

ALABAMA LAW FOUNDATION, INC.

MARCH 31, 2013

FINANCIAL STATEMENTS

ALABAMA LAW FOUNDATION, INC.
MONTGOMERY, ALABAMA

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MONTGOMERY, ALABAMA

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Prattville

Wetumpka

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Alabama Law Foundation, Inc.
Montgomery, Alabama

Report on the Financial Statements

We have audited the accompanying statement of financial position of Alabama Law Foundation, Inc. (the Foundation) as of March 31, 2013, 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, 2013, 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived, after the restatement described in Note 12.

Jackson Thornton & Co. PC

Montgomery, Alabama
June 26, 2013

ALABAMA LAW FOUNDATION, INC.
MONTGOMERY, ALABAMA

STATEMENTS OF FINANCIAL POSITION
AT MARCH 31, 2013 AND 2012, AS RESTATED

ASSETS

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 730,954	\$ 838,553
Certificates of deposit	350,000	302,241
Investments	3,445,046	3,145,372
IOLTA revenue receivable	47,870	54,930
Contributions receivable	172,241	193,341
Other receivables	24,167	41,451
Property and equipment, net	<u>30,523</u>	<u>15,956</u>
Total assets	<u>\$ 4,800,801</u>	<u>\$ 4,591,844</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable and accrued expenses	\$ 37,921	\$ 103,077
Grants payable	<u>264,795</u>	<u>519,127</u>
Total liabilities	<u>302,716</u>	<u>622,204</u>

NET ASSETS:

Unrestricted	2,529,392	2,389,138
Temporarily restricted	1,029,737	627,433
Permanently restricted	<u>938,956</u>	<u>953,069</u>
Total net assets	<u>4,498,085</u>	<u>3,969,640</u>
Total liabilities and net assets	<u>\$ 4,800,801</u>	<u>\$ 4,591,844</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, 2013
(WITH COMPARATIVE TOTALS FOR 2012, AS RESTATED)

	2013				2012
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
REVENUES, GAINS, LOSSES AND RECLASSIFICATIONS:					
IOLTA revenue (net of bank charges)	\$ 447,153			\$ 447,153	\$ 590,217
Contributions	48,619	\$ 554,335	\$ 287	603,241	432,913
Investment income	236,134	86,782		322,916	51,165
Other revenue	154,150			154,150	23,750
Bad debt loss			(14,400)	(14,400)	(18,667)
Net assets released from restrictions:					
Satisfaction of program restrictions	238,813	(238,813)			
Total revenues, gains, losses, and reclassifications	1,124,869	402,304	(14,113)	1,513,060	1,079,378
EXPENSES:					
Program services:					
Grants program	529,699			529,699	548,753
Scholarship program	83,882			83,882	104,942
Access to Justice program	73,615			73,615	298,386
Supporting services:					
Fundraising	94,646			94,646	109,810
General and administrative	202,773			202,773	195,124
Total expenses	984,615			984,615	1,257,015
CHANGES IN NET ASSETS	140,254	402,304	(14,113)	528,445	(177,637)
NET ASSETS AT BEGINNING OF YEAR, AS ORIGINALLY REPORTED	2,003,819	1,012,752	953,069	3,969,640	4,147,277
PRIOR PERIOD ADJUSTMENT	385,319	(385,319)			
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	2,389,138	627,433	953,069	3,969,640	4,147,277
NET ASSETS AT END OF YEAR	\$ 2,529,392	\$ 1,029,737	\$ 938,956	\$ 4,498,085	\$ 3,969,640

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, 2013 AND 2012
Increase (Decrease) in Cash and Cash Equivalents

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Change in net assets	\$ 528,445	\$ (177,637)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,729	8,950
Noncash contributions	(2,156)	(2,187)
Unrealized (gain) loss on investments	(237,618)	15,551
Loss (gain) on sale of investments		(466)
Loss on disposal of equipment		
Bad debt loss	14,400	18,667
Contributions restricted for permanent investment	(287)	(21,938)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
IOLTA revenue receivable	7,060	9,337
Contributions receivable	6,700	10,669
Other receivables	17,284	(10,409)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(65,156)	49,250
Grants payable	(254,332)	40,585
Net cash provided from (used for) operating activities	<u>39,069</u>	<u>(59,628)</u>
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:		
Purchases of equipment	(39,296)	
Proceeds from sale and maturity of investments	2,270	10,448
Net (purchases) redemptions of certificates of deposit	(47,759)	213,759
Purchases of investments	(62,170)	(51,114)
Net cash provided from (used for) investing activities	<u>(146,955)</u>	<u>173,093</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for permanent investment	<u>287</u>	<u>21,938</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(107,599)	135,403
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>838,553</u>	<u>703,150</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 730,954</u>	<u>\$ 838,553</u>

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

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

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 receives revenue primarily 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 contributions to be used to provide scholarships to Alabama residents who are pursuing a legal education in accredited law schools. Contributions to the Foundation's Kids' Chance program provide scholarships to the children of individuals who have been killed or permanently disabled as a result of a workers' compensation injury or occupational disease.

In addition, the Foundation assists in coordinating statewide pro bono legal services through a contract with the Supreme Court of Alabama.

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 and 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, 2013

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

Summarized financial information for the year ended March 31, 2012 - 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, 2012, 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 flow 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 income on the statement of activities.

Fair value measurements - The Foundation follows the Fair Value Measurements and Disclosures 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.

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, 2013

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

A summary of property and equipment is presented below:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 91,926	\$ 62,380
Leasehold improvements	10,000	10,000
Website development	<u>23,513</u>	<u>13,763</u>
	125,439	86,143
Less: Accumulated depreciation	<u>94,916</u>	<u>70,187</u>
Totals	<u>\$ 30,523</u>	<u>\$ 15,956</u>

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 26, 2013, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of March 31, 2013, have been incorporated into these financial statements.

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

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 equivalents that are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. At March 31, 2013, the Foundation had approximately \$458,000 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. With few exceptions, the Foundation is no longer subject to tax examinations by tax authorities for years prior to 2010.

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, 2013:			
Money funds	\$ 120,660	\$ 120,660	\$ 120,660
Fixed income mutual funds	1,100,118	1,128,216	1,128,216
Equity mutual funds	1,683,423	2,196,170	2,196,170
Totals	<u>\$ 2,904,201</u>	<u>\$ 3,445,046</u>	<u>\$ 3,445,046</u>
March 31, 2012:			
Money funds	\$ 58,513	\$ 58,513	\$ 58,513
Fixed income mutual funds	1,100,118	1,125,409	1,125,409
Equity mutual funds	1,683,513	1,961,450	1,961,450
Totals	<u>\$ 2,842,144</u>	<u>\$ 3,145,372</u>	<u>\$ 3,145,372</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.

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 5 - INVESTMENT INCOME:

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

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 85,298	\$ 66,250
Realized gain on marketable securities		466
Net unrealized gain (loss) on marketable securities	<u>237,618</u>	<u>(15,551)</u>
Total investment income	<u>\$ 322,916</u>	<u>\$ 51,165</u>

NOTE 6 - RELATED PARTY TRANSACTIONS:

The members of the Board of Trustees of the Alabama Law Foundation, Inc. are appointed by the Alabama State Bar. The Foundation and the State Bar have an agreement which provides for employees of the State Bar to administer the Foundation's programs. The management fee for 2013 and 2012 was \$123,989 and \$123,740, respectively. The Foundation also recognized \$85,400 in 2013 and \$100,800 in 2012 of contribution revenue from the Alabama State Bar for pro hac vice receipts which are to be used to support the Access to Justice program. Other receivables at March 31, 2013 and 2012 include \$21,400 and \$35,400, respectively, due from the Alabama State Bar for this program. The Foundation also leases office space from the State Bar as described in Note 7.

NOTE 7 - LEASE AGREEMENT:

The Foundation has entered into an operating lease agreement with the Alabama State Bar for office space. The lease terms provide for a monthly rent of \$1,500 through September 2013. Either party may terminate the lease with a 60 day notice. Rent expense recognized for the year ended March 31, 2013 and 2012 was \$18,000. At March 31, 2013, future minimum rental payments under the lease agreement total \$9,000.

NOTE 8 - CONTRIBUTIONS RECEIVABLE:

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

	<u>2013</u>	<u>2012</u>
Receivables in less than one year	\$ 63,416	\$ 84,066
Receivables in one to five years	97,131	101,337
Receivables in more than five years	<u>16,800</u>	<u>14,400</u>
Total unconditional promises to give	<u>177,347</u>	<u>199,803</u>
Less: Discounts to net present value	<u>5,106</u>	<u>6,462</u>
Net unconditional promises to give	<u>\$ 172,241</u>	<u>\$ 193,341</u>

The Foundation has no allowance for uncollectible promises to give because all are considered collectible.

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 9 - RESTRICTIONS ON NET ASSETS:

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

	<u>2013</u>	<u>2012</u> (Restated)
Provide scholarship assistance for law school students	\$ 285,296	\$ 253,272
Coordinate statewide pro bono legal services	738,310	362,086
Provide for leadership development for future leaders of the Alabama State Bar through the Bill Scruggs Fund	<u>6,131</u>	<u>12,075</u>
Total temporarily restricted net assets	<u>\$ 1,029,737</u>	<u>\$ 627,433</u>

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

	<u>2013</u>	<u>2012</u>
Atticus Finch Society endowment	\$ 913,956	\$ 928,069
Endowment for scholarships	<u>25,000</u>	<u>25,000</u>
Total permanently restricted net assets	<u>\$ 938,956</u>	<u>\$ 953,069</u>

NOTE 10 - FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 11 - 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.

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 11 - ENDOWMENT: (continued)

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.

The composition of endowment net asset by type of fund at March 31, 2013 is as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Donor restricted endowment funds	\$ (939)	\$ 75,383	\$ 869,338	\$ 943,782
Board designated endowment funds	2,373,310	195,000		2,568,310
Totals	<u>\$ 2,372,371</u>	<u>\$ 270,383</u>	<u>\$ 869,338</u>	<u>\$ 3,512,092</u>

The composition of endowment net asset by type of fund at March 31, 2012, as restated, is as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Donor restricted endowment funds		\$ 27,254	\$ 849,715	\$ 876,969
Board designated endowment funds	\$ 2,124,106	195,000		2,319,106
Totals	<u>\$ 2,124,106</u>	<u>\$ 222,254</u>	<u>\$ 849,715</u>	<u>\$ 3,196,075</u>

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 11 - ENDOWMENT: (continued)

Changes in endowment net assets for the year ended March 31, 2013 is as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, at March 31, 2012	\$ 2,124,106	\$ 222,254	\$ 849,715	\$ 3,196,075
Investment return:				
Interest and dividends	42,360	17,666		60,026
Unrealized gains	168,632	68,986		237,618
Total investment return	210,992	86,652		297,644
Contributions			19,623	19,623
Appropriation of endowment assets for expenditure	(939)	(38,523)		(39,462)
Other changes:				
Transfers to increase board designated endowment funds	38,212			38,212
Endowment net assets, at March 31, 2013	\$ 2,372,371	\$ 270,383	\$ 869,338	\$ 3,512,092

Changes in endowment net assets for the year ended March 31, 2012, as restated, is as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, at March 31, 2011 as originally reported	\$ 2,015,732	\$ 306,091	\$ 822,010	\$ 3,143,833
Prior period adjustment	55,590	(55,590)		
Endowment net assets, at March 31, 2011 as restated	2,071,322	250,501	822,010	3,143,833
Investment return:				
Interest, dividends, and realized gains	29,521	11,817		41,338
Unrealized gains	(11,465)	(4,086)		(15,551)
Total investment return	18,056	7,731		25,787
Contributions			27,705	27,705
Appropriation of endowment assets for expenditure		(35,978)		(35,978)
Other changes:				
Transfers to increase board designated endowment funds	34,728			34,728
Endowment net assets, at March 31, 2012	\$ 2,124,106	\$ 222,254	\$ 849,715	\$ 3,196,075

ALABAMA LAW FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

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 was one fund at March 31, 2013 where the amounts appropriated for expenditure exceeded the available income by \$939.

The Foundation 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 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 that is at least 5% greater than the rate of inflation as measured by the Consumer Price Index (CPI). The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

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 5% of its endowment fund's average fair value, as it existed at the end of the preceding 20 calendar quarters. In establishing this policy, the Foundation considered the long term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 12 - RESTATEMENT:

Beginning net assets at March 31, 2013 have been restated to report amounts released from restrictions in prior years. Total net assets was properly reported, however, unrestricted beginning net assets have been increased by \$385,319 and temporarily restricted beginning net assets have been decreased by \$385,319 to reflect the release of restrictions due to expenditures. The summarized comparative information for the year ended March 31, 2012 has been adjusted to reflect the impact of the restatement.