M E M O R A N D U M

TO: SSSP Board of Directors
FROM: Heather Dillaway, Treasurer
DATE: July 12, 2023
RE: Financial Condition of the Society for the Study of Social Problems

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." Consequently, 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 which affect the future financial wellbeing of the Society.

Financial Condition of the Society

Despite losses, the Society continues to hold its own financially. As of December 31, 2022, the Society had total net assets of $954,419 down from $1,314,072 ($359,653 decrease) in December 2021.

In August 2022, the Budget, Finance, and Audit Committee (BFA) projected a $214,942 deficit in 2023, yet as of June 21st we are predicting a $231,920 deficit (this is not yet counting realized and unrealized investment gains or losses for 2023). While the BFA Committee is hopeful that each year we can minimize losses, annual deficits are common now given unpredictable markets, drops in membership (see below), operating losses on in-person conferences, rising personnel costs, and decreased revenue from the journal, *Social Problems*. As has been the case for decades, the Society currently has only two primary sources of income that pay for day-to-day operations expenses—membership dues and income from our journal. With both sources of income potentially on the decline and the costs of running the journal and carrying out in-person conferences on the rise, we must continue to think about ways to cut costs and diversify/increase revenue. The BFA Committee discusses these concerns on a regular basis, and acknowledges how hard members of the Administrative Office are working to keep our expenses to a minimum.

Income earned from membership dues has decreased over the past several years, and it is unlikely that this income will increase significantly in current or future years. As of June 21st, income from membership dues is predicted to be $121,974 for 2023 (approximately $14,000 less than we predicted in August 2022). Membership tends to fluctuate with the popularity of the annual meeting site, and individuals are still registering for the annual meeting in Philadelphia, PA, in August 2023. As mentioned above, we also expect operating losses in holding the annual meeting. As of June 22nd, there are 547 registrants for the annual meeting, which will bring in registration revenue in the amount of $63,725. We are projecting total annual meeting income of $81,360. However, there are 714 program participants, we are projecting attendance at 595. As of June 21st, annual meeting expenses are projected to be $138,659, which means a projected loss of $57,299 on this year's annual meeting if more members do not register. We are hoping that these losses will be reduced significantly by the time we are holding the annual meeting.

While the impact factor for *Social Problems* increased in 2022 as did the number of citable/published articles, a dip in traditional journal subscriptions was expected. Journal institutional subscriptions have held strong but did decline in 2022, as noted earlier. Access to the journal is now often garnered through collections deals, which does not provide the Society with as much revenue. Income from digital archive sales, pay per view, advertising, and open access licenses is also still fairly low. Still, journal and publications income held steady at $256,601 in 2022 (down from $270,036 in 2021) and, consequently, revenue trends suggest only a 2.71% decline in royalties for SSSP between 2015 and 2022. Based on a previously negotiated contract with Oxford University Press (OUP), the Society earned $182,106 in royalties (50% of journal income) in 2022. In 2023, royalties are predicted to be $178,610.

Despite the stability of journal revenue overall, and the stature of *Social Problems* in the discipline, the costs of operating this journal and the projected revenue going forward are uncertain. This uncertainty comes from two new developments: 1) the search for a new editorial team, and 2) the fact that our contract with OUP ends in December 2024. First, early negotiations with a potential incoming editorial team suggests that the journal's operating expenses (i.e., salary and stipends for editors and graduate assistants) may increase. It is unclear how negotiations with future editorial teams will conclude at this point. Second, if we renew our publishing contract with OUP beyond 2024, OUP will no longer cover editorial office (personnel) costs ($67,500), Social Media Committee support ($5,000), and annual meeting support ($3,000), resulting in a loss of approximately $75,500 in royalties beyond the 2024 year. Considering this significant loss in royalties if we stay with OUP, the BFA Committee recommended to the Board of Directors that we solicit other publisher bids before making a decision about whether to continue with OUP. The Board of Directors has authorized the Executive Officer in their capacity as Chair of the ad hoc Publisher Search Committee to go ahead in soliciting these bids. The potential for a very large loss in journal income going forward, because of the proposed revisions to our contract with OUP starting in 2025, is very concerning.

In sum, seeing large increases in revenue from our primary income sources is very unlikely. This coupled with projected deficits means that any increased expenses will have to be paid from other sources (e.g., either new revenue streams or the Society's reserve funds). Therefore, the Society does need to avoid increased expenses when it can, reduce expenses when possible, and seek out new sources of income. We also need to have continued discussions about whether we need to carve out some portion of our reserve funds to afford any new initiatives going forward.

Investment Portfolio

In line with its mission and values, the Society continues to invest its reserve funds in diversified socially responsible/sustainable investment/environmental, social, governance (SR/SI/ESG) mutual funds and community development financial institutions (CDFIs). Accordingly, the current investment portfolio consists of investments in three SR/SI/ESG mutual funds (83.9%), and one community development financial institution that provides banking and other services to low-wealth communities (11.1%). A small portion of the reserves (5%) are deposited in a money market account and savings accounts with a local community bank in Knoxville, TN, close in proximity to the SSSP Administrative Office, and we do access these latter reserves to cover deficits at times. In 2022, there was a $243,903.89 unrealized loss on investments. Total interest, dividends, and capital gains income on investments (mutual funds, money markets, and savings) was $60,801.48.

SSSP member Susan Carlson continues to volunteer her time as investment advisor but will not be able to serve in this capacity long term. Therefore, Susan recommends that we consider hiring a financial advisor who can work with the BFA Committee to oversee the Society's investments. The BFA Committee continues to discuss this suggestion and thanks Susan for her service as investment advisor.

Review of the Annual Audit

Lattimore Black Morgan & Cain (LMBC) conducted the annual audit of the Society's financial statements. Their representatives, Lawrence Alexander, CPA Senior Manager, Audit & Advisory, and Bill Kelso, Audit & Advisory Shareholder, reviewed the findings of the audit and discussed several issues with the members of the BFA Committee at its May 23rd meeting. The results of the audit were clean with no unusual findings. Bill Kelso reiterated that the Society has a good reserve that will allow us to ride out losses. In addition, he praised the Society's attempts to be fiscally responsible over the years, which reduces the losses we are seeing now. He reconfirmed that our biggest operating loss is returning to an in-person conference with limited attendance; as with other organizations who are trying to maintain in-person conference post-COVID, this operating loss will be an ongoing concern.