

## **MEMORANDUM**

**TO:** SSSP Board of Directors

**FROM:** David R. Rudy, Treasurer

**DATE:** June 6, 2009

**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, 2008, the Society had total net assets of \$313,677. These assets represent slightly over 52 percent of the Society's annual operating costs, and provide a substantial cushion as in 2005 when SSSP had to weather a short-term financial crisis. A decent fiscal cushion will also be important in the current era where investment losses and low rates of return on restricted investments reduce SSSP's resources to fund worthwhile initiatives.

During fiscal year 2008, the Society experienced a budget shortfall (\$171,266) in sharp contrast to our budget surplus \$2,158 in 2007. The "good (?)" news is that the majority of the shortfall is a paper loss due to unrealized losses on investments.

In general, income and expenses in budget categories were as expected. Membership dues showed a significant increase (\$32,991) as our new fee structure was implemented and net journal income also increased. The annual meeting deficit was smaller (\$496) than it has been in a very long time!

The Society's investments in socially responsible mutual funds (Pax World Balanced Fund and the Parnassus Equity Income Fund) performed as good as could be expected during the current "down" market. The Pax World Fund generated over \$10,000 in income, and Parnassus yielded a gain of over \$200. When combined with interest from other sources (ShoreBank money market, Winthrop Federal Credit Union CD, Self-Help Credit Union CD, Tulip Cooperative Credit Union CD, savings and checking accounts) total investment income of \$15,663 was earned by the Society compared to \$32,170 in 2007.

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, PAX and particularly Parnassus have performed well relative to the S&P 500. Differences between them reflect the PAX fund's primary objective of income and conservation of principal, with a secondary objective of long term growth of capital, versus the Parnassus fund's objective of income and capital appreciation. At the May 2009 meeting, the BFA Committee supported Dr.

Carlson's recommendation, to moving some of SSSP's reserves from the Pax World Balanced Fund to the Parnassus Equity Income Fund once the current market recovers. Continuing to invest 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, Bill Kelso and Todd Bealer, 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 five of the past seven years, the Society's cash income (i.e., income excluding paper gains on investments) has been below expenses. I remain optimistic, even in these shaky fiscal times, about the fiscal health and vision of SSSP. Maintaining our fiscal health during this time of fiscal uncertainty and organizational transition will require continued vigilance by the BFA and the Board.