

Certified Public Accountants  
& Consultants



**Southern Poverty Law Center, Inc.  
and SPLC Action Fund  
October 31, 2021**  
Consolidated Financial Statements

**Southern Poverty Law Center, Inc.**

**Index**

	<b><u>Page</u></b>
Independent auditor's report	1 - 2
Consolidated statement of financial position	3 - 5
Consolidated statement of activities	6 - 8
Consolidated statement of cash flows	9
Consolidated statement of functional expenses	10
Notes to consolidated financial statements	11 - 20

## Independent Auditor's Report

The Board of Directors  
Southern Poverty Law Center, Inc.  
Montgomery, Alabama

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Southern Poverty Law Center, Inc. (the Center) and Affiliate, which comprise the consolidated statement of financial position as of October 31, 2021, the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southern Poverty Law Center, Inc. and Affiliate, as of October 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Note 2 to the consolidated financial statements, in 2021, the Center adopted new accounting guidance related to leases. Our audit opinion is not modified with respect to this matter.

*Jackson Thornton & Co. PC*

Montgomery, Alabama  
December 14, 2021

**Southern Poverty Law Center, Inc.**  
**Consolidated Statement of Financial Position**  
**October 31, 2021**

**Operating and Action Funds**

**Assets**

Cash and cash equivalents	\$ 11,862,953
Contributions receivable	3,204,949
Other receivables	1,370,647
Inventories	109,158
Prepaid expenses	2,645,662
Investments	
Building fund reserve	20,000,000
Gift annuity	12,292,004
Other	620,301
Right of use leased asset	4,168,387
Land, buildings, and equipment, net	15,770,557
Total operating and action funds assets	<u><u>\$ 72,044,618</u></u>

**Liabilities and Net Assets**

Accounts payable and accrued liabilities	\$ 4,579,354
Gift annuity	7,693,886
Lease obligation	4,168,387
Long-term debt	15,000,000
Total operating and action funds liabilities	<u><u>31,441,627</u></u>

Net assets without donor restrictions	
Operating and action funds	18,835,831
Board restricted building fund reserve - operating fund	19,999,394
Total net assets without donor restrictions - operating and action funds	<u>38,835,225</u>
Net assets with donor restrictions - operating fund	<u>1,767,766</u>
Total operating and action funds net assets	<u>40,602,991</u>
Total operating and action funds liabilities and net assets	<u><u>\$ 72,044,618</u></u>

Continued on the next page.

**Southern Poverty Law Center, Inc.**  
**Consolidated Statement of Financial Position**  
**October 31, 2021**

**Endowment Fund**

**Assets**

Investments	<u>\$ 731,949,581</u>
-------------	-----------------------

**Net Assets**

Net assets without donor restrictions - endowment fund	\$ 728,127,682
Net assets with donor restrictions - endowment fund	<u>3,821,899</u>
Total endowment fund net assets	<u>\$ 731,949,581</u>

Continued on the next page.

**Southern Poverty Law Center, Inc.**  
**Consolidated Statement of Financial Position**  
**October 31, 2021**

**Totals**

**Assets**

Total operating and action funds (including land, buildings, and equipment)	\$ 72,044,618
Total endowment fund	<u>731,949,581</u>
Total assets	<u><u>\$ 803,994,199</u></u>

**Liabilities and Net Assets**

Total operating and action funds liabilities	<u>\$ 31,441,627</u>
Total liabilities	<u>31,441,627</u>

Net assets without donor restrictions

Operating and action funds	38,835,225
Endowment fund	<u>728,127,682</u>
Total net assets without donor restrictions	<u>766,962,907</u>

Net assets with donor restrictions

Operating fund	1,767,766
Endowment fund	<u>3,821,899</u>
Total net assets with donor restrictions	<u>5,589,665</u>
Total net assets	<u>772,552,572</u>
Total liabilities and net assets	<u><u>\$ 803,994,199</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**Southern Poverty Law Center, Inc.  
Consolidated Statement of Activities  
For the Year Ended October 31, 2021**

**Operating and Action Funds**

**Changes in Net Assets Without Donor Restrictions from Operating and Action Funds**

Operating and action funds support and revenue	
Public support	
Contributions	\$ 99,837,874
Grants	4,501,275
Total public support	<u>104,339,149</u>
Revenue	
Investment income (excluding endowment), net	2,070,803
Other	288,612
Total revenue	<u>2,359,415</u>
Total operating and action funds support and revenue	<u>106,698,564</u>
Net assets released from restrictions	<u>1,972,737</u>
Total public support, revenue, and net assets released from restrictions	<u>108,671,301</u>
Operating and action funds expenses	
Program services	
Legal services	33,798,598
Public education	44,981,069
Total program services	<u>78,779,667</u>
Supporting services	
Management and general	13,379,682
Development	14,460,632
Total supporting services	<u>27,840,314</u>
Total operating and action funds expenses	<u>106,619,981</u>
Changes in net assets without donor restrictions from operating and action funds	<u>2,051,320</u>

**Changes in Net Assets With Donor Restrictions Operating and Action Funds**

Operating and action funds support and revenue	
Contributions and grants	900,000
Net assets released from restrictions	<u>(1,972,737)</u>
Changes in net assets with donor restrictions from operating and action funds	<u>(1,072,737)</u>

**Changes in Net Assets from Operating and Action Funds** 978,583

**Transfer to Endowment Fund** (270,618)

**Transfer from Endowment Fund - Impact Initiatives** 19,571,060

**Net Assets at Beginning of Year** 20,323,966

**Net Assets at End of Year** \$ 40,602,991

Continued on the next page.

**Southern Poverty Law Center, Inc.  
Consolidated Statement of Activities  
For the Year Ended October 31, 2021**

**Endowment Fund**

<b>Changes in Net Assets Without Donor Restrictions from Endowment Fund</b>	
Endowment fund revenue	
Investment income, net	\$ 181,368,204
Total endowment fund revenue	<u>181,368,204</u>
Changes in net assets without donor restrictions from endowment fund	<u>181,368,204</u>
<b>Changes in Net Assets from Endowment Fund</b>	181,368,204
<b>Transfer from Operating Fund</b>	270,618
<b>Transfer to Operating Fund - Impact Initiatives</b>	(19,571,060)
<b>Net Assets at Beginning of Year</b>	<u>569,881,819</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 731,949,581</u></u>

Continued on the next page.

**Southern Poverty Law Center, Inc.  
Consolidated Statement of Activities  
For the Year Ended October 31, 2021**

**Totals**

**Changes in Net Assets Without Donor Restrictions**

Changes in net assets without donor restrictions from operating and action funds	\$ 2,051,320
Changes in net assets without donor restrictions from endowment fund	<u>181,368,204</u>
Changes in net assets without donor restrictions	183,419,524

**Changes in Net Assets With Donor Restrictions**

Changes in net assets with donor restrictions from operating and action funds	<u>(1,072,737)</u>
---	--------------------

**Total Changes in Net Assets**

182,346,787

**Net Assets at Beginning of Year**

590,205,785

**Net Assets at End of Year**

\$ 772,552,572

The accompanying notes are an integral part of these consolidated financial statements.

**Southern Poverty Law Center, Inc.**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended October 31, 2021**  
**Increase (Decrease) in Cash and Cash Equivalents**

	<u>Operating and Action Funds</u>	<u>Endowment Fund</u>	<u>Totals</u>
<b>Operating Activities</b>			
Cash received for public support	\$ 106,997,205		\$ 106,997,205
Cash received for services and materials	174,878		174,878
Cash received from other sources	98,054		98,054
Cash payments for operating expenses	(69,224,523)	\$ (1,172,072)	(70,396,595)
Cash payments for employee salaries and benefits	(35,091,537)		(35,091,537)
Interest and dividend income	348,207	1,743,841	2,092,048
Net cash from operating activities	<u>3,302,284</u>	<u>571,769</u>	<u>3,874,053</u>
<b>Investing Activities</b>			
Purchase of investments	(20,631,504)	(188,163,848)	(208,795,352)
Proceeds from sale of investments	1,265,271	206,892,521	208,157,792
Purchase of property and equipment	(3,213,019)		(3,213,019)
Net cash (used for) from investing activities	<u>(22,579,252)</u>	<u>18,728,673</u>	<u>(3,850,579)</u>
<b>Financing Activities</b>			
Operation transfers in (out)	19,300,442	(19,300,442)	
Payments made to gift annuitants	(875,884)		(875,884)
Cash received for new gift annuities	370,651		370,651
Net cash from (used for) financing activities	<u>18,795,209</u>	<u>(19,300,442)</u>	<u>(505,233)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(481,759)		(481,759)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>12,344,712</u>		<u>12,344,712</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 11,862,953</u>	<u>\$ -</u>	<u>\$ 11,862,953</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Southern Poverty Law Center, Inc.**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended October 31, 2021**

	Program Services			Supporting Services			Total Expenses
	Legal Services	Public Education	Total	Management and General	Development	Total	
<b>Operating and Action Funds</b>							
Salaries and related expenses	\$ 17,706,660	\$ 9,416,436	\$ 27,123,096	\$ 4,391,081	\$ 3,772,246	\$ 8,163,327	\$ 35,286,423
Contract labor	30,264	66,217	96,481	12,023	7,368	19,391	115,872
Legal case expense	5,184,014		5,184,014				5,184,014
Impact initiatives		19,609,209	19,609,209				19,609,209
Professional services and fees	2,868,793	781,032	3,649,825	3,172,867	428,939	3,601,806	7,251,631
Office equipment and supplies	937,133	771,501	1,708,634	500,646	359,627	860,273	2,568,907
Rent	1,306,882	257,438	1,564,320	143,846	56,353	200,199	1,764,519
Utilities, telephone, and maintenance	553,224	563,997	1,117,221	191,166	229,973	421,139	1,538,360
Library expense	263,805	67,169	330,974	6,760	44,424	51,184	382,158
Insurance	162,966	502,834	665,800	490,797	128,285	619,082	1,284,882
Investigation and support	95,238	257,495	352,733				352,733
Staff development and training	432,822	220,603	653,425	155,094	105,164	260,258	913,683
Travel and related expense	16,417	22,501	38,918	9,367	6,236	15,603	54,521
Postage	965,415	1,833,890	2,799,305	1,749,991	2,399,447	4,149,438	6,948,743
Printing	516,086	1,012,534	1,528,620	892,623	1,372,331	2,264,954	3,793,574
Lettershop expense	681,976	1,293,583	1,975,559	1,035,456	1,924,185	2,959,641	4,935,200
Other development costs	270,403	678,478	948,881	428,576	2,903,387	3,331,963	4,280,844
Educational publications	259,469	1,535,372	1,794,841		489,094	489,094	2,283,935
Other educational projects	1,015,459	5,294,274	6,309,733				6,309,733
Interest expense				11,158		11,158	11,158
Depreciation expense	531,572	796,506	1,328,078	188,231	233,573	421,804	1,749,882
Total operating and action funds expenses	<u>\$ 33,798,598</u>	<u>\$ 44,981,069</u>	<u>\$ 78,779,667</u>	<u>\$ 13,379,682</u>	<u>\$ 14,460,632</u>	<u>\$ 27,840,314</u>	<u>\$ 106,619,981</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Southern Poverty Law Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**October 31, 2021**

**Note 1 - The Center**

The Southern Poverty Law Center, Inc. (the Center) is a nonprofit corporation whose vision and mission statements are as follows:

*Vision Statement* - A world in which everyone can thrive and the ideals of equity, justice, and liberation are a reality for all.

*Mission Statement* - To be a catalyst for racial justice in the South and beyond, working in partnership with communities to dismantle white supremacy, strengthen intersectional movements, and advance the human rights of all people.

The Center has identified four areas of work that pose the greatest opportunities to achieving its mission. The Center has prioritized these areas of work in order to achieve maximum impact on its goals, including eradicating poverty, decriminalizing and decarcerating Black and brown people, protecting voting rights and civic engagement, and dismantling white nationalism and protecting democracy.

**Note 2 - Summary of Significant Accounting Policies**

Principles of consolidation - The consolidated financial statements include the accounts of the Center and SPLC Action Fund (Action Fund), collectively, the Organization. The Action Fund is consolidated since the Center has both an economic interest in the Action Fund and control of the Action Fund through a majority voting interest in its governing board. All material intra-entity transactions have been eliminated.

Basis of presentation - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net asset categories - The Organization reports its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions.

*Net assets with donor restrictions* - 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 perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. Assets maintained in perpetuity are invested in the Center's Endowment Fund. The donors of these assets permit the Center to use the income earned for operations.

*Net assets without donor restrictions* - Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its 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. Certain net assets classified as without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Fund groups - The Organization reports its financial position and activities in the following fund groups:

*Operating and Action Funds* - The Operating and Action Funds account for the resources over which management has discretionary control to use in carrying on the general operations of the Center and the Action Fund.

*Endowment Fund* - The Endowment Fund contains assets of the Center that are segregated from the Center's operating fund and that are restricted by donors for permanent investment or designated by the Center's Board of Directors for the future support of the Center's programs and activities. Board approval is required for any expenditure or transfer from the Endowment Fund.

**Southern Poverty Law Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**October 31, 2021**

**Note 2 - Summary of Significant Accounting Policies (continued)**

Fair value measurements - Fair value generally represents the price that would be received at the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

*Level 1* - Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

*Level 2* - Prices that are based on other than exchange-quoted prices in active markets, which are either directly or indirectly observable as of the reporting date.

*Level 3* - Pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information available and may require significant management judgment or estimation.

Investment valuation - In determining fair value, the Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Investments in marketable securities traded on a national securities exchange and investments in United States government securities are stated at fair value based on the last reported sales price on the valuation date. The Center uses net asset values reported by fund managers as a practical expedient to report the fair values of its investments held through limited partnerships and other funds.

Investment securities are exposed to various risks, such as interest rate, market, liquidity, valuation, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the consolidated statement of financial position and the consolidated statement of activities.

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. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Gift annuities - The Center has entered into agreements with donors in which the donor contributes assets to the Center in exchange for distributions of a fixed amount for a specified period of time to the donor or other beneficiaries. The assets are contributed directly to the Center and are held as general assets of the Center, and the related annuity liability is recorded as a general obligation of the Center. The difference between the fair value of the assets received and the liability to the beneficiary is recognized in the consolidated statement of activities as a contribution in the period the annuity agreement is executed. On an annual basis, the Center uses actuarial assumptions to revalue the gift annuity liability to the beneficiaries. The change in the value of the agreements is also recognized in the consolidated statement of activities. The gift annuity liability is calculated using prevailing discount rates at the time the gifts were made, ranging from .4% to 9.6%, and rates based on applicable mortality tables.

**Southern Poverty Law Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**October 31, 2021**

**Note 2 - Summary of Significant Accounting Policies (continued)**

Cash equivalents - For purposes of the consolidated statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization excludes those cash equivalents that are invested for the gift annuity program and those that are in the endowment fund investment portfolio.

Cash and cash funds - The Organization maintains its cash in bank deposit accounts in amounts that exceed federally insured limits. The Organization maintains cash funds in money market fund accounts with several brokerage firms that exceed the Securities Investor Protection Corporation (SIPC) insured limits. The SIPC covers up to \$250,000 of the money market funds with each firm. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash funds.

Inventories - Supplies and publication inventories are priced at cost using the first-in, first-out (FIFO) inventory method.

Fixed assets - All expenditures for land, buildings, and equipment and the fair value of donated property and equipment are capitalized.

Depreciation of buildings and improvements is established by using the straight-line method over the estimated lives of 10 to 40 years. Depreciation on furniture and equipment is established by using the straight-line method over the estimated useful lives of three to 10 years.

Leases - On November 1, 2020, the Center recognized right of use leased assets of \$5,683,885 and operating lease obligations of \$5,683,885 on the consolidated statement of financial position related to leases of real estate where the Center is the lessee.

*Transition* - The Center adopted ASU 2016-02, *Leases* (Topic 842) retrospectively at the beginning of the year. No cumulative effect adjustment was required.

*Accounting policy* - The Center determines if an arrangement contains a lease at inception. For purposes of calculating lease obligations under the standard, the lease terms may include options to extend or terminate the lease when it is reasonably certain the Center will exercise such option. The Center's leases do not contain material residual value guarantees.

*Discount rate* - The discount rate used to measure a lease obligation should be the rate implicit in the lease; however, the Center's leases generally do not provide an implicit rate. Accordingly, the Center uses its incremental borrowing rate at lease commencement to determine the present value of lease payments. The incremental borrowing rate is an entity-specific rate which represents the rate of interest a lessee would pay to borrow on a collateralized basis over a similar term with similar payments.

Grants payable - Conditional grants are expensed and considered payable in the period the conditions are substantially satisfied. The Organization records grants payable for all unconditional grants that have been authorized prior to year end, but remain unpaid as of the consolidated statement of financial position date. There were no unconditional grants outstanding at October 31, 2021.

Joint costs - Activities and the production of materials which combine development, education, and management functions are allocated to the program and supporting services on the basis of the content of the material, the reason for its distribution, and the audience to whom it is delivered.

**Southern Poverty Law Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**October 31, 2021**

The Center incurred joint costs of \$14,150,133 for educational materials and activities as part of fundraising appeals during the year ended October 31, 2021. Of those costs, \$3,959,456 was allocated to management and general expense, \$3,319,473 was allocated to development expense, and \$6,871,204 was allocated to program expense.

Income taxes - The Center is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). In addition, the Center 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). The Action Fund is a tax-exempt organization under Internal Revenue Code Section 501(c)(4). Accordingly, no provision for income taxes is made in the consolidated financial statements.

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

**Note 3 - Liquidity and Availability of Financial Assets**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date comprise, the following:

Cash and cash equivalents	\$ 11,862,953
Contributions receivable	2,624,958
Other receivables	850,103
Other investments	620,301
	<u>\$ 15,958,315</u>

The Center's Endowment Fund consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Board-designated endowment of \$728,127,682 is subject to an annual spending rate as described in Note 11. Amounts appropriated for expenditure from the endowment require prior approval by the Board.

As of October 31, 2021, the Board of Directors restricted \$20,000,000 as a building reserve fund as described in Note 8. Amounts appropriated for expenditure from the building reserve fund require prior approval by the Board.

The Center has an available line of credit in the amount of \$25,000,000.

**Southern Poverty Law Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**October 31, 2021**

**Note 4 - Contributions Receivable**

Contributions receivable are summarized as follows at October 31, 2021:

**Unconditional Promises Expected to be Collected in**

Less than one year	\$ 1,187,776
One year to five years	345,153
More than five years	878,560
Less discounts to net present value	<u>(643,722)</u>
Total unconditional promises to give	1,767,767

**Bequests Receivable**

	<u>1,437,182</u>
Net contributions receivable	<u><u>\$ 3,204,949</u></u>

Management reviews contributions receivable on an annual basis and those considered uncollectible are deducted from income. Uncollectible contributions are identified on the basis of management's consideration of current relationships with corporate, individual, and foundation donors and their ability to pay. Management considers all current contributions receivable to be collectible. Therefore, no allowance for uncollectible contributions has been made.

**Note 5 - Investments**

The Center's investments are presented in the consolidated statement of financial position in the aggregate at fair value and include the following at October 31, 2021:

**Operating Fund**

Cash funds	\$ 344,855
Fixed income	
Bond mutual funds	7,390,308
U.S. treasury bill	19,997,200
Public equities	
U.S. equities	7,154
Equity mutual funds	<u>5,172,788</u>
Total operating fund	<u><u>32,912,305</u></u>

**Endowment Fund**

Cash funds	10,332,813
Fixed income	
U.S. bond funds	44,278,645
Investments measured at net asset value	<u>677,338,123</u>
Total endowment fund	<u><u>731,949,581</u></u>
Totals	<u><u>\$ 764,861,886</u></u>

**Southern Poverty Law Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**October 31, 2021**

**Note 5 - Investments (continued)**

The Center's investment objectives guide its asset allocation policy and are achieved by investing with external investment managers operating through a variety of investment vehicles, including separate accounts, commingled funds managed by investment companies, and limited partnerships. The table below provides additional information of investments of the Center that have components that are valued using net asset value:

	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice</u>
Public equities (a)				
U.S. equity funds	\$ 149,316,842		Daily, monthly, calendar quarter	16 - 90 days
Non-U.S. equity funds	233,218,362		Daily, monthly, calendar quarter, semi-annually	1 - 60 days
Private equity funds (b)	177,965,761	\$ 107,222,969		
Marketable alternative funds (c)				
Absolute return funds	11,647,310		Calendar quarter	65 - 67 days
Arbitrage funds	25,121,591		Annually	60 - 90 days
Long-short funds	4,049,659		Quarterly, annually	60 days
Multi-strategy funds	76,018,598		Weekly, monthly, semi-monthly, calendar quarter, semi-annually, annually	14 - 180 days
Total endowment fund	<u>\$ 677,338,123</u>	<u>\$ 107,222,969</u>		

- (a) Public equities include investments in publicly traded stocks of domestic and international companies.
- (b) Private equity includes investments in buyouts, venture capital, and distressed companies. These assets are invested through fund of funds investments and limited partnerships which involve multi-year commitments ranging from 10 to 13 years.
- (c) Marketable alternatives include investments in a variety of hedge funds which employ strategies including long-short equity, absolute return, risk arbitrage, event driven, and distressed securities. In addition to investing in exchange traded equity and debt securities, these funds may invest in private equity, commodities, and real estate, and may include the use of options, futures, and other derivative instruments, principally for the purpose of hedging risk rather than speculation. These investments are typically managed by investment companies which have restrictions that limit (1) the Center's ability to withdraw capital from such investments during a specified period of time subsequent to the initial investment, and/or (2) the amount of capital the Center may withdraw as of a particular date. Investments in marketable alternatives generally limit redemptions to monthly, quarterly, semi-annually, or longer, at fair value and require between 14 and 180 days' notice.

**Southern Poverty Law Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**October 31, 2021**

Investment return is made up of the following at October 31, 2021:

**Operating Fund**

Interest and dividend income	\$ 348,207
Net realized gain	396,688
Net unrealized gain	<u>1,325,908</u>
Total investment income	<u>\$ 2,070,803</u>

**Endowment Fund**

Interest and dividend income	\$ 1,743,841
Net realized gain	26,331,190
Net unrealized gain	154,465,245
Investment fees	<u>(1,172,072)</u>
Total investment income	<u>\$ 181,368,204</u>

**Note 6 - Land, Buildings, and Equipment**

At October 31, 2021, land, buildings, and equipment are presented at cost less accumulated depreciation and consist of the following:

Land	\$ 669,682
Buildings and improvements	27,675,767
Civil rights memorial	1,067,188
Furniture and equipment	<u>10,183,810</u>
Total cost	39,596,447
Less accumulated depreciation	<u>23,825,890</u>
Net	<u>\$ 15,770,557</u>

**Note 7 - Long-Term Debt**

The Center's office building is financed through tax-exempt variable rate demand revenue (Series 2013) bonds issued by the Montgomery Downtown Redevelopment Authority (the Authority), in the aggregate principal amount of \$15,000,000. The bonds were issued pursuant to a trust indenture (the Indenture) dated November 1, 2013. The bonds are limited obligations of the Authority and are payable solely from and secured by a pledge of payments to be made by the Authority under an Agreement of Sale (the Agreement) between the Authority and the Center. The Center is purchasing the facility under the Agreement dated as of March 1, 1999, amended November 1, 2013. Under the terms of the Agreement, the Center is required to make monthly payments to the Trustee, sufficient to pay interest on the bonds. The Series 2013 bonds were issued November 1, 2013 to refund the Series 2000 bonds.

The bonds bear interest at a variable rate and interest is due on a monthly basis. The principal on the bonds matures March 1, 2038. The bonds may be redeemed at either the option of the Center or the bondholders under certain conditions pursuant to the terms of the Indenture.

**Southern Poverty Law Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**October 31, 2021**

**Note 8 - Net Assets**

At October 31, 2021, the net assets with donor restrictions consist of the following:

Subject to expenditure for specified purpose	\$ 983,438
Subject to the passage of time	784,328
Endowments restricted by donors in perpetuity	<u>3,821,899</u>
Total net assets with donor restrictions	<u>\$ 5,589,665</u>

As of October 31, 2021, the Board of Directors restricted \$20,000,000 as a building reserve fund to be used for the relocation of the office(s) to be centered in the communities served by the Center. The goal is for the new office space(s) to be used as a tool to advance the mission and impact goals of the Center. Since that amount resulted from an internal restriction and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

**Note 9 - Retirement Plan**

The Organization has a 401(k) Retirement Plan for its employees. For the year ended October 31, 2021, the Plan provided a 6% employer contribution regardless of the employee contribution, and an additional 100% employer match of employee contributions up to 4% of salary. The Organization's total retirement Plan expense for 2021 was \$2,291,153.

**Note 10 - Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis. The functional allocation of compensation expenses is estimated for expense line items based on the amount of time each employee spends in a particular program, fundraising, or administrative role. Other expenses are allocated based on the department's allocations which are derived from the total allocations by employee from that department.

**Note 11 - Endowment Fund**

The Center has classified its Endowment Fund net assets as follows:

- *Net assets with donor restrictions* contain donor-imposed stipulations. Some donor-imposed stipulations neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Center and primarily consist of the historic dollar value of contributions to establish or add to donor-restricted endowment funds. Some funds contain donor-imposed stipulations as to the timing of their availability or their use for a particular purpose. These net assets are released from restrictions when the specified time elapses or the required actions have been taken to meet the restrictions.
- *Net assets without donor restrictions* contain no donor-imposed restrictions and are available for the general operations of the Center. These assets may be designated by the Center for specific purposes, including functioning as endowment funds.

The Center's Endowment Fund includes both donor-restricted funds and funds without donor restrictions designated by the Board of Directors to function as general endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Southern Poverty Law Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**October 31, 2021**

**Note 11 - Endowment Fund (continued)**

Change in endowment net assets for the year ended October 31, 2021:

	<b>Without Donor Restrictions (Board-designated)</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 566,309,920	\$ 3,571,899	\$ 569,881,819
Investment return, net	180,187,415	1,180,789	181,368,204
Contributions	20,618	250,000	270,618
Appropriated for expenditure	1,180,789	(1,180,789)	
Transfer to Operating Fund - Impact Initiative	(19,571,060)		(19,571,060)
Total change in endowment funds	<u>161,817,762</u>	<u>250,000</u>	<u>162,067,762</u>
Endowment net assets, end of year	<u>\$ 728,127,682</u>	<u>\$ 3,821,899</u>	<u>\$ 731,949,581</u>

Relevant law - The Board of Directors of the Center has interpreted the Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair 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, the Center classifies as in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations 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 retained in perpetuity is subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

1. The duration and preservation of the fund.
2. The purpose of the Center 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 Center.
7. The investment policies of the Center.

**Southern Poverty Law Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**October 31, 2021**

Return objectives and risk parameters - The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while also seeking to maintain the purchasing power of the endowment assets, including both donor-restricted and Board-designated funds. Under the Center's investment policy, the endowment assets are invested in a manner that is intended to produce results that exceed the total return of a benchmark composed of 30% of the Barclays Capital Aggregate Bond Index and 70% of the Standard & Poor's 500 Index, while assuming a moderate level of investment risk. The Center expects its endowment funds, over time, to provide an average real rate of return of 5% annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives - The Center targets a diversified asset allocation made up of public and private equity, hedge funds, fixed income, and real assets to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy - The Center invests its endowment funds in accordance with the total return concept, emphasizing long-term expected investment performance, including income from interest, dividends, capital gains, and other distributions. The Board of Directors established a policy allowing annual distributions for operating purposes of up to 4.5% of the 12-quarter trailing average market value of the endowment; however, the actual distributions from the endowment can be made only with Board approval.

**Note 12 - Impact Initiatives - Protecting Voting Rights and Civic Engagement**

During the year ended October 31, 2020, the Board of Directors approved \$30 million from the Endowment Fund for the Vote Your Voice initiative to help support voter registration and mobilization efforts in Alabama, Florida, Georgia, Louisiana, and Mississippi. The Vote Your Voice campaign seeks to empower communities of color by aiding them in their fight against voter suppression; support Black- and brown-led voter outreach organizations often ignored by traditional funders; support and prototype effective voter engagement strategies; and re-enfranchise returning citizens despite intentional bureaucratic challenges.

With voting rights under attack across the Deep South, the Board of Directors approved a \$100 million investment from the Endowment Fund over the next decade to support voter outreach and civic engagement organizations in Alabama, Florida, Georgia, Louisiana, and Mississippi. The commitment represents a historic pledge of resources to multiracial democracy initiatives in the South and marks a more-than-threefold increase over the SPLC's initial commitment of \$30 million to the Vote Your Voice initiative, pledged in 2020.

In addition to the Vote Your Voice initiative, the Board of Directors approved \$10 million from the Endowment Fund to support non-partisan redistricting in the South over the next two years. The funds provided communities on the ground needed resources to develop infrastructure, communications, data collection and analysis.

The Board of Directors has designated, from net assets without donor restrictions, funds for the Vote Your Voice and Redistricting in the South initiatives. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions. The total Vote Your Voice expense for the year ended October 31, 2021 was \$9,609,209 (total for two years \$22,830,728). The total Redistricting expense for the year ended October 31, 2021 was \$10,000,000.

**Note 13 - Subsequent Events**

The Center has evaluated subsequent events through December 14, 2021, which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition as of October 31, 2021, have been incorporated into these consolidated financial statements.