

Institute of Mathematical Statistics

**Financial Statements
December 31, 2022**

Institute of Mathematical Statistics

Financial Statements

December 31, 2022

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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, 2022, 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, 2022, 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
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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cimini & Panzani, Inc.

Cleveland, Ohio
August 24, 2023

Institute of Mathematical Statistics

Statement of Financial Position

December 31, 2022 (with comparative totals for 2021)

Assets

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 169,722	\$ 79,847
Cash held for others	9,504	10,384
Accounts receivable, net	194,779	184,893
Interest receivable	5,875	1,634
Investments	9,833,995	11,710,960
Investments held for others	250,447	321,491
Prepaid expenses	66,694	56,317
Certificates of deposit	1,734,089	1,699,338
Investments restricted for endowment	480,539	597,271
Total assets	\$ <u><u>12,745,644</u></u>	\$ <u><u>14,662,135</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 181,929	\$ 36,242
Fiscal agent liability	259,951	331,875
Unearned memberships, subscriptions, and meeting revenues	<u>1,416,114</u>	<u>1,355,546</u>
Total liabilities	1,857,994	1,723,663

Net assets:

Without donor restrictions:

Undesignated	7,438,597	10,176,210
Council-designated	<u>2,920,475</u>	<u>2,118,505</u>
Total net assets without donor restrictions	10,359,072	12,294,715

With donor restrictions

	<u>528,578</u>	<u>643,757</u>
Total net assets	<u>10,887,650</u>	<u>12,938,472</u>
Total liabilities and net assets	\$ <u><u>12,745,644</u></u>	\$ <u><u>14,662,135</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, 2022 (with comparative totals for 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>	<u>Total 2021</u>
Revenues and support:				
Membership dues and journal subscriptions	\$ 164,462	\$ -	\$ 164,462	\$ 173,470
Non-member subscriptions	1,590,046	-	1,590,046	1,715,749
Publication charges	60,460	-	60,460	61,699
Sales of books	5,015	-	5,015	3,508
Scientific meetings	12,200	-	12,200	20,216
Managed meetings	282,208	-	282,208	-
Advertising	48,354	-	48,354	49,241
Offprints, royalties, and other	137,281	-	137,281	101,406
Contributions	<u>2,727</u>	<u>6,787</u>	<u>9,514</u>	<u>104,588</u>
Total revenues and support	2,302,753	6,787	2,309,540	2,229,877
Net assets released from restrictions	<u>8,550</u>	<u>(8,550)</u>	<u>-</u>	<u>-</u>
	2,311,303	(1,763)	2,309,540	2,229,877
Expenses:				
Program	2,084,324	-	2,084,324	1,688,578
General and administrative	<u>177,418</u>	<u>-</u>	<u>177,418</u>	<u>174,032</u>
Total expenses	<u>2,261,742</u>	<u>-</u>	<u>2,261,742</u>	<u>1,862,610</u>
Changes in operating net assets	49,561	(1,763)	47,798	367,267
Non-operating expenses and losses:				
Investment return, net	<u>(1,978,922)</u>	<u>(119,698)</u>	<u>(2,098,620)</u>	<u>1,496,328</u>
Total non-operating expenses and losses	<u>(1,978,922)</u>	<u>(119,698)</u>	<u>(2,098,620)</u>	<u>1,496,328</u>
Changes in net assets	(1,929,361)	(121,461)	(2,050,822)	1,863,595
Net assets at beginning of year	12,294,715	643,757	12,938,472	11,074,877
Transfer of net assets to endowment	<u>(6,282)</u>	<u>6,282</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ 10,359,072</u>	<u>\$ 528,578</u>	<u>\$ 10,887,650</u>	<u>\$ 12,938,472</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, 2022 (with comparative totals for 2021)

	Program	General and Administrative	2022 Total	2021 Total
Production expenses (see Note 8)	\$ 1,102,388	\$ -	\$ 1,102,388	\$ 1,046,744
Editorial expenses (see Note 8)	298,304	-	298,304	295,132
Mailing and shipping at press	51,451	-	51,451	52,718
Salary, payroll taxes, and employee benefits	103,044	103,044	206,088	192,237
Management fee	46,880	46,880	93,760	95,864
Scientific meetings	105,565	-	105,565	10,230
Managed meetings	239,970	-	239,970	-
Supported journal royalty	82,187	-	82,187	89,111
Postage and shipping from office	3,778	1,619	5,397	4,525
Insurance	14,057	6,025	20,082	19,216
Credit card fees	10,340	-	10,340	10,129
Professional fees	-	16,269	16,269	17,284
Business meetings	2,747	-	2,747	162
Membership drives and publicity	7,477	-	7,477	7
Information technology service	2,123	-	2,123	4,667
Storage	1,308	-	1,308	1,566
Contributions to other organizations	2,586	-	2,586	7,090
Rent and utilities	1,800	1,800	3,600	3,600
Administrative services	-	-	-	623
Printing, non-journal	4,219	-	4,219	1,914
Computer equipment and software	2,923	1,253	4,176	5,902
Supplies	40	41	81	1,066
Office expense and other	637	273	910	2,004
Telephone	500	214	714	819
	<u>\$ 2,084,324</u>	<u>\$ 177,418</u>	<u>\$ 2,261,742</u>	<u>\$ 1,862,610</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, 2022 (with comparative totals for 2021)

	2022	2021
Cash flows from operating activities:		
Changes in net assets	\$ (2,050,822)	\$ 1,863,595
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities		
Net realized and unrealized loss (gain) on investments	2,335,182	(1,272,567)
Contributions restricted for long-term purposes	(5,823)	(101,430)
(Increase) decrease in assets:		
Accounts receivable, net	(9,886)	12,430
Interest receivable	(4,241)	3,234
Prepaid expenses	(10,377)	4,361
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	145,687	(24,281)
Fiscal agent liability	(880)	(3,914)
Unearned memberships, subscriptions, and meeting revenues	60,568	204,957
Net cash and cash equivalents provided by operating activities	459,408	686,385
Cash flows from investing activities:		
Purchases of investments	(326,236)	(974,956)
Purchases of certificates of deposit	(1,750,000)	(1,700,000)
Proceeds at maturity of certificates of deposit	1,700,000	1,800,000
Net cash and cash equivalents used by investing activities	(376,236)	(874,956)
Cash flows from financing activities:		
Collection of contributions restricted for long-term purposes	5,823	101,430
Net cash and cash equivalents provided by financing activities	5,823	101,430
Net increase (decrease) in cash and cash equivalents	88,995	(87,141)
Cash and cash equivalents and cash held for others at beginning of year	90,231	177,372
Cash and cash equivalents and cash held for others at end of year	\$ <u>179,226</u>	\$ <u>90,231</u>
Cash and cash equivalents	\$ 169,722	\$ 79,847
Cash held for others	9,504	10,384
Total cash and cash equivalents and cash held for others	\$ <u>179,226</u>	\$ <u>90,231</u>

The accompanying notes are an integral part of these financial statements

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2022

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, 2022

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, 2021, from which the summarized information was derived.

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.

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, 2022 and 2021, management estimated that an allowance for doubtful accounts of \$2,270 was required.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

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.

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).

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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

	<u>2022</u>	<u>2021</u>
Performance obligations satisfied at a point in time	\$ 545,518	\$ 236,070
Performance obligations satisfied over time	<u>1,754,508</u>	<u>1,889,219</u>
Total earned revenue	\$ <u>2,300,026</u>	\$ <u>2,125,289</u>

Accounts receivable were \$194,779 and \$184,893 as of December 31, 2022 and 2021, respectively. Unearned memberships, subscriptions, and meeting revenues totaled \$1,416,114 and \$1,355,546 as of December 31, 2022 and 2021, 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, 2022 and 2021, there were no outstanding promises to give.

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, 2022 and 2021, the Institute's cash in bank and certificates of deposit balances exceeded federally insured limits.

As of December 31, 2022 and 2021, 98% and 94%, respectively, of the Institute's gross accounts receivable was due from two sources.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2022

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 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 \$7,477 and \$7 for the years ended December 31, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2022

Note 2: Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Standards

In June 2016, the FASB issued an amendment on measurement of credit losses on the financial assets held by a reporting entity at each reporting date (ASU 2016-13, *Financial Instruments - Credit Losses*). The guidance required the use of a new current expected credit loss (CECL) model in estimating allowance for doubtful accounts with respect to accounts receivable. The CECL model requires that the Institute estimate its lifetime expected credit loss with respect to these receivables and record allowances that, when deducted from the balance of the receivables, represent the estimated amounts expected to be collected. This guidance is effective for fiscal years beginning after December 15, 2022. 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 24, 2023, 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, 2022 and 2021, investments are reported at fair value and consisted of the following:

	<u>2022</u>	<u>2021</u>
Mutual funds – equities	\$ 7,675,654	\$ 9,365,985
Mutual funds – fixed-income	2,832,945	3,151,431
Money market fund	<u>56,382</u>	<u>112,306</u>
Total investments	\$ <u>10,564,981</u>	\$ <u>12,629,722</u>

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2022

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, 2022 and 2021.

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>2022</u>
Certificates of deposit	\$ -	\$ 1,734,089	\$ -	\$ 1,734,089
Investments (\$480,539 included in investments restricted for endowment):				
Money market fund	56,382	-	-	56,382
Mutual funds – international equity	2,153,872	-	-	2,153,872
Mutual funds – domestic equity	5,521,782	-	-	5,521,782
Mutual funds – fixed-income	<u>2,832,945</u>	<u>-</u>	<u>-</u>	<u>2,832,945</u>
	\$ <u>10,564,981</u>	\$ <u>1,734,089</u>	\$ <u>-</u>	\$ <u>12,299,070</u>

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2022

Note 4: Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	2021
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	3,151,431	-	-	3,151,431
	\$ <u>12,629,722</u>	\$ <u>1,699,338</u>	\$ <u>-</u>	\$ <u>14,329,060</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:

	2022	2021
Member dues and subscription fees	\$ 112,507	\$ 139,168
Non-member subscription fees	1,149,800	1,089,342
Lifetime and lifetime retired membership dues and subscription fees	136,327	127,036
Meeting fees	17,480	-
Total unearned memberships, subscriptions, and meeting revenues	\$ <u>1,416,114</u>	\$ <u>1,355,546</u>

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2022

Note 6: Net Asset Classification of Endowment Funds

The Institute's endowment consists of six 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; the IMS Grace Wahba Award and Lecture Endowment; and the IMS Open Access Endowment (see Note 9), established in order to fund lectures at scientific conferences, awards for excellence in research, and ongoing operation of the Institute's open access publications. During the year ended December 31, 2022, the Council elected to make the Council-designated Open Access Fund an endowment named the IMS Open Access Endowment and subsequently reclassified \$1,000,000 of undesignated net assets to the endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Council, 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 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, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ <u>789,691</u>	\$ <u>480,539</u>	\$ <u>1,270,230</u>

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Notes to the Financial Statements

December 31, 2022

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

Changes in endowment net assets for the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2021	\$ -	\$ 597,271	\$ 597,271
Investment return:			
Interest and dividends	16,425	11,462	27,887
Net depreciation (realized and unrealized)	<u>(226,734)</u>	<u>(132,210)</u>	<u>(358,944)</u>
Total investment return	(210,309)	(120,748)	(331,057)
Contributions to perpetual endowment	-	5,823	5,823
Appropriations to endowment assets	-	(8,089)	(8,089)
Transfer of net assets to endowment	<u>1,000,000</u>	<u>6,282</u>	<u>1,006,282</u>
Endowment net assets, December 31, 2022	\$ <u>789,691</u>	\$ <u>480,539</u>	\$ <u>1,270,230</u>

Endowment net asset composition by type of fund as of December 31, 2021:

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

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Notes to the Financial Statements

December 31, 2022

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>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or UPMIFA requires the Institute to retain. A deficiency of this nature existed in a certain donor-restricted endowment fund as of December 31, 2022. The fund had an original gift value of \$103,045 and a fair value of \$83,349, resulting in a deficiency of \$19,696. This deficiency resulted from net depreciation on the endowment assets for the year ended December 31, 2022.

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.

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Notes to the Financial Statements

December 31, 2022

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 annually for the Grace Wahba Award and Lecture Endowment, once every three years for the Le Cam Endowment and Blackwell Lecture Endowment, 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, and as deemed necessary to support the establishment and ongoing operation of the Institute's open access publications for the IMS Open Access 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 \$16,256 and \$15,036 for the years ended December 31, 2022 and 2021, respectively.

Note 8: Production and Editorial Expenses

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

	<u>2022</u>	<u>2021</u>
Production expenses:		
Core publications:		
The Annals of Applied Probability	\$ 222,697	\$ 149,493
The Annals of Applied Statistics	130,068	93,361
The Annals of Probability	124,083	162,634
The Annals of Statistics	210,785	194,902
Statistical Science	61,638	62,975
IMS Bulletin	26,725	22,862
Web page	<u>4,952</u>	<u>5,415</u>
Total core publications	780,948	691,642
Supported publications:		
Annales de l'Institut Henri Poincaré	82,999	83,329
ALEA	740	722
Bernoulli	75,437	101,846
Bernoulli News	1,645	1,087
Brazilian Journal of Probability and Statistics	<u>31,238</u>	<u>33,831</u>
Total supported publications	192,059	220,815

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December 31, 2022

Note 8: Production and Editorial Expenses (continued)

	<u>2022</u>	<u>2021</u>
Co-sponsored publications:		
Probability Surveys	3,943	4,531
Statistics Surveys	3,079	3,007
Electronic Journal of Probability/ Electronic Communications in Probability	22,896	25,098
Electronic Journal of Statistics	<u>23,228</u>	<u>19,616</u>
Total co-sponsored publications	53,146	52,252
General publication expenses:		
Electronic operations for all publications	<u>76,235</u>	<u>82,035</u>
Total general publication expenses	<u>76,235</u>	<u>82,035</u>
Total production expenses	\$ <u>1,102,388</u>	\$ <u>1,046,744</u>
Editorial expenses:		
IMS Bulletin	\$ 80,222	\$ 84,302
WWW editor	69,894	66,641
Managing and production editors	124,188	120,189
Central editorial office	<u>24,000</u>	<u>24,000</u>
Total editorial expenses	\$ <u>298,304</u>	\$ <u>295,132</u>

Note 9: Net Assets

The following are net assets as of December 31:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Undesignated	\$ 7,438,597	\$ 10,176,210
Council-designated:		
Operating Reserves Fund	2,000,000	2,000,000
New Researchers Meeting Fund	30,621	33,627
New Researchers Award Fund	307	362
Development Fund	25,000	25,000
Open Access Fund	789,691	6,282
Hannan Fund	32,618	53,234
International Conference on Statistics and Data Science Meeting Fund	<u>42,238</u>	<u>-</u>
Total Council-designated	<u>2,920,475</u>	<u>2,118,505</u>
Total without donor restrictions	10,359,072	12,294,715

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Notes to the Financial Statements

December 31, 2022

Note 9: Net Assets (continued)

	2022	2021
With donor restrictions:		
Schramm Lecture Fund	30,338	30,041
Tweedie Memorial Fund	17,701	16,445
Le Cam Earnings Fund	19,749	33,157
Le Cam Endowment	34,450	34,210
Blackwell Earnings Fund	17,776	35,127
Blackwell Lecture Endowment	52,482	51,647
Brown Earnings Fund	14,735	60,430
Brown Award Endowment	152,775	152,280
Hall Earnings Fund	6,934	34,673
Hall Prize Endowment	92,873	92,240
Wahba Earnings Fund	-	3,627
Wahba Lecture Endowment	83,349	99,880
Open Access Endowment	5,416	-
Total with donor restrictions	528,578	643,757
Total net assets	\$ 10,887,650	\$ 12,938,472

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:

	2022	2021
Schramm Lecture Fund	\$ 461	\$ -
Hall Earnings Fund	2,500	2,500
Brown Earnings Fund	3,168	700
Wahba Earnings Fund	2,421	-
Total net assets released from restrictions	\$ 8,550	\$ 3,200

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Notes to the Financial Statements

December 31, 2022

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 169,722	\$ 79,847
Cash held for others	9,504	10,384
Accounts receivable, net	194,779	184,893
Interest receivable	5,875	1,634
Investments	9,833,995	11,710,960
Investments held for others	250,447	321,491
Certificates of deposit	1,734,089	1,699,338
Investments restricted for endowment	<u>480,539</u>	<u>597,271</u>
Total financial assets	12,678,950	14,605,818
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Cash held for others	9,504	10,384
Investments held for others	250,447	321,491
Restricted by donors – purpose and/or time restrictions	86,216	213,500
Restricted by donors – to be held in perpetuity	<u>442,362</u>	<u>430,257</u>
	788,529	975,632
Amounts unavailable to management without the Council's approval:		
Council designated – purpose restrictions	<u>2,920,475</u>	<u>2,118,505</u>
Total amount unavailable for general expenditure within one year	<u>3,709,004</u>	<u>3,094,137</u>
Total financial assets available to management for general expenditures within one year	\$ <u>8,969,946</u>	\$ <u>11,511,681</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.