

From the AMS Secretary

Report of the Treasurer (2010)

I. Introduction

The Report of the Treasurer is presented annually and discusses the financial condition of the Society as of the preceding fiscal year end. In this year's report, I would like to take this opportunity to introduce myself to the Society's members as the new Treasurer, and to thank John Franks for his tenure of 12 years. During the years of his exemplary fiscal oversight, the Society has strengthened its financial position, ensuring that we can meet the needs of the profession in the future.

The Society has been in good financial health for many years, and has accumulated ample financial reserves to weather economic downturns on the order of what we have experienced so far. In 2009 the AMS executive staff expressed concern that 2010 might be a year in which

operations would not provide a positive net income. However, as shown in Table 1 below, the organization's operations produced a healthy bottom line through careful management of expenses, and investments continued to regain losses experienced in 2008. These were the two main contributing factors to the large positive variance from the budgeted figures for 2010, as shown in Table 3 and discussed in detail in this report.

II. The Economic Conditions Affecting 2010 Financial Results

At the time of this writing the U.S. is making a sluggish recovery from the recession, and individual members and libraries in universities across the nation continue to feel the effects of the economic downturn, especially in publicly-funded institutions. In support of the Society's members, individual dues were frozen at 2010 levels for 2011, and in the 2010 fiscal year the AMS kept prices constant for all subscribed products, in response to the knowledge that academic budgets have decreased. This management decision may have kept the subscriber attrition rate from falling precipitously.

In 2010 the inflation rate was low and undoubtedly played a part in keeping the Society's costs below budget for the year. However, the inflation rate, or consumer price index, does not correlate directly with the Society's costs, because the index includes items that are unrelated to operating costs, such as the cost of housing, and it does not include the cost of healthcare carried by employers. The Society's budget for 2010

Operating Revenues and Expenses
1980-2010 Actuals

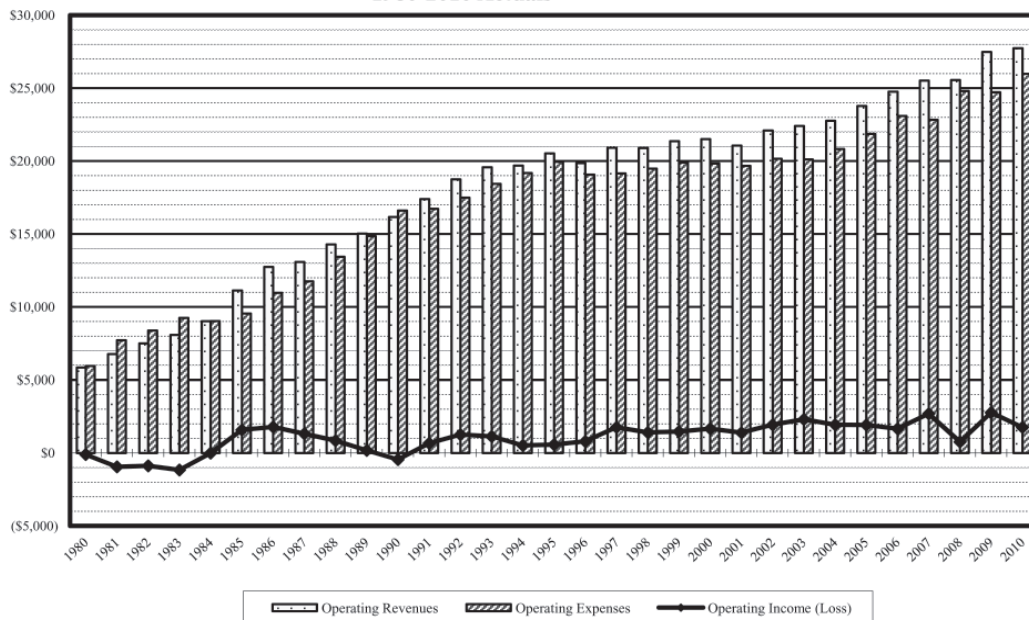


Table 1

Operating Support Fund (OSF) Balance History

Year	Balance
2005	\$19,608,088
2006	\$35,571,266
2007	\$40,830,813
2008	\$20,082,678
2009	\$35,124,437
2010	\$43,636,272

Table 2

projected an 8.4 percent increase in operating costs, but actual costs were held at 4 percent. The Society's operating expenses were well under budget, because budgeted positions were not filled for extended periods and other operating costs were managed well. In addition, the organization's professional staff strived to find more efficient means of operating, making reductions in costs such as printing and building occupancy costs. Interest rates on Certificates of Deposit and Money Market accounts remained very low during 2010, affecting the return on the Society's short-term investment portfolio. On the other hand, the intermediate and long-term portfolios were positively affected by the bull market at the end of 2010. The Operations Support Fund's (OSF) spendable income available for support of membership and professional services continues to increase, despite the sharp decrease in the Society's investments in 2008. The investment gains experienced since 2008, plus the additional investments to the OSF funded from operations, have driven the fund's balance to well over \$43,000,000 (see Table 2). Spendable income available for operations has increased from \$612,000 in 2005 to \$1,744,000 for the 2012 budget.

III. Overall Operating Results

The detailed statement of activities is included at the end of this report. The following is a brief summary of the operating results for 2010:

The Society's operating income for 2010 was \$1,809,027, which was \$1.6 million in excess of budget. The reasons for the surplus are that publications and miscellaneous revenues were greater than budgeted targets, and actual expenses were \$1,025,451 under budget. The publications revenue surplus is attributable to conservative budgeting of journal subscriptions and *Mathematical Reviews* revenues, as we expected a greater subscriber attrition rate than experienced during 2010. In addition, the MathSciNet revenues increased primarily due to growth in foreign consortia subscriptions. The positive variance within

2010 Key Operating Figures

	Actual	Budget	Variance
Total operating revenue	27,092,251	26,503,221	589,030
Total operating expenses	25,283,224	26,308,675	1,025,451
Operating income	1,809,027	194,546	1,614,481
Income (loss) from unrestricted long-term investments	7,493,555	3,283,350	4,210,205
Post-retirement benefit changes	(119,765)	(152,358)	32,593
Change in unrestricted net assets	9,182,817	3,325,538	5,857,279

Table 3

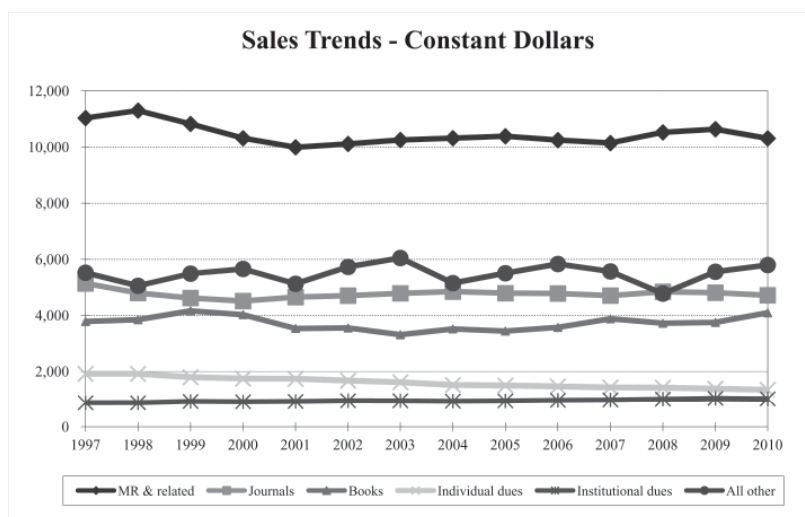


Table 4

Major Expense Categories	2009 Actual		2010 Actual		2010 Budget	
	Amount	%	Amount	%	Amount	%
Personnel Costs	\$16,898	69%	\$17,200	68%	\$17,675	67%
Building and Equipment Related	1,652	7%	1,654	7%	1,930	7%
Postage	854	4%	814	3%	1,029	4%
Outside Printing, Binding, and Mailing	765	3%	610	2%	644	2%
Printing Paper	417	2%	433	2%	420	2%
Travel: Staff, Volunteers, Grant Supported	595	2%	670	3%	716	3%
All Other Expenses	3,087	13%	3,902	15%	3,895	15%
TOTAL	\$24,268	100%	\$25,283	100%	\$26,309	100%

Table 5

miscellaneous revenues is because of the investment return in the operating portfolio.

The Society's book program revenues exceeded the prior year's sales by 8 percent. This increase in revenues is partially because the number of books published increased from 95 to 100 in 2010 from the prior year. Some of the series that experienced significant revenue increases were *Graduate Studies in Mathematics*, *History of Mathematics*, and *Surveys and Monographs*.

Although the Society has continued to have positive bottom lines for a number of years, revenues are an area of concern. Table 4 shows that publishing revenues, adjusted for inflation, have been fairly flat for a number of years.

As mentioned in the Introduction, the Society has successfully controlled its expenses to counteract sluggish growth in revenues. In Table 5 we show the 2009 and 2010 expenses by major category compared to the 2010 budget. On the expense side of the equation, the largest positive variance was due to lower-than-expected personnel costs as budgeted positions were not filled during the year. In addition, benefit expenses were less than budget because of the unfilled positions and benefit premiums that were lower than projected. Another item that was significantly under-budget was equipment, which had a \$263,922 positive budget variance primarily due to the delay in the implementation of new association management software.

In a period when energy costs have increased, the Society's building costs decreased from 2009 by about 4 percent, as building improvements have made the Society's buildings more energy efficient. Postage costs also declined from 2009, because of savings measures instituted on promotional and meeting mailings. Costs related to outside printing decreased partially due to the purchase of a four-color press. A few expenses showed an increase in 2010, primarily due to contracted costs associated with a journal digitizing project and some costs associated with the joint meetings in San Francisco.

IV. Financial Statements

The following Balance Sheets and Statements of Activities are from the audited annual financial statements of the Society, and the Statement of Invested Funds is from the internal financial records 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. As recommended by the Audit Committee, the Board of Trustees accepted the audited financial statements. A copy of the Society's audited financial statements will be sent from the Providence Office to any member who requests it from the Treasurer. As Treasurer I will be happy to answer any questions members may have regarding the financial affairs of the Society.

—Respectfully Submitted,

Jane Hawkins
Treasurer

BALANCE SHEETS

December 31, 2010, and 2009

Assets	2010	2009
Cash and cash equivalents	\$ 1,084,237	\$ 474,913
Short-term investments	15,897,241	14,145,500
Accounts receivable, net of allowances of \$347,279 and \$348,000 in 2010 and 2009, respectively	853,254	744,115
Deferred prepublication costs	632,570	649,414
Completed books	1,328,076	1,408,873
Prepaid expenses and deposits	1,256,912	1,464,754
Land, bldgs. and equipment, net	5,031,887	5,093,183
Long-term investments	79,406,346	69,094,463
Total assets	<u>\$105,490,523</u>	<u>\$93,075,215</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,960,535	\$ 2,307,216
Severance and study leave pay	829,582	997,038
Deferred revenue	12,822,888	11,279,588
Postretirement benefit obligation	4,770,464	4,543,155
Total liabilities	<u>21,383,469</u>	<u>19,126,997</u>
Net assets:		
Unrestricted		
Undesignated	4,146,972	4,305,781
Designated	68,885,038	59,543,414
	73,032,010	63,849,195
Temporarily restricted	6,207,920	5,346,374
Permanently restricted	4,867,124	4,752,649
Total net assets	<u>84,107,054</u>	<u>73,948,218</u>
Total liabilities and net asset	<u>\$105,490,523</u>	<u>\$93,075,215</u>

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2010, and 2009

Changes in unrestricted net assets:

Operating revenue, including net assets released from restrictions:	2010	2009
<i>Mathematical Reviews</i>	\$10,307,693	\$10,485,695
Journals	4,716,428	4,740,486
Books	4,093,467	3,568,473
Other publications-related revenue	372,322	470,728
Dues, services and outreach	3,885,074	3,902,037
Grants, prizes and awards	1,101,874	838,029
Investment earnings available for spending	1,480,151	1,429,500
Meetings	1,143,373	990,503
Short-term investment income (loss)	626,227	983,777
Other	60,299	78,146
Total operating revenue	<u>27,786,908</u>	<u>27,487,374</u>

STATEMENTS OF ACTIVITIES, CON'T.

Years Ended December 31, 2010, and 2009

			Original	12/31/10	12/31/09	
			Gift(s)	Market	Market	
Operating expenses:	2010	2009		Value	Value	
<i>Mathematical Reviews</i>	6,855,152	6,744,036	Veblen	29,773	38,611	35,180
Journals	1,523,701	1,719,214	Wiener	29,773	38,611	35,180
Books	3,791,325	3,477,316	Böcher	32,557	39,224	35,739
Publications indirect	904,832	934,624	Conant	9,477	38,650	35,216
Customer services, warehousing and distribution	1,363,163	1,362,366	Cole Prize in Number Theory	32,563	39,462	35,693
Other publications-related expense	216,322	186,673	Cole Prize in Algebra	32,563	39,462	35,693
Membership, services and outreach	4,116,641	3,773,845	Satter	43,212	57,764	52,631
Grants, prizes and awards	1,198,463	971,076	Doob Book Prize	45,000	47,783	45,000
Meetings	1,181,320	922,803	Robbins Prize	41,250	44,466	41,250
Governance	428,949	416,424	Eisenbud	40,000	41,611	40,000
Member and professional services indirect	569,596	575,833	Other Prize and Award Funds:			
General and administrative	3,752,580	3,576,026	Morgan	25,000	42,061	38,323
Other	75,839	57,389	Whiteman	93,618	100,546	93,618
Total operating expenses	<u>25,977,883</u>	<u>24,717,625</u>	Arnold Ross Lectures	70,000	74,865	70,000
Excess of operating revenue over operating expenses	1,809,025	2,769,749	Trjitzinsky Scholarships	196,030	465,962	424,557
Investment income in excess of investment earnings available for spending	7,493,555	11,774,829	C. V. Newsom Centennial Fellowship	56,100	111,178	101,299
Post-retirement benefit-related changes other than net periodic cost	(119,765)	(67,200)	Menger	97,250	105,348	97,250
Change in unrestricted net assets	<u>\$9,182,815</u>	<u>\$14,477,378</u>	Ky Fan (China)	366,757	371,133	366,756
Changes in temporarily restricted net assets:			Epsilon	1,545,900	1,669,024	1,432,000
Contributions	271,547	195,470	Einstein Lecture	100,000	103,826	100,000
Investment (loss) income	1,322,495	1,680,174	Exemplary Program	100,000	107,166	100,000
Net assets released from restrictions	(732,496)	(583,936)	Mathematical Art	19,999	21,434	20,000
Change in temporarily restricted net assets:	<u>861,546</u>	<u>1,291,708</u>	Total (Income Restricted)	\$3,301,943	\$4,471,351	\$4,027,315
Change in permanently restricted net assets:			Income Unrestricted:			
Contributions	114,475	160,255	Endowment	100,280	715,176	651,625
Change in permanently restricted net assets	114,475	160,255	Morita	100,000	128,521	117,100
Change in net assets	10,158,836	15,929,341	Henderson	548,223	3,832,423	3,491,872
Net assets, beginning of year	73,948,218	58,018,877	Schoenfeld/ Mitchell	573,447	726,610	662,043
Net assets, end of year	<u>\$84,107,054</u>	<u>\$73,948,218</u>	Laha	189,309	244,114	222,422
			Ritt	51,347	228,330	208,041
			Moore	2,575	21,522	19,611
			Total (Income Unrestricted)	1,565,181	5,896,696	5,372,714
			Total Endowment Funds	<u>\$4,867,124</u>	<u>\$10,368,047</u>	<u>\$9,400,029</u>

STATEMENTS OF INVESTED FUNDS

As of December 31, 2010, and 2009

			Original	12/31/10	12/31/09
			Gift(s)	Market	Market
				Value	Value
True Endowment Funds:					
Income Restricted:					
Research Prize Funds:					
Steele	\$145,009	\$579,538			\$528,040
Birkhoff	50,112	72,792			66,324
			Board-Restricted Funds:		
			Journal Archive	873,003	719,177
			Young Scholars	642,864	585,799
			Economic Stabilization	23,732,898	23,114,000
			Operations Support	43,636,273	35,124,437
			Total Board-Restricted Funds	<u>68,885,038</u>	<u>59,543,413</u>
			Total Funds	<u>\$79,253,085</u>	<u>\$68,943,442</u>