

SOUTHERN PARTNERS FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

With Independent Auditor's Report Thereon



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Southern Partners Fund

We have audited the accompanying financial statements of Southern Partners Fund (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Southern Partners Fund, as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read "FULTON KOZAK".

Morrow, Georgia
July 10, 2017

SOUTHERN PARTNERS FUND
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS		
	2016	2015
CURRENT ASSETS		
Cash	\$ 594,800	\$ 499,396
Cash – donor advised	11,592	12,669
Marketable securities	1,406,104	1,651,880
Contributions receivable	5,008	-
Pledges receivable	67,833	127,901
Prepays	<u>2,070</u>	<u>2,010</u>
TOTAL CURRENT ASSETS	2,087,407	2,293,856
MARKETABLE SECURITIES – ENDOWMENT	6,229,341	6,229,341
PLEDGES RECEIVABLE – LONG-TERM	54,777	-
FIXED ASSETS		
Furniture and equipment	92,661	92,067
Accumulated depreciation	<u>(85,868)</u>	<u>(82,133)</u>
TOTAL FIXED ASSETS	6,793	9,934
OTHER ASSETS		
Security deposit	<u>2,071</u>	<u>2,071</u>
TOTAL ASSETS	<u>\$ 8,380,389</u>	<u>\$ 8,535,202</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 15,447	\$ 3,401
Grants payable	7,500	1,500
Vacation payable	7,283	11,315
Accrued expenses	<u>326</u>	<u>326</u>
TOTAL CURRENT LIABILITIES	30,556	16,542
TOTAL LIABILITIES	<u>30,556</u>	<u>16,542</u>
NET ASSETS		
Unrestricted - Undesignated	550,000	517,561
Unrestricted - Board designated	1,407,502	1,106,234
Temporarily restricted	162,990	665,524
Permanently restricted	<u>6,229,341</u>	<u>6,229,341</u>
TOTAL NET ASSETS	<u>8,349,833</u>	<u>8,518,660</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,380,389</u>	<u>\$ 8,535,202</u>

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

SOUTHERN PARTNERS FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES:				
Realized and unrealized losses	\$ 500,071	\$ -	\$ -	\$ 500,071
Interest and dividends	232,520	-	-	232,520
Contributions and grants	<u>181,474</u>	<u>143,030</u>	<u>-</u>	<u>324,504</u>
 Total support and revenues and gains before transfers	 914,065	 143,030	 -	 1,057,095
 Net assets released from restrictions due to satisfaction of donor-imposed restrictions	 <u>645,564</u>	 <u>(645,564)</u>	 <u>-</u>	 <u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>1,559,629</u>	 <u>(502,534)</u>	 <u>-</u>	 <u>1,057,095</u>
EXPENSES				
Program services	999,228	-	-	999,228
Management and general expenses	77,050	-	-	77,050
Fundraising expenses	<u>149,644</u>	<u>-</u>	<u>-</u>	<u>149,644</u>
 TOTAL EXPENSES	 <u>1,225,922</u>	 <u>-</u>	 <u>-</u>	 <u>1,225,922</u>
 CHANGES IN NET ASSETS	 333,707	 (502,534)	 -	 (168,827)
NET ASSETS:				
AT BEGINNING OF YEAR	<u>1,623,795</u>	<u>665,524</u>	<u>6,229,341</u>	<u>8,518,660</u>
 AT END OF YEAR	 <u>\$ 1,957,502</u>	 <u>\$ 162,990</u>	 <u>\$ 6,229,341</u>	 <u>\$ 8,349,833</u>

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

SOUTHERN PARTNERS FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES:				
Interest and dividends	\$ 466,062	\$ -	\$ -	\$ 466,062
Contributions and grants	185,050	55,000	-	240,050
Realized and unrealized losses	<u>(648,585)</u>	<u>-</u>	<u>-</u>	<u>(648,585)</u>
 Total support and revenues and gains before transfers	 2,527	 55,000	 -	 57,527
 Net assets released from restrictions due to satisfaction of donor-imposed restrictions	 <u>98,000</u>	 <u>(98,000)</u>	 <u>-</u>	 <u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>100,527</u>	 <u>(43,000)</u>	 <u>-</u>	 <u>57,527</u>
EXPENSES				
Program services	971,669	-	-	971,669
Management and general expenses	82,447	-	-	82,447
Fundraising expenses	<u>143,870</u>	<u>-</u>	<u>-</u>	<u>143,870</u>
 TOTAL EXPENSES	 <u>1,197,986</u>	 <u>-</u>	 <u>-</u>	 <u>1,197,986</u>
 CHANGES IN NET ASSETS	 (1,097,459)	 (43,000)	 -	 (1,140,459)
NET ASSETS:				
AT BEGINNING OF YEAR	<u>2,721,254</u>	<u>708,524</u>	<u>6,229,341</u>	<u>9,659,119</u>
 AT END OF YEAR	 <u>\$ 1,623,795</u>	 <u>\$ 665,524</u>	 <u>\$ 6,229,341</u>	 <u>\$ 8,518,660</u>

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

SOUTHERN PARTNERS FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grantmaking	\$ 422,088	\$ -	\$ -	\$ 422,088
Personnel	94,080	63,469	149,644	307,193
Program development	256,944	-	-	256,944
Office	72,002	8,000	-	80,002
Conferences	53,648	-	-	53,648
Other	46,490	5,166	-	51,656
Board and committee development	49,016	-	-	49,016
Professional development	3,738	415	-	4,153
Leadership development	<u>1,222</u>	<u>-</u>	<u>-</u>	<u>1,222</u>
 TOTAL EXPENSES	 <u>\$ 999,228</u>	 <u>\$ 77,050</u>	 <u>\$ 149,644</u>	 <u>\$ 1,225,922</u>

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

SOUTHERN PARTNERS FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grantmaking	\$ 380,302	\$ -	\$ -	\$ 380,302
Personnel	90,927	66,161	143,870	300,958
Program development	273,773	-	-	273,773
Office	91,897	10,211	-	102,108
Conferences	41,017	-	-	41,017
Other	50,472	5,608	-	56,080
Board and committee development	36,859	-	-	36,859
Professional development	4,193	467	-	4,660
Leadership development	<u>2,229</u>	<u>-</u>	<u>-</u>	<u>2,229</u>
 TOTAL EXPENSES	 <u>\$ 971,669</u>	 <u>\$ 82,447</u>	 <u>\$ 143,870</u>	 <u>\$ 1,197,986</u>

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

SOUTHERN PARTNERS FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (168,827)	\$ (1,140,459)
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Depreciation and amortization	3,735	4,471
Unrealized (gain) loss on marketable securities	(380,960)	828,515
Loss on disposal of fixed assets	-	247
(Increase)/decrease in operating assets		
Contributions receivable	(5,008)	181,900
Pledges receivable	60,068	-
Prepays	(60)	3,443
Pledges receivable – long-term	(54,777)	-
Other assets	-	850
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	12,046	(3,249)
Grants payable	6,000	(180,500)
Vacation payable	<u>(4,032)</u>	<u>2,777</u>
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(531,815)	(302,005)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments, net	859,000	381,025
Interest and dividends, reinvested	(232,264)	(465,747)
Property and equipment purchases	<u>(594)</u>	<u>(4,402)</u>
NET CASH FLOW PROVIDED BY (USED IN) INVESTING ACTIVITIES	626,142	(89,124)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	94,327	(391,129)
CASH AT THE BEGINNING OF THE YEARS	<u>512,065</u>	<u>903,194</u>
CASH AT THE END OF THE YEARS	<u>\$ 606,392</u>	<u>\$ 512,065</u>

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

SOUTHERN PARTNERS FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. ORGANIZATION

Southern Partners Fund (“Organization”) was incorporated as a not-for-profit Georgia corporation in August 1998. The Organization provides financial resources, technical assistance and training, and access to systems of information to southern communities and organizations seeking social, economic, and environmental justice.

The Organization’s net assets and its revenue, support and expenses are classified based on the existence or absence of donor-imposed restrictions into three classes: unrestricted, temporarily restricted and permanently restricted net assets. The Organization is funded by private donations from individuals, corporations, and foundations.

These financial statement are presented in accordance with accounting principles generally accepted in the United States of America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The Organization's net assets and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization therein are classified as unrestricted, temporarily restricted, and permanently restricted as follows:

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

Board designated net assets – Net assets subject to board-imposed restrictions.

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

Permanently restricted net assets – Net assets designated by donors for a general purpose endowment. The investment is to be held indefinitely and the income is to be used for unrestricted purposes, at the board’s discretion.

SOUTHERN PARTNERS FUND
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are reported.

Estimates

Management of Southern Partners Fund makes estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with GAAP. Actual results could differ from these estimates.

Cash and cash equivalents

Southern Partners Fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents. For the years ended December 31, 2016 and 2015, Southern Partners Fund had no cash equivalents.

Property and equipment

Fixed assets are stated on the basis of cost. Depreciation is computed over the estimated useful lives (3-7 years) of the assets using the double-declining method. Acquisition of furniture and equipment or repairs, maintenance or betterments that materially prolong useful lives of assets are capitalized. The client uses a threshold of \$500 to capitalize fixed assets. Depreciation expense for the years ended December 31, 2016 and 2015 was \$3,735 and \$4,471, respectively.

The Organization reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give

All unconditional promises to give are considered to be available for unrestricted use unless specifically restricted by the donor. Promises to give with payment dates in future periods, promises to give restricted by the donor for specific purposes, or amounts received that are designated for future periods are reported as temporarily restricted net support that increases that net asset class.

Unconditional promises to give are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenues. A discount rate of 3% was used for discounting long-term pledges receivable to give balances as of December 31, 2016 and 2015. The amount of discount associated with long-term pledges receivables was \$1,390 and \$-, respectively

SOUTHERN PARTNERS FUND
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated services

Many individuals volunteer time and perform a variety of tasks that assist the Organization with various administrative and program functions. No amounts have been recorded in the financial statements to reflect these volunteers since the amounts do not meet the criteria for recognition.

Functional allocation of expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Indirect expenses have been allocated based primarily on salary expenditures.

Income taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is only subject to federal or state income taxes on specific types of income from activities that are unrelated to its exempt purpose. The Organization had no income from unrelated activities and has no income taxes due as of December 31, 2016 and 2015.

The Organization's application of ASC 740 regarding uncertain tax positions had no effect on its financial position as management believes the Organization has no material unrecognized income tax benefits, including any potential risk of loss of its not-for-profit tax status. The Organization would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as income tax expense. The Organization is no longer subject to examination by federal, state or local tax authorities for periods before 2013.

Reclassifications

Certain reclassifications have been made in the prior year's financial statements to conform to current year's presentation.

3. FAIR VALUE MEASUREMENTS

The Organization has adopted the provisions of FASB Codification 820-10, Fair Value Measurements, for financial assets and liabilities. Under FASB Codification 820-10, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, FASB Codification 820-10 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Unobservable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Inputs are unobservable inputs for the asset that are supported by little or no market activity and that are significant to the fair value of the underlying asset.

SOUTHERN PARTNERS FUND
NOTES TO FINANCIAL STATEMENTS – Continued

3. SUMMARY OF FAIR VALUE MEASUREMENTS (Continued)

The following table summarized the Organization’s financial instruments measured at fair value on a recurring basis in accordance with FASB Codification 820-10 as of December 31, 2016:

	Total	Level 1	Level 2	Level 3
Equity funds	\$ 4,074,288	\$ 4,074,288	\$ -	\$ -
Equities	2,424,163	2,424,163	-	-
Bond funds	569,233	569,233	-	-
Fixed income	<u>567,761</u>	<u>567,761</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,635,445</u>	<u>\$ 7,635,445</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarized the Organization’s financial instruments measured at fair value on a recurring basis in accordance with FASB Codification 820-10 as of December 31, 2015:

	Total	Level 1	Level 2	Level 3
Equity funds	\$ 4,119,760	\$ 4,119,760	\$ -	\$ -
Equities	2,450,988	2,450,988	-	-
Bond funds	663,395	663,395	-	-
Fixed income	<u>647,078</u>	<u>647,078</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,881,221</u>	<u>\$ 7,881,221</u>	<u>\$ -</u>	<u>\$ -</u>

4. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are subject to donor-imposed stipulations that may be met either by actions of the Organization or the passage of time. At December 31, 2016 and 2015, temporarily restricted net assets consisted of:

	2016	2015
W.K. Kellogg Foundation Grant - Catalyst	\$ 122,610	\$ 98,000
Disaster Relief	16,453	16,453
Meyer DAF	8,366	35,946
Common Stream	5,000	32,500
Young Leaders for Social Change	4,850	4,850
Wilburn-Sapp DAF	4,711	5,711
Highlander – Digital Storytelling	1,000	1,000
W.K. Kellogg Foundation Grant	<u>-</u>	<u>471,064</u>
	<u>\$ 162,990</u>	<u>\$ 665,524</u>

SOUTHERN PARTNERS FUND
NOTES TO FINANCIAL STATEMENTS – Continued

5. BOARD DESIGNATED NET ASSETS

Board designated net assets are net assets subject to board-imposed restrictions. At December 31, 2016 and 2015, the Organization’s board designated all of the unrestricted net assets to be used to help grow the general purpose endowment, except for \$550,000 and \$500,000, respectively, to be used for operations. The designated amounts are reflected as unrestricted-board designated net assets on the statement of financial position.

6. ENDOWMENT FUND

The Organization’s endowment fund has been setup with donor-imposed restrictions and the funds are considered to be permanently restricted. The investment is to be held indefinitely, and the income generated by the investment is to be used for unrestricted purposes, at the board’s discretion. The endowment’s corpus grows via contributions designated for the endowment by donors. The long-term asset allocation ranges are as follows:

A. Fixed Income and Cash Securities - 15% to 40% with a goal of 25%

B. Equities - 60% to 85% with a goal of 75%

Equity Allocation

Domestic Equities = 50% to 90%

Large Cap = 10% to 30%

Small Cap = 10% to 30%

International Equities = 10% to 30%

Developed Markets = 10% to 30%

Emerging Markets = 0% to 15%

The following is a reconciliation of the endowment funds for the years ended December 31, 2016 and 2015:

Endowment Fund December 31, 2014	\$ 6,229,341
Contributions/withdrawals	_____ -
Endowment Fund December 31, 2015	6,229,341
Contributions/withdrawals	_____ -
Endowment Fund December 31, 2016	<u>\$ 6,229,341</u>

Management fees paid for investment management services were \$51,126 and \$56,080 in 2016 and 2015, respectively.

SOUTHERN PARTNERS FUND
NOTES TO FINANCIAL STATEMENTS – Continued

7. CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash deposits in two banks, which throughout the year exceeds federally insured deposit limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

8. COMMITMENTS

The Organization entered into a lease during 2010 for office space. This lease expired May 2015. The Organization signed a 2-year lease for different office space beginning on June 2015 in College Park, Georgia. Rent expense incurred for December 31, 2016 and 2015 was \$24,681 and \$30,299, respectively.

The Organization's current copier lease with minimum monthly payments of \$181 is ending May 31, 2017. The Organization entered into an operating lease for a copier in January 2017. The new lease has a minimum monthly payment of \$171 that is required through January 31, 2022. Rent expenses incurred under this lease for December 31, 2016 and 2015 were \$2,401 and \$2,708, respectively.

Following are the future minimum lease payments under these operating leases:

<u>Year</u>	<u>Office</u>	<u>Copier</u>
2017	\$ 12,943	\$ 2,046
2018	-	2,046
2019	-	2,046
2020	-	2,046
2021	-	2,046
	<u>\$ 12,943</u>	<u>\$ 10,230</u>

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 10, 2017, which is the date the financial statements were available to be issued.