

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

Financial Statements

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)



LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

THE SOCIETY FOR THE STUDY OF SOCIAL PROBLEMS, INC.

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LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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. (the "Society") as of December 31, 2009 and 2008, 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, 2009 and 2008, 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.

Lattimore Black Morgan & Cain PC

Knoxville, Tennessee
May 4, 2010

THE SOCIETY FOR THE STUDY OF SOCIAL PROBLEMS, INC.

Statements of Financial Position

December 31, 2009 and 2008

	<u>Assets</u>	
	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 28,182	\$ 41,429
Investments	506,420	410,006
Accounts receivable	214,670	210,118
Prepaid expenses	-	1,027
Equipment, net	13,469	14,328
Long-term deposit	<u>5,000</u>	<u>-</u>
Total assets	<u>\$ 767,741</u>	<u>\$ 676,908</u>
	<u>Liabilities and Net Assets</u>	
Liabilities:		
Accounts payable	\$ 96,502	\$ 87,925
Deferred revenue	<u>284,794</u>	<u>275,306</u>
Total liabilities	<u>381,296</u>	<u>363,231</u>
Net assets:		
Unrestricted	296,555	229,470
Temporarily restricted	2,039	1,174
Permanently restricted	<u>87,851</u>	<u>83,033</u>
Total net assets	<u>386,445</u>	<u>313,677</u>
Total liabilities and net assets	<u>\$ 767,741</u>	<u>\$ 676,908</u>

See accompanying notes to the financial statements.

THE SOCIETY FOR THE STUDY OF SOCIAL PROBLEMS, INC.

Statements of Activities

Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Changes in unrestricted net assets:		
Unrestricted revenues, gains, and other support:		
Contributions	\$ 4,359	\$ 6,496
Annual meeting	70,433	81,690
Journals and publications	356,656	330,144
Membership dues	137,959	143,628
Dividends and interest income	8,331	14,351
Net unrealized gain (loss) on investments	60,329	(142,678)
Other income	685	225
Net assets released from restrictions	<u>769</u>	<u>685</u>
Total unrestricted revenues, gains, and other support	<u>639,521</u>	<u>434,541</u>
Expenses:		
Executive and administrative office	185,461	162,294
Annual meeting	83,328	82,186
Journals and publications	236,637	287,312
Board governance	7,315	8,460
Committees	32,271	38,248
Awards, scholarships, and related expenses	<u>27,424</u>	<u>27,307</u>
Total expenses	<u>572,436</u>	<u>605,807</u>
Increase (decrease) in unrestricted net assets	<u>67,085</u>	<u>(171,266)</u>
Changes in temporarily restricted net assets:		
Temporarily restricted revenue	1,634	1,313
Net assets released from restrictions	<u>(769)</u>	<u>(685)</u>
Increase in temporarily restricted assets	<u>865</u>	<u>628</u>
Changes in permanently restricted net assets:		
Contributions - Sustaining membership	4,800	600
Contributions - Joseph B. Gittler award	<u>18</u>	<u>33</u>
Increase in permanently restricted assets	<u>4,818</u>	<u>633</u>
Increase (decrease) in net assets	72,768	(170,005)
Net assets at beginning of year	<u>313,677</u>	<u>483,682</u>
Net assets at end of year	<u>\$ 386,445</u>	<u>\$ 313,677</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 72,768	\$ (170,005)
Adjustments to reconcile changes in net assets to cash flows provided by operating activities:		
Depreciation	8,184	6,052
Gain on disposal of equipment	(200)	-
Net unrealized (gain) loss on investments	(60,329)	142,678
Permanently restricted contributions received	(4,818)	(633)
Changes in operating assets and liabilities:		
Accounts receivable	(4,552)	(73,863)
Prepaid expenses	1,027	(1,027)
Long-term deposit	(5,000)	-
Accounts payable	8,577	35,239
Deferred revenue	<u>9,488</u>	<u>72,033</u>
Net cash provided by operating activities	25,145	10,474
Cash flows from investing activities:		
Proceeds from disposal of equipment	200	-
Purchases of equipment	(7,325)	(8,161)
Proceeds from sale of investments	62,000	90,000
Purchases of investments	<u>(98,085)</u>	<u>(106,239)</u>
Net cash used by investing activities	(43,210)	(24,400)
Cash flows from financing activities:		
Collection of restricted contributions	<u>4,818</u>	<u>633</u>
Decrease in cash	(13,247)	(13,293)
Cash and cash equivalents at beginning of year	<u>41,429</u>	<u>54,722</u>
Cash and cash equivalents at end of year	<u>\$ 28,182</u>	<u>\$ 41,429</u>

See accompanying notes to the financial statements.

THE SOCIETY FOR THE STUDY OF SOCIAL PROBLEMS, INC.

Notes to the Financial Statements

December 31, 2009 and 2008

(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 from 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) SFAS 168 accounting codification

On June 29, 2009 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* ("SFAS 168"). SFAS 168 is effective for periods ending after September 15, 2009 and makes the FASB Accounting Standards Codification ("ASC") the sole source of authoritative accounting technical literature for nongovernmental entities in the United States of America.

(b) 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.

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.

(c) Cash equivalents

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

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Notes to the Financial Statements

December 31, 2009 and 2008

(d) Investments

Investments consist primarily of mutual funds with readily determinable fair values and certificates of deposit, which are shown at their cost which approximates fair value 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.

(e) 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 7), in which UC Press collects the subscription fees and remits them to the Society approximately one month 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, 2009 and 2008.

(f) 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.

(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.

(h) Revenue recognition

Revenues from journals and publications and membership dues are recognized ratably throughout the subscription or membership period. Other revenues are recognized as earned, which is generally when received.

Subscription and membership dues received in advance are recorded as deferred revenues and recognized as income over the subscription and membership period.

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Notes to the Financial Statements

December 31, 2009 and 2008

(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 2008 financial statements in order for them to conform to the 2009 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

(k) Events occurring after reporting date

The Society has evaluated events and transactions that occurred between December 31, 2009 and May 4, 2010 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(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) Assets and liabilities measured at fair value

On January 1, 2009, the Society adopted components of the accounting standards for fair value, which define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements for both financial and non-financial assets and liabilities. These standards apply to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

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Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). The Society does not have any fair value measurements using significant unobservable inputs (Level 3) as of December 31, 2009.

(a) Financial Instruments

The carrying amount of financial instruments, consisting of cash and cash equivalents, accounts receivable, accounts payable and deferred revenue approximate their fair value due to their relatively short maturities. Certificates of deposit are valued at cost, which approximates fair market value. Mutual funds are valued based on quoted prices.

(b) Non-Financial Assets

The Society's non-financial assets, which include equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Society is required to evaluate the non-financial instrument for impairment, a resulting asset impairment would require that the non-financial asset be recorded at fair value. During the year, the Society did not measure any non-financial assets at fair value or recognize any amounts in earnings related to changes in fair value for non-financial assets.

The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of December 31, 2009:

Fair Value Measurements as of
December 31, 2009 using the following inputs

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 356,417	\$ 356,417	\$ -	\$ -
Certificates of deposit	<u>150,003</u>	<u>-</u>	<u>150,003</u>	<u>-</u>
Total	<u>\$ 506,420</u>	<u>\$ 356,417</u>	<u>\$ 150,003</u>	<u>\$ -</u>

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December 31, 2009 and 2008

(5) Investments

A summary of investments, stated at fair value, as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Mutual funds	\$ 356,417	\$ 310,006
Certificates of deposit	<u>150,003</u>	<u>100,000</u>
	<u>\$ 506,420</u>	<u>\$ 410,006</u>

(6) Equipment

A summary of equipment as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Computer equipment	\$ 40,814	\$ 35,376
Accumulated depreciation	<u>(27,345)</u>	<u>(21,048)</u>
	<u>\$ 13,469</u>	<u>\$ 14,328</u>

(7) Contractual agreements

The Society has entered into an agreement with the University of Tennessee, Knoxville, Department of Sociology of the College of Arts and Sciences (the "University"), 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 administrative office. This agreement is renewable on an annual basis each January. The current agreement expires on December 31, 2011 and is expected to be renewed when it expires.

The Society uses the University's purchasing and disbursing services. Unreimbursed expenses owed to the University from the Society were \$11,055 and \$10,324 at December 31, 2009 and 2008, respectively. These amounts are included in accounts payable.

The Society has entered into an agreement with UC Press. Under this agreement, UC Press serves as the sole publisher of *Social Problems*, a quarterly journal sponsored by the Society. Management believes that, if necessary, an alternate publisher could be obtained. However, unexpected events could cause a delay in publication, and accordingly, a possible loss of revenues.

Subscriptions to *Social Problems* are charged on an annual basis. *Social Problems* is distributed to library subscribers and Society members. Library subscriptions are administered and collected by UC Press and remitted to the Society approximately one month after receipt. Accordingly, accounts receivable from UC Press relate to subscriptions collected

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before year end, which will not be remitted to the Society until the following year. Subscription revenues collected in the current year for the following year are deferred and recognized as earned. Society memberships, which include a one year subscription to *Social Problems*, are remitted directly to the Society. The Society is billed for the direct operating expenses incurred in publishing the journals for subscribers and Society members. These expenses for the final publication of the current year are not paid until the following year, and thus are included in accounts payable at December 31, 2009 and 2008.

The current UC Press agreement expires on December 31, 2014. This agreement will be automatically extended for subsequent periods of five years each unless request for revisions or notice of termination is submitted in writing by either party to the other not later eighteen months preceding the date of expiration.

(8) Board designated assets

The Erwin O. Smigel Award 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 Lee Founders Award Fund 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 Thomas C. Hood Social Action Award Fund (formerly 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, 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 from economically disadvantaged countries, where access to foreign exchange is often more limited to attend the annual meeting.

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The C. Wright Mills Award Fund was established in 1964. 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 Racial/Ethnic Minority Graduate Scholarship Fund (formerly 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 scholarly activism. The designated funds and future contributions will be used to provide scholarships to the winners.

The board has designated assets as of December 31, 2009 as follows:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Erwin O. Smigel Fund	\$ 2,795	\$ -	\$ 2,795
Lee Founders Award Fund	-	8,462	8,462
Social Action Award Fund	-	10,594	10,594
Lee Student Support Fund	2,934	-	2,934
Lee Scholar-Activist Support Fund	1,427	-	1,427
C. Wright Mills Award Fund	4,367	-	4,367
Racial/Ethnic Minority Graduate Scholarship Fund	-	294,530	294,530
Social Equity Fund	-	2,301	2,301
	<u>\$ 11,523</u>	<u>\$ 315,887</u>	<u>\$ 327,410</u>

The board has designated assets as of December 31, 2008 as follows:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Erwin O. Smigel Fund	\$ 2,730	\$ -	\$ 2,730
Lee Founders Award Fund	-	6,720	6,720
Social Action Award Fund	-	8,876	8,876
Lee Student Support Fund	2,429	-	2,429
Lee Scholar-Activist Support Fund	1,288	-	1,288
C. Wright Mills Award Fund	3,991	-	3,991
Racial/Ethnic Minority Graduate Scholarship Fund	-	204,645	204,645
Social Equity Fund	-	10,788	10,788
	<u>\$ 10,438</u>	<u>\$ 231,029</u>	<u>\$ 241,467</u>

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

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(9) Permanently restricted net assets

In 2000, the Society established the Sustaining Membership Fund. This fund allows members the opportunity to pay \$1,700 (\$1,200 prior to 2007) for a sustaining membership. One hundred dollars of the membership is recorded as a payment of dues in the year that the individual becomes a sustaining member. The remaining funds are placed in an interest and/or dividend bearing account and are not refundable or transferable to another person. The yearly dues of sustaining members will be paid from the account's earnings.

Permanently restricted net assets at December 31, 2009 and 2008 consist of cumulative contributions to the Sustaining Membership Fund of \$37,800 and \$33,000, respectively. The restricted and unrestricted investments held in the Sustaining Membership Fund have a fair market value of \$40,530 and \$28,974 as of December 31, 2009 and 2008. Unrealized gains (losses) in fair market value for those funds amounted to \$6,156 and \$(4,026), respectively, for the years ended December 31, 2009 and 2008. The unrealized gain has been recorded in the statement of activities in unrestricted revenues, gains and other support as a portion of investment income.

Interest and/or dividend income from the Sustaining Membership Fund for the years ended December 31, 2009 and 2008 was \$599 and \$1,096, 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.

During 2007, the Society received a bequest from the estate of Joseph B. Gittler in the amount of \$50,000. The earnings from this permanently restricted contribution will be used to fund an annual Joseph B. Gittler Award for a most scholarly contribution in the area of ethical components in the resolution of social problems. The investment is made in a certificate of deposit, which earned \$1,634 and \$1,313 in interest for the years ended December 31, 2009 and 2008, respectively. The interest is recorded in temporarily restricted revenue as the earnings were used in the year earned for the award.

(10) Income Taxes

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"), which clarifies the accounting for uncertainty in income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Society adopted the provisions of FIN 48, on January 1, 2009, and determined there was no impact as a result of adoption.

As of December 31, 2009, the Society has accrued no interest and no penalties related to uncertain tax positions. It is the Society's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

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The Society files a U.S. Federal, informational return. The Society is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2006 through 2009.