

Certified Public Accountants
& Consultants



**Southern Poverty Law Center, Inc.
and SPLC Action Fund
October 31, 2022**
Consolidated Financial Statements

Southern Poverty Law Center, Inc.

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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, 2022, 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.

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, 2022, 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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

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

Jackson Thornton & Co. PC

Montgomery, Alabama
December 16, 2022

Southern Poverty Law Center, Inc.
Consolidated Statement of Financial Position
October 31, 2022

Operating and Action Funds

Assets

Cash and cash equivalents	\$ 25,518,130
Contributions receivable	2,959,586
Other receivables	1,441,137
Inventories	84,361
Prepaid expenses	3,655,455
Investments	
Building fund reserve	20,594,803
Gift annuity	9,733,085
Other	253,084
Right of use leased asset	7,573,080
Land, buildings, and equipment, net	15,811,627
Total operating and action funds assets	<u><u>\$ 87,624,348</u></u>

Liabilities and Net Assets

Accounts payable and accrued liabilities	\$ 6,771,959
Gift annuity	7,382,099
Lease obligation	7,573,080
Long-term debt	15,000,000
Total operating and action funds liabilities	<u><u>36,727,138</u></u>

Net assets without donor restrictions

Operating and action funds	28,256,365
Board restricted building fund reserve - operating fund	20,342,765
Total net assets without donor restrictions - operating and action funds	<u>48,599,130</u>
Net assets with donor restrictions - operating fund	<u>2,298,080</u>
Total operating and action funds net assets	<u>50,897,210</u>
Total operating and action funds liabilities and net assets	<u><u>\$ 87,624,348</u></u>

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Southern Poverty Law Center, Inc.
Consolidated Statement of Financial Position
October 31, 2022

Endowment Fund

Assets

Investments	<u>\$ 639,379,446</u>
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Net Assets

Net assets without donor restrictions - endowment fund	\$ 635,236,790
Net assets with donor restrictions - endowment fund	<u>4,142,656</u>
Total endowment fund net assets	<u>\$ 639,379,446</u>

Continued on the next page.

Southern Poverty Law Center, Inc.
Consolidated Statement of Financial Position
October 31, 2022

Totals

Assets

Total operating and action funds (including land, buildings, and equipment)	\$ 87,624,348
Total endowment fund	<u>639,379,446</u>
Total assets	<u><u>\$ 727,003,794</u></u>

Liabilities and Net Assets

Total operating and action funds liabilities	<u>\$ 36,727,138</u>
Total liabilities	<u>36,727,138</u>

Net assets without donor restrictions

Operating and action funds	48,599,130
Endowment fund	<u>635,236,790</u>
Total net assets without donor restrictions	<u>683,835,920</u>

Net assets with donor restrictions

Operating fund	2,298,080
Endowment fund	<u>4,142,656</u>
Total net assets with donor restrictions	<u>6,440,736</u>
Total net assets	<u>690,276,656</u>
Total liabilities and net assets	<u><u>\$ 727,003,794</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, 2022**

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	\$ 102,087,410
Grants	6,697,140
Total public support	108,784,550
Revenue	
Investment loss (excluding endowment), net	(1,965,146)
Other	478,742
Total revenue	(1,486,404)
Total operating and action funds support and revenue	107,298,146
Net assets released from restrictions	1,029,686
Total public support, revenue, and net assets released from restrictions	108,327,832
Operating and action funds expenses	
Program services	
Legal services	35,739,004
Public education	43,549,946
Total program services	79,288,950
Supporting services	
Management and general	15,116,986
Development	16,341,281
Total supporting services	31,458,267
Total operating and action funds expenses	110,747,217
Changes in net assets without donor restrictions from operating and action funds	(2,419,385)

Changes in Net Assets With Donor Restrictions Operating and Action Funds

Operating and action funds support and revenue	
Contributions and grants	1,560,000
Net assets released from restrictions	(1,029,686)
Changes in net assets with donor restrictions from operating and action funds	530,314

Changes in Net Assets from Operating and Action Funds (1,889,071)

Transfer to Endowment Fund (324,582)
Transfer from Endowment Fund - Building Reserve 530,204
Transfer from Endowment Fund - Impact Initiatives 11,977,668

Net Assets at Beginning of Year 40,602,991
Net Assets at End of Year \$ 50,897,210

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**Southern Poverty Law Center, Inc.
Consolidated Statement of Activities
For the Year Ended October 31, 2022**

Endowment Fund

Changes in Net Assets Without Donor Restrictions from Endowment Fund

Endowment fund revenue	
Investment loss, net	\$ (80,386,845)
Total endowment fund revenue	<u>(80,386,845)</u>
Changes in net assets without donor restrictions from endowment fund	<u>(80,386,845)</u>
Changes in Net Assets from Endowment Fund	(80,386,845)
Transfer from Operating Fund	324,582
Transfer to Operating Fund - Building Reserve	(530,204)
Transfer to Operating Fund - Impact Initiatives	(11,977,668)
Net Assets at Beginning of Year	<u>731,949,581</u>
Net Assets at End of Year	<u>\$ 639,379,446</u>

Continued on the next page.

**Southern Poverty Law Center, Inc.
Consolidated Statement of Activities
For the Year Ended October 31, 2022**

Totals

Changes in Net Assets Without Donor Restrictions

Changes in net assets without donor restrictions from operating and action funds	\$ (2,419,385)
Changes in net assets without donor restrictions from endowment fund	<u>(80,386,845)</u>
Changes in net assets without donor restrictions	(82,806,230)

Changes in Net Assets With Donor Restrictions

Changes in net assets with donor restrictions from operating and action funds	<u>530,314</u>
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Total Changes in Net Assets (82,275,916)

Net Assets at Beginning of Year 772,552,572

Net Assets at End of Year \$ 690,276,656

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, 2022
Increase (Decrease) in Cash and Cash Equivalents

	<u>Operating and Action Funds</u>	<u>Endowment Fund</u>	<u>Totals</u>
Operating Activities			
Cash received for public support	\$ 110,256,929		\$ 110,256,929
Cash received for services and materials	236,040		236,040
Cash received from other sources	75,316		75,316
Cash payments for operating expenses	(63,781,203)	\$ (1,309,704)	(65,090,907)
Cash payments for employee salaries and benefits	(43,930,823)		(43,930,823)
Interest and dividend income	369,536	2,089,127	2,458,663
Net cash from operating activities	<u>3,225,795</u>	<u>779,423</u>	<u>4,005,218</u>
Investing Activities			
Purchase of investments	(6,269,706)	(334,479,140)	(340,748,846)
Proceeds from sale of investments	6,662,106	345,883,007	352,545,113
Purchase of property and equipment	<u>(2,097,015)</u>		<u>(2,097,015)</u>
Net cash (used for) from investing activities	<u>(1,704,615)</u>	<u>11,403,867</u>	<u>9,699,252</u>
Financing Activities			
Operation transfers in (out)	12,183,290	(12,183,290)	
Payments made to gift annuitants	(866,208)		(866,208)
Cash received for new gift annuities	816,915		816,915
Net cash from (used for) financing activities	<u>12,133,997</u>	<u>(12,183,290)</u>	<u>(49,293)</u>
Net Increase in Cash and Cash Equivalents	13,655,177		13,655,177
Cash and Cash Equivalents at Beginning of Year	11,862,953		11,862,953
Cash and Cash Equivalents at End of Year	<u>\$ 25,518,130</u>	<u>\$ -</u>	<u>\$ 25,518,130</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, 2022

	Program Services			Supporting Services			Total Expenses
	Legal Services	Public Education	Total	Management and General	Development	Total	
Operating and Action Funds							
Salaries and related expenses	\$ 21,074,754	\$ 13,008,595	\$ 34,083,349	\$ 5,798,927	\$ 4,914,774	\$ 10,713,701	\$ 44,797,050
Contract labor	97,055	192,009	289,064	39,598	47,636	87,234	376,298
Legal case expense	2,790,444		2,790,444				2,790,444
Impact initiatives		12,149,725	12,149,725				12,149,725
Professional services and fees	2,998,599	1,243,678	4,242,277	3,102,991	495,648	3,598,639	7,840,916
Office equipment and supplies	1,048,946	1,106,185	2,155,131	682,143	413,314	1,095,457	3,250,588
Rent	1,213,081	291,109	1,504,190	180,580	84,684	265,264	1,769,454
Utilities, telephone, and maintenance	495,027	626,149	1,121,176	183,330	200,232	383,562	1,504,738
Library expense	280,371	96,031	376,402	14,217	55,173	69,390	445,792
Insurance	146,426	509,725	656,151	479,804	125,986	605,790	1,261,941
Investigation and support	124,780	337,367	462,147				462,147
Staff development and training	631,557	477,531	1,109,088	258,956	138,382	397,338	1,506,426
Travel and related expense	106,125	105,978	212,103	45,425	25,170	70,595	282,698
Postage	955,692	1,846,217	2,801,909	1,698,303	2,188,349	3,886,652	6,688,561
Printing	483,918	972,685	1,456,603	845,729	1,406,101	2,251,830	3,708,433
Lettershop expense	670,872	1,277,585	1,948,457	970,159	1,570,738	2,540,897	4,489,354
Other development costs	443,746	804,713	1,248,459	512,235	3,882,623	4,394,858	5,643,317
Educational publications	303,231	1,807,236	2,110,467		583,457		2,693,924
Other educational projects	1,385,264	5,697,811	7,083,075				7,083,075
Interest expense				124,853		124,853	124,853
Depreciation expense	489,116	999,617	1,488,733	179,736	209,014	388,750	1,877,483
Total operating and action funds expenses	\$ 35,739,004	\$ 43,549,946	\$ 79,288,950	\$ 15,116,986	\$ 16,341,281	\$ 31,458,267	\$ 110,747,217

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

Southern Poverty Law Center, Inc.
Notes to Consolidated Financial Statements
October 31, 2022

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. The Action Fund controls two political action committees through a majority voting interest in its governing boards. The political action committees are not consolidated due to a lack of economic interest.

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, 2022

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, 2022

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 - 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.

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, 2022.

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 \$14,724,205 for educational materials and activities as part of fundraising appeals during the year ended October 31, 2022. Of those costs, \$3,988,836 was allocated to management and general expense, \$3,613,729 was allocated to development expense, and \$7,121,640 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.

Southern Poverty Law Center, Inc.
Notes to Consolidated Financial Statements
October 31, 2022

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	\$ 25,518,130
Contributions receivable	2,172,400
Other receivables	920,593
Other investments	253,084
	<u>\$ 28,864,207</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 \$635,236,790 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, 2022, the Board of Directors restricted \$20,594,803 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.

Note 4 - Contributions Receivable

Contributions receivable are summarized as follows at October 31, 2022:

Unconditional Promises Expected to be Collected in

Less than one year	\$ 1,510,894
One year to five years	521,606
More than five years	868,560
Less discounts to net present value	<u>(602,980)</u>
Total unconditional promises to give	2,298,080

Bequests Receivable

Net contributions receivable	<u>\$ 661,506</u>
	<u>\$ 2,959,586</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.

Southern Poverty Law Center, Inc.
Notes to Consolidated Financial Statements
October 31, 2022

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, 2022:

Operating Fund

Cash funds	\$ 1,683,324
Fixed income	
Bond mutual funds	19,451,083
U.S. treasury bill	
Public equities	
U.S. equities	5,536,799
Equity mutual funds	3,909,766
Total operating fund	<u>30,580,972</u>

Endowment Fund

Cash funds	8,159,482
Fixed income	
U.S. bond funds	23,026,714
U.S. treasury inflation protection securities	9,558,993
Investments measured at net asset value	<u>598,634,257</u>
Total endowment fund	<u>639,379,446</u>
Totals	<u><u>\$ 669,960,418</u></u>

Southern Poverty Law Center, Inc.
Notes to Consolidated Financial Statements
October 31, 2022

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	\$ 133,911,970		Daily, monthly, calendar quarter	1 - 90 days
Non-U.S. equity funds	138,680,025		Daily, monthly, calendar quarter, semi-annually	1 - 60 days
Private equity funds (b)	223,517,507	\$ 165,838,475		
Marketable alternative funds (c)				
Absolute return funds	11,067,794		Calendar quarter	65 days
Arbitrage funds	24,834,751		Annually	60 - 90 days
Multi-strategy funds	66,622,210		Weekly, monthly, semi-monthly, calendar quarter, semi-annually, annually	14 - 180 days
Total endowment fund	<u>\$ 598,634,257</u>	<u>\$ 165,838,475</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.

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Investment return is made up of the following at October 31, 2022:

Operating Fund

Interest and dividend income	\$ 369,536
Net realized gain	361,424
Net unrealized loss	<u>(2,696,106)</u>
Total investment loss	<u>\$ (1,965,146)</u>

Endowment Fund

Interest and dividend income	\$ 2,089,127
Net realized gain	28,216,211
Net unrealized loss	(109,382,479)
Investment fees	<u>(1,309,704)</u>
Total investment loss	<u>\$ (80,386,845)</u>

Note 6 - Land, Buildings, and Equipment

At October 31, 2022, land, buildings, and equipment are presented at cost less accumulated depreciation and consist of the following:

Land	\$ 669,682
Buildings and improvements	28,788,966
Civil rights memorial	1,231,646
Furniture and equipment	<u>10,325,982</u>
Total cost	41,016,276
Less accumulated depreciation	<u>25,204,649</u>
Net	<u>\$ 15,811,627</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.

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Note 8 - Net Assets

At October 31, 2022, the net assets with donor restrictions consist of the following:

Subject to expenditure for specified purpose	\$ 1,588,438
Subject to the passage of time	709,642
Endowments restricted by donors in perpetuity	<u>4,142,656</u>
Total net assets with donor restrictions	<u>\$ 6,440,736</u>

As of October 31, 2022, 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, 2022, 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 2022 was \$2,989,467.

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.

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Note 11 - Endowment Fund (continued)

Change in endowment net assets for the year ended October 31, 2022:

	Without Donor Restrictions (Board-designated)	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 728,127,682	\$ 3,821,899	\$ 731,949,581
Investment return, net	(79,956,759)	(430,086)	(80,386,845)
Contributions	3,825	320,757	324,582
Appropriated for expenditure	(430,086)	430,086	
Transfer to Operating Fund - Building Reserve	(530,204)		(530,204)
Transfer to Operating Fund - Impact Initiative	(11,977,668)		(11,977,668)
Total change in endowment funds	<u>(92,890,892)</u>	<u>320,757</u>	<u>(92,570,135)</u>
Endowment net assets, end of year	<u>\$ 635,236,790</u>	<u>\$ 4,142,656</u>	<u>\$ 639,379,446</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.

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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, in 2021, 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, 2022 was \$12,149,725 (total for three years \$34,980,453). The total Redistricting expense for the year ended October 31, 2022 was \$0 (total for two years \$10,000,000).

Note 13 - Subsequent Events

The Center has evaluated subsequent events through December 16, 2022, which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition as of October 31, 2022, have been incorporated into these consolidated financial statements.