

## **MEMORANDUM**

TO: SSSP Board of Directors

FROM: Patrick Donnelly, Treasurer

Date: July 15, 2017

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. As of December 31, 2016, the Society had total net assets of \$960,169. This is an increase in net assets of 8% from the previous year. The total net assets exceed the total annual operating expenses for 2016. 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. It also means that the Society did not have to consider increases in membership dues or registration fees at this time.

From a financial perspective, 2016 was a solid year for SSSP. The increase in net assets reflects the fact that net unrestricted revenues for 2016 exceeded our total expenditures by \$69,213. Compared with 2015, both total revenue and total expenditures were higher in 2016. The primary sources of revenue -- Annual meeting, Journals and publications, and Membership Dues -- experienced relatively small changes of 2.8%, -1% and .5% respectively. A sharp decline in income from dividends and interest in 2016 (\$39,477) was more than offset by an increase of over \$90,000 in net unrealized gains on investments.

On the expense side, there were increases in a number of categories. The largest three expense categories -- Executive officer and administrative office, Annual meeting, and Journal and publications -- experienced increases of 3%, 6.5% and 6.4% respectively. Expenses for awards and scholarships jumped dramatically (102%) from under \$30,000 in 2015 to just over \$60,000 in 2016 as the Society awarded two \$15,000 race/ethnic minority scholarships (formerly one \$12,000 award) and increased the Thomas Hood Social Action Award from \$1,000 to \$5,000 and the Lee Student Support Fund from \$11,000 to \$15,000. There were small decreases in expenses for Board governance and committees.

### **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, approximately two-thirds of the portfolio is invested in three socially responsible mutual funds: Pax Balanced, Parnassus Core Equity, and Parnassus Funds. Another 15% 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, City First bank of DC in Washington DC, and the Latino Community Credit Union in Durham, North Carolina. These investments are generally held for three years. Investment Advisor Susan Carlson identifies and gathers information on financial institutions as the three-year period approaches. SSSP also

has accounts at Home Federal Bank in Knoxville TN. In 2016, the Society earned \$19,915 in dividends and interest income.

### **Audit**

The Budget, Finance and Audit Committee met with three representatives of LBMC (one via phone) in Knoxville in June 2017 to review and discuss the 2016 audit. It was a clean audit that reported no unusual findings, deficiencies, internal control matters, or other adjustments. LMBC representatives also provided information concerning the potential Election H status. There would be a small increase in the auditing fee since it would require the submission of an additional form each year.