

**SOUTHEASTERN LEGAL
FOUNDATION, INC.
ROSWELL, GEORGIA
◇
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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LANIGAN & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS ADVISORS
www.lanigancpa.com

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Southeastern Legal Foundation, Inc., which comprise the statement of financial position as of June 30, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Southeastern Legal Foundation, Inc. as of June 30, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southeastern Legal Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Southeastern Legal Foundation, Inc. for the year ended June 30, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on November 11, 2020.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southeastern Legal Foundation, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Southeastern Legal Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southeastern Legal Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Lanigan & Associates, P.C.

Tallahassee, Florida

October 6, 2021

SOUTHEASTERN LEGAL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 836,434	\$ 820,204
Prepaid Expenses	<u>9,542</u>	<u>8,980</u>
Total Current Assets	<u>845,976</u>	<u>829,184</u>
Property and Equipment		
Property and Equipment, Net of Accumulated Depreciation	<u>248,240</u>	<u>250,138</u>
Other Assets		
Intangible Assets	64,578	67,638
Investments	<u>6,937,416</u>	<u>5,983,716</u>
Total Other Assets	<u>7,001,994</u>	<u>6,051,354</u>
TOTAL ASSETS	<u><u>\$ 8,096,210</u></u>	<u><u>\$ 7,130,676</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	-	8,333
Paycheck Protection Program Loan, Current Portion	-	21,639
Accrued Expenses	11,682	6,548
Trust Account Funds Payable	<u>66,699</u>	<u>66,699</u>
Total Current Liabilities	<u>78,381</u>	<u>103,219</u>
Non-Current Liabilities		
Paycheck Protection Program Loan, Net of Current	<u>-</u>	<u>34,261</u>
Total Liabilities	<u>78,381</u>	<u>137,480</u>
NET ASSETS		
Without Donor Restrictions	<u>8,017,829</u>	<u>6,993,196</u>
Total Net Assets	<u>8,017,829</u>	<u>6,993,196</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,096,210</u></u>	<u><u>\$ 7,130,676</u></u>

SOUTHEASTERN LEGAL FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
SUPPORT AND REVENUES		
Contributions	\$ 807,571	\$ 600,000
Direct Mail	1,431,684	1,147,182
Investment Return, Net	647,770	52,289
Interest and Dividend Income	169,849	127,642
Paycheck Protection Program Loan Forgiveness	107,700	-
Other Income	-	39,920
	<hr/>	<hr/>
Total Support and Revenues	3,164,574	1,967,033
	<hr/>	<hr/>
FUNCTIONAL EXPENSES		
Legal Representation and Education	1,919,682	1,744,388
Fundraising	124,182	104,165
General and Administrative	96,077	94,331
	<hr/>	<hr/>
Total Functional Expenses	2,139,941	1,942,884
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Change in Net Assets	1,024,633	24,149
Net Assets, Beginning of Year	6,993,196	6,969,047
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Net Assets, End of Year	\$ 8,017,829	\$ 6,993,196
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SOUTHEASTERN LEGAL FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,024,633	\$ 24,149
Adjustments to Reconcile Net (Decrease) in Net Assets to Net Cash (Used in) Operating Activities:		
Depreciation	9,127	8,920
(Gains) on Investments	(647,770)	(52,289)
Decrease in Pledges Receivable	-	2,500
(Increase) Decrease in Prepaid Expenses	(562)	15,402
Decrease (Increase) in Intangible Assets	3,060	(19,132)
Paycheck Protection Program Loan Forgiveness	(107,700)	-
(Decrease) Increase in Accounts Payable	(8,333)	8,333
Increase (Decrease) in Accrued Expenses	<u>5,134</u>	<u>(1,852)</u>
Net Cash Provided by (Used in) Operating Activities	<u>277,589</u>	<u>(13,969)</u>
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(7,229)	(1,016)
Purchases of Investments	(888,530)	(859,169)
Proceeds from Sale of Investments	<u>582,600</u>	<u>305,000</u>
Net Cash (Used in) Investing Activities	<u>(313,159)</u>	<u>(555,185)</u>
Cash Flows from Financing Activities		
Paycheck Protection Program Loan Proceeds	<u>51,800</u>	<u>55,900</u>
Net Cash Provided by Financing Activities	<u>51,800</u>	<u>55,900</u>
Net Increase (Decrease) in Cash and Cash Equivalents	16,230	(513,254)
Cash and Cash Equivalents at Beginning of Year	<u>820,204</u>	<u>1,333,458</u>
Cash and Cash Equivalents at End of Year	<u>\$ 836,434</u>	<u>\$ 820,204</u>

SOUTHEASTERN LEGAL FOUNDATION, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Legal Representation and Education	Fundraising	General and Administrative	Total
Functional Expenses				
Salaries and Payroll Taxes	\$ 317,311	\$ 4,648	\$ 74,368	\$ 396,327
Direct Mail Program	1,021,343	113,483	-	1,134,826
Professional Services	118,777	1,250	5,001	125,028
Employee Benefits	48,043	794	12,701	61,538
Office Equipment Rent Expense	6,083	338	338	6,759
Legal Case Expense	291,136	-	-	291,136
Insurance	11,855	-	-	11,855
Telephone	2,848	158	158	3,164
Legal Support Expense	13,805	-	-	13,805
Repairs and Maintenance	13,573	754	754	15,081
Postage	2,136	119	119	2,374
Office Expense	19,683	1,094	1,094	21,871
Library Expense	4,027	-	-	4,027
Depreciation	8,215	456	456	9,127
Travel	7,681	-	-	7,681
Printing	6,564	365	365	7,294
Institutional Fees	13,005	723	723	14,451
Internet Development Program	13,597	-	-	13,597
TOTAL FUNCTIONAL EXPENSES	\$ 1,919,682	\$ 124,182	\$ 96,077	\$ 2,139,941

SOUTHEASTERN LEGAL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Legal Representation and Education	Fundraising	General and Administrative	Total
Functional Expenses				
Salaries and Payroll Taxes	\$ 281,683	\$ 4,654	\$ 74,465	\$ 360,802
Direct Mail Program	844,585	93,843	-	938,428
Professional Services	124,501	1,311	5,242	131,054
Employee Benefits	41,421	684	10,951	53,056
Office Equipment Rent Expense	6,084	338	338	6,760
Legal Case Expense	343,647	-	-	343,647
Insurance	11,074	-	-	11,074
Telephone	3,593	200	200	3,993
Legal Support Expense	8,541	-	-	8,541
Repairs and Maintenance	12,332	685	685	13,702
Postage	6,390	355	355	7,100
Office Expense	14,064	781	781	15,626
Library Expense	4,895	-	-	4,895
Depreciation	8,028	446	446	8,920
Travel	1,541	-	-	1,541
Printing	3,253	181	181	3,615
Institutional Fees	12,370	687	687	13,744
Staff Development	2,105	-	-	2,105
Internet Development Program	14,281	-	-	14,281
TOTAL FUNCTIONAL EXPENSES	\$ 1,744,388	\$ 104,165	\$ 94,331	\$ 1,942,884

SOUTHEASTERN LEGAL FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1: <i>Summary of Significant Accounting Policies</i>
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Nature of Activities

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 and Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205 *Not-for-Profit Entities – Presentation of Financial Statements*.

Under the provisions of ASC 958-205, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Management Estimates and Assumptions

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents are considered to be highly liquid instruments with a maturity of three months or less when purchased.

NOTE 1: <i>Summary of Significant Accounting Policies (Continued)</i>
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Marketable Securities

Marketable securities available for sale consist entirely of publicly traded securities and are reported at fair value based on quoted prices in active markets for identical assets. The unrealized holding gains or losses on investments are reflected in the statements of activities.

Property and Equipment

Acquisitions of property and equipment with a useful life greater than one year are capitalized and are stated at cost. Donated assets are valued at their estimated fair market value on the date donated. Expenditures for maintenance and repairs are charged against operations. Improvements that materially extend the life of the assets are capitalized. Depreciation is recorded over the estimated lives of the assets using a straight-line method.

Revenue Recognition

FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), to improve the financial reporting of revenue from contracts with customers and related costs. The core principle of the revised revenue recognition standards is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standards also require enhanced disclosures about revenues that are aimed at allowing users to understand the nature, amount, timing, and uncertainty of revenue and cash flows from contracts with customers.

Management has determined the effect of ASU 2014-09 to be limited. The Foundation receives a substantial portion of its revenue from contributions.

Contributions are recognized as support when received and are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. 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 reclassifications of net assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis based on time and effort of employees.

Advertising

Advertising expense is recorded as incurred. The Foundation had no advertising expense for the years ended June 30, 2021 and 2020.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes, other than unrelated business income, pursuant to Section 501(a) of the Code.

Fair Value of Financial Instruments

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 establishes the reporting of fair value information about financial instruments, whether or not recognized in the statements of financial position.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined based upon a hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

Level I: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level II: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level III: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would be used in pricing an asset or liability.

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Total Investments	\$ 6,274,555	\$ -	\$ 662,861	\$ 6,937,416

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Total Investments	\$ 5,543,796	\$ -	\$ 439,920	\$ 5,983,716

Other investments designated as Level III 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.

The Foundation's marketable securities are all recorded as Level I assets.

NOTE 1: <i>Summary of Significant Accounting Policies (Continued)</i>
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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.

New Accounting Pronouncements Implemented

For the year ended June 30, 2020, the Foundation adopted the provisions of FASB, ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This amendment provides additional guidance for contributions received and contributions made. The adoption of this standard had no effect on the Foundation's recognition of contribution revenues or expenses.

For the year ended June 30, 2021, the Foundation adopted the provisions of FASB, ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), to improve the financial reporting of revenue from contracts with customers and related costs. The core principle of the revised revenue recognition standards is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standards also require enhanced disclosures about revenues that are aimed at allowing users to understand the nature, amount, timing, and uncertainty of revenue and cash flows from contracts with customers. Management has determined the effect of ASU 2014-09 to be minimal.

Future Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02 Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. In June 2020, the FASB extended the effective implementation date of the ASU to fiscal years beginning after December 15, 2021. The Foundation is currently evaluating the impact of the adoption of ASU 2016-02 on its financial statements.

Reclassifications

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

Subsequent Events

Subsequent events were evaluated through October 6, 2021, which is the date the financial statements were available to be issued.

NOTE 2: *Investments*

The Foundation's investments as of June 30, 2021 and 2020, at cost and market value are as follows:

	2021		2020	
	Cost	Market	Cost	Market
Equity and Fixed Income				
Securities	\$ 5,907,274	\$ 6,274,555	\$ 5,248,685	\$ 5,543,796
Other Investments	550,000	662,861	400,000	439,920
Total Investments	<u>\$ 6,457,274</u>	<u>\$ 6,937,416</u>	<u>\$ 5,648,685</u>	<u>\$ 5,983,716</u>

NOTE 3: *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:

	2021	2020
Direct Mail Donor File	\$ 43,449	\$ 6,560
Direct Mail Exchange List	21,129	61,078
Total Other Assets	<u>\$ 64,578</u>	<u>\$ 67,638</u>

NOTE 4: *Property and Equipment*

Property and equipment consist of the following:

	2021	2020
Office Condominium	\$ 248,551	\$ 248,551
Furniture and Office Equipment	42,183	48,439
Computers	29,342	57,718
Total Property and Equipment	320,076	354,708
Less: Accumulated Depreciation	<u>(71,836)</u>	<u>(104,570)</u>
Net Property and Equipment	<u>\$ 248,240</u>	<u>\$ 250,138</u>

Depreciation expense for property and equipment was \$9,127 and \$8,920 for June 30, 2021 and 2020, respectively.

NOTE 5: *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 times the Foundation's cash in bank deposits may exceed the federally insured limit. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE 6: *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:	Amount
2022	\$ 6,060
2023	4,640
2024	1,500
Total	<u>\$ 12,200</u>

NOTE 7: *Paycheck Protection Program Loan*

On April 29, 2020, the Foundation was granted a loan (the "Loan") from a financial institution in the aggregate amount of \$55,900 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

On February 9, 2021, the Foundation was granted a second loan (the "Loan") from a financial institution in the aggregate amount of \$51,800 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

Under the terms of the PPP, the Loan could be forgiven if used for qualifying expenses as described in the CARES Act. The Foundation used the entire Loan amount for qualifying expenses and was notified during the fiscal year ending June 30, 2021 that its PPP loan balances were fully forgiven.

The debt recorded has been eliminated and the loan proceeds amount of \$107,700 is recognized as income in the Statement of Activities.

NOTE 8: *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 \$14,217 and \$12,852 during the years ended June 30, 2021 and 2020, respectively.

NOTE 9: <i>Liquidity and Availability of Financial Assets</i>
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The following reflects the Foundation's financial assets as of the balance sheet date.

	<u>2021</u>	<u>2020</u>
Financial assets, at year-end		
Cash and Cash Equivalents	\$ 836,434	\$ 820,204
Prepaid Expenses	<u>9,542</u>	<u>8,980</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 845,976</u>	<u>\$ 829,184</u>

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.