

Report of the Treasurer (2016)

Introduction

While in 2016 the net operating income of the American Mathematical Society (AMS) was down from that of the two previous years, overall the organization experienced a financially successful year for the year that ended December 31, 2016. The main factors positively impacting the bottom line for 2016 were a gift from the estate of Franklin and Marilyn Peterson, amounting to \$625,000 and the growth of the board-designated spendable income from investments in the Operating Support Fund (OSF), which contributed \$2.5 million to the 2016 operating revenues. Additionally, the AMS book program experienced a significant increase in sales. In 2016, the net operating income of the Society was approximately \$1.6 million, as compared to a net income of \$2.4 million in 2015. We expand upon these statements in this report.

The Report of the Treasurer is presented in the *Notices* 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. One of the key responsibilities 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 twice yearly meetings 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.

When reviewing the financial results of the AMS presented here, it is important to note that the financial support for its membership and professional programs is derived from multiple sources. First, the OSF provided \$2,500,000 in operating support to the membership and professional programs in 2016. 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 *Notices*.

The Society segregates its net assets, and the activities that increase or decrease net assets, into three types: unrestricted, temporarily restricted, and permanently restricted. Total net assets at the end of 2016 were \$140 million. 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 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 infor-

Key Operating Results (in 000's)

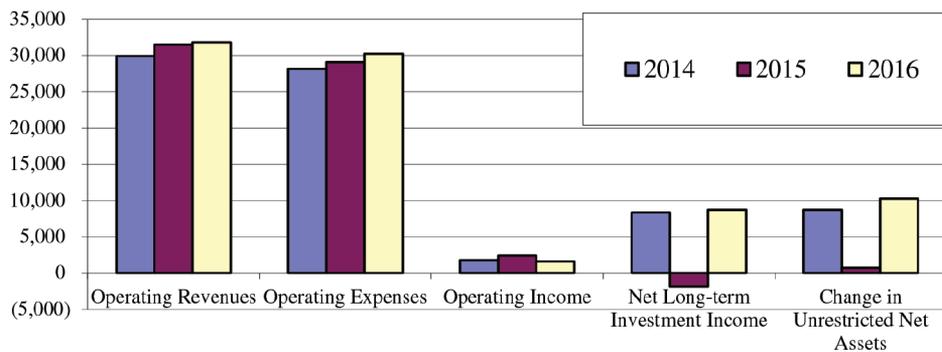


Figure 1

All currency discussed in this report refers to US dollars.

"k" denotes thousand.

"m" denotes million.

mation principally relates to the unrestricted net assets, as this category includes the operating activities of the Society.

Operating Results

Apart from low investment returns in 2015, Figure 1 shows that the past few years, 2014 through 2016, have been good years, financially, for the Society. Figure 1 also illustrates how important the unrestricted, long-term investments are to the financial health of the organization, as the returns on the investments are generally much higher than the operating income.

As mentioned in the opening paragraph, the positive net operating income of \$1.6 million in 2016 benefited from the receipt of a large bequest, totaling about \$625,000. Without the bequests the Society has received in recent years, operating incomes would have been much lower. This underscores the importance of donors' bequests, as they are helping to support the Society's operations during a time that strategic plan implementation is occurring. As shown in Figure 2, 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. In order to increase revenues, fundraising efforts have increased in recent years, and there is a corresponding increase in development revenues. Some long-term strategic planning initiatives being developed

**AMS Net Operating Income
1994 - 2016 (in 000's)**

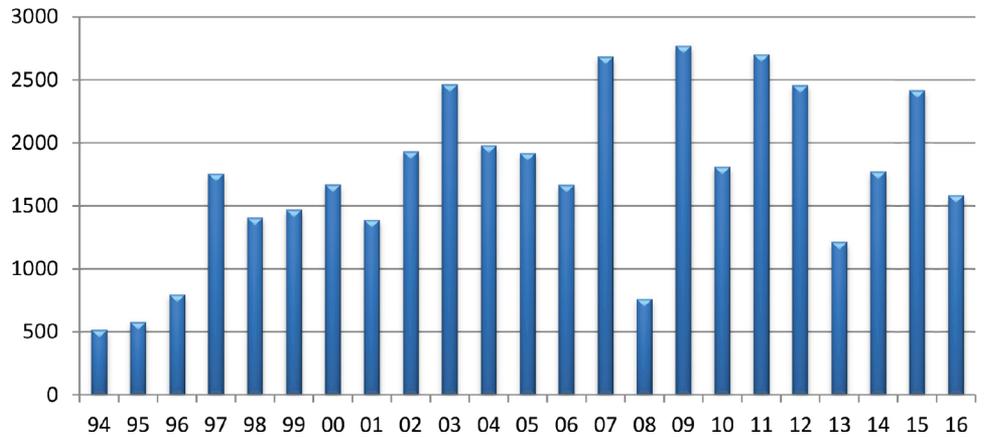


Figure 2

and implemented now and in the near future by the AMS, will address stagnant publishing revenues as well as a continued decline in membership and related dues income.

In 2016, the Society's revenues increased by 1 percent over 2015 revenues. There were two major sources of revenue increases. One major increase was in the book program revenues, which after many years of stagnant or decreasing revenues, experienced a sharp increase in sales of about 18 percent due in part to sales of recently published books and to sales through the new online bookstore. Another major increase was in spendable income from the long-term investments, increasing 22 percent over 2015. There was also a gain of about \$360,000 over the 2015 income from short-term investments, contributing to the AMS operating revenues.

In 2016, expenses increased by 4 percent over the prior year. Wages and benefit costs contributed the most to this increase, due to large rises in benefits costs, normal wage increases, and the addition of new staff, mostly related to new strategic initiatives. While the governance of the AMS consists of volunteers, (elected and appointed with the approval of the Council), the execution of the activities of the Society that fulfill its mission are carried out primarily by professional staff at the AMS. Figure 3 shows the amounts spent on major expense categories in 2016 for more detailed information regarding the Society's operating results, please see the financial statements, including the Statements of Activities, located at the end of this report.

**AMS Major 2016 Expenses
Total Expenses \$30,230,239**

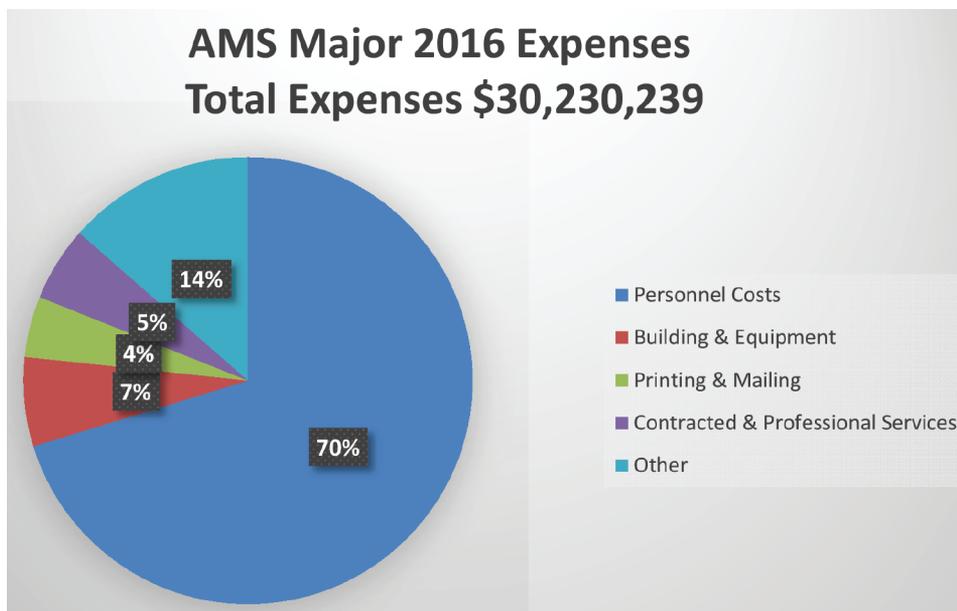


Figure 3

Highlights of Balance Sheets Changes from 2015 to 2016	Commentary
Accounts Receivable decreased \$597k or 52% from the prior year	The decrease was primarily due to the receipt of two receivables from donor bequests that were outstanding at December 31, 2015, totaling \$567k.
Land, building and equipment, net increased \$707k or 16% over the prior year	The increase is related to major fixed asset additions: 1) \$363k for capitalized labor related to a Personify software upgrade, 2) \$291k for IT related equipment including a network storage platform and desktop computers, 3) \$201k for a printing press and 4) \$267k for new accounting software and \$146k for related capitalized labor. These additions were offset by depreciation.
Long-term investments increased by approximately \$13,082k or 10%.	Increase in long-term investments was due to appreciation in investments from unrealized gains and dividends and interest income reinvested.
Net assets increased by \$11,970k or about 9.3%	Increase was driven largely by investment gains of 9.9% offset by releases from the endowment.

Table 1

2016 Balance Sheets Highlights

Another report within the financial statements, referred to as the Balance Sheets, is also at the end of this financial review. Balance sheets provide a snapshot of the financial position of the Society at the end of 2016; the Society continues to maintain healthy balance sheets. Total net assets of the organization are \$140 million, of which \$122 million are unrestricted. Table 1 shows highlights of the Society’s 2016 Balance Sheets.

2016 Statements of Invested Funds

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 (which we refer to as quasi-endowment funds).

The Society’s Statements of Invested Funds is a listing of the Society’s individual endowment and quasi-endowment funds. In addition, the invested funds of the Society contain a temporarily restricted fund, the Beal Prize, which at year-end amounted to \$1.348 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 Erdos Lecture and other programs. Overall, the 2016 Statements of Invested Funds show an increase of \$12.6 million over the prior year. The operations of the AMS generated enough cash so that approximately \$2,000,000 was returned to the investment portfolio at year-end, which offset the outflows from spendable income. The investment return was 9.9 percent as compared to a 0.17 percent return in 2015.

The quasi-endowment funds are set aside for various purposes. For example, the Kathleen Baxter Memorial

fund provides spendable income to support the American Mathematical Society’s Centennial Fellow. The Economic Stabilization Fund (ESF) is a fund set aside to cover the postretirement benefit obligation and 50 percent of the current annual operating expenses in case of disaster. The ESF also contains about \$1.7 million to self-insure against flood risk. The Society’s largest quasi-endowment fund, the Operating Support Fund (OSF), valued at approximately \$95 million, provided \$2,500,000 in spendable income to the AMS operations in 2016.

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 are from the internal financial records of the AMS. Any member may contact the AMS to request the full audited statements of the Society. The Treasurer will be happy to answer any questions members may have regarding the financial affairs of the Society.

Respectfully submitted,
Jane M. Hawkins
 AMS Treasurer

AMERICAN MATHEMATICAL SOCIETY

*Balance Sheets**December 31,*

	<i>2016</i>	<i>2015</i>
Assets		
Cash	\$ 1,131,379	\$ 1,018,324
Certificates of deposit	660,000	710,000
Short-term investments	14,600,782	14,454,171
Accounts and contributions receivable, net of allowances of \$284,980 and \$258,480 in 2016 and 2015, respectively	553,200	1,150,407
Deferred prepublication costs	594,587	568,295
Completed books	1,360,939	1,291,914
Prepaid expenses and deposits	1,632,127	2,038,938
Land, buildings and equipment, net	5,086,655	4,379,852
Long-term investments	140,116,402	127,034,621
Total assets	\$ 165,736,071	\$ 152,646,522
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,190,837	\$ 3,748,485
Accrued study leave pay	736,298	698,508
Deferred revenue	12,926,112	12,613,091
Postretirement benefit obligation	7,646,939	7,321,355
Total liabilities	25,500,186	24,381,439
Net assets:		
Unrestricted:		
Undesignated		120,955
Designated	122,198,789	111,782,413
	122,198,789	111,903,368
Temporarily restricted	11,667,789	10,665,546
Permanently restricted	6,369,307	5,696,169
Total net assets	140,235,885	128,265,083
Total liabilities and net assets	\$ 165,736,071	\$ 152,646,522

AMERICAN MATHEMATICAL SOCIETY

Statements of Activities

	<i>Years Ended December 31,</i>	
	2016	2015
Changes in unrestricted net assets:		
Operating revenue, including net assets released from restrictions:		
Mathematical reviews	\$ 11,877,717	\$ 11,521,492
Journals	5,171,245	5,206,573
Books	4,134,261	3,494,449
Dues, services, and outreach	3,378,939	3,613,378
Investment returns appropriated for spending	2,537,418	2,074,382
Other publications-related revenue	590,102	605,080
Grants, prizes and awards	1,473,577	1,753,884
Meetings	1,438,623	1,321,735
Unrestricted contributions	797,693	1,813,725
Short-term investment income	394,068	64
Other	22,006	68,216
Total operating revenue	<u>31,815,649</u>	<u>31,472,978</u>
Operating expenses:		
Mathematical reviews	8,189,326	7,696,350
Journals	1,488,098	1,515,997
Books	3,629,068	3,442,729
Publications indirect	1,373,895	1,216,181
Customer services, warehousing and distribution	1,615,466	1,625,478
Other publications-related expense	188,623	141,647
Membership, services and outreach	4,804,083	4,533,481
Grants, prizes and awards	1,405,161	2,138,628
Meetings	1,344,479	1,268,016
Governance	642,822	569,277
Member and professional services indirect	1,054,673	891,823
General and administrative	4,418,657	3,915,508
Other	75,888	100,011
Total operating expenses	<u>30,230,239</u>	<u>29,055,126</u>
Excess of operating revenue over operating expenses	<u>1,585,410</u>	<u>2,417,852</u>
Nonoperating revenues and expenses:		
Investment returns less investment returns available for spending	8,512,302	(1,872,939)
Use of board designated funds from Endowment Income		
Stabilization Fund, Backfile Digitization and Strategic Initiative	(82,332)	(6,680)
Capitalization of in-house software development labor	509,745	
Depreciation of in-house software development labor	(57,438)	(53,810)
Postretirement benefit-related changes other than net periodic cost	(172,266)	247,745
Change in unrestricted net assets	<u>10,295,421</u>	<u>732,168</u>
Changes in temporarily restricted net assets:		
Contributions	\$ 105,377	\$ 332,307
Investment returns	1,549,217	13,503
Net assets released from restrictions	<u>(652,351)</u>	<u>(730,744)</u>
Change in temporarily restricted net assets	<u>1,002,243</u>	<u>(384,934)</u>
Change in permanently restricted net assets:		
Contributions	<u>673,138</u>	<u>158,041</u>
Change in permanently restricted net assets	<u>673,138</u>	<u>158,041</u>
Change in net assets	<u>11,970,802</u>	<u>505,275</u>
Net assets, beginning of year	<u>128,265,083</u>	<u>127,759,808</u>
Net assets, end of year	<u>\$ 140,235,885</u>	<u>\$ 128,265,083</u>

American Mathematical Society-Statements of Invested Funds
As of December 31, 2016 and 2015

Income Restricted Endowment: Endowment Funds:	Original Gift at 12/31/16	12/31/16 Total Value	12/31/15 Total Value
Research Prize Funds			
Steele	145,511	810,858	762,236
Birkhoff	50,132	101,799	95,695
Veblen	58,599	90,090	84,688
Wiener	29,773	53,985	50,748
Bocher	32,557	54,843	51,554
Conant	9,477	54,040	50,800
Cole Number Theory	52,313	76,607	71,773
Cole Algebra	51,963	76,265	71,452
Satter	49,720	88,917	83,585
Chevalley Fund	115,000	123,515	116,108
Doob Prize	80,000	104,542	98,274
Robbins Prize	41,250	62,172	58,443
Eisenbud Prize	40,000	58,226	54,734
Grenander (New in 2016)	51,045	51,093	0
Bertrand Russell (New in 2016)	100,000	100,000	0
Other Prize and Award Funds			
Morgan Prize	25,000	58,809	55,282
Albert Whiteman Prize	95,459	142,488	133,902
Arnold Ross Lectures	105,934	142,258	131,363
Trjitzinsky	196,030	651,502	612,435
C.V. Newsom	100,000	303,174	284,994
Centennial	61,183	161,716	152,019
Menger	97,250	147,297	138,464
Ky Fan (China)	366,757	520,773	489,545
Impact Award	22,110	30,260	28,446
Green Fund	25,000	25,447	0
Epsilon	2,166,482	3,074,571	2,803,104
Early Career Mathematician	403,000	417,874	0
Einstein Lecture	100,000	150,760	141,720
Exemplary Program	100,000	149,838	140,853
Mathematical Art	<u>20,000</u>	<u>29,968</u>	<u>28,171</u>
Subtotal (Income Restricted)	4,791,546	7,913,686	6,790,388
Endowment	113,200	1,007,499	946,521
Morita	100,000	178,541	167,967
Henderson	548,223	5,324,001	5,008,701
Schoenfeld/Mitchell	573,447	1,009,407	949,627
Laha	189,309	339,123	319,039
Ritt	51,347	317,196	298,411
Moore	<u>2,575</u>	<u>29,900</u>	<u>28,129</u>
Subtotal (Income Unrestricted)	1,578,101	8,205,666	7,718,395
Total Endowment Funds	<u>6,369,647</u>	<u>16,119,353</u>	<u>14,508,783</u>
Quasi-Endowment Funds (Board-Designated):			
Journal Archive Fund		1,872,852	1,657,495
Young Scholars		896,980	843,852
Economic Stabilization Fund (ESF)		24,163,443	30,131,910
Endowment Income Stabilization Fund (EISF)		0	482,844
Backfile Digitization Fund		68,401	111,389
Strategic Initiative Fund		310,657	250,000
Kathleen Baxter Memorial Fund		281,288	263,859
Operations Support Fund (OSF)		<u>94,606,082</u>	<u>78,041,064</u>
Total Quasi-Endowment Funds		122,199,703	111,782,413
Owed to Operations		449,077	
Beal Prize (Temporarily Restricted)	<u>1,000,000</u>	<u>1,348,288</u>	<u>1,236,302</u>
Total Invested Funds	<u>\$7,369,647</u>	<u>\$140,116,421</u>	<u>\$127,527,498</u>