

Alabama Law Foundation, Inc.

MARCH 31, 2017

FINANCIAL STATEMENTS

ALABAMA LAW FOUNDATION, INC.
MONTGOMERY, ALABAMA

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INDEPENDENT AUDITOR'S REPORT

The Finance Committee
Alabama Law Foundation, Inc.
Montgomery, Alabama

Report on the Financial Statements

We have audited the accompanying statements of financial position of Alabama Law Foundation, Inc. (the Foundation) as of March 31, 2017, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the 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 of 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 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 Alabama Law Foundation, Inc. as of March 31, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Alabama Law Foundation, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Jackson Thornton & Co. PC

Montgomery, Alabama
June 28, 2017

ALABAMA LAW FOUNDATION, INC.
MONTGOMERY, ALABAMA

STATEMENTS OF FINANCIAL POSITION
AT MARCH 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
ASSETS:		
Cash and cash equivalents	\$ 185,448	\$ 397,810
Investments	8,267,049	4,470,099
IOLTA revenue receivable	48,501	47,626
Contributions receivable	151,377	146,718
Other receivables	39,592	33,060
Property and equipment, net	<u>11,065</u>	<u>17,300</u>
Total assets	<u><u>\$ 8,703,032</u></u>	<u><u>\$ 5,112,613</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable and accrued expenses	\$ 69,359	\$ 36,087
Deferred revenue	4,020	3,500
Grants payable	<u>636,992</u>	<u>476,591</u>
Total liabilities	<u><u>710,371</u></u>	<u><u>516,178</u></u>
NET ASSETS:		
Unrestricted	3,072,968	2,678,657
Temporarily restricted	3,943,007	949,006
Permanently restricted	<u>976,686</u>	<u>968,772</u>
Total net assets	<u><u>7,992,661</u></u>	<u><u>4,596,435</u></u>
Total liabilities and net assets	<u><u>\$ 8,703,032</u></u>	<u><u>\$ 5,112,613</u></u>

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

ALABAMA LAW FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017				2016
	TEMPORARILY		PERMANENTLY		
	UNRESTRICTED	RESTRICTED	RESTRICTED	TOTAL	TOTAL
REVENUES, GAINS, LOSSES, AND RECLASSIFICATIONS:					
IOLTA revenue (net of bank charges)	\$ 578,343			\$ 578,343	\$ 452,124
Contributions	141,320	\$ 3,448,730	\$ 7,914	3,597,964	662,698
In-kind contribution	9,000			9,000	18,000
Investment return	379,917	151,718		531,635	(120,753)
Other revenue	31,635			31,635	34,896
Bad debt loss					(2,300)
Net assets released from restrictions:					
Satisfaction of program restrictions	606,447	(606,447)			
Total revenues, gains, losses, and reclassifications	1,746,662	2,994,001	7,914	4,748,577	1,044,665
EXPENSES:					
Program services:					
Grants program	848,525			848,525	709,734
Scholarship program	57,528			57,528	53,503
Access to justice program	76,586			76,586	96,064
Supporting services:					
Fundraising	89,401			89,401	99,463
General and administrative	280,311			280,311	263,693
Total expenses	1,352,351			1,352,351	1,222,457
CHANGES IN NET ASSETS	394,311	2,994,001	7,914	3,396,226	(177,792)
NET ASSETS AT BEGINNING OF YEAR	2,678,657	949,006	968,772	4,596,435	4,774,227
NET ASSETS AT END OF YEAR	\$ 3,072,968	\$ 3,943,007	\$ 976,686	\$7,992,661	\$4,596,435

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

ALABAMA LAW FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016
Increase (Decrease) in Cash and Cash Equivalents

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Change in net assets	\$ 3,396,226	\$ (177,792)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,066	26,667
Realized and unrealized (gain) loss on investments	(387,908)	235,552
Bad debt loss		2,300
Contributions restricted for permanent investment	(7,914)	(25,263)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
IOLTA revenue receivable	(875)	(6,796)
Contributions receivable	(4,659)	2,458
Other receivables	(6,532)	(2,765)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	33,272	3,022
Deferred revenue	520	(2,555)
Grants payable	160,401	216,740
	<u>160,401</u>	<u>216,740</u>
Net cash provided from operating activities	<u>3,199,597</u>	<u>271,568</u>
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:		
Purchases of equipment	(10,831)	(6,151)
Proceeds from sale and maturity of investments		3,966,871
Net redemptions of certificates of deposit		199,944
Purchases of investments	<u>(3,409,042)</u>	<u>(4,474,512)</u>
Net cash used for investing activities	<u>(3,419,873)</u>	<u>(313,848)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for permanent investment	<u>7,914</u>	<u>25,263</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(212,362)	(17,017)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>397,810</u>	<u>414,827</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 185,448</u>	<u>\$ 397,810</u>

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

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities - Alabama Law Foundation, Inc. (the Foundation) was formed to promote law related public service projects and to provide for the delivery of legal services to the poor. The Foundation makes grants to organizations qualified to meet these objectives.

The Foundation receives revenue from interest on Lawyer Trust Accounts (IOLTA) made available by participating attorneys through financial institution remittances of interest earned on the participants' client escrow accounts.

The Foundation also receives other contributions from various sources to support its programs, such as scholarships.

Basis of accounting - The financial statements of Alabama Law Foundation, Inc. have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of presentation - The Foundation's net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Summarized financial information for the year ended March 31, 2016 - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended March 31, 2016, from which the summarized information was derived.

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.

Cash and cash equivalents - For cash flows statement purposes, the Foundation considers all short term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturities that they present insignificant risk of changes in value because of changes in interest rates, to be cash equivalents. Cash accounts held as a portion of the Foundation's investment portfolio are classified as investments and are not considered to be cash equivalents for the purpose of the statement of cash flows.

Investments - Investments are carried at fair value. The net realized and unrealized gains and losses on investments are reflected as investment return on the statement of activities and changes in net assets.

Fair value measurements - The Foundation follows the Fair Value Measurements Topic of the FASB Accounting Standards Codification. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification as assumptions market participants would use in pricing an asset or liability. The Foundation has no assets that would be categorized as Level 2 or 3 in the fair value hierarchy.

Property and equipment - Property and equipment additions with a cost of \$1,000 or greater and a useful life exceeding one year are capitalized and carried at cost less accumulated depreciation. Depreciation of furniture and equipment has been calculated using an accelerated method. Leasehold improvements and website development costs are amortized using a straight line method. The estimated useful lives used to compute depreciation are as follows:

Furniture and equipment	3 - 7 years
Leasehold improvements	20 years
Website development	3 years

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Leases that transfer substantially all of the risks and benefits of ownership are capital leases. Other leases are operating leases. Assets acquired under capital leases are included in property and equipment, and the amortization of the capital lease assets is included in depreciation expense.

IOLTA revenue - IOLTA revenue is recorded on the accrual basis as an increase in unrestricted net assets in the period that the interest is earned on the IOLTA accounts.

Contributions - In general, contributions, which include unconditional promises to give, are recognized as revenues in the period received. Contributions with donor imposed restrictions are reported as restricted support and added to temporarily or permanently restricted net assets, as appropriate. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift.

Unconditional promises to give are reported at net realizable value if, at the time the promise is made, payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially. Unconditional promises to give are measured using present value techniques and historical discount rates in periods subsequent to their receipt. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Grants - Grants to other organizations are recorded as an expense when the Foundation's Board of Trustees approves the grants.

Subsequent events - The Foundation has evaluated events through June 28, 2017, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of March 31, 2017, have been incorporated into these financial statements.

NOTE 2 - CASH:

The Foundation maintains cash accounts primarily in bank deposit accounts, which at times may exceed federally insured limits. The Foundation maintains cash and cash equivalents that are insured by FDIC up to \$250,000. At March 31, 2017, the Foundation had no uninsured cash equivalents. At March 31, 2016, the Foundation had approximately \$321,000 of uninsured cash equivalents. The Foundation has not experienced any losses in such accounts.

NOTE 3 - INCOME TAXES:

Alabama Law Foundation, Inc. is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Alabama Law Foundation, Inc. is not a private foundation. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements.

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

NOTE 4 - INVESTMENTS:

Investments are reported at fair value and are composed of the following:

	<u>COST</u>	<u>FAIR VALUE</u>	<u>QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)</u>
March 31, 2017:			
Money funds	\$ 897,273	\$ 897,273	\$ 897,273
Fixed income mutual funds	2,070,947	2,044,523	2,044,523
Equity mutual funds	<u>4,898,448</u>	<u>5,325,253</u>	<u>5,325,253</u>
Totals	<u>\$ 7,866,668</u>	<u>\$ 8,267,049</u>	<u>\$ 8,267,049</u>
March 31, 2016:			
Money funds	\$ 2,524,995	\$ 2,524,995	\$ 2,524,995
Fixed income mutual funds	391,126	391,170	391,170
Equity mutual funds	<u>1,544,269</u>	<u>1,553,934</u>	<u>1,553,934</u>
Totals	<u>\$ 4,460,390</u>	<u>\$ 4,470,099</u>	<u>\$ 4,470,099</u>

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and that such changes could materially affect the Foundation's investment balances.

NOTE 5 - INVESTMENT RETURN:

Investment return for the year ended March 31 is composed of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 143,727	\$ 114,799
Net realized and unrealized gain (loss) on securities	<u>387,908</u>	<u>(235,552)</u>
Total investment return	<u>\$ 531,635</u>	<u>\$ (120,753)</u>

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 6 - PROPERTY AND EQUIPMENT:

A summary of property and equipment is presented below:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 98,075	\$ 108,000
Leasehold improvements	10,000	10,000
Website development	35,828	26,273
	<u>143,903</u>	<u>144,273</u>
Less: Accumulated depreciation	<u>132,838</u>	<u>126,973</u>
Totals	<u>\$ 11,065</u>	<u>\$ 17,300</u>

NOTE 7 - RELATED PARTY TRANSACTIONS:

Certain members of the Board of Trustees of the Alabama Law Foundation, Inc. are appointed by, or are officers of, the Alabama State Bar. The Foundation and the State Bar have an agreement which provides for an employee of the State Bar to administer the Foundation's programs. The management fee for 2017 and 2016 was \$145,327 and \$135,735, respectively. The Foundation also recognized \$78,600 in 2017 and \$88,400 in 2016 of contribution revenue from the Alabama State Bar for pro hac vice receipts. Other receivables at March 31, 2017 and 2016 include \$34,800 and \$24,200, respectively, due from the Alabama State Bar for this program. Accounts payable at March 31, 2017 and 2016 includes \$35,965 and \$0-, respectively, payable to the Alabama State Bar for management fees. In addition, the Foundation leases office space from the State Bar as described in Note 8.

NOTE 8 - LEASE AGREEMENT:

The Foundation has entered into an operating lease agreement with the Alabama State Bar for office space. Through September 30, 2016, the lease terms provided for a monthly rent of \$1,500. Beginning October 1, 2016, the lease terms provide for a monthly rent of \$500. Either party may terminate the lease with a 60 day notice. The Foundation negotiated with the Alabama State Bar to waive the monthly rent beginning in October 2013 and continuing through September 30, 2016. For the year ended March 31, 2017, the Foundation recognized rent expense of \$12,000 and in-kind contribution of \$9,000. Rent expense and in-kind contribution recognized for the year ended March 31, 2016 was \$18,000.

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

NOTE 9 - CONTRIBUTIONS RECEIVABLE:

Contributions receivable represent unconditional promises to give at March 31 as follows:

	<u>2017</u>	<u>2016</u>
Receivables in less than one year	\$ 64,750	\$ 71,000
Receivables in one to five years	74,850	65,850
Receivables in more than five years	<u>16,825</u>	<u>13,500</u>
Total unconditional promises to give	156,425	150,350
Less: Discounts to net present value	<u>5,048</u>	<u>3,632</u>
Net unconditional promises to give	<u>\$ 151,377</u>	<u>\$ 146,718</u>

The Foundation believes that all contributions receivable at March 31, 2017 and 2016 will be fully collected. Accordingly, no allowance for doubtful accounts has been established.

NOTE 10 - RESTRICTIONS ON NET ASSETS:

Temporarily restricted net assets at March 31 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Coordinate statewide pro bono legal services	\$ 317,810	\$ 364,926
Scholarship assistance for law school students	304,768	307,295
Grants to civil legal aid organizations	237,300	247,087
Scholarship assistance in Kid's Chance program	15,370	12,814
Leadership development for future leaders of the Alabama State Bar through the Bill Scruggs Fund	9,790	9,790
Bank of America settlement restricted for mortgage foreclosure legal assistance	<u>3,057,969</u>	<u>7,094</u>
Total temporarily restricted net assets	<u>\$ 3,943,007</u>	<u>\$ 949,006</u>

Permanently restricted net assets at March 31 consisted of the following items:

	<u>2017</u>	<u>2016</u>
Atticus Finch Society endowment	\$ 926,686	\$ 918,772
Endowment for scholarships	<u>50,000</u>	<u>50,000</u>
Total permanently restricted net assets	<u>\$ 976,686</u>	<u>\$ 968,772</u>

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

NOTE 11 - 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 and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 12 - ENDOWMENT:

The Foundation's endowment includes both donor restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Trustees of the Foundation has interpreted the State of Alabama's Uniform Prudent Management of Institutional Funds Act (the Act) 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 Foundation 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 funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those assets amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Foundation considers the following factors to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Foundation 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 Foundation.
- (7) The investment policies of the Foundation.

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 12 - ENDOWMENT: (continued)

The composition of endowment net asset by type of fund at March 31, 2017 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor restricted endowment funds		\$ 422,034	\$ 976,686	\$ 1,398,720
Board designated endowment funds	\$ 2,962,847			2,962,847
Totals	<u>\$ 2,962,847</u>	<u>\$ 422,034</u>	<u>\$ 976,686</u>	<u>\$ 4,361,567</u>

The composition of endowment net asset by type of fund at March 31, 2016 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor restricted endowment funds		\$ 374,209	\$ 968,772	\$ 1,342,981
Board designated endowment funds	\$ 2,622,500			2,622,500
Totals	<u>\$ 2,622,500</u>	<u>\$ 374,209</u>	<u>\$ 968,772</u>	<u>\$ 3,965,481</u>

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 12 - ENDOWMENT: (continued)

Changes in endowment net assets for the year ended March 31, 2017 is as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, at March 31, 2016	\$ 2,622,500	\$ 374,209	\$ 968,772	\$ 3,965,481
Investment return:				
Interest and dividends	66,184	31,370		97,554
Realized and unrealized gains	183,112	86,314		269,426
Other investment expense	(10,996)	(5,128)		(16,124)
Total investment return	238,300	112,556		350,856
Contributions		825	7,914	8,739
Appropriation of endowment assets for expenditure		(65,556)		(65,556)
Other changes:				
Transfers to increase board designated endowment funds	102,047			102,047
Endowment net assets, at March 31, 2017	\$ 2,962,847	\$ 422,034	\$ 976,686	\$ 4,361,567

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

NOTE 12 - ENDOWMENT: (continued)

Changes in endowment net assets for the year ended March 31, 2016 is as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, at March 31, 2015	\$ 2,998,163	\$ 349,364	\$ 944,009	\$ 4,291,536
Investment return:				
Interest and dividends	68,813	19,553		88,366
Realized and unrealized losses	(183,857)	(51,695)		(235,552)
Total investment return	(115,044)	(32,142)		(147,186)
Contributions		4,588	25,263	29,851
Appropriation of endowment assets for expenditure		(56,452)		(56,452)
Other changes:				
Bad debt loss			(500)	(500)
Transfer of purpose restricted assets to endowment fund		108,851		108,851
Transfers from board designated endowment funds	(260,619)			(260,619)
Endowment net assets, at March 31, 2016	\$ 2,622,500	\$ 374,209	\$ 968,772	\$ 3,965,481

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Act requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at March 31, 2017 or 2016.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a relatively stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Foundation must hold in perpetuity or for a donor specified period as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a rate of return, after all expenses, that is at least equal to the contemplated spending rate plus the general rate of inflation as measured by the Consumer Price Index (CPI).

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE 12 - ENDOWMENT: (continued)

To satisfy its long term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity based investments to achieve its long term return objectives with prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value as of the end of the preceding 20 quarters. The goal of the spending policy is to support current and future operations of Foundation while preserving the purchasing power of, and seeking to grow, fund assets.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Finance Committee
Alabama Law Foundation, Inc.
Montgomery, Alabama

We have audited the financial statements of Alabama Law Foundation, Inc. as of and for the year ended March 31, 2017, and our report thereon dated June 28, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 2017 supplementary information on pages 18 through 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended March 31, 2017, as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the statements of financial position of Alabama Law Foundation, Inc. as of March 31, 2016, and the related statements of activities and changes in net assets and cash flows for the year ended March 31, 2016 (none of which is presented herein), and we expressed an unmodified opinion on those financial statements. That audit was conducted for the purpose of expressing an opinion on the financial statements as a whole. The accompanying 2016 supplementary information on pages 18 through 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the March 31, 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying 2016 supplementary information on pages 18 through 20 is fairly stated in all material respects in relation to the financial statements from which it has been derived.

Jackson Thornton & Co. PC

Montgomery, Alabama
June 28, 2017

ALABAMA LAW FOUNDATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2017
(WITH COMPARATIVE TOTALS FOR MARCH 31, 2016)

	PROGRAM SERVICES	SUPPORTING SERVICES	2017 TOTAL	2016 TOTAL
EXPENSES:				
Grants awarded	\$ 781,000		\$ 781,000	\$ 646,000
Scholarships	31,031		31,031	28,500
Management fee, salaries, benefits, and payroll taxes	122,620	\$ 138,225	260,845	251,977
Accounting		30,508	30,508	29,650
Communications and publications	5,579	52,390	57,969	43,949
Depreciation	5,546	11,520	17,066	26,667
Events		30,040	30,040	38,796
Investment and bank fees	2,966	26,182	29,148	28,405
Office expense	6,968	10,805	17,773	20,675
Professional fees	1,978	200	2,178	2,022
Rent	3,600	8,400	12,000	18,000
Repairs and maintenance	3,235	4,243	7,478	6,860
Seminars and training	2,134	7,212	9,346	9,106
Technology	7,278	28,738	36,016	41,919
Travel	8,704	21,249	29,953	29,931
Totals	<u>\$ 982,639</u>	<u>\$ 369,712</u>	<u>\$ 1,352,351</u>	<u>\$ 1,222,457</u>

See Independent Auditor's Report on Supplementary Information.