

MEMORANDUM

TO: SSSP Board of Directors

FROM: Patrick Donnelly, Treasurer

DATE: July 13, 2018

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, 2017 was a solid year for SSSP. As of December 31, 2017, the Society had total net assets of \$1,055,157. This is an increase in net assets of almost 10% from the previous year. The total net assets exceed the total annual operating expenses for 2017. 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 unrestricted revenues for 2017 exceeded our total expenditures by over \$90,000. SSSP’s primary sources of revenue are the journal, membership dues and the annual meeting. Revenues from the journal decreased by 6% compared to 2016; annual meeting revenues increased almost 6% while revenues from membership dues increased less than 1%. Income from dividends and interest increased from almost \$20,000 in 2016 to over \$61,000 in 2017.

On the expense side, there were increases in a number of categories. The largest three expense categories are the Executive officer and administrative office, Annual meeting, and Journal and publications. Expenses for the executive director and administrative office and for the annual meeting rose 5% and 4% while journal expenses declined by almost 3%.

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 that hold about 17% of the reserve funds.

Audit

The Budget, Finance and Audit Committee met with a representative of LBMC in Knoxville in May 2018 to review and discuss the 2017 audit. It was a clean audit that reported no unusual findings, deficiencies, internal control matters, or other adjustments. LBMC informed the BFA of the required changes in the reporting of financial statements to more clearly distinguish between assets with donor restrictions and those without donor restrictions.