

M E M O R A N D U M

TO: SSSP Board of Directors

FROM: David R. Rudy, Treasurer

DATE: June 6, 2008

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 continues to be good. As of December 31, 2007, the Society had total net assets of \$483,682. These assets represent nearly 86 percent of the Society's annual operating costs, and provide a substantial cushion when SSSP has to weather any short-term financial crises as it did in 2005 and occasional past years.

During fiscal year 2007, the Society experienced a small budget surplus (\$2,704), down significantly from 2006 (\$27,540). The reduction in the 2007 budget surplus was largely the result of the costs associated with the Planning Retreat but one could convincingly argue that the retreat has and will result in making SSSP a stronger organization on both programmatic and fiscal levels.

In general, income and expenses in budget categories were as expected. Membership dues continued to show a modest upward trend as did net journal income. The annual meeting deficit was larger (\$9,233) than in 2006 (\$3,847) and as previously noted, "board governance" increased significantly as a consequence of the Planning Retreat.

The Society's investments in socially responsible mutual funds (Pax World Balanced Fund and the Parnassus Equity Income Fund) performed well during the year. The Pax World Fund generated \$23,820 in income, and Parnassus yielded a gain of \$1,679. When combined with interest from other sources (Domini/ShoreBank money market, CD's, savings and checking accounts) total investment income of \$32,171 was earned by the Society.

At our May meeting, the Budget, Finance, and Audit Committee with the leadership of Investment Advisor, Susan Carlson, conducted a review of the performance of the Pax and Parnassus mutual funds with respect to the Standard and Poor (S&P) 500 Index. In short, both the PAX and Parnassus funds have performed well relative to the S&P 500. Differences between them reflect the PAX fund's primary objective of preservation of capital and income, with a secondary objective of capital appreciation, versus the Parnassus fund's objective of income and appreciation in the short term. Investing the Society's reserves in two socially responsible mutual funds meets the stipulation in the board-approved investment policy that these investments be diversified.

Review of the Annual Audit

Lattimore Black Morgan & Cain, PC conducted the annual audit of the Society's financial statements. Their representatives, Jim McCollum and Bill Kelso, presented the findings of the audit to BFA at its May meeting in Knoxville. The results of the audit were clean with no unusual findings.

The Road Ahead

While the overall financial condition of the Society is good, in four of the past six years, the Society's cash income (i.e., income excluding paper gains on investments) has been below expenses. That fact, along with other items (Tom Hood's retirement from the Executive Officer Position, other personnel changes in the Executive Office, changing editorship of **Social Problems**, Annual Meeting deficits, etc) were the impetus for asking the membership to increase annual membership dues as well as asking the Board to increase the institutional subscription price for **Social Problems**. With these changes in place, along with favorable contract negotiations with our publisher (University of California Press) for **Social Problems**, I remain optimistic, even in these shaky fiscal times, about the fiscal health of SSSP. As anticipated, preliminary data (Jan to May 08) show increases in revenue from membership dues as well as in journal and publications income. Maintaining our fiscal health during this time of fiscal uncertainty, organizational transition, and Planning Retreat "recommendations," will require continued vigilance by the BFA and the Board.