

## MEMORANDUM

**TO:** SSSP Board of Directors  
**FROM:** Susan M. Carlson, Treasurer  
**DATE:** July 22, 2014

**RE:** Financial Condition of the Society for the Study of Social Problems

Article IV, Section 8 of the SSSP By-laws 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 that affect the future financial wellbeing of the Society.

### *Financial Condition of the Society*

The Society did extraordinarily well in 2013. As of December 31, 2013, the Society had total net assets of \$675,140, up from \$561,921 in December 2012, an increase of \$113,219. These assets represent about 93% percent of the 2014 operating budget, and provide a cushion to cover unanticipated expenses and provide an opportunity to expand the good works of the Society.

In August 2013, the Budget, Finance, and Audit Committee (BFA) projected a small \$4,769 surplus, yet at year’s end there was, as noted, a \$113,219 increase in net assets. This budget surplus was due to many factors, among them \$58,161 in capital gains and dividend income from the Society’s socially responsible mutual fund investments, \$26,949 unrealized net gain on mutual fund investments, an increase in membership dues of approximately \$17,000 over 2012, and a profit on the annual meeting of nearly \$31,000. On the expense side, nearly all categories came in under budget. In particular, the Executive Officer and Administrative Office together were under budget by over \$6,000. Many thanks to Michele and her staff for being such good stewards of the Society’s resources.

The BFA Committee is projecting a budget deficit of \$42,246 in 2014, up from the \$16,450 deficit projected last August. The increase in the projected deficit is due to an increase in editorial office expenses from \$104,478 to \$122,228 (+\$17,750, due to one-time costs of establishing online before print and the editorial office transition), an expected shortfall on the annual meeting of \$8,372, and an increase in board governance expenses of \$1,465 to purchase liability insurance. However, it is important to keep in mind that the BFA Committee budgets conservatively, and the projected budget does not include investment income and unrealized gains on investments, which, if upward market trends hold, should more than offset the projected deficit.

### *Investment Portfolio and Performance*

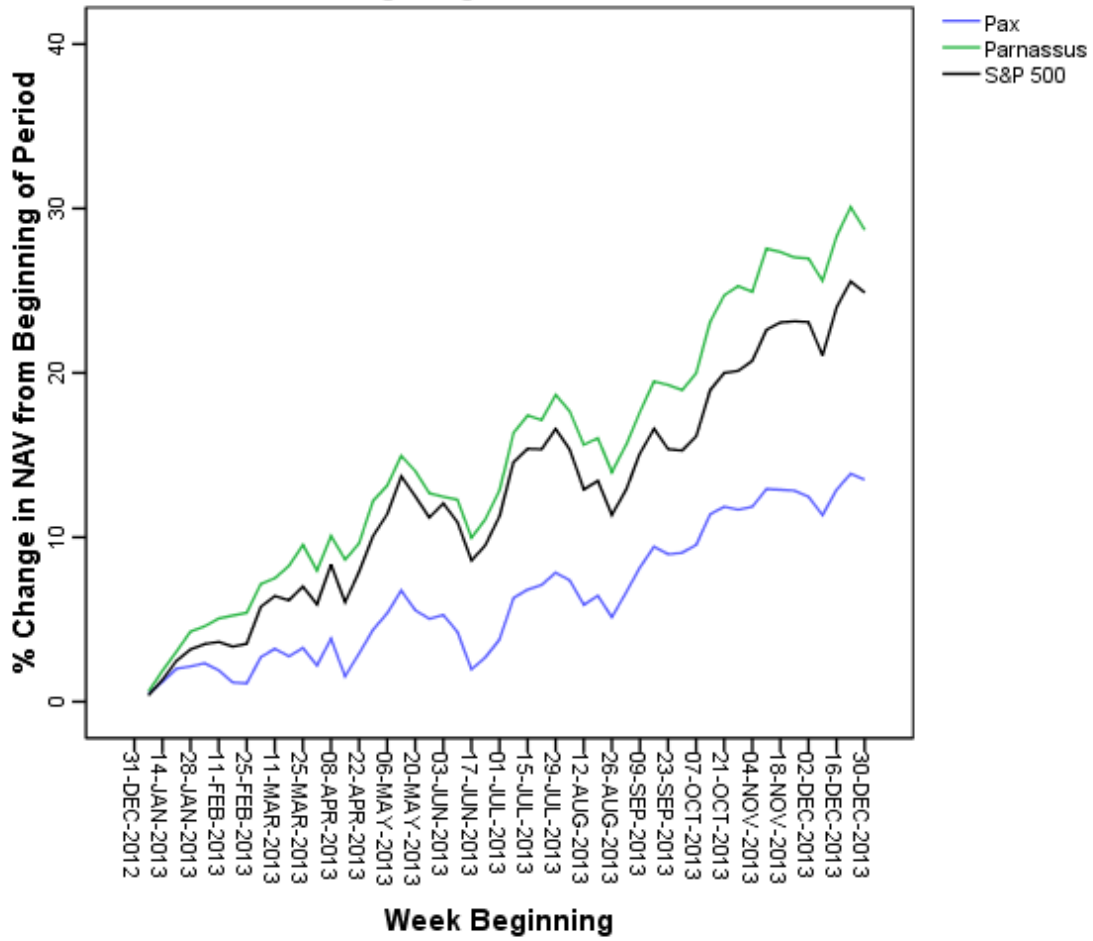
The SSSP investment policy and guidelines for investing in community development financial institutions requires that the Society’s reserve funds be invested in diversified socially

responsible mutual funds and community development financial institutions (CDFIs). The community development investments are rotated on a three-year basis to benefit low-wealth communities around the nation.

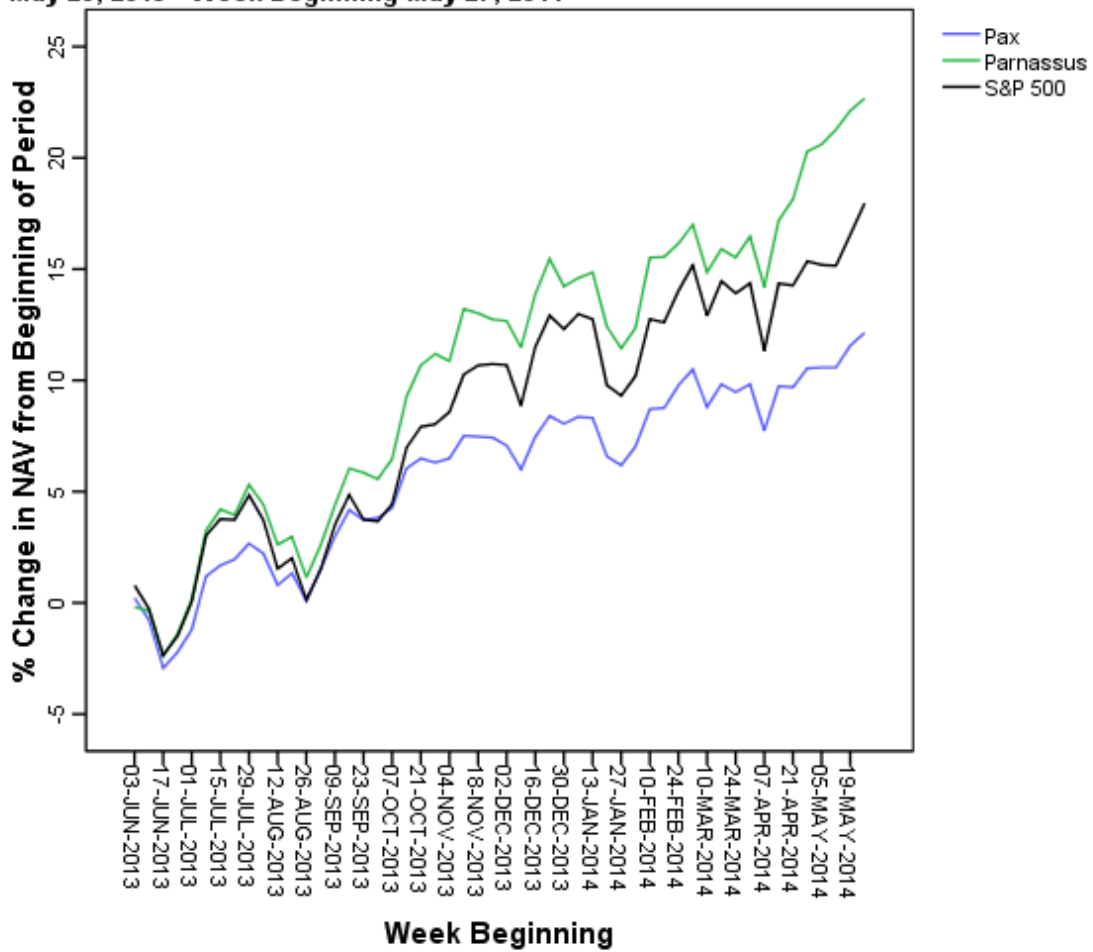
In accord with this policy and the guidelines for CDFI investments, the current investment portfolio consists of investments in two socially responsible mutual funds, three community development financial institutions, and a money market account with a community bank. Approximately 60% of the Society's reserve funds are invested equally with two socially responsible mutual funds—the Pax World Balanced Fund, and the Parnassus Equity Income Fund (institutional shares). Another 16% of the Society's reserve funds are invested equally with three community development financial institutions that provide banking and other services to low-wealth communities—the Self-Help Credit Union in North Carolina, the Carver Federal Savings Bank in New York City, and the Urban Partnership Bank in Chicago. The remaining 25.5% of the reserves are deposited in a money market account with Home Federal Bank in Knoxville.

Fund prospectuses that detail the investment objectives and strategies of the Pax World Balanced and Parnassus Income Equity Funds are available from their respective websites: [www.paxworld.com](http://www.paxworld.com) [www.parnassus.com](http://www.parnassus.com) . Differences in fund objectives and strategies provide some protection from market fluctuations, and are reflected in the following graphs.

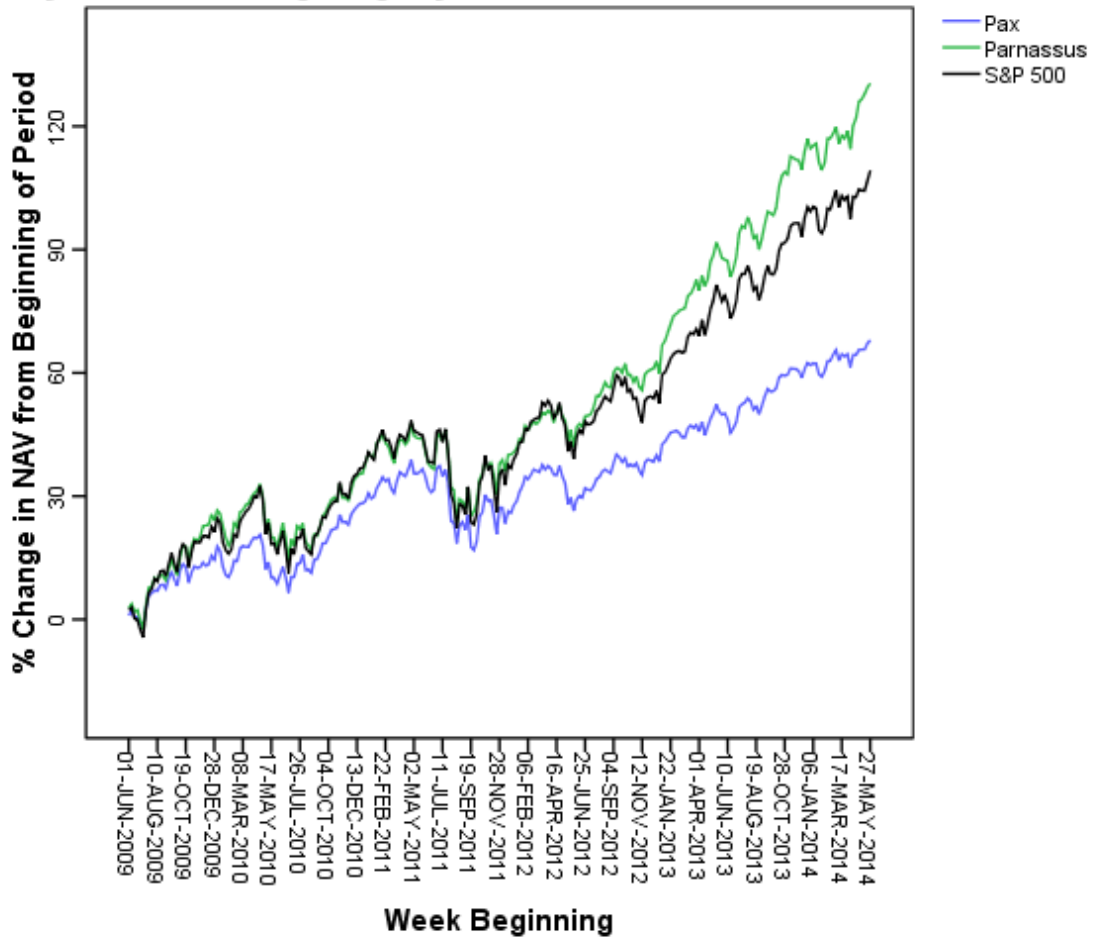
**Figure 1. Comparison of the % Change in the Net Asset Value (NAV) of the Pax World Balanced Fund, the Parnassus Equity Income Fund, and the S&P 500 Index: Week Beginning December 31, 2012 - Week Beginning December 30, 2013**



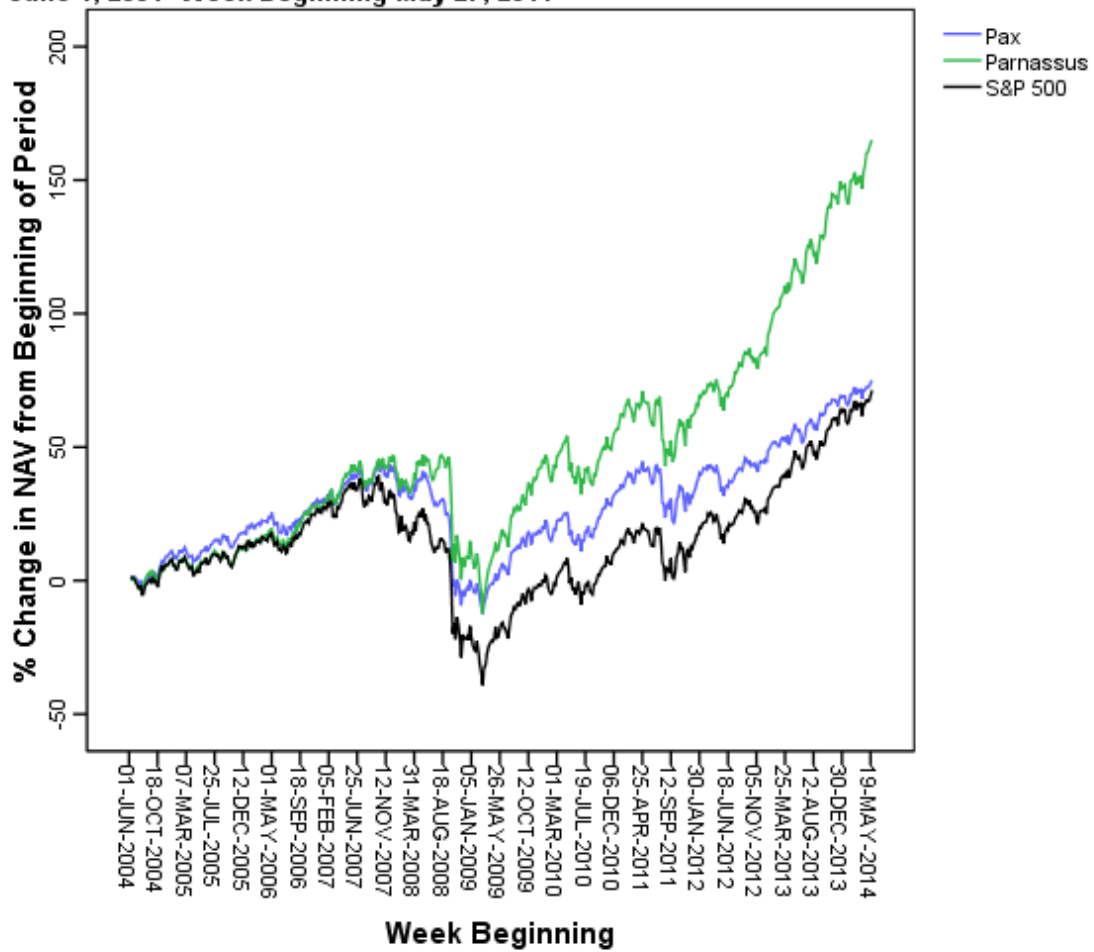
**Figure 2. One-year Comparison of the % Change in the Net Asset Value (NAV) of the Pax World Balanced Fund, the Parnassus Equity Income Fund, and the S&P 500 Index: Week Beginning May 28, 2013 - Week Beginning May 27, 2014**



**Figure 3. Five-year Comparison of the % Change in the Net Asset Value (NAV) of the Pax World Balanced Fund, the Parnassus Equity Income Fund, and the S&P 500 Index: Week Beginning May 26, 2009 - Week Beginning May 27, 2014**



**Figure 4. Ten-year Comparison of the % Change in the Net Asset Value (NAV) of the Pax World Balanced Fund, the Parnassus Equity Income Fund, and the S&P 500 Index: Week Beginning June 1, 2004 - Week Beginning May 27, 2014**



### ***Review of the Annual Audit***

Lattimore Black Morgan & Cain, PC conducted the annual audit of the Society's financial statements. Their representative, 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. For all the years that LBMC has been the Society's auditor, segregation of duties related to cash receipt and disbursement processes has been noted each year as a concern. However, this year the auditors removed this concern from the audit report, indicating that increased involvement of the Treasurer, Administrative Assistant, and Executive Officer in the cash receipt and disbursement processes with the oversight of the BFA Committee was sufficient to insure against any financial risk to the Society of having only one full-time employee who performs most financial duties.