity	583	-	583	3,621
Information technology service	3,720	-	3,720	4,497
Storage	1,975	-	1,975	3,968
Contributions to other organizations	2,616	-	2,616	9,486
Rent and utilities	1,800	1,800	3,600	3,600
Administrative services	-	605	605	1,743
Printing, non-journal	7,436	-	7,436	1,501
Computer equipment and software	2,118	908	3,026	3,529
Supplies	1,000	1,001	2,001	699
Office expense and other	234	100	334	371
Telephone	468	200	668	613
Scientific legacy	-	-	-	1,250
	\$ 1,710,956	\$ 165,167	\$ 1,876,123	\$ 1,953,633

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, 2020 (with comparative totals for 2019)

	2020	2019
Cash flows from operating activities:		
Changes in net assets	\$ 1,639,158	\$ 1,871,534
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities		
Net realized and unrealized gain on investments	(1,141,055)	(1,376,038)
Contributions restricted for long-term purposes	(57,832)	(52,192)
(Increase) decrease in assets:		
Accounts receivable, net	(61,648)	65,169
Interest receivable	5,360	(5,084)
Prepaid expenses	3,418	1,217
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	18,611	(12,466)
Fiscal agent liability	115	(5,188)
Unearned memberships, subscriptions, and meeting revenues	54,941	(321,625)
Net cash and cash equivalents provided by operating activities	461,068	165,327
Cash flows from investing activities:		
(Purchases) sales of investments	(473,926)	41,958
Purchases of certificates of deposit	(1,800,000)	(1,790,000)
Proceeds at maturity of certificates of deposit	1,790,000	1,450,000
Net cash and cash equivalents used by investing activities	(483,926)	(298,042)
Cash flows from financing activities:		
Collection of contributions restricted for long-term purposes	57,832	52,192
Net cash and cash equivalents provided by financing activities	57,832	52,192
Net increase (decrease) in cash and cash equivalents	34,974	(80,523)
Cash and cash equivalents and cash held for others at beginning of year	142,398	222,921
Cash and cash equivalents and cash held for others at end of year	\$ 177,372	\$ 142,398
Cash and cash equivalents	\$ 163,074	\$ 128,215
Cash held for others	14,298	14,183
Total cash and cash equivalents and cash held for others	\$ 177,372	\$ 142,398

The accompanying notes are an integral part of these financial statements

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2020

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, 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 4,100 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.

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.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

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 (GAAP). Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

COVID-19 Impact

In early calendar 2020, the Institute 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 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; however, the quantitative impact of COVID-19 cannot be reasonably estimated as of December 31, 2020.

Adopted Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (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. Organizations may use either a full retrospective or a modified retrospective approach. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers and Leases: Effective Dates for Certain Entities*, which delayed the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2019. On January 1, 2020, the Institute adopted ASU 2014-09, and all related amendments, using the full retrospective approach. 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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

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

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

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, excluding those held in brokerage accounts.

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, net 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. As of December 31, 2020 and 2019, 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.

Revenue Recognition

The Institute identifies a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. The Institute's earned revenue sources include membership dues and subscription fees, including lifetime and retired memberships, offprints, royalties, and other, sales of back issues, publication charges, sales of books, advertising, scientific meetings, and managed meetings.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Membership dues and subscription fees are recognized as revenue over time 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.

Retired and lifetime membership fees are recognized as revenue over time, over amortization periods of 12 and 15 years, respectively. 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.

Revenue from offprints, royalties, and other is recognized at a point in time under the terms of the applicable agreement.

Sales of back issues, publication charges, and sales of books are recognized at a point in time at point-of-sale. Advertising revenues are recognized at a point in time (when the advertising occurs). Scientific meetings and managed meetings revenues are recognized at a point in time (when the meeting occurs).

The following table disaggregates the Institute's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Performance obligations satisfied at a point in time	\$ 196,202	\$ 239,513
Performance obligations satisfied over time	<u>1,909,608</u>	<u>1,963,001</u>
Total earned revenue	\$ <u>2,105,810</u>	\$ <u>2,202,514</u>

Accounts receivable were \$197,323 and \$135,675 as of December 31, 2020 and 2019, respectively. Unearned memberships, subscriptions, and meeting revenues totaled \$1,150,589 and \$1,095,648 as of December 31, 2020 and 2019, respectively.

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.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

Contributions (continued)

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, 2020 and 2019, 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, 2020 and 2019, the Institute's cash in bank and certificates of deposit balances exceeded federally insured limits.

At December 31, 2020 and 2019, 93% and 58%, respectively, of the Institute's gross accounts receivable is due from two and one sources, respectively.

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 accompanying statement of functional expenses.

Advertising

Advertising costs are expensed as incurred and are included with membership drives and publicity in the accompanying statement of functional expenses. Advertising expense amounted to \$583 and \$3,621 for the years ended December 31, 2020 and 2019, respectively.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

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, 2020 and 2019, 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.

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through September 7, 2021, 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) 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.

As of December 31, 2020 and 2019, investments are reported at fair value and consisted of the following:

	<u>2020</u>	<u>2019</u>
Mutual funds – equities	\$ 7,459,036	\$ 6,256,783
Mutual funds – fixed-income	2,772,731	2,387,717
Money market fund	<u>102,602</u>	<u>57,126</u>
Total investments	\$ <u>10,334,369</u>	\$ <u>8,701,626</u>

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2020

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 as of December 31, 2020 and 2019.

Money market fund – Valued at the daily closing price, as reported by the fund, which approximates fair value.

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

Mutual funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Institute are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to be publish their daily net asset value and to transact at that price. The mutual funds held by the Institute are deemed to be actively traded.

The following table sets forth by level, within the fair value hierarchy, the Institute’s assets at fair value as of December 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2020</u>
Certificates of deposit	\$ -	\$ 1,807,924	\$ -	\$ 1,807,924
Investments (\$328,827 included in investments restricted for endowment):				
Money market fund	102,602	-	-	102,602
Mutual funds – international equity	2,000,937	-	-	2,000,937
Mutual funds – domestic equity	5,458,099	-	-	5,458,099
Mutual funds – fixed-income	<u>2,772,731</u>	<u>-</u>	<u>-</u>	<u>2,772,731</u>
	\$ <u>10,334,369</u>	\$ <u>1,807,924</u>	\$ <u>-</u>	\$ <u>12,142,293</u>

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2020

Note 4: Fair Value Measurements (continued)

	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):				
Money market fund	57,126	-	-	57,126
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
	\$ 8,701,626	\$ 1,793,003	\$ -	\$ 10,494,629

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 as of December 31:

	2020	2019
Member dues and subscription fees	\$ 93,546	\$ 73,516
Non-member subscription fees	932,336	879,881
Lifetime and lifetime retired membership dues and subscription fees	124,707	142,251
Total unearned memberships, subscriptions, and meeting revenues	\$ 1,150,589	\$ 1,095,648

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.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2020

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

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 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, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u>-</u>	\$ <u>437,100</u>	\$ <u>437,100</u>

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2020

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

Changes in endowment net assets for the year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2019	\$ -	\$ 344,389	\$ 344,389
Investment return:			
Interest and dividends	-	7,921	7,921
Net appreciation (realized and unrealized)	<u>-</u>	<u>31,458</u>	<u>31,458</u>
Total investment return	-	39,379	39,379
Contributions to perpetual endowment	-	57,832	57,832
Appropriations to endowment assets	<u>-</u>	<u>(4,500)</u>	<u>(4,500)</u>
Endowment net assets, December 31, 2020	\$ <u>-</u>	\$ <u>437,100</u>	\$ <u>437,100</u>

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>

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December 31, 2020

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

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>

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.

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, 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.

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Notes to the Financial Statements

December 31, 2020

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 \$14,368 and \$13,909 for the years ended December 31, 2020 and 2019, respectively.

Note 8: Production and Editorial Expenses

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

	<u>2020</u>	<u>2019</u>
Production expenses:		
Core publications:		
The Annals of Applied Probability	\$ 137,616	\$ 154,295
The Annals of Applied Statistics	97,080	106,648
The Annals of Probability	172,635	175,018
The Annals of Statistics	236,837	181,764
Statistical Science	63,759	65,722
IMS Bulletin	25,808	27,205
Web page	<u>5,859</u>	<u>13,492</u>
Total core publications	739,594	724,144
Supported publications:		
Annales de l'Institut Henri Poincaré	105,256	78,255
ALEA	924	830
Bernoulli	107,849	129,623
Bernoulli News	2,663	3,175
Brazilian Journal of Probability and Statistics	<u>34,377</u>	<u>30,426</u>
Total supported publications	251,069	242,309

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December 31, 2020

Note 8: Production and Editorial Expenses (continued)

	<u>2020</u>	<u>2019</u>
Co-sponsored publications:		
Probability Surveys	2,399	2,691
Statistics Surveys	2,439	3,371
Current Index to Statistics	-	1,650
Electronic Journal of Probability/ Electronic Communications in Probability	16,540	17,767
Electronic Journal of Statistics	12,385	14,579
Conference Board of the Mathematical Sciences	-	272
Total co-sponsored publications	<u>33,763</u>	<u>40,330</u>
General publication expenses:		
Electronic operations for all publications	<u>80,796</u>	<u>75,258</u>
Total general publication expenses	<u>80,796</u>	<u>75,258</u>
Total production expenses	\$ <u><u>1,105,222</u></u>	\$ <u><u>1,082,041</u></u>
Editorial expenses:		
IMS Bulletin	\$ 77,205	\$ 72,884
WWW editor	58,311	47,530
Managing and production editors	116,101	115,336
Central editorial office	<u>24,000</u>	<u>27,000</u>
Total editorial expenses	\$ <u><u>275,617</u></u>	\$ <u><u>262,750</u></u>

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Notes to the Financial Statements

December 31, 2020

Note 9: Net Assets

The following are net assets as of December 31:

	<u>2020</u>	<u>2019</u>
Without donor restrictions:		
Undesignated	\$ 8,475,244	\$ 6,930,947
Council-designated:		
Operating Reserves Fund	2,000,000	2,000,000
New Researchers Meeting Fund	33,516	33,214
New Researchers Award Fund	351	143
Development Fund	25,000	25,000
Open Access Fund	5,726	5,176
Hannan Fund	<u>52,344</u>	<u>52,347</u>
Total Council-designated	<u>2,116,937</u>	<u>2,115,880</u>
Total without donor restrictions	10,592,181	9,046,827
With donor restrictions:		
Schramm Lecture Fund	29,892	29,512
Tweedie Memorial Fund	15,704	14,991
Le Cam Earnings Fund	25,228	20,459
Le Cam Endowment	33,965	33,605
Blackwell Earnings Fund	24,965	18,816
Blackwell Lecture Endowment	50,907	50,342
Brown Earnings Fund	36,085	16,951
Brown Award Endowment	151,925	96,185
Hall Earnings Fund	21,995	17,168
Hall Prize Endowment	<u>92,030</u>	<u>90,863</u>
Total with donor restrictions	<u>482,696</u>	<u>388,892</u>
Total net assets	\$ <u>11,074,877</u>	\$ <u>9,435,719</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>2020</u>	<u>2019</u>
Hall Earnings Fund	\$ <u>4,500</u>	\$ <u>-</u>
Total net assets released from restrictions	\$ <u>4,500</u>	\$ <u>-</u>

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December 31, 2020

Note 10: 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 as of December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 163,074	\$ 128,215
Cash held for others	14,298	14,183
Accounts receivable, net	197,323	135,675
Interest receivable	4,868	10,228
Investments	9,723,295	8,171,067
Investments held for others	282,247	259,564
Certificates of deposit	1,807,924	1,793,003
Investments restricted for endowment	<u>328,827</u>	<u>270,995</u>
Total financial assets	12,521,856	10,782,930
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Cash held for others	14,298	14,183
Investments held for others	282,247	259,564
Restricted by donors – purpose and/or time restrictions	153,869	117,897
Restricted by donors – to be held in perpetuity	<u>328,827</u>	<u>270,995</u>
	779,241	662,639
Amounts unavailable to management without the Council's approval:		
Council designated – purpose restrictions	<u>2,116,937</u>	<u>2,115,880</u>
Total amount unavailable for general expenditure within one year	<u>2,896,178</u>	<u>2,778,519</u>
Total financial assets available to management for general expenditures within one year	\$ <u>9,625,678</u>	\$ <u>8,004,411</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.

Note 11: 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 programmatic and administrative functions.