

Report of the Treasurer (2018)

Introduction

The Treasurer is pleased to report on the 2018 AMS financial results. Despite the low investment returns last year, the impact was minimized since we use a four-year average to calculate spendable income from the unrestricted investments. Therefore the income from the endowment and other restricted funds in 2018 increased 16% over the previous year. The net income for the organization was \$1.8 million, with a 6.6% increase in operating revenues as well as a generous bequest of \$850,000 from the Estate of Eugene Toll. Bequests and income from the endowment play an increasingly important role in the financial health of the Society.

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 \$3,230,000 in operating support to the membership and professional programs in 2018. 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, scholarships, fellowships, and *Notices* and *Bulletin*.

The Society segregates its net assets, and the activities that increase or decrease net assets, into two types: net assets with donor restrictions and net assets without. Total net assets at the end of 2018 were approximately \$155 million, a decrease from 2017 due to losses on the Society's long-term investments. Net assets without donor restrictions 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. Net assets with donor restrictions are either temporarily or permanently restricted by the donor. The net assets that are permanently restricted 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

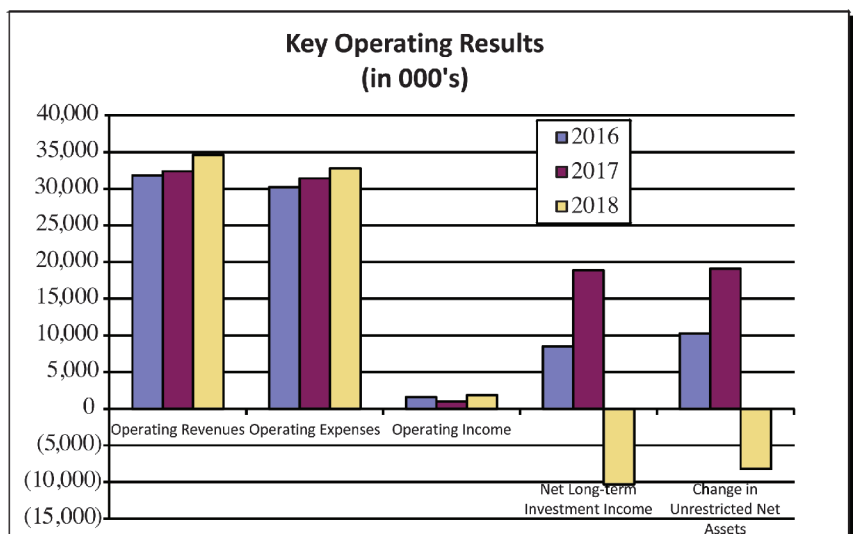


Figure 1

All currency discussed in this report refers to US dollars.

FROM THE AMS SECRETARY

referred to as endowment funds. The accompanying financial information principally relates to the unrestricted net assets, as this category includes the operating activities of the Society.

Operating Results

The negative investment returns in 2018 are shown in Figure 1, but data on the left, Operating Revenues, show 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, although this was not the case in 2018. While the unrestricted investment returns amounted to \$18,901,234 in 2017, there was a loss of \$10,317,203 in 2018. As income from these unrestricted, long-term investments is used by operations, the spendable income is calculated using a four-year average, which smooths out the effect of large gains and losses in the investment markets.

As noted previously, the Society's operating revenues increased by 6.6% over 2017 revenues, and a large component of the increase was a bequest of \$850,000. In addition to a 16% increase in revenues related to the endowment and other restricted funds, there was an 11% increase in revenues from the book program. This was primarily due to electronic backlist books sales.

The Society's 2018 operating expenses increased by approximately 4%. Personnel-related costs increased the most due to costs related to annual raises, additions of new employees, and benefits. Of the personnel-related costs, benefits are rising at the greatest rate, increasing 5.6% in one year. AMS management has been working for years on solutions to decrease health insurance costs, and these costs have been contained at AMS through regular redesigns of benefit plans. New positions were added in the publishing area related to the production of MAA Press books, further increasing 2018 personnel expenses.

As shown in Figure 2, the Society's net operating income has been positive for many years, with net income (operating revenues less expenses) of \$1.8 million in 2018. AMS management works hard to control costs and create efficient operations. Figure 3 shows the breakdown of the major expenses of the Society. Similar to other professional societies, the AMS's largest expense is personnel costs. As part of the AMS strategic plan implementation, the costs

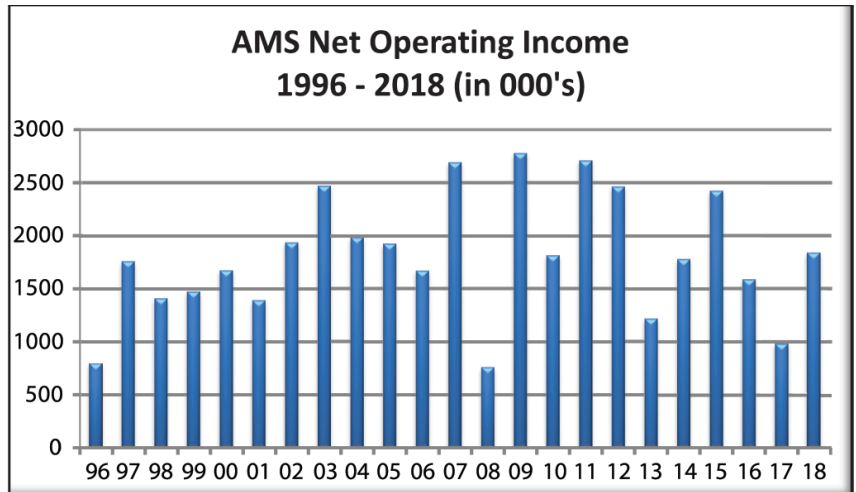


Figure 2

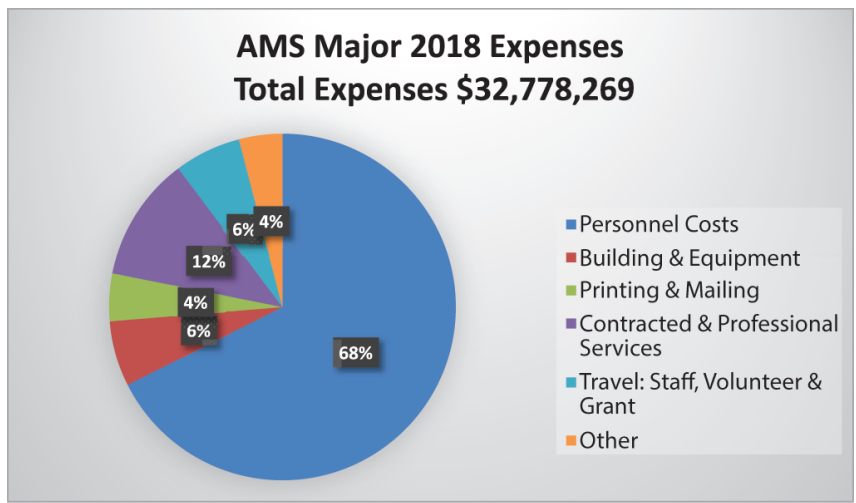


Figure 3

associated with various programs throughout the organization are being reviewed to make certain operations remain efficient. These and other measures will ensure the viability of AMS programs for years to come.

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.

2018 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 \$155 million, of which \$133 million are unrestricted. Table 1 shows highlights of the Society's 2018 Balance Sheets.

Highlights of Balance Sheets Changes from 2017 to 2018	Commentary
Short-term investments increased by \$3.8 million (30%)	Although there were slight losses on the short-term investment returns, the investment balance increased due to large contributions received during the year, and spendable income from the endowment received in operations during the year.
Long-term investments decreased by \$11.3 million (−7%)	The investments decreased primarily due to the general decline in the investment markets in 2018.
Postretirement benefit obligation decreased by \$643,000 (−8%)	This decrease was due to an increase in the interest rate used in the actuarial calculation of the value of this obligation.
Net assets without donor restrictions decreased by \$8.241 million (−6%)	The net assets decreased despite a positive operating income due to the negative returns on the long-term investments.

Table 1

2018 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 \$1.5 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 2018 Statements of Invested Funds show a decrease of about \$11.3 million compared to the prior year. The investment return was −5%. Approximately \$1.7 million 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 \$103.6 million, provided \$3,230,000 in spendable income to the AMS operations in 2018.

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 gladly 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>2018</i>	<i>2017</i>
Assets		
Cash	\$ 797,668	\$ 993,242
Certificates of deposit	303,090	466,759
Short-term investments	16,556,204	12,699,193
Accounts receivable, net of allowances of \$294,380 and \$272,980 in 2018 and 2017, respectively	442,985	787,938
Contributions receivable, net	744,195	559,702
Deferred prepublication costs	825,211	600,406
Completed books	1,962,787	1,937,399
Prepaid expenses and deposits	1,829,459	1,780,182
Land, buildings and equipment, net	4,754,916	5,040,855
Long-term investments	151,655,012	162,999,715
Intangible assets, net	1,343,036	1,385,235
Total assets	\$ 181,214,563	\$ 189,250,626
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,182,499	\$ 4,845,410
Accrued study leave pay	1,005,986	860,403
Deferred revenue	12,357,270	12,311,268
Postretirement benefit obligation	7,606,765	8,249,948
Total liabilities	26,152,520	26,267,029
Net assets:		
Without donor restrictions:		
Undesignated	507,972	553,959
Designated	132,555,626	140,750,524
	133,063,598	141,304,483
With donor restrictions	21,998,445	21,679,114
Total net assets	155,062,043	162,983,597
Total liabilities and net assets	\$ 181,214,563	\$ 189,250,626

AMERICAN MATHEMATICAL SOCIETY
Statements of Activities

	<i>Years Ended December 31,</i>	
	<i>2018</i>	<i>2017</i>
Changes in net assets without donor restrictions:		
Operating revenue, including net assets released from restrictions:		
Mathematical reviews	\$ 12,530,394	\$ 12,157,145
Journals	5,095,287	5,158,276
Books	4,894,439	4,399,106
Dues, services, and outreach	3,632,369	3,515,409
Investment returns appropriated for spending	3,230,000	2,869,500
Other publications-related revenue	776,690	672,881
Grants, prizes and awards	1,600,658	1,379,626
Meetings	1,691,360	1,533,022
Unrestricted contributions	918,871	164,105
Short-term investment income	14,198	413,372
Other	227,888	136,171
Total operating revenue	34,612,154	32,398,613
Operating expenses:		
Mathematical reviews	8,559,328	8,738,802
Journals	1,730,426	1,568,918
Books	4,349,148	3,785,899
Publications indirect	1,364,621	1,595,382
Customer services, warehousing and distribution	1,903,421	1,804,538
Other publications-related expense	386,800	139,817
Membership, services and outreach	5,029,119	4,701,232
Grants, prizes and awards	1,446,903	1,373,915
Meetings	1,700,461	1,429,055
Governance	695,556	653,774
Member and professional services indirect	1,347,951	1,300,990
General and administrative	4,219,503	4,300,107
Other	45,032	32,960
Total operating expenses	32,778,269	31,425,389
Excess of operating revenue over operating expenses	1,833,885	973,224
Nonoperating revenues and expenses:		
Investment returns net of investment returns appropriated for spending	(10,317,203)	18,901,234
Use of board designated funds from Backfile Digitization, Strategic Initiative, and Journal Archive funds	(370,047)	(350,374)
Add back for capitalization of in-house software development labor	-	169,624
Depreciation of in-house software development labor	(127,727)	(106,844)
Postretirement benefit-related changes other than net periodic cost	740,207	(481,171)
Change in net assets without donor restrictions	(8,240,885)	19,105,693
Changes in net assets with donor restrictions:		
Contributions	2,503,946	1,322,605
Investment (losses) gains returns	(1,054,698)	3,061,657
Net assets released from restrictions	(1,129,917)	(742,243)
Change in net assets with donor restrictions	319,331	3,642,019
Change in net assets	(7,921,554)	22,747,712
Net assets, beginning of year	162,983,597	140,235,885
Net assets, end of year	\$ 155,062,043	\$ 162,983,597

FROM THE AMS SECRETARY

American Mathematical Society-Statements of Invested Funds
As of December 31, 2018 and 2017

Income Restricted Endowment: Endowment Funds:	Original Gift at 12/31/18	12/31/18 Total Value	12/31/17 Total Value
Research Prize Funds			
Steele	145,511	849,642	927,598
Birkhoff	50,232	106,760	116,556
Veblen	61,599	97,207	103,060
Wiener	63,773	88,397	61,757
Bocher	66,557	89,296	62,738
Conant	9,477	56,625	61,820
Birman Fellowship	521,030	543,119	470,204
Cole Number Theory	66,813	93,845	87,905
Cole Algebra	66,463	93,486	87,513
Satter	74,720	116,576	101,718
Chevalley Fund	115,100	129,522	141,405
Doob Prize	80,000	109,543	119,593
Robbins Prize	57,250	80,124	71,122
Eisenbud Prize	60,000	79,734	66,608
Grenander	94,596	94,911	93,122
Bertrand Russell	100,155	104,938	114,506
Other Prize and Award Funds			
Morgan Prize	25,000	61,622	67,275
Albert Whiteman Prize	95,513	149,359	163,063
Arnold Ross Lectures	108,779	151,843	164,688
Trjitzinsky	296,030	778,149	745,299
C.V. Newsom	100,000	317,674	346,822
Centennial	61,183	169,451	184,998
Menger	103,250	159,927	169,513
Ky Fan (China)	366,757	545,681	595,749
Impact Award	22,110	31,708	34,617
Green Fund for Inclusion & Diversity	26,000	27,580	30,111
Epsilon	2,321,191	3,367,647	3,626,530
Next Generation Fund (NGF)	1,630,299	1,630,299	506,412
Miriam Mirzakhani (NGF)	24,670	24,670	
Einstein Lecture	100,000	157,971	172,465
Exemplary Program	120,000	175,730	171,411
Mathematical Art	<u>40,000</u>	<u>50,126</u>	<u>34,282</u>
Subtotal (Income Restricted)	7,074,057	10,533,162	9,700,460
Endowment	117,959	875,020	952,402
Morita	100,000	154,235	168,386
Henderson	548,223	4,598,840	5,021,196
Schoenfeld/Mitchell	573,447	871,989	951,996
Laha	189,309	292,956	319,835
Ritt	51,347	274,014	299,155
Moore	<u>2,575</u>	<u>25,830</u>	<u>28,199</u>
Subtotal (Income Unrestricted)	1,582,860	7,092,884	7,741,169
Total Endowment Funds	<u>8,656,917</u>	<u>17,626,046</u>	<u>17,441,629</u>
Quasi-Endowment Funds (Board-Designated):			
Journal Archive Fund		1,869,077	2,104,967
Young Scholars		939,242	1,027,719
Economic Stabilization Fund (ESF)		25,402,940	25,122,645
Backfile Digitization Fund		76,502	80,702
Strategic Initiative Fund		332,846	345,822
Kathleen Baxter Memorial Fund		292,724	320,396
Operations Support Fund (OSF)		<u>103,642,293</u>	<u>111,748,274</u>
Total Quasi-Endowment Funds		132,555,624	140,750,525
Owed to Operations			3,248,803
Beal Prize (Temporarily Restricted)	<u>1,000,000</u>	<u>1,473,402</u>	<u>1,558,779</u>
Total Invested Funds	<u>\$9,656,917</u>	<u>\$151,655,072</u>	<u>\$162,999,736</u>