



**The Community Foundation  
of South Alabama**

**CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2020 and 2019**

	<b>Page</b>
<b>REPORT</b>	
Independent Auditors' Report.....	1
<b>FINANCIAL STATEMENTS</b>	
Consolidated Statements of Financial Position .....	3
Consolidated Statements of Activities.....	4
Consolidated Statements of Functional Expenses.....	6
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements.....	9



# 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

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, 2020, 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.

### **Management's Responsibility 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 also 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 consolidated financial statements.

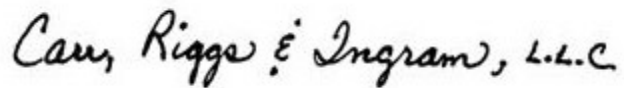
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the 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, 2020, and the changes in their consolidated net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

The consolidated financial statements of The Community Foundation of South Alabama as of September 30, 2019 were audited by other auditors whose report dated May 8, 2020, expressed an unmodified opinion on those consolidated statements.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive script.

CARR, RIGGS & INGRAM, LLC

*Mobile Alabama  
December 1, 2021*



# FINANCIAL STATEMENTS



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

<i>September 30,</i>	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,217,886	\$ 1,326,001
Investments	79,318,271	77,439,678
Accounts receivable	-	514,000
Prepaid expenses	38,104	50,527
Property and equipment, net	1,673,473	731,188
<b>Total assets</b>	<b>\$ 85,247,734</b>	<b>\$ 80,061,394</b>
<b>Liabilities</b>		
Accounts payable	\$ 46,410	\$ 36,430
Grants payable	50,475	160,908
Charitable gift annuity liability	71,190	124,411
Agency funds held	20,008,912	18,359,327
Notes payable, net of deferred financing costs	2,971,108	-
<b>Total liabilities</b>	<b>23,148,095</b>	<b>18,681,076</b>
<b>Net Assets</b>		
Without donor restrictions		
Donor advised	23,908,037	23,035,320
Field-of-interest	2,801,254	4,262,484
Operating	1,333,890	1,583,905
Designated	18,678,957	17,872,900
Scholarship	5,112,371	4,792,288
Program	99,743	98,933
Supporting foundation	1,880,962	1,824,615
Undesignated	5,923,646	5,755,555
<b>Total without donor restrictions</b>	<b>59,738,860</b>	<b>59,226,000</b>
With donor restrictions		
Pooled income	426,683	444,682
Capital campaign	1,078,183	914,692
Charitable gift annuity	855,913	794,944
<b>Total with donor restrictions</b>	<b>2,360,779</b>	<b>2,154,318</b>
<b>Total net assets</b>	<b>62,099,639</b>	<b>61,380,318</b>
<b>Total liabilities and net assets</b>	<b>\$ 85,247,734</b>	<b>\$ 80,061,394</b>

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

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

<i>Year Ended September 30, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, gains and other support</b>			
Administrative fees	\$ 888,629	\$ -	\$ 888,629
Contributions	1,968,144	52,234	2,020,378
Interfund contributions	3,065,972	156,342	3,222,314
Investment income	981,263	53,942	1,035,205
Realized investment gains	3,886,364	46,450	3,932,814
Unrealized investment (losses)	482,165	(17,091)	465,074
Other income (loss)	(259,704)	-	(259,704)
Change in liabilities under split-interest agreements	-	917	917
<b>Total revenues, gains and other support</b>	<b>11,012,833</b>	<b>292,794</b>	<b>11,305,627</b>
Net assets released from restriction	86,333	(86,333)	-
<b>Total support, revenues and releases</b>	<b>11,099,166</b>	<b>206,461</b>	<b>11,305,627</b>
<b>Expenses</b>			
Program services	9,882,080	-	9,882,080
Supporting services			
Management and general	514,870	-	514,870
Fund-raising	189,356	-	189,356
<b>Total expenses</b>	<b>10,586,306</b>	<b>-</b>	<b>10,586,306</b>
 Increase (decrease) in net assets	 512,860	 206,461	 719,321
<b>Net assets</b>			
Beginning of year	59,226,000	2,154,318	61,380,318
 End of year	 \$ 59,738,860	 \$ 2,360,779	 \$ 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 Activities (Continued)**

<i>Year Ended September 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, gains and other support</b>			
Administrative fees	\$ 891,915	\$ -	\$ 891,915
Contributions	1,183,862	604,471	1,788,333
Grants - foundations and governments	76,293	-	76,293
Interfund contributions	350,073	-	350,073
Investment income	1,200,583	73,154	1,273,737
Realized investment gains	1,705,746	-	1,705,746
Unrealized investment gains (losses)	(1,322,861)	-	(1,322,861)
Other income	54,829	-	54,829
Change in liabilities under split-interest agreements	-	11,367	11,367
<b>Total revenues, gains and other support</b>	<b>4,140,440</b>	<b>688,992</b>	<b>4,829,432</b>
Releases from restriction	64,179	(64,179)	-
<b>Total support, revenues and releases</b>	<b>4,204,619</b>	<b>624,813</b>	<b>4,829,432</b>
<b>Expenses</b>			
Program services	3,858,424	-	3,858,424
Supporting services			
Management and general	405,490	-	405,490
Fund-raising	200,646	-	200,646
<b>Total expenses</b>	<b>4,464,560</b>	<b>-</b>	<b>4,464,560</b>
Increase (decrease) in net assets	(259,941)	624,813	364,872
<b>Net assets</b>			
Beginning of year	59,485,941	1,529,505	61,015,446
End of year	\$ 59,226,000	\$ 2,154,318	\$ 61,380,318

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

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

<i>Year Ended September 30, 2020</i>	Program Services	Supporting Services			Totals
		Management and General	Fund- Raising	Total	
Administrative fees	\$ 718,162	\$ -	\$ -	\$ -	\$ 718,162
Advertising and public relations	3,449	2,500	2,673	5,173	8,622
Bank service charges, commissions, and processing fees	-	24,661	-	24,661	24,661
Computer and equipment	18,260	13,238	14,151	27,389	45,649
Conferences, dues, and subscriptions	3,096	5,661	-	5,661	8,757
Contract labor and consulting	-	950	-	950	950
Depreciation	-	13,341	-	13,341	13,341
Grant distributions	5,644,526	-	-	-	5,644,526
Income distributions	9,746	-	-	-	9,746
Insurance	-	17,765	-	17,765	17,765
Interest	30,478	51,249	-	51,249	81,727
Interfund grants	3,222,314	-	-	-	3,222,314
Meetings and special events	6,061	-	-	-	6,061
Miscellaneous	1,691	7,749	-	7,749	9,440
Office expense	2,141	13,555	1,662	15,217	17,358
Personnel	213,278	154,627	165,291	319,918	533,196
Professional fees	2,500	205,589	-	205,589	208,089
Travel	584	423	452	875	1,459
Utilities, telephone, and janitorial	2,960	2,145	2,293	4,438	7,398
Website and programming	2,834	1,417	2,834	4,251	7,085
<b>Totals</b>	<b>\$ 9,882,080</b>	<b>\$ 514,870</b>	<b>\$ 189,356</b>	<b>\$ 704,226</b>	<b>\$ 10,586,306</b>

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

**The Community Foundation of South Alabama and Subsidiaries  
Consolidated Statements of Functional Expenses (Continued)**

<i>Year Ended September 30, 2019</i>	Program Services	Supporting Services		Total	Totals
		Management and General	Fund- Raising		
Administrative fees	\$ 728,769	\$ -	\$ -	\$ -	\$ 728,769
Advertising and public relations	1,931	1,256	1,642	2,898	4,829
Annuity costs	4,191	-	-	-	4,191
Bank service charges, commissions, and processing fees	392	23,254	-	23,254	23,646
Computer and equipment	30,884	20,075	26,252	46,327	77,211
Conferences, dues, and subscriptions	3,495	6,052	-	6,052	9,547
Contract labor and consulting	24,271	-	-	-	24,271
Depreciation	653	18,235	724	18,959	19,612
Grant distributions	2,460,044	-	-	-	2,460,044
Income distributions	9,194	-	-	-	9,194
Insurance	8	16,985	9	16,994	17,002
Interfund grants	350,073	-	-	-	350,073
Meetings and special events	40,891	273	-	273	41,164
Miscellaneous	1,788	1,952	-	1,952	3,740
Office expense	4,610	2,966	3,878	6,844	11,454
Personnel	192,737	125,279	163,826	289,105	481,842
Professional fees	-	160,823	-	160,823	160,823
Repairs and maintenance	(9)	1,000	38	1,038	1,029
Travel	2,161	1,405	1,837	3,242	5,403
Utilities, telephone, and janitorial	902	25,216	1,001	26,217	27,119
Website and programming	1,439	719	1,439	2,158	3,597
<b>Totals</b>	<b>\$ 3,858,424</b>	<b>\$ 405,490</b>	<b>\$ 200,646</b>	<b>\$ 606,136</b>	<b>\$ 4,464,560</b>

*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>Year Ended September 30,</i>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 719,321	\$ 364,872
Adjustments to reconcile increase in net assets to net cash flows provided by (used in) operating activities:		
Realized and unrealized (gains) on investments, net	(4,397,888)	(382,885)
Depreciation	13,341	19,612
Annuity costs	(11,367)	(7,176)
Amortization of loan cost (interest expense)	19,646	-
Gain (loss) on disposal of property and equipment	307,518	(4,609)
Decrease (increase) in assets:		
Accounts receivable	514,000	581,534
Prepaid expenses	12,423	(29,266)
Increase (decrease) in liabilities:		
Accounts payable	9,980	14,312
Grants payable	(110,433)	(104,862)
Deferred revenue	-	(76,293)
<b>Net cash provided by (used in) operating activities</b>	<b>(2,923,459)</b>	<b>375,239</b>
<b>Cash flows from investing activities</b>		
Purchases of investments	(27,697,439)	(5,562,142)
Proceeds from sales of investments	31,709,141	5,009,710
Agency funds purchases of investments	882,009	1,233,791
Agency funds proceeds from sales of investments	(713,950)	(558,570)
Construction in progress	(1,263,188)	(239,079)
Proceeds from sale of property and equipment	530	4,651
<b>Net cash provided by (used in) investing activities</b>	<b>2,917,103</b>	<b>(111,639)</b>
<b>Cash flows from financing activities</b>		
Proceeds from notes payable	3,085,550	-
Proceeds from SBA PPP loan	72,200	-
Payments for loan origination	(206,288)	-
Payments on charitable gift annuity liabilities	(53,221)	(75,265)
<b>Net cash provided by (used in) financing activities</b>	<b>2,898,241</b>	<b>(75,265)</b>
<b>Net change in cash and cash equivalents</b>	<b>2,891,885</b>	<b>188,335</b>
Cash and cash equivalents beginning of year	1,326,001	1,137,666
<b>Cash and cash equivalents end of year</b>	<b>\$ 4,217,886</b>	<b>\$ 1,326,001</b>

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

## **The Community Foundation of South Alabama and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **Note 1: GENERAL PURPOSE AND ACTIVITIES**

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.”

#### **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 subsidiaries. All significant intercompany accounts and transactions have been eliminated.

##### ***Use of estimates***

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities 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. Accordingly, actual results could differ from those estimates.

##### ***Cash and cash equivalents***

The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Foundation considers amounts in its operating and petty cash accounts to be cash.

## **The Community Foundation of South Alabama and Subsidiaries**

### **Notes to Consolidated Financial Statements (Continued)**

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***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. 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.

##### ***Accounts receivable***

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the collectability of the obligation.

##### ***Promises to give***

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional promises to give expected to be collected in future years are initially reported at fair market value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using level-yield method and is reported as contribution income.

The Foundation provides an allowance for uncollectible contributions receivable, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Contributions are due as indicated by the donor in the pledge agreement. Contributions receivable are considered delinquent and reserved for or written off based on the individual credit evaluation and specific circumstances of the pledge.

##### ***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 Consolidated Financial Statements (Continued)

### 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 7.

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 Consolidated Financial Statements (Continued)**

#### **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. There are no performance obligation liabilities as of September 30, 2020.

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 \$12,000 and \$4,000 for the years ended September 30, 2020 and 2019.

##### ***Functional expense allocations***

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 Consolidated Financial Statements (Continued)**

### **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.

#### ***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 \$8,622 and \$4,829 for the years ended September 30, 2020 and 2019, 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 2020 or 2019.

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, 2020 and 2019, the Foundation has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

#### ***Reclassifications***

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

#### ***Subsequent events***

Management's evaluation of subsequent events through December 1, 2021, which is the date the consolidated financial statements were available to be issued revealed no significant matters to be recorded or disclosed except as detailed in Note 14.

## The Community Foundation of South Alabama and Subsidiaries Notes to Consolidated Financial Statements (Continued)

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Recent Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry specific guidance.

Effective October 1, 2019, the Foundation adopted ASC 606, using the modified retrospective method. This method allows the standard to be adopted retrospectively through a cumulative adjustment to retained earnings recognized upon adoption. Therefore, the 2019 consolidated financial statements have not been restated and continue to be reported under the accounting standards in effect for that year. No cumulative adjustment was necessary as a result of adoption of ASC 606.

### 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>	<b>2020</b>	2019
Toal assets at year end	<b>\$ 85,247,734</b>	\$ 80,061,394
Less non-financial assets		
Prepaid expenses	<b>(38,104)</b>	(50,527)
Property and equipment, net	<b>(1,673,473)</b>	(731,188)
Financial assets at year end	<b>83,536,157</b>	79,279,679
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	<b>(2,360,779)</b>	(2,154,318)
Board designations:		
Agency funds held	<b>(20,008,912)</b>	(18,359,327)
Funds held for charitable use	<b>(58,404,970)</b>	(57,642,095)
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 2,761,496</b>	\$ 1,123,939

**The Community Foundation of South Alabama and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 4: INVESTMENTS**

Investments consist of the following:

<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	0.06%
<b>Totals</b>	<b>\$ 79,318,271</b>	<b>\$ 60,607,065</b>	<b>\$ 18,711,206</b>	<b>100.00%</b>

**The Community Foundation of South Alabama and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 4: INVESTMENTS (Continued)**

<i>September 30, 2019</i>	Carrying Value	Cost / Fair Value at Donation	Unrealized Gain (Loss)	Carrying Value Percentage
Mutual funds:				
Stocks	\$ 40,105,236	\$ 25,148,747	\$ 14,956,489	51.79%
Bonds	13,606,056	13,481,456	124,600	17.57%
Treasury securities	10,756,947	10,772,711	(15,764)	13.89%
Alternative investments - offshore investment funds	7,136,607	3,818,641	3,317,966	9.22%
Alternative investments - stocks	47,987	48,186	(199)	0.06%
Cash in money market accounts	2,708,142	2,708,142	-	3.50%
Common stocks	1,358,699	1,065,476	293,223	1.75%
Closely held stock	1	1	-	0.00%
Real estate	1,500,000	1,500,000	-	1.94%
Other assets	5,554	5,554	-	0.01%
Life insurance (cash value)	163,554	163,554	-	0.21%
Corporate Bonds	50,895	45,628	5,267	0.08%
<b>Totals</b>	<b>\$ 77,439,678</b>	<b>\$ 58,758,096</b>	<b>\$ 18,681,582</b>	<b>100.00%</b>

***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.

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.

## The Community Foundation of South Alabama and Subsidiaries Notes to Consolidated Financial Statements (Continued)

### Note 4: INVESTMENTS (Continued)

*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 December 31, 2020 and 2019.

*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.

*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.

*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.

*Life insurance:* Valued based on cash values provided at regular intervals by the applicable insurance company.

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 Consolidated Financial Statements (Continued)**

**Note 4: INVESTMENTS (Continued)**

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at September 30, 2020, were as follows:

<i>September 30, 2020</i>	Fair Value	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Stocks	\$ 42,833,494	\$ 42,833,494	\$ -	\$ -
Bonds	11,706,957	11,706,957	-	-
Treasury securities	9,330,032	9,330,032	-	-
Alternative investments - offshore investment funds	9,921,019	-	9,921,019	-
Alternative investments - stocks	17,840	-	17,840	-
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
Life insurance (cash value)	165,515	-	-	165,515
Corporate Bonds	51,621	-	51,621	-
<b>Totals</b>	<b>\$ 79,318,271</b>	<b>\$ 67,656,721</b>	<b>\$ 9,990,480</b>	<b>\$ 1,671,070</b>

**The Community Foundation of South Alabama and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 4: INVESTMENTS (Continued)**

<i>September 30, 2019</i>	Fair Value	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Stocks	\$ 40,105,236	\$ 40,105,236	\$ -	\$ -
Bonds	13,606,056	13,606,056	-	-
Treasury securities	10,756,947	10,756,947	-	-
Alternative investments - offshore investment funds	7,136,607	-	7,136,607	-
Alternative investments - stocks	47,987	-	47,987	-
Cash in money market accounts	2,708,142	2,708,142	-	-
Common stocks	1,358,699	1,358,699	-	-
Closely held stock	1	-	-	1
Real estate	1,500,000	-	-	1,500,000
Other assets	5,554	-	-	5,554
Life insurance (cash value)	163,554	-	-	163,554
Corporate Bonds	50,895	-	50,895	-
<b>Totals</b>	<b>\$ 77,439,678</b>	<b>\$ 68,535,080</b>	<b>\$ 7,235,489</b>	<b>\$ 1,669,109</b>

***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, 2020, \$2,086,043 was transferred out of Level 1 into Level 2 in a single transaction. There were no transfers in or out of Level 3.

**The Community Foundation of South Alabama and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 5: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

<i>September 30</i>	Estimated Useful Lives (in years)	<b>2020</b>	2019
Land	N/A	\$ 171,000	\$ 171,000
Buildings	39	-	249,000
Improvements	15-39	-	256,183
Furniture and fixtures	5-10	91,254	129,959
Construction in progress	N/A	1,502,267	239,079
		<b>1,764,521</b>	1,045,221
Less accumulated depreciation		<b>91,048</b>	314,033
<b>Property and equipment, net</b>		<b>\$ 1,673,473</b>	<b>\$ 731,188</b>

Depreciation expense for the years ended September 30, 2020 and 2019 was \$13,341 and \$19,612, respectively.

**Note 6: LONG-TERM DEBT**

<i>September 30,</i>	<b>2020</b>	2019
Note payable to United Bank, dated January 28, 2020, interest only at 4.5% through January 31, 2022 then monthly installments including interest of \$13,678 maturing January 31, 2027	\$ 2,150,000	\$ -
Note payable to United Bank, dated January 28, 2020, interest only at 1.04% through September 30, 2026 then quarterly installments of \$10,544, including interest maturing December 31, 2051	935,550	-



**The Community Foundation of South Alabama and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 6: LONG-TERM DEBT (Continued)**

<i>September 30,</i>	<b>2020</b>	2019
<p>Note payable to Regions Bank under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after the earlier of the covered period (eight or twenty-four weeks) or December 31, 2020 as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the defined period. 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.</p>	<b>72,200</b>	-
Total notes payable	<b>3,157,750</b>	-
<p>Less deferred financing costs, net of amortization of \$6,478</p>	<b>186,642</b>	-
Notes payable, net	<b>\$ 2,971,108</b>	\$ -

*Year ending September 30,*

2021	\$ 72,200
2022	39,232
2023	69,281
2024	72,252
2025	75,876
Thereafter	2,828,909
Total	\$ 3,157,750

## **The Community Foundation of South Alabama and Subsidiaries**

### **Notes to Consolidated Financial Statements (Continued)**

#### **Note 7: NET ASSETS WITH DONOR RESTRICTIONS**

##### ***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 (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 for the new building. These funds are temporarily restricted for the construction of the new building and related expenses. Additionally, the Board may designate additional unrestricted assets as needed for the project. As of September 30, 2020 and 2019, the temporarily restricted assets for this fund was \$1,078,183 and \$914,692 respectively.

##### ***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, 2020 and 2019, the estimated charitable gift annuity liability was \$71,191 and \$124,411, 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. Amortization expense was \$4,191 for the year ended September 30, 2019.

## **The Community Foundation of South Alabama and Subsidiaries**

### **Notes to Consolidated Financial Statements (Continued)**

#### **Note 8: 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 program service revenues for net assets without donor restrictions consist of donor contributions received and income earned on investments.

#### ***Disaggregated Revenue***

Administrative fee represent approximately 8% of the revenue earned. The remaining 92% represented program service revenues including approximately 3% of revenue with donor restrictions.

#### **Note 9: 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 Foundations to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### ***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.

## The Community Foundation of South Alabama and Subsidiaries

### Notes to Consolidated Financial Statements (Continued)

#### **Note 9: ENDOWMENT NET ASSETS (Continued)**

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).

#### ***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.

#### **Note 10: OPERATING LEASES**

The Foundation leased a copy machine under an operating lease which expired in August 2019. Rental expense under this lease was \$0 and \$3,434 for the years ended September 30, 2020 and 2019, respectively

## The Community Foundation of South Alabama and Subsidiaries Notes to Consolidated Financial Statements (Continued)

### **NOTE 11: CONCENTRATION OF CREDIT RISK**

The Foundation maintains balances in deposit accounts which, at times, may exceed federally insured limits. At September 30, 2020, the balance in the Foundation's bank accounts, as reflected by the bank, exceeded the federal insurance limits by \$985,121.

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 12: 403(b)(7) PLAN**

The Foundation has adopted a 403(b)(7) plan for employees 21 years of age or older having one-half year of service. The Foundation makes discretionary matching contributions for eligible employees. The contribution expense for the years ended September 30, 2020 and 2019, was \$11,963 and \$12,200, respectively.

### **Note 13: 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 14: 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, 2020 and 2019, the outstanding loan balance was \$38,634 and \$55,933, respectively. The fair market value of the Mobile Opera Endowment Fund investments was \$230,070 and \$222,300 as of September 30, 2020 and 2019, respectively.

## **The Community Foundation of South Alabama and Subsidiaries**

### **Notes to Consolidated Financial Statements (Continued)**

#### **Note 15: 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 16: 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.

#### **Note 17: 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. The Foundation's value of investments has not been materially affected. However, market conditions remain susceptible, and the extent to which these events will affect the amounts reported in future financial statements remains uncertain.