

## M E M O R A N D U M

TO: SSSP Board of Directors

FROM: Heather Dillaway, Treasurer

DATE: July 15, 2024

RE: Financial Condition of the Society for the Study of Social Problems

Article IV. 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 affecting 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, 2023, the Society had total net assets of \$895,632 down from \$954,419 (\$58,787 decrease) in December 2022.

In August 2023, the Budget, Finance, and Audit Committee (BFA) projected a \$245,541 deficit in 2024, yet as of July 3<sup>rd</sup> we are predicting a \$182,523 deficit (this is not yet counting realized and unrealized investment gains or losses for 2024). The Administrative Office, BFA Committee, and Board of Directors worked hard to reduce the deficit this year and we are hopeful that each year we can minimize losses. Nonetheless, significant annual deficits are now commonplace due to drops in membership, operating losses on in-person conferences, rising personnel costs, and small decreases in 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 in question and all costs likely to rise, we must think seriously 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 and Board of Directors are working to keep our expenses to a minimum. Yet, because of ongoing concerns about the immediate, short-, and long-term financial health of the Society, the BFA Committee is urging the Board to act swiftly in making the necessary increases in revenue streams and decreases in expenses that are within the Society’s immediate control. We cannot continue to carry annual deficits of this size.

Income earned from membership dues has decreased over the past several years, and it is doubtful that this income will increase in current or future years unless proactive measures are taken. As of July 3<sup>rd</sup>, income from membership dues is predicted to be \$121,473 for 2024 (approximately \$2,620 less than we projected in August 2023). As mentioned above, we also expect operating losses in holding the annual meeting. As of July 3<sup>rd</sup>, there are 529 registrants for the annual meeting, which will bring in registration revenue in the amount of \$99,266. We are projecting total annual meeting income of \$120,511. As of July 3<sup>rd</sup>, annual meeting expenses are projected to be \$128,242, which means a projected loss of \$7,731 on this year’s annual meeting. We are hoping that a few additional participants register and are sending out last minute

reminders to this effect. We are hoping that these annual meeting losses will be reduced slightly by the time of the annual meeting.

While the impact factor for *Social Problems* has increased over recent years, a continual dip in traditional journal subscriptions is to be expected in the current publishing environment. Journal institutional subscriptions have held strong but did decline in 2023, with traditional subscriptions declining faster than collections subscriptions. Access to the journal is now often garnered through collections deals offered by the publisher, which does not provide the Society with as much revenue as traditional subscriptions. Income from digital archive sales, pay per view, advertising, and open access licenses is also still low. The BFA strongly urges the Board and our membership to become as informed as possible about open access to help make informed decisions about whether open access agreements could broaden audiences for *Social Problems* and increase revenue moving forward. In addition, if moving to a digital/online-only platform will 1) save the Society money and 2) align with the Society's mission and values, the BFA strongly urges the Board to consider this move as quickly as possible. Regardless of the need to balance revenue and expenses, however, journal and publications income held steady at \$250,841 in 2023. Based on a previously negotiated contract with Oxford University Press (OUP), the Society earned \$177,441 in royalties (50% of journal income, per our current agreement) in 2023. In 2024, royalties are predicted to be \$177,699. Due to a newly negotiated contract with OUP, SSSP will receive 60% of royalties beginning in 2025, which may help offset part of the impact of the decline in traditional subscriptions.

As the July 2024 BFA Committee report describes, and as mentioned earlier, SSSP's membership has diminished significantly over time. Since 2019, membership has decreased by 32%. This means that membership dues do not contribute to the Society's revenue as they did in previous years. Further, only about 50% of our members (even fewer in some years) attend the annual meetings while the cost of the annual meetings remains high. Therefore, the BFA is recommending to the Board of Directors that the Society increases membership dues by 40%, effective in 2025. Article III. Section 2 of the Bylaws states that if the Board of Directors approves this increase, the Society's membership will need to approve the increase via a vote as well. Increasing membership dues will reduce the deficit but not erase it. However, reducing the deficit wherever and whenever possible is the Society's responsibility, particularly given shrinking revenues and rising expenses.

In sum, seeing even modest increases in revenue from our primary income sources is becoming increasingly unlikely if we do not make immediate changes to our policies and operating procedures. We are currently withdrawing money from our investments every month to cover operating expenses and payroll. Therefore, the Society does need to take drastic measures, reducing expenses where possible, and seeking out new sources of income. Upon the recommendation of the BFA and members of the Administrative Office, the Board of Directors approved the creation of several subcommittees this year to work on balancing the budget, creating new revenue streams, initiating development work, and searching for a new financial advisor. These subcommittees have and will continue to advise the BFA, Board of Directors and Administrative Office on how to reduce the annual deficit while maintaining the spirit of SSSP.

**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 (85.3%), and one community development financial institution that provides banking and other services to low-wealth communities (10.5%). A small portion of the reserves (4.2%) 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 2023, there was a \$111,270 unrealized gain in investments. Total interest, dividends, and capital gains income on investments (mutual funds, money markets, and savings) was \$45,923.

Susan Carlson has dedicated and donated three decades of service to the Society, particularly in her previous role as Treasurer, member of BFA, and more recently in her role as Investment Advisor in which she successfully stewarded the Society's socially responsible investments while taking no payment for her time, knowledge, or efforts. Few SSSP members have demonstrated such commitment to the Society. The BFA is requesting that the Board formally recognize Susan for her work. The Board of Directors and BFA are currently outlining a process by which we will hire a new investment advisor.

**Review of the Annual Audit**

Lattimore Black Morgan & Cain (LMBC) conducted the annual audit of the Society's financial statements for the year ending on December 31, 2023. 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 mid-year meeting on June 6, 2024. The results of the audit were clean with no unusual findings. Auditors reiterated that the Society has a good reserve that will allow us to ride out losses in the short term. In addition, they praised the Society's attempts to be fiscally responsible over the years, which has significantly reduced annual losses. Nonetheless, they urged us to continue to find ways to reduce expenses and increase revenue.