

MEMORANDUM

TO: SSSP Board of Directors
FROM: Susan M. Carlson, Treasurer
DATE: July 31, 2012
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 wellbeing of the Society.

Financial Condition of the Society

The Society continues to do well financially. As of December 31, 2011, the Society had total net assets of \$465,303, up from \$440,774 in December 2010. These assets represent about 74% percent of the 2012 operating budget, and provide a cushion to cover unanticipated expenses.

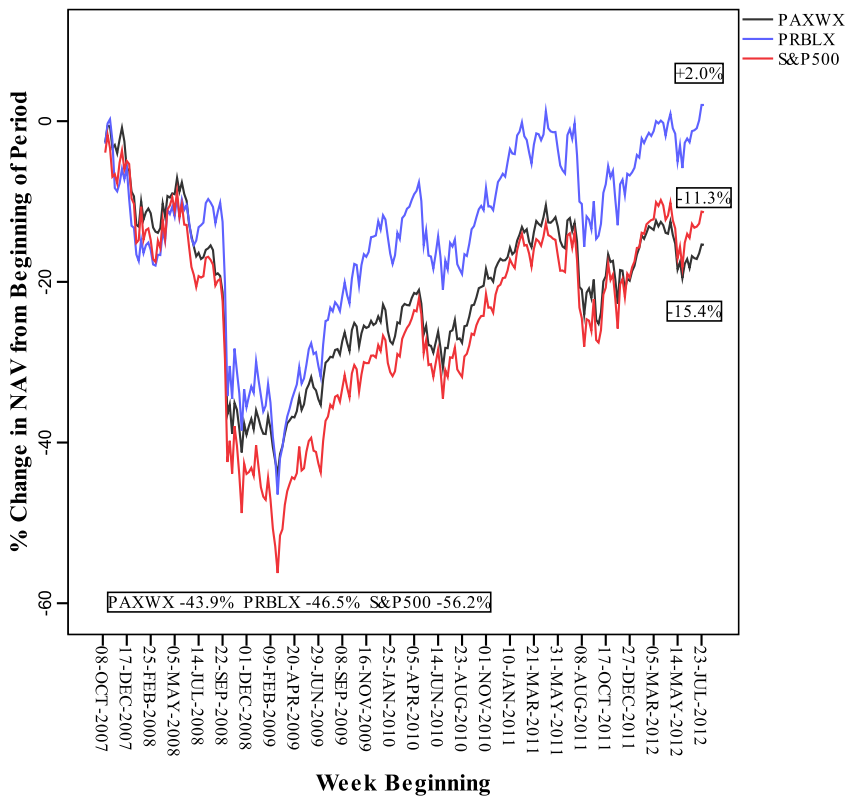
In 2011, the Budget, Finance, and Audit Committee (BFA) projected a \$42,438 deficit, yet in the end we realized a \$24,529 increase in net assets despite experiencing a \$14,531 paper loss on investments. I am happy to report that revenue was up in all categories except investment income in 2011. Also, for the first time since 1988, the annual meeting in Las Vegas finished in the black, with income exceeding expenses by \$2,623, due in no small part to the outstanding efforts of our Administrative Officer and Meeting Manager, Michele Smith Koontz.

The BFA Committee is projecting a budget deficit of \$31,403 in 2013. This is a conservative estimate and, given the upward trend in revenue and projected surplus of \$9,255 in 2012, we are hopeful that the Society will finish in the black in 2013 as well. However, to work toward this goal, the committee is proposing an increase in annual meeting registration fees to help defray the increased costs of next year's annual meeting in New York City, and splitting the highest membership dues category of \$85,000 & up into two categories: \$85,000–\$99,999 at the current dues level of \$210, and \$100,000 & up at \$230.

Investment Performance

Our investments continue to recover from the \$143,000 paper loss that resulted from the market crash in fall 2008. Figure 1 tracks the net asset value of the Society's investments in the Pax World Balanced Fund (PAXWX) and the Parnassus Income Equity Fund (PRBLX) compared with the Standard and Poor 500 market index (S&P500) beginning with the week of the highest point in the market (week beginning October 8, 2007) through the week beginning July 30, 2012. The figure shows that both socially responsible mutual funds lost less of their net asset value when the market crashed in 2008, PAXWX -43.9% and PRBLX -46.5%, compared with the market standard, S&P500 -56.2%. By July 30, 2012, PRBLX exceeded its 2008 value by 2%, PAXWX regained about 85% of its value, while the S&P500 recouped about 89%. Thus, the Society's investments in socially responsible mutual funds performed as well as, or better than, the market standard during the period examined.

Figure 1. Comparison of the % Change in the Net Asset Value of the Pax World Balanced Fund (PAXWX), the Parnassus Equity Income Fund (PRBLX), and the S&P 500 Index ...



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 Logan Laug, reviewed and discussed the

findings of the audit with the members of the BFA Committee at its June meeting in Knoxville. The results of the audit were clean with no unusual findings. There was one minor adjusting journal entry related to recording of accrued annual leave of the Administrative Officer and Administrative Assistant. The auditors reported on one issue that they raise on an annual basis regarding segregation of duties related to cash receipt and disbursement processes. SSSP has only one full-time employee, the Administrative Officer, and currently she performs most of the financial duties for the Society. The auditors noted additional segregation of certain duties surrounding cash have been improved in recent years due to increased involvement of the Treasurer, Administrative Assistant, and Executive Officer in the cash receipt and disbursement processes. However, they offer the following advice:

As the Executive Officer is located at an off-site location, it is important for the Budget, Finance, and Audit Committee to monitor the controls over segregation of duties and help ensure that good working practices are developed and adhered to consistently, to ensure proper review of activities and protection of the Organization's assets. Appropriate oversight from the Executive Officer and Budget, Finance, and Audit Committee, as well as the bonding of the Administrative Officer to insure risk of loss, appear to help mitigate the risks related to segregation of duties (Audit, page 35).