The annual auditor’s report outlining the financial state of the AMS is presented in this issue of the *Bulletin*. I would like to take this opportunity on behalf of the Executive Committee of the Council to discuss the financial health of the Society and address some related issues that come up from time to time in discussions with members.

The bottom line is that the Society is on very solid financial ground. Through prudent management and wise investments that took advantage of the abnormally high interest rates available in the 1980s, the Society now has a reserve fund of $9 million. This represents about one and a half times the yearly operating budget for the Society, which is considered by similar organizations to be a reasonable and appropriate reserve for a nonprofit society of our size. Some question the need for a reserve of this amount, and would prefer to see the Society subsidize some activities with it for a few years until it is used up or at least substantially reduced. While the optimal size of the reserve fund as a safeguard against unanticipated economic stresses is open to debate, the importance of having such a fund to ensure the continuation of the Society’s publications and programs through possible periods of financial hardship should not be underestimated.

I would like to discuss further how the current reserve fund, through its earned interest, is continually contributing to the Society’s programs in ways that most members may not be aware. For several years, a substantial portion of the interest earned by the reserve fund has been used to balance the overall AMS budget. That is, the revenue generated by the AMS publications, meetings, dues, and other programs has not covered all programs and services carried out by the Society. The deficit has been made up through the use of interest earned by the reserve fund. While this has been true for some time, it is not obvious through the presentation of the previous auditor’s reports. The 1993 auditor’s report has been changed to make that fact more apparent. This use of reserve fund interest, which has been possible only because the reserve fund itself is substantial, has made it possible for the Society to move forward on several important programs while keeping the membership dues, subscription prices, and prices for other services quite low.

Two programs deserve special mention. The K–12 educational efforts were originally funded almost exclusively through reserve interest monies, which were leveraged into major dollar support from the National Science Foundation (NSF), and additional support from some other agencies. The continued use of interest from the reserves has allowed the administrative costs associated with this program to be borne by AMS so that all overhead from the grants is used for the Project Atmosphere program directly. Similarly, the AMS scholarship and fellowship programs have blossomed over the last few years. This year alone, the AMS will give out a total of $236,800 to 44 undergraduates and graduate students. In all cases, whether the monies came from industries that support the AMS/Industry Fellowship and Scholarship Programs, endowed scholarship accounts, or from the 75th Anniversary Campaign, the AMS covered the administrative costs of these programs so that every contributed dollar went to the students. Again, it is
through the use of reserve fund interest that this administrative cost did not need to come from the monies collected for support of the scholarships.

All members of the Society should be proud of these recently initiated educational programs, as well as several others that I have not discussed in detail, such as the provision of AMS journals to institutions in the former Soviet Union that were not capable of maintaining their subscriptions after the economy there collapsed. These programs are clearly good for the sciences encompassed by the Society and have the potential in many cases of being good for a broad cross section of society. If the Society did not have a substantial reserve fund, it would have been difficult to initiate and sustain these sorts of programs and services.

As an acknowledgment that the reserve fund is at an appropriate level compared to the annual operating budget and as a means of further expanding quality programs of the type I have discussed here, the Executive Committee recently authorized the use of even more of the available reserve fund interest to be spent on worthwhile projects and programs—provided enough interest is retained in the reserve fund to preserve its buying power relative to inflation. In other words, the Executive Committee has begun to treat the reserve fund as an endowment, making it possible for the Society to launch new initiatives, particularly in the area of education.

A review of the auditor's reports over recent years shows that AMS operations have expanded substantially, with increases in revenue and expenditures in almost every budget item. The most striking area of growth is in grants and contracts, which will represent roughly $1 million in 1994. A careful look reveals significant fluctuations from year to year, especially in the two largest areas: publications and meetings. As one might expect, these year-to-year differences are directly related to the number of pages published and the number of scientific meetings held, respectively, with both income and expense larger in years of higher activity. Yearly fluctuations in other budget areas may not be as easy to understand from the information in the auditor's report alone, such as changes in the total staff salaries. The current AMS staff is substantially different from that of ten years ago due to significant reorganizations for programs that have occurred. The production of *Meteorological and Geoastrophysical Abstracts* is now handled through a contractor rather than in-house AMS staff; the exhibits program, which used to be carried out by an outside contractor, is now handled by in-house staff; much more of the production of the *Bulletin* has been moved in house, and new staff has been added under the K–12 education programs. The net effect of much of the reorganization that has taken place is that while the number of AMS staff is nearly the same as it was ten years ago, the staff consists of more technically trained personnel who are able to take advantage of increased automation to provide much higher levels of productivity and services than the increases in the budget items would imply. Simply stated, a great deal more is being done at AMS headquarters to serve the community at a fairly modest increase in the total operating budget.

Changes have been made to the auditor's report presented in this issue of the *Bulletin* that should help AMS members better understand the financial picture of the Society, and I encourage all members to take a few minutes to review this report. The most frequently asked question regarding the report is related to the valuation of AMS headquarters building and equipment at $2.00, so I would like to discuss this briefly here in order to ease any concerns that the auditor's report might foster. The Society's approach on this issue matches that taken by almost all colleges and universities, as well as most nonprofit organizations, to expense building and equipment expenditures in the year the expense is incurred and also to not capitalize the building and land at fair market value, which is difficult to assess in the case of the AMS building because of significant restrictions placed on the deed. This is an accounting issue with no legal concerns or risks of any kind. Our auditors have no problem with this accounting practice, but are required to "qualify" their report when it is used.

The Executive Committee and Council are pleased to be able to govern a society with adequate resources to carry out the many programs and services that we feel are valuable to the activities supported by the AMS. We will do our best to make wise choices to ensure that these programs and services can continue well into the future. •