

Report of the Treasurer (2017)

Introduction

The fiscal year 2017 was one of significant change for the American Mathematical Society (AMS) due to the acquisition of the MAA Press in the last quarter of the year. Even so, the AMS finished the 2017 fiscal year with an operating bottom line of about \$1,000,000. This is lower than recent fiscal years, but due to investment market performance, unrestricted net assets increased by more than \$19 million. The Treasurer is pleased to report that overall, it was a financially healthy year for the AMS.

The Report of the Treasurer is presented in the *Notices* annually. Its purpose is to discuss 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, a board-designated endowment fund, the Operations Support Fund (OSF), provided \$2,831,000 in operating support to the membership and professional programs in 2017. 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 both publications and the OSF income, dues and contributions alone would not provide enough support to continue professional programs, such as MathJobs.Org, 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 2017 were approximately \$163 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 goal. 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 with the income spent only on specific programs and prizes for which the donations were intended, and are commonly referred to as endowment funds. The accompanying financial information principally relates to the unrestricted net assets, as this category

Key Operating Results
(in 000's)

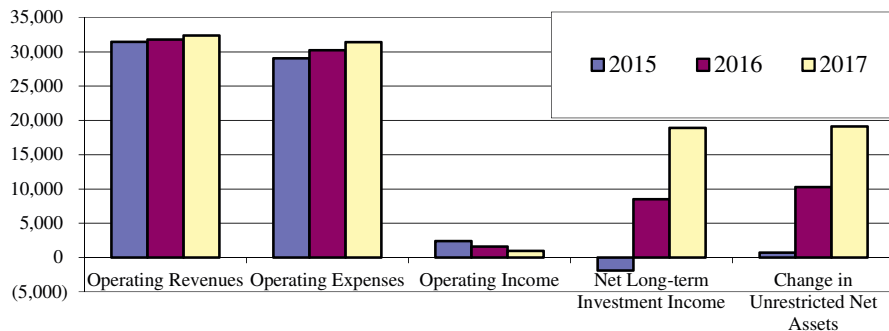


Figure 1

All currency discussed in this report refers to US dollars.

"k" denotes thousand.

"m" denotes million.

includes the operating activities of the Society.

Operating Results

Apart from the low investment returns in 2015, Figure 1 shows that the past three years 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. These unrestricted investment returns amounted to \$18,901,234 in 2017.

There were two financial transactions that occurred at the Society in 2017 that contributed to a lower than normal operating income as shown in Figure 2. As part of the strategic plan initiative to publish more mathematics, the AMS acquired the MAA Press at the end of September from the Mathematical Association of America. Also, the internal accounting for AMS Points, which are exchangeable for AMS books and services, and are awarded to mathematicians for reviewing and editorial work, changed in 2017; we are now required to count them as an expense in the year they are awarded. This is referred to as an accounting accrual and it increased the expenses by about \$554,000. This accrual will not affect the financial statements as much in future years.

In 2017, the Society’s revenues increased by 1.8% over 2016 revenues. There was a sharp decline in development donations from 2016 to 2017 due to a large bequest the AMS received in 2016, which masks the fact that revenues

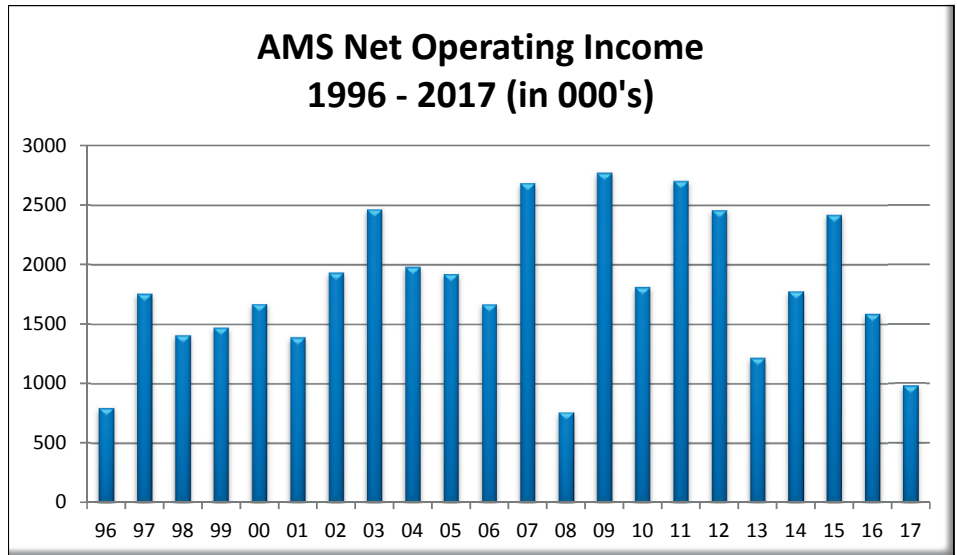


Figure 2

overall were up by about 4% after subtracting the difference in donations. Publishing revenues did especially well with electronic book backlist and MathSciNet sales providing the bulk of the increase from one year to the next. However, journal subscriptions sales continue to decline due to subscription attrition and the movement of subscribers to less expensive subscription models, such as electronic only or consortia.

In 2017, expenses increased by 4% over the prior year. Wage and benefit costs increased about 3.5% due to rapidly increasing health insurance benefits and annual raises for employees. Major contributing factors to increased costs were the aforementioned accrual of AMS Points values and the acquisition of MAA Press. Many costs, such as building, postage and equipment remained the same as the prior year. Figure 3 shows the amounts spent on major expense categories in 2017.

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.

2017 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 maintain healthy balance sheets. Total net assets of the organization are \$163 million, of which \$141 million are unrestricted. Table 1 (see page 1110) shows highlights of the Society’s 2017 Balance Sheets.

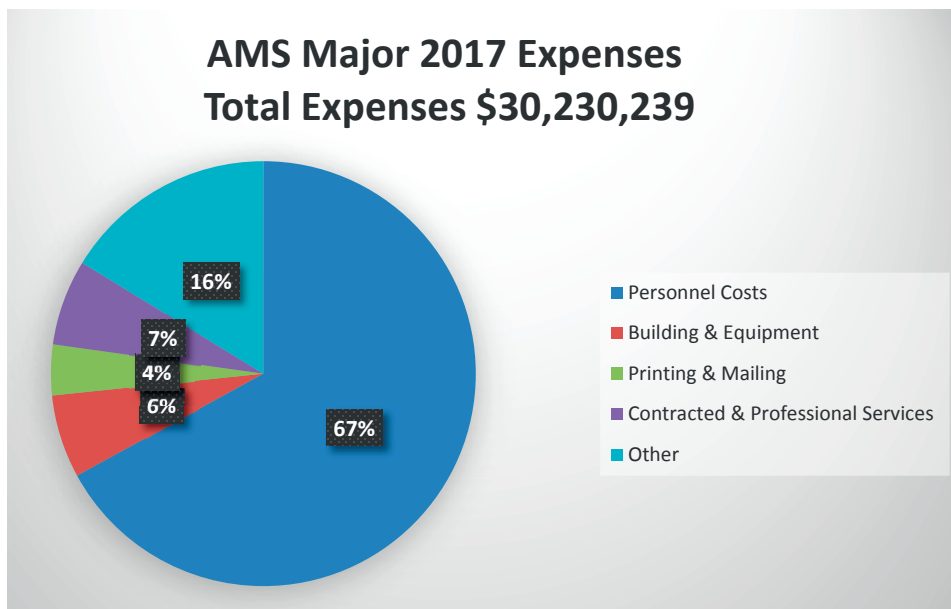


Figure 3

FROM THE AMS SECRETARY

Highlights of Balance Sheets Changes from 2016 to 2017	Commentary
Short-term investments decreased by \$1.9 million (-13%)	This decrease is due primarily to the Society investing in capital assets including building improvements and the MAA Press.
Completed books increased by \$576,000 (42%)	The book inventory increased mainly because of the acquisition of MAA Press books.
Long-term investments increased by \$22.9 million	The investments increased due to the performance of the investment markets in 2017. The Society's portfolio experiences a 17.8% return.
Accounts payable and accrued expenses increased by \$708,000 (17%)	The increase is mostly related to the accrual of the AMS Point values.
Deferred Revenue decreased \$668,281 (5%)	In 2016, approximately \$200,000 in donations reced for purposes not yet approved by AMS governance were treated as deferred revenues, but this was reversed in 2017. In addition, the number of prepaid subscriptions dropped at the end of 2017 compared to 2016, accounting for the majority of this variance.
Postretirement benefit obligation increased approximately \$600,000 (8%)	This increase was due to a decrease in the interest rate used in the actuarial calculation of the value of this obligation.

Table 1

2017 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 \$1.6 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 2017 Statements of Invested Funds show an increase of about \$23 million over the prior year. The investment return was 17.8%. Approximately \$600,000 in donations were added to the permanent endowment during the year.

The quasi-endowment or board-designated funds are set aside for various purposes. The Economic Stabilization Fund (ESF) is a fund set aside to cover the postretirement benefit obligation and 50% of the current annual operating expenses in case of disaster. The ESF also contains funds to self-insure against flood risk. The Society's largest quasi-endowment fund, the Operations Support Fund (OSF), valued at approximately \$111.7 million, provided \$2,831,000 in spendable income to the AMS operations in 2017.

Summary Financial Information

The pages that follow contain Statements of Activities and Balance Sheets from the audited financial statements of the AMS; 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

	<i>December 31,</i>	
	<i>2017</i>	<i>2016</i>
Assets		
Cash	\$ 993,242	\$ 1,131,379
Certificates of deposit	466,759	660,000
Short-term investments	12,699,193	14,600,782
Accounts and contributions receivable, net of allowances of \$272,980 and \$284,980 in 2017 and 2016, respectively	787,938	523,200
Contributions receivable, net	559,702	30,000
Deferred prepublication costs	600,406	594,587
Completed books	1,937,399	1,360,939
Prepaid expenses and deposits	1,780,182	1,632,127
Land, buildings and equipment, net	5,040,855	5,086,655
Long-term investments	162,999,715	140,116,402
Intangible assets, net	1,385,235	-
Total assets	\$ 189,250,626	\$ 165,736,071
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,898,847	\$ 4,190,837
Accrued study leave pay	860,403	736,298
Deferred revenue	12,257,831	12,926,112
Postretirement benefit obligation	8,249,948	7,646,939
Total liabilities	26,267,029	25,500,186
Net assets:		
Unrestricted:		
Undesignated	553,959	
Designated	140,750,524	122,198,789
	141,304,483	122,198,789
Temporarily restricted	14,185,308	11,667,789
Permanently restricted	7,493,806	6,369,307
Total net assets	162,983,597	140,235,885
Total liabilities and net assets	\$ 189,250,626	\$ 165,736,071

AMERICAN MATHEMATICAL SOCIETY
Statements of Activities

	<i>Years Ended December 31,</i>	
	<i>2017</i>	<i>2016</i>
Changes in unrestricted net assets:		
Operating revenue, including net assets released from restrictions:		
Mathematical reviews	\$ 12,157,145	\$ 11,877,717
Journals	5,158,276	5,171,245
Books	4,399,106	4,134,261
Dues, services, and outreach	3,515,409	3,378,939
Investment returns appropriated for spending	2,869,500	2,537,418
Other publications-related revenue	672,881	590,102
Grants, prizes and awards	1,379,626	1,473,577
Meetings	1,533,022	1,438,623
Unrestricted contributions	164,105	797,693
Short-term investment income	413,372	394,068
Other	136,171	22,006
	<u>32,398,613</u>	<u>31,815,649</u>
Operating expenses:		
Mathematical reviews	8,738,802	8,189,326
Journals	1,568,918	1,488,098
Books	3,785,899	3,629,068
Publications indirect	1,595,382	1,373,895
Customer services, warehousing and distribution	1,804,538	1,615,466
Other publications-related expense	139,817	188,623
Membership, services and outreach	4,701,232	4,804,083
Grants, prizes and awards	1,373,915	1,405,161
Meetings	1,429,055	1,344,479
Governance	653,774	642,822
Member and professional services indirect	1,300,990	1,054,673
General and administrative	4,300,107	4,418,657
Other	32,960	75,888
	<u>31,425,389</u>	<u>30,230,239</u>
Total operating revenue	32,398,613	31,815,649
Total operating expenses	31,425,389	30,230,239
Excess of operating revenue over operating expenses	973,224	1,585,410
Nonoperating revenues and expenses:		
Investment returns (loss) net of investment returns available for spending	18,901,234	8,512,302
Use of board designated funds from Backfile Digitization, Strategic Initiative, and Journal Archive funds	(350,374)	(82,332)
Add back for capitalization of in-house software development labor	169,624	509,745
Depreciation of in-house software development labor	(106,844)	(57,438)
Postretirement benefit-related changes other than net periodic cost	(481,171)	(172,266)
	<u>19,105,693</u>	<u>10,295,421</u>
Change in unrestricted net assets		
Changes in temporarily restricted net assets:		
Contributions	\$ 198,105	\$ 205,377
Investment returns	3,061,657	1,549,217
Net assets released from restrictions	(742,243)	(652,351)
Reclassifications for donor redesignations		(100,000)
	<u>2,517,519</u>	<u>1,002,243</u>
Change in temporarily restricted net assets		
Change in permanently restricted net assets:		
Contributions	1,124,500	573,138
Reclassifications for donor redesignations		100,000
	<u>1,124,500</u>	<u>673,138</u>
Change in permanently restricted net assets		
Change in net assets	22,747,712	11,970,802
Net assets, beginning of year	140,235,885	128,265,083
Net assets, end of year	\$ 162,983,597	\$ 140,235,885

American Mathematical Society-Statements of Invested Funds
As of December 31, 2017 and 2016

Income Restricted Endowment: Endowment Funds:	Original Gift at 12/31/17	12/31/17 Total Value	12/31/16 Total Value
Research Prize Funds			
Steele	145,511	927,598	810,858
Birkhoff	50,232	116,556	101,799
Veblen	58,599	103,060	90,090
Wiener	29,773	61,757	53,985
Bocher	32,557	62,738	54,843
Conant	9,477	61,820	54,040
Birman Fellowship (New in 2017)	407,678	470,204	
Cole Number Theory	52,563	87,905	76,607
Cole Algebra	52,213	87,513	76,265
Satter	49,720	101,718	88,917
Chevalley Fund	115,100	141,405	123,515
Doob Prize	80,000	119,593	104,542
Robbins Prize	41,250	71,122	62,172
Eisenbud Prize	40,000	66,608	58,226
Grenander	84,295	93,122	51,093
Bertrand Russell	100,100	114,506	100,000
Other Prize and Award Funds			
Morgan Prize	25,000	67,275	58,809
Albert Whiteman Prize	95,513	163,063	142,488
Arnold Ross Lectures	107,729	164,688	142,258
Trjitzinsky	196,030	745,299	651,502
C.V. Newsom	100,000	346,822	303,174
Centennial	61,183	184,998	161,716
Menger	98,250	169,513	147,297
Ky Fan (China)	366,757	595,749	520,773
Impact Award	22,110	34,617	30,260
Green Fund for Inclusion & Diversity	26,000	30,111	25,447
Epsilon	2,271,243	3,626,530	3,074,571
Next Generation Fund	431,029	506,412	417,874
Einstein Lecture	100,000	172,465	150,760
Exemplary Program	100,000	171,411	149,838
Mathematical Art	<u>20,000</u>	<u>34,282</u>	<u>29,968</u>
Subtotal (Income Restricted)	5,369,912	9,700,460	7,913,687
Endowment	115,234	952,402	1,007,499
Morita	100,000	168,386	178,541
Henderson	548,223	5,021,196	5,324,001
Schoenfeld/Mitchell	573,447	951,996	1,009,407
Laha	189,309	319,835	339,123
Ritt	51,347	299,155	317,196
Moore	<u>2,575</u>	<u>28,199</u>	<u>29,900</u>
Subtotal (Income Unrestricted)	1,580,135	7,741,169	8,205,667
Total Endowment Funds	<u>6,950,047</u>	<u>17,441,629</u>	<u>16,119,354</u>
Quasi-Endowment Funds (Board-Designated):			
Journal Archive Fund		2,104,967	1,872,852
Young Scholars		1,027,719	896,980
Economic Stabilization Fund (ESF)		25,122,645	24,163,443
Backfile Digitization Fund		80,702	68,401
Strategic Initiative Fund		345,822	310,657
Kathleen Baxter Memorial Fund		320,396	281,288
Operations Support Fund (OSF)		<u>111,748,274</u>	<u>94,606,082</u>
Total Quasi-Endowment Funds		140,750,525	122,199,703
Owed to Operations		3,248,803	449,077
Beal Prize (Temporarily Restricted)	<u>1,000,000</u>	<u>1,558,779</u>	<u>1,348,288</u>
Total Invested Funds	<u>\$7,950,047</u>	<u>\$162,999,736</u>	<u>\$140,116,422</u>