

SOUTHERN PARTNERS FUND, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

With Independent Auditor's Report Thereon

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Southern Partners Fund, Inc.

We have audited the accompanying financial statements of Southern Partners Fund, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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

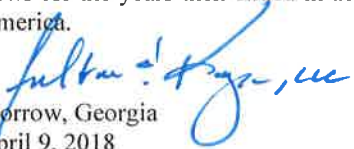
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Southern Partners Fund, Inc., as of December 31, 2017 and 2016, 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.


Morrow, Georgia
April 9, 2018

SOUTHERN PARTNERS FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	ASSETS	
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 955,075	\$ 594,800
Cash – donor advised	11,604	11,592
Marketable securities	1,968,518	1,406,104
Contributions receivable	272	5,008
Pledges receivable	293,309	67,833
Prepaid expenses	<u>2,495</u>	<u>2,070</u>
TOTAL CURRENT ASSETS	3,231,273	2,087,407
 MARKETABLE SECURITIES – ENDOWMENT	 6,229,341	 6,229,341
 PLEDGES RECEIVABLE – LONG-TERM, NET	 131,264	 54,777
 FIXED ASSETS		
Furniture and equipment	97,267	92,661
Accumulated depreciation	<u>(90,012)</u>	<u>(85,868)</u>
TOTAL FIXED ASSETS	7,255	6,793
 OTHER ASSETS		
Security deposit	<u>2,071</u>	<u>2,071</u>
 TOTAL ASSETS	 \$ <u>9,601,204</u>	 \$ <u>8,380,389</u>
 LIABILITIES AND NET ASSETS		
 CURRENT LIABILITIES		
Accounts payable	\$ 10,669	\$ 15,447
Grants payable	-	7,500
Vacation payable	9,692	7,283
Accrued expenses	<u>-</u>	<u>326</u>
TOTAL CURRENT LIABILITIES	<u>20,361</u>	<u>30,556</u>
 TOTAL LIABILITIES	 <u>20,361</u>	 <u>30,556</u>
 NET ASSETS		
Unrestricted - Undesignated	914,082	550,000
Unrestricted - Board designated	1,817,033	1,407,502
Temporarily restricted	620,387	162,990
Permanently restricted	<u>6,229,341</u>	<u>6,229,341</u>
TOTAL NET ASSETS	<u>9,580,843</u>	<u>8,349,833</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>9,601,204</u>	 \$ <u>8,380,389</u>

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

SOUTHERN PARTNERS FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Contributions and grants	\$ 524,715	\$ 547,689	\$ -	\$ 1,072,404
Realized and unrealized losses	1,069,352	-	-	1,069,352
Interest and dividends	<u>265,997</u>	<u>-</u>	<u>-</u>	<u>265,997</u>
 Total support and revenues and gains before transfers	 1,860,064	 547,689	 -	 2,407,753
 Net assets released from restrictions due to satisfaction of donor-imposed restrictions	 <u>90,292</u>	 <u>(90,292)</u>	 <u>-</u>	 <u>-</u>
TOTAL SUPPORT AND REVENUES	<u>1,950,356</u>	<u>457,397</u>	<u>-</u>	<u>2,407,753</u>
EXPENSES				
Program services	948,375	-	-	948,375
Management and general expenses	116,656	-	-	116,656
Fundraising expenses	<u>111,712</u>	<u>-</u>	<u>-</u>	<u>111,712</u>
TOTAL EXPENSES	<u>1,176,743</u>	<u>-</u>	<u>-</u>	<u>1,176,743</u>
CHANGES IN NET ASSETS	773,613	457,397	-	1,231,010
NET ASSETS:				
AT BEGINNING OF YEAR	<u>1,957,502</u>	<u>162,990</u>	<u>6,229,341</u>	<u>8,349,833</u>
AT END OF YEAR	<u>\$ 2,731,115</u>	<u>\$ 620,387</u>	<u>\$ 6,229,341</u>	<u>\$ 9,580,843</u>

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

SOUTHERN PARTNERS FUND, INC.
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				
Contributions and grants	\$ 181,474	\$ 143,030	\$ -	\$ 324,504
Realized and unrealized losses	500,071	-	-	500,071
Interest and dividends	<u>232,520</u>	<u>-</u>	<u>-</u>	<u>232,520</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 REVENUES	<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, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program activities</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Grantmaking	\$ 538,418	\$ -	\$ -	\$ 538,418
Personnel	99,056	99,712	111,712	310,480
Office	103,995	11,555	-	115,550
Program development	90,681	-	-	90,681
Board and committee development	53,572	-	-	53,572
Other	46,502	5,167	-	51,669
Leadership development	10,850	-	-	10,850
Conferences	3,305	-	-	3,305
Professional development	<u>1,996</u>	<u>222</u>	<u>-</u>	<u>2,218</u>
TOTAL EXPENSES	<u>\$ 948,375</u>	<u>\$ 116,656</u>	<u>\$ 111,712</u>	<u>\$ 1,176,743</u>

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

SOUTHERN PARTNERS FUND, INC.
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
Office	72,002	8,000	-	80,002
Program development	256,944	-	-	256,944
Board and committee development	49,016	-	-	49,016
Other	46,490	5,166	-	51,656
Leadership development	1,222	-	-	1,222
Conferences	53,648	-	-	53,648
Professional development	<u>3,738</u>	<u>415</u>	<u>-</u>	<u>4,153</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, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,231,010	\$ (168,827)
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	4,844	3,735
Unrealized gain on marketable securities	(644,254)	(380,960)
Decrease/(increase) in operating assets		
Contributions receivable	4,736	(5,008)
Pledges receivable	(225,476)	60,068
Prepaid expenses	(425)	(60)
Pledges receivable – long-term	(76,487)	(54,777)
(Decrease)/increase in operating liabilities:		
Accounts payable	(4,778)	12,046
Grants payable	(7,500)	6,000
Vacation payable	2,409	(4,032)
Accrued expenses	<u>(326)</u>	<u>-</u>
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	283,753	(531,815)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments, net	347,615	859,000
Interest and dividends, reinvested	(265,775)	(232,264)
Property and equipment purchases	<u>(5,306)</u>	<u>(594)</u>
NET CASH FLOW PROVIDED BY INVESTING ACTIVITIES	76,534	626,142
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	360,287	94,327
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEARS	<u>606,392</u>	<u>512,065</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEARS	<u>\$ 966,679</u>	<u>\$ 606,392</u>

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

SOUTHERN PARTNERS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. ORGANIZATION

Southern Partners Fund, Inc. (“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.

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 – Unrestricted 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.

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

SOUTHERN PARTNERS FUND, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, Inc. 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, Inc. 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.

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, 2017 and 2016 was \$4,844 and \$3,735, respectively.

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, 2017 and 2016. The amount of discount associated with long-term pledges receivable was \$2,927 and \$1,390, respectively.

SOUTHERN PARTNERS FUND, INC.
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, 2017 and 2016.

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 2014.

Reclassifications

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

Subsequent events

Subsequent events have been evaluated through April 9, 2018, which is the date the financial statements were available to be issued.

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

SOUTHERN PARTNERS FUND, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

3. FAIR VALUE MEASUREMENTS (Continued)

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.

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, 2017:

	Total	Level 1	Level 2	Level 3
Equity funds	\$ 4,521,334	\$ 4,521,334	\$ -	\$ -
Equities	2,436,950	2,436,950	-	-
Bond funds	620,265	620,265	-	-
Fixed income	<u>619,310</u>	<u>619,310</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,197,859</u>	<u>\$ 8,197,859</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, 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>

SOUTHERN PARTNERS FUND, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

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, 2017 and 2016, temporarily restricted net assets consisted of:

	2017	2016
New Visions	\$ 237,073	\$ -
Disaster Relief	164,853	16,453
Kendeda Fund	100,000	-
W.K. Kellogg Foundation Grant - Catalyst	64,384	122,610
Mary Reynolds Babcock	37,500	-
Meyer DAF	10,866	8,366
Wilburn-Sapp DAF	4,711	4,711
Highlander – Digital Storytelling	1,000	1,000
Common Stream	-	5,000
Young Leaders for Social Change	<u>-</u>	<u>4,850</u>
	<u>\$ 620,387</u>	<u>\$ 162,990</u>

5. BOARD DESIGNATED NET ASSETS

Board designated net assets are unrestricted net assets subject to board-imposed restrictions. At December 31, 2017 and 2016, the Organization’s board designated all of the unrestricted net assets to be used to help grow the general purpose endowment, except for \$914,082 and \$550,000, 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%

SOUTHERN PARTNERS FUND, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

6. ENDOWMENT FUND (Continued)

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, 2017 and 2016:

Endowment Fund December 31, 2015	\$ 6,229,341
Contributions/withdrawals	<u> -</u>
Endowment Fund December 31, 2016	6,229,341
Contributions/withdrawals	<u> -</u>
Endowment Fund December 31, 2017	<u>\$ 6,229,341</u>

Management fees paid for investment management services were \$51,669 and \$51,126 in 2017 and 2016, respectively.

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 signed a 2-year lease for office space beginning on June 2015 in College Park, Georgia. The lease was extended for an additional year to end June 2018. Rent expense incurred for December 31, 2017 and 2016 was \$30,936 and \$24,681, respectively.

SOUTHERN PARTNERS FUND, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

8. COMMITMENTS (Continued)

The Organization entered into an operating lease for a copier in January 2017. The lease has a minimum monthly payment of \$171 that is required through December 31, 2021. Rent expenses incurred under this lease for December 31, 2017 and 2016 were \$2,177 and \$2,401, respectively.

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

<u>Year</u>	<u>Office</u>	<u>Copier</u>
2018	\$ 16,829	\$ 2,046
2019	-	2,046
2020	-	2,046
2021	-	2,046
	<u>\$ 16,829</u>	<u>\$ 8,184</u>