

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

**Financial Statements**

**December 31, 2005 and 2004**

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

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

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## INDEPENDENT AUDITORS' REPORT

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

**We have audited the accompanying statements of financial position of The Society for the Study of Social Problems, Inc. as of December 31, 2005 and 2004, and the related statements of activities and cash flows for the years 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 audits.**

**We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.**

**In our opinion, the 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, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.**

*Lattin Black Morgan & Cain P.C.*

**Knoxville, Tennessee  
April 25, 2006**

THE SOCIETY FOR THE STUDY OF SOCIAL PROBLEMS, INC.

Statements of Financial Position

December 31, 2005 and 2004

	<u>Assets</u>	
	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$ 26,273	\$ 30,051
Investments	456,757	529,052
Accounts receivable	189,829	135,076
Prepaid expenses	4,556	55,371
Equipment, net	2,981	7,054
Other assets	<u>2,000</u>	<u>-</u>
Total assets	<u>\$ 682,396</u>	<u>\$ 756,604</u>
	<u>Liabilities and Net Assets</u>	
Liabilities:		
Accounts payable	\$ 55,507	\$ 55,988
Deferred revenue	<u>227,251</u>	<u>222,614</u>
Total liabilities	<u>282,758</u>	<u>278,602</u>
Net assets:		
Unrestricted	371,038	450,502
Permanently restricted	<u>28,600</u>	<u>27,500</u>
Total net assets	<u>399,638</u>	<u>478,002</u>
Total liabilities and net assets	<u>\$ 682,396</u>	<u>\$ 756,604</u>

See accompanying notes to the financial statements.

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

**Statements of Activities**

**Years ended December 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Changes in unrestricted net assets:</b>		
<b>Unrestricted revenues, gains, and other support:</b>		
Contributions	\$ 4,435	\$ 7,048
Annual meeting	58,739	57,002
Journals and publications	280,037	283,432
Membership dues	102,271	102,976
Dividends and interest income	7,156	5,886
Net unrealized gain on investments	14,793	43,398
Miscellaneous income	<u>-</u>	<u>393</u>
<b>Total unrestricted revenues, gains, and other support</b>	<u>467,431</u>	<u>500,135</u>
<b>Expenses:</b>		
Executive office	125,784	120,257
Annual meeting	90,377	65,138
Journals and publications	277,364	223,685
Board governance	4,600	5,002
Committees	23,455	24,769
Awards, scholarships, and related expenses	<u>25,315</u>	<u>21,299</u>
<b>Total expenses</b>	<u>546,895</u>	<u>460,150</u>
<b>Increase (decrease) in unrestricted net assets</b>	<u>(79,464)</u>	<u>39,985</u>
<b>Changes in permanently restricted net assets:</b>		
Contributions - Sustaining membership program	<u>1,100</u>	<u>1,100</u>
<b>Increase (decrease) in net assets</b>	<u>(78,364)</u>	<u>41,085</u>
<b>Net assets at beginning of year</b>	<u>478,002</u>	<u>436,917</u>
<b>Net assets at end of year</b>	<u>\$ 399,638</u>	<u>\$ 478,002</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, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities:</b>		
<b>Increase (decrease) in net assets</b>	\$ (78,364)	\$ 41,085
<b>Adjustments to reconcile changes in net assets to cash flows provided (used) by operating activities:</b>		
<b>Depreciation</b>	4,816	4,551
<b>Gain on disposal of equipment</b>	-	(100)
<b>Net unrealized gain on investments</b>	(14,793)	(43,398)
<b>Permanently restricted contributions received</b>	(1,100)	(1,100)
<b>Changes in operating assets and liabilities:</b>		
<b>Accounts receivable</b>	(54,753)	(4,395)
<b>Prepaid expenses</b>	50,815	6,601
<b>Other assets</b>	(2,000)	-
<b>Accounts payable</b>	(481)	9,814
<b>Deferred revenue</b>	<u>4,637</u>	<u>4,982</u>
<b>Net cash provided (used) by operating activities</b>	<b>(91,223)</b>	<b>18,040</b>
<b>Cash flows from investing activities:</b>		
<b>Proceeds from disposal of equipment</b>	-	100
<b>Purchases of equipment</b>	(743)	(3,443)
<b>Proceeds from sale of investments</b>	89,020	1,000
<b>Purchases of investments</b>	<u>(1,932)</u>	<u>(52,496)</u>
<b>Net cash provided (used) by investing activities</b>	<b>86,345</b>	<b>(54,839)</b>
<b>Cash flows from financing activities:</b>		
<b>Collection of restricted contributions for sustaining membership</b>	<u>1,100</u>	<u>1,100</u>
<b>Decrease in cash</b>	<b>(3,778)</b>	<b>(35,699)</b>
<b>Cash and cash equivalents at beginning of year</b>	<u>30,051</u>	<u>65,750</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 26,273</u>	<u>\$ 30,051</u>

See accompanying notes to the financial statements.

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

## Notes to the Financial Statements

December 31, 2005 and 2004

(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 on 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 classifications. 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, 2005 and 2004**

**(c) Investments**

Investments consist primarily of mutual funds with readily determinable fair values and certificates of deposit, which are shown at their fair values in the statements 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) Accounts receivable**

Accounts receivable relate primarily to amounts due from the University of California Press ("UC Press") and are uncollateralized obligations due under the terms as set forth in the UC Press agreement (Note 6), in which UC Press collects the subscription fees and remits them to the Society approximately two months from the receipt of the subscription fees. Late or interest charges on delinquent accounts are not recorded until collected. The carrying amount of accounts receivable is reduced by a valuation allowance, if necessary, which reflects management's best estimate of the amounts that will not be collected. It is the Society's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management has not recorded an allowance for doubtful accounts as of December 31, 2005 and 2004.

**(e) Equipment**

Equipment is stated at cost. Depreciation is provided over the assets' estimated useful lives using the straight-line method, generally three to five years.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When equipment 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.

**(f) Deferred revenue**

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

**(g) 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.



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

**Notes to the Financial Statements**

**December 31, 2005 and 2004**

**(h) Revenue recognition**

Revenues for journals and publications and membership dues are recognized ratably throughout the subscription or membership period. Other revenues are recognized as earned.

**(i) 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.

**(j) Reclassifications**

Certain reclassifications have been made to the 2004 financial statements in order for them to conform to the 2005 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

**(3) Concentrations**

The Society occasionally maintains cash on deposit at banks in excess of federally insured amounts. The Society has not experienced any losses in such accounts and management believes the Society is not exposed to any significant credit risk related to cash.

**(4) Investments**

A summary of investments, stated at fair value, as of December 31, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Mutual funds	\$ 356,757	\$ 429,052
Certificates of deposit	<u>100,000</u>	<u>100,000</u>
	<u>\$ 456,757</u>	<u>\$ 529,052</u>







