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# Report of the Treasurer (2001)

## I. Introduction

One of the most important duties of the treasurer is to lead the Board of Trustees in the oversight of financial activities of the Society. This is done through close contact with the executive staff of the Society, review of internally generated financial reports, review of audited financial statements, and direct contact with the Society's independent auditors. Through these and other means, the trustees gain an understanding of the finances of the Society and the important issues surrounding its financial reporting. 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. It contains summary information regarding the operating results and financial condition of the Society for 2001; a "Review of 2001 Operations", containing more detailed information regarding the Society's operations; and a discussion of the assets and liabilities of the Society. Finally, in the last part of the report, there are summary financial statements which present the balance sheet and other financial statements of the Society.

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, 2001, resulted in a deficit of approximately \$2,917,000. Of this amount, net losses on the unrestricted portion of the long-term investment portfolio totaled \$4,221,000 and net income from operations totaled \$1,304,000. Exceptionally weak financial markets in the U.S. during the year contributed to losses on our long-term portfolio of approximately 9.8%. These and other matters are discussed in more detail in the following sections.

The Society's net assets totaled \$47,446,000 at December 31, 2001: \$2,353,000 is permanently restricted, consisting principally of the original amount of donor restricted gifts and bequests received by the Society; \$1,786,000 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; \$43,307,000 is unrestricted, of which \$33,354,000 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 the current estimate of the postretirement health benefit obligation plus 75% of operating expenses. As of the end of 2001, the value of the ESF exceeds the established minimum level. The remaining unrestricted net assets consist of \$4,703,000 invested in fixed assets and undesignated net assets of \$5,250,000.

## II. Review of 2001 Operations

As indicated in the graph at the top of the next page, the past three years have been very good years financially for the Society, apart from investment losses in 2001 and 2000.

Operationally the Society continues to do well, as evidenced by positive operating income. Although the Society experienced investment losses in 2001 and 2000, our losses were a bit less than those seen in the broad market indexes, such as the S&P 500. In spite of these losses, 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.

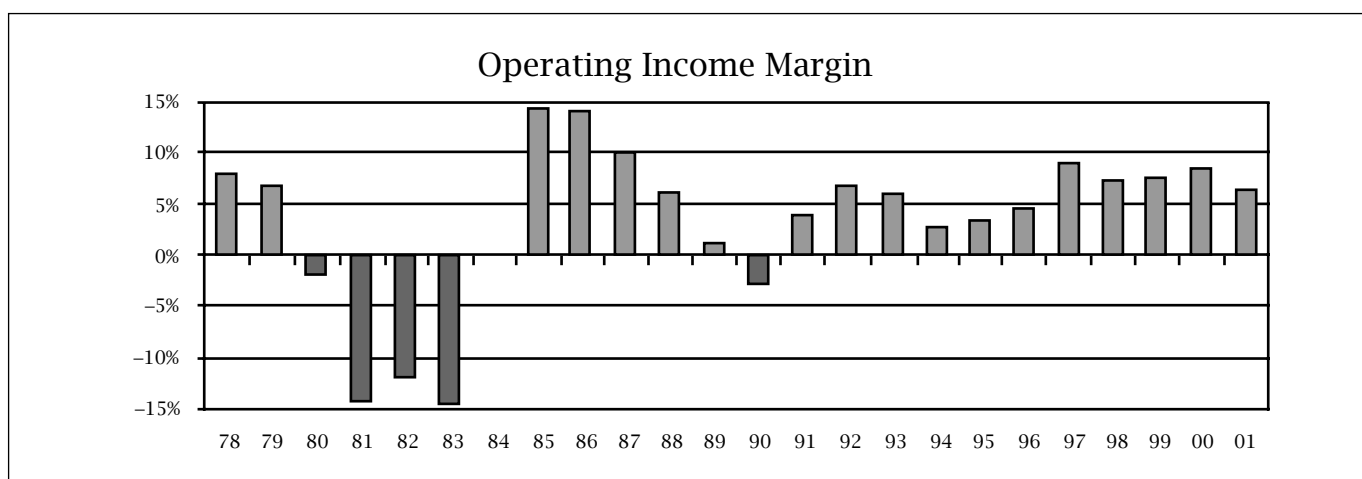
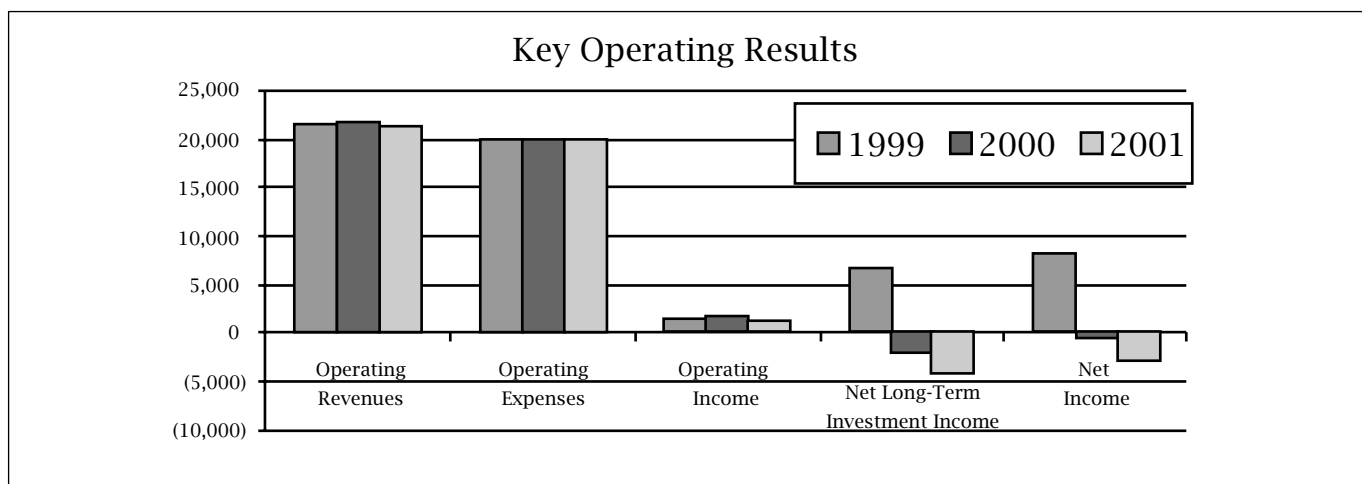
When reflecting on years with good operating results, it is instructive to review the Society's record for a somewhat longer period. The chart on the next page shows operating income as a percentage of operating revenues. Two observations are noteworthy. First, the margins achieved from 1997 to 2001 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 2001, first in historical dollars and second in constant dollars (using 2001 as the base year and adjusting other years for inflation).

*Sales Trends—Historical Dollars* shows sales trends from 1993 through 2001. Some of the trends are mildly upward, and this may be due to the effects of inflation. 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 2001. 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 for distribution of the resulting translation journals.

**Books.** Book revenues fell significantly in 2001. 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. At the time of this writing, book sales are recovering from 2001 levels.

**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.

### 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 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 re-

**Major Expense Categories**

The table below shows the major expenses for 1999, 2000, and 2001, in thousands of dollars. In terms of how expense dollars are allocated, there is not much change from year to year.

Major Expense Categories		1999		2000		2001	
<b>Personnel Costs</b>		\$11,795	62%	\$12,152	63%	\$12,801	66%
<b>Building and Equipment Related</b>		1,540	8%	1,561	8%	1,541	8%
<b>Postage</b>		897	5%	926	5%	838	4%
<b>Outside Printing</b>		908	5%	950	5%	817	4%
<b>Travel—Staff and Volunteers</b>		571	3%	588	3%	462	3%
<b>All Other Expenses</b>		3,330	17%	3,030	16%	2,850	15%
<b>TOTAL</b>		\$19,041	100%	\$19,207	100%	\$19,309	100%

ports a large balance of cash and short-term investments on its financial statements at year-end. This amounted to about \$14,349,000 and \$12,860,000 at December 31, 2001 and 2000, respectively. The recorded liability for the revenues received in advance was about \$10,510,000 and \$10,543,000 at December 31, 2001 and 2000, respectively.

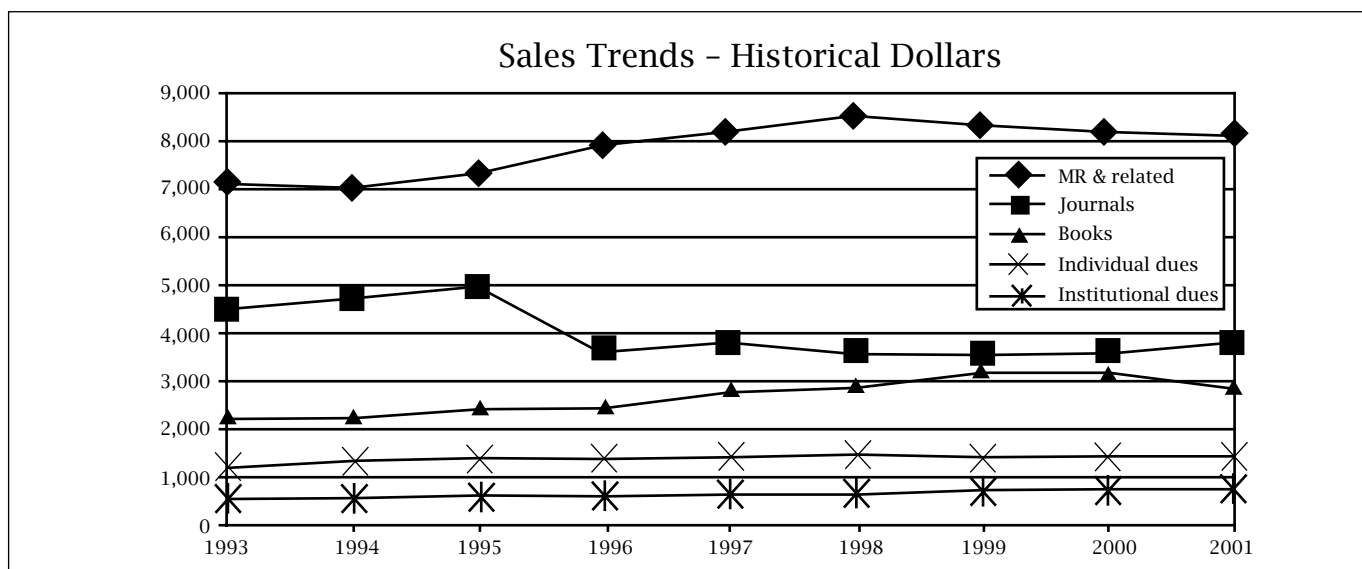
The Society’s property and equipment include land, buildings and improvements, office furniture and equipment, as well as software. The Society also owns a small amount of transportation equipment. The land, buildings, and improvements include the Society’s Rhode Island headquarters, with buildings in 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.

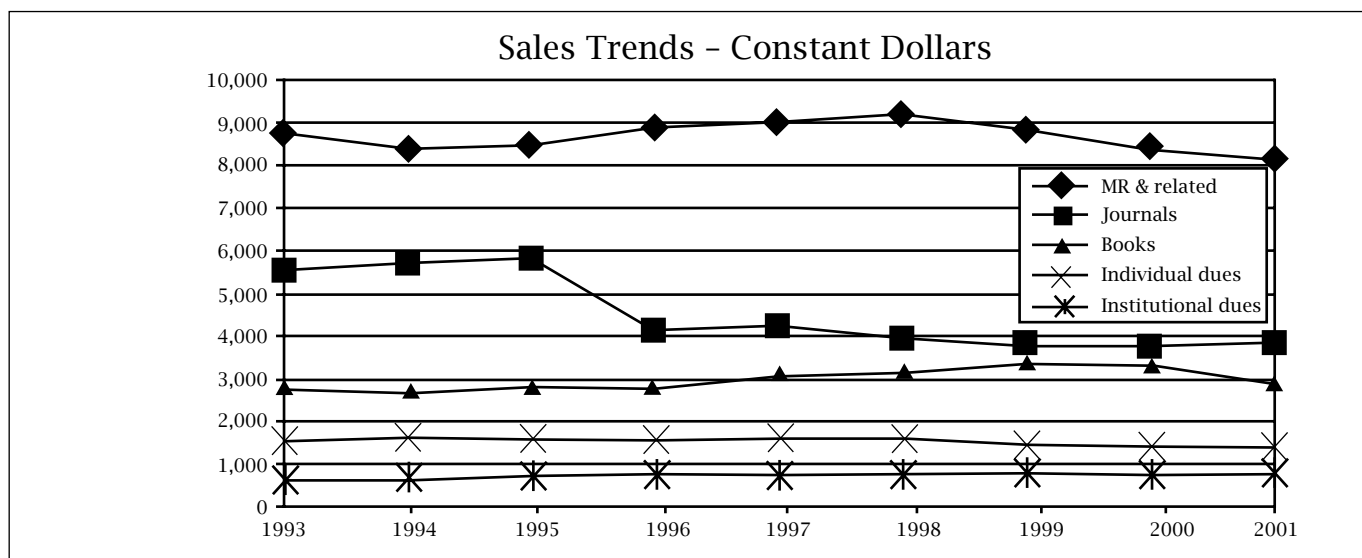
The Society’s endowment is managed under the “total return concept”. Under this management policy, income in excess of a reasonable amount (set by the Board of Trustees) is reinvested and increases the value of the fund. This allows for growth in income over time.

**IV. Summary Financial Information**

The following are summaries of the annual financial statements of the Society. Each year the Audit Committee of the Board of Trustees meets with the Society’s auditors to review the conduct of the audit, the Society’s financial statements, and the auditors’ report on the financial statements. Pursuant to the recommendation of the Audit Committee, the Board of Trustees has accepted the audited financial statements. 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



**BALANCE SHEETS**

December 31, 2001 and 2000

Assets	2001	2000
Cash and cash equivalents	\$ 400,373	\$ 511,733
Short-term investments	13,948,678	12,348,162
Receivables, net	1,180,687	1,644,914
Deferred prepublication costs	460,574	557,469
Completed books	1,416,773	1,312,616
Prepaid expenses and deposits	1,132,798	978,627
Land, buildings, and equipment, net	4,703,304	5,109,451
Long-term investments	41,204,704	45,619,867
<b>Total assets</b>	<b>\$64,447,891</b>	<b>\$68,082,839</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 1,217,921	\$ 1,184,407
Accrued expenses	2,843,110	3,513,499
Deferred revenue	10,509,962	10,542,898
Postretirement benefit obligation	2,431,095	2,144,990
<b>Total liabilities</b>	<b>17,002,088</b>	<b>17,385,794</b>
Net assets:		
Unrestricted:		
Undesignated	5,249,784	4,163,022
Designated	33,353,895	36,951,344
Invested in fixed assets	4,703,304	5,109,451
	<u>43,306,983</u>	<u>46,223,817</u>
Temporarily restricted	1,785,630	2,209,840
Permanently restricted	2,353,190	2,263,388
<b>Total net assets</b>	<b>47,445,803</b>	<b>50,697,045</b>
<b>Total liabilities and net assets</b>	<b>\$64,447,891</b>	<b>\$68,082,839</b>

**STATEMENTS OF ACTIVITIES**

Years Ended December 31, 2001 and 2000

**Changes in unrestricted net assets:**

Operating Revenue	2001	2000
Publication:		
Mathematical Reviews and related activities	\$ 8,103,793	\$ 8,164,037
Journals (excluding MR)	3,772,670	3,572,020
Books	2,865,934	3,189,452
Sale of services	329,931	417,993
Other	114,970	102,448
<b>Total publication revenue</b>	<b>15,187,298</b>	<b>15,445,950</b>
Membership and professional services, including assets released from restrictions of \$396,070 and \$337,995 in 2001 and 2000, respectively:		
Meetings	867,038	914,959
Dues and membership services	3,567,146	3,537,191
Grants, prizes and awards	780,856	740,341
<b>Total membership and professional services revenue</b>	<b>5,215,040</b>	<b>5,192,491</b>
Short-term investment income	508,973	611,478
Other	149,059	254,187
<b>Total operating revenue</b>	<b>\$21,060,370</b>	<b>\$21,504,106</b>

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Operating Expenses	2001	2000
Publication:		
<i>Mathematical Reviews</i> and related activities	\$ 5,317,096	\$ 5,227,559
Journals (excluding MR)	1,011,740	1,158,579
Books	2,463,291	2,512,389
Publication—		
divisional indirect	1,256,220	1,259,138
Warehousing and distribution	683,035	649,756
Marketing and sales	154,558	274,854
Sale of services	277,699	264,032
Total publication expense	<u>11,163,639</u>	<u>11,346,307</u>
Membership and professional services:		
Dues and member services	2,728,458	2,534,715
Grants, prizes and awards	891,956	826,382
Meetings	700,899	890,533
Governance	393,892	378,653
Divisional indirect	261,670	146,995
Total membership and professional services expense	<u>4,946,875</u>	<u>4,777,278</u>
Transfer to temporarily restricted net assets	84,160	
Other	(102,387)	222,442
Membership and customer services	1,043,715	1,139,074
General and administrative	2,620,203	2,350,941
<b>Total operating expenses</b>	<b><u>19,756,205</u></b>	<b><u>19,836,042</u></b>
Excess of operating revenue over operating expenses	1,304,165	1,668,064
Long-term investment income (loss) in excess of amounts designated for current operations	<u>(4,220,999)</u>	<u>(2,025,353)</u>
<b>Decrease in unrestricted net assets</b>	<b><u>(2,916,834)</u></b>	<b><u>(357,289)</u></b>
<b>Changes in temporarily restricted net assets:</b>		
Contributions and grants	80,626	206,939
Long-term investment income (loss)	(192,926)	(29,546)
Transfer from unrestricted net assets	84,160	
Net assets released from restrictions	<u>(396,070)</u>	<u>(337,995)</u>
<b>Decrease in temporarily restricted net assets</b>	<b><u>(424,210)</u></b>	<b><u>(160,602)</u></b>
<b>Change in permanently restricted net assets—Contributions</b>	<b><u>89,802</u></b>	<b><u>266,142</u></b>
Change in net assets	(3,251,242)	(251,749)
Net assets, beginning of year	<u>50,697,045</u>	<u>50,948,794</u>
<b>Net assets, end of year</b>	<b><u>\$47,445,803</u></b>	<b><u>\$50,697,045</u></b>

**MARKET VALUE OF INVESTED FUNDS**

*December 31*

	2001	2000	1999
Endowment Funds			
Prize Funds:			
Steele	\$ 570,297	\$ 666,186	\$ 723,427
Birkhoff	34,500	40,302	43,764
Veblen	11,651	13,610	14,780
Wiener	11,651	13,610	14,780
Böcher	8,474	9,898	10,749
Conant	38,034	44,429	48,246
Cole	18,787	21,945	23,831
Satter	30,291	35,384	38,424
Morgan	41,390	48,349	52,504
Albert Whiteman	30,438	29,571	29,305
Arnold Ross Lectures	50,000	56,397	50,383
Trjtjzinksky	458,254	535,304	581,299
C. V. Newsom	213,376	249,253	270,670
Centennial	107,570	123,905	133,465
Menger	10,602	11,800	12,814
Ky Fan (China)	366,757	376,397	393,572
Epsilon	340,350	251,165	163,191
Total (Income Restricted)	<u>2,342,422</u>	<u>2,527,505</u>	<u>2,605,204</u>
Endowment	679,815	759,397	794,048
Morita	109,011	120,913	126,430
Henderson	3,644,206	4,092,150	4,352,067
Laha	189,309	189,309	
Ritt	217,116	240,820	251,808
Moore	20,466	22,700	23,736
Total (Income Unrestricted)	<u>4,859,923</u>	<u>5,425,289</u>	<u>5,548,089</u>
<b>Total endowment funds</b>	<b><u>7,202,345</u></b>	<b><u>7,952,794</u></b>	<b><u>8,153,293</u></b>
Quasi-endowment Funds			
Friends of Math	123,572	123,572	123,572
Russian Royalties	17,829	17,829	17,829
Journal Archive Fund	225,750	206,528	176,218
Economic Stabilization Fund	32,493,104	36,055,884	36,259,273
Young Scholars	450,787	500,000	
Charitable Gift Annuities	42,854	47,532	49,701
<b>Total quasi-endowment funds</b>	<b><u>33,353,896</u></b>	<b><u>36,951,345</u></b>	<b><u>36,626,593</u></b>
<b>Total funds</b>	<b><u>\$40,556,241</u></b>	<b><u>\$44,904,139</u></b>	<b><u>\$44,779,886</u></b>