



Alabama Law Foundation, Inc.
March 31, 2022
Financial Statements

Alabama Law Foundation, Inc.
Statements of Financial Position
At March 31, 2022 and 2021

Assets

Assets	2022	2021
Cash and cash equivalents	\$ 266,881	\$ 290,278
Investments	10,777,219	11,183,353
IOLTA revenue receivable	69,864	67,715
Contributions receivable	194,877	188,926
Other receivables	51,043	68,625
Property and equipment, net		61
Total assets	\$ 11,359,884	\$ 11,798,958

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 8,494	\$ 101,473
Grants payable	748,692	694,242
Notes payable		64,400
Total liabilities	757,186	860,115

Net Assets

Without donor restrictions	5,586,247	5,997,159
With donor restrictions	5,016,451	4,941,684
Total net assets	10,602,698	10,938,843
Total liabilities and net assets	\$ 11,359,884	\$ 11,798,958

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

Alabama Law Foundation, Inc.
Statements of Activities and Changes in Net Assets
For the Year Ended March 31, 2022
(with Comparative Summarized Totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Gains, Losses, and Reclassifications				
IOLTA revenue (net of bank charges)	\$ 755,420		\$ 755,420	\$ 836,330
Contributions	113,470	\$ 306,596	420,066	429,731
Investment return, net	(9,707)	5,968	(3,739)	2,765,621
Other revenue	78,090		78,090	5,179
Bad debt loss				(2,950)
Net assets released from restrictions				
Satisfaction of program restrictions	237,797	(237,797)		
Total revenues, gains, losses, and reclassifications	<u>1,175,070</u>	<u>74,767</u>	<u>1,249,837</u>	<u>4,033,911</u>
Expenses				
Program services				
Grants program	1,209,810		1,209,810	1,196,171
Scholarship program	50,476		50,476	48,353
Access to justice program	62,709		62,709	89,085
Supporting services				
General and administrative	188,731		188,731	183,998
Fundraising	74,256		74,256	74,637
Total expenses	<u>1,585,982</u>		<u>1,585,982</u>	<u>1,592,244</u>
Changes in Net Assets	<u>(410,912)</u>	<u>74,767</u>	<u>(336,145)</u>	<u>2,441,667</u>
Net Assets at Beginning of Year	<u>5,997,159</u>	<u>4,941,684</u>	<u>10,938,843</u>	<u>8,497,176</u>
Net Assets at End of Year	<u>\$ 5,586,247</u>	<u>\$ 5,016,451</u>	<u>\$ 10,602,698</u>	<u>\$ 10,938,843</u>

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

Alabama Law Foundation, Inc.
Statements of Functional Expenses
For the Year Ended March 31, 2022
(with Comparative Summarized Totals for 2021)

	Grants	Scholarship	Access to Justice	Total Program Services	General and		2021 Total
					Administrative	Fundraising	
Grants awarded	\$ 1,096,100			\$ 1,096,100			\$ 1,050,500
Scholarships		23,340		23,340			22,708
Salaries, benefits, and payroll taxes	61,562	8,795	35,178	105,535		\$ 5,781	297,588
Accounting						26,384	56,640
Communications and publications	308		144	452		1,883	36,404
Depreciation	182	318	91	591		363	15,545
Office expense	3,932	1,521	1,941	7,394		12,761	4,010
Professional fees	8,231	5,487		13,718		11,624	14,027
Rent	8,734	1,456	1,456	11,646		5,822	32,418
Repairs and maintenance	1,501	627		2,128		627	26,462
Seminars and training	945		75	1,020		79	10,009
Technology	27,726	8,932	23,824	60,482		8,932	773
Travel	589			589			81,820
Totals	\$ 1,209,810	\$ 50,476	\$ 62,709	\$ 1,322,995	\$ 188,731	\$ 74,256	\$ 1,592,244

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, 2022 and 2021

	2022	2021
Cash Flows From (Used For) Operating Activities		
Change in net assets	\$ (336,145)	\$ 2,441,667
Depreciation	1,816	4,010
Realized and unrealized loss (gain) on investments	1,063,689	(2,363,797)
Paycheck Protection Program loan forgiveness	(64,400)	
Bad debt loss	(2,950)	2,950
Contributions restricted for permanent investment	(139)	(8,984)
Decrease (increase) in operating assets and increase (decrease) in operating liabilities		
IOLTA revenue receivable	(2,149)	57,417
Contributions receivable	(3,001)	(11,025)
Other receivables	17,582	(32,746)
Accounts payable and accrued expenses	(92,979)	71,363
Grants payable	54,450	(68,958)
Net cash from operating activities	635,774	91,897
Cash Flows From (Used For) Investing Activities		
Purchases of equipment	(1,755)	(3,685)
Proceeds from sale and maturity of investments	325,752	1,296,910
Purchases of investments	(983,307)	(1,454,817)
Net cash used for investing activities	(659,310)	(161,592)
Cash Flows From (Used For) Financing Activities		
Contributions restricted for permanent investment	139	8,984
Proceeds from notes payable		64,400
Net cash from financing activities	139	73,384
Net (Decrease) Increase in Cash and Cash Equivalents	(23,397)	3,689
Cash and Cash Equivalents at Beginning of Year	290,278	286,589
Cash and Cash Equivalents at End of Year	\$ 266,881	\$ 290,278

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

Alabama Law Foundation, Inc.
Notes to Financial Statements
March 31, 2022 and 2021

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, 2022			
Money funds	\$ 286,323	\$ 286,323	\$ 286,323
Fixed income mutual funds	3,562,957	3,354,642	3,354,642
Equity mutual funds	6,155,664	6,838,138	6,838,138
Exchange traded funds	183,484	298,116	298,116
Totals	<u>\$ 10,188,428</u>	<u>\$ 10,777,219</u>	<u>\$ 10,777,219</u>
March 31, 2021			
Money funds	\$ 1,338,087	\$ 1,338,087	\$ 1,338,087
Fixed income mutual funds	2,627,151	2,604,958	2,604,958
Equity mutual funds	5,346,270	7,036,488	7,036,488
Exchange traded funds	203,326	203,820	203,820
Totals	<u>\$ 9,514,834</u>	<u>\$ 11,183,353</u>	<u>\$ 11,183,353</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

Net investment return is reported in the statements of activities and changes in net assets and consists of income from investments (interest and dividend income, realized and unrealized capital gains and losses) less external investment expenses.

Investment return for the year ended March 31, 2022 is composed of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 897,611	\$ 209,745	\$ 1,107,356
Net realized and unrealized loss on securities	(860,255)	(203,434)	(1,063,689)
Other investment expense	(47,063)	(343)	(47,406)
Investment return, net	<u>\$ (9,707)</u>	<u>\$ 5,968</u>	<u>\$ (3,739)</u>

Alabama Law Foundation, Inc.
Notes to Financial Statements
March 31, 2022 and 2021

Investment return for the year ended March 31, 2021 is composed of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 361,304	\$ 81,500	\$ 442,804
Net realized and unrealized gain on securities	1,913,571	450,226	2,363,797
Other investment expense	(40,697)	(283)	(40,980)
Investment return, net	<u>\$ 2,234,178</u>	<u>\$ 531,443</u>	<u>\$ 2,765,621</u>

Note 6 - Property and Equipment

A summary of property and equipment is presented below:

	2022	2021
Furniture and equipment	\$ 83,741	\$ 81,986
Website development	18,025	18,025
	101,766	100,011
Less accumulated depreciation	101,766	99,950
Totals	<u>\$ -</u>	<u>\$ 61</u>

Note 7 - Net Assets with Donor Restrictions

At March 31, 2022 and 2021, amounts with donor restrictions are:

	2022	2021
Subject to Expenditure for Specified Purpose		
Coordinate statewide pro bono legal services	\$ 766,855	\$ 622,765
Grants to civil legal aid organizations	96,425	87,597
Scholarship assistance in Kid's Chance program	24,958	29,987
Leadership development for future leaders of the Alabama State Bar through the Bill Scruggs Fund	9,790	9,790
Fund education and training of Alabama judges	43,319	23,619
Total	<u>941,347</u>	<u>773,758</u>
Endowment		
Bank of America settlement restricted for mortgage foreclosure legal assistance grants	2,308,310	2,390,810
Grants to civil legal aid organizations	434,646	437,273
Scholarship assistance for law school students	322,336	330,170
Atticus Finch Society endowment	959,812	959,673
Endowment for scholarships	50,000	50,000
Total	<u>4,075,104</u>	<u>4,167,926</u>
Total net assets with donor restrictions	<u>\$ 5,016,451</u>	<u>\$ 4,941,684</u>

Alabama Law Foundation, Inc.
Notes to Financial Statements
March 31, 2022 and 2021

Note 12 - Endowment (continued)

The composition of endowment net asset by type of fund at March 31, 2022 is as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds		\$ 4,075,104	\$ 4,075,104
Board-designated endowment funds	\$ 6,347,717		6,347,717
Totals	<u>\$ 6,347,717</u>	<u>\$ 4,075,104</u>	<u>\$ 10,422,821</u>

The composition of endowment net asset by type of fund at March 31, 2021 is as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds		\$ 4,167,926	\$ 4,167,926
Board-designated endowment funds	\$ 5,728,574		5,728,574
Totals	<u>\$ 5,728,574</u>	<u>\$ 4,167,926</u>	<u>\$ 9,896,500</u>

Changes in endowment net assets for the year ended March 31, 2022 is as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, at March 31, 2021	\$ 5,728,574	\$ 4,167,926	\$ 9,896,500
Investment return			
Interest and dividends	880,943	209,745	1,090,688
Realized and unrealized gains (losses)	(841,475)	(203,434)	(1,044,909)
Other investment expense	(35,861)	(8,372)	(44,233)
Total investment return	<u>3,607</u>	<u>(2,061)</u>	<u>1,546</u>
Contributions		989	989
Appropriation of endowment assets for expenditure		(91,750)	(91,750)
Other changes			
Transfer to increase Board-designated endowment funds	615,536		615,536
Endowment net assets, at March 31, 2022	<u>\$ 6,347,717</u>	<u>\$ 4,075,104</u>	<u>\$ 10,422,821</u>

Alabama Law Foundation, Inc.
Notes to Financial Statements
March 31, 2022 and 2021

Changes in endowment net assets for the year ended March 31, 2021 is as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, at March 31, 2020	\$ 3,506,638	\$ 3,956,964	\$ 7,463,602
Investment return			
Interest and dividends	354,711	81,499	436,210
Realized and unrealized gains (losses)	1,877,697	450,225	2,327,922
Other investment expense	(30,384)	(6,961)	(37,345)
Total investment return	2,202,024	524,763	2,726,787
Contributions		9,909	9,909
Appropriation of endowment assets for expenditure		(323,710)	(323,710)
Other changes			
Transfer to increase Board-designated endowment fund	19,912		19,912
Endowment net assets, at March 31, 2021	\$ 5,728,574	\$ 4,167,926	\$ 9,896,500

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 net assets without donor restrictions. There were no such deficiencies at March 31, 2022 or 2021.

Return objectives and risk parameters - 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.

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 constrain. 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 the Foundation while preserving the purchasing power of, and seeking to grow, fund assets.

Note 13 - Retirement Plan

The Foundation sponsors a safe harbor 401(k) plan so that employees may contribute a portion of their pretax income into a retirement fund. The Foundation contributed \$0 and \$5,600 for the years ended March 31, 2022 and 2021, respectively, to the 401(k) plan to supplement employee contributions, which represented 5% of compensation up to the statutory limit for eligible employees.

Alabama Law Foundation, Inc.
Schedule of Financial Position by Fund
At March 31, 2022
(with Comparative Totals for March 31, 2021)

	General Fund	Scholarship Fund	Kid's Chance Fund	Fellows Fund	Access to Justice	Bill Scruggs Fund	William V. Black Scholarship	Justice Janie L. Shores Scholarship	Robe Fund	2022 Total	2021 Total
Assets											
Cash and cash equivalents	\$ 266,881									\$ 266,881	\$ 290,278
Due (to) from other funds	(1,906,914)	(229,674)	\$ 24,958	\$ 1,084,380	\$ 751,143	\$ 9,790	\$ 68,008	\$ 154,990	\$ 43,319	10,777,219	11,183,353
Investments	10,087,866	689,353								69,864	67,715
IOLTA revenue receivable	69,864			146,234						194,877	188,926
Contributions receivable	48,943									51,043	68,625
Other receivables	35,331				15,712						61
Property and equipment, net											
Total assets	\$ 8,601,671	\$ 459,679	\$ 24,958	\$ 1,230,614	\$ 766,855	\$ 9,790	\$ 68,008	\$ 154,990	\$ 43,319	\$ 11,359,884	\$ 11,788,958
Liabilities											
Accounts payable and accrued expenses	\$ 8,494									\$ 8,494	\$ 101,473
Grants payable	748,692									748,692	694,242
PPP loan											64,400
Total liabilities	757,186									757,186	860,115
Net Assets											
Without donor restrictions	4,045,292	\$ 264,579	\$ 24,958	\$ 1,230,614	\$ 766,855	\$ 9,790	\$ 68,008	\$ 45,762	\$ 43,319	5,586,247	5,997,159
With donor restrictions	3,799,193	195,100						109,228		5,016,451	4,941,684
Total net assets	7,844,485	459,679	24,958	1,230,614	766,855	9,790	68,008	154,990	43,319	10,602,698	10,938,843
Total liabilities and net assets	\$ 8,601,671	\$ 459,679	\$ 24,958	\$ 1,230,614	\$ 766,855	\$ 9,790	\$ 68,008	\$ 154,990	\$ 43,319	\$ 11,359,884	\$ 11,798,958

See Independent Auditor's Report on Supplementary Information.

Alabama Law Foundation, Inc.
Schedule of Activities and Changes in Net Assets by Fund
For the Year Ended March 31, 2022
(with Comparative Totals for March 31, 2021)

	General Fund	Scholarship Fund	Kid's Chance Fund	Fellows Fund	Access to Justice	Bill Scruggs Fund	William V. Black Scholarship	Justice Janie L. Shores Scholarship	Robe Fund	2022 Total	2021 Total
Revenues, Gains, and Losses											
IOLTA revenue (net of bank charges)	\$ 755,420									\$ 755,420	\$ 836,330
Contributions	169,796		14,742	57,213	157,165			850	20,300	420,066	429,731
Investment (loss) return, net	(9,107)	\$ 3,589		112			\$ 566	1,101		(3,739)	2,765,621
Other revenue	70,740			7,360						78,090	5,179
Bad debt loss											(2,950)
Total revenues, gains, and losses	986,849	3,589	14,742	64,675	157,165		566	1,951	20,300	1,249,837	4,033,911
Expenses											
Grants awarded	1,096,100									1,096,100	1,050,500
Scholarships			19,271				1,250	8,000	600	29,121	22,708
Accounting	56,640									56,640	36,404
Computer	84,666				11,124					95,790	77,707
Depreciation	1,779				37					1,816	4,010
Dues and subscriptions	3,535		600		1,624					5,659	6,142
Employee insurance	3,887									3,887	
Internet expense	4,653									4,653	
Newsletter	450				215					4,868	4,113
Office supplies	928									450	321
Other	9,982									928	466
Printing and postage	4,807			11,651						21,643	7,419
Payroll taxes	15,176			345						15,224	15,224
Public relations	54,870									15,176	15,213
Rent	29,112									56,520	32,418
Repairs and maintenance	4,570									29,112	26,462
Retirement expense	3,900									3,900	10,009
Salaries	152,929									152,929	272,984
Seminars and training	1,575									1,650	773
Travel	854			217						1,071	
Total expenses	1,530,423		19,771	12,863	13,075		1,250	8,000	600	1,585,982	1,582,244
Changes in Net Assets	(543,574)	3,589	(5,029)	51,812	144,090		(684)	(6,049)	19,700	(336,145)	2,441,667
Net Assets at Beginning of Year	8,387,678	456,090	29,987	1,179,183	622,765	\$ 9,790	68,692	161,039	23,619	10,938,843	8,497,176
Interfund Transfers	381			(381)							
Net Assets at End of Year	\$ 7,844,485	\$ 459,679	\$ 24,958	\$ 1,230,814	\$ 766,855	\$ 9,790	\$ 68,008	\$ 154,990	\$ 43,319	\$ 10,602,698	\$ 10,938,843

See Independent Auditor's Report on Supplementary Information.