

Report of the Treasurer (1998)

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 1998. Section II, "Review of 1998 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.

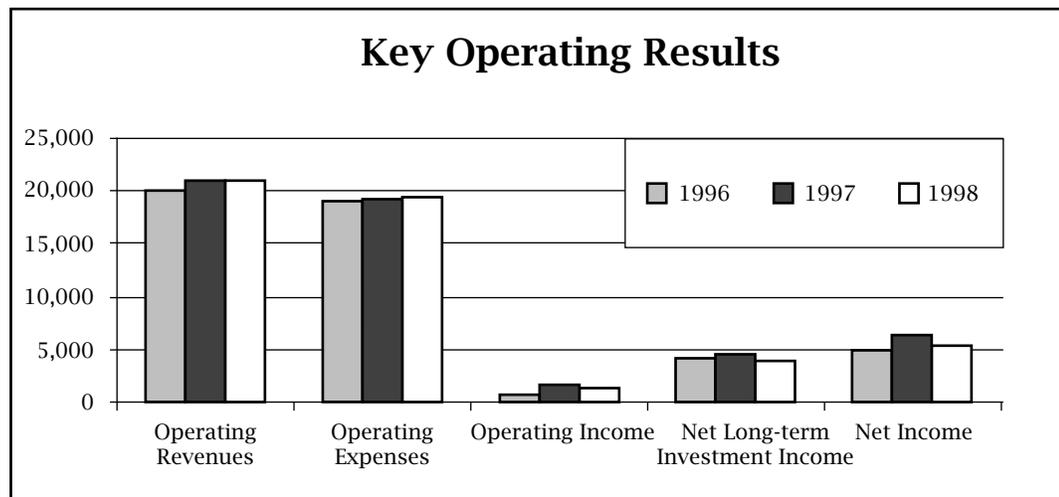
The Society segregates its net assets and the activities that increase or decrease net assets into three types. Unrestricted net assets are those which have no requirements as to their use placed on them by donors outside the Society. A substantial majority of the Society's net assets and activities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

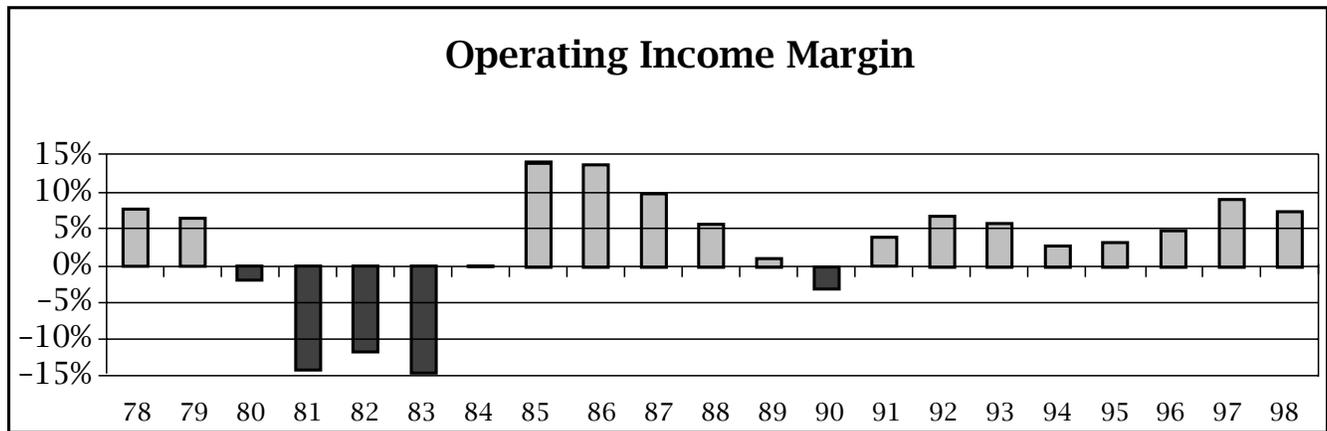
complishment of a specified purpose. Examples of the Society's temporarily restricted net assets and related activities include grant awards and the spendable income from prize and other income-restricted endowment funds. Permanently restricted net assets are those that must be invested in perpetuity 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, 1998, totaled approximately \$5,377,000. Of this amount, net returns on the unrestricted portion of the long-term investment portfolio totaled \$3,971,000, and net income from operations totaled \$1,406,000. Exceptionally strong financial markets in the U.S. during the year contributed to returns on our long-term portfolio that approximated 14%. These and other matters are discussed in more detail in the following sections.

The Society's net assets totaled \$41,829,000 at December 31, 1998. Of this amount, \$1,418,000 is permanently restricted, consisting principally of the original amount of donor restricted gifts and bequests received by the Society;

\$1,926,000 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; \$38,485,000 is unrestricted, of which \$30,767,000 has been designated by the Board of Trustees, principally in the form of the Economic Stabilization Fund (ESF). This fund's purpose is to provide a source of cash in the event of a financial crisis.





During 1998 the Society’s Board of Trustees considered the minimum level at which to maintain the ESF. At their November meeting they voted to increase this level from 75% of operating expenses to 100%. As of the end of 1998 the value of the ESF exceeds the established minimum level. The remaining unrestricted net assets consist of \$5,667,000 invested in fixed assets and undesignated net assets of \$2,051,000.

II. Review of 1998 Operations

As indicated in the graph “Key Operating Results”, the past three years have been very good years financially for the Society.

Operating income has been positive, and the stock market has provided unusually high returns. The long-term investment income has helped the endowment fund to keep pace with inflation and has allowed the trustees to fund reserves against future economic risks (see previous comments on the Economic Stabilization Fund). Operating revenues for 1998 have leveled off, compared with 1997, and that means that maintaining positive operating income in the future will be more difficult.

When reflecting on years 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 margins achieved in 1997 and 1998 are 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 1998, first in historical dollars and second in constant dollars (using 1998 as the base year and adjusting other years for inflation).

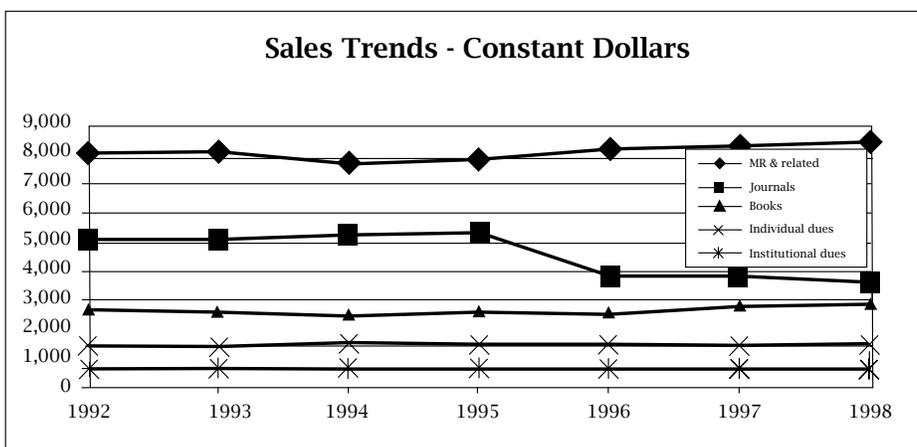
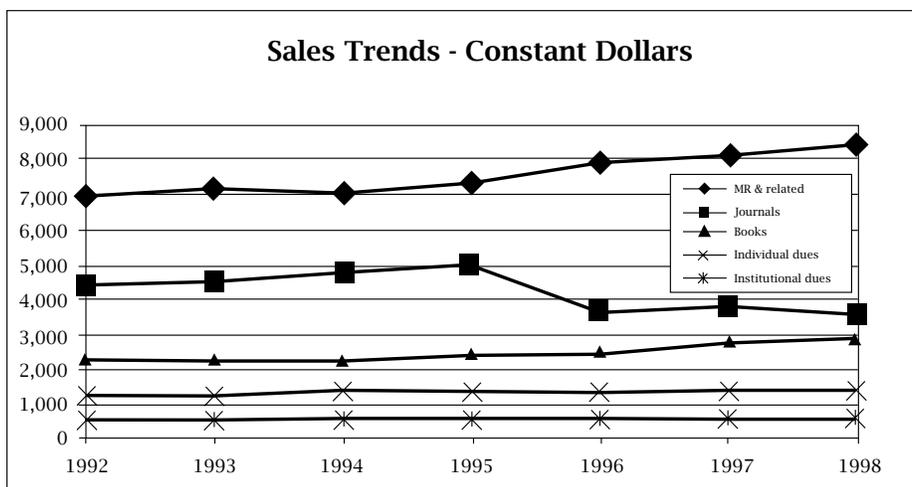
“Sales Trends - Historical Dollars” shows sales trends from 1992 through 1998. Some of the trends are mildly upward, and this may be due to the effects of inflation. In the second graph the underlying data is converted to constant dollars.

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 held reasonably constant for 1997, but there is a fall-off in 1998. This decrease is the result of financial pressures on libraries everywhere in the world. In particular, many countries have experienced economic problems that have been compounded by decreases in the value of their currency. This makes U.S. journals quite expensive, even though AMS journals have experienced very small price increases in U.S. dollars. 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 the AMS for translation into English and distribution of the resulting translation journals.

Books. Book revenues have been somewhat level historically. There was a slight increase in 1996, but 1997 and 1998 showed very good increases in book sales. The Society continues to increase sales in bookstores, including its online bookstore (accessible through the e-MATH home page or directly at <http://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. A new dues category was established for 1999 and later years, that provides for much lower dues for the first five years of individual membership. Also effective with the year 2000, the group of individuals eligible for membership at the lower of the two ordinary member rates has been enlarged. We expect that these changes will help to increase the number of AMS members, although membership revenue will likely decrease. In addition, institutional mem-



	1996		1997		1998	
Personnel Costs	\$10,808	60%	\$10,942	61%	\$11,490	62%
Building and Equipment Related	1,679	9%	1,642	9%	1,586	9%
Postage	900	5%	813	4%	943	4%
Outside Printing	1,034	6%	998	6%	901	5%
Travel—Staff and Volunteers	532	3%	509	3%	569	3%
All Other Expenses	3,151	17%	3,109	17%	3,079	17%
TOTAL	<u>\$18,104</u>	<u>100%</u>	<u>\$18,013</u>	<u>100%</u>	<u>\$18,568</u>	<u>100%</u>

The table above shows the major expenses for 1996, 1997, and 1998 in thousands of dollars. In terms of how expense dollars are allocated, there is not much change from year to year.

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 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 dues and subscriptions. 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 \$11,747,000 and \$11,069,000 at December 31, 1998 and 1997, respectively. The recorded liability for the revenues received in advance was about \$11,268,000 and \$11,112,000 at December 31, 1998 and 1997, 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 includes 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 increases the value of the fund. This

bership was opened to foreign institutions beginning in 1999.

III. Assets and Liabilities

So far, this report has dealt with revenues and expenditures that affect unrestricted net assets. Another aspect of the Society’s finances is what it owns and owes, or its assets and liabilities, which are reported in the accompanying Balance Sheets. As discussed previously, the Society’s net

From the AMS—1998 Treasurer's Report

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 following are summaries of the annual financial statements 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, 1998 and 1997

Assets	1998		1997	
Cash and cash equivalents	\$412	1%	\$800	2%
Short-term investments	11,335	18%	10,269	19%
Receivables:				
Customers, less allowance	687	1%	1,164	2%
Grants and other	406	1%	406	1%
Deferred prepublication costs	561	1%	428	1%
Completed books	1,062	2%	1,143	2%
Prepaid expenses and deposits	956	2%	892	2%
Land, buildings, and equipment, net	5,667	10%	5,934	11%
Long-term investments	<u>37,285</u>	<u>64%</u>	<u>31,205</u>	<u>60%</u>
Total assets	<u>\$58,371</u>	<u>100%</u>	<u>\$52,241</u>	<u>100%</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$1,257	2%	\$1,225	2%
Accrued expenses:				
Severance and study leave pay	1,078	2%	969	2%
Vacation and sick pay	545	1%	557	1%
Payroll, benefits & other	679	1%	782	1%
Deferred revenue:				
Subscriptions	9,170	16%	9,053	17%
Dues	1,513	3%	1,471	3%
Other	585	1%	588	1%
Postretirement benefit obligation	<u>1,715</u>	<u>3%</u>	<u>1,522</u>	<u>3%</u>
Total liabilities	<u>16,542</u>	<u>28%</u>	<u>16,167</u>	<u>31%</u>
Net assets (deficit):				
Unrestricted:				
Undesignated	2,051	4%	1,783	3%
Designated	30,767	53%	25,391	49%
Invested in fixed assets	5,667	10%	5,934	11%
Temporarily restricted	1,926	3%	1,670	3%
Permanently restricted	<u>1,418</u>	<u>2%</u>	<u>1,296</u>	<u>2%</u>
Total net assets	<u>41,829</u>	<u>72%</u>	<u>36,074</u>	<u>69%</u>
Total liabilities and net assets	<u>\$58,371</u>	<u>100%</u>	<u>\$52,241</u>	<u>100%</u>

STATEMENTS OF ACTIVITIES (in 000's)

Unrestricted Net Assets
Years Ended December 31, 1998 and 1997

Operating Revenue	1998		1997	
Publication:				
<i>Mathematical Reviews</i> and related activities	\$8,497	41%	\$8,161	39%
Journals (excluding MR)	3,608	18%	3,803	18%
Books	2,893	14%	2,799	13%
Sale of services	418	2%	330	2%
Other	<u>105</u>	<u>-%</u>	<u>62</u>	<u>-%</u>
Total publication revenue	<u>15,521</u>	<u>74%</u>	<u>15,155</u>	<u>72%</u>
Membership and professional services:				
Meetings	655	3%	684	3%
Dues and membership services	3,412	16%	3,433	17%
Grants, prizes and awards	<u>634</u>	<u>3%</u>	<u>950</u>	<u>5%</u>
Total membership and professional services revenue	<u>4,701</u>	<u>23%</u>	<u>5,067</u>	<u>25%</u>
Short-term investment income	467	2%	472	2%
Other	<u>205</u>	<u>1%</u>	<u>218</u>	<u>1%</u>
Total operating revenues	<u>\$20,894</u>	<u>100%</u>	<u>\$20,912</u>	<u>100%</u>
Operating Expenses				
Publication:				
<i>Mathematical Reviews</i> and related activities	\$5,593	29%	\$5,178	27%
Journals (excluding MR)	974	5%	933	5%
Books	2,355	12%	2,589	13%
Publication—divisional indirect	1,076	6%	889	5%
Warehousing and distribution	646	3%	595	3%
Sale of services	<u>339</u>	<u>2%</u>	<u>227</u>	<u>1%</u>
Total publication expense	<u>10,983</u>	<u>56%</u>	<u>10,411</u>	<u>54%</u>
Membership and professional services:				
Dues and member services	2,604	14%	2,628	14%
Grants, prizes and awards	654	3%	910	5%
Meetings	651	3%	764	4%
Governance	460	2%	363	2%
Divisional indirect	<u>218</u>	<u>1%</u>	<u>289</u>	<u>2%</u>
Total membership and professional services expense	<u>4,587</u>	<u>23%</u>	<u>4,954</u>	<u>27%</u>
Interest portion of post-retirement benefits	119	1%	98	-%
Miscellaneous	189	1%	203	1%
Membership and customer services	802	4%	805	4%
General and administrative	<u>2,808</u>	<u>15%</u>	<u>2,686</u>	<u>14%</u>
Total operating expenses	<u>\$19,488</u>	<u>100%</u>	<u>\$19,157</u>	<u>100%</u>
Excess of operating revenue over operating expenses				
Long-term investment income	<u>3,971</u>		<u>4,580</u>	
Increase in unrestricted net assets	<u>\$5,377</u>		<u>\$6,335</u>	

MARKET VALUE OF INVESTED FUNDS

December 31

	1998	1997	1996
Endowment Funds			
Prize Funds:			
Steele	\$632,794	\$578,047	\$503,595
Birkhoff	38,282	34,969	30,114
Veblen	12,928	11,809	10,288
Wiener	12,928	11,809	10,288
Böcher	9,402	8,589	7,482
Conant	42,202	38,551	33,586
Cole	20,845	19,042	16,589
Satter	33,610	30,702	26,748
Morgan	45,926	41,952	36,549
Albert Whiteman	21,244	8,798	0
Arnold Ross Lectures	35,324	23,134	11,161
Pooled Income	0	0	9,280
Trjitzinsky	508,466	464,475	404,651
C. V. Newsom	236,757	216,274	188,418
Centennial	116,743	106,643	92,907
Menger	6,515	5,769	5,026
Total (income restricted)	1,773,966	1,600,563	1,386,682
Endowment	676,963	609,767	526,377
Morita	106,372	0	0
Henderson	3,711,411	3,343,009	2,885,828
Ritt	211,858	186,577	154,048
Moore	19,971	17,587	14,808
Total (income unrestricted)	4,726,575	4,156,940	3,581,061
Total endowment funds	6,500,541	5,757,503	4,967,743
Quasi-Endowment Funds:			
Friends of Math	123,572	123,572	123,572
Russian Royalties	17,829	17,829	17,829
Journal Archive Fund	116,588	68,842	23,500
Economic Stabilization Fund	30,484,232	25,165,477	21,158,630
Charitable Gift Annuities	41,816	27,857	23,455
Total quasi-endowment funds	30,784,037	25,403,577	21,346,986
Total funds	\$37,284,578	\$31,161,080	\$26,314,729

Respectfully submitted,

John M. Franks
Treasurer

Change in "From the AMS"

The listing of the "AMS Officers and Committee Members", scheduled to appear in the October 1999 issue of the *Notices*, will instead appear in the November issue.

Supplementary Reading

KVANT SELECTA

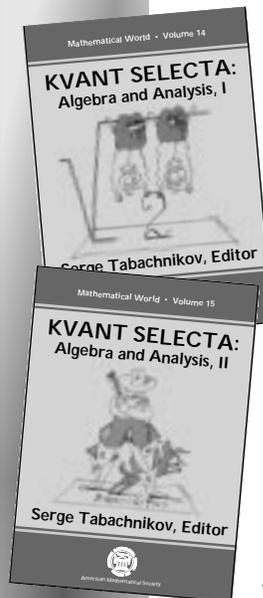
Volume 14

Algebra and Analysis, I

Volume 15

Algebra and Analysis, II

Serge Tabachnikov, University of Arkansas at Fayetteville, Editor



These volumes are the first volumes of articles published from 1970 to 1990 in the Russian journal, *Kvant*. The influence of this magazine on mathematics and physics education in Russia is unmatched. This collection represents the Russian tradition of expository mathematical writing at its best.

Articles selected for these two volumes are written by leading Russian mathematicians and expositors. Some articles contain classical mathematical gems still used in university curricula today. Others feature cutting-edge research from the twentieth century.

The articles in these books are written so as to present genuine mathematics in a conceptual, entertaining, and accessible way. The volumes are designed to be used by students and teachers who love mathematics and want to study its various aspects, thus deepening and expanding the school curriculum.

The articles in the first volume are mainly devoted to various topics in number theory, whereas the second volume treats diverse aspects of analysis and algebra.

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Mathematical World, Volume 14; 1999; 155 pages; Softcover; ISBN 0-8218-1002-2; List \$24; All AMS members \$19; Order code MAWRLD/14NA

Mathematical World, Volume 15; 1999; 165 pages; Softcover; ISBN 0-8218-1915-1; List \$24; All AMS members \$19; Order code MAWRLD/15NA



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