

Institute of Mathematical Statistics

**Financial Statements
December 31, 2018**

Institute of Mathematical Statistics

Financial Statements

December 31, 2018

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Independent Auditor's Report

The Council
Institute of Mathematical Statistics

Report on the Financial Statements

We have audited the accompanying financial statements of the Institute of Mathematical Statistics (a nonprofit corporation) (the "Institute,"), which comprise the statement of financial position as of December 31, 2018, 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.

The Council
Institute of Mathematical Statistics

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2018, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Institute adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Institute's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Civini + Panzhi, PC

Cleveland, Ohio
September 27, 2019

Institute of Mathematical Statistics

Statement of Financial Position

December 31, 2018 (with comparative totals for 2017)

Assets

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 453,820	\$ 442,447
Cash held for others	19,371	18,567
Accounts receivable, net	200,844	207,033
Interest receivable	5,144	3,724
Investments	6,644,726	6,937,737
Investments held for others	218,023	231,100
Prepaid expenses	65,313	93,974
Certificates of deposit	1,447,186	1,343,496
Investments restricted for endowment	<u>218,803</u>	<u>78,300</u>
Total assets	\$ <u>9,273,230</u>	\$ <u>9,356,378</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued expenses	\$ 54,378	\$ 118,127
Fiscal agent liability	237,394	249,667
Unearned memberships, subscriptions, and meeting revenues	<u>1,417,273</u>	<u>1,461,438</u>
Total liabilities	1,709,045	1,829,232
Net assets:		
Without donor restrictions:		
Undesignated	5,162,007	5,265,822
Council-designated	<u>2,120,436</u>	<u>2,121,211</u>
Total net assets without donor restrictions	7,282,443	7,380,974
With donor restrictions	<u>281,742</u>	<u>146,172</u>
Total net assets	<u>7,564,185</u>	<u>7,527,146</u>
Total liabilities and net assets	\$ <u>9,273,230</u>	\$ <u>9,356,378</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, 2018 (with comparative totals for 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2018</u>	<u>Total 2017</u>
Revenues, gains, and support:				
Membership dues and journal subscriptions	\$ 216,356	\$ -	\$ 216,356	\$ 219,372
Non-member subscriptions	1,780,656	-	1,780,656	1,721,073
Sales of back issues	-	-	-	1,612
Publication charges	72,075	-	72,075	52,145
Sales of books	4,699	-	4,699	16,595
Scientific meetings	12,200	-	12,200	12,200
Managed meetings	13,236	-	13,236	39,459
Advertising	44,794	-	44,794	45,944
Offprints, royalties, and other	97,742	-	97,742	102,368
Contributions	<u>4,570</u>	<u>141,448</u>	<u>146,018</u>	<u>2,614</u>
Total revenues, gains, and support	2,246,328	141,448	2,387,776	2,213,382
Net assets released from restrictions	<u>9,643</u>	<u>(9,643)</u>	<u>-</u>	<u>-</u>
	2,255,971	131,805	2,387,776	2,213,382
Expenses and losses:				
Program	1,788,560	-	1,788,560	1,775,834
General and administrative	<u>175,759</u>	<u>-</u>	<u>175,759</u>	<u>176,134</u>
Total expenses and losses	<u>1,964,319</u>	<u>-</u>	<u>1,964,319</u>	<u>1,951,968</u>
Changes in operating net assets	291,652	131,805	423,457	261,414
Non-operating (expenses) revenues:				
Investment return, net	<u>(390,183)</u>	<u>3,765</u>	<u>(386,418)</u>	<u>1,044,964</u>
Total non-operating (expenses) revenues	<u>(390,183)</u>	<u>3,765</u>	<u>(386,418)</u>	<u>1,044,964</u>
Changes in net assets	(98,531)	135,570	37,039	1,306,378
Net assets, beginning of year	<u>7,380,974</u>	<u>146,172</u>	<u>7,527,146</u>	<u>6,220,768</u>
Net assets, end of year	\$ <u><u>7,282,443</u></u>	\$ <u><u>281,742</u></u>	\$ <u><u>7,564,185</u></u>	\$ <u><u>7,527,146</u></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, 2018 (with comparative totals for 2017)

	Program	General and Administrative	2018 Total	2017 Total
Production expenses (see Note 8)	\$ 1,099,994	\$ -	\$ 1,099,994	\$ 1,072,496
Editorial expenses (see Note 8)	281,736	-	281,736	278,133
Mailing and shipping at press	72,095	-	72,095	70,574
Salaries, payroll taxes, and employee benefits	86,028	86,028	172,056	164,565
Management fee	60,096	60,096	120,192	120,377
Scientific meetings	70,401	-	70,401	76,423
Supported journal royalty	50,830	-	50,830	65,703
Postage and shipping from office	2,379	1,020	3,399	14,887
Insurance	14,256	6,109	20,365	19,959
Credit card fees	14,994	-	14,994	16,487
Professional fees	-	16,246	16,246	17,161
Business meetings	3,717	-	3,717	661
Membership drives and publicity	4,018	-	4,018	3,039
Information technology service	6,595	-	6,595	5,504
Storage	3,803	-	3,803	3,293
Contributions to other organizations	6,497	-	6,497	6,078
Rent and utilities	1,800	1,800	3,600	3,465
Administrative services	-	1,852	1,852	2,022
Printing, non-journal	4,508	-	4,508	3,668
Computer equipment and software	1,914	820	2,734	3,066
Supplies	318	318	636	1,386
Office expense and other	2,150	921	3,071	1,672
Telephone	431	184	615	599
Scientific legacy	-	-	-	750
Bad debt expense	-	365	365	-
	\$ <u>1,788,560</u>	\$ <u>175,759</u>	\$ <u>1,964,319</u>	\$ <u>1,951,968</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, 2018 (with comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Changes in net assets	\$ 37,039	\$ 1,306,378
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Write-off of uncollectible accounts receivable	365	-
Net realized and unrealized losses (gains)	575,650	(887,528)
Contributions restricted for long-term purposes	(140,503)	(250)
Changes in operating assets and liabilities:		
Accounts receivable	5,824	(24,431)
Interest receivable	(1,420)	(2,045)
Prepaid expenses	28,661	(14,841)
Accounts payable and accrued expenses	(63,749)	51,382
Unearned memberships, subscriptions, and meeting revenues	<u>(44,165)</u>	<u>95,975</u>
Net cash provided by operating activities	397,702	524,640
Cash flows from investing activities:		
Purchases of investments	(421,832)	(142,772)
Purchases of certificates of deposit	(1,250,000)	(1,345,000)
Proceeds at maturity of certificates of deposit	<u>1,145,000</u>	<u>1,145,000</u>
Net cash used by investing activities	(526,832)	(342,772)
Cash flows from financing activities:		
Collection of contributions restricted for long-term purposes	<u>140,503</u>	<u>250</u>
Net cash provided by financing activities	140,503	250
Increase in cash and cash equivalents	11,373	182,118
Cash and cash equivalents, beginning of year	<u>442,447</u>	<u>260,329</u>
Cash and cash equivalents, end of year	\$ <u><u>453,820</u></u>	\$ <u><u>442,447</u></u>

The accompanying notes are an integral part of these financial statements

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2018

Note 1: Description of Organization

The Institute of Mathematical Statistics (the “Institute”) is an international professional and scholarly society devoted to the development and dissemination of the theory and applications of statistics and probability. Its activities include sponsorship of journals and other scholarly publications, organization of scientific meetings, presentation of awards, and cooperation with other scientific organizations.

The scientific journals are The Annals of Applied Probability, The Annals of Applied Statistics, The Annals of Probability, The Annals of Statistics, and Statistical Science. The IMS Bulletin is the news organ of the Institute. Jointly with other organizations, the Institute publishes the Electronic Journal of Probability, Electronic Communications in Probability, Electronic Journal of Statistics, IMS Monographs, IMS Textbooks, Journal of Computational and Graphical Statistics, Probability Surveys, Statistics Surveys, Current Index to Statistics, and NSF-CBMS Regional Conference Series in Probability and Statistics. On behalf of other organizations, the Institute produces Annales de l’Institut Henri Poincaré (B) Probabilités et Statistiques, Bayesian Analysis, Bernoulli, Bernoulli News, and Brazilian Journal of Probability and Statistics.

The Institute is an international organization of approximately 3,500 statisticians, probabilists, epidemiologists, and econometricians from industry, academia, and government.

Note 2: Summary of Significant Accounting Policies

Adopted Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU changes the reporting requirements for nonprofit organizations and their required disclosures. The changes include: (a) requiring the presentation of only two classes of net assets, entitled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation and disclosures of underwater endowment funds, (c) requiring the use of the placed in service approach to recognize the releases from restriction for gifts utilized to acquire or construct long-lived assets, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes to the financial statements and to summarize the allocation methodologies utilized to allocate the costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity, and (f) modifying other financial statement reporting requirements and disclosures to enhance the usefulness of nonprofit financial statements. This ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Institute’s financial statements have been updated to reflect the implementation of this standard. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted and permanently restricted net assets are now combined and reported as net assets with donor restrictions. There was no effect on total net assets as a result of the adoption of this standard.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2018

Note 2: Summary of Significant Accounting Policies (continued)

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 restriction.

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute’s financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2018

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.

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

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

Receivables and Credit Policies

Accounts receivable includes uncollateralized obligations due primarily from the Institute's customers. Payments of receivables are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all receivable balances that exceed 90 days from invoice date and estimates the portion, if any, of the balance that will not be collected. An additional factor management uses when estimating an allowance for the aggregate remaining receivables is historical collectability. At December 31, 2018 and 2017, 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 and Support Recognition

Membership dues and subscription fees are recognized as revenue on a straight-line basis over the term of the applicable membership and subscription period. Membership and subscription periods run from January 1 to December 31. Any time a member or non-member subscribes, he/she is entitled to all issues of the journal(s) published during the subscription period. The unearned portion of the revenue is recorded as a liability under the unearned memberships, subscription, and meeting revenues in the statement of financial position.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2018

Note 2: Summary of Significant Accounting Policies (continued)

Revenue and Support Recognition (continued)

Lifetime membership fees are recognized as revenue over an amortization period of 12 to 15 years. Membership and subscriptions periods for lifetime members run from the first day of the calendar year a member subscribes through the member's death. The unearned portion of the revenue is recorded as a liability under the unearned memberships, subscription, and meeting revenues in the statement of financial position.

Contributions

Contributions received are recorded as with or without donor restricted support depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are recognized as revenues in the period the promise is received. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. The promises are initially recorded at their estimated fair value.

The Institute uses the allowance method to record their estimate of uncollectible promises to give receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At December 31, 2018 and 2017, 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, and investments.

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, 2018 and 2017, the Institute's cash in bank balances exceeded federally insured limits.

At December 31, 2018 and 2017, 80% and 76%, respectively, of the Institute's gross accounts receivable is 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.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2018

Note 2: Summary of Significant Accounting Policies (continued)

Shipping and Handling Costs

Shipping and handling costs are recorded as incurred. These expenses are included within “Postage and shipping from office” in the statement of functional expenses.

Income Taxes

The Institute is a Section 501(c)(3) organization exempt from income taxes on activities related to its exempt purpose under Section 501(a) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. No provision for federal or state income taxes has been reported in its financial statements.

Income taxes are accounted for under the provisions of the “Income Taxes” topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. The Institute classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of December 31, 2018 and 2017, the Institute has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the years then ended.

The Institute files its Federal Form 990 in the U.S. federal jurisdiction and a state registration at the office of the state’s attorney general for the states of Ohio and California.

Advertising

Advertising costs are expensed as incurred. Advertising expense amounted to \$4,018 and \$3,039 for the years ended December 31, 2018 and 2017, respectively.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date of adoption by the Institute until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2018

Note 2: Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which clarifies the presentation of restricted cash as included in the cash balances in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption of this ASU is permitted.

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to assist entities in evaluating whether transactions should be accounted for with contributions (nonreciprocal) or as exchange transactions subject to the guidance issued under ASU 2014-09. This ASU gives further guidance related to when a contribution is deemed to be conditional such that recognition of revenue should be delayed until conditions are substantially met. This ASU is effective for fiscal years beginning after December 15, 2018 for recipients of funds and for fiscal years beginning after December 15, 2019 for resource providers. Early adoption is permitted.

Management is currently evaluating the impact of these ASUs on its financial statements.

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through September 27, 2019, 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.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2018

Note 3: Investments (continued)

At December 31, 2018 and 2017, investments are reported at fair value and consisted of the following:

	2018	2017
Mutual funds – equities	\$ 4,885,394	\$ 5,304,542
Mutual funds – fixed-income	2,196,158	1,942,595
Total investments	\$ 7,081,552	\$ 7,247,137

Note 4: Fair Value Measurements

In accordance with the “Fair Value Measurements” topic of the FASB ASC, the Institute uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs for which little or no market data exists, therefore, requiring an entity to develop its own valuation assumptions. These inputs reflect management’s judgment about the assumptions that a market participant would use in pricing the asset or liability and are based on the best available information, which has been internally developed.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to the methodologies used at December 31, 2018 and 2017.

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

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

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

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

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2018

Note 4: Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	2017
Certificates of deposit	\$ -	\$ 1,343,496	\$ -	\$ 1,343,496
Investments (\$78,300 included in investments restricted for endowment):				
Mutual funds – international equity	1,667,616	-	-	1,667,616
Mutual funds – domestic equity	3,636,926	-	-	3,636,926
Mutual funds – fixed-income	1,942,595	-	-	1,942,595
	\$ <u>7,247,137</u>	\$ <u>1,343,496</u>	\$ <u>-</u>	\$ <u>8,590,633</u>

The Institute maintains accounts with Vanguard Group for operating, operating reserve, and reserve funds. Financial assets include a money market fund and several mutual funds carried at their fair market value and certificates of deposit maturing at various dates. The certificates of deposit are immediately convertible to cash with initial maturities ranging from approximately six months to twenty-four months.

Note 5: Unearned Memberships, Subscriptions, and Meeting Revenues

Unearned memberships, subscriptions, and meeting revenues consist of the following at December 31, 2018 and 2017:

	2018	2017
Member dues and subscription fees	\$ 143,069	\$ 148,977
Non-member subscription fees	1,106,267	1,164,035
Lifetime and lifetime retired membership dues and subscription fees	167,937	148,426
Total unearned memberships, subscriptions, and meeting revenues	\$ <u>1,417,273</u>	\$ <u>1,461,438</u>

Note 6: Net Asset Classification of Endowment Funds

The Institute’s endowment consists of four donor-restricted endowment funds: the Le Cam Endowment; the Blackwell Lecture Endowment; the IMS Lawrence D. Brown Ph.D. Student Award Endowment; and the Peter Gavin Hall IMS Early Career Prize Endowment (see Note 9), established in order to fund lectures at scientific conferences and awards for excellence in research. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Institute of Mathematical Statistics

Notes to the Financial Statements

December 31, 2018

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

The Institute has interpreted the State of Ohio'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 donor-restricted endowment fund;
- 3) general economic conditions; and
- 4) the expected total return.

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

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

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

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

Endowment net asset composition by type of fund as of December 31, 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment	\$ <u>-</u>	\$ <u>96,889</u>	\$ <u>96,889</u>

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

Changes in endowment net assets for the year ended December 31, 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2016	\$ -	\$ 93,943	\$ 93,943
Investment return	-	2,696	2,696
Contributions to perpetual endowment	<u>-</u>	<u>250</u>	<u>250</u>
Endowment net assets, December 31, 2017	\$ <u>-</u>	\$ <u>96,889</u>	\$ <u>96,889</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 income.

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 and once every three to four years for the Blackwell Lecture Endowment and to fund the award annually for both the IMS Lawrence D. Brown Ph.D. Student Award Endowment and the Peter Gavin Hall IMS Early Career Prize Endowment.

Note 7: Retirement Plan

The Institute participates in an employer matching 403(b) retirement annuity plan. The Institute matches 200% of the contributions of eligible employees up to 10% of the employee's gross salary. Employees who have completed three years of service are eligible to participate. The Institute contributed \$13,431 and \$12,877 for the years ended December 31, 2018 and 2017, respectively.

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Note 8: Production and Editorial Expenses

Production and editorial expenses incurred were as follows:

	2018	2017
Production expenses:		
Core publications:		
The Annals of Applied Probability	\$ 156,982	\$ 170,911
The Annals of Applied Statistics	107,679	94,742
The Annals of Probability	156,623	220,299
The Annals of Statistics	218,863	157,039
Statistical Science	69,132	55,323
IMS Bulletin	25,146	26,458
Web page	12,223	12,284
Total core publications	746,648	737,056
Supported publications:		
Annales de l'Institut Henri Poincaré	77,087	76,167
ALEA	354	816
Bernoulli	129,248	127,348
Bernoulli News	2,910	2,742
Brazilian Journal of Probability and Statistics	29,383	25,912
Total supported publications	238,982	232,985
Co-sponsored publications:		
Probability Surveys	3,103	2,477
Statistics Surveys	2,263	3,662
Current Index to Statistics	1,800	1,950
Electronic Journal of Probability/ Electronic Communications in Probability	14,822	10,867
Electronic Journal of Statistics	12,859	13,967
Conference Board of the Mathematical Sciences	2,152	-
Total co-sponsored publications	36,999	32,923
General publication expenses:		
Electronic operations for all publications	77,365	69,532
Total general publication expenses	77,365	69,532
Total production expenses	\$ 1,099,994	\$ 1,072,496
	2018	2017
Editorial expenses:		
Current Index to Statistics	\$ -	\$ 9,837
IMS Bulletin	72,531	62,260
WWW editor	68,057	68,396
Managing and production editors	114,148	110,640
Central editorial office	27,000	27,000
Total editorial expenses	\$ 281,736	\$ 278,133

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December 31, 2018

Note 9: Net Assets

The following are net assets at December 31:

	2018	2017
Without donor restrictions:		
Undesignated	\$ 5,162,007	\$ 5,265,822
Council-designated:		
Operating Reserves Fund	2,000,000	2,000,000
New Researchers Meeting Fund	34,064	33,314
Development Fund	25,000	25,000
Open Access Fund	4,945	-
Scientific Legacy Fund	1,623	1,587
Hannan Fund	54,804	55,251
Total Council-designated	2,120,436	2,121,211
Total without donor restrictions	7,282,443	7,387,033
With donor restrictions:		
Schramm Lecture Fund	28,873	28,179
Tweedie Memorial Fund	14,370	15,044
Open Access Fund	-	6,060
Le Cam Earnings Fund	11,811	12,114
Le Cam Endowment	33,505	33,345
Blackwell Earnings Fund	7,885	6,475
Blackwell Lecture Endowment	45,040	44,955
Brown Award Endowment	53,720	-
Hall Prize Endowment	86,538	-
Total with donor restrictions	281,742	140,113
Total net assets	\$ 7,564,185	\$ 7,527,146

Net assets released from donor restrictions by incurring expenditures satisfying the purpose and/or the elapse of time restrictions during the years ended December 31 2018 and 2017 were as follows:

	2018	2017
Schramm Lecture Fund	\$ -	\$ 1,500
Tweedie Memorial Fund	1,647	376
Open Access Fund	6,446	-
Le Cam Earnings Fund	1,550	-
	\$ 9,643	\$ 1,876

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December 31, 2018

Note 10: Functional Expenses

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

Note 11: Liquidity and Availability of Resources

The Institute's financial assets available within one year of December 31 2018 and 2017 for general expenditure are as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 453,820	\$ 442,447
Cash held for others	19,371	18,567
Accounts receivable, net	200,844	207,033
Interest receivable	5,144	3,724
Investments	6,644,726	6,937,737
Investments held for others	218,023	231,100
Certificates of deposit	1,447,186	1,343,496
Investments restricted for endowment	<u>218,803</u>	<u>78,300</u>
Total financial assets	9,207,917	9,262,404
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Cash held for others	19,371	18,567
Investments held for others	218,023	231,100
Restricted by donors – purpose and/or time restrictions	62,939	67,872
Restricted by donors – to be held in perpetuity	<u>218,803</u>	<u>78,300</u>
	519,136	395,839
Amounts unavailable to management without the Council's approval:		
Council designated – purpose restrictions	<u>2,120,436</u>	<u>2,121,211</u>
Total amount unavailable for general expenditure within one year	<u>2,639,572</u>	<u>2,510,991</u>
Total financial assets available to management for general expenditures within one year	\$ <u>6,568,345</u>	\$ <u>6,751,413</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.