

## MEMORANDUM

**TO:** SSSP Board of Directors  
**FROM:** Susan M. Carlson, Treasurer and Investment Advisor  
**DATE:** June 29, 2022  
**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.” As part of this oversight responsibility, the Treasurer provides an annual report to the Board of Directors that gives an overview of the financial condition of the Society and its investments, 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*

Last August, the Budget, Finance, and Audit Committee (BFA committee) projected a deficit of \$77,732 for 2021. However, the Society finished the year with an increase in net assets of \$183,242, up from \$1,130,830 at the end of 2020 to \$1,314,072 at the end of 2021. This increase was due to unrealized (paper) gains on investments of \$148,325 as well as investment income of \$97,533. However, holding aside the paper gains on investments, revenue exceeded expenses by \$34,915 in 2021. This is an improvement over 2019 and 2020 when, without paper gains on investments, expenses exceeded revenues.

The audited figures for 2021 show a total increase in revenue of 29.1% (\$739,887 in 2021 compared with \$573,160 in 2020), mostly due to the increases in unrealized and realized gains on investments, noted above, and an increase in membership dues over 2020, in part due to holding the virtual meeting after canceling the meeting for 2020. Total expenses increased by 9.3% (\$559,860 in 2021 compared with \$512,091 in 2020), again due mostly to holding the virtual annual meeting.

Overall, 2021 was an unexpectedly good year for the Society’s finances as net assets experienced a healthy overall increase. However, a large proportion of the budget surplus was due to the unrealized/paper gains in investments.

The 2022 budget approved by the board in August 2021 projected a budget deficit of \$225,547. The BFA committee now projects a budget deficit of \$195,971. Realized and unrealized gains on investment are anticipated to fare worse in 2022, due to the onset of a bear market mid-year, and are less likely to offset this anticipated deficit. Reserve funds will need to be tapped to make up for any budget shortfalls, making BFA Committee recommendations for focusing on revenue generation all the more urgent.

## ***Investment Portfolio and Performance***

The SSSP board-approved investment policy and guidelines for investing in community development financial institutions require that the Society's reserve funds be invested in diversified SR/SI/ESG 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 three SR/SI/ESG mutual funds, one community development financial institution, and a money market account and miscellaneous savings accounts with a local community bank. Of the Society's \$1,173,022.50 reserve and restricted funds as of June 21, 2022, 78.5% is invested with three SI/SR/ESG funds—the Walden Balanced Fund (WSBFX, 17.2%), the Parnassus Endeavor Fund (PARWX, 20.5%), and the Parnassus Core Equity Fund (institutional shares, PRILX, 40.8%). Another 15.3% of the reserve and restricted funds is invested with one community development financial institution that provides banking and other services to low-wealth communities—the Self-Help Credit Union in North Carolina (a CD [Gittler bequest] and a money market account). The remaining reserves (6.2%) are deposited in a money market account and contributions savings accounts with Home Federal Bank in Knoxville.

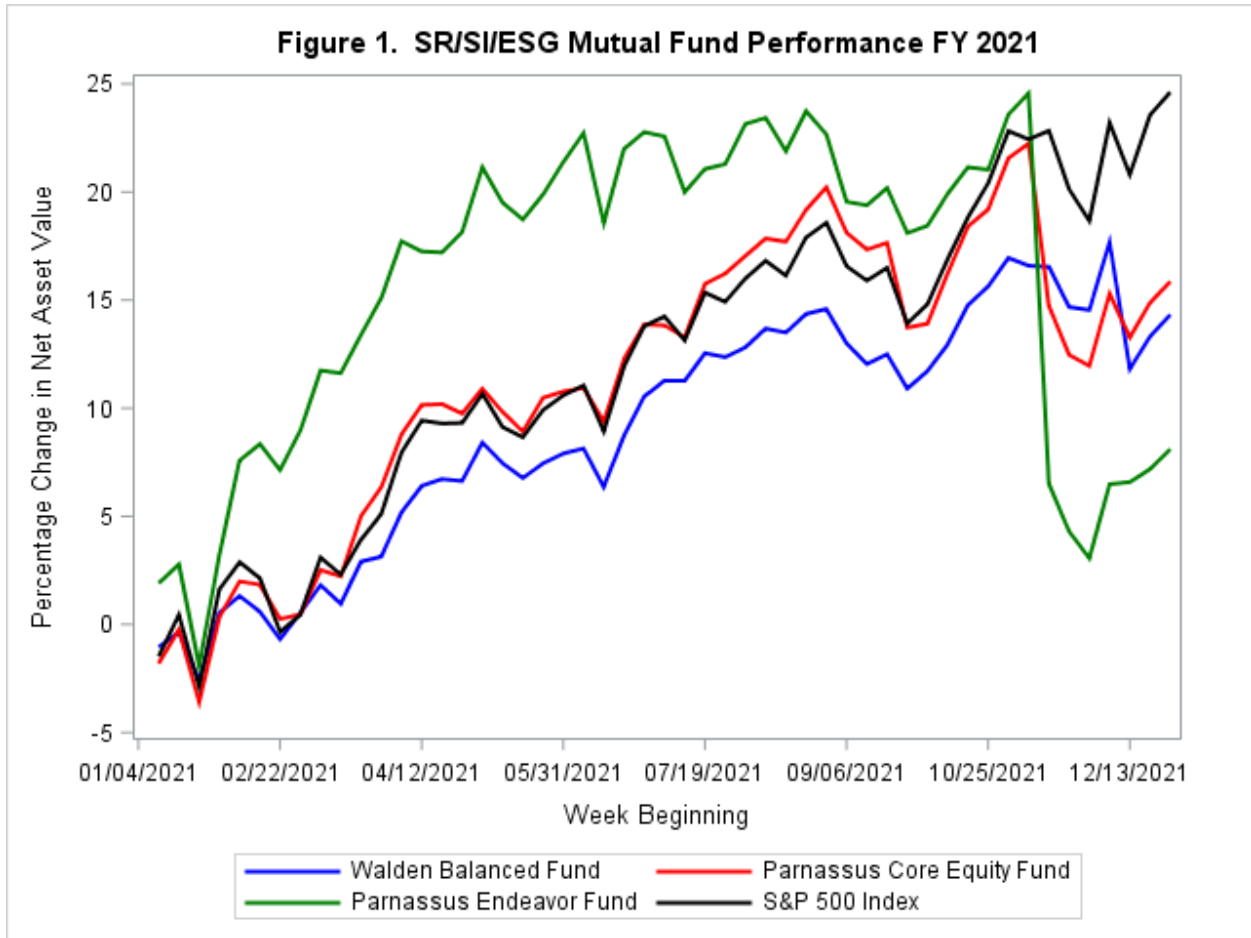
Fund prospectuses that detail the investment objectives and strategies of the Parnassus Funds and Walden Asset Management Fund are available from their respective websites: <https://www.parnassus.com/> <https://waldenassetmgmt.com/> Differences in fund objectives and strategies provide some protection from market fluctuations, and are reflected in the graphs in the following section.

### ***Investment Performance***

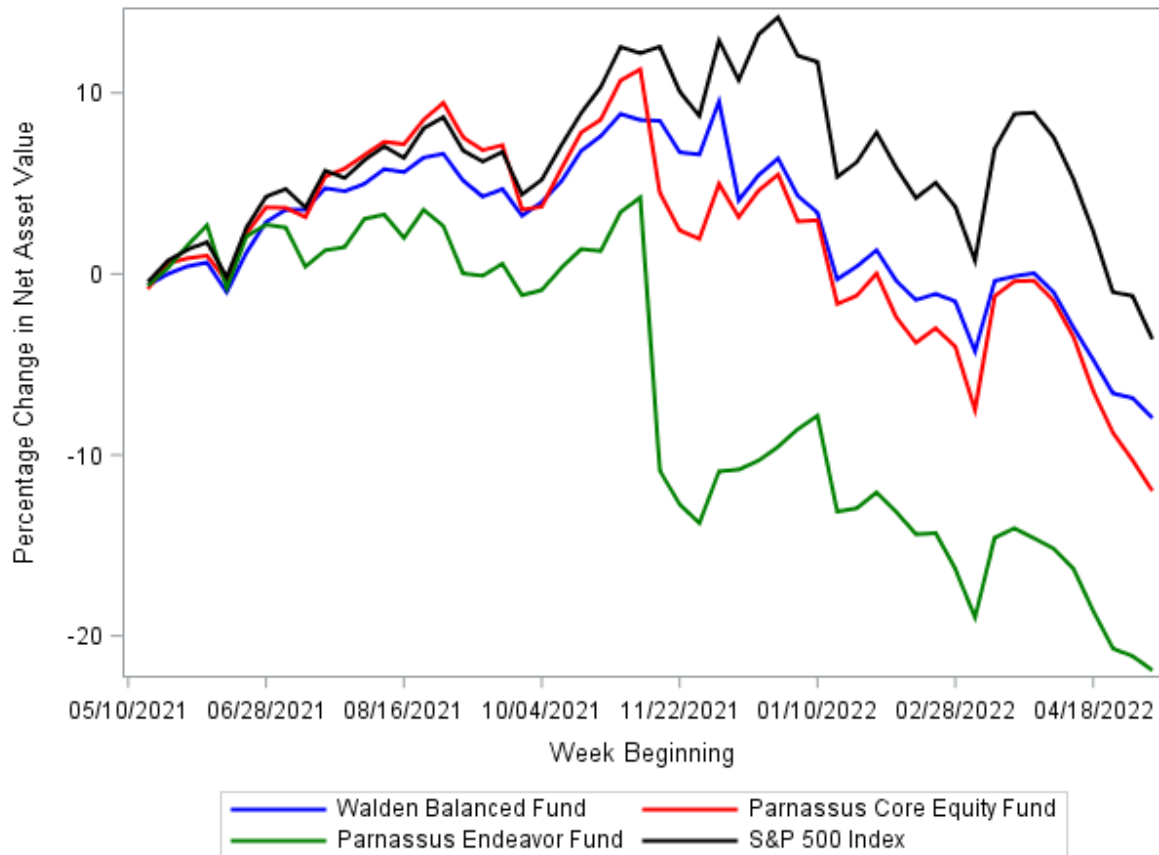
In 2021, there was a net unrealized (paper) gain on the Society's SR/SI/ESG mutual fund investments of \$148,325. Total interest, dividends, and capital gains income on investments (mutual funds, money markets, and savings) was \$97,533. The total investment income of \$245,859 was 62.1% higher than in 2020.

Figures 1 through 4 compare the performance of the Walden Balanced Fund (blue lines), the Parnassus Core Equity Fund (red lines), Parnassus Endeavor Fund (green lines) and the Standard and Poor 500 Index (black lines) in 2021, and for one year, five years, and ten years in mid-May, respectively. Overall, these graphs show that the funds performed relatively well compared with the S&P 500 market standard in the short term, but less well over the longer term. This is because, the Parnassus funds regularly distribute long-term capital gains to investors as can be seen by the drop in the net asset values in mid-November 2021. For example, on November 17, 2021, the Parnassus funds distributed large long-term capital gains to investors (Endeavor Fund \$8.08 per share; Core Equity Fund \$4.40 per share) resulting in the large drop in net asset values for the two funds. Differences in the performance of the mutual funds are consistent with the investment objectives of the funds—long-term capital growth and income for the Walden Balanced Fund, capital appreciation and current income for the Parnassus Core

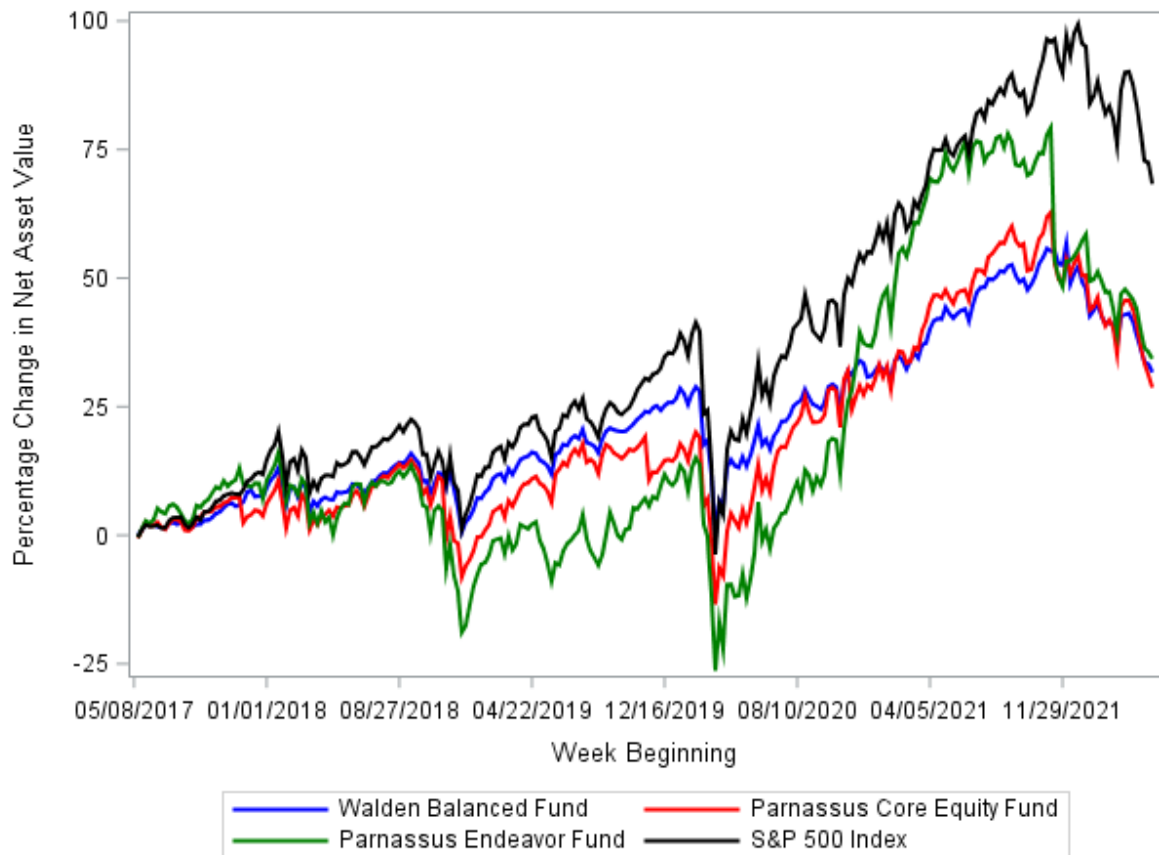
Equity Fund, and capital appreciation for the Parnassus Endeavor Fund. More specifically, Figure 1 shows the solid performance of all funds in 2021, with all funds doing very well relative to the market standard S&P 500. Figure 2 shows solid performance, relative to the S&P 500 from May 2021 to May 2022. Figure 3 also shows the strong performance of the Parnassus Endeavor Fund over five years and solid performance by the more conservative funds, and Figure 4 shows the strong performance of the funds over 10 years.



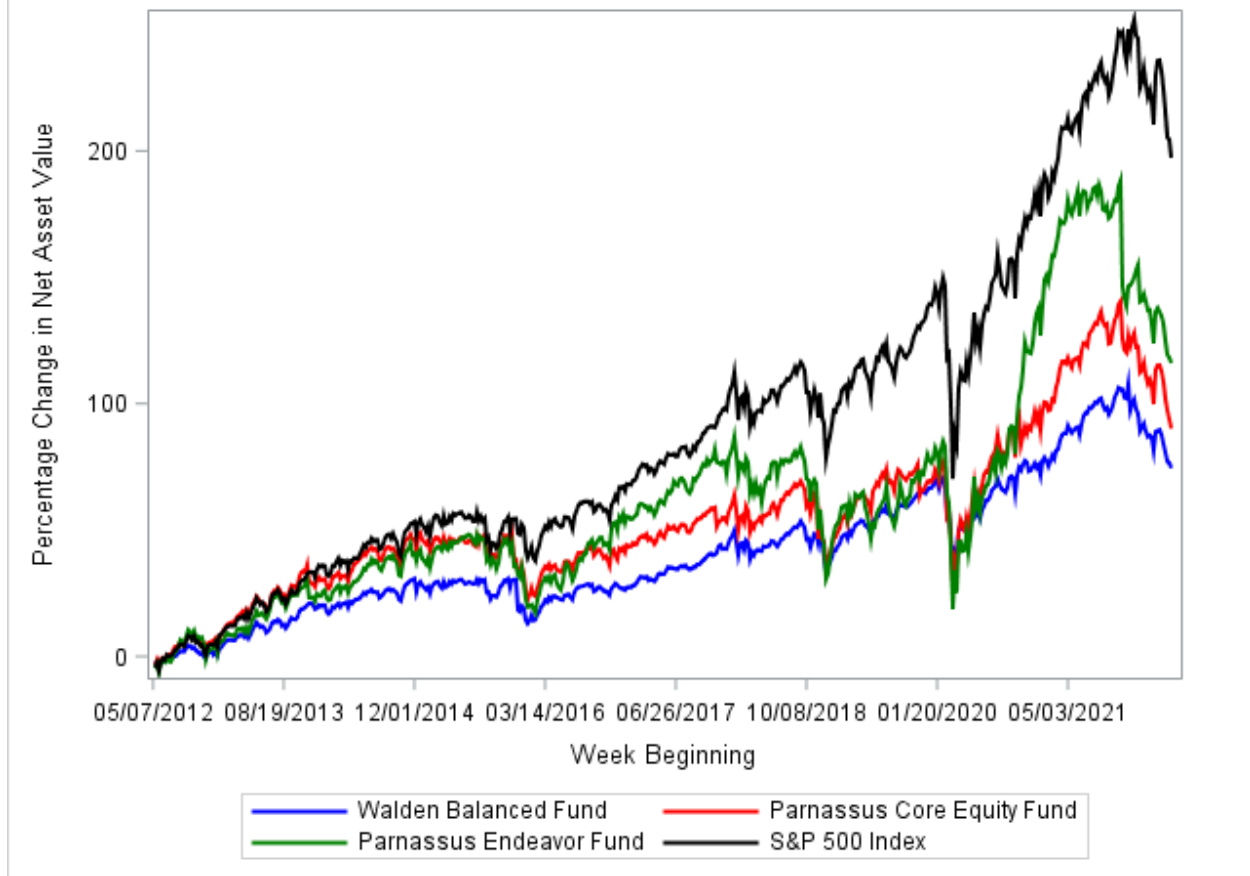
**Figure 2. One-Year Comparison of SR/SI/ESG Mutual Fund Performance**



**Figure 3. Five-Year Comparison of SR/SI/ESG Mutual Fund Performance**



**Figure 4. Ten-Year Comparison of SR/SI/ESG Mutual Fund Performance**



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

Lattimore Black Morgan & Cain, PC in Knoxville Tennessee conducted the annual audit of the Society's financial statements for the year ended December 31, 2021. Bill Kelso, Audit & Advisory Shareholder, LBMC, and Lawrence D. Alexander, CPA Senior Manager, Audit & Advisory, reviewed and discussed the findings of the annual audit with the members of the BFA Committee at its May 25<sup>st</sup> online meeting. The results of the audit were clean with no unusual findings. LBMC deems the financial statements to fairly represent the financial position of the Society for the Study of Social Problems, and the changes in net assets and cash flows.