

## **MEMORANDUM**

TO: SSSP Board of Directors

FROM: Patrick Donnelly, Treasurer

Date: July 30, 2016

RE: Report on the Financial Condition of SSSP

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." It is customary for the Treasurer to provide an annual report to the Board of Directors describing the financial condition of the SSSP, a summary of the audit, and other matters affecting the financial wellbeing of the organization.

### **Financial Condition of the Society**

The financial state of the Society is strong. From a financial perspective, 2015 was a solid year for SSSP. As of December 31, 2015, the Society had total net assets of \$886,094. This is an increase in net assets of 8% from the previous year. The total net assets exceed the total annual operating costs for 2015 (\$603,128). This means that the Society has a substantial cushion in case the Society needs to weather a short-term financial crisis due to unexpected circumstances.

The increase in net assets reflects the fact that net revenues for 2015 exceeded our expenditures by \$65,700. Compared with 2014, both total revenue and total expenditures were down. These changes were expected and were built into the approved 2015 budget. While revenue was down in most of the major budget categories, the primary reason for the decline in SSSP revenues and expenditures is due to the different budgeting model developed in our contract with Oxford University Press (OUP). OUP returns a lower percent of the subscription revenue to SSSP than the University of California did, but OUP pays for publishing expenses that were previously paid by the Society. Hence, SSSP revenues in the Journals and Publications category dropped by \$91,000 and SSSP expenditures for Journals and Publications dropped by \$95,000.

Revenue from membership dues declined slightly in 2015 even though there was a small increase in the number of members. Annual meeting revenue for 2015 was down compared to 2014 (by \$9,298) but meeting expenses were down by a greater amount (\$13,305).

Expenditures in most major categories came in under the approved budget for 2015. These categories include the Administrative Office (-\$6,523), Executive Officer (-\$6117) and the previously discussed Journal and Publications (-\$5,582) and Annual Meeting (-\$13,304) categories.

### **Investment Portfolio**

Consistent with SSSP investment policy and guidelines for investing in community development financial institutions, reserve funds are invested in diversified socially responsible mutual funds and community development financial institutions. Currently, the portfolio consists of three mutual funds (Pax Balanced, Parnassus Core Equity, and Parnassus Funds), the Carver Federal Savings Bank in New York City, the Urban Partnership Bank in Chicago, and the Self Help Credit Union in Durham, NC. It also has a money market account in a Knoxville community bank. In 2015, the Society earned \$59,392 in dividends and interest income.

At its May meeting, the Budget, Finance and Audit Committee reviewed the performance of the mutual funds. Investment Advisor Susan Carlson reported that the mission and returns from the three mutual funds continue to be appropriate for the Society and recommended maintaining these investments. The community development investments are rotated on a three year basis to benefit low wealth communities across the nation. Susan presented two options of possible community development institutions to replace the Urban Partnership Bank when its three year term expires. After reviewing the mission and strengths of the two organizations, the BFA recommended transferring the funds to the Four Bands Community Fund, an organization that creates economic opportunity on the Cheyenne River Indian Reservation by helping people build strong and sustainable businesses.

### **Audit**

The Budget, Finance and Audit Committee met with LBMC to review and discuss the 2015 audit. It was a clean audit with no unusual findings. In a separate Client Service Communication, LMBC noted one opportunity for improving operating efficiency. In noting the centrality of the Administrative Officer and the Executive Officer to the Society's operations, LMBC suggested that contingency plans be established to ensure operational effectiveness if an unexpected vacancy arose in either of these positions. Steps have already been taken in this regard with cross-training of SSSP staff scheduled to begin following the annual meeting.