

MEMORANDUM

TO: SSSP Board of Directors
FROM: Susan M. Carlson, Treasurer
DATE: July 5, 2004
RE: Financial Condition of the Society for the Study of Social Problems

Section 8 of the SSSP Bylaws states that, "The Treasurer shall oversee the funds of the Society, subject to expenditures, at the instruction of the Board of Directors." Accordingly, it is customary for the Treasurer to provide an annual report to the Board of Directors which gives an overview of the financial condition of the Society, reviews the results of the annual audit, and offers comments concerning any issues which affect the future financial well-being of the Society.

Financial Condition of the Society

The financial condition of the Society is very good. As of December 31, 2003, the Society had total assets of \$436,917. These assets represent slightly less than the Society's annual operating costs, and provide a substantial cushion should SSSP have to weather any short-term financial crises.

During fiscal year 2003, the Society's net assets increased by \$63,042, primarily due to an unrealized paper gain on our investments of \$59,852. The Society's investments in socially responsible mutual funds (Pax World Balanced Fund and the Domini Social Equity Fund) outperformed market standards and recovered substantially from losses suffered in the 2001-2002 market downturn.

Review of the Annual Audit

Lattimore Black Morgan & Cain conducted the annual audit of the Society's financial statements. Their representatives, Jim McCollum and Ryan McMurray, reviewed the findings of the audit and discussed several issues with the members of the BFA Committee at its May meeting in Knoxville. The results of the audit were clean with no unusual findings. The auditors reported on how two issues raised in 2003—capitalization of web development costs and outstanding checks to authors—had been resolved. In addition, the continuing issue of segregation of duties in the Executive Office was discussed, and the auditors noted that the Executive Office was doing the best it could given the limited number of staff members. The auditors noted that bonding of the Executive Office staff had been allowed to lapse, but such bonding had been reinstated. The final two issues concerned the Society's disaster plan which maintains back-up records in another site, and new auditing standards designed to avoid and reduce fraud in financial statements.

Other Issues

While the overall financial condition of the Society is very good, there is two interrelated issues that deserve consideration—membership revenue and member retention. The Society's largest source of income is from membership dues. In 2003, the Society experienced a decline in membership dues income of \$5,642 compared with 2002. This may not sound like a major loss, but it does mark the first time in my decade of service on the BFA Committee that such a decrease has occurred. In my analysis of this drop in membership dues revenue prepared for the Long-range Planning Committee, I found that the Society lost approximately 10% of its members in 2003. Moreover, almost 28% of 2002 members did not renew in 2003, with a high percentage of nonrenewals in "new professional/assistant professor" categories. Members in these categories represent the future of the Society, and their retention is of vital importance.

The question is whether 2003 was an anomalous year, or if instead it is the beginning of a long-term downward trend in membership. Thus far in 2004, it appears the situation is improving, primarily due to the recent membership promotion (there was no such promotion in 2003). As of May 31, membership dues revenue was up by \$5,786 compared with a year ago, and, as of the end of June, a smaller proportion of 2003 members had failed to renew for 2004. Nonetheless, membership revenue and member retention are two issues the Long-range Planning Committee and the Board must address in order to maintain the long-term viability of the Society.