
Southern Environmental Law Center
FINANCIAL REPORT
Year Ended March 31, 2017

ROBINSON, FARMER, COX ASSOCIATES

SOUTHERN ENVIRONMENTAL LAW CENTER
FINANCIAL REPORT
YEAR ENDED MARCH 31, 2017

Table of Contents

	Page
Independent Auditors' Report	1-2
<i>Financial Statements:</i>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements.....	7-17

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Trustees
Southern Environmental Law Center
Charlottesville, Virginia

We have audited the accompanying financial statements of Southern Environmental Law Center (a nonprofit organization) which comprise the statement of financial position as of March 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Environmental Law Center as of March 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Southern Environmental Law Center's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robinson, Farmer, & Associates
Charlottesville, Virginia
November 1, 2017

FINANCIAL STATEMENTS

Southern Environmental Law Center

Statement of Financial Position At March 31, 2017 (With Comparative Totals for 2016)

	2017	2016
<u>ASSETS</u>		
Cash and cash equivalents (Notes 2 & 3)	\$ 3,434,934	\$ 2,436,216
Investments (Note 3)	88,298,131	73,992,573
Grants receivable (Note 4)	1,130,000	1,120,000
Pledges receivable (Note 5)	1,200,000	400,000
Prepaid expenses	294,851	234,935
Deposits	60,027	54,027
Deferred compensation investment (Note 8)	104,199	90,314
Property and equipment, net of accumulated depreciation (Note 6)	884,607	966,482
 Total assets	 \$ 95,406,749	 \$ 79,294,547
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 267,196	\$ 224,922
Payroll taxes withholdings and payable	4,757	24,733
Deferred compensation payable	104,199	90,314
Compensated absences payable	312,662	296,409
 Total liabilities	 \$ 688,814	 \$ 636,378
Net assets:		
Unrestricted:		
Operating	\$ 19,844,769	\$ 15,414,532
Board-designated endowment funds	24,732,786	17,547,327
Property and equipment	884,607	966,482
Total unrestricted	\$ 45,462,162	\$ 33,928,341
Temporarily restricted (Note 10)	45,155,773	40,629,828
Permanently restricted (Note 10)	4,100,000	4,100,000
 Total net assets	 \$ 94,717,935	 \$ 78,658,169
 Total liabilities and net assets	 \$ 95,406,749	 \$ 79,294,547

The accompanying notes to financial statements are an integral part of this statement.

Southern Environmental Law Center

Statement of Activities
For the Year Ended March 31, 2017
(With Comparative Totals for 2016)

	<u>Un- restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2017</u>	<u>2016</u>
Revenues, gains and other support:					
Contributions	\$ 6,626,828	\$ 25,145,316	\$ -	\$ 31,772,144	\$ 29,623,598
Foundations	300,000	3,802,869	-	4,102,869	4,195,500
Bequests	-	-	-	-	502,831
Contributed services	19,579	-	-	19,579	21,745
Investment return	5,299,044	1,235,934	-	6,534,978	(601,589)
Attorney fees	150,748	-	-	150,748	92,828
Net assets released from restrictions:					
Satisfaction of program/time restrictions	<u>25,658,174</u>	<u>(25,658,174)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>\$ 38,054,373</u>	<u>\$ 4,525,945</u>	<u>\$ -</u>	<u>\$ 42,580,318</u>	<u>\$ 33,834,913</u>
Expenses:					
Program services	\$ 23,473,749	\$ -	\$ -	\$ 23,473,749	\$ 19,454,402
Administration and general	1,785,103	-	-	1,785,103	1,650,610
Fundraising	<u>1,261,700</u>	<u>-</u>	<u>-</u>	<u>1,261,700</u>	<u>1,070,248</u>
Total expenses	<u>\$ 26,520,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,520,552</u>	<u>\$ 22,175,260</u>
Change in net assets	\$ 11,533,821	\$ 4,525,945	\$ -	\$ 16,059,766	\$ 11,659,653
Net assets, beginning of year	<u>33,928,341</u>	<u>40,629,828</u>	<u>4,100,000</u>	<u>78,658,169</u>	<u>66,998,516</u>
Net assets, end of year	<u>\$ 45,462,162</u>	<u>\$ 45,155,773</u>	<u>\$ 4,100,000</u>	<u>\$ 94,717,935</u>	<u>\$ 78,658,169</u>

The accompanying notes to financial statements are an integral part of this statement.

Southern Environmental Law Center

Statement of Functional Expenses
For the Year Ended March 31, 2017

	<u>Program Services</u>	<u>Administration and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries & Related Expenses:				
Staff salaries	\$ 9,978,260	\$ 1,166,174	\$ 744,466	\$ 11,888,900
Payroll taxes	715,656	72,174	50,044	837,874
Employee benefits	<u>1,559,013</u>	<u>219,762</u>	<u>109,821</u>	<u>1,888,596</u>
 Total salaries & related expenses	 <u>\$ 12,252,929</u>	 <u>\$ 1,458,110</u>	 <u>\$ 904,331</u>	 <u>\$ 14,615,370</u>
 Conferences & meetings	 371,332	 19,521	 46,913	 437,766
Contributed services	26,233	3,123	1,936	31,292
Contracted services	410,834	-	-	410,834
Capital purchases & depreciation	631,406	59,077	59,601	750,084
Grants to other organizations	199,663	-	-	199,663
Insurance	119,892	10,810	6,703	137,405
Marketing & development services	554,105	-	13,211	567,316
Miscellaneous	52,538	4,139	2,094	58,771
Office supplies & expenses	213,038	17,654	10,452	241,144
Postage & shipping	44,576	3,776	16,186	64,538
Printing & publications	252,357	4,391	17,638	274,386
Professional development	73,254	2,923	200	76,377
Professional dues & fees	89,953	2,573	1,596	94,122
Litigation fund expenses	2,451,956	-	-	2,451,956
Program communications/education	3,058,843	-	-	3,058,843
Rent & occupancy expenses	1,567,184	133,464	58,499	1,759,147
Subscriptions & reference materials	86,099	949	10,087	97,135
Telephone	424,287	34,401	18,179	476,867
Travel	<u>593,270</u>	<u>30,192</u>	<u>94,074</u>	<u>717,536</u>
 Total expenses	 <u>\$ 23,473,749</u>	 <u>\$ 1,785,103</u>	 <u>\$ 1,261,700</u>	 <u>\$ 26,520,552</u>

The accompanying notes to financial statements are an integral part of this statement.

Southern Environmental Law Center

Statement of Cash Flows For the Year Ended March 31, 2017 (With Comparative Totals for 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 16,059,766	\$ 11,659,653
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	337,122	299,921
Investment fees	50,498	126,352
Net realized and unrealized (gain) loss on securities	(5,196,340)	1,466,611
(Increase) decrease in:		
Grants receivable	(10,000)	(1,020,000)
Pledges receivable	(800,000)	-
Prepaid expenses	(59,916)	1,258
Deposits	(6,000)	(17,794)
Increase (decrease) in:		
Accounts payable and accrued expenses	42,274	(163,334)
Payroll taxes withholdings and payable	(19,976)	(178,496)
Compensated absences payable	16,253	29,589
Net cash provided by (used in) operating activities	\$ 10,413,681	\$ 12,203,760
Cash flows from investing activities:		
Purchase of fixed assets	\$ (255,247)	\$ (320,193)
Purchase of investments	(42,420,454)	(29,285,517)
Proceeds from sale of investments	33,260,738	13,785,619
Net cash provided by (used in) investing activities	\$ (9,414,963)	\$ (15,820,091)
Net increase (decrease) in cash and cash equivalents	\$ 998,718	\$ (3,616,331)
Cash and cash equivalents, beginning of year	2,436,216	6,052,547
Cash and cash equivalents, end of year	\$ 3,434,934	\$ 2,436,216

The accompanying notes to financial statements are an integral part of this statement.

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2017

NOTE 1 – DESCRIPTION OF ORGANIZATION:

The Southern Environmental Law Center is a legal and policy nonprofit working to protect the environment of the Southeast and the people who depend on it. Incorporated in the State of North Carolina in November 1985, SELC now has a team of over 70 attorneys working in 9 offices throughout Virginia, North Carolina, South Carolina, Georgia, Alabama, Tennessee, and Washington, D.C., making it the largest environmental advocacy organization in the South.

SELC focuses on issues of climate change and energy, air and water quality, transportation and land use, the coast and wetlands, and mountains and forests by using a broad array of legal and policy approaches. Collaborating with more than 200 local partner groups, SELC works at the national, state, and local level. It works with Congress and state legislatures to strengthen environmental laws. It helps regulatory agencies to implement effective policies. And when necessary, it goes to court to stop environmental abuses and set far-reaching precedents.

SELC is classified as a public interest law firm, exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and comparable state law. SELC has been classified as a publicly supported organization that is not a private foundation under section 509 (a) of the code. SELC does not charge for professional services, relying instead on charitable gifts from foundations, families, and individuals. Contributions to SELC are tax deductible within the limitation prescribed by the code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements of SELC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

SELC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations. At March 31, 2017, SELC had \$45,462,162 of unrestricted net assets comprised of categories: operating; property and equipment; and designated for long-term investment.

Temporarily restricted net assets: Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of SELC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At March 31, 2017, SELC had \$45,155,773 of temporarily restricted net assets. See Note 10.

Permanently restricted net assets: Net assets that are subject to donor-imposed or other legal restrictions requiring that all principal be maintained permanently by SELC. Generally, the donors of these assets permit SELC to use all or part of the income earned for either general or donor-specific purposes. At March 31, 2017, SELC had \$4,100,000 of permanently restricted net assets. See Note 11.

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2017 (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Contributions:

SELC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Receivables are all deemed to be collectible and no allowance for uncollectible accounts is deemed necessary.

SELC reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, SELC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents:

SELC considers all cash in banks, certificates of deposits, and highly liquid temporary cash investments with original maturities of three months or less to be cash equivalents.

Property and Equipment:

SELC follows the practice of capitalizing all expenditures for property and equipment in excess of \$5,000. Purchased fixed assets are capitalized at cost. The fair value of donated fixed assets is similarly capitalized. Depreciation of property and equipment is provided using the straight line method of accounting based on estimated useful lives of the assets which range from 5 to 7 years. Total accumulated depreciation contains fully depreciated assets that were previously expensed using both the straight line and the double-declining balance methods.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Materials and Services:

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts, other than those described in Note 7, have been reflected in the statements for donated services because they did not meet the criteria for recognition. Nevertheless, a substantial number of volunteers have donated significant amounts of their time in SELC's program services and fundraising activities.

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2017 (continued)

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS:

At March 31, 2017 SELC had no cash in the bank exceeding federally insured limits.

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>Cash and cash equivalents:</u>			
Cash	\$ 782,969	\$ 782,969	\$ -
Money market mutual fund	2,426,656	2,426,656	-
Certificates of deposit	150,000	150,000	-
Restricted cash	75,309	75,309	-
	<u>3,434,934</u>	<u>3,434,934</u>	<u>-</u>
Total cash and cash equivalents	\$ 3,434,934	\$ 3,434,934	\$ -
<u>Investments:</u>			
Fixed income securities	\$ 45,639,723	\$ 45,604,139	\$ (35,584)
Equity securities	29,547,471	42,690,707	13,143,236
Other investments	3,285	3,285	-
	<u>75,190,479</u>	<u>88,298,131</u>	<u>13,107,652</u>
Total investments	\$ 75,190,479	\$ 88,298,131	\$ 13,107,652
Total cash, cash equivalents, and investments	<u>\$ 78,625,413</u>	<u>\$ 91,733,065</u>	<u>\$ 13,107,652</u>

Investments are stated at fair value.

Investment return is summarized as follows:

	<u>Year Ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 1,389,136	\$ 991,374
Net unrealized and realized gains/losses	5,196,340	(1,466,611)
Investment advisory and custodial fees	<u>(50,498)</u>	<u>(126,352)</u>
Total investment return	<u>\$ 6,534,978</u>	<u>\$ (601,589)</u>

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2017 (continued)

NOTE 4 – GRANTS RECEIVABLE:

In accordance with non-profit accounting principles, SELC is obligated to determine which awarded grants that were not paid as of the end of the fiscal year were unconditional or conditional promises to give. If a grant is determined to be an unconditional promise to give, it is recorded as a grant receivable. If determined to be a conditional promise to give, the award is disclosed, but not recognized as income.

SELC had unconditional promises of \$1,130,000 and \$1,120,000 at March 31, 2017 and 2016, and therefore corresponding grants receivable for these dates. SELC had conditional promises of \$2,619,237 and \$3,732,669 at March 31, 2017 and 2016, representing grants contingent upon matching funds and/or approval of progress reports.

NOTE 5 – PLEDGES RECEIVABLE:

Pledges receivable are scheduled to be collected as follows:

	<u>Amount</u>
Less than one year	\$ <u>1,200,000</u>
Total pledges receivable	\$ <u><u>1,200,000</u></u>

NOTE 6 – PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 517,717	\$ 512,344
Office equipment	663,728	1,616,483
Leasehold improvements	<u>1,262,271</u>	<u>1,143,280</u>
Total	\$ 2,443,716	\$ 3,272,107
Accumulated depreciation	<u>(1,559,109)</u>	<u>(2,305,625)</u>
Total	\$ <u><u>884,607</u></u>	\$ <u><u>966,482</u></u>

Depreciation expense was \$337,122 and \$299,921 for the years ended March 31, 2017 and 2016.

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2017 (continued)

NOTE 7 – CONTRIBUTED SERVICES:

SELC recognized contribution revenue of \$19,579 for the year ended March 31, 2017 and \$21,745 for the year ended March 31, 2016 for contributed services. Contribution revenue from services was measured based on the difference between the fair value of those services and the discounted rate that SELC was charged. The amounts recognized were as follows:

	<u>2017</u>	<u>2016</u>
Fair value of consulting services	\$ 14,579	\$ 15,245
Fair value of rental services	-	1,500
Fair value of advertising	<u>5,000</u>	<u>5,000</u>
Contributed services	<u>\$ 19,579</u>	<u>\$ 21,745</u>

NOTE 8 – RETIREMENT PLAN:

SELC has a defined contribution retirement plan under Section 403 (b) of the Internal Revenue Code. All full-time employees are eligible to participate in the plan on the first day of employment. Participants can make tax deferred voluntary contributions to the plan subject to limits of the law on that first day. However, the employer contribution does not begin until two years of service has been reached. Total retirement expense amounted to \$766,997 and \$724,590 which is based on 9% of participants' salaries for the year ended March 31, 2017 and 9% for the year ended March 31, 2016. Total covered payroll for the retirement plan was \$8,522,189 and \$8,051,000 and the total payroll for SELC was \$11,888,900 and \$10,972,669 for the years ended March 31, 2017 and 2016.

SELC has established a defined contribution plan under Section 457(b) of the Internal Revenue Code. Contributions to this plan can be made by both the employer and the employee. All assets contributed to the plan are considered assets of the employer. Total contributions to the plan were \$104,199 and \$90,314 at March 31, 2017 and March 31, 2016, respectively.

NOTE 9 – OPERATING LEASE COMMITMENTS:

SELC rents office facilities pursuant to leases with varying terms and conditions. The following is a schedule by year of the approximate future minimum rental payments required by such operating leases:

	<u>2017</u>
2017/2018	\$ 313,622
2018/2019	245,825
2019/2020	<u>213,169</u>
Total	<u>\$ 772,616</u>

Total rental expense was \$1,218,504 for the year ended March 31, 2017 and \$1,102,232 for the year ended March 31, 2016.

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2017 (continued)

NOTE 10 – RESTRICTED / DESIGNATED NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Program activities:		
North Carolina	\$ 11,143,531	\$ 8,107,498
Virginia	37,500	30,500
Tennessee	249,970	254,553
Georgia	-	72,000
South Carolina	142,500	178,000
Alabama	127,500	50,000
Coast & Wetlands	115,000	120,000
Energy/Air	1,181,000	830,396
Forests	29,360	24,000
Land & Community/Transportation	519,250	284,852
Water	121,250	143,249
Regional	26,209,445	26,491,247
Endowment earnings not appropriated for expenditure	<u>5,279,467</u>	<u>4,043,533</u>
Total	<u>\$ 45,155,773</u>	<u>\$ 40,629,828</u>

Permanently restricted net assets are available for the following purposes:

Endowment Funds	<u>\$ 4,100,000</u>	<u>\$ 4,100,000</u>
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SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2017 (continued)

NOTE 11 – ENDOWMENT:

SELC’s endowment fund provides a source of long-term operating revenue. The endowment fund includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments and the earnings from these funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of SELC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the retention (preservation) of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SELC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by SELC in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, SELC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Endowment Net Asset Composition by Type of Fund as of March 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,279,467	\$ 4,100,000	\$ 9,379,467
Board-designated endowment funds	\$ 24,732,786	\$ -	\$ -	\$ 24,732,786
Total Funds	<u>\$ 24,732,786</u>	<u>\$ 5,279,467</u>	<u>\$ 4,100,000</u>	<u>\$ 34,112,253</u>

Endowment Net Asset Composition by Type of Fund as of March 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 4,043,533	4,100,000	\$ 8,143,533
Board-designated endowment funds	\$ 17,547,327	\$ -	\$ -	\$ 17,547,327
Total Funds	<u>\$ 17,547,327</u>	<u>\$ 4,043,533</u>	<u>\$ 4,100,000</u>	<u>\$ 25,690,860</u>

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2017 (continued)

NOTE 11 – ENDOWMENT: (continued)

Endowment Net Asset Composition as of March 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 17,547,327	\$ 4,043,533	\$ 4,100,000	\$ 25,690,860
Investment return	\$ 2,086,533	\$ 1,235,934	-	\$ 3,322,467
Contributions	\$ 5,098,926	-	-	\$ 5,098,926
Endowment net assets, end of year	<u>\$ 24,732,786</u>	<u>\$ 5,279,467</u>	<u>\$ 4,100,000</u>	<u>\$ 34,112,253</u>

Endowment Net Asset Composition as of March 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 4,219,470	\$ 4,100,000	\$ 8,319,470
Reclassifications	\$ 13,130,684	-	-	\$ 13,130,684
Investment return	\$ (234,828)	\$ (175,937)	-	\$ (410,765)
Contributions	\$ 4,651,471	-	-	\$ 4,651,471
Endowment net assets, end of year	<u>\$ 17,547,327</u>	<u>\$ 4,043,533</u>	<u>\$ 4,100,000</u>	<u>\$ 25,690,860</u>

Description of Amounts Classified as Permanently Restricted Net Assets (Endowment only)

	<u>2017</u>	<u>2016</u>
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 4,100,000	\$ 4,100,000
Total endowment funds classified as permanently restricted net assets	<u>\$ 4,100,000</u>	<u>\$ 4,100,000</u>

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2017 (continued)

NOTE 11 – ENDOWMENT: (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires SELC to retain as a fund of perpetual duration. There were no such deficiencies as of March 31, 2017 and 2016.

Return Objectives and Risk Parameters

SELC's Board of Trustees has charged the Investment Committee to consider investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets that SELC must hold in perpetuity or for a donor-specified period. The endowment assets will be invested in a manner that is intended to accommodate investment styles and strategies that are considered reasonable and prudent, while providing long-term growth.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, SELC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy

The Board of Trustees annually reviews the endowment fund and determines payout as part of the budgeting process.

NOTE 12 – INVESTMENT FAIR VALUE MEASUREMENTS:

Fair value for investments are determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2017 (continued)

NOTE 12 – INVESTMENT FAIR VALUE MEASUREMENTS: (continued)

SELC is providing the following information related to its investments:

Fair Value Measurements at Reporting Date Using				
	3/31/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income securities	\$ 45,604,139	\$ 45,604,139	\$ -	\$ -
Equity securities	42,690,707	42,690,707	-	-
Other investments	3,285	3,285	-	-
Total investments	<u>\$ 88,298,131</u>	<u>\$ 88,298,131</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value Measurements at Reporting Date Using				
	3/31/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income securities	\$ 42,246,800	\$ 42,246,800	\$ -	\$ -
Equity securities	31,742,488	31,742,488	-	-
Other investments	3,285	3,285	-	-
Total investments	<u>\$ 73,992,573</u>	<u>\$ 73,992,573</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2017 (continued)

NOTE 13 – STRATEGIC ACTION FUND:

In addition to annual revenues for core operating expenses, the Southern Environmental Law Center has received special grants to address immediate, strategic opportunities, including:

- Protecting the South's air, water, and lands in the face of attacks on environmental regulation and enforcement by the Trump Administration.
- Strengthening SELC's litigation capacity.
- Minimizing the environmental impacts of energy use and climate change, especially by implementing solar energy throughout the Southeast.

The Strategic Action Fund is a short-term fund composed primarily of temporarily restricted assets, to be expended over the next four years.

NOTE 14 – SUBSEQUENT EVENTS:

In preparing these financial statements, management of SELC has evaluated events and transactions for potential recognition or disclosure through November 1, 2017, the date the financial statements were available to be issued.