

Report of the Treasurer (1997)

I. Introduction

The Report of the Treasurer is presented annually and discusses the financial condition of the Society as of the immediately preceding fiscal year-end and the results of its operations for the year then ended. This section contains summary information regarding the operating results and financial condition of the Society for 1997. Section II, "Review of 1997 Operations", contains more detailed information regarding the Society's operations. Section III discusses the assets and liabilities of the Society. Section IV, "Summary Financial Information", presents information regarding the operations, financial condition, and long-term investments of the Society in financial statement format.

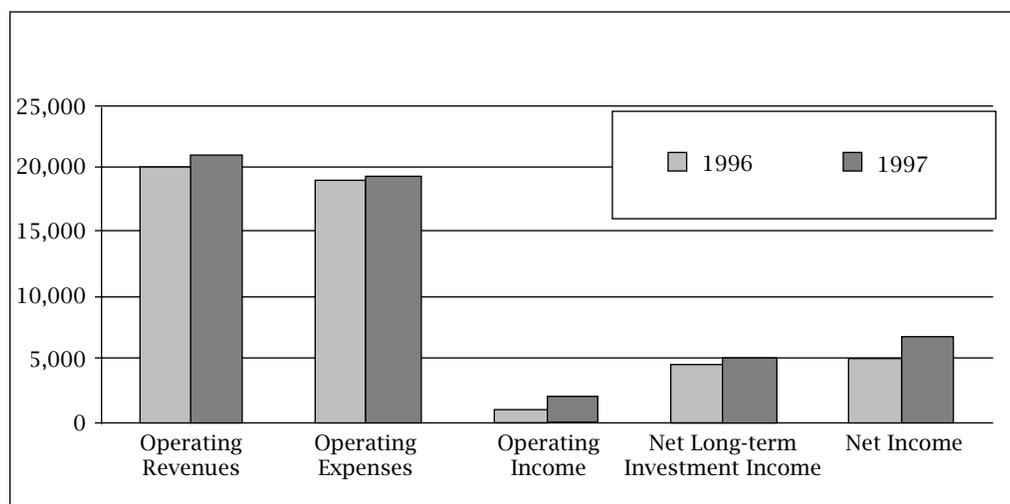
The Society segregates its net assets, and the activities that increase or decrease net assets, into three types. **Unrestricted net assets** are those which have no requirements as to their use placed on them by donors outside the Society. A substantial

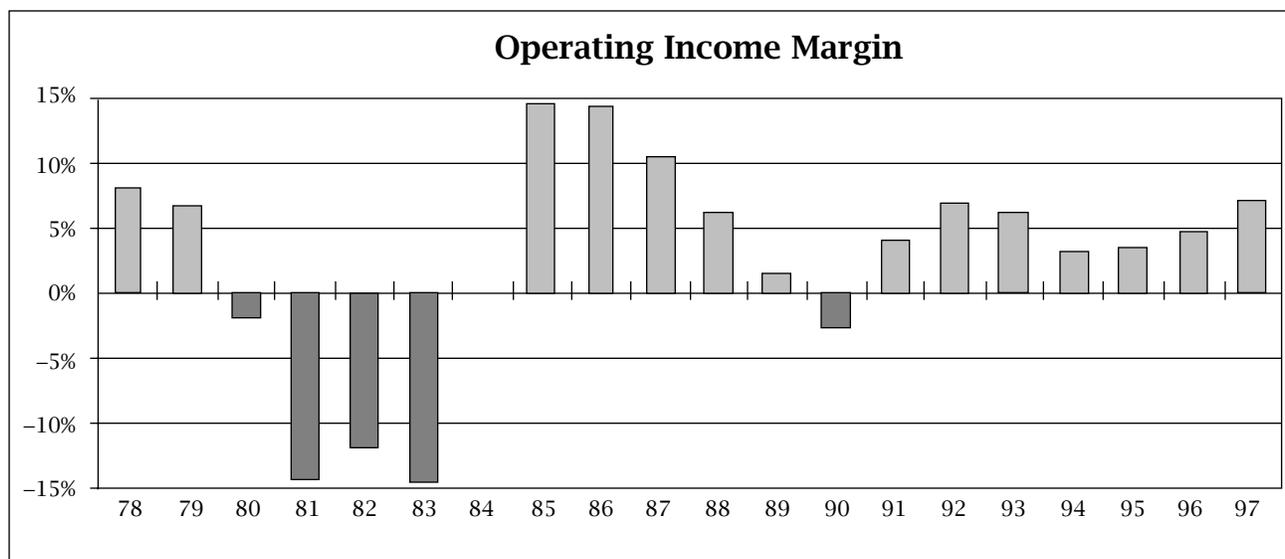
majority of the Society's net assets and activities are in this category. **Temporarily restricted net assets** are those with donor-imposed restrictions or conditions that will lapse upon the passage of time or the accomplishment of a specified purpose. Examples of the Society's temporarily restricted net assets and related activities include grant awards and the spendable income from prize and other income-restricted endowment funds. **Permanently restricted net assets** are those that must be invested in perpetuity and are commonly referred to as endowment funds. The accompanying financial information principally relates to the unrestricted net assets, as this category includes the operating activities of the Society.

Unrestricted revenue in excess of unrestricted expenses for the year ended December 31, 1997, totaled approximately \$6,335,000. Of this amount, net returns on the unrestricted portion of the long-term investment portfolio totaled \$4,580,000, and net income from operations totaled \$1,755,000.

Exceptionally strong financial markets in the U.S. during the year contributed to returns on our long-term portfolio that approximated 19%, a return which is comparable to the very highest of university endowments. These and other matters are discussed in more detail in the following sections.

The Society's net assets totaled \$36,074,000 at December 31, 1997. \$1,296,000 is permanently restricted, consisting principally of donor restricted gifts and bequests received by the Society; \$1,670,000 is temporarily restricted by donor-imposed limitations that will





lapse upon the passage of time or the use of the asset for its intended purpose; \$33,108,000 is unrestricted, of which \$25,391,000 has been designated by the Board of Trustees, principally in the form of the Economic Stabilization Fund. This fund's purpose is to provide a source of cash in the event of a financial crisis. It has met the target established by the Board of Trustees of 75% of operating expenses plus the unfunded liability for post-retirement benefits. Assets underlying this fund are long-term investments whose performance is monitored to ensure that the target is maintained. The remaining unrestricted net assets consist of \$5,934,000 invested in fixed assets and undesignated net assets of \$1,783,000.

II. Review of 1997 Operations

Financially, 1997 was the Society's best year since the mid-1980s. In terms of operating income and total revenues over expenses (the equivalent of a for-profit's net income), the Society exceeded its expectations.

1997 operating revenues exceeded 1996 and operating expenses were about the same as in 1996, resulting in increased operating income. In addition to these good operating results, the Society's long-term investments had another outstanding year, generating about \$4,580,000 of unrestricted investment income.

When reflecting on a year with good operating results, it is instructive to review the Society's record for a somewhat longer period. The chart above shows operating income as a percentage of operating revenues. Two observations are noteworthy. First, the margin achieved in 1997 is high for the most recent ten years, but not so high compared with the first ten years presented. Second, the variation in margin over the most recent ten years is smaller than the variation in the first ten years.

Sales Trends

The graphs on the following page show sales trends from 1992 through 1997, first in historical dollars and second in con-

stant dollars (using 1997 as the base year and adjusting other years for inflation).

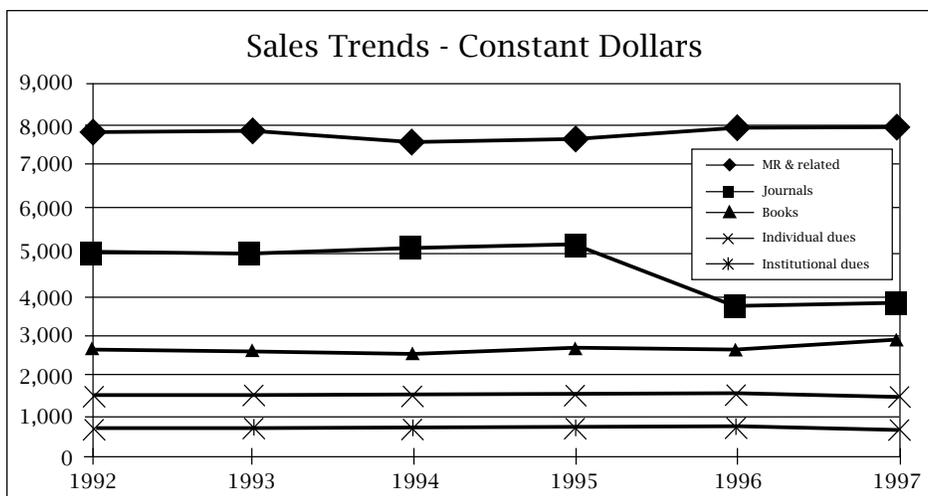
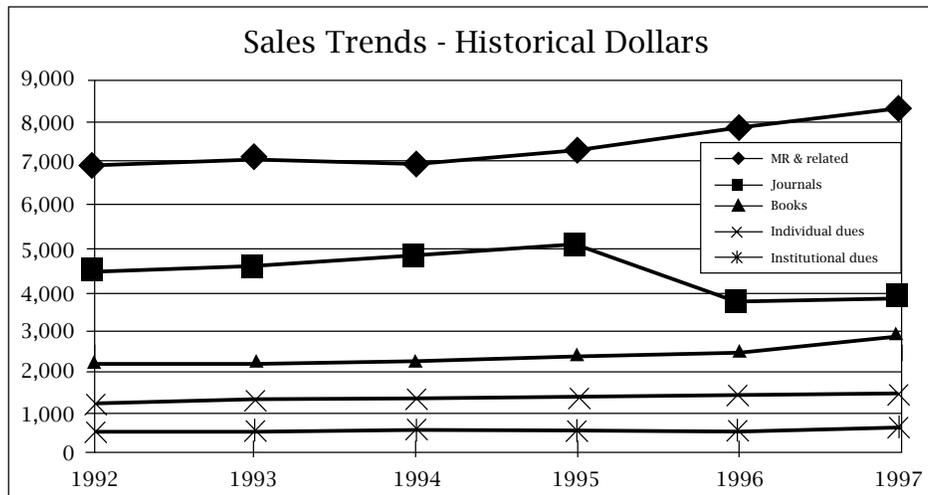
Sales Trends - Historical Dollars shows sales trends from 1992 through 1997. Some of the trends are mildly upward, and this may be due to the effects of inflation. Below, the chart is repeated with the underlying data converted to constant dollars.

Mathematical Reviews. Once again, MR shows a good sales trend. Total MR revenues continue to grow. In addition, more institutions are taking advantage of consortium pricing, and we expect this trend to help stabilize the revenues from MR while providing a means for more institutions to access MR.

Journals. Journal revenues have held reasonably constant for 1997. The drop in 1996 resulted from decisions made by those in control of four Russian journals (*Izvestiya*, *Sbornik*, *Steklov*, and *Doklady*) to use sources other than AMS for translation into English and distribution of the resulting translation journals. The Society continues to keep annual price increases well below those reported for most scientific and technical journals, and there have been only small losses of subscribers.

Books. Book revenues have been somewhat level historically. There was a slight increase in 1996, with a steeper increase in 1997. The Society continues to increase sales in bookstores, has introduced an online bookstore (accessible through the e-MATH home page or directly at www.ams.org/bookstore/), and has worked to improve distribution arrangements around the world.

Dues. Dues, both individual and institutional, have shown a slight upward slope on the historical dollars chart and a nearly flat line in constant dollars. This is expected for institutional dues, as the number of members varies little from year to year and the dues rates have been set so that dues will increase at about the same level as inflation. Individual membership has not risen at the rate we would like. The organization is working on ways to make membership more attractive.



Major Expense Categories

	1997		1996	
Personnel Costs	\$10,942	61%	\$10,808	60%
Building and Equipment Related	1,642	9%	1,679	9%
Postage	813	4%	900	5%
Outside Printing	998	6%	1,034	6%
Travel-Staff and Volunteers	509	3%	532	3%
All Other Expenses	3,109	17%	3,151	17%
TOTAL	<u>\$18,103</u>	<u>100%</u>	<u>\$18,104</u>	<u>100%</u>

The table above shows the major expenses for 1996 and 1997 in thousands of dollars. In terms of how expense dollars are allocated, there is not much change from year to year. Remarkably, total expenses excluding interest on unfunded retirement benefits and expenses such as commissions that directly offset revenues decreased from 1996 to 1997.

III. Assets and Liabilities

So far, this report has dealt with revenues and expenditures that affect unrestricted net assets. Another aspect of the So-

ciety’s finances is what it owns and owes, or its assets and liabilities, which are reported below in the balance sheets. As discussed previously, the Society’s net assets and activities that increase or decrease net assets are classified as unrestricted, temporarily restricted, or permanently restricted. A majority of the assets and liabilities detailed on the accompanying balance sheets relate to the unrestricted net assets. The permanently restricted net assets are supported by investments in the long-term investment portfolio, and the temporarily restricted net assets are supported by investments in the long-term and short-term investment portfolios. The Market Value of Invested Funds shows the market value of each endowment and Board-designated (quasi-endowment) fund, including any reinvested earnings.

The Society’s fiscal year coincides with the period covered by subscriptions and dues. Since dues and subscriptions are generally received in advance, the Society reports a large balance of cash and short-term investments on its financial statements at year-end. This amounted to about \$11,069,000 and \$8,647,000 at December 31, 1997 and 1996, respectively. The recorded liability for the revenues received in advance was about \$11,112,000 and \$10,553,000 at December 31, 1997 and 1996, respectively. The difference can be

thought of as having been invested in the Society’s other assets, principally the long-term investment portfolio. Effectively, the Society borrows from its subscribers to finance current operations and long-term investments. This is a common practice in the publishing industry and allows the Society to operate free of short-term or long-term bank debt.

The Society’s property and equipment include land, buildings and improvements, office furniture and equipment, as well as software. The Society also owns a small amount of transportation equipment. The land, buildings, and improvements include the Society’s Rhode Island headquarters, with buildings in Providence and Pawtucket, and the Mathematical Reviews offices in Ann Arbor. The largest part of the Society’s office equipment is its investment in computer facilities.

The Society’s endowment is managed under the “total return concept”. Under this management policy, income in excess of a reasonable amount (set by the Board of Trustees) is reinvested and added to the principal of the fund. This allows for growth in income over time. Because of good investment returns, endowment funds have increased more than 30% over the past two years.

IV. Summary Financial Information

The Treasurer presents to the membership the following financial information of the Society. A copy of the Society's audited financial statements, as submitted to the Trustees and the Council, will be sent from the Providence office to any member who requests it from the Treasurer. The Treasurer will be happy to answer any questions members may have regarding the financial affairs of the Society.

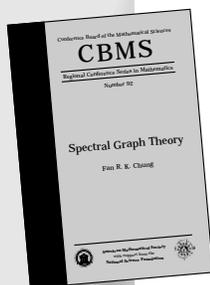
BALANCE SHEETS (in 000's) December 31, 1997 and 1996

Assets	1997		1996	
Cash and cash equivalents	\$800	2%	\$708	2%
Short-term investments	10,269	19%	7,939	17%
Receivables:				
Customers, less allowance	1,164	2%	1,052	2%
Grants and other	406	1%	527	1%
Deferred prepublication costs	428	1%	397	1%
Completed books	1,143	2%	982	2%
Prepaid expenses and deposits	892	2%	832	2%
Land, buildings and equipment, net	5,934	11%	6,117	14%
Long-term investments	31,205	60%	26,347	59%
Total assets	\$52,241	100%	\$44,901	100%
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$1,225	2%	\$1,285	3%
Accrued expenses:				
Severance and study leave pay	969	2%	878	2%
Vacation and sick pay	557	1%	508	1%
Payroll, benefits & other	782	1%	710	2%
Deferred revenue:				
Subscriptions	9,053	17%	8,533	19%
Dues	1,471	3%	1,444	3%
Other	588	1%	576	1%
Post-retirement benefit obligation	1,522	3%	1,375	3%
Total liabilities	16,167	31%	15,309	34%
Net Assets (deficit):				
Unrestricted:				
Undesignated	1,783	3%	(679)	-2%
Designated	25,391	49%	21,335	48%
Invested in fixed assets	5,934	11%	6,117	14%
Temporarily restricted	1,670	3%	1,540	3%
Permanently restricted	1,296	2%	1,279	3%
Total net assets	36,074	69%	29,592	66%
Total liabilities and net assets	\$52,241	100%	\$44,901	100%

STATEMENTS OF ACTIVITIES (in 000's)

Unrestricted Net Assets
Years Ended December 31, 1997 and 1996

Operating Revenue	1997		1996	
Publication:				
<i>Mathematical Reviews</i> and related activities	\$8,161	39%	\$7,894	40%
Journals (excluding MR)	3,803	18%	3,658	19%
Books	2,799	13%	2,462	12%
Sale of services	330	2%	275	1%
Other	62	-%	64	-%
Total publication revenue	15,155	72%	14,353	72%
Membership and professional services:				
Meetings	684	3%	730	4%
Dues and membership services	3,433	17%	3,266	16%
Grants, prizes and awards	950	5%	1,067	6%
Total membership and professional services revenue	5,067	25%	5,063	26%
Short-term investment income	472	2%	239	1%
Other	218	1%	207	1%
Total operating revenues	\$20,912	100%	\$19,862	100%
Operating Expenses				
Publication:				
<i>Mathematical Reviews</i> and related activities	\$5,178	27%	\$5,224	27%
Journals (excluding MR)	933	5%	1,101	6%
Books	2,589	13%	1,919	10%
Publication—				
divisional indirect	889	5%	1,088	6%
Warehousing and distribution	595	3%	598	3%
Sale of services	227	1%	244	1%
Total publication expense	10,411	54%	10,174	53%
Membership and professional services:				
Dues and member services	2,628	14%	2,534	13%
Grants, prizes and awards	910	5%	1,020	6%
Meetings	764	4%	724	4%
Governance	363	2%	427	2%
Divisional indirect	289	2%	273	1%
Total membership and professional services expense	4,954	27%	4,978	26%
Interest portion of post-retirement benefits	98	-%	96	-%
Miscellaneous	203	1%	316	2%
Membership and customer services	805	4%	853	4%
General and administrative	2,686	14%	2,650	15%
Total operating expenses	\$19,157	100%	\$19,067	100%
Excess of operating revenue over operating expenses	1,755		795	
Long-term investment income	4,580		4,185	
Increase in unrestricted net assets	\$6,335		\$4,980	



Spectral Graph Theory

Fan R. K. Chung,
University of Pennsylvania,
Philadelphia

The book presents a very complete picture of how various properties of a graph—from Cheeger constants and diameters to more recent developments such as log-Sobolev constants and Harnack inequalities—are related to the spectrum.

Even though the point of view of the book is quite geometric, the methods and exposition are purely graph-theoretic. As a result, the book is quite accessible to a reader who does not have any background in geometry.

As the author writes, "the underlying mathematics of spectral graph theory through all its connections to the pure and applied, the continuous and discrete, can be viewed as a single unified subject."

Anyone who finds this sentence appealing is encouraged to give this book a try. He or she will not be disappointed.

—*Mathematical Reviews*

Incorporates a great deal of recent work, much of it due to the author herself... clear, without being pedantic, and challenging, without being obscure.

—*Bulletin of the London Mathematical Society*

Beautifully written and elegantly presented, this book is based on 10 lectures given at the CBMS workshop on spectral graph theory in June 1994 at Fresno State University. Chung's well-written exposition can be likened to a conversation with a good teacher—one who not only gives you the facts, but tells you what is really going on, why it is worth doing, and how it is related to familiar ideas in other areas. The monograph is accessible to the nonexpert who is interested in reading about this evolving area of mathematics.

CBMS Regional Conference Series in Mathematics, Number 92; 1997; 207 pages; Softcover; ISBN 0-8218-0315-8; List \$25; All individuals \$20; Order code CBMS/92NA



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From the AMS—1997 Treasurer's Report

MARKET VALUE OF INVESTED FUNDS

December 31

	1997	1996	1995
Endowment Funds			
Prize Funds:			
Steele	\$578,047	\$503,595	\$431,544
Birkhoff	34,969	30,114	25,455
Veblen	11,809	10,288	8,816
Wiener	11,809	10,288	8,816
Bôcher	8,589	7,482	6,412
Conant	38,551	33,586	28,780
Cole	19,042	16,589	14,216
Satter	30,702	26,748	22,921
Morgan	41,952	36,549	31,320
Albert Whiteman	8,798	0	0
Arnold Ross Lectures	23,134	11,161	0
Pooled Income	0	9,280	7,952
Trjitzinsky	464,475	404,651	346,756
C. V. Newsom	216,274	188,418	161,460
Centennial	106,643	92,907	79,615
Menger	5,769	5,026	3,362
Total (income restricted)	1,600,563	1,386,682	1,177,425
Endowment Funds (continued):			
Endowment	609,767	526,377	448,809
Henderson	3,343,009	2,885,828	2,460,569
Ritt	186,577	154,048	106,014
Moore	17,587	14,808	12,266
Total (income unrestricted)	4,156,940	3,581,061	3,027,658
Total Endowment Funds	5,757,503	4,967,743	4,205,083
Quasi-endowment Funds:			
Friends of Math	123,572	123,572	123,572
Russian Royalties	17,829	17,829	17,945
Journal Archive Fund	68,842	23,500	0
Economic Stabilization Fund	25,165,477	21,158,630	17,502,715
Charitable Gift Annuities	27,857	23,455	0
Total Quasi-endowment Funds	25,403,577	21,346,986	17,644,232
Total funds	\$31,161,080	\$26,314,729	\$21,849,315

Respectfully submitted,

Franklin P. Peterson
Treasurer