
From the AMS Secretary

Report of the Treasurer (2013)

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.

When reviewing the financial results of the AMS, it is important to note that the financial support for its membership and professional programs is derived from multiple sources. First, a board-designated endowment fund named the Operations Support Fund (OSF) provided \$1,438,000 in operating support to the membership and professional programs in 2013. The OSF is a fund that has grown throughout the years from operating net income as well as investment gains; because the fund is dependent upon market conditions, the amount provided varies from year to year. In addition, the membership and professional programs are supported through dues income and contributions. Finally, the margin from the publication programs supports these services as well. Without the margin from publications and the OSF income, dues and contributions alone would not provide enough support to continue professional programs, such as Mathjobs, scholarships, fellowships, and the *Notices*.

The Society experienced a gain of \$1.2 million in net operating income in 2013. While publishing and other revenues were lower than expected, the Society's operating costs were significantly under budget as well, primarily due to a decrease in publishing production. This decrease in costs is related to a drop in the number of books published in 2013. The Society's unrestricted net assets increased by \$17.8 million primarily due to a 22.5 percent

return on the long-term investments and the \$1.2 million in net operating income.

Market Trends and Economic Conditions Affecting the Society

In 2013, the Society experienced a total decrease in printed book sales of \$540,771 from 2012. This decline is partially offset by the increase in electronic subscriptions and digitized backlist revenues, which have started to replace the print book sales. However, about \$350,000 in this drop in revenues is due to the less-than-budgeted number of books published in 2013. There were sixty-three books published in comparison to the budgeted number of eighty-five. The actual number of books published has shown a steady decline since 2010. Other scientific publishers are experiencing a similar decline.

Another factor affecting the overall revenues and expenses was that the Society unexpectedly took on the management of the MathJax Consortium in March 2013. MathJax is open source software being developed to render mathematics on the Internet. The overall financial effect to the Society is minimal as this project is being supported by many commercial and not-for-profit sponsors and the Society for Industrial and Applied Mathematics (SIAM), as a joint venturer.

Investment markets fared well in 2013. The S&P 500 stock market index experienced a 32 percent return, although the Barclay's US Aggregate bond index experienced a decline of 2 percent. The Society's long-term investments benefitted from the bull market, experiencing a 22.5 percent return overall. The Society's investments in a US total stock market fund experienced a 33 percent return, which was offset by declines in investments in the bond market and low returns in real estate investment trust (REIT) mutual funds. The Society's operating portfolio experienced lackluster returns of 2.5 percent due to the scarcity of short-term investments with attractive returns, such as certificates of deposits, bonds, and money market funds.

Membership numbers at the American Mathematical Society remained constant in 2013, after experiencing a decline for years. However, the number of paying members declined by 5 percent. This is a trend many membership associations have been experiencing across the United States. Within the international institutional membership category, membership increased slightly.

Journal subscriptions to most AMS journals declined in 2013 with an overall decline in paying subscribers of 2.5 percent. In the publishing industry, many scientific journals are experiencing even greater attrition. The subscription attrition was partially offset by a price increase of 4 percent. As shown in Table 1, the majority of the Society's revenues have remained flat for years when adjusted for inflation. For subscription products and dues there has been a steady decline of subscribers and paying members, offset by increasing subscription prices and dues. Mathematical Reviews (MR) revenues from MathSciNet and book program revenues experienced a distinct decline between 2012 and 2013. For MR, the decline is related to the loss in revenues from printed subscriptions of the database (discontinued in 2013), amounting to \$260,000. The book revenue decline is due to the decrease in the number of new books published in 2013.

2013 Balance Sheets Highlights

The Society's financial statements, including balance sheets and statements of activities, are shown at the end of this financial review. The Society continues to enjoy healthy balance sheets. Total net assets increased by \$21 million, primarily due to investment gains and net operating income of \$1.2 million. Total net assets of the organization are \$117.6 million, of which \$102.5 million are unrestricted. Table 2 shows highlights of the Society's 2013 balance sheets.

2013 Statements of Activities

The Society's 2013 net operating income of \$1.2 million was very close to the budgeted net operating income. Total revenues decreased by \$436,000 between 2012 and 2013. Publishing revenues decreased by \$445,000 in the same period, due mostly to a decline in printed book sales partially offset by electronic backlist and subscription sales. Although the electronic books subscription sales have eroded the sales of printed books, the number of new books published in 2013 is the primary reason for the large drop in sales. There were other factors affecting the Society's revenues to a lesser degree than the publishing

revenues. The Society's temporary investment income contributed about \$200,000 to the decrease in revenue between 2012 and 2013, which is attributable to the poor results of the bond mutual funds in the operating portfolio and lower short-term interest rates. Partially offsetting these revenue decreases, there was a new revenue source from sponsorships for the MathJax software project, as well as additional travel grant revenues.

The Society has managed its expenses well over the past decades, ensuring a positive net income for twenty-three years as shown in Table 3. Expenses increased between 2012 and 2013 by \$807,000 as shown in Table 4. The biggest increase of approximately \$320,000 occurred in the contracted services expense in the "All Other Expenses" category due to an effort to digitize the Society's backlist, an increase in digitization/keying services for MathSciNet, and the additional contracted services incurred from assuming the management of the MathJax software project. Although personnel costs did rise between 2012 and 2013, they rose by only 1 percent or \$215,000. This small increase was due to a reduction in force that occurred in the second half of 2012, and an actual decrease in health insurance costs associated with changes in the health insurance plan. The largest decrease between 2012 and 2013 was "Outside Printing Binding and Mailing," which was due to the decrease in the number of books published in 2013.

2013 Statements of Invested Funds

The Society's Statements of Invested Funds show a listing of the Society's endowments and quasi-endowments (board-designated funds). In addition, the long-term investments of the Society also contain one new, temporarily restricted fund, the Beal Prize, which at year-end amounted to \$1.154 million. The corpus of this fund, \$1,000,000, is set aside to fund a prize for solving the Beal Conjecture. The spendable income from the fund will support the Erdős Lecture and other programs. Overall, the 2013 Statements of Invested Funds show a large increase of \$21.4 million over 2012 primarily due to returns from the investment markets. This high increase cannot be expected in general.

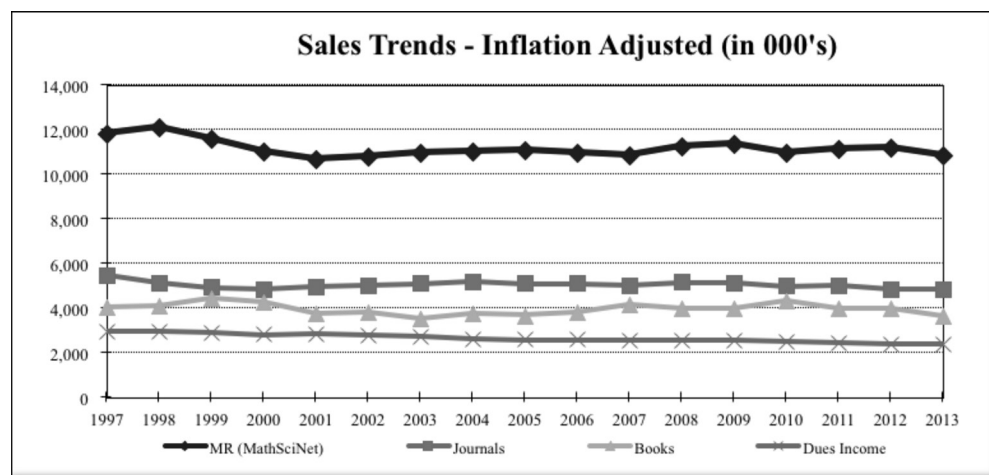


Table 1

Summary Financial Information

The following Statements of Activities and Balance Sheets are from the audited financial statements of the AMS, and the Statement of Invested Funds is from the internal financial records of the AMS. Any member may contact the AMS to request the full audited statements of the Society.

Highlights of Balance Sheets Changes from 2012 to 2013	Commentary
Cash increased by approximately \$3,630,000, while short-term investments and certificates of deposits decreased by approximately \$2,822,000 and \$568,000, respectively.	The increase in cash corresponds to decreases in short-term investments due to the lack of attractive short-term investments in certificates of deposits and money markets. These short-term investments experienced returns less than 1 percent.
Prepaid expense and deposits decreased approximately \$401,000.	This decrease was due to lower prepayments and deposits for the 2014 Joint Mathematics Meetings (JMM), which experienced lower costs due to the meeting location. Additionally, prepayments for health insurance were lower due to the timing of the payments.
Long-term investments increased by approximately \$21.5 million.	The long-term investments experienced a 22.5 percent return due to the stock market returns in 2013.
Accounts payable and accrued expenses increased by approximately \$746,000.	A \$935,000 increase to the accrual for paid personal leave (PPL), based on a revision to the Society's policy in 2013, accounted for the majority of the increase. This was offset by a decrease in accounts payable due to timing of payments at year-end.
Deferred revenues decreased by approximately \$705,000.	Collections of 2014 subscriptions and membership renewals, the majority of which would have normally occurred in 2013, have carried over into 2014. There was a delay in sending out the 2014 subscription and membership renewals due to the implementation of the association management software, Personify, decreasing the deferred revenues balance.
Post-retirement benefit obligation decreased by approximately \$549,000.	This decrease was due to an increase in the assumed discount rate used to actuarially determine the benefit obligation. The discount rate increased from 3.8 percent in 2012 to 4.7 percent in 2013.

Table 2

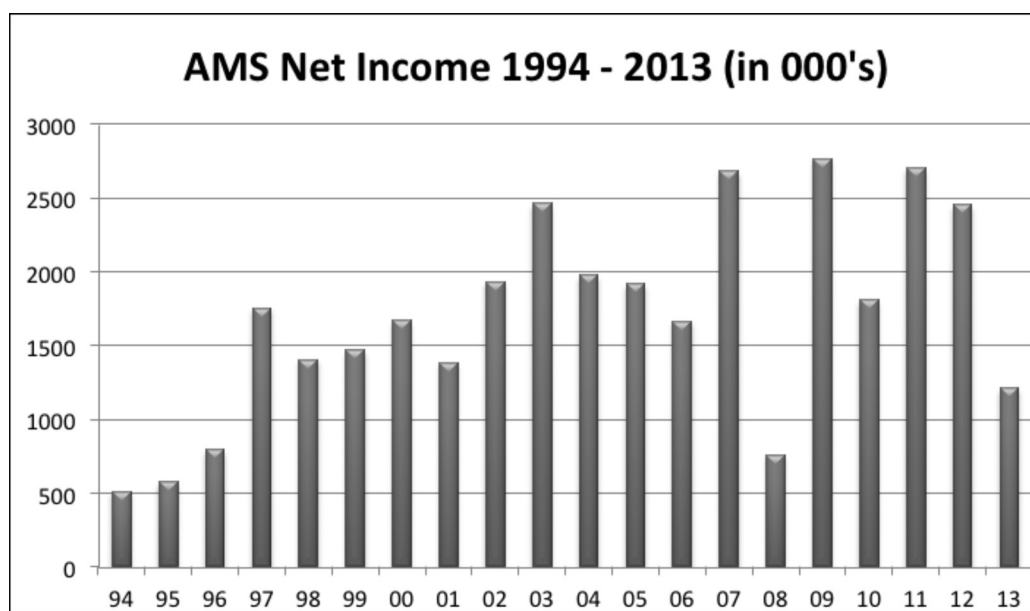


Table 3

Major Expense Categories (in thousands of dollars)

Major Expense Categories (in thousands of dollars)

	<u>2012 Actual</u>		<u>2013 Actual</u>		Variance 12 v. 13 inc(dec)		% chg
Personnel Costs	\$18,017	68.5%	\$18,232	67.3%	\$215		1%
Building and Equipment Related	1,599	6.1%	1,744	6.4%	145		9%
Postage	656	2.5%	591	2.2%	(65)		-10%
Outside Print'g, Bind'g and Mail'g	560	2.1%	351	1.3%	(209)		-37%
Printing paper	335	1.3%	331	1.2%	(4)		-1%
Travel Grant awards	644	2.4%	784	2.9%	140		22%
Travel - Staff, Volunteers	634	2.4%	752	2.8%	118		19%
All Other Expenses	3,842	14.6%	4,309	15.9%	467		12%
	<u>\$26,287</u>	<u>100%</u>	<u>\$27,094</u>	<u>100%</u>	<u>\$ 807</u>		<u>3%</u>

Table 4

AMERICAN MATHEMATICAL SOCIETY

Balance Sheets

	<i>December 31,</i>	
	<i>2013</i>	<i>2012</i>
Assets		
Cash and cash equivalents	\$ 4,724,387	\$ 1,094,226
Certificates of deposit	951,529	1,520,000
Short-term investments	10,432,357	13,255,356
Accounts receivable, net of allowances of \$263,224 and \$338,805 in 2013 and 2012, respectively	678,298	912,349
Deferred prepublication costs	555,294	728,923
Completed books	1,282,908	1,384,432
Prepaid expenses and deposits	1,213,201	1,614,823
Land, buildings and equipment, net	5,127,278	5,367,801
Long-term investments	115,196,217	93,748,205
	<hr/>	<hr/>
Total assets	\$ 140,161,469	\$ 119,626,115
	<hr/>	<hr/>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,006,141	\$ 3,260,488
Accrued study leave pay	685,363	803,202
Deferred revenue	11,671,731	12,376,468
Postretirement benefit obligation	6,108,330	6,656,993
	<hr/>	<hr/>
Total liabilities	22,471,565	23,097,151
	<hr/>	<hr/>
Net assets:		
Unrestricted:		
Undesignated	1,448,012	2,261,743
Designated	101,007,256	82,388,405
	<hr/>	<hr/>
	102,455,268	84,650,148
Temporarily restricted	9,968,645	6,782,825
Permanently restricted	5,265,991	5,095,991
	<hr/>	<hr/>
Total net assets	117,689,904	96,528,964
	<hr/>	<hr/>
Total liabilities and net assets	\$ 140,161,469	\$ 119,626,115
	<hr/>	<hr/>

AMERICAN MATHEMATICAL SOCIETY

Statements of Activities

	<i>Years Ended December 31,</i>	
	<i>2013</i>	<i>2012</i>
Changes in unrestricted net assets:		
Operating revenue, including net assets released from restrictions:		
Mathematical Reviews	\$ 10,868,077	\$ 11,087,637
Journals	5,062,348	4,829,242
Books	3,623,632	4,023,584
Dues, services, and outreach	3,839,958	3,696,895
Investment returns appropriated for spending	1,459,970	1,772,400
Other publications-related revenue	636,881	419,591
Grants, prizes and awards	1,233,313	1,171,264
Meetings	1,253,181	1,229,138
Short-term investment income	262,762	460,062
Other	67,791	54,202
Total operating revenue	28,307,913	28,744,015
Operating expenses:		
Mathematical Reviews	7,075,759	7,055,203
Journals	1,415,180	1,426,643
Books	3,220,413	3,421,212
Publications indirect	1,168,463	1,138,659
Customer services, warehousing and distribution	1,567,644	1,227,921
Other publications-related expense	194,186	204,347
Membership, services and outreach	4,016,715	3,727,374
Grants, prizes and awards	1,504,294	1,329,423
Meetings	1,254,622	1,130,959
Governance	553,239	472,553
Member and professional services indirect	740,306	704,489
General and administrative	4,317,500	4,364,657
Other	66,021	83,619
Total operating expenses	27,094,342	26,287,059
Excess of operating revenue over operating expenses	1,213,571	2,456,956
Investment returns less investment returns available for spending	16,968,778	9,227,195
Use of board designated Endowment Income Stabilization Funds	(31,112)	
Use of board designated Retrodigitization Funds	(129,481)	
Effect of capitalization of labor for in house software development		667,014
Depreciation of labor for in house software development	(66,701)	
Extraordinary loss - Change in Leave Policy	(935,360)	
Postretirement benefit-related changes other than net periodic cost	785,425	(458,200)
Change in unrestricted net assets	17,805,120	11,892,965

Continued on next page

AMERICAN MATHEMATICAL SOCIETY

Statements of Activities (Continued)

	<i>Years Ended December 31,</i>	
	<i>2013</i>	<i>2012</i>
Changes in temporarily restricted net assets:		
Contributions	\$ 1,161,387	\$ 79,860
Investment returns less investment returns appropriated for spending	2,631,454	1,562,538
Net assets released from restrictions	<u>(607,021)</u>	<u>(612,858)</u>
Change in temporarily restricted net assets	<u>3,185,820</u>	<u>1,029,540</u>
Change in permanently restricted net assets:		
Contributions	<u>170,000</u>	<u>111,477</u>
Change in permanently restricted net assets	<u>170,000</u>	<u>111,477</u>
Change in net assets	21,160,940	13,033,982
Net assets, beginning of year	<u>96,528,964</u>	<u>83,494,982</u>
Net assets, end of year	\$ <u>117,689,904</u>	\$ <u>96,528,964</u>

American Mathematical Society-Statements of Invested Funds

As of Decembers 31, 2013 and 2012

Endowment Funds:	Original Gift	12/31/2013 Total Value	12/31/2012 Total Value
Research Prize Funds			
Steele	145,511	731,899	613,521
Birkhoff	50,132	91,886	77,061
Veblen	58,599	81,317	40,875
Wiener	29,773	48,728	40,875
Bocher	32,557	49,502	41,524
Conant	9,477	48,778	40,917
Cole Number Theory	33,563	50,989	42,320
Cole Algebra	33,563	50,989	42,320
Satter	49,720	80,258	61,151
Doob	45,000	60,303	50,585
Robbins	41,250	56,117	47,073
Eisenbud	40,000	52,556	44,086
Other Prize and Award Funds			
Morgan Prize	25,000	53,082	44,527
Albert Whiteman Prize	93,618	126,892	106,442
Arnold Ross Lectures	70,000	94,483	79,255
Trjitzinsky	196,030	588,060	493,285
C.V. Newsom	100,000	273,651	229,548
Centennial	61,183	145,968	117,697
Menger	97,250	132,953	111,526
Ky Fan (China)	366,757	470,061	394,304
Gross	21,510	26,754	21,100
Epsilon	1,873,067	2,496,505	1,989,005
Einstein Lecture	100,000	136,080	114,148
Exemplary Program	100,000	135,247	113,450
Mathematical Art	20,000	27,050	22,690
Subtotal (Income Restricted)	3,693,560	6,110,110	4,979,285
Endowment	107,530	906,675	754,974
Morita	100,000	161,620	135,667
Henderson	548,223	4,819,435	4,045,510
Schoenfeld/Mitchell	573,447	913,743	767,010
Laha	189,309	306,983	257,687
Ritt	51,347	287,135	241,025
Moore	2,575	27,066	22,720
Subtotal (Income Unrestricted)	1,572,431	7,422,657	6,224,593
Total Endowment Funds	5,265,992	13,532,767	11,203,878
Quasi-Endowment Funds:			
Journal Archive Fund		1,414,581	1,113,204
Young Scholars		812,252	680,247
Economic Stabilization Fund		25,840,754	25,888,951
Backfile Digitization Fund		270,519	400,000
Endowment Income Stabilization Fund		497,710	500,000
Operations Support Fund		72,171,440	53,806,003
Total Quasi-Endowment Funds		101,007,256	82,388,405
Temporarily Restricted:			
Beal Prize	1,000,000	1,153,924	155,922.00
Total Invested Funds	\$6,265,992	\$115,693,947	\$93,748,205