

Report of the Treasurer (2019)

Introduction

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 that same year. 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.

This is my tenth and final Treasurer's Report. My first report, published in the December 2011 *Notices*, was on the 2010 budget. Our balance sheets showed that the total assets of the American Mathematical Society had taken a notable step past the \$100 million mark, to just under \$105.5 million. This year's Balance Sheets on the 2019 budget shows the AMS assets passed \$219 million. Most of the gains have come from our investments, discussed in detail below. The Treasurer's Report is always written with the assistance of the Chief Financial Officer (CFO). Emily Riley started as CFO at the AMS shortly after I became treasurer and will retire a few months before I finish my term. She has assisted me in all of my reports for the *Notices* by supplying all of the financial data and the preliminary analysis, so I want to take the opportunity to publicly thank her for that and for her invaluable financial guidance to the Society during her time at the AMS.

During my term as Treasurer, the AMS has continued to strengthen its financial position and has accumulated ample resources to help us deal with the current 2020 pandemic situation and beyond. I will turn to the analysis of the financials of the AMS and discussion

from 2019, the topic of this report, and then discuss briefly the effect of the pandemic on the finances for 2020 and potential impacts further out.

The greatest positive impact on the Society's 2019 financial results came from the 25.8% return on the long-term investment portfolio. Fortunately, the 2019 income from the endowment and other restricted funds that support AMS programs increased over the previous year, and it will increase again in 2020 since we use a four-year average to calculate spendable income for AMS programs from the unrestricted investments. The net operating income for the organization was \$2.2 million as compared to \$1.8 million in 2018, due to a slight increase in revenues and a decrease in expenses.

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 \$3,630,000 in operating support to the membership and professional programs in 2019. The OSF is a fund that has grown throughout the years from operating net income as well as investment gains. Because the fund

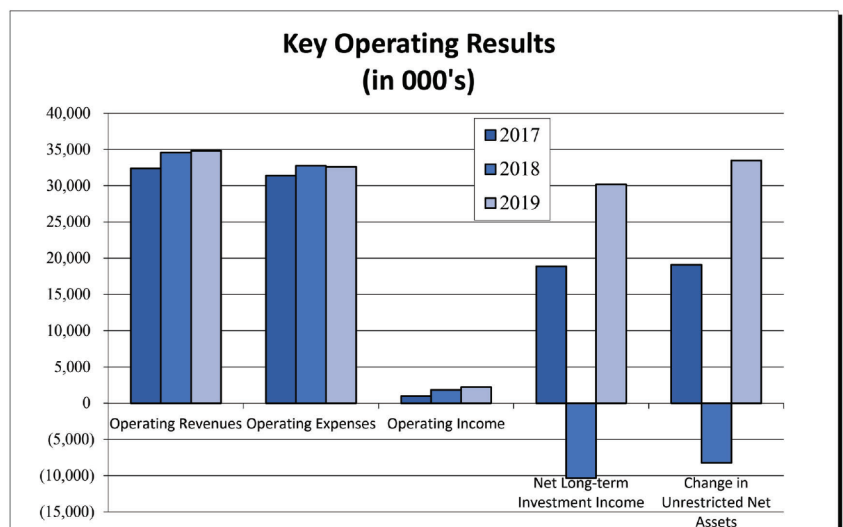


Figure 1

All currency discussed in this report refers to US dollars.

is dependent upon market conditions, the amount provided varies from year to year even though as mentioned above, it is averaged over four years. 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 2019 were approximately \$194 million, an increase from 2018 due to gains 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 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 positive investment returns for 2019 are shown in Figure 1, and together with data on the left (Operating Revenues and Operating Income) 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. While there was a loss of \$10.3 million in 2018 on the unrestricted investment returns, there was a gain of \$33.8 million in 2019. 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 slightly over 2018 revenues. Although there was an 11% increase in operating revenues from the endowment, publishing revenues increased only 1.5% and some other revenue categories decreased.

The Society's 2019 operating expenses decreased by less than 1%. Personnel-related costs increased 2.3% due to costs related to annual raises, and rising benefit costs. However, many other costs decreased from the prior year. The AMS has been managing expenses well through various initiatives, resulting in significant decreases to office expenses, travel and conferences, insurance, and use of outside personnel/contractual services.

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 \$2.2 million in 2019. 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 five-year strategic plan implementation, the costs associated with various programs throughout the organization have been and continue to be reviewed to make certain operations remain efficient. These and other measures will ensure the viability of AMS programs for years to come.

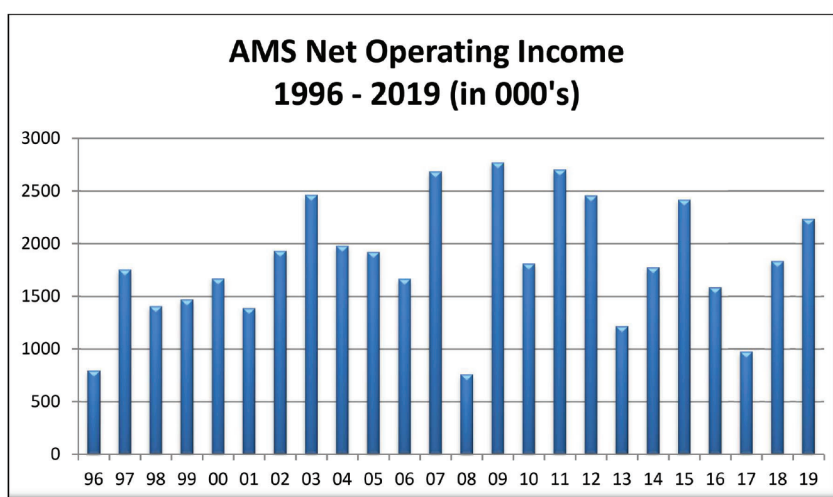


Figure 2

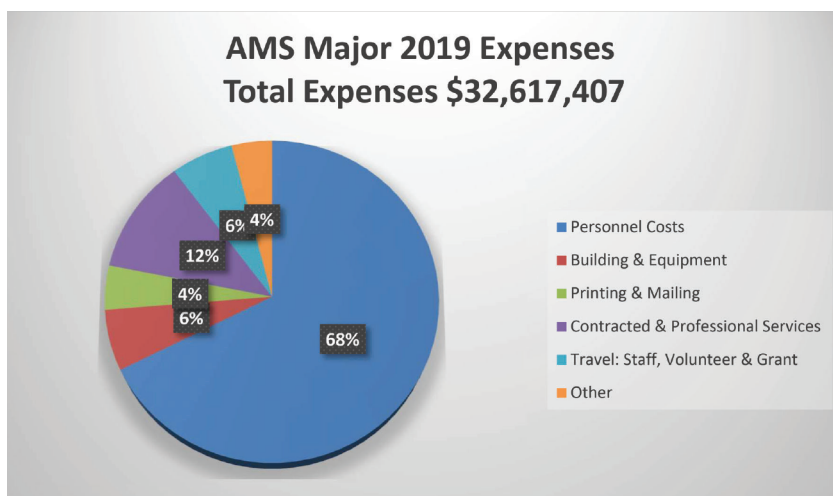


Figure 3

Figure 4 shows the General, Administrative and Fundraising Cost Ratio. This ratio is total fundraising, general and administrative expense divided by total expenses. Donors and non-profit watchdog groups often monitor this ratio to ascertain if too much funding is being diverted to administrative costs. Generally, this percentage should be no greater than 25%, and the AMS is well below this threshold at 11.9% in 2019. These ratios are derived from the Statement of Functional Expenses located at the end of this report.

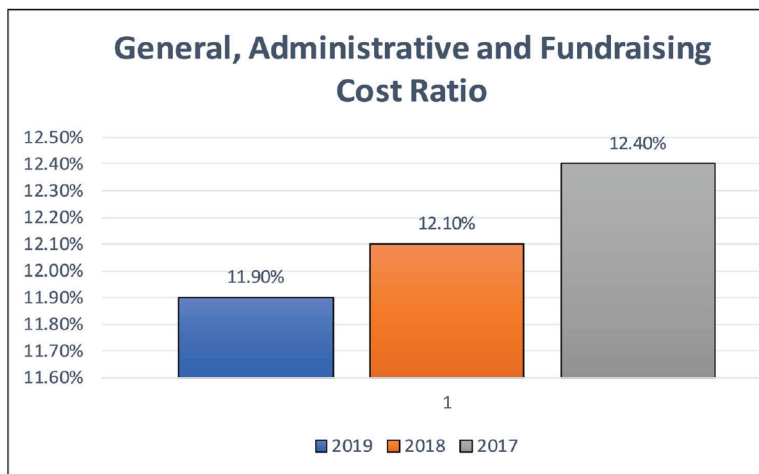


Figure 4

For more detailed information regarding the Society’s operating results, please see the financial statements, including the Statements of Activities and Statement of Functional Expenses, located at the end of this report.

2019 Statement of Financial Position (Balance Sheet) Highlights

Another report within the financial statements, referred to as the Statement of Financial Position, is also at the end of this financial review. The Society continues to maintain healthy balance sheets. Total net assets of the organization are \$194 million, of which \$167 million are unrestricted. Table 1 shows highlights of the Society’s major changes on the Statement of Financial Position for 2019.

Highlights of Statement of Financial Position Changes from 2018 to 2019

Highlights of Statement of Financial Position Changes from 2018 to 2019	Commentary
Long-term investments increased by 26%	These gains were entirely due to the performance of the investment markets in 2019.
Net assets with donor restrictions increased \$5.6 million (26%)	This increase was due to positive investment returns and to approximately \$1.2 million in new restricted donations.
Net assets without donor restriction increased by \$33.5 million (25%)	These net assets increased due to the positive returns on the long-term investments and \$2.2 million in positive net income.

Table 1

2019 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 \$1.8 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 2019 Statements of Invested Funds show an increase of about \$39 million compared to the prior year, because of the 25.8% return on the long-term investments and approximately \$1.2 million in donations 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 \$133.2 million, provided \$3,630,000 in spendable income to the AMS operations in 2019.

A Word About 2020

Like other non-profit organizations, businesses, and universities across the country, the AMS has been greatly impacted by the pandemic in 2020. Staff have been working remotely at home since mid-March, and will most likely continue to do so through the end of the year. Radical shifts in operations due to COVID-19 have left academic-related organizations such as the AMS unable to simply rely on

prior-year numbers to forecast finances and workforce numbers. Operating revenues for 2020 are more unpredictable at this time than in previous years though the predictions so far are that we will not lose a lot of money. While the stock market has fluctuated greatly since February 2020, the Investment Committee met weekly during the most volatile time and made some changes to the portfolio to protect our endowments. The AMS has greatly reduced expenses through various measures taken to prepare for the possibility of even greater revenue reductions in 2021. While expenses have been reduced during the pandemic, the Society continues to look for ways to increase benefits to its members in the mathematical community. For example, the AMS website provides online teaching resources, and new methods for accessing MathSciNet remotely are available. Members were offered some free e-book options, and the membership dues have been adjusted to account for unemployed members, new and old.

Summary Financial Information

The following Statement of Financial Position (Balance Sheet), Statement of Activities, and Statement of Functional Expense 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. As Treasurer I will gladly answer any questions members may have regarding the financial affairs of the Society. I am happy to have the opportunity to introduce Doug Ulmer as the next Treasurer; he will take over on February 1, 2021.

*Respectfully submitted,
Jane M. Hawkins
AMS Treasurer*

**AMERICAN MATHEMATICAL SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

ASSETS

Cash	\$	916,669
Certificates of deposit		2,349,000
Short-term investments		14,480,502
Accounts receivable, net of allowance of \$54,380		597,974
Contributions receivable, net		614,068
Completed books		2,035,209
Deferred prepublication costs		613,847
Prepaid expenses and deposits		1,582,888
Long-term investments		190,533,413
Land, buildings and equipment, net		4,337,565
Intangible assets, net		1,150,477
		1,150,477
TOTAL ASSETS	\$	219,211,612
		219,211,612

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$	4,600,281
Accrued study leave pay		792,281
Deferred revenue		12,469,895
Post retirement benefit obligation		7,131,977
Total liabilities		24,994,434
Net assets:		
Without donor restrictions:		
Undesignated		4,424,172
Designated		162,158,927
Total without donor restrictions		166,583,099
With donor restrictions		27,634,079
Total net assets		194,217,178
TOTAL LIABILITIES AND NET ASSETS	\$	219,211,612
		219,211,612

**AMERICAN MATHEMATICAL SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Changes in net assets without donor restrictions:

Operating revenue:

Mathematical reviews	\$ 12,794,163
Journals	5,391,824
Books	4,594,679
Dues, services, and outreach	3,595,072
Investment returns:	
Appropriated for spending	3,630,000
Short-term investments	740,264
Other publications-related revenue	714,036
Grants, prizes and awards	1,236,973
Meetings	1,703,428
Unrestricted contributions	201,721
Other	248,771
Total operating revenue	<u>34,850,931</u>

Expenses:

Program	28,633,655
Management and general	3,383,243
Fundraising	600,509
Total expenses	<u>32,617,407</u>

Increase in net assets from operations

<u>2,233,524</u>

Nonoperating revenues (expenses):

Release of board designated funds	(628,784)
Investment return on long-term investments, net	33,820,301
Investment return appropriated for current operations	(3,630,000)
Gain on sale of IP addresses	997,198
Postretirement benefit-related changes other than net periodic cost	727,264
Total nonoperating revenue (expense)	<u>31,285,979</u>

Change in net asset without donor restrictions

<u>33,519,503</u>

Changes in net assets with donor restrictions:

Contributions	\$ 1,680,978
Investment returns	4,972,548
Net assets released from restrictions	(1,017,894)
Change in net assets with donor restrictions	<u>5,635,632</u>

Change in net assets

39,155,135

Net assets - beginning

<u>155,062,043</u>

NET ASSETS - ENDING

<u>\$ 194,217,178</u>

**AMERICAN MATHEMATICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Grants and awards	\$ 758,522	\$ -	\$ -	\$ 758,522
Salaries and wages	14,514,395	1,477,520	353,147	16,345,062
Employee benefits	3,873,435	415,674	70,136	4,359,245
Payroll taxes	1,028,759	151,866	27,607	1,208,232
Professional fees	84,965	88,961	5,776	179,702
Office expense	2,371,171	47,556	53,879	2,472,606
Occupancy	477,165	47,444	2,068	526,677
Royalties	528,750	-	-	528,750
Travel and conferences	1,444,501	240,107	28,377	1,712,985
Depreciation	821,503	252,211	5,363	1,079,077
Service contracts	380,874	98,806	4,306	483,986
Outside services	1,780,444	377,918	24,471	2,182,833
Insurance	166,958	22,258	970	190,186
Promotion and advertising	83,139	84	13,709	96,932
Miscellaneous	319,074	162,838	10,700	492,612
Total expenses	<u>\$ 28,633,655</u>	<u>\$ 3,383,243</u>	<u>\$ 600,509</u>	<u>\$ 32,617,407</u>

**American Mathematical Society
Statement of Invested Funds
as of December 31, 2019 and 2018**

Endowment Funds:

Income Restricted:	Original Gift	12/31/2019	12/31/2018
<u>Research Prize Funds</u>	<u>at 12/31/2019</u>	<u>Total Value</u>	<u>Total Value</u>
Steele	145,511	1,033,485	849,642
Birkhoff	50,232	129,861	106,760
Veblen	61,599	118,241	97,207
Wiener	63,773	107,524	88,397
Bocher	66,557	108,618	89,296
Conant	9,477	68,877	56,625
Birman Fellowship	625,835	768,120	543,119
Cole Number Theory	66,813	114,151	93,845
Cole Algebra	66,463	113,715	93,486
Satter	74,720	141,800	116,576
Chevalley Fund	115,100	157,547	129,522
Doob Prize	80,000	133,245	109,543
Robbins Prize	57,250	97,461	80,124
Eisenbud Prize	60,000	96,987	79,734
Grenander	94,596	115,448	94,911
Bertrand Russell Prize	100,155	127,644	104,938
Other Prize and Award Funds			
Morgan Prize	25,000	74,955	61,622
Albert Whiteman	95,513	181,677	149,359
Arnold Ross Lectures	109,779	185,824	151,843
Trjitzinsky	296,030	946,523	778,149
C.V. Newsom	100,000	386,412	317,674
Centennial	61,183	206,116	169,451
Menger	103,250	194,531	159,927
Ky Fan (China)	366,757	663,755	545,681
Impact Award	22,110	38,569	31,708
Green Fund for Diversity & Inclusion	26,000	33,548	27,580
Epsilon	2,369,050	4,147,422	3,367,647
Next Generation Fund (NGF)	2,667,440	3,082,498	1,630,299
Miriam Mirzakhani (NGF)	46,884	53,060	24,670
William Leveque Fund (NGF)	1,000	1,000	0
Einstein Lecture	100,000	192,153	157,971
Exemplary Program	120,000	213,754	175,730
Mathematical Art	<u>40,000</u>	<u>60,972</u>	<u>50,126</u>
Total (Income Restricted)	8,288,076	14,095,491	10,533,162
Income Unrestricted:			
Endowment	135,173	1,082,125	875,020
Morita	100,000	187,659	154,235
Henderson	548,223	5,595,869	4,598,840
Schoenfeld/Mitchell	573,447	1,060,953	871,989
Laha	189,309	356,441	292,956
Ritt	51,347	333,394	274,014
Moore	<u>2,575</u>	<u>31,427</u>	<u>25,830</u>
Total (Income Unrestricted)	1,600,074	8,647,868	7,092,884
Total Endowment Funds	9,888,151	22,743,360	17,626,046
Quasi-Endowment Funds:			
Journal Archive Fund		1,967,398	1,869,077
Young Scholars		1,145,858	939,242
Economic Stabilization Fund (ESF)		25,015,821	25,402,940
Backfile Digitization Fund		96,207	76,502
Strategic Initiative Fund		372,882	332,846
Kathleen Baxter Memorial Fund		357,120	292,724
Operations Support Fund (OSF)		<u>133,203,639</u>	<u>103,642,293</u>
Total Quasi-Endowment Funds		162,158,925	132,555,624
Beal fund (temporarily restricted)		1,827,823	1,473,402
Amounts owed to operations		3,803,305	
Total Long Term Investments		<u>190,533,413</u>	<u>151,655,072</u>