
Southern Environmental Law Center
FINANCIAL REPORT
Year Ended March 31, 2021

SOUTHERN ENVIRONMENTAL LAW CENTER
FINANCIAL REPORT
YEAR ENDED MARCH 31, 2021

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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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

October 29, 2021

FINANCIAL STATEMENTS

Southern Environmental Law Center

Statement of Financial Position
At March 31, 2021
(With Comparative Totals for 2020)

	2021	2020
<u>ASSETS</u>		
Cash and cash equivalents (Notes 2 & 3)	\$ 11,859,350	\$ 3,454,821
Investments (Note 3)	170,084,934	128,242,959
Accounts receivable	83,266	61,859
Grants receivable (Note 4)	49,500	418,000
Prepaid expenses	407,388	256,006
Deposits	75,719	82,627
Deferred compensation investment (Note 7)	249,677	153,454
Property and equipment, net of accumulated depreciation (Note 5)	705,543	726,199
Total assets	\$ 183,515,377	\$ 133,395,925
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 336,426	\$ 361,532
Payroll taxes withholdings and payable	6,416	12,309
Deferred compensation payable	249,677	153,454
Compensated absences payable	524,201	429,260
Total liabilities	\$ 1,116,720	\$ 956,555
Net assets:		
Without donor restrictions:		
Operating	\$ 58,099,506	\$ 38,762,695
Property and equipment	705,543	726,199
Board-designated:		
Endowment funds	90,024,409	52,128,850
Subsequent year's expenses	12,459,670	9,339,005
Total without donor restrictions	\$ 161,289,128	\$ 100,956,749
With donor restrictions (Note 10)	21,109,529	31,482,621
Total net assets	\$ 182,398,657	\$ 132,439,370
Total liabilities and net assets	\$ 183,515,377	\$ 133,395,925

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, 2021

(With Comparative Totals for 2020)

	<u>Without Donor</u>	<u>With Donor</u>	<u>Totals</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2021</u>	<u>2020</u>
Revenues, gains and other support:				
Contributions	\$ 22,159,068	\$ 7,737,223	\$ 29,896,291	\$ 27,727,515
Foundations	900,000	5,528,000	6,428,000	7,907,548
Bequests	325,750	-	325,750	871
Contributed services	50,167	-	50,167	5,000
Investment return	37,305,040	4,783,644	42,088,684	(5,202,594)
Attorney Fees (court awards/settlements)	264,770	-	264,770	793,859
Miscellaneous	688	-	688	6,383
Net assets released from restrictions:				
Satisfaction of program/time restrictions	<u>28,421,959</u>	<u>(28,421,959)</u>	<u>-</u>	<u>-</u>
 Total revenues, gains and other support	 <u>\$ 89,427,442</u>	 <u>\$ (10,373,092)</u>	 <u>\$ 79,054,350</u>	 <u>\$ 31,238,582</u>
Expenses:				
Program services	\$ 25,367,618	\$ -	\$ 25,367,618	\$ 26,181,067
Administration and general	1,936,220	-	1,936,220	1,882,718
Fundraising	<u>1,791,225</u>	<u>-</u>	<u>1,791,225</u>	<u>1,789,429</u>
 Total expenses	 <u>\$ 29,095,063</u>	 <u>\$ -</u>	 <u>\$ 29,095,063</u>	 <u>\$ 29,853,214</u>
 Change in net assets	 <u>\$ 60,332,379</u>	 <u>\$ (10,373,092)</u>	 <u>\$ 49,959,287</u>	 <u>\$ 1,385,368</u>
Net assets, beginning of year	<u>100,956,749</u>	<u>31,482,621</u>	<u>132,439,370</u>	<u>131,054,002</u>
Net assets, end of year	<u>\$ 161,289,128</u>	<u>\$ 21,109,529</u>	<u>\$ 182,398,657</u>	<u>\$ 132,439,370</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, 2021

	<u>Program Services</u>	<u>Administration and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries & Related Expenses:				
Staff salaries	\$ 13,478,701	\$ 1,391,360	\$ 1,096,014	\$ 15,966,075
Payroll taxes	874,332	81,196	67,731	1,023,259
Employee benefits	2,090,866	220,876	168,452	2,480,194
Total salaries & related expenses	<u>\$ 16,443,899</u>	<u>\$ 1,693,432</u>	<u>\$ 1,332,197</u>	<u>\$ 19,469,528</u>
Conferences & meetings	48,027	683	2,471	51,181
Contributed services	42,371	4,365	3,431	50,167
Contracted services	345,423	-	-	345,423
Capital purchases & depreciation	1,005,063	18,376	122,454	1,145,893
Grants to other organizations	130,398	-	-	130,398
Insurance	138,492	10,474	8,235	157,201
Marketing & development services	35,576	-	100,748	136,324
Miscellaneous	133,303	5,365	165	138,833
Office supplies & expenses	109,956	9,019	6,083	125,058
Postage & shipping	52,781	4,371	12,472	69,624
Printing & publications	142,487	5,260	16,431	164,178
Professional development	80,066	4,459	38,181	122,706
Professional dues & fees	78,868	2,061	2,063	82,992
Litigation fund expenses	2,230,932	-	-	2,230,932
Program communications/education	1,636,190	-	-	1,636,190
Rent & occupancy expenses	2,099,525	143,949	112,743	2,356,217
Subscriptions & reference materials	165,471	147	11,808	177,426
Telephone	441,091	34,396	21,718	497,205
Travel	7,699	(137)	25	7,587
Total expenses	<u>\$ 25,367,618</u>	<u>\$ 1,936,220</u>	<u>\$ 1,791,225</u>	<u>\$ 29,095,063</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, 2021 (With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 49,959,287	\$ 1,385,368
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	285,267	285,446
Investment fees	12,944	13,047
Net realized and unrealized (gain) loss on securities	(39,245,354)	8,430,196
(Increase) decrease in:		
Accounts receivable	(21,407)	(61,859)
Grants receivable	368,500	107,000
Prepaid expenses	(151,382)	11,652
Deposits	6,908	(1,574)
Increase (decrease) in:		
Accounts payable and accrued expenses	(25,106)	4,376
Payroll taxes withholdings and payable	(5,893)	(25,971)
Compensated absences payable	94,941	59,113
Net cash provided by (used in) operating activities	\$ 11,278,705	\$ 10,206,794
Cash flows from investing activities:		
Purchase of fixed assets	\$ (264,611)	\$ (239,133)
Purchase of investments	(4,691,397)	(18,141,596)
Proceeds from sale of investments	2,081,832	3,512,161
Net cash provided by (used in) investing activities	\$ (2,874,176)	\$ (14,868,568)
Net increase (decrease) in cash and cash equivalents	\$ 8,404,529	\$ (4,661,774)
Cash and cash equivalents, beginning of year	3,454,821	8,116,595
Cash and cash equivalents, end of year	\$ 11,859,350	\$ 3,454,821

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, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION:

The Southern Environmental Law Center is a legal and policy non-profit with the mission to protect the basic right to clean air, clean water, and a livable climate; to preserve our region's natural treasures and rich biodiversity; and to provide a healthy environment for all. Incorporated in the State of North Carolina in November 1985, SELC now has a team of over 90 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 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 two classes of net assets based on the existence or absence of donor imposed restrictions: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. At March 31, 2021, SELC had \$161,289,128 of net assets without restrictions comprised of categories: operating; property and equipment; designated for subsequent year's expenses and designated for long-term investment.

Net assets with donor restrictions: 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. At March 31, 2021, SELC had \$21,109,529 of net assets with donor restrictions. See Note 10.

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2021 (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, net assets with restrictions are reclassified to net assets without restrictions 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 6, 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.

Court Awarded Attorney Fees and Costs:

Revenue from attorney fees is recognized when the court has approved payment and the opposing side to the case has no further avenues of appeal, or when a settlement becomes enforceable.

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2021 (continued)

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS:

At March 31, 2021 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	\$ 1,548,164	\$ 1,548,164	\$ -
Money market mutual fund	10,156,183	10,156,183	-
Restricted cash	155,003	155,003	-
	<u>11,859,350</u>	<u>11,859,350</u>	<u>-</u>
<u>Investments:</u>			
Fixed income securities	\$ 65,243,530	\$ 68,240,588	\$ 2,997,058
Equity securities	76,414,106	101,841,061	25,426,955
Other investments	3,285	3,285	-
	<u>141,660,921</u>	<u>170,084,934</u>	<u>28,424,013</u>
Total cash, cash equivalents, and investments	<u>\$ 153,520,271</u>	<u>\$ 181,944,284</u>	<u>\$ 28,424,013</u>

Investments are stated at fair value.

Investment return is summarized as follows:

	<u>Year Ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 2,856,274	\$ 3,240,649
Net unrealized and realized gains/losses	39,245,354	(8,430,196)
Investment advisory and custodial fees	<u>(12,944)</u>	<u>(13,047)</u>
Total investment return	<u>\$ 42,088,684</u>	<u>\$ (5,202,594)</u>

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2021 (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 \$49,500 and \$418,000 at March 31, 2021 and 2020, and therefore corresponding grants receivable for these dates. SELC had conditional promises of \$4,532,500 and \$5,605,000 at March 31, 2021 and 2020, representing grants contingent upon matching funds and/or approval of progress reports.

NOTE 5 – PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 608,696	\$ 626,777
Office equipment	526,523	1,041,154
Leasehold improvements	<u>1,842,784</u>	<u>1,597,994</u>
Total	\$ 2,978,003	\$ 3,265,925
Accumulated depreciation	<u>(2,272,460)</u>	<u>(2,539,726)</u>
Total	<u>\$ 705,543</u>	<u>\$ 726,199</u>

Depreciation expense was \$285,267 and \$285,446 for the years ended March 31, 2021 and 2020.

NOTE 6 – CONTRIBUTED SERVICES:

SELC recognized contribution revenue of \$50,167 for the year ended March 31, 2021 and \$5,000 for the year ended March 31, 2020 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>2021</u>	<u>2020</u>
Fair value of consulting services	\$ -	\$ 5,000
Fair value of attorney services	31,667	-
Fair value of advertising	<u>18,500</u>	<u>-</u>
Contributed services	<u>\$ 50,167</u>	<u>\$ 5,000</u>

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2021 (continued)

NOTE 7 – 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 \$1,159,085 and \$1,077,702 which is based on 9% of participants' salaries for the year ended March 31, 2021 and 9% for the year ended March 31, 2020. Total covered payroll for the retirement plan was \$12,878,722 and \$11,974,467 and the total payroll for SELC was \$15,966,075 and \$15,609,693 for the years ended March 31, 2021 and 2020.

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 \$249,677 and \$153,454 at March 31, 2021 and March 31, 2020, respectively.

NOTE 8 – 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>2021</u>
2021/2022	\$ 1,873,966
2022/2023	1,912,550
2023/2024	1,582,627
2024/2025	1,518,355
2025/2026	<u>1,553,364</u>
Total	<u>\$ 8,440,862</u>

Total rental expense was \$1,983,940 for the year ended March 31, 2021 and \$1,931,402 for the year ended March 31, 2020.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

SELC monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. SELC has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations:

Cash and cash equivalents	\$ 11,859,350
Investments	170,084,934
Less Endowment funds	(104,894,346)
Accounts receivable	83,266
Grants receivable	<u>49,500</u>
Total	<u>\$ 77,182,704</u>

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2021 (continued)

NOTE 10 – RESTRICTED / DESIGNATED NET ASSETS:

Net assets without donor restrictions include Board designated amounts as follows:

	<u>2021</u>	<u>2020</u>
Board-designated endowment funds	\$ 90,024,409	\$ 52,128,850
Designated for subsequent year's expenses	<u>12,459,670</u>	<u>9,339,005</u>
Total	<u>\$ 102,484,079</u>	<u>\$ 61,467,855</u>

Net assets with donor restrictions are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Subject to the Passage of Time or Expenditure for Specified Purpose:		
Program activities:		
North Carolina	\$ 70,000	\$ 6,547,440
Virginia	52,500	29,500
Tennessee	67,229	7,500
Georgia	25,000	2,500
South Carolina	30,000	158,000
Alabama	50,000	57,500
Coast & Wetlands	196,125	267,500
Energy/Air	1,683,000	3,606,633
Forests	98,500	100,000
Land & Community/Transportation	797,500	18,750
Water	85,000	16,267
Regional	<u>3,084,738</u>	<u>10,584,738</u>
Total	<u>\$ 6,239,592</u>	<u>\$ 21,396,328</u>
Endowment Funds:		
Endowment earnings not appropriated for expenditure	\$ 10,769,937	\$ 5,986,293
Endowment funds required to be held in perpetuity by donor	<u>4,100,000</u>	<u>4,100,000</u>
Total	<u>\$ 14,869,937</u>	<u>\$ 10,086,293</u>
Total Net Assets with Donor Restrictions	<u>\$ 21,109,529</u>	<u>\$ 31,482,621</u>

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2021 (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 net assets with restrictions (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 required to be held in perpetuity is classified as net assets with donor restrictions 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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Endowment funds required to be held in perpetuity by donor	\$ -	\$ 4,100,000	\$ 4,100,000
Subject to appropriation and expenditure when a specified event occurs	-	10,769,937	10,769,937
Board-designated endowment funds	<u>90,024,409</u>	<u>-</u>	<u>90,024,409</u>
Total Funds	<u>\$ 90,024,409</u>	<u>\$ 14,869,937</u>	<u>\$ 104,894,346</u>

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2021 (continued)

NOTE 11 – ENDOWMENT: (continued)

Endowment Net Asset Composition by Type of Fund as of March 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Endowment funds required to be held in perpetuity by donor	\$ -	\$ 4,100,000	\$ 4,100,000
Subject to appropriation and expenditure when a specified event occurs	-	5,986,293	5,986,293
Board-designated endowment funds	<u>52,128,850</u>	<u>-</u>	<u>52,128,850</u>
Total Funds	<u>\$ 52,128,850</u>	<u>\$ 10,086,293</u>	<u>\$ 62,215,143</u>

Endowment Net Asset Composition as of March 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>52,128,850</u>	\$ <u>10,086,293</u>	\$ <u>62,215,143</u>
Investment return	\$ <u>37,305,040</u>	\$ <u>4,783,644</u>	\$ <u>42,088,684</u>
Contributions	\$ <u>590,519</u>	\$ <u>-</u>	\$ <u>590,519</u>
Endowment net assets, end of year	<u>\$ 90,024,409</u>	<u>\$ 14,869,937</u>	<u>\$ 104,894,346</u>

Endowment Net Asset Composition as of March 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>44,026,423</u>	\$ <u>10,764,881</u>	\$ <u>54,791,304</u>
Investment return	\$ <u>(4,524,006)</u>	\$ <u>(678,588)</u>	\$ <u>(5,202,594)</u>
Contributions	\$ <u>12,626,433</u>	\$ <u>-</u>	\$ <u>12,626,433</u>
Endowment net assets, end of year	<u>\$ 52,128,850</u>	<u>\$ 10,086,293</u>	<u>\$ 62,215,143</u>

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2021 (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 (underwater endowment). There were no such deficiencies as of March 31, 2021 and 2020.

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, 2021 (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

	<u>3/31/2021</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents:				
Money Market Mutual Fund	\$ 10,156,183	\$ 10,156,183	\$ -	\$ -
Investments:				
Fixed income securities	\$ 68,240,588	\$ 68,240,588	\$ -	\$ -
Equity securities	101,841,061	101,841,061	-	-
Other investments	3,285	3,285	-	-
 Total investments	 <u>\$ 170,084,934</u>	 <u>\$ 170,084,934</u>	 <u>\$ -</u>	 <u>\$ -</u>

Fair Value Measurements at Reporting Date Using

	<u>3/31/2020</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents:				
Money Market Mutual Fund	\$ 1,344,166	\$ 1,344,166	\$ -	\$ -
Investments:				
Fixed income securities	\$ 62,791,379	\$ 62,791,379	\$ -	\$ -
Equity securities	65,448,295	65,448,295	-	-
Other investments	3,285	3,285	-	-
 Total investments	 <u>\$ 128,242,959</u>	 <u>\$ 128,242,959</u>	 <u>\$ -</u>	 <u>\$ -</u>

SOUTHERN ENVIRONMENTAL LAW CENTER

Notes to Financial Statements
As of March 31, 2021 (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.
- 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 to be expended over the next 4-5 years.

NOTE 14 – FUNCTIONAL ALLOCATION OF EXPENSES:

Functional expenses are apportioned between program and supporting services based on personnel time and space utilized for the related activities. Some expense apportionments are estimates because of the overlap of activities and the difficulty of record keeping for usage. Specific identifiable expenses are directly allocated.

NOTE 15 – SUBSEQUENT EVENTS:

In preparing these financial statements, management of SELC has evaluated subsequent events and transactions for potential recognition or disclosure through October 29, 2021, the date the financial statements were available to be issued.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on our future operations and financial results will depend on future developments, including the duration and spread of the outbreak within the areas in which we operate, all of which are highly uncertain.