

SOUTHERN EDUCATION FOUNDATION, INC.

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2016 AND 2015

with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees Southern Education Foundation, Inc.

We have audited the accompanying financial statements of Southern Education Foundation, Inc. (a nonprofit organization), (the "Foundation") which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets 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 ("GAAP"); 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.

Auditors' 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 ("GAAS"). 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 auditors' 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 Foundation'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 Foundation'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 respects, the financial position of Southern Education Foundation, Inc. as of December 31, 2016 and 2015, and the changes in net assets and cash flows for the years then ended in conformity with GAAP.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures, in accordance with GAAS. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Smith & Howard".

May 25 , 2017

SOUTHERN EDUCATION FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents	\$ 2,966,754	\$ 1,750,425
Investment Securities	20,460,162	20,268,864
Grants Receivable	2,300,000	4,095,061
Pledges Receivable	4,220	37,170
Other Assets	15,848	24,029
Building, Furniture and Fixtures, Net	<u>174,462</u>	<u>223,538</u>
	<u>\$ 25,921,446</u>	<u>\$ 26,399,087</u>

LIABILITIES AND NET ASSETS

Accounts Payable and Accrued Liabilities	<u>\$ 47,403</u>	<u>\$ 145,866</u>
Total Liabilities	<u>47,403</u>	<u>145,866</u>
Net Assets		
Unrestricted		
Board-designated	8,000,000	8,000,000
Undesignated	<u>3,423,162</u>	<u>3,318,697</u>
	11,423,162	11,318,697
Temporarily restricted	14,138,481	14,622,124
Permanently restricted	<u>312,400</u>	<u>312,400</u>
	<u>25,874,043</u>	<u>26,253,221</u>
	<u>\$ 25,921,446</u>	<u>\$ 26,399,087</u>

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

SOUTHERN EDUCATION FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Gains and Other Support:				
Contributions	\$ 92,838	\$ -	\$ -	\$ 92,838
Grant revenue	-	579,797	-	579,797
Other revenue	20,000	-	-	20,000
Investment income	480,306	6,902	-	487,208
Net realized and unrealized gains	1,223,591	19,663	-	1,243,254
Reclassification for impaired endowment	5,646	(5,646)	-	-
Net assets released from restrictions	1,084,359	(1,084,359)	-	-
	<u>2,906,740</u>	<u>(483,643)</u>	<u>-</u>	<u>2,423,097</u>
Total Revenue, Gains and Other Support				
Expenses:				
Program	1,929,429	-	-	1,929,429
Management and general	747,968	-	-	747,968
Fundraising	124,878	-	-	124,878
	<u>2,802,275</u>	<u>-</u>	<u>-</u>	<u>2,802,275</u>
Total Expenses				
Increase (Decrease) in Net Assets	104,465	(483,643)	-	(379,178)
Net Assets:				
Beginning of Year	<u>11,318,697</u>	<u>14,622,124</u>	<u>312,400</u>	<u>26,253,221</u>
End of Year	<u>\$ 11,423,162</u>	<u>\$ 14,138,481</u>	<u>\$ 312,400</u>	<u>\$ 25,874,043</u>

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

SOUTHERN EDUCATION FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Gains and Other Support:				
Contributions	\$ 7,977	\$ 2,000	\$ -	\$ 9,977
Grant revenue	-	6,686,023	-	6,686,023
Other revenue	1,177	-	-	1,177
Investment income	507,629	7,296	-	514,925
Net realized and unrealized losses	(908,792)	(13,579)	-	(922,371)
Reclassification for impaired endowment	(5,646)	5,646	-	-
Net assets released from restrictions	905,757	(905,757)	-	-
	<u>508,102</u>	<u>5,781,629</u>	<u>-</u>	<u>6,289,731</u>
Total Revenue, Gains and Other Support				
Expenses:				
Program	2,421,488	-	-	2,421,488
Management and general	602,805	-	-	602,805
Fundraising	72,808	-	-	72,808
	<u>3,097,101</u>	<u>-</u>	<u>-</u>	<u>3,097,101</u>
Total Expenses				
Increase (Decrease) in Net Assets	(2,588,999)	5,781,629	-	3,192,630
Net Assets:				
Beginning of Year	<u>13,907,696</u>	<u>8,840,495</u>	<u>312,400</u>	<u>23,060,591</u>
End of Year	<u>\$ 11,318,697</u>	<u>\$ 14,622,124</u>	<u>\$ 312,400</u>	<u>\$ 26,253,221</u>

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

SOUTHERN EDUCATION FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Increase (Decrease) in Net Assets	\$ (379,178)	\$ 3,192,630
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	49,076	52,053
Net realized and unrealized (gains) losses	(1,243,254)	922,371
(Increase) decrease in grants receivable	1,795,061	(3,634,061)
Decrease in pledges receivable	32,950	52,531
(Increase) decrease in other assets	8,181	(3,548)
Increase (decrease) in accounts payable and accrued liabilities	<u>(98,463)</u>	<u>86,288</u>
Net Cash Provided by Operating Activities	<u>164,373</u>	<u>668,264</u>
 Cash Flows From Investing Activities:		
Purchase of furniture and fixtures	-	(7,227)
Proceeds from the sale of investment securities	1,482,831	1,329,200
Purchase of investment securities	<u>(430,875)</u>	<u>(483,560)</u>
Net Cash Provided by Investing Activities	<u>1,051,956</u>	<u>838,413</u>
 Net Increase In Cash and Cash Equivalents	1,216,329	1,506,677
Cash and Cash Equivalents at Beginning of Year	<u>1,750,425</u>	<u>243,748</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,966,754</u>	<u>\$ 1,750,425</u>

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

SOUTHERN EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Southern Education Foundation, Inc. (the “Foundation”) is a public charity established to promote equity and quality in education, primarily for disadvantaged citizens in the South. The Foundation undertakes a wide range of strategies and programs to fulfill its objectives through research, analysis, advocacy, technical assistance and outreach.

Basis of Accounting and Presentation

The Foundation follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

The Foundation’s net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as unrestricted, temporarily restricted or permanently restricted.

Unrestricted net assets include amounts, not subject to donor-imposed stipulations, used to account for resources which are available to fulfill the purposes of the Foundation in accordance with the limitations of its charter and bylaws. The principal sources of unrestricted funds are grants, contributions, bequests and investment income. The Foundation’s governing board has designated \$8,000,000 for long-term investment as of December 31, 2016 and 2015.

Temporarily restricted net assets are those resources currently available for use but expendable only for purposes specified by the donor or grantor. Such resources originate from grants, contributions and investment income restricted for specific purposes. When a donor or grantor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are those resources subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specified purposes. At December 31, 2016 and 2015, permanently restricted net assets consisted of a contribution from the McMillan Fund and the Jenny Looney Fellowship Fund.

SOUTHERN EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification

Certain amounts in the 2015 financial statements and notes to financial statements have been reclassified to conform with the 2016 presentation.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of money market accounts and other short-term cash investments. The Foundation maintains interest-bearing cash deposits at a financial institution that may at times exceed the federally insured limit. For purposes of the statement of cash flows, the Foundation considers all short-term, interest-bearing deposits with original maturities of three months or less to be cash equivalents.

Investment Securities

Investment securities include both debt and equity securities. The fair value of investments in marketable equity and debt securities is based on quoted market prices. Realized gains and losses on sales of investments are computed using the specific-identification method. Unrealized gains and losses are calculated based on the securities' fair values, as determined by an active market as of December 31, 2016 and 2015.

Fair Values Measured on Recurring Basis

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

**SOUTHERN EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Fair Value Measurement (Continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

There were no assets or liabilities at fair value classified within Level 3 at December 31, 2016 and 2015.

The tables below represent fair value measurement hierarchy of assets at fair value as of December 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>2016</u> <u>Level 3</u>	<u>Total</u>
Equities	\$ 12,676,291	\$ 720,143	\$ -	\$ 13,396,434
Fixed income	4,989,786	-	-	4,989,786
Real estate	829,980	-	-	829,980
Commodities	1,243,610	-	-	1,243,610
Cash and cash equivalents	<u>352</u>	<u>-</u>	<u>-</u>	<u>352</u>
	<u>\$ 19,740,019</u>	<u>\$ 720,143</u>	<u>\$ -</u>	<u>\$ 20,460,162</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>2015</u> <u>Level 3</u>	<u>Total</u>
Equities	\$ 11,876,503	\$ 24,856	\$ -	\$ 11,901,359
Fixed income	7,027,838	-	-	7,027,838
Real estate	839,951	-	-	839,951
Commodities	239,807	-	-	239,807
Cash and cash equivalents	<u>259,909</u>	<u>-</u>	<u>-</u>	<u>259,909</u>
	<u>\$ 20,244,008</u>	<u>\$ 24,856</u>	<u>\$ -</u>	<u>\$ 20,268,864</u>

SOUTHERN EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund

GAAP requires the following financial statement disclosures for the Foundation:

- Classification of net assets

Endowment funds are used to account for investments in which the principal is temporarily or permanently restricted for a specific purpose.

- Interpretation of Relevant Law

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

SOUTHERN EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Foundation, the endowment assets are invested in a manner where the objectives of the Foundation are to preserve, protect, and grow the Foundation's assets, as well as the maintenance of sufficient liquid reserves to meet obligations arising from planned activities. To accomplish these goals, the Foundation will:

1. Achieve a long-term rate of return on investments that ensures that the growth of the Foundation's assets will be sufficient to offset or exceed inflation, required spending, investment management fees, expenses, and taxes, over a full market cycle.
2. Diversify the portfolio among various asset classes with the goal of reducing volatility of return, and among various issuers of securities to reduce non-systematic, single issuer, principal risk.
3. Maintain liquidity in the portfolio sufficient to meet the Foundation's obligations as they arise over time.
4. Control administrative, investment, and management expenses.

- Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). To achieve its investment objective, it is the general preference and intent of the Foundation to invest Foundation assets through managed accounts and index funds, as opposed to investing directly in individual stocks, bonds or other securities.

SOUTHERN EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- Strategies Employed for Achieving Objectives (Continued)

Exposure to equity, fixed income, and alternative investment markets will be maintained at all times, recognizing that historical results indicate that equities (primarily common stocks) have higher expected returns than fixed income investments over a long time horizon. It is, however, recognized that the expected higher equity returns are normally accompanied by higher levels of volatility. In addition, exposure to alternative investments will be permitted primarily for their risk mitigating characteristics. Although it is recognized that some alternative asset classes also offer higher returns than available in public market securities (i.e.: primarily private equity investments). In general, the Foundation's policy is not to be a market timer but rather to take a strategic approach by maintaining exposure to a diversified portfolio at all times.

- Spending Policy

The Foundation has a spending authority approved by the Foundation's Board of Trustees that authorizes the Foundation to budget for, and make, annual disbursements from its endowment fund for operating expenses or capital expenditures, including any interest or fees, in an amount determined by the Board of Trustees on an annual basis.

SOUTHERN EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

Changes in endowment net assets for years ending December 31 are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2015	\$ -	\$ 637	\$ 312,400	\$ 313,037
Investment return:				
Investment income	-	7,296	-	7,296
Net depreciation	-	(13,579)	-	(13,579)
Reclassification for impaired endowment	-	<u>5,646</u>	-	<u>5,646</u>
Endowment net assets, December 31, 2015	-	-	312,400	312,400
Investment return:				
Investment income	-	6,902	-	6,902
Net appreciation	-	19,663	-	19,663
Reclassification for impaired endowment	-	<u>(5,646)</u>	-	<u>(5,646)</u>
Endowment net assets, December 31, 2016	<u>\$ -</u>	<u>\$ 20,919</u>	<u>\$ 312,400</u>	<u>\$ 333,319</u>

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist principally of cash and cash equivalents and investment securities. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

SOUTHERN EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Building, Furniture and Fixtures

Building, furniture and fixtures are stated at cost. The Foundation capitalizes all expenditures in excess of \$3,000 for building, furniture and fixtures and with an estimated useful life of two years or more. The building consists of a condominium interest in an office building and associated building improvements and is being depreciated on a straight-line basis over an estimated useful life of ten to thirty years. Furniture and fixtures are being depreciated on a straight-line basis over estimated lives of three to ten years.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of square footage, payroll, or other relevant bases.

Income Taxes

The Foundation is recognized as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

The Foundation annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Foundation takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification.

In the normal course of business, the Foundation is subject to examination by federal and state taxing authorities. The Foundation believes it is no longer subject to tax examinations for tax years ending before December 31, 2013.

Use of Estimates

Management of the Foundation has made certain estimates and assumptions relating 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 those estimates.

SOUTHERN EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

NOTE 2 – GRANTS RECEIVABLE

Grants receivable consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Gates Foundation	\$ -	\$ 70,061
Mary Reynolds Babcock	50,000	25,000
Atlantic Philanthropies	2,000,000	4,000,000
Nellie Mae Education	250,000	-
	<u>\$ 2,300,000</u>	<u>\$ 4,095,061</u>

All outstanding grants are expected to be collected during 2017.

NOTE 3 – BUILDING, FURNITURE AND FIXTURES

Building, furniture and fixtures consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Building	\$ 867,057	\$ 867,057
Furniture and fixtures	164,686	164,686
Building improvements	426,143	426,143
	1,457,886	1,457,886
Less accumulated depreciation	<u>(1,283,424)</u>	<u>(1,234,348)</u>
Total	<u>\$ 174,462</u>	<u>\$ 223,538</u>

Depreciation expense totaled \$49,076 and \$52,053 for the years ended December 31, 2016 and 2015, respectively.

SOUTHERN EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4 – PENSION PLAN

The Foundation has a defined contribution (money purchase) retirement plan covering substantially all employees. The plan provides for the Foundation to contribute 15% of the participant's regular base salary, which is used to purchase annuity contracts for participants. The annuity contracts are the property of each participant and retirement benefits are provided solely from such contracts. For the years ended December 31, 2016 and 2015, contributions to the plan totaled \$103,987 and \$128,283, respectively. The pension contributions have been allocated to the various expense classifications on the same basis as personnel costs.

NOTE 5 – OPERATING LEASES

The Foundation leases office equipment under various operating leases. At December 31, 2016, future minimum lease payments under noncancelable operating leases are as follows for years ending December 31:

2017	\$ 13,893
2018	8,473
2019	8,473
2020	7,291
2021	2,036
	<u>\$ 40,166</u>

Lease expense for the years ended December 31, 2016 and 2015 totaled \$15,543 and \$14,516, respectively.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets totaling \$14,138,481 and \$14,622,124 at December 31, 2016 and 2015, respectively, are available to support the Foundation's various research, analysis, advocacy, technical assistance, and outreach programs.

Temporarily restricted net assets totaling \$1,084,359 and \$905,757 were released from restrictions during the years ended December 31, 2016 and 2015, respectively, by incurring expenses satisfying the restricted purposes specified by donors or grantors.

SOUTHERN EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 7 – CONCENTRATIONS

The Foundation depends heavily on contributions and grants for its revenue. During the year ended December 31, 2016, the Foundation received approximately 98% of its grant revenue from two organizations. During the year ended December 31, 2015, the Foundation received approximately 90% of its grant revenue from one organization. The ability of certain of the Foundation's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent to year end, the Foundation sold its building and related building improvements for cash proceeds totaling \$1,050,000. Additionally, the Foundation entered into a new operating lease for new office space. The future minimum lease payments under the new, non-cancelable operating lease is as follows for years ending December 31:

2017	\$	-
2018		39,652
2019		119,953
2020		122,956
2021		126,027
Thereafter		<u>1,025,646</u>
		<u>\$ 1,434,234</u>

SUPPLEMENTARY INFORMATION

**SOUTHERN EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,560,931	\$ 351,702	\$ 65,009	\$ 1,977,642
Travel and meeting	148,781	61,015	-	209,796
Communication and publication	26,403	35,053	-	61,456
Depreciation	38,279	9,325	1,472	49,076
Office and building	73,655	35,911	5,901	115,467
Institutional management	16,780	254,962	52,496	324,238
Grants committed	64,600	-	-	64,600
	<u>\$ 1,929,429</u>	<u>\$ 747,968</u>	<u>\$ 124,878</u>	<u>\$ 2,802,275</u>

**SOUTHERN EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,269,521	\$ 325,069	\$ 65,921	\$ 1,660,511
Travel and meeting	241,935	45,250	-	287,185
Communication and publication	67,989	9,062	1,004	78,055
Depreciation	40,602	9,890	1,561	52,053
Office and building	69,877	65,616	4,322	139,815
Institutional management	51,815	146,979	-	198,794
Research and development	3,000	-	-	3,000
Grants committed	<u>676,749</u>	<u>939</u>	<u>-</u>	<u>677,688</u>
	<u>\$ 2,421,488</u>	<u>\$ 602,805</u>	<u>\$ 72,808</u>	<u>\$ 3,097,101</u>