

Institute of Mathematical Statistics

**Financial Statements
December 31, 2021**

Institute of Mathematical Statistics

Financial Statements

December 31, 2021

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Independent Auditor's Report

To the Council
Institute of Mathematical Statistics

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Council of the
Institute of Mathematical Statistics

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Institute's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cimini & Panzoli, Inc.

Cleveland, Ohio
August 22, 2022

Institute of Mathematical Statistics

Statement of Financial Position

December 31, 2021 (with comparative totals for 2020)

Assets

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 79,847	\$ 163,074
Cash held for others	10,384	14,298
Accounts receivable, net	184,893	197,323
Interest receivable	1,634	4,868
Investments	11,710,960	9,615,022
Investments held for others	321,491	282,247
Prepaid expenses	56,317	60,678
Certificates of deposit	1,699,338	1,807,924
Investments restricted for endowment	597,271	437,100
Total assets	\$ <u><u>14,662,135</u></u>	\$ <u><u>12,582,534</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 36,242	\$ 60,523
Fiscal agent liability	331,875	296,545
Unearned memberships, subscriptions, and meeting revenues	<u>1,355,546</u>	<u>1,150,589</u>
Total liabilities	1,723,663	1,507,657

Net assets:

Without donor restrictions:

Undesignated	10,176,210	8,475,244
Council-designated	<u>2,118,505</u>	<u>2,116,937</u>
Total net assets without donor restrictions	12,294,715	10,592,181

With donor restrictions

	<u>643,757</u>	<u>482,696</u>
Total net assets	<u>12,938,472</u>	<u>11,074,877</u>
Total liabilities and net assets	\$ <u><u>14,662,135</u></u>	\$ <u><u>12,582,534</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, 2021 (with comparative totals for 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>	<u>Total 2020</u>
Revenues and support:				
Membership dues and journal subscriptions	\$ 173,470	\$ -	\$ 173,470	\$ 167,336
Non-member subscriptions	1,715,749	-	1,715,749	1,742,272
Sales of back issues	-	-	-	817
Publication charges	61,699	-	61,699	55,774
Sales of books	3,508	-	3,508	4,602
Scientific meetings	20,216	-	20,216	12,200
Managed meetings	-	-	-	220
Advertising	49,241	-	49,241	22,387
Offprints, royalties, and other	101,406	-	101,406	100,202
Contributions	<u>2,421</u>	<u>102,167</u>	<u>104,588</u>	<u>59,897</u>
Total revenues and support	<u>2,127,710</u>	<u>102,167</u>	<u>2,229,877</u>	<u>2,165,707</u>
Net assets released from restrictions	<u>3,200</u>	<u>(3,200)</u>	<u>-</u>	<u>-</u>
	2,130,910	98,967	2,229,877	2,165,707
Expenses:				
Program	1,688,578	-	1,688,578	1,710,956
General and administrative	<u>174,032</u>	<u>-</u>	<u>174,032</u>	<u>165,167</u>
Total expenses	<u>1,862,610</u>	<u>-</u>	<u>1,862,610</u>	<u>1,876,123</u>
Changes in operating net assets	268,300	98,967	367,267	289,584
Non-operating revenues and gains:				
Investment return, net	<u>1,434,234</u>	<u>62,094</u>	<u>1,496,328</u>	<u>1,349,574</u>
Total non-operating revenues and gains	<u>1,434,234</u>	<u>62,094</u>	<u>1,496,328</u>	<u>1,349,574</u>
Changes in net assets	1,702,534	161,061	1,863,595	1,639,158
Net assets at beginning of year	<u>10,592,181</u>	<u>482,696</u>	<u>11,074,877</u>	<u>9,435,719</u>
Net assets at end of year	<u>\$ 12,294,715</u>	<u>\$ 643,757</u>	<u>\$ 12,938,472</u>	<u>\$ 11,074,877</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, 2021 (with comparative totals for 2020)

	Program	General and Administrative	2021 Total	2020 Total
Production expenses (see Note 8)	\$ 1,046,744	\$ -	\$ 1,046,744	\$ 1,105,222
Editorial expenses (see Note 8)	295,132	-	295,132	275,617
Mailing and shipping at press	52,718	-	52,718	57,502
Salary, payroll taxes, and employee benefits	96,118	96,119	192,237	183,448
Management fee	47,932	47,932	95,864	86,119
Scientific meetings	10,230	-	10,230	14,996
Supported journal royalty	89,111	-	89,111	70,837
Postage and shipping from office	3,167	1,358	4,525	5,318
Insurance	13,451	5,765	19,216	18,262
Credit card fees	10,129	-	10,129	13,381
Professional fees	-	17,284	17,284	18,695
Business meetings	162	-	162	162
Membership drives and publicity	7	-	7	583
Information technology service	4,667	-	4,667	3,720
Storage	1,566	-	1,566	1,975
Contributions to other organizations	7,090	-	7,090	2,616
Rent and utilities	1,800	1,800	3,600	3,600
Administrative services	-	623	623	605
Printing, non-journal	1,914	-	1,914	7,436
Computer equipment and software	4,131	1,771	5,902	3,026
Supplies	533	533	1,066	2,001
Office expense and other	1,403	601	2,004	334
Telephone	573	246	819	668
	<u>\$ 1,688,578</u>	<u>\$ 174,032</u>	<u>\$ 1,862,610</u>	<u>\$ 1,876,123</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, 2021 (with comparative totals for 2020)

	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 1,863,595	\$ 1,639,158
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities		
Net realized and unrealized gain on investments	(1,272,567)	(1,141,055)
Contributions restricted for long-term purposes	(101,430)	(57,832)
(Increase) decrease in assets:		
Accounts receivable, net	12,430	(61,648)
Interest receivable	3,234	5,360
Prepaid expenses	4,361	3,418
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(24,281)	18,611
Fiscal agent liability	(3,914)	115
Unearned memberships, subscriptions, and meeting revenues	204,957	54,941
Net cash and cash equivalents provided by operating activities	686,385	461,068
Cash flows from investing activities:		
Purchases of investments	(974,956)	(473,926)
Purchases of certificates of deposit	(1,700,000)	(1,800,000)
Proceeds at maturity of certificates of deposit	1,800,000	1,790,000
Net cash and cash equivalents used by investing activities	(874,956)	(483,926)
Cash flows from financing activities:		
Collection of contributions restricted for long-term purposes	101,430	57,832
Net cash and cash equivalents provided by financing activities	101,430	57,832
Net (decrease) increase in cash and cash equivalents	(87,141)	34,974
Cash and cash equivalents and cash held for others at beginning of year	177,372	142,398
Cash and cash equivalents and cash held for others at end of year	\$ 90,231	\$ 177,372
Cash and cash equivalents	\$ 79,847	\$ 163,074
Cash held for others	10,384	14,298
Total cash and cash equivalents and cash held for others	\$ 90,231	\$ 177,372

The accompanying notes are an integral part of these financial statements

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2021

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 4,200 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 (GAAP).

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, 2021

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 GAAP. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended December 31, 2020, 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, 2021.

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.

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.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

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, 2021 and 2020, 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.

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.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Based on management's analysis of historical data, retired and lifetime membership fees are recognized as revenue over time, over amortization periods of 12 and 15 years, respectively. These amortization periods are utilized as the fees charged are 12 and 15 times the annual retired membership rate and regular membership rate, 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.

Revenue from sales of back issues, publication charges, and sales of books is 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>2021</u>	<u>2020</u>
Performance obligations satisfied at a point in time	\$ 236,070	\$ 196,202
Performance obligations satisfied over time	<u>1,889,219</u>	<u>1,909,608</u>
Total earned revenue	\$ <u>2,125,289</u>	\$ <u>2,105,810</u>

Accounts receivable were \$184,893 and \$197,323 as of December 31, 2021 and 2020, respectively. Unearned memberships, subscriptions, and meeting revenues totaled \$1,355,546 and \$1,150,589 as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, there were no outstanding promises to give.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

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, 2021 and 2020, the Institute's cash in bank and certificates of deposit balances exceeded federally insured limits.

As of December 31, 2021 and 2020, 94% and 93%, respectively, of the Institute's gross accounts receivable was due from two sources.

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 \$7 and \$583 for the years ended December 31, 2021 and 2020, respectively.

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.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

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, 2021 and 2020, 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 August 22, 2022, 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, 2021 and 2020, investments are reported at fair value and consisted of the following:

	<u>2021</u>	<u>2020</u>
Mutual funds – equities	\$ 9,365,985	\$ 7,459,036
Mutual funds – fixed-income	3,151,431	2,772,731
Money market fund	<u>112,306</u>	<u>102,602</u>
Total investments	\$ <u>12,629,722</u>	\$ <u>10,334,369</u>

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2021

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, on a recurring basis. There have been no changes to the methodologies used as of December 31, 2021 and 2020.

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>2021</u>
Certificates of deposit	\$ -	\$ 1,699,338	\$ -	\$ 1,699,338
Investments (\$597,271 included in investments restricted for endowment):				
Money market fund	112,306	-	-	112,306
Mutual funds – international equity	2,504,484	-	-	2,504,484
Mutual funds – domestic equity	6,861,501	-	-	6,861,501
Mutual funds – fixed-income	<u>3,151,431</u>	<u>-</u>	<u>-</u>	<u>3,151,431</u>
	\$ <u>12,629,722</u>	\$ <u>1,699,338</u>	\$ <u>-</u>	\$ <u>14,329,060</u>

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2021

Note 4: Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	2020
Certificates of deposit	\$ -	\$ 1,807,924	\$ -	\$ 1,807,924
Investments (\$437,100 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	2,772,731	-	-	2,772,731
	\$ <u>10,334,369</u>	\$ <u>1,807,924</u>	\$ <u>-</u>	\$ <u>12,142,293</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 as of December 31:

	2021	2020
Member dues and subscription fees	\$ 139,168	\$ 93,546
Non-member subscription fees	1,089,342	932,336
Lifetime and lifetime retired membership dues and subscription fees	127,036	124,707
Total unearned memberships, subscriptions, and meeting revenues	\$ <u>1,355,546</u>	\$ <u>1,150,589</u>

Note 6: Net Asset Classification of Endowment Funds

The Institute’s endowment consists of five donor-restricted endowment funds: the Le Cam Endowment; the Blackwell Lecture Endowment; the IMS Lawrence D. Brown Ph.D. Student Award Endowment; the Peter Gavin Hall IMS Early Career Prize Endowment; and the IMS Grace Wahba Award and Lecture 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, 2021

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, 2021:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u> -</u>	\$ <u> 597,271</u>	\$ <u> 597,271</u>

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December 31, 2021

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

Changes in endowment net assets for the year ended December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2020	\$ -	\$ 437,100	\$ 437,100
Investment return:			
Interest and dividends	-	9,382	9,382
Net appreciation (realized and unrealized)	<u>-</u>	<u>52,559</u>	<u>52,559</u>
Total investment return	-	61,941	61,941
Contributions to perpetual endowment	-	101,430	101,430
Appropriations to endowment assets	<u>-</u>	<u>(3,200)</u>	<u>(3,200)</u>
Endowment net assets, December 31, 2021	\$ <u>-</u>	\$ <u>597,271</u>	\$ <u>597,271</u>

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>

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December 31, 2021

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>

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, and 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 annually for the Grace Wahba Award and Lecture Endowment, 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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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 \$15,036 and \$14,368 for the years ended December 31, 2021 and 2020, respectively.

Note 8: Production and Editorial Expenses

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

	<u>2021</u>	<u>2020</u>
Production expenses:		
Core publications:		
The Annals of Applied Probability	\$ 149,493	\$ 137,616
The Annals of Applied Statistics	93,361	97,080
The Annals of Probability	162,634	172,635
The Annals of Statistics	194,902	236,837
Statistical Science	62,975	63,759
IMS Bulletin	22,862	25,808
Web page	<u>5,415</u>	<u>5,859</u>
Total core publications	691,642	739,594
Supported publications:		
Annales de l'Institut Henri Poincaré	83,329	105,256
ALEA	722	924
Bernoulli	101,846	107,849
Bernoulli News	1,087	2,663
Brazilian Journal of Probability and Statistics	<u>33,831</u>	<u>34,377</u>
Total supported publications	220,815	251,069
Co-sponsored publications:		
Probability Surveys	4,531	2,399
Statistics Surveys	3,007	2,439
Electronic Journal of Probability/ Electronic Communications in Probability	25,098	16,540
Electronic Journal of Statistics	<u>19,616</u>	<u>12,385</u>
Total co-sponsored publications	52,252	33,763
General publication expenses:		
Electronic operations for all publications	<u>82,035</u>	<u>80,796</u>
Total general publication expenses	<u>82,035</u>	<u>80,796</u>
Total production expenses	\$ <u><u>1,046,744</u></u>	\$ <u><u>1,105,222</u></u>

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Note 8: Production and Editorial Expenses (continued)

	<u>2021</u>	<u>2020</u>
Editorial expenses:		
IMS Bulletin	\$ 84,302	\$ 77,205
WWW editor	66,641	58,311
Managing and production editors	120,189	116,101
Central editorial office	<u>24,000</u>	<u>24,000</u>
Total editorial expenses	<u>\$ 295,132</u>	<u>\$ 275,617</u>

Note 9: Net Assets

The following are net assets as of December 31:

	<u>2021</u>	<u>2020</u>
Without donor restrictions:		
Undesignated	\$ 10,176,210	\$ 8,475,244
Council-designated:		
Operating Reserves Fund	2,000,000	2,000,000
New Researchers Meeting Fund	33,627	33,516
New Researchers Award Fund	362	351
Development Fund	25,000	25,000
Open Access Fund	6,282	5,726
Hannan Fund	<u>53,234</u>	<u>52,344</u>
Total Council-designated	<u>2,118,505</u>	<u>2,116,937</u>
Total without donor restrictions	12,294,715	10,592,181

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Notes to the Financial Statements

December 31, 2021

Note 9: Net Assets (continued)

With donor restrictions:

Schramm Lecture Fund	30,041	29,892
Tweedie Memorial Fund	16,445	15,704
Le Cam Earnings Fund	33,157	25,228
Le Cam Endowment	34,210	33,965
Blackwell Earnings Fund	35,127	24,965
Blackwell Lecture Endowment	51,647	50,907
Brown Earnings Fund	60,430	36,085
Brown Award Endowment	152,280	151,925
Hall Earnings Fund	34,673	21,995
Hall Prize Endowment	92,240	92,030
Wahba Earnings Fund	3,627	-
Wahba Lecture Endowment	<u>99,880</u>	<u>-</u>
Total with donor restrictions	<u>643,757</u>	<u>482,696</u>
Total net assets	\$ <u>12,938,472</u>	\$ <u>11,074,877</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>2021</u>	<u>2020</u>
Hall Earnings Fund	\$ 2,500	\$ 4,500
Brown Earnings Fund	<u>700</u>	<u>-</u>
Total net assets released from restrictions	\$ <u>3,200</u>	\$ <u>4,500</u>

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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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 79,847	\$ 163,074
Cash held for others	10,384	14,298
Accounts receivable, net	184,893	197,323
Interest receivable	1,634	4,868
Investments	11,710,960	9,615,022
Investments held for others	321,491	282,247
Certificates of deposit	1,699,338	1,807,924
Investments restricted for endowment	<u>597,271</u>	<u>437,100</u>
Total financial assets	14,605,818	12,521,856
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Cash held for others	10,384	14,298
Investments held for others	321,491	282,247
Restricted by donors – purpose and/or time restrictions	213,500	153,869
Restricted by donors – to be held in perpetuity	<u>430,257</u>	<u>328,827</u>
	975,632	779,241
Amounts unavailable to management without the Council's approval:		
Council designated – purpose restrictions	<u>2,118,505</u>	<u>2,116,937</u>
Total amount unavailable for general expenditure within one year	<u>3,094,137</u>	<u>2,896,178</u>
Total financial assets available to management for general expenditures within one year	\$ <u>11,511,681</u>	\$ <u>9,625,678</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.