



**The Community Foundation
of South Alabama**

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2021 and 2020

	Page
REPORT	
Independent Auditors' Report	1
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses.....	5
Consolidated Statements of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	8



REPORT





Carr, Riggs & Ingram, LLC
3605 Springhill Business Park
Mobile, AL 36608

251.473.5550
251.473.8026 (fax)
CRLcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Community Foundation of South Alabama
Mobile, Alabama

Opinion

We have audited the accompanying consolidated financial statements of The Community Foundation of South Alabama (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2021 and the related consolidated statements of activities, functional expenses, and cash flows 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 consolidated financial position of The Community Foundation of South Alabama as of September 30, 2021 and the changes in their consolidated net assets and 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 Community Foundation of South Alabama 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 these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Community Foundation of South Alabama'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 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 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 Community Foundation of South Alabama'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Community Foundation of South Alabama'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.

Report on Summarized Comparative Information

We have previously audited The Community Foundation of South Alabama's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

CARR, RIGGS & INGRAM, LLC

*Mobile Alabama
December 7, 2022*



FINANCIAL STATEMENTS



The Community Foundation of South Alabama and Subsidiaries
Consolidated Statements of Financial Position

<i>September 30,</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 2,065,307	\$ 4,217,886
Investments	93,179,013	79,318,271
Prepaid expenses	25,975	38,104
Property and equipment, net	3,717,057	1,673,473
Total assets	\$ 98,987,352	\$ 85,247,734
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 46,274	\$ 46,410
Grants payable	270,070	50,475
Charitable gift annuity liability	33,620	71,190
Agency funds held	23,990,093	20,008,912
Notes payable, net of deferred financing	2,922,654	2,971,108
Total liabilities	27,262,711	23,148,095
Net assets		
Without donor restrictions	71,186,107	60,099,714
With donor restrictions	538,534	1,999,925
Total net assets	71,724,641	62,099,639
Total liabilities and net assets	\$ 98,987,352	\$ 85,247,734

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

The Community Foundation of South Alabama and Subsidiaries Consolidated Statements of Activities

<i>For the years ended September 30,</i>	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Summarized Total
Revenues, Gains and Other Support				
Administrative fees	\$ 1,011,479	\$ -	\$ 1,011,479	\$ 888,629
Contributions	3,499,792	-	3,499,792	2,020,378
Paycheck Protection Program loan forgiveness	72,200	-	72,200	-
Interfund contributions	708,692	330,992	1,039,684	3,222,314
Investment income	1,070,660	52,218	1,122,878	1,035,205
Realized investment gains	2,701,438	90,531	2,791,969	3,932,814
Unrealized investment gains (losses)	6,639,037	(18,856)	6,620,181	465,074
Other income (loss)	100,804	-	100,804	(259,704)
Change in liabilities under split-interest agreements	-	45,072	45,072	917
Net assets released from restriction	1,961,348	(1,961,348)	-	-
Total revenues, gains and other support	17,765,450	(1,461,391)	16,304,059	11,305,627
Expenses				
Program services	6,035,707	-	6,035,707	9,882,080
Supporting services				
Management and general	431,676	-	431,676	514,870
Fund-raising	211,674	-	211,674	189,356
Total expenses	6,679,057	-	6,679,057	10,586,306
Change in net assets	11,086,393	(1,461,391)	9,625,002	719,321
Net assets at beginning of year	60,099,714	1,999,925	62,099,639	61,380,318
Net assets at end of year	\$ 71,186,107	\$ 538,534	\$ 71,724,641	\$ 62,099,639

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

The Community Foundation of South Alabama and Subsidiaries
Consolidated Statements of Functional Expenses

For the year ended September 30, 2021

	Supporting Services					2020 Summarized Total
	Program Services	Management and General	Fund- Raising	Subtotal	2021 Total	
Administrative fees	\$ 812,815	\$ -	\$ -	\$ -	\$ 812,815	\$ 718,162
Advertising and public relations	791	659	747	1,406	2,197	8,622
Bank service charges, commissions, and processing fees	7,013	37,040	-	37,040	44,053	24,661
Computer and equipment	17,991	14,993	16,992	31,985	49,976	45,649
Conferences, dues, and subscriptions	2,036	6,983	-	6,983	9,019	8,757
Contract labor and consulting	-	39,938	-	39,938	39,938	950
Depreciation	60,176	1,976	-	1,976	62,152	13,341
Grant distributions	3,214,580	-	-	-	3,214,580	5,644,526
Income distributions	4,131	-	-	-	4,131	9,746
Insurance	-	23,081	-	23,081	23,081	17,765
Interest	148,514	611	-	611	149,125	81,727
Interfund grants	1,553,154	-	-	-	1,553,154	3,222,314
Meetings and special events	4,782	-	-	-	4,782	6,061
Miscellaneous	1,674	3,196	-	3,196	4,870	9,440
Office expense	2,919	2,433	2,757	5,190	8,109	17,358
Personnel	191,902	159,733	181,031	340,764	532,666	533,196
Professional fees	2,500	129,264	-	129,264	131,764	208,089
Repairs and maintenance	-	2,912	-	2,912	2,912	-
Travel	230	192	218	410	640	1,459
Utilities, telephone, and janitorial	10,250	8,541	9,680	18,221	28,471	7,398
Website and programming	249	124	249	373	622	7,085
Total	\$ 6,035,707	\$ 431,676	\$ 211,674	\$ 643,350	\$ 6,679,057	\$ 10,586,306

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

The Community Foundation of South Alabama and Subsidiaries
Consolidated Statements of Cash Flows

<i>For the years ended September 30,</i>	2021	2020
Operating activities		
Change in net assets	\$ 9,625,002	\$ 719,321
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized (gains) on investments, net	(9,412,150)	(4,397,888)
Depreciation	62,152	13,341
Annuity costs	-	(11,367)
Amortization of loan cost (interest expense)	32,221	19,646
Gain (loss) on disposal of property and equipment	-	307,518
Paycheck Protection Program loan forgiveness	(72,200)	-
Changes in operating assets and liabilities		
Accounts receivable	-	514,000
Prepaid expenses	12,129	12,423
Accounts payable	(136)	9,980
Grants payable	219,595	(110,433)
Net cash provided by (used in) operating activities	466,613	(2,923,459)
Investing activities		
Purchases of investments	(9,536,273)	(27,697,439)
Proceeds from sales of investments	8,477,239	31,709,141
Agency funds purchases of investments	1,146,245	882,009
Agency funds proceeds from sales of investments	(554,622)	(713,950)
Construction in progress	-	(1,263,188)
Purchases of property and equipment	(2,105,736)	-
Proceeds from sale of property and equipment	-	530
Net cash provided by (used in) investing activities	(2,573,147)	2,917,103
Financing activities		
Proceeds from notes payable	-	3,085,550
Proceeds from Paycheck Protection Program loan	-	72,200
Payments for loan origination	(8,475)	(206,288)
Payments on charitable gift annuity liabilities	(37,570)	(53,221)
Net cash provided by (used in) financing activities	(46,045)	2,898,241
Net change in cash and cash equivalents	(2,152,579)	2,891,885
Cash and cash equivalents at beginning of year	4,217,886	1,326,001
Cash and cash equivalents at end of year	\$ 2,065,307	\$ 4,217,886

The Community Foundation of South Alabama and Subsidiaries
Consolidated Statements of Cash Flows (Continued)

For the years ended September 30, **2021** 2020

Schedule of Certain Cash Flow Information

Cash paid for interest	\$	149,125	\$	81,727
------------------------	-----------	----------------	-----------	---------------

The Community Foundation of South Alabama and Subsidiaries Consolidated Statements of Cash Flows

Note 1: DESCRIPTION OF THE FOUNDATION

The Community Foundation of South Alabama (“the Foundation”) seeks to build permanent endowments for the long range future of the region it serves and to draw from the strengths of the region’s diverse population in designing and funding innovative programs which meet community needs. Serving as responsible stewards of these funds, the Foundation makes grants to nonprofit organizations in the fields of anti-crime and abuse, arts and culture, civic and community, education, environment and animals, health, human services, and recreation. The Foundation’s mission statement is as follows: “The Community Foundation of South Alabama assembles and directs philanthropic assets to make southwest Alabama a better place.”

The CFSA Properties IV, Inc. is a wholly-owned subsidiary of the Foundation formed to operate for the benefit of The Community Foundation of South Alabama. CFSA Properties IV owns and leases the operating facility to the Community Foundation of South Alabama.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Principles of Consolidation

The accompanying consolidated financial statements include accounts of The Community Foundation of South Alabama and its wholly-owned subsidiary, collectively “the Foundation”. The Foundation consolidates an entity if the Foundation has a controlling financial interest in the entity. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of U.S. GAAP consolidated financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to valuation of investments.

The Community Foundation of South Alabama and Subsidiaries

Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Investments

The Foundation reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Real estate fair value is determined through independent appraisal. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair values of alternative investments that do not have readily ascertainable market values are valued in accordance with valuations provided by the general partners or fund managers of the underlying assets utilizing the practical expedient "net asset value" per unit/share. Because these investments are not marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed.

Investment in life insurance product is valued based on cash surrender value net of any surrender fees.

Property and Equipment

All acquisitions of property and equipment and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

The Community Foundation of South Alabama and Subsidiaries

Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency Funds Held

Agency funds arise from asset transfers to the Foundation in which donors have named themselves or an affiliate as beneficiary of the designated funds established. Although the Foundation retains variance power and legal control over these funds and follows the accrual basis of accounting, the Foundation has concluded that these transfers fall under the guidance of ASC Section 958, *Not-for-Profit Entities*, relating to transfers with granted variance power that are not considered contributions because the resource provider specifies itself as the beneficiary. Therefore, agency funds are reported as a liability in the Consolidated Statement of Financial Position.

Net Assets

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

All contributions, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents. The variance provision gives the Board of Directors the power to modify any restriction placed on gifts to the Foundation which cannot be fulfilled or is no longer consistent with the charitable needs of the community. Accordingly, unless time or purpose restrictions have been imposed on contributions, net assets are generally classified as net assets without 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. Net assets with donor restrictions consist of the pooled income fund, the capital campaign and charitable gift annuity as described in Note 8.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Under the Foundation's charter, the Board of Directors determines at the date of the gift whether the donor's wishes are in keeping with the purpose of the Foundation and in accordance with regulations relating to charitable gifts of the Internal Revenue Service. If so, compliance with the wishes of the donor becomes the responsibility of the Board, and the funds are designated for that purpose as long as the purpose exists. The Board will consider suggestions from the donor with the understanding that the final decision must be made by the Board.

The Community Foundation of South Alabama and Subsidiaries

Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Administrative fees are accounted for under ASC Topic 606, Revenue from Contracts with Customers (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Prior to the adoption of ASC 606, the Company recognized revenue when persuasive evidence of an arrangement existed, delivery of services had occurred, the fees were fixed or determinable and collectability was reasonably assured. Income from administrative fees are recognized over the periods to which the dates and fees relate. As of September 30, 2021 and 2020, there were no performance obligation liabilities.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services and Use of Facility

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

In May 2019 the Foundation entered into an eighteen month agreement to lease office space from the City of Daphne, AL. The city is not charging the Foundation lease expense for the use of the office space. The fair value of the contributed use of the facility was \$3,200 and \$12,000 for the years ended September 30, 2021 and 2020.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to payroll, payroll taxes, and employee benefits are allocated based on percentages of time spent in each functional area. Other expenses are allocated across functional areas based on a fixed percentage.

The Community Foundation of South Alabama and Subsidiaries

Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Distributions

Unconditional grants are recognized as an expense in the period in which they are approved by the Board of Directors. Grant distributions are made from available principal and income in accordance with policy and designations of donors or according to the spending policy of the final agreement. Grants authorized and unpaid at year end are reported as liabilities in the consolidated statements of financial position.

Advertising

The Foundation uses advertising to promote its programs among the audiences it serves. All advertising and public relations costs are expensed as incurred. Advertising and public relations expense was \$2,197 and \$8,622 for the years ended September 30, 2021 and 2020, respectively.

Income Taxes

The Foundation is exempt from Federal income taxes, other than unrelated business income, under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization, which is not a private foundation. The Foundation did not have any unrelated business income in 2021 or 2020.

The Foundation utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of September 30, 2021 and 2020, the Foundation has no uncertain tax provisions that qualify for recognition or disclosure in the consolidated financial statements.

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 7, 2022, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

The Community Foundation of South Alabama and Subsidiaries

Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This change in accounting principal did not have a material impact on the financial statements.

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The Foundation maintains its operating financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Foundation's expenditures come due. The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>September 30,</i>	2021	2020
Total assets at year end	\$ 98,987,352	\$ 85,247,734
Less non-financial assets		
Prepaid expenses	(25,975)	(38,104)
Property and equipment, net	(3,717,057)	(1,673,473)
Financial assets at year-end	95,244,320	83,536,157
Less those not available for general expenditures within one year due to contractual or donor-imposed restrictions		
Donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(538,534)	(1,999,925)
Board designations:		
Agency funds held	(23,990,093)	(20,008,912)
Funds held for charitable use	(69,342,070)	(58,404,970)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,373,623	\$ 3,122,350

The Foundation is principally supported by its administrative fees charged for the services it provides. The goal of the Foundation is to maintain available financial assets to meet its next six months of operating expenses of approximately \$350,000.

The Community Foundation of South Alabama and Subsidiaries
Notes to Financial Statements

Note 4: INVESTMENTS

Investments consist of the following:

<i>September 30, 2021</i>	Carrying Value	Cost / Fair Value at Donation	Unrealized Gain (Loss)	Carrying Value Percentage
Mutual funds:				
Stocks	\$ 49,579,567	\$ 28,391,193	\$ 21,188,374	53.21%
Bonds	14,366,060	14,120,473	245,587	15.42%
Treasury securities	11,632,588	12,212,026	(579,438)	12.48%
Alternative investments - offshore investment funds	11,278,970	5,330,914	5,948,056	12.10%
Alternative investments - stocks	33,875	27,841	6,034	0.04%
Cash in money market accounts	2,812,993	2,812,993	-	3.02%
Common stocks	1,753,194	870,526	882,668	1.88%
Closely held stock	1	1	-	0.00%
Real estate	1,500,000	1,500,000	-	1.61%
Other assets	5,554	5,554	-	0.01%
Life insurance (cash value)	166,280	166,280	-	0.18%
Corporate Bonds	49,931	44,906	5,025	0.05%
Total	\$ 93,179,013	\$ 65,482,707	\$ 27,696,306	100.00%

The Community Foundation of South Alabama and Subsidiaries
Notes to Financial Statements

Note 4: INVESTMENTS (Continued)

<i>September 30, 2020</i>	Carrying Value	Cost / Fair Value at Donation	Unrealized Gain (Loss)	Carrying Value Percentage
Mutual funds:				
Stocks	\$ 42,833,494	\$ 29,501,298	\$ 13,332,196	54.00%
Bonds	11,706,957	11,376,322	330,635	14.76%
Treasury securities	9,330,032	9,261,409	68,623	11.76%
Alternative investments - offshore investment funds	9,921,019	5,484,684	4,436,335	12.51%
Alternative investments - stocks	17,840	27,841	(10,001)	0.02%
Cash in money market accounts	2,146,122	2,146,122	-	2.71%
Common stocks	1,640,116	1,093,264	546,852	2.07%
Closely held stock	1	1	-	0.00%
Real estate	1,500,000	1,500,000	-	1.89%
Other assets	5,554	5,554	-	0.01%
Life insurance (cash value)	165,515	165,515	-	0.21%
Corporate Bonds	51,621	45,055	6,566	0.08%
Total	\$ 79,318,271	\$ 60,607,065	\$ 18,711,206	100.00%

Note 5: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

The Community Foundation of South Alabama and Subsidiaries

Notes to Financial Statements

Note 5: FAIR VALUE MEASUREMENTS (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2021 and 2020.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Alternative investments: Valued based on NAV per share or unit as a practical expedient as reported by the fund manager, multiplied by the number of shares or units held as of the measurement date.

Real estate: Valued based on independent third party appraisal.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

The Community Foundation of South Alabama and Subsidiaries
Notes to Financial Statements

Note 5: FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis are summarized for the years ended September 30, 2021 and 2020:

<i>September 30, 2021</i>	Level 1	Level 2	Level 3	Total
Mutual funds:				
Stocks	\$ 49,579,567	\$ -	\$ -	\$ 49,579,567
Bonds	14,366,060	-	-	14,366,060
Treasury securities	11,632,588	-	-	11,632,588
Cash in money market	2,812,993	-	-	2,812,993
Common stocks	1,753,194	-	-	1,753,194
Closely held stock	-	-	1	1
Real estate	-	-	1,500,000	1,500,000
Other assets	-	-	5,554	5,554
Corporate Bonds	-	49,931	-	49,931
	80,144,402	49,931	1,505,555	81,699,888
Alternative investments - offshore investment funds (A)				11,278,970
Alternative investments - stocks (A)				33,875
Total investments at fair value				\$ 93,012,733

The Community Foundation of South Alabama and Subsidiaries
Notes to Financial Statements

Note 5: FAIR VALUE MEASUREMENTS (Continued)

<i>September 30, 2020</i>	Level 1	Level 2	Level 3	Total
Mutual funds:				
Stocks	\$ 42,833,494	\$ -	\$ -	\$ 42,833,494
Bonds	11,706,957	-	-	11,706,957
Treasury securities	9,330,032	-	-	9,330,032
Cash in money market accounts	2,146,122	-	-	2,146,122
Common stocks	1,640,116	-	-	1,640,116
Closely held stock	-	-	1	1
Real estate	-	-	1,500,000	1,500,000
Other assets	-	-	5,554	5,554
Corporate Bonds	-	51,621	-	51,621
	67,656,721	51,621	1,505,555	69,213,897
Alternative investments - offshore investment funds (A)				9,921,019
Alternative investments - stocks (A)				17,840
				17,840
Total investments at fair value				\$ 79,152,756

(A) Investments that are measured at fair value using the net asset value per share and investments that are measured at cash value have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended September 30, 2021, there were no transfers between levels. For the year ended September 30, 2020, \$2,086,043 was transferred out of Level 1 and into alternative investments in a single transaction.

The Community Foundation of South Alabama and Subsidiaries Notes to Financial Statements

Note 6: PROPERTY AND EQUIPMENT

The components of property and equipment at September 30, 2021 and 2020 are as follows:

<i>September 30</i>	Estimated Useful Lives (in years)	2021	2020
Land	N/A	\$ 171,000	\$ 171,000
Buildings	39	3,469,163	-
Furniture and fixtures	5-10	230,094	91,254
Construction in progress	N/A	-	1,502,267
		3,870,257	1,764,521
Less accumulated depreciation		153,200	91,048
Property and equipment, net		\$ 3,717,057	\$ 1,673,473

Depreciation expense for the years ended September 30, 2021 and 2020 was \$62,152 and \$13,341, respectively.

Note 7: LONG-TERM DEBT

Long-term debt as September 30, 2021 and 2020 consists of the following:

<i>September 30,</i>	2021	2020
Note payable to United Bank, dated January 28, 2020, quarterly interest only payments at 4.5% through January 31, 2022, then monthly installments including interest of \$13,678 maturing January 31, 2027 secured by a continuing interest in and lien upon all property and assets of the Borrower	\$ 2,150,000	\$ 2,150,000
Note payable to United Bank, dated January 28, 2020, quarterly interest only payments at 1.04% through September 30, 2026 then quarterly installments of \$10,544, including interest maturing December 31, 2051 secured by a continuing interest in and lien upon all property and assets of the Borrower	935,550	935,550

The Community Foundation of South Alabama and Subsidiaries
Notes to Financial Statements

Note 7: LONG-TERM DEBT (Continued)

<i>September 30,</i>	2021	2020
Note payable to Regions Bank under the Paycheck Protection Program (PPP). The unforgiven portion of the PPP loan is payable over two to five years at an interest rate of 1%, with a deferral of payments generally until the Small Business Administration remits forgiven amounts to the lender.	-	72,200
Total notes payable	3,085,550	3,157,750
Less unamortized debt issuance costs	(162,896)	(186,642)
Long-term debt	\$ 2,922,654	2,971,108

Interest expense was \$149,125 and \$81,727 for the years ended September 30, 2021 and 2020, respectively. Additionally, the Foundation capitalized interest of \$18,811 and \$24,568 for the years ended September 30, 2021 and 2020, respectively.

Maturities of long-term debt subsequent to September 30, 2021 are as follows:

<i>For the years ending September 30,</i>		
2022	\$	39,232
2023		69,281
2024		72,252
2025		75,876
2026		87,523
Thereafter		2,741,386
Total	\$	3,085,550

The Community Foundation of South Alabama and Subsidiaries

Notes to Financial Statements

Note 8: NET ASSETS

A summary of net assets with donor restrictions follows:

<i>September 30,</i>	2021	2020
Pooled income	\$ 485,895	\$ 426,683
Capital campaign	-	717,329
Charitable gift annuity	52,639	855,913
Total net assets with donor restrictions	\$ 538,534	\$ 1,999,925

A summary of net assets without donor restrictions follows:

<i>September 30,</i>	2021	2020
Donor advised	\$ 29,370,017	\$ 23,908,037
Field-of-interest	3,288,239	2,801,254
Operating	1,844,037	1,694,744
Designated	20,966,898	18,678,957
Scholarship	5,849,661	5,112,371
Program	110,234	99,743
Supporting foundation	2,129,088	1,880,962
Undesignated	7,627,933	5,923,646
Total net assets without donor restrictions	\$ 71,186,107	\$ 60,099,714

Pooled income fund (time restrictions)

In 1986, the Foundation established the pooled income fund, a charitable fund in which donors receive current tax deductions for donated assets which continue to provide a life-time income to the donor. At death, ownership and control over the assets are transferred from the pooled income fund to the Foundation. The net assets of the pooled income fund are classified as temporarily restricted until the death of the donor, at which time the net assets will become unrestricted. The assets in the pooled income fund are adjusted to fair value at year-end.

Capital Campaign fund (purpose restrictions)

In 2017, the Board of Directors voted to proceed with efforts to raise funds for the construction or purchase of a new building. A fund was established with the purpose to receive external capital campaign contributions and grants and temporarily restricting these funds for the construction or purchase of the new building. The building was completed during the year ended September 30, 2021 and any remaining funds were released from restriction.

The Community Foundation of South Alabama and Subsidiaries

Notes to Financial Statements

Note 8: NET ASSETS (Continued)

Charitable gift annuity (time restrictions)

In 2001, the Foundation established the charitable gift annuity fund. A charitable gift annuity is a binding contract between the Foundation and a donor.

The contract provides that the donor will contribute property to the Foundation in exchange for an irrevocable promise by the Foundation to pay to the donor a fixed amount for a specified period of time. The payments are guaranteed by the assets of the Foundation and represent a general obligation of the Foundation.

The present value of the future charitable gift annuity payments are estimated using donor life expectancies from IRS tables. For the years ended September 30, 2021 and 2020, the estimated charitable gift annuity liability was \$33,620 and \$71,190, respectively.

The deferred annuity cost on the balance sheet was originally established as the difference between the present value of the guaranteed payments of one \$2 million dollar charitable gift annuity and the \$1 million dollar cash investment in the related insurance policies. The deferred cost is being amortized on the straight-line method over the life expectancy of the annuitants. The cost was fully amortized as of September 30, 2019.

A summary of the release of donor restrictions follows:

<i>For the year ended September 30,</i>	2021	2020
Time restrictions	\$ 887,337	\$ 26,378
Purpose restrictions	1,074,011	59,955
Total releases of net assets with donor restrictions	\$ 1,961,348	\$ 86,333

Note 9: REVENUE

Administrative fees revenue is recognized over time throughout the Foundation's fiscal year. These fees are used to cover normal operating expenses and to conduct daily activities. The Foundation adopted a new tier fee structure for funds established after January 1, 2015. Under the new fee structure, fees are assessed at the beginning of each quarter on a sliding scale based on the charitable fund's fair market value. The fee is recognized ratably over the each month of the quarter on a straight-line basis. Fees also vary by fund type, as some funds require additional management oversight. Funds established prior to January 1, 2015, are grandfathered under the previously existing tier fee structure.

The Community Foundation of South Alabama and Subsidiaries

Notes to Financial Statements

Note 9: REVENUE (Continued)

The program service revenues for net assets without donor restrictions consist of donor contributions received and income earned on investments.

Disaggregated Revenue

For the year ended September 30, 2021, approximately 6% of the revenue earned was over time consisting solely of administrative fees. The remaining 94% represented non-exchange revenues for charitable use including approximately 3% of revenue with donor restrictions. For the year ended September 30, 2020, approximately 8% of the revenue earned was over time consisting solely of administrative fees. The remaining 92% represented non-exchange revenues for charitable use including approximately 3% of revenue with donor restrictions.

Note 10: ENDOWMENT NET ASSETS

The Foundation's net assets without donor restrictions include various funds established for a variety of purposes that function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Foundation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions functioning as endowments total \$61,714,137 and \$52,481,324 as of September 30, 2021 and 2020, respectively. There are no endowment net assets with donor restrictions at September 30, 2021 or 2020.

Interpretation of relevant law

The Foundation is incorporated in the State of Alabama, which has adopted a version of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). The Foundation is governed by the *Rules for the Establishment and Operation of Funds*, as adopted by the board of directors. The Foundation has determined that the majority of the Foundation's contributions are subject to its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation.

Under the terms of the *Rules for the Establishment and Operation of Funds* and individual fund agreements, the Foundation has the ability to distribute as much of the corpus of any trust or separate gift, devise, bequest or fund as the boards of directors in their sole discretion shall determine. As a result, all contributions not classified as with donor restrictions are classified as net assets without donor restrictions for financial statement purposes. Although the Foundation retains variance power over the distributions from these funds without donor restrictions, to the extent that the donors or board of directors have recommended that certain funds function as endowment funds, the Foundation manages these funds as endowment funds (funds functioning as endowments).

The Community Foundation of South Alabama and Subsidiaries

Notes to Financial Statements

Note 10: ENDOWMENT NET ASSETS (Continued)

Endowment investment and spending policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by their funds.

The Foundation's primary long-term investment objectives are to seek competitive market returns so as to preserve and grow the capital of funds, provide cash flows to fund distributions and to preserve the purchasing power of the funds to meet charitable needs of the Foundations now and those in the future. Diversification of assets is employed to ensure that adverse results from one asset class will not have an unduly detrimental effect on total returns. Diversification is interpreted to include diversification by type, by characteristic and by number of investments, as well as by the hiring of managers that employ different management styles. The Foundation's current portfolio places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters. The current long-term return objective for endowment funds is to provide a total return, including interest, dividends and capital appreciation (realized and unrealized) of 8 percent, net of investment expenses. Actual returns in any given year will vary from this amount.

For endowment funds under the Foundation's direct oversight, annual dollars available for distribution shall be computed by multiplying the 20 month rolling average of fund balance times five percent (5 percent). Calculations are made as of the beginning of each fiscal quarter and are distributed according to the terms of the fund agreement, or if not specified, distributions are made by September of each fiscal year. Accordingly, over the long term, the Foundation expects the current spending policy to allow endowment assets to grow at an average rate of 3 percent per year. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

The Community Foundation of South Alabama and Subsidiaries Notes to Financial Statements

Note 10: ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets follow:

<i>For the years ended September 30,</i>	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Summarized
Endowment net assets -				
beginning of year	\$ 52,481,324	\$ -	\$ 52,481,324	\$ 51,886,540
Contributions	4,519,301	-	4,519,301	4,601,715
Investment income and net realized gains	3,468,686	-	3,468,686	4,609,401
Net appreciation (depreciation)	5,904,652	-	5,904,652	216,117
Amounts appropriated for expenditure	(4,659,826)	-	(4,659,826)	(8,832,449)
Endowment net assets -				
end of year	\$ 61,714,137	\$ -	\$ 61,714,137	\$ 52,481,324

Note 11: COMMITMENTS

The Foundation leases certain operating equipment under an operating lease. The lease expires in June 2026.

Minimum lease payments under noncancellable operating leases are as follows:

<i>For the years ending September 30,</i>	
2022	\$ 1,920
2023	1,920
2024	1,920
2025	1,920
2026	960
Total future minimum lease payments	\$ 8,640

Rent expense for the years ended September 30, 2021 and 2020 was \$1,389 and \$0, respectively.

The Community Foundation of South Alabama and Subsidiaries

Notes to Financial Statements

NOTE 12: CONCENTRATION OF CREDIT RISK

The Foundation maintains cash deposits with financial institutions at September 30, 2021 and 2020 in excess of federally insured limits of \$1,467,884 and \$985,121, respectively.

Most investment securities owned by the Foundation are held in safekeeping by various financial institutions and brokerage firms. These financial institutions and brokerage firms have not provided any collateral to insure the Foundation against possible losses. There are regulations (codified in the Code of Federal Regulations) that require trust assets to be held separately from corporate assets. The trust company does not assume “ownership” of the assets and cannot use those assets for corporate uses. Accordingly, if a trust company fails, trust client assets are not subject to claims of creditors.

Note 13: EMPLOYEE BENEFIT PLAN

The Foundation sponsors a 403(b)(7) plan covering all employees 21 years of age with at least one-half year of service who agree to make contributions to the Plan. The Foundation makes discretionary matching contributions for eligible employees. The contribution expense for the years ended September 30, 2021 and 2020, was \$17,058 and \$11,963, respectively.

Note 14: INTERFUND ACTIVITY

Individual fund transfers during the year were made to (a) provide contributions or grants to other funds at the donor’s request and (b) allocate grant proceeds to appropriate funds in accordance with the grant agreement.

Differences between interfund gift revenue and interfund grant expense are due to deferred (unearned) grant revenue and contributions to or from agency endowment funds that are reported as changes in liability under ASC 958, *Not-for-Profit Entities*.

Note 15: PLEDGED ASSETS

The Mobile Opera, Inc. (a donor) has a note payable to a bank dated October 11, 2017, which is secured by the Mobile Opera Endowment Fund. The loan has an annual interest rate of 4.5% and requires 60 monthly principal and interest payments of \$1,622. As of September 30, 2021 and 2020, the outstanding loan balance was \$20,540 and \$38,634, respectively. The fair market value of the Mobile Opera Endowment Fund investments was \$256,008 and \$230,070 as of September 30, 2021 and 2020, respectively.

The Community Foundation of South Alabama and Subsidiaries

Notes to Financial Statements

Note 16: NEW MARKET TAX CREDIT

The Foundation has invested in a joint venture to take advantage of New Market Tax Credit (NMTC) financing. NMTC financing allows an entity to receive loan or investment capital from outside investors, who will receive new market tax credits to be applied against their federal tax liability. On January 28, 2020, the Foundation executed, as guarantor, a loan agreement with their wholly owned subsidiary CFSA Properties IV, Inc., as borrower, two loans totaling \$3,500,000 designated for the purpose of constructing a new office building. To facilitate financing and the funding of the NMTC transaction, the Foundation made a \$2,564,450 loan, utilizing the capital campaign funds and a loan from United Bank, to a third - party investment fund. United Bancorporation of Alabama, Inc. purchased tax credits for \$1,119,000 and in conjunction with the \$2,564,450 funded the NMTC structure providing \$3,500,000 to CFSA Properties IV, Inc. At the end of the seven year compliance period, January 28, 2027, United Bancorporation of Alabama, Inc. has the right, but not the obligation, to put its interest in the third – party investment fund to the Foundation providing the Foundation with the option to forgive a \$935,550 promissory note.

Note 17: PAYCHECK PROTECTION PROGRAM

In April 2020, in response to the global pandemic, the Foundation applied for and received a \$72,200 loan through the Paycheck Protection Program under the CARES Act. The Foundation applied for forgiveness of \$72,200 of the debt and recorded the amount as a note payable (Note 7) during 2020. On March 6, 2021, the Foundation received notice that the full amount of the loan had been forgiven and recorded the amount as revenue during 2021.

Note 18: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, broad domestic and international stock market indices have declined and the Foundation's fair value of investments has declined similarly. Such declines in the fair value of investments held by the Foundation may materially and adversely impact the Foundation's ability to achieve its investment objectives and therefore, its operational objectives. In addition, the extent to which these events will affect the amounts reported in future financial statements remains uncertain.