

From the AMS Secretary

Report of the Treasurer (2000)

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 2000. Section II, "Review of 2000 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.

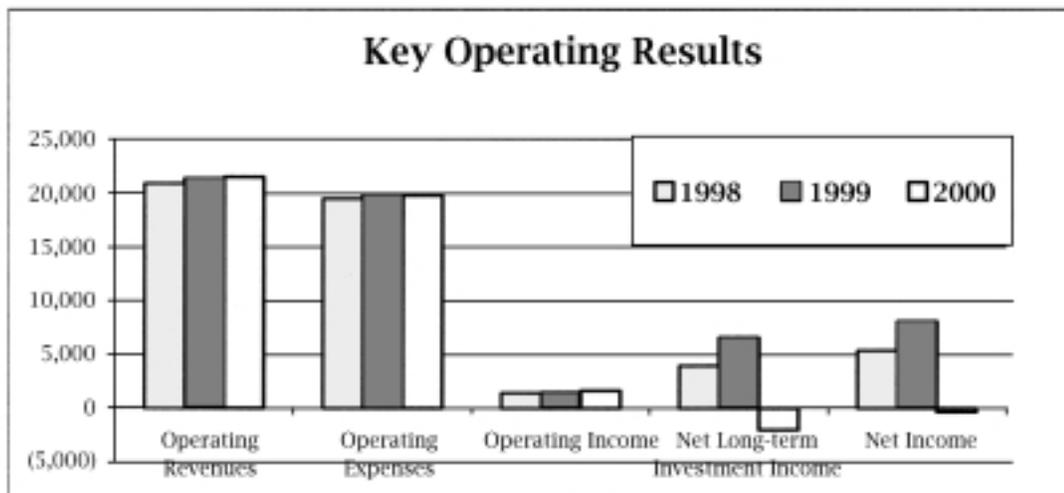
The Society segregates its net assets and the activities that increase or decrease net assets into three types. Unrestricted net assets are those that have no requirements as to their use placed on them by donors outside the Society. A substantial majority of the Society's net assets and activities are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

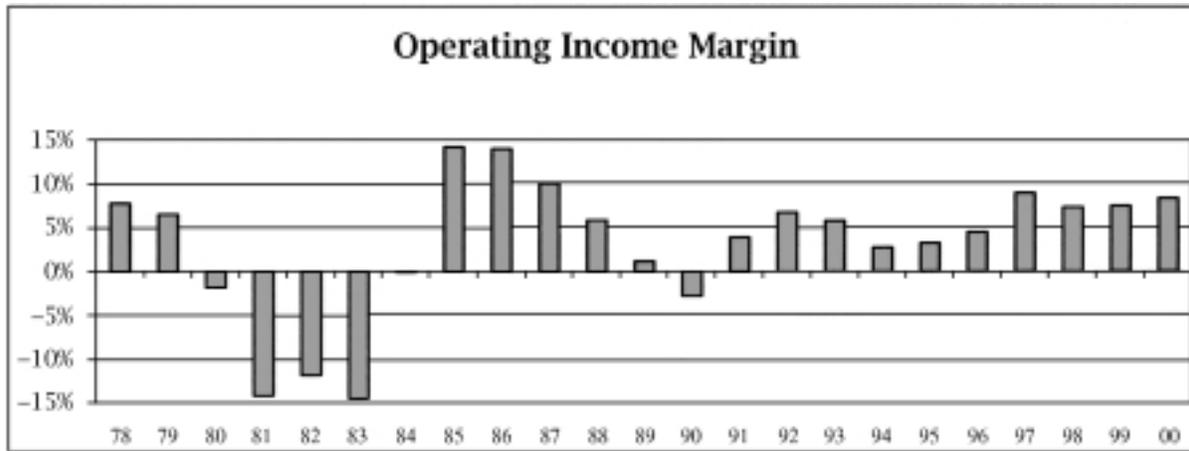
spendable income from prize and other income-restricted endowment funds. Permanently restricted net assets are those that must be invested in perpetuity and are commonly referred to as endowment funds. The accompanying financial information principally relates to the unrestricted net assets, as this category includes the operating activities of the Society.

Unrestricted expenses in excess of unrestricted revenues for the year ended December 31, 2000, resulted in a deficit of approximately \$357,000. Of this amount, net losses on the unrestricted portion of the long-term investment portfolio totaled \$2,025,000 and net income from operations totaled \$1,668,000. Exceptionally weak financial markets in the U.S. during the year contributed to losses on our long-term portfolio of approximately 4.3%. These and other matters are discussed in more detail in the following sections.

The Society's net assets totaled \$50,697,000 at December 31, 2000: \$2,263,000 is permanently restricted, consisting principally of the original amount of donor restricted gifts and bequests received by the Society; \$2,210,000 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; \$46,224,000 is unrestricted, of which \$36,951,000 has been designated by the Board of Trustees as reserved for future expenditure, 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. The Society's Board of Trustees set the minimum level at which to maintain the ESF at 100% of operating expenses plus the current

estimate of the post-retirement health benefit obligation. As of the end of 2000, the value of the ESF exceeds the established minimum level. The remaining unrestricted net assets consist of \$5,109,000 invested in fixed assets, and undesignated net assets of \$4,163,000.





II. Review of 2000 Operations

As indicated in the graph on the preceding page, the past three years have been very good years financially for the Society, apart from investment losses in 2000.

Operationally, the Society continues to do well, as evidenced by positive operating income. Although the Society experienced investment losses in 2000, our losses were only about half of those seen in the broad market indexes, such as the S&P 500. In spite of losses in 2000, long-term investments have generated high returns over a long period, and that income has helped the endowment funds (and the income they produce) to keep pace with inflation.

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 from 1997 to 2000 are somewhat higher than the average of the years presented. Second, the variation in margin over the more recent years is smaller than the variation in the earlier years. Taken together, these are positive financial indicators.

Sales Trends

The graphs that follow show sales trends from 1993 through 2000, first in historical dollars and second in constant dollars (using 1999 as the base year and adjusting other years for inflation).

Sales Trends—Historical Dollars shows sales trends from 1993 through 2000. 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. Total sales of MR in its various forms declined again in 2000. Much of this decline relates to sales in countries where the exchange rate with the U.S. dollar has been unfavorable. Part of the Society's response to this has been to hold back on price increases for MR-related products and to concentrate on working with consortia, where costs can be spread over a larger number of institutions. MR is currently financially healthy; however, it is probably unrealistic to expect large increases in sales.

Journals. Journal revenues are holding reasonably constant, with perhaps slight decreases in recent years. 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 leveled off for 2000. This is most likely due to an overall decrease in book sales worldwide. The Society has begun a process of reviewing its marketing and distribution arrangements and other factors that affect sales in order to keep the book program as healthy as possible in a difficult market. It is likely that the current slump will take some time to turn around.

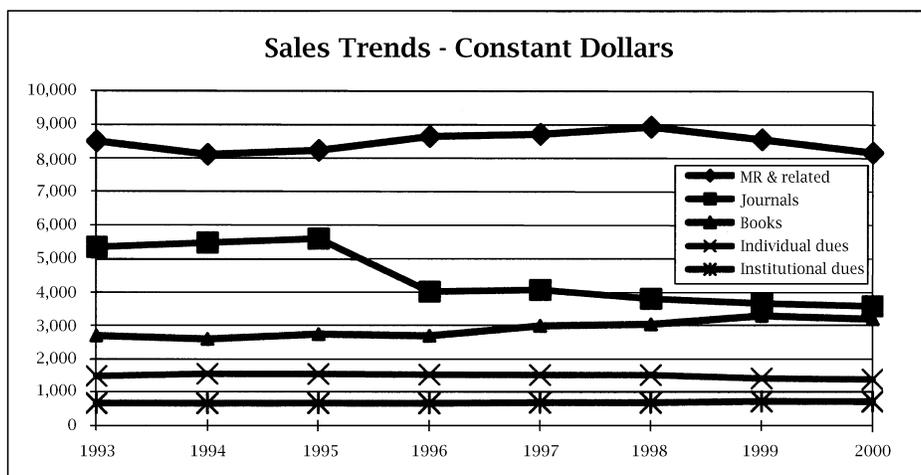
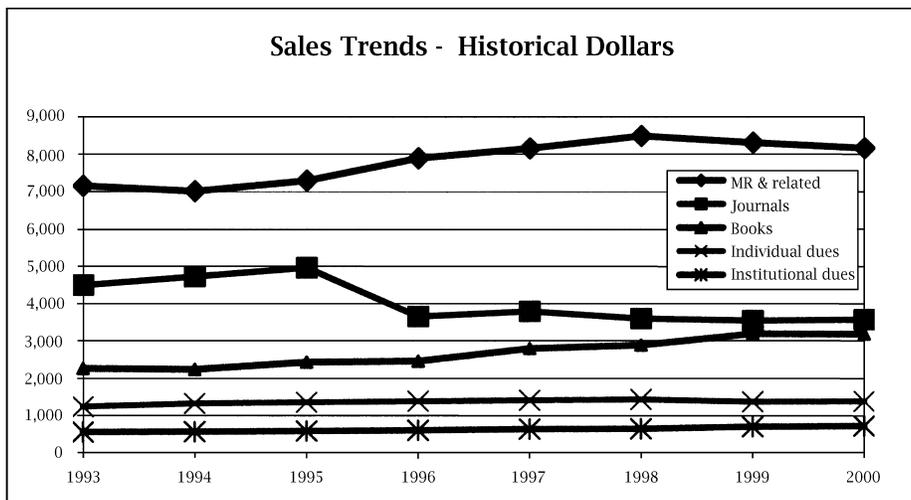
Dues. Dues, the sum of individual and institutional, have shown a slight upward slope on the historical dollars chart and a nearly flat line in constant dollars. This is expected for institutional dues, as the number of members varies little from year to year and the dues rates have been set so that dues will increase at about the same level as inflation. There has been a slight decline in individual dues in the last two years.

Major Expense Categories

The table on the next page shows the major expense for 1998, 1999, and 2000 in thousands of dollars. In terms of how expense dollars are allocated, there is not much change from year to year.

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 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



Major Expense Categories	1998		1999		2000	
	Dollars	%	Dollars	%	Dollars	%
Personnel Costs	\$11,490	62%	\$11,795	64%	\$12,027	63%
Building and Equipment Related	1,586	9%	1,540	9%	1,561	8%
Postage	943	4%	897	5%	926	5%
Outside Printing	901	5%	908	5%	950	5%
Travel—Staff and Volunteers	569	3%	571	3%	688	4%
All Other Expenses	3,079	17%	2,580	14%	2,930	15%
TOTAL	\$18,568	100%	\$18,291	100%	\$19,082	100%

The table above shows the major expense for 1998, 1999, and 2000 in thousands of dollars. In terms of how expense dollars are allocated, there is not much change from year to year.

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 \$12,860,000 and \$13,068,000 at December 31, 2000 and 1999, respectively. The recorded liability for the revenues received in advance was about \$10,543,000 and \$11,382,000 at December 31, 2000 and 1999, respectively.

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 increases the value of the fund. This allows for growth in income over time.

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.

Respectfully submitted,

*John M. Franks
Treasurer*

From the AMS Secretary

BALANCE SHEETS

December 31, 2000 and 1999

Assets	2000	1999
Cash and cash equivalents	\$ 511,733	\$ 699,138
Short-term investments	12,348,162	12,369,218
Receivables, less allowances of \$225,006 and \$207,874 at December 31, 2000 and 1999, respectively	1,644,914	1,430,152
Deferred prepublication costs	557,469	654,015
Completed books	1,312,616	1,225,881
Prepaid expenses and deposits	978,627	1,038,070
Land, buildings, and equipment, less accumulated depreciation	5,109,451	5,403,831
Long-term investments	45,619,867	45,541,088
Total assets	\$68,082,839	\$68,361,393

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 1,184,407	\$ 1,284,514
Accrued expenses:		
Severance and study leave pay	1,201,485	1,310,192
Payroll, benefits & other	2,312,014	1,531,264
Deferred revenue	10,542,898	11,381,639
Post-retirement benefit obligation	2,144,990	1,904,990
Total liabilities	17,385,794	17,412,599
Net assets:		
Unrestricted:		
Undesignated	4,163,022	4,550,682
Designated	36,951,344	36,626,593
Invested in fixed assets	5,109,451	5,403,831
	46,223,817	46,581,106
Temporarily restricted	2,209,840	2,370,442
Permanently restricted	2,263,388	1,997,246
Total net assets	50,697,045	50,948,794
Total liabilities and net assets	\$68,082,839	\$68,361,393

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2000 and 1999

Changes in unrestricted net assets:

Operating Revenue	2000	1999
Publication:		
<i>Mathematical Reviews</i> and related activities	\$ 8,164,037	\$ 8,315,837
Journals (excluding MR)	3,572,020	3,548,819
Books	3,189,452	3,195,422
Sale of services	417,993	388,305
Other	102,448	96,899
Total publication revenue	15,445,950	15,545,282

Membership and professional services, including assets released from restrictions of \$337,995 and \$325,587 in 2000 and 1999, respectively:		
Meetings	914,959	791,625
Dues and membership services	3,537,191	3,375,669
Grants, prizes and awards	732,508	927,124
Total membership and professional services revenue	5,184,658	5,094,418
Short-term investment income	611,478	451,690
Other	262,020	270,940
Total operating revenue	\$21,504,106	\$21,362,330

Operating Expenses

Publication:		
<i>Mathematical Reviews</i> and related activities	\$ 5,155,811	\$ 5,604,184
Journals (excluding MR)	1,142,677	1,289,722
Books	2,477,906	2,317,998
Publication—divisional indirect	1,241,856	1,060,489
Warehousing and distribution	640,838	646,450
Marketing director	271,082	275,508
Sale of services	260,408	260,105
Total publication expense	11,190,578	11,454,456
Membership and professional services:		
Dues and member services	2,499,926	2,168,147
Grants, prizes and awards	815,040	951,931
Meetings	878,310	752,803
Governance	378,653	475,768
Divisional indirect	144,977	213,438
Total membership and professional services expense	4,716,906	4,562,087
Interest portion of post-retirement benefits	125,000	120,000
Other	361,444	212,853
Membership and customer services	1,123,440	920,983
General and administrative	2,318,674	2,622,253
Total operating expenses	19,836,042	19,892,632
Excess of operating revenue over operating expenses	1,668,064	1,469,698
Long-term investment income (loss) in excess of amounts designated for current operations	(2,025,353)	6,626,224
Increase in unrestricted net assets	(357,289)	8,095,922

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Changes in temporarily restricted net assets:		
Contributions and grants	206,939	328,340
Long-term investment income (loss)	(29,546)	442,228
Net assets released from restrictions	<u>(337,995)</u>	<u>(325,587)</u>
Increase (decrease) in temporarily restricted net assets	<u>(160,602)</u>	<u>444,981</u>
Increase in permanently restricted net assets - Contributions	<u>266,142</u>	<u>579,027</u>
Change in net assets	(251,749)	9,119,930
Net assets, beginning of year	<u>50,948,794</u>	<u>41,828,864</u>
Net assets, end of year	<u>\$50,697,045</u>	<u>\$50,948,794</u>

MARKET VALUE OF INVESTED FUNDS

December 31

	2000	1999	1998
Endowment Funds			
Prize Funds:			
Steele	\$ 666,186	\$ 723,427	\$ 632,794
Birkhoff	40,302	43,764	38,282
Veblen	13,610	14,780	12,928
Wiener	13,610	14,780	12,928
Böcher	9,898	10,749	9,402
Conant	44,429	48,246	42,202
Cole	21,945	23,831	20,845
Satter	35,384	38,424	33,610
Morgan	48,349	52,504	45,926
Albert Whiteman	29,571	29,305	21,244
Arnold Ross Lectures	56,397	50,383	35,324
Trjitzinsky	535,304	581,299	508,466
C. V. Newsom	249,253	270,670	236,757
Centennial	123,905	133,465	116,743
Menger	11,800	12,814	6,515
Ky Fan (China)	376,397	393,572	
Epsilon	251,165	163,191	
Total (income restricted)	<u>2,527,505</u>	<u>2,605,204</u>	<u>1,773,966</u>
Endowment	759,397	794,048	676,963
Morita	120,913	126,430	106,372
Henderson	4,092,150	4,352,067	3,711,411
Laha	189,309		
Ritt	240,820	251,808	211,858
Moore	22,700	23,736	19,971
Total (income unrestricted)	<u>5,425,289</u>	<u>5,548,089</u>	<u>4,726,575</u>
Total endowment funds	<u>7,952,794</u>	<u>8,153,293</u>	<u>6,500,541</u>
Quasi-endowment Funds:			
Friends of Math	123,572	123,572	123,572
Russian Royalties	17,829	17,829	17,829
Journal Archive Fund	206,528	176,218	116,588
Economic Stabilization Fund	36,055,884	36,259,273	30,484,232
Young Scholars	500,000		
Charitable Gift Annuities	47,532	49,701	41,816
Total quasi-endowment funds	<u>36,951,345</u>	<u>36,626,593</u>	<u>30,784,037</u>
Total funds	<u>\$44,904,139</u>	<u>\$44,779,886</u>	<u>\$37,284,578</u>