

**THE SOCIETY FOR THE STUDY  
OF SOCIAL PROBLEMS, INC.**

**Financial Statements**

**December 31, 2002 and 2001**

**(With Independent Auditors' Report Thereon)**



**LATTIMORE BLACK MORGAN & CAIN, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**THE SOCIETY FOR THE STUDY OF SOCIAL PROBLEMS, INC.**

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**LATTIMORE BLACK MORGAN & CAIN, PC**

MEMPHIS • NASHVILLE • KNOXVILLE • CHATTANOOGA

## INDEPENDENT AUDITORS' REPORT

**The Board of Directors of  
The Society for the Study of Social Problems, Inc.:**

**We have audited the accompanying statement of financial position of The Society for the Study of Social Problems, Inc. as of December 31, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The Society for the Study of Social Problems, Inc. as of December 31, 2001, were audited by other auditors whose report dated April 12, 2002, expressed an unqualified opinion on those statements.**

**We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.**

**In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the financial position of The Society for the Study of Social Problems, Inc. as of December 31, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.**

*Lattimore Black Morgan & Cain, P.C.*

**Knoxville, Tennessee  
May 9, 2003**

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THE SOCIETY FOR THE STUDY OF SOCIAL PROBLEMS, INC.

Statements of Financial Position

December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 19,862	\$ 69,911
Investments	399,448	413,122
Accounts receivable - UC Press	141,916	144,693
Prepaid expenses	64,559	47,517
Equipment, net	<u>2,939</u>	<u>2,501</u>
	<u>\$ 628,724</u>	<u>\$ 677,744</u>
<u>Liabilities and Net Assets</u>		
<b>Liabilities:</b>		
Accounts payable	\$ 33,787	\$ 35,106
Deferred revenue	<u>221,062</u>	<u>225,169</u>
Total liabilities	<u>254,849</u>	<u>260,275</u>
<b>Net assets:</b>		
Unrestricted	350,275	399,869
Permanently restricted	<u>23,600</u>	<u>17,600</u>
Total net assets	<u>373,875</u>	<u>417,469</u>
	<u>\$ 628,724</u>	<u>\$ 677,744</u>

See accompanying notes to the financial statements.

THE SOCIETY FOR THE STUDY OF SOCIAL PROBLEMS, INC.

Statements of Activities

Years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
<b>Changes in unrestricted net assets:</b>		
<b>Unrestricted revenues, gains, and other support:</b>		
Contributions	\$ 3,646	\$ 3,144
Annual meeting	38,546	36,741
Journals and publications	282,168	260,284
Membership dues	100,524	98,082
Dividends and interest income	7,780	23,483
Net loss on investments	(49,251)	(55,838)
Miscellaneous income	422	603
<b>Total unrestricted revenues, gains, and other support</b>	<u>383,835</u>	<u>366,499</u>
<b>Expenses:</b>		
Executive office	110,768	103,874
Journals and publications	228,785	215,507
Annual meeting	51,726	49,042
Board governance	4,111	5,064
Committees	19,509	16,467
Awards, scholarships, and related expenses	18,530	30,764
<b>Total expenses</b>	<u>433,429</u>	<u>420,718</u>
<b>Decrease in unrestricted net assets</b>	<u>(49,594)</u>	<u>(54,219)</u>
<b>Changes in permanently restricted net assets:</b>		
Contributions - Life membership program	<u>6,000</u>	<u>2,900</u>
<b>Decrease in net assets</b>	<u>(43,594)</u>	<u>(51,319)</u>
<b>Net assets at beginning of year</b>	<u>417,469</u>	<u>468,788</u>
<b>Net assets at end of year</b>	<u>\$ 373,875</u>	<u>\$ 417,469</u>

See accompanying notes to the financial statements.

**THE SOCIETY FOR THE STUDY OF SOCIAL PROBLEMS, INC.**

**Statements of Cash Flows**

**Years ended December 31, 2002 and 2001**

	<u>2002</u>	<u>2001</u>
<b>Cash flows from operating activities:</b>		
<b>Decrease in net assets</b>	\$ (43,594)	\$ (51,319)
<b>Adjustments to reconcile changes in net assets to cash flows used by operating activities:</b>		
<b>Depreciation</b>	1,980	1,452
<b>Net loss on investments</b>	49,251	55,838
<b>Changes in operating assets and liabilities:</b>		
<b>Accounts receivable</b>	2,777	(2,173)
<b>Prepaid expenses</b>	(17,042)	(4,588)
<b>Accounts payable</b>	(1,319)	(11,855)
<b>Deferred revenue</b>	<u>(4,107)</u>	<u>(11,878)</u>
<b>Net cash used by operating activities</b>	<u>(12,054)</u>	<u>(24,523)</u>
<b>Cash flows from investing activities:</b>		
<b>Purchases of equipment</b>	(2,418)	-
<b>Proceeds from sale of investments</b>	22,010	52,500
<b>Purchases of investments</b>	<u>(57,587)</u>	<u>(14,229)</u>
<b>Net cash provided (used) by investing activities</b>	<u>(37,995)</u>	<u>38,271</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(50,049)	13,748
<b>Cash and cash equivalents at beginning of year</b>	<u>69,911</u>	<u>56,163</u>
<b>Cash and cash equivalents at end of year</b>	\$ <u>19,862</u>	\$ <u>69,911</u>

See accompanying notes to the financial statements.

# THE SOCIETY FOR THE STUDY OF SOCIAL PROBLEMS, INC.

## Notes to the Financial Statements

December 31, 2002 and 2001

(1) Nature of operations

Founded in 1951, The Society for the Study of Social Problems, Inc. (the "Society") promotes research on and serious examination of problems of social life. The Society works to solve these problems and develop social policy based knowledge. The Society is primarily supported through membership dues and subscriptions for its journal and publications.

(2) Summary of significant accounting policies

The financial statements of the Society are presented on the accrual basis. The significant accounting policies followed are described below.

(a) Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Society and/or the passage of time. The Society does not currently have any temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Society reports the support as unrestricted.

(b) Cash equivalents

The Society considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

**THE SOCIETY FOR THE STUDY OF SOCIAL PROBLEMS, INC.**

**Notes to the Financial Statements**

**December 31, 2002 and 2001**

**(c) Investments**

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are shown at their fair values in the statement of financial position. Investment income consists of interest, dividends, and realized and unrealized gains and losses, net of investment expenses. Investment income is reported in the period earned as an increase in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions.

**(d) Equipment**

Equipment is stated at cost. Depreciation is provided over the assets' estimated useful lives using the straight-line method.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

**(e) Deferred revenue**

Subscription and membership dues received in advance are recorded as deferred revenues and recognized as income when earned.

**(f) Income taxes**

The Society is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements.

**(g) Revenue recognition**

Cash contributions are recognized as revenue when received.

**(h) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



THE SOCIETY FOR THE STUDY OF SOCIAL PROBLEMS, INC.

Notes to the Financial Statements

December 31, 2002 and 2001

(3) Investments

A summary of investments, stated at fair value, as of December 31, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
Mutual funds	\$ 299,448	\$ 363,122
Certificates of Deposit	<u>100,000</u>	<u>50,000</u>
	<u>\$ 399,448</u>	<u>\$ 413,122</u>

(4) Equipment

A summary of equipment as of December 31, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
Computer equipment	\$ 10,397	\$ 7,980
Accumulated depreciation	<u>(7,458)</u>	<u>(5,479)</u>
	<u>\$ 2,939</u>	<u>\$ 2,501</u>

(5) Contractual agreement

The Society has entered into an agreement with the University of Tennessee, Knoxville, Department of Sociology of the College of Arts and Sciences, whereby the Society agrees to serve as an intellectual and professional resource in exchange for access to the University's resources, free office space, and overhead expenses for the Society's executive office. This agreement is renewable on an annual basis each January.

The Society uses the University's purchasing and disbursing services. Unreimbursed expenses owed to the University from the Society were \$5,611 and \$18,718 at December 31, 2002 and 2001, respectively. These amounts are included in accounts payable.

(6) Board designated assets

The Erwin O. Smigel Fund was established in 1976 to expand employment opportunities in the field of sociology. The designated funds and future contributions will be used to develop information for unemployed and underemployed colleagues in their efforts to find work and to enable such colleagues to attend the annual meeting.

# THE SOCIETY FOR THE STUDY OF SOCIAL PROBLEMS, INC.

## Notes to the Financial Statements

December 31, 2002 and 2001

The Lee Founders Award was established in 1981. This annual award recognizes significant achievements that consistently promote the ideals of the founders of the Society and especially the humanistic tradition, as exemplified in the contributions of Alfred McClung Lee and Elizabeth Briant Lee. The designated funds and future contributions will be used to purchase a plaque for the winner. The Social Action Award Fund was established in 1990. This award is given annually to an organization in the area where the Society holds their annual meeting. The designated funds and future contributions will be used to pay an award to the organization selected that has a history of challenging social inequalities, promoting social change, and/or working toward the empowerment of marginalized people.

The Lee Student Support Fund (formerly the Alfred McClung Lee Support Fund) was established in 1992. The designated funds and future contributions will be used to help defray the cost of conference participation for student members.

The Lee Scholar-Activist Support Fund (formerly the Scholar-Activist Support Fund) was established in 1992. The designated funds and future contributions will be used to emphasize support for scholars in countries whose economies are weak and activists who have limited funds to attend the Society's annual meetings.

The C. Wright Mills Award Fund was established in 1969. This annual award is given to the author of the book published in the past year that best exemplifies outstanding social science research and an understanding of the individual and society in the tradition of the distinguished sociologist, C. Wright Mills. The designated funds and future contributions will be used to pay a stipend to the author.

The Minority Graduate Scholarship Fund was established in 1995. This annual fund is given for support of graduate study and commitment to a career of scholar activism. The designated funds and future contributions will be used to provide scholarships to the winners.

The respective board designated assets as of December 31, 2002 are as follows:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Erwin O. Smigel Fund	\$ 2,763	\$ -	\$ 2,763
Lee Founders/Social Action Award Fund	6,167	9,478	15,645
Lee Student Support Fund	93	-	93
Lee Scholar-Activist Support Fund	72	-	72
C. Wright Mills Award Fund	2,022	-	2,022
Minority Graduate Scholarship Fund	<u>-</u>	<u>219,080</u>	<u>219,080</u>
	\$ <u>11,117</u>	\$ <u>228,558</u>	\$ <u>239,675</u>

# THE SOCIETY FOR THE STUDY OF SOCIAL PROBLEMS, INC.

## Notes to the Financial Statements

December 31, 2002 and 2001

The respective board designated assets as of December 31, 2001 are as follows:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Erwin O. Smigel Fund	\$ 3,067	\$ -	\$ 3,067
Lee Founders/Social Action Award Fund	5,562	11,459	17,021
Lee Student Support Fund	992	-	992
Lee Scholar-Activist Support Fund	41	-	41
C. Wright Mills Award Fund	2,397	-	2,397
Minority Graduate Scholarship Fund	<u>-</u>	<u>243,343</u>	<u>243,343</u>
	<u>\$ 12,059</u>	<u>\$ 254,802</u>	<u>\$ 266,861</u>

All of the above board designated amounts are included in unrestricted net assets on the statements of financial position for the respective years.

(7) Permanently restricted net assets

In 2000, the Society established the Life Membership Fund. This fund allows members the opportunity to pay \$1,200 for a life membership. One hundred dollars of the \$1,200 is recorded as a dues payment in the year that the individual becomes a life member. The remaining \$1,100 is placed in an interest and/or dividend bearing account, and is not refundable or capable of being passed on to another person. The yearly dues of life members will be paid from the account's earnings.

Permanently restricted net assets at December 31, 2002 and 2001 consist of cumulative contributions to the Life Membership Fund of \$23,600 and \$17,600, respectively. The investments held in the Life Membership Fund have a market value of \$19,857 and \$15,874 as of December 31, 2002 and 2001, respectively, which is net of an unrealized loss in fair market value of \$3,743 and \$1,726, respectively, for the years then ended. The unrealized loss has been recorded in the statement of activities in unrestricted revenues, gains and other support as a part of net loss on investments.

Interest and/or dividend income from the Life Membership Fund for the years ended December 31, 2002 and 2001 was \$343 and \$344, respectively, and is included in unrestricted revenue since the Society's policy is to record income as unrestricted if any restrictions related to it are met in the same year as the income is earned.