SOUTHERN POVERTY LAW CENTER, INC.

OCTOBER 31, 2016

FINANCIAL STATEMENTS

SOUTHERN POVERTY LAW CENTER, INC.
MONTGOMERY, ALABAMA

INDEX

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statement of Southern Poverty Law Center, Inc. (the Center), which comprise the statement of financial position as of October 31, 2016, the related statement of activities, cash flows, and functional expenses for the year then ended, and the related notes to 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Poverty Law Center, Inc. as of October 31, 2016, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Jackson Thornton & Co. PC

Montgomery, Alabama
December 8, 2016

SOUTHERN POVERTY LAW CENTER, INC.
MONTGOMERY, ALABAMA

STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2016

OPERATING FUND

ASSETS:		
Cash and cash equivalents	$	3,462,475
Contributions receivable		3,453,780
Other receivables		1,407,006
Inventory		215,722
Prepaid expenses		1,470,791
Investments of gift annuity program and pooled income fund		8,747,650
Other investments		1,346,975
Land, buildings, and equipment, net		13,786,568
Total operating fund assets	$	33,890,967
LIABILITIES AND NET ASSETS:		
Accounts payable and accrued liabilities	$	3,427,017
Gift annuity and pooled income fund liability		6,352,819
Long-term debt		15,000,000
Total operating fund liabilities		24,779,836
Unrestricted net assets - operating fund		6,575,957
Temporarily restricted net assets - operating fund		2,535,174
Total operating fund net assets		9,111,131
Total operating fund liabilities and net assets	$	33,890,967

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SOUTHERN POVERTY LAW CENTER, INC.
MONTGOMERY, ALABAMA

STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2016

ENDOWMENT FUND

ASSETS:	
Investments	$ 319,283,961
NET ASSETS:	
Unrestricted net assets - endowment fund	$ 315,712,062
Permanently restricted net assets - endowment fund	3,571,899
Total endowment fund net assets	$ 319,283,961

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SOUTHERN POVERTY LAW CENTER, INC.
MONTGOMERY, ALABAMA

STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2016

TOTALS

ASSETS:	
Total operating fund (including land, buildings, and equipment)	$ 33,890,967
Total endowment fund	319,283,961
Total assets	$ 353,174,928
LIABILITIES AND NET ASSETS:	
Total operating fund liabilities	$ 24,779,836
Total liabilities	24,779,836
Unrestricted net assets:	
Operating fund	6,575,957
Endowment fund	315,712,062
Total unrestricted net assets	322,288,019
Temporarily restricted net assets:	
Operating fund	2,535,174
Permanently restricted net assets:	
Endowment fund	3,571,899
Total net assets	328,395,092
Total liabilities and net assets	$ 353,174,928

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

SOUTHERN POVERTY LAW CENTER, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2016

OPERATING FUND

CHANGES IN UNRESTRICTED NET ASSETS FROM OPERATING FUND:	
Operating fund support and revenue:	
Public support:	
Contributions	$ 45,806,149
Grants	3,319,497
Total public support	49,125,646
Revenue:	
Investment income (excluding endowment)	392,499
Other	1,169,867
Total revenue	1,562,366
Total operating fund support and revenue	50,688,012
Net assets released from temporary restrictions	1,183,426
Total public support, revenue, and net assets released from restriction	51,871,438
Operating fund expenses:	
Program services:	
Legal services	15,352,662
Public education	16,061,189
Total program services	31,413,851
Supporting services:	
Management and general	5,355,932
Development	8,587,121
Total supporting services	13,943,053
Total operating fund expenses	45,356,904
Changes in unrestricted net assets from operating fund	6,514,534
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS FROM OPERATING FUND:	
Operating fund support and revenue:	
Contributions and grants	1,271,067
Net assets released from temporary restrictions	(1,183,426)
Changes in temporarily restricted net assets from operating fund	87,641
CHANGES IN NET ASSETS FROM OPERATING FUND	6,602,175
TRANSFER TO ENDOWMENT FUND	(10,031,491)
NET ASSETS AT BEGINNING OF YEAR	12,540,447
NET ASSETS AT END OF YEAR	$ 9,111,131

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SOUTHERN POVERTY LAW CENTER, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2016

ENDOWMENT FUND

CHANGES IN UNRESTRICTED NET ASSETS FROM ENDOWMENT FUND:	
Endowment fund revenue:	
Investment income	$ 7,037,252
Total endowment fund revenue	7,037,252
Endowment fund expense:	
Supporting services:	
Management and general	597,402
Total endowment fund expense	597,402
Changes in unrestricted net assets from endowment fund	6,439,850
CHANGES IN NET ASSETS FROM ENDOWMENT FUND	6,439,850
TRANSFER FROM OPERATING FUND	10,031,491
NET ASSETS AT BEGINNING OF YEAR	302,812,620
NET ASSETS AT END OF YEAR	$ 319,283,961

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SOUTHERN POVERTY LAW CENTER, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2016

TOTALS

CHANGES IN UNRESTRICTED NET ASSETS:	
Changes in unrestricted net assets from operating fund	$ 6,514,534
Changes in unrestricted net assets from endowment fund	6,439,850
Changes in unrestricted net assets	12,954,384
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:	
Changes in temporarily restricted net assets from operating fund	87,641
TOTAL CHANGES IN NET ASSETS	13,042,025
NET ASSETS AT BEGINNING OF YEAR	315,353,067
NET ASSETS AT END OF YEAR	$ 328,395,092

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

SOUTHERN POVERTY LAW CENTER, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2016
Increase (Decrease) in Cash and Cash Equivalents

	OPERATING FUND	ENDOWMENT FUND	TOTALS
OPERATING ACTIVITIES:			
Cash received for public support	$ 50,904,319		$ 50,904,319
Cash received for services and materials	152,153		152,153
Cash received from other sources	1,014,080		1,014,080
Cash payments for operating expenses	(22,470,534)	$ (597,402)	(23,067,936)
Cash payments for employee salaries and benefits	(20,139,517)		(20,139,517)
Interest and dividend income	227,325	421,498	648,823
Net cash from (used for) operating activities	9,687,826	(175,904)	9,511,922
INVESTING ACTIVITIES:			
Purchase of investments	(2,137,512)	(91,004,018)	(93,141,530)
Proceeds from sale of investments	5,456,466	81,148,431	86,604,897
Purchase of property and equipment	(550,927)		(550,927)
Net cash from (used for) investing activities	2,768,027	(9,855,587)	(7,087,560)
FINANCING ACTIVITIES:			
Operation transfers in (out)	(10,031,491)	10,031,491	
Payments made to gift annuity plan and pooled income participants	(771,569)		(771,569)
Cash received for new gift annuities	888,449		888,449
Net cash from (used for) financing activities	(9,914,611)	10,031,491	116,880
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,541,242		2,541,242
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	921,233		921,233
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,462,475	$ -	$ 3,462,475
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Change in net assets	$ 6,602,175	$ 6,439,850	$ 13,042,025
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Depreciation	1,412,499		1,412,499
Present value adjustment to annuities and pooled income fund payable	339,231		339,231
Increase in receivables, inventory, and prepaid expenses	299,028		299,028
Increase in accounts payable and accrued liabilities	1,200,067		1,200,067
Net realized gain on sale of investments	(60,480)	(6,055,436)	(6,115,916)
Net unrealized gain on investments	(104,694)	(560,318)	(665,012)
Total adjustments	3,085,651	(6,615,754)	(3,530,103)
Net cash from (used for) operating activities	$ 9,687,826	$ (175,904)	$ 9,511,922

The accompanying notes are an integral part of the financial statements.

SOUTHERN POVERTY LAW CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2016

	PROGRAM SERVICES			SUPPORTING SERVICES			
	LEGAL SERVICES	PUBLIC EDUCATION	TOTAL	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL	TOTAL EXPENSES
OPERATING FUND:							
Salaries and related expenses	$ 9,130,309	$ 5,829,943	$ 14,960,252	$ 2,187,655	$ 3,143,772	$ 5,331,427	$ 20,291,679
Contract labor	81,995	56,277	138,272	19,534	5,812	25,346	163,618
Legal case expense	1,858,217		1,858,217				1,858,217
Professional services and fees	311,465	134,773	446,238	681,789	57,943	739,732	1,185,970
Office equipment and supplies	381,321	499,376	880,697	196,111	353,270	549,381	1,430,078
Rent	480,774	21,701	502,475	37,141	5,189	42,330	544,805
Utilities, telephone, and maintenance	461,347	467,324	928,671	150,648	185,775	336,423	1,265,094
Library expense	107,439	49,104	156,543	4,037	19,915	23,952	180,495
Insurance	35,992	161,030	197,022	146,991	29,346	176,337	373,359
Investigation and support	151,919	485,048	636,967				636,967
Staff development and training	442,131	247,333	689,464	89,179	104,449	193,628	883,092
Travel and related expense	188,582	182,867	371,449	52,055	43,982	96,037	467,486
Postage	382,926	801,045	1,183,971	747,411	1,211,010	1,958,421	3,142,392
Printing	193,417	398,930	592,347	342,640	560,160	902,800	1,495,147
Lettershop expense	117,383	238,971	356,354	202,714	834,735	1,037,449	1,393,803
Other development costs	367,762	1,109,868	1,477,630	319,550	1,382,948	1,702,498	3,180,128
Educational publications	236,045	1,965,366	2,201,411		371,037	371,037	2,572,448
Other educational projects	88,910	2,740,883	2,829,793				2,829,793
Interest expense				49,834		49,834	49,834
Depreciation expense	334,728	671,350	1,006,078	128,643	277,778	406,421	1,412,499
Total operating expenses	15,352,662	16,061,189	31,413,851	5,355,932	8,587,121	13,943,053	45,356,904
ENDOWMENT FUND:							
Investment expense				597,402		597,402	597,402
Total expenses	$ 15,352,662	$ 16,061,189	$ 31,413,851	$ 5,953,334	$ 8,587,121	$ 14,540,455	$ 45,954,306

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

NOTE 1 - ORGANIZATION:
The Southern Poverty Law Center, Inc. (the Center) is a nonprofit organization that is dedicated to fighting hate and bigotry and to seeking justice for the most vulnerable members of our society. Using litigation, education, and other forms of advocacy, the Center works toward the day when the ideals of equal justice and equal opportunity will be a reality.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
Basis of presentation - The financial statements of the Center 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 Center reports its financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations requiring them to be maintained permanently by the Center. Contributions of permanently restricted net assets are invested in the Center's endowment fund. The donors of these assets permit the Center to use the income earned for operations.

Temporarily restricted net assets - Net assets whose use by the Center is subject to donor-imposed or legal stipulations as to timing of their availability or use for a particular purpose. The Center's temporarily restricted net assets include its pooled income fund, which consists of the donor's contribution and related earnings. These funds will remain under restriction during the donor's life.

Unrestricted net assets - All other net assets not subject to donor-imposed stipulations. Certain net assets classified as unrestricted may be designated for specific purposes by action of the Board of Directors.

Fund groups - The Center reports its financial position and activities in two separate fund groups.

The operating fund accounts for the resources over which management has discretionary control to use in carrying on the general operations of the Center.

The endowment fund contains assets 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 from the endowment fund.

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 U.S. government securities are stated at fair value based on the last reported sales price on the valuation date. Because the Center uses net asset values reported by fund managers as a practical expedient to estimate the fair values of its investments held through limited partnerships and other funds, classification of these investments within the fair value hierarchy is based on the Center's ability to redeem these investments on a timely basis rather than on the inputs used.

As of October 31, 2016, alternative investments comprise 91% of the reported fair value of the investment portfolio. The fair value for alternative investments is estimated by the individual investment manager of the fund taking into account such factors as the financial condition of each investee, economic and market conditions affecting their operations, any changes in management, the length of time since the initial investment, recent arm's-length transactions involving the securities of the investee, the value of similar securities issued by companies in the same or similar businesses and the limited marketability of the portfolio. Management believes the estimated fair values of the Center's alternative investments are reasonably stated at October 31, 2016.

Certain alternative investments allow redemptions quarterly or annually and require as much as 180 days notice to liquidate, while other investments are committed to for the life of the fund. Because of the liquidation restrictions and the inherent uncertainty of valuation of the alternative investments, the fair values estimated by the individual investment manager, in the absence of readily ascertainable market values, may not necessarily represent the amount that could be realized from sales or other dispositions of investments, and the differences may be material.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)
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 statement of financial position and the statement of activities.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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 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 statement of activities. The present value of the estimated future payments is calculated using discount rates ranging from 1.2% to 9.6% based on applicable mortality tables and the prevailing rates at the time the gifts were made.

Pooled income fund - The Center has entered into agreements in which the Center pools, invests, and manages life income gifts from multiple donors. During the term of the life income gifts, the donor receives the actual income earned on the donor's portion of the pool's investments. The contribution revenue recorded at the time of the gift is reported as an increase in temporarily restricted net assets.

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

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

Cash and cash funds - The Center's operating fund maintains its cash in bank deposit accounts with two banks in amounts that exceed federally insured limits. The Center's operating and endowment funds maintain 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 Center has not experienced any losses in such accounts. The Center 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 ten to 40 years. Depreciation on furniture and equipment is established by using the straight-line method over the estimated useful lives of three to ten years.

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.

The Center incurred joint costs of $7,983,475 for educational materials and activities as part of fund-raising appeals during the year ended October 31, 2016. Of those costs, $1,686,842 was allocated to management and general expense, $2,586,847 was allocated to development expense, and $3,709,786 was allocated to program expense.

Income taxes - The Center is a tax-exempt organization under Internal Revenue Code Section 501(c)(3); accordingly, no provision for income taxes is made in the financial statements. 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).

Use of estimates - The preparation of 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 - CONTRIBUTIONS RECEIVABLE:

Contributions receivable are summarized as follows at October 31, 2016:

Unconditional promises expected to be collected in:	
Less than one year	$ 1,722,544
One year to five years	385,682
More than five years	1,030,097
Less: Discounts to net present value	763,226
Total unconditional promises to give	2,375,097
Bequests receivable	1,078,683
Net contributions receivable	$ 3,453,780

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 4 - INVESTMENTS:

The Center's investments are presented in the statement of financial position in the aggregate at fair value and include the following at October 31, 2016:

	QUOTED PRICES ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL I)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL II)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL III)	TOTAL
Operating fund:				
Cash funds	$ 1,446,993			$ 1,446,993
Fixed income:				
Bond mutual funds	4,872,007			4,872,007
Public equities:				
U.S. equities	13,404			13,404
Equity mutual funds	3,762,221			3,762,221
Total operating fund	10,094,625			10,094,625
Endowment fund:				
Cash funds	15,787,993			15,787,993
Fixed income:				
U.S. bond funds	3,737,586			3,737,586
U.S. treasury inflation protection securities	666,895			666,895
Equities:				
U.S. equity funds	122	$ 59,795,525		59,795,647
Non-U.S. equity funds		69,093,576		69,093,576
Private equity funds			$ 36,054,681	36,054,681
Real asset funds		17,964,926		17,964,926
Alternative funds:				
Absolute return funds		8,331,118	8,993,550	17,324,668
Arbitrage funds			11,118,660	11,118,660
Long-short funds		17,310,749	13,349,166	30,659,915
Multi-strategy funds		31,896,667	25,182,747	57,079,414
Total endowment fund	20,192,596	204,392,561	94,698,804	319,283,961
Totals	$ 30,287,221	$ 204,392,561	$ 94,698,804	$ 329,378,586

NOTE 4 - INVESTMENTS: (continued)

		FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL III)
Balance at October 31, 2015	$	88,339,171
Purchases and (redemptions), net		3,118,731
Realized gains and (losses), net		3,104,507
Unrealized gains and (losses), net		136,395
Total	$	94,698,804

Realized and unrealized gains and losses on the assets valued under Level III are reported in the endowment fund statement of activities in unrestricted investment return.

NOTE 4 - 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:

	VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE
Endowment fund:				
Cash funds (a)	$ 15,787,993		Daily	
Fixed income: (b)				
U.S. bond funds	3,737,586		Daily	
U.S. treasury inflation protected securities	666,895		Daily	
Public equities: (c)				
U.S. equity funds	59,795,647		Daily, bi-monthly, calendar quarter	15 - 60 days
Non-U.S. equity funds	69,093,576		Daily, monthly, calendar quarter	6 - 60 days
Private equity funds (d)	36,054,681	$ 27,267,993		
Real asset funds (e)	17,964,926		Monthly	1 - 11 days
Marketable alternative funds: (f)				
Absolute return funds	17,324,668		Calendar quarter	60 - 65 days
Arbitrage funds	11,118,660		Calendar quarter, annually	60 - 90 days
Long-short funds	30,659,915		Calendar quarter, annually	30 - 60 days
Multi-strategy funds	57,079,414		Weekly, semi-monthly, calendar quarter, annually	5 - 180 days
Total endowment fund	$ 319,283,961	$ 27,267,993		

(a) Cash and cash equivalents are investments in short-term cash and money market instruments. These are able to be liquidated immediately or within 30 days.

(b) Fixed income includes investments in fixed income securities, including U.S. treasury bonds and treasury inflation-protected securities, and both domestic and international bond funds. Level I and Level II assets are able to be liquidated immediately or within 30 days.

(c) Public equities include investments in publicly traded stocks of domestic and international companies. Level I and Level II assets are able to be liquidated immediately or within 60 days.

NOTE 4 - INVESTMENTS: (continued)

(d) 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 ten to 13 years.

(e) Real assets include investments in real estate and natural resources such as oil and gas, and commodities. Assets in this category are all Level II assets and are able to be liquidated within 30 days.

(f) 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 45 and 180 days notice.

Investment return is made up of the following at October 31, 2016:

Operating fund:	
Interest and dividend income	$ 227,327
Net realized gain	60,480
Net unrealized gain	104,692
Total investment income	$ 392,499
Endowment fund:	
Interest and dividend income	$ 421,498
Net realized gain	6,055,436
Net unrealized gain	560,318
Total investment income	$ 7,037,252

NOTE 5 - LAND, BUILDINGS, AND EQUIPMENT:
At October 31, 2016, land, buildings, and equipment are presented at cost less accumulated depreciation and consist of the following:

Land	$ 669,682
Buildings and improvements	24,340,999
Civil rights memorial	811,738
Furniture and equipment	8,617,202
Total cost	34,439,621
Less: Accumulated depreciation	20,653,053
Net	$ 13,786,568

NOTE 6 - 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.

NOTE 7 - RESTRICTED NET ASSETS:
At October 31, 2016, the restricted net assets consist of the following:

Temporarily restricted net assets:	
Contributions restricted for future periods	$ 1,347,916
Contributions restricted for purpose	1,127,478
Pooled income fund	59,780
Total temporarily restricted net assets	$ 2,535,174
Permanently restricted net assets:	
Contributions restricted for permanent endowment	$ 3,571,899
Total permanently restricted net assets	$ 3,571,899

NOTE 8 - RETIREMENT PLAN:
The Center has a 401(k) Retirement Plan for its employees. For the year ended October 31, 2016, 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 Center's total retirement plan expense for 2016 was $1,312,839.

NOTE 9 - FUNCTIONAL ALLOCATION OF EXPENSES:
The costs of providing the various programs and 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.

NOTE 10 - ENDOWMENT FUND:
The Center has classified its October 31, 2016 net assets as follows:

- *Permanently restricted net assets* are those which contain donor-imposed stipulations that 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.

- *Temporarily restricted net assets* 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 of donor-restricted endowment funds in excess of their historic dollar value are classified as temporarily restricted net assets until appropriated by the Center and spent in accordance with the standard of prudence imposed by UPMIFA.

- *Unrestricted net assets* 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 unrestricted funds 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.

Endowment net asset composition by type of fund as of October 31, 2016:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Donor-restricted endowment funds			$ 3,571,899	$ 3,571,899
Board designated endowment funds	$ 315,712,062			315,712,062
Totals	$ 315,712,062	$ -	$ 3,571,899	$ 319,283,961

NOTE 10 - ENDOWMENT: (continued)

Change in endowment net assets for the year ended October 31, 2016:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, beginning of year	$ 299,240,721		$ 3,571,899	$ 302,812,620
Investment return:				
Investment income, net	5,796,307	$ 83,225		5,879,532
Net unrealized gain	560,318			560,318
Total investment return	6,356,625	83,225		6,439,850
Appropriated for expenditure	83,225	(83,225)		
Transfer to increase board-designated endowment fund	10,031,491			10,031,491
Total change in endowment funds	16,471,341			16,471,341
Endowment net assets, end of year	$ 315,712,062	$ -	$ 3,571,899	$ 319,283,961

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

NOTE 10 - ENDOWMENT: (continued)

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.

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. In November 2016, the Board of Directors approved spending from the unrestricted endowment fund of $4 million in the next fiscal year.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amounts of cash and cash equivalents and receivables approximate fair value because of the short maturity of these financial instruments. The fair value of investments is based on the quoted market values for marketable securities and estimated fair value for other investments.

The carrying amount of long-term debt approximates fair value because that financial instrument bears interest at variable rates that approximate current market rates for debt with similar maturities and credit quality. The carrying amount of liabilities under split-interest agreements is based on actuarial valuation and approximates fair value.

Fair values of financial instruments at October 31, 2016 are as follows:

	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL I)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL II)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL III)	TOTAL
Cash and cash equivalents	$ 3,462,475			$ 3,462,475
Receivables		$ 3,453,780		3,453,780
Investments	30,287,221	204,392,561	$ 94,698,804	329,378,586
Pooled income fund and gift annuity liability		6,352,819		6,352,819
Long-term debt		15,000,000		15,000,000

NOTE 12 - SUBSEQUENT EVENTS:

The Center has evaluated subsequent events through December 8, 2016, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of October 31, 2016, have been incorporated into these financial statements.