

From the AMS Secretary

Report of the Treasurer (2014)

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, the Operations Support Fund (OSF), provided \$1,776,000 in operating support to the membership and professional programs in 2014. 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*.

In 2014, the net operating income of the Society was approximately \$1.8 million, as compared to a net income of \$1.2 million in 2013. This operating net income was primarily the result of a 5.6 percent increase in operating revenues, partially offset by a modest increase in operating expenses. The Society's unrestricted net assets increased by \$8.7 million primarily due to a 10 percent return on the long-term investments and the \$1.8 million in net operating income. We note that the net operating income in 2014 is about the same as the 2014 OSF contribution.

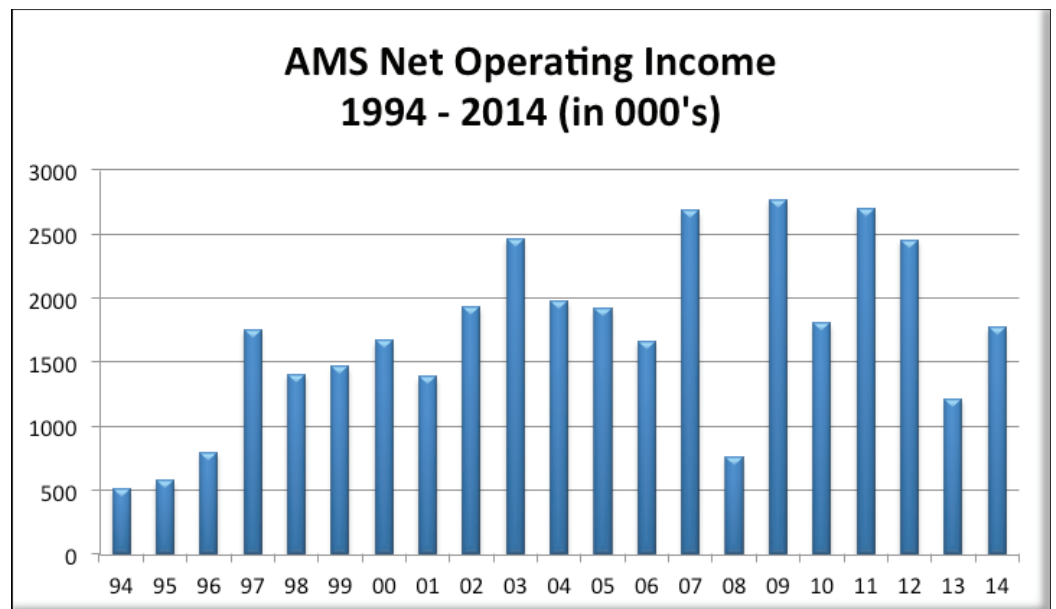


Figure 1

All currency discussed in this report refers to US dollars.

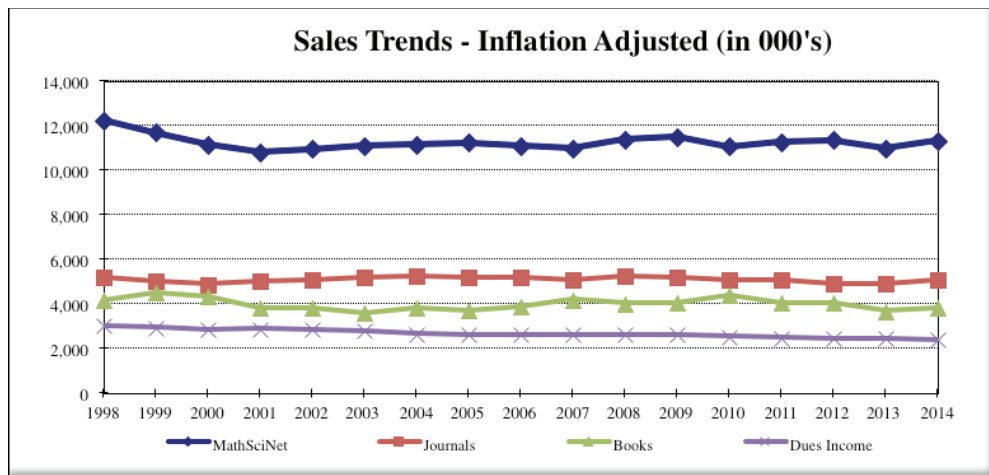


Figure 2

Operating Results

The positive net operating income of \$1.8 million in 2014 is the result of several factors, including management’s controls on expenses, increases in some publishing revenues, and increases in contributions and spendable income from board-designated endowment funds. As shown in Figure 1 (previous page), the Society has maintained a positive net income for more than two decades. For many years now, it has been important for the Society’s management to ensure that expenses grow moderately, because publishing revenues, the Society’s major source of revenue, are suffering from subscription attrition and decreased book sales. The Society is engaging in a strategic planning initiative that will address these revenue challenges as well as a continued decline in membership and related dues income.

In 2014, the Society’s net operating income increased from \$1.2 million in 2013 to \$1.8 million. This gain was due to a \$1.6 million or a 5.6 percent increase in revenues, some of which was offset by a smaller 3.8 percent increase

in expenses. Increases in several different revenue items make up the revenue gains over the previous year. The largest increase of \$784,000 was in publication revenues, which experienced a gain due to increased electronic backlist sales and subscription price increases. The OSF spendable income increased by about \$340,000 over 2013, resulting from the excellent returns experienced in the AMS long-term investment portfolio over the past few years. Grant income increased by about \$300,000 over 2013 due to an International Congress of Mathematicians federal travel grant. Another contributor

to the gain in operating revenues was a large increase of \$260,000 in unrestricted contributions due primarily to a large bequest from the estate of Kathleen Baxter. Although 2014 revenues did increase by 5.6 percent over 2013, when adjusted for inflation, sales revenues have remained fairly flat over a number of years as shown in Figure 2.

In 2014, expenses increased by 3.8 percent as compared to 2013. Personnel costs increased 3 percent over 2013 costs. Another large increase of about \$325,000 occurred in contracted services, which reflects increased spending on strategic initiatives and product improvements, such as spending on a new online book platform, journal format enhancements, MathJax development, and digitization of book backlist volumes. There was a large increase of about \$200,000 in physical plant costs, primarily due to an acceleration of depreciation on some building improvements.

Figure 3 shows the amounts spent on major expense categories in 2014.

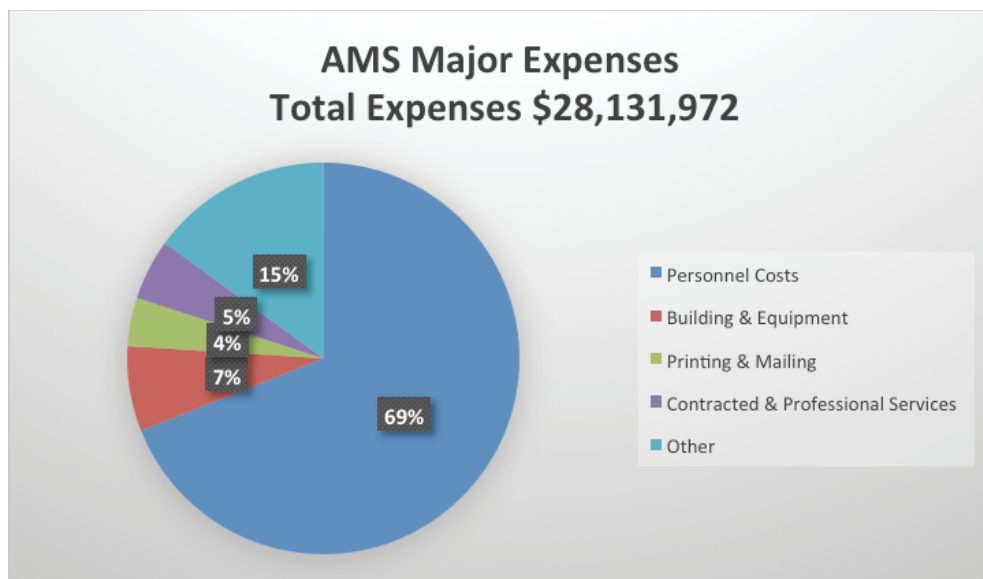


Figure 3

In the “nonoperating” section of the Society’s financial statements, there are two noteworthy figures. There were unrestricted investment gains of \$8.3 million recorded as revenues. In addition, a \$1.2 million expense was recorded related to the Society’s postretirement benefit plan. This large expense came about because of a decrease in the discount rate and new mortality tables used by an actuary to determine the Society’s liability for future payments to retirees. However, a majority of this expense will most likely be reversed if discount rates rise as anticipated in the coming years.

For more detailed information regarding the Society’s operating results, please see the financial

Highlights of Balance Sheets Changes from 2013 to 2014	Commentary
Cash decreased by approximately \$3.7 million, while short-term investments and certificates of deposits increased by approximately \$2,900,000 and \$650,000, respectively.	The decrease in cash was offset almost completely by increases in certificates of deposit and short-term investments.
Prepaid expense and deposits increased approximately \$290,000.	The increase is related to the timing of payments for 2015 health insurance premiums paid during 2014 and higher deposits for the Joint Mathematics Meetings.
Land, buildings and equipment, net decreased \$678,000.	The decrease is related mainly to depreciation expense of \$950,000 net with new additions of \$290,000. The increase in depreciation expenses is related to an acceleration in depreciation of some aging building improvements.
Long-term investments increased by approximately \$11.6 million or 10 percent.	Increase in long-term investments was due to appreciation in investments from unrealized gains and dividends and interest income reinvested.
Post-retirement benefit obligation increased by approximately \$1,300,000 or 21 percent.	A reduction in discount rates used to measure the obligation plus the estimated impact of the new life expectancy tables drove the increase in the liability.

Table 1

statements, including the Statements of Activities, located at the end of this report.

2014 Balance Sheets Highlights

Another report within the financial statements, referred to as the Balance Sheets, is also at the end of this financial review. The Society continues to enjoy healthy balance sheets. Total net assets increased by \$10 million, primarily due to investment gains and net operating income of \$1.8 million. Total net assets of the organization are \$128 million, of which \$111 million are unrestricted. Table 1 shows highlights of the Society's 2014 Balance Sheets.

2014 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 a temporarily restricted fund, the Beal Prize, which at year-end amounted to \$1.264 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 supports the Erdős Lecture and other programs. Overall, the 2014 Statements of Invested Funds show a large increase of \$11.6 million over 2013 primarily due to returns from the investment markets.

The Statements of Invested Funds are divided into the permanently restricted funds that have been acquired from donations in the form of endowment funds, and the funds that have been designated by the Board of Trustees for specific purposes (quasi-endowments). In 2014, there was an addition to the endowment, the Chevalley Prize fund, which will fund a prize in Lie Theory. This new fund was established through a generous donation from George Lusztig.

The quasi-endowment funds are set aside for various purposes. The newest fund, established in 2014, is the Kathleen Baxter Memorial Fund, which will provide spendable income to support the American Mathematical Society's Centennial Fellow. The Backfile Digitization Fund is providing funding to operations for rekeying the Society's book backlist into a usable digital format for future electronic products. The Economic Stabilization Fund (ESF) is a fund set aside to cover the postretirement benefit obligation and 75 percent of the current annual operating expenses in case of disaster. In 2014, the Board of Trustees elected to self-insure against flood risk for the Society's Providence facility by adding \$1.7 million to the ESF. In the near future, some of the quasi-endowment funds may be set aside to fund initiatives related to the strategic planning taking place within the Society.

Summary Financial Information

The following Statements of Activities and Balance Sheets are from the audited financial statements of the AMS, and the Statements 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.

AMERICAN MATHEMATICAL SOCIETY

Balance Sheets

	<i>December 31,</i>	
	<i>2014</i>	<i>2013</i>
Assets		
Cash	\$ 1,022,196	\$ 4,724,387
Certificates of deposit	1,601,460	951,529
Short-term investments	13,331,743	10,432,357
Accounts receivable, net of allowances of \$294,801 and \$263,224 in 2014 and 2013, respectively	655,752	678,298
Deferred prepublication costs	634,436	555,294
Completed books	1,194,235	1,282,908
Prepaid expenses and deposits	1,507,034	1,213,201
Land, buildings and equipment, net	4,449,507	5,127,278
Long-term investments	126,818,565	115,196,217
Total assets	\$ 151,214,928	\$ 140,161,469
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,873,144	\$ 4,006,141
Accrued study leave pay	722,406	685,363
Deferred revenue	11,451,092	11,671,731
Postretirement benefit obligation	7,408,478	6,108,330
Total liabilities	23,455,120	22,471,565
Net assets:		
Unrestricted:		
Undesignated	-	1,448,012
Designated	111,171,200	101,007,256
	111,171,200	102,455,268
Temporarily restricted	11,050,480	9,968,645
Permanently restricted	5,538,128	5,265,991
Total net assets	127,759,808	117,689,904
Total liabilities and net assets	\$ 151,214,928	\$ 140,161,469

AMERICAN MATHEMATICAL SOCIETY

Statements of Activities

	<i>Years Ended December 31,</i>	
	<i>2014</i>	<i>2013</i>
Changes in unrestricted net assets:		
Operating revenue, including net assets released from restrictions:		
Mathematical Reviews	\$ 11,344,158	\$ 10,868,077
Journals	5,306,814	5,062,348
Books	3,687,814	3,623,632
Dues, services, and outreach	3,893,767	3,839,958
Investment returns appropriated for spending	1,799,700	1,459,970
Other publications-related revenue	631,772	636,881
Grants, prizes and awards	1,592,929	1,233,313
Meetings	1,189,114	1,253,181
Short-term investment income	381,349	262,762
Other	77,375	67,791
Total operating revenue	29,904,792	28,307,913
Operating expenses:		
Mathematical Reviews	7,596,576	7,075,759
Journals	1,501,487	1,415,180
Books	3,236,476	3,220,413
Publications indirect	1,418,636	1,168,463
Customer services, warehousing and distribution	1,751,542	1,567,644
Other publications-related expense	157,416	194,186
Membership, services and outreach	4,054,224	4,016,715
Grants, prizes and awards	1,871,237	1,504,294
Meetings	1,154,390	1,254,622
Governance	506,583	553,239
Member and professional services indirect	775,200	740,306
General and administrative	3,989,842	4,317,500
Other	118,363	66,021
Total operating expenses	28,131,972	27,094,342
Excess of operating revenue over operating expenses	1,772,820	1,213,571
Nonoperating revenues and expenses:		
Investment returns less investment returns available for spending	8,348,819	16,968,778
Use of board designated funds from Endowment Income		
Stabilization Fund	(6,335)	(31,112)
Use of board designated funds from Retrodigitization Fund	(159,130)	(129,481)
Effect of capitalization of labor for in house software development	-	-
Depreciation of labor for in house software development	(66,701)	(66,701)
Loss on change in paid personal leave policy	-	(935,360)
Postretirement benefit-related changes other than net periodic cost	(1,173,541)	785,425
Change in unrestricted net assets	<u>8,715,932</u>	<u>17,805,120</u>
Changes in temporarily restricted net assets:		
Contributions	\$ 176,795	\$ 1,161,387
Investment returns	1,459,507	2,632,530
Net assets released from restrictions	(554,467)	(608,097)
Change in temporarily restricted net assets	<u>1,081,835</u>	<u>3,185,820</u>
Change in permanently restricted net assets:		
Contributions	<u>272,137</u>	<u>170,000</u>
Change in permanently restricted net assets	<u>272,137</u>	<u>170,000</u>
Change in net assets	10,069,904	21,160,940
Net assets, beginning of year	<u>117,689,904</u>	<u>96,528,964</u>
Net assets, end of year	\$ <u>127,759,808</u>	\$ <u>117,689,904</u>

American Mathematical Society-Statements of Invested Funds
As of December 31, 2014 and 2013

Income Restricted Endowment:	Original Gift	12/31/14	12/31/13
<u>Endowment Funds:</u>	<u>at 12/31/14</u>	<u>Total Value</u>	<u>Total Value</u>
Research Prize Funds			
Steele	145,511	784,425	731,899
Birkhoff	50,132	98,481	91,886
Veblen	58,599	87,153	81,317
Wiener	29,773	52,225	48,728
Bocher	32,557	53,055	49,502
Conant	9,477	52,278	48,778
Cole Number Theory	51,813	73,593	50,989
Cole Algebra	51,463	73,262	50,989
Satter	49,720	86,018	80,258
Chevalley Fund	115,000	119,488	
Doob Prize	45,000	64,631	60,303
Robbins Prize	41,250	60,145	56,117
Eisenbud Prize	40,000	56,328	52,556
Other Prize and Award Funds			
Morgan Prize	25,000	56,892	53,082
Albert Whiteman Prize	93,618	135,999	126,892
Arnold Ross Lectures	85,212	116,603	94,483
Trjitzinsky	196,030	630,264	588,060
C.V. Newsom	100,000	293,290	273,651
Centennial	61,183	156,444	145,968
Menger	97,250	142,495	132,953
Ky Fan (China)	366,757	503,796	470,061
Gross	22,110	29,274	26,754
Epsilon	1,976,296	2,780,670	2,496,507
Einstein Lecture	100,000	145,846	136,080
Exemplary Program	100,000	144,954	135,247
Mathematical Art	<u>20,000</u>	<u>28,991</u>	<u>27,050</u>
Subtotal (Income Restricted)	3,963,752	6,826,600	6,110,110
Endowment	109,765	973,253	906,675
Morita	100,000	173,081	161,620
Henderson	548,223	5,161,172	4,819,435
Schoenfeld/Mitchell	573,447	978,535	913,743
Laha	189,309	328,751	306,983
Ritt	51,347	307,495	287,135
Moore	<u>2,575</u>	<u>28,986</u>	<u>27,066</u>
Subtotal (Income Unrestricted)	1,574,666	7,951,273	7,422,657
Total Endowment Funds	<u>5,538,418</u>	<u>14,777,873</u>	<u>13,532,767</u>
Quasi-Endowment Funds (Board-Designated):			
Journal Archive Fund		1,607,169	1,414,581
Young Scholars		868,952	812,252
Economic Stabilization Fund (ESF)		29,407,917	25,840,754
Endowment Income Stabilization Fund (EISF)		490,634	497,710
Backfile Digitization Fund		111,389	270,519
Kathleen Baxter Memorial Fund		263,625	
Operations Support Fund (OSF)		<u>78,407,114</u>	<u>72,171,440</u>
Total Quasi-Endowment Funds		111,156,800	101,007,256
Undesignated		110,985	
Beal Prize (Temporarily Restricted)	<u>1,000,000</u>	<u>1,263,562</u>	<u>1,153,924</u>
Total Invested Funds	<u>\$6,538,418</u>	<u>\$127,309,220</u>	<u>\$115,693,947</u>