Certified Public Accountants
& Consultants

JACKSON THORNTON

Southern Poverty Law Center, Inc.
and SPLC Action Fund
October 31, 2020

Consolidated Financial Statements

Southern Poverty Law Center, Inc.

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JACKSON THORNTON

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, 2020, 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, 2020, 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.

Jackson Thornton & Co. PC

Montgomery, Alabama
December 11, 2020

Southern Poverty Law Center, Inc.
Consolidated Statement of Financial Position
October 31, 2020

Operating and Action Funds

Assets	
Cash and cash equivalents	$ 12,344,712
Contributions receivable	4,810,007
Other receivables	1,248,685
Inventories	271,377
Prepaid expenses	2,103,848
Investments of gift annuity program	11,368,630
Other investments	463,209
Land, buildings, and equipment, net	14,305,812
Total operating and action funds assets	$ 46,916,280
Liabilities and Net Assets	
Accounts payable and accrued liabilities	$ 3,668,155
Gift annuity	7,924,159
Long-term debt	15,000,000
Total operating and action funds liabilities	26,592,314
Net assets without donor restrictions - operating and action funds	17,483,463
Net assets with donor restrictions - operating fund	2,840,503
Total operating and action funds net assets	20,323,966
Total operating and action funds liabilities and net assets	$ 46,916,280

Continued on next page.

Southern Poverty Law Center, Inc.
Consolidated Statement of Financial Position
October 31, 2020

Endowment Fund

Assets	
Investments	$ 569,881,819
Net Assets	
Net assets without donor restrictions - endowment fund	$ 566,309,920
Net assets with donor restrictions - endowment fund	3,571,899
Total endowment fund net assets	$ 569,881,819

Continued on next page.

Southern Poverty Law Center, Inc.
Consolidated Statement of Financial Position
October 31, 2020

	Totals
Assets	
Total operating and action funds (including land, buildings, and equipment)	$ 46,916,280
Total endowment fund	569,881,819
Total assets	$ 616,798,099
Liabilities and Net Assets	
Total operating and action funds liabilities	$ 26,592,314
Total liabilities	26,592,314
Net assets without donor restrictions	
Operating and action funds	17,483,463
Endowment fund	566,309,920
Total net assets without donor restrictions	583,793,383
Net assets with donor restrictions	
Operating fund	2,840,503
Endowment fund	3,571,899
Total net assets with donor restrictions	6,412,402
Total net assets	590,205,785
Total liabilities and net assets	$ 616,798,099

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, 2020

Operating and Action Funds

Changes in Net Assets Without Donor Restrictions from Operating and Action Funds	
Operating and action fund support and revenue	
Public support	
Contributions	$ 106,658,837
Grants	3,119,679
Total public support	109,778,516
Revenue	
Investment income (excluding endowment), net	846,161
Other	384,133
Total revenue	1,230,294
Total operating and action funds support and revenue	111,008,810
Net assets released from restrictions	2,796,806
Total public support, revenue, and net assets released from restrictions	113,805,616
Operating and action funds expenses	
Program services	
Legal services	33,595,783
Public education	40,134,933
Total program services	73,730,716
Supporting services	
Management and general	13,054,135
Development	10,835,813
Total supporting services	23,889,948
Total operating and action funds expenses	97,620,664
Changes in net assets without donor restrictions from operating and action fund	16,184,952
Changes in Net Assets With Donor Restrictions Operating and Action Funds	
Operating and action funds support and revenue	
Contributions and grants	452,500
Net assets released from restrictions	(2,796,806)
Changes in net assets with donor restrictions from operating and action funds	(2,344,306)
Changes in Net Assets from Operating and Action Funds	13,840,646
Transfer to Endowment Fund	(21,605,315)
Transfer from Endowment Fund - Impact Initiatives	13,310,450
Net Assets at Beginning of Year	14,778,185
Net Assets at End of Year	$ 20,323,966

Continued on next page.

Southern Poverty Law Center, Inc.
Consolidated Statement of Activities
For the Year Ended October 31, 2020

Endowment Fund

Changes in Net Assets Without Donor Restrictions from Endowment Fund	
Endowment fund revenue	
Investment income, net	$ 31,785,122
Total endowment fund revenue	31,785,122
Changes in net assets without donor restrictions from endowment fund	31,785,122
Changes in Net Assets from Endowment Fund	31,785,122
Transfer from Operating Fund	21,605,315
Transfer to Operating Fund - Impact Initiatives	(13,310,450)
Net Assets at Beginning of Year	529,801,832
Net Assets at End of Year	$ 569,881,819

Continued on next page.

Southern Poverty Law Center, Inc.
Consolidated Statement of Activities
For the Year Ended October 31, 2020

	Totals
Changes in Net Assets Without Donor Restrictions	
Changes in net assets without donor restrictions from operating and action funds	$ 16,184,952
Changes in net assets without donor restrictions from endowment fund	31,785,122
Changes in net assets without donor restrictions	47,970,074
Changes in Net Assets With Donor Restrictions	
Changes in net assets with donor restrictions from operating and action funds	(2,344,306)
Total Changes in Net Assets	45,625,768
Net Assets at Beginning of Year	544,580,017
Net Assets at End of Year	$ 590,205,785

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, 2020
Increase (Decrease) in Cash and Cash Equivalents

	Operating and Action Funds	Endowment Fund	Totals
Operating Activities			
Cash received for public support	$ 111,647,473		$ 111,647,473
Cash received for services and materials	261,937		261,937
Cash received from other sources	72,635		72,635
Cash payments for operating expenses	(58,769,189)	$ (994,953)	(59,764,142)
Cash payments for employee salaries and benefits	(37,262,043)		(37,262,043)
Interest and dividend income	514,021	1,515,489	2,029,510
Net cash from operating activities	16,464,834	520,536	16,985,370
Investing Activities			
Purchase of investments	(1,736,811)	(235,090,560)	(236,827,371)
Proceeds from sale of investments	1,735,188	226,275,159	228,010,347
Purchase of property and equipment	(1,825,021)		(1,825,021)
Net cash used for investing activities	(1,826,644)	(8,815,401)	(10,642,045)
Financing Activities			
Operation transfers in (out)	(8,294,865)	8,294,865	
Payments made to gift annuitants	(891,662)		(891,662)
Cash received for new gift annuities	1,501,676		1,501,676
Net cash (used for) from financing activities	(7,684,851)	8,294,865	610,014
Net Increase in Cash and Cash Equivalents	6,953,339		6,953,339
Cash and Cash Equivalents at Beginning of Year	5,391,373		5,391,373
Cash and Cash Equivalents at End of Year	$ 12,344,712	$ -	$ 12,344,712

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, 2020

	Program Services			Supporting Services			
	Legal Services	**Public Education**	**Total**	**Management and General**	**Development**	**Total**	**Total Expenses**
Operating and Action Funds							
Salaries and related expenses	$ 18,989,642	$ 9,877,670	$ 28,867,312	$ 4,193,086	$ 4,132,727	$ 8,325,813	$ 37,193,125
Contract labor	108,595	147,856	256,451	27,483	41,893	69,376	325,827
Legal case expense	3,958,271		3,958,271				3,958,271
Impact initiatives		13,221,519	13,221,519				13,221,519
Professional services and fees	2,641,691	1,366,186	4,007,877	4,581,216	317,876	4,899,092	8,906,969
Office equipment and supplies	773,218	767,577	1,540,795	345,617	311,799	657,416	2,198,211
Rent	1,418,229	263,622	1,681,851	114,240	31,512	145,752	1,827,603
Utilities, telephone, and maintenance	603,939	475,938	1,079,877	145,343	178,417	323,760	1,403,637
Library expense	217,963	70,548	288,511	6,234	35,961	42,195	330,706
Insurance	122,857	485,592	608,449	415,119	96,146	511,265	1,119,714
Investigation and support	144,060	376,740	520,800				520,800
Staff development and training	551,970	343,884	895,854	158,518	75,279	233,797	1,129,651
Travel and related expense	91,622	68,841	160,463	42,045	20,489	62,534	222,997
Postage	683,371	1,286,564	1,969,935	1,271,334	1,827,873	3,099,207	5,069,142
Printing	420,434	820,846	1,241,280	650,677	960,835	1,611,512	2,852,792
Lettershop expense	332,933	645,115	978,048	511,115	1,129,987	1,641,102	2,619,150
Other development costs	201,387	455,371	656,758	299,020	1,186,988	1,486,008	2,142,766
Educational publications	292,833	1,743,373	2,036,206		256,169	256,169	2,292,375
Other educational projects	1,518,958	6,892,065	8,411,023				8,411,023
Interest expense				124,173		124,173	124,173
Depreciation expense	523,810	825,626	1,349,436	168,915	231,862	400,777	1,750,213
Total operating and action funds expenses	$ 33,595,783	$ 40,134,933	$ 73,730,716	$ 13,054,135	$ 10,835,813	$ 23,889,948	$ 97,620,664

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

Southern Poverty Law Center, Inc.
Notes to Consolidated Financial Statements
October 31, 2020

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 it 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.

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.

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.

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. 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 with 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.

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.

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, 2020.

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 $10,400,111 for educational materials and activities as part of fundraising appeals during the year ended October 31, 2020. Of those costs, $2,822,426 was allocated to management and general expense, $2,583,927 was allocated to development expense, and $4,993,758 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	$ 12,344,712
Contributions receivable	3,539,298
Other receivables	728,141
Other investments	463,209
	$ 17,075,360

The Center's endowment funds 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 $566,309,920 is subject to an annual spending rate as described in Note 11. Although the Center does not intend to spend from this Board designated endowment (other than amounts appropriated for expenditure as part of the Board's annual budget approval and appropriation) these amounts could be made available, if necessary.

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

Note 4 - Contributions Receivable
Contributions receivable are summarized as follows at October 31, 2020:

Unconditional promises expected to be collected in	
Less than one year	$ 1,569,796
One year to five years	1,114,560
More than five years	918,560
Less discounts to net present value	(762,412)
Total unconditional promises to give	2,840,504
Bequests receivable	1,969,503
Net contributions receivable	$ 4,810,007

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.

Southern Poverty Law Center, Inc.
Notes to Consolidated Financial Statements
October 31, 2020

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, 2020:

Operating Fund	
Cash funds	$ 773,184
Fixed income	
Bond mutual funds	6,737,073
Public equities	
U.S. equities	13,153
Equity mutual funds	4,308,429
Total operating fund	11,831,839
Endowment Fund	
Cash funds	55,882,213
Fixed income	
U.S. bond funds	41,423,740
Investments measured at net asset value	472,575,866
	569,881,819
Totals	$ 581,713,658

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
Public equities (a)				
U.S. equity funds	$ 110,987,172		Daily, monthly, calendar quarter	15 - 60 days
Non-U.S. equity funds	161,830,642		Daily, monthly, calendar quarter, semi-annually	1 - 65 days
Private equity funds (b)	88,836,676	$ 87,380,378		
Marketable alternative funds (c)				
Absolute return funds	18,838,238		Calendar quarter	65 - 67 days
Arbitrage funds	22,712,803		Annually	60 - 90 days
Long-short funds	6,993,769		Quarterly, annually	60 days
Multi-strategy funds	62,376,566		Weekly, monthly, semi-monthly, calendar quarter, semi-annually, annually	5 - 180 days
Total endowment fund	$ 472,575,866	$ 87,380,378		

(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 5 and 180 days' notice.

Investment return is made up of the following at October 31, 2020:

Operating Fund		
Interest and dividend income	$	514,021
Net realized gain		318,401
Net unrealized gain		13,739
Total investment income	$	846,161
Endowment Fund		
Interest and dividend income	$	1,515,489
Net realized gain		22,128,307
Net unrealized gain		9,136,279
Investment fees		(994,953)
Total investment income	$	31,785,122

Note 6 - Land, Buildings, and Equipment

At October 31, 2020, land, buildings, and equipment are presented at cost less accumulated depreciation and consist of the following:

Land	$	669,682
Buildings and improvements		23,819,723
Civil rights memorial		2,070,180
Furniture and equipment		10,251,065
Total cost		36,810,650
Less accumulated depreciation		22,504,838
Net	$	14,305,812

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.

Note 8 - Net Assets
At October 31, 2020, the net assets with donor restrictions consist of the following:

Subject to expenditure for specified purpose	$ 1,089,390
Subject to the passage of time	1,751,113
Endowments restricted by donors in perpetuity	3,571,899
Total net assets with donor restrictions	$ 6,412,402

Note 9 - Retirement Plan
The Organization has a 401(k) Retirement Plan for its employees. For the year ended October 31, 2020, 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 2020 was $2,293,404.

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.

Note 11 - Endowment Fund (continued)

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.

Change in endowment net assets for the year ended October 31, 2020:

	Without Donor Restrictions (Board Designated)	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 526,229,933	$ 3,571,899	$ 529,801,832
Investment return	31,571,522	213,600	31,785,122
Appropriated for expenditure	213,600	(213,600)	
Transfer to increase board-designated endowment fund	21,605,315		21,605,315
Transfer to Operating Fund - Impact Initiative	(13,310,450)		(13,310,450)
Total change in endowment funds	40,079,987		40,079,987
Endowment net assets, end of year	$ 566,309,920	$ 3,571,899	$ 569,881,819

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.

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 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.

The Board of Directors has designated, from net assets without donor restrictions, net assets to fund the Vote Your Voice initiative. 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, 2020 was $13,221,519.

Note 13 - Coronavirus Impact

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of the geographical area in which the Center operates. The Center closed all offices on March 17, 2020 and all staff were equipped to perform their work remotely. The staff continues to advance mission related programs and opportunities. The Center is committed to ensuring that the safety of staff remains a top priority and will continue to work remotely until it is safe to return to the office.

Note 14 - Subsequent Events

The Center has evaluated subsequent events through December 11, 2020, which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition as of October 31, 2020, have been incorporated into these consolidated financial statements.

Note 15 - Effect of New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which amended existing guidance that requires lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date (1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, *Revenue from Contracts with Customers*. This ASU will be effective for fiscal years beginning after December 15, 2021. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The Center is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.