

SOUTHEASTERN LEGAL FOUNDATION, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019



GAY & JOSEPH, C.P.A., P.C.

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LaGrange, Georgia 30240-2711

SOUTHEASTERN LEGAL FOUNDATION, INC.
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YEARS ENDED JUNE 30, 2020 AND 2019

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Trustees
Southeastern Legal Foundation, Inc.
Roswell, Georgia

We have audited the accompanying statements of financial position of Southeastern Legal Foundation, Inc. (a nonprofit organization) as of June 30, 2020 and 2019 and the related statements of activities, cash flows and functional expenses for the years 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.

Auditor's Responsibility


Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements. 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 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 Southeastern Legal Foundation, Inc. as of June 30, 2020 and 2019 and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


Gay & Joseph, CPA, PC
Certified Public Accountants

November 11, 2020
LaGrange, Georgia

SOUTHEASTERN LEGAL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 820,204	\$ 1,333,458
Pledges receivable	0	2,500
Prepaid expenses	8,980	24,382
Total current assets	829,184	1,360,340
Property and equipment, net	250,138	258,040
Other assets	67,638	48,506
Investments	5,983,715	5,377,257
Total assets	\$ 7,130,675	\$ 7,044,143
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 8,333	\$ 0
Current maturities of long-term debt	21,639	0
Accrued expenses	6,546	8,398
Trust account funds payable	66,699	66,699
Total current liabilities	103,217	75,097
Long-term liabilities:		
Long-term debt, net of current maturities	34,261	0
Total long-term liabilities	34,261	0
Total liabilities	137,478	75,097
Net assets:		
Without donor restrictions	6,993,197	6,969,046
Total net assets	6,993,197	6,969,046
Total liabilities and net assets	\$ 7,130,675	\$ 7,044,143

See independent auditor's report and accompanying notes.

SOUTHEASTERN LEGAL FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Changes in net assets without donor restrictions:		
Revenue and support:		
Contributions	\$ 600,000	\$ 619,368
Direct mail	1,147,182	1,718,186
Investment return, net	219,852	305,601
Total revenue and support	1,967,034	2,643,155
Expenses:		
Legal representation and education	1,744,387	2,071,944
Fundraising	104,165	228,578
General and administrative	94,331	98,655
Total expenses	1,942,883	2,399,177
Increase in net assets without donor restrictions	24,151	243,978
Total increase in net assets	24,151	243,978
Net assets, beginning of year	6,969,046	6,725,068
Net assets, end of year	\$ 6,993,197	\$ 6,969,046

See independent auditor's report and accompanying notes.

SOUTHEASTERN LEGAL FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 24,151	\$ 243,978
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	8,920	8,760
(Gains) losses on investments	(52,289)	(176,935)
(Increase) decrease in:		
Pledges receivable	2,500	(1,500)
Prepaid expenses	15,402	(12,181)
Other assets	(19,132)	26,297
Property deposit	0	5,000
Increase (decrease) in current liabilities:		
Accounts payable	8,333	(21,314)
Accrued expenses	(1,852)	723
Net cash provided by operating activities	(13,967)	72,828
Cash flows from investing activities:		
Purchases of property and equipment	(1,018)	(310,882)
Proceeds from sale of office condominium	0	266,353
Purchases of investments	(859,169)	(596,224)
Proceeds from sale of investments	305,000	130,000
Net cash used in investing activities	(555,187)	(510,753)
Cash flows from financing activities:		
Proceeds from loan	55,900	0
Net cash provided by financing activities	55,900	0
Net decrease in cash and equivalents	(513,254)	(437,925)
Cash and equivalents, beginning of year	1,333,458	1,771,383
Cash and equivalents, end of year	\$ 820,204	\$ 1,333,458

See independent auditor's report and accompanying notes.

SOUTHEASTERN LEGAL FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	FOR THE YEAR ENDED JUNE 30, 2020				FOR THE YEAR ENDED JUNE 30, 2019			
	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>			<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		
	LEGAL REPRESENTATION AND EDUCATION	FUND RAISING	GENERAL AND ADMINISTRATIVE	TOTAL	LEGAL REPRESENTATION AND EDUCATION	FUND RAISING	GENERAL AND ADMINISTRATIVE	TOTAL
Salaries and payroll taxes	\$ 281,682	\$ 4,654	\$ 74,465	\$ 360,801	\$ 287,671	\$ 3,641	\$ 72,828	\$ 364,140
Direct mail program	844,585	93,843		938,428	1,242,354	219,239		1,461,593
Professional services	124,501	1,311	5,242	131,054	109,188	1,149	4,596	114,933
Employee benefits	41,421	684	10,951	53,056	69,361	878	17,560	87,799
Office equipment rent expense	6,084	338	338	6,760	5,934	330	330	6,594
Legal case expense	343,647			343,647	252,695			252,695
Insurance	11,074			11,074	12,049			12,049
Telephone	3,593	200	200	3,993	4,112	229	229	4,570
Legal support expense	8,541			8,541	9,811			9,811
Repairs and maintenance	12,332	685	685	13,702	12,226	679	679	13,584
Postage	6,390	355	355	7,100	4,616	257	257	5,130
Office expense	14,064	781	781	15,626	15,005	834	834	16,673
Library expense	4,895			4,895	3,253			3,253
Depreciation	8,028	446	446	8,920	7,884	438	438	8,760
Travel	1,541			1,541	2,402			2,402
Printing	3,253	181	181	3,615	4,743	263	263	5,269
Institutional fees	12,370	687	687	13,744	11,543	641	641	12,825
Staff development	2,105			2,105	2,850			2,850
Internet development program	14,281			14,281	14,247			14,247
Total expenses	\$ 1,744,387	\$ 104,165	\$ 94,331	\$ 1,942,883	\$ 2,071,944	\$ 228,578	\$ 98,655	\$ 2,399,177

See independent auditor's report and accompanying notes.

SOUTHEASTERN LEGAL FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Southeastern Legal Foundation, Inc. (the Foundation) is a nonprofit organization whose purpose is: to provide and assist in legal representation for the citizens of the United States of America, corporate or individual, on matters of public interest at all levels of the administrative and judicial process on a no-fee basis; to make grants for such purposes; and to undertake nonpartisan studies and research to collect, compile and publish full and fair presentation of facts, information and statistics concerning the effects of government activities upon the social and economic institutions of the people of the United States of America.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

Net assets without donor restrictions are resources not subject to donor-imposed restrictions that are available for any purpose in performing the primary objectives of the Foundation. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be permanent in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

SOUTHEASTERN LEGAL FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position. The net appreciation (depreciation) in the fair value of investments consists of realized gains or losses, dividends, interest and unrealized gains or losses. This amount is presented in the statements of activities as investment return.

Property and Equipment

All acquisitions of property and equipment are capitalized. Property and equipment are carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Revenue Recognition

Contributions are recognized as support when received. Other revenues are recognized when earned.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Statements of Functional Expenses

The statements of functional expenses are prepared on management's estimated allocation of expenses among the various services provided by the Foundation.

SOUTHEASTERN LEGAL FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Internal Revenue Service has determined that the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Reclassifications

Certain accounts in the prior year financial statements may have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Subsequent Events

Subsequent events were evaluated through November 11, 2020 which is the date the financial statements were available to be issued. No significant events occurred subsequent to the statement of financial position date but prior to November 11, 2020 that would have a material impact on the financial statements.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may be maintained permanently by the Foundation.

SOUTHEASTERN LEGAL FOUNDATION, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2. INVESTMENTS

The Foundation's investments as of June 30, 2020 and 2019, at cost and market value are as follows:

	2020		2019	
	Cost	Market	Cost	Market
Equity and fixed income securities	\$ 5,474,347	\$ 5,543,795	\$ 5,248,685	\$ 5,377,257
Other investments	400,000	439,920		
Total investments	<u>\$ 5,874,347</u>	<u>\$ 5,983,715</u>	<u>\$ 5,248,685</u>	<u>\$ 5,377,257</u>

NOTE 3. FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. Fair value is defined 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. FASB ASC 820 establishes a three-level fair value hierarchy that 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 – 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.

SOUTHEASTERN LEGAL FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

The Foundation has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below.

	<u>June 30, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Total investments	\$ 5,543,795	\$ 0	\$ 439,920	\$ 5,983,715

	<u>June 30, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Total investments	\$ 5,377,257	\$ 0	\$ 0	\$ 5,377,257

Other investments designated as Level 3 input consist of an investment in a Private Equity limited partnership. The market value is based on the Foundation's share of the ending capital balance as reported by the general partners.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Office condominium	\$ 248,552	\$ 247,534
Furniture and office equipment	48,439	48,439
Computers	57,718	57,718
Total property and equipment	354,709	353,691
Less accumulated depreciation	(104,571)	(95,651)
Net property and equipment	\$ 250,138	\$ 258,040

Depreciation expense amounted to \$8,920 and \$8,760 for the years ending June 30, 2020 and 2019, respectively.

SOUTHEASTERN LEGAL FOUNDATION, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5. OTHER ASSETS

The Foundation has recorded two intangible assets which originate from their participation in a direct mail and list rental program. The balances of these assets are adjusted annually based on independent valuations. No useful life is determinable. Other assets consisted of the following at June 30:

	2020	2019
Direct mail donor file	\$ 61,078	\$ 48,065
Direct mail exchange list	6,560	441
Total other assets	\$ 67,638	\$ 48,506

NOTE 6. CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash balances at various financial institutions. The Federal Deposit Insurance Corporation (FDIC) guarantees balances with each financial institution up to \$250,000. At June 30, 2020 and 2019, the amounts on deposit, as reported by the bank, exceeded the federally insured limit by \$261,618 and \$826,018, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE 7. RETIREMENT PLAN

The Foundation maintains a 401(k) plan, covering substantially all full time employees with one or more years of service. The Foundation matches employee contributions up to 4% of employee compensation. These amounts are included in employee benefits on the statements of functional expenses. The Foundation made matching contributions of \$12,852 and \$12,304 during the years ended June 30, 2020 and 2019, respectively.

SOUTHEASTERN LEGAL FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8. OPERATING LEASES

The Foundation is obligated under an operating lease for a digital copier. Monthly base rent under the digital copier lease is \$355. This lease expires in 2023. The Foundation is obligated under an operating lease for a postage meter. This lease expires in 2024. Rent expense related to these leases is included on the statements of functional expenses in office equipment rent expense.

Future minimum lease payments on these leases are as follows:

Year ending June 30:	
2021	\$ 6,060
2022	6,060
2023	4,640
2024	1,500
Thereafter	0
	<u>\$ 18,260</u>

NOTE 9. INCOME TAXES

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, Southeastern Legal Foundation, Inc. may recognize the tax benefit only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended June 30, 2020 and 2019. Southeastern Legal Foundation, Inc's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2020, 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

SOUTHEASTERN LEGAL FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 10. AVAILABILITY OF FINANCIAL ASSETS

The Foundation's financial assets available within one year of the balance sheet for general expenditure are as follows.

Item	Amount
Cash and cash equivalents	\$ 820,204
Prepaid expenses	8,980
Financial assets	829,184
Less those unavailable for general expenditures within one year, due to: donor-imposed restrictions	0
Financial assets available to meet cash needs for general expenditures within one year	\$ 829,184

As part of the Foundation's liquidity management, their policy is to structure assets to be available for general expenditures, liabilities, and other obligations as they come due.

NOTE 11. NOTES PAYABLE

The Company received a loan from United Community Bank in the amount of \$55,900 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated May 1, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has been made as to whether the Company will be eligible for forgiveness, in whole or in part. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 7 months from the date of the note. The loan may be repaid at any time with no prepayment penalty.