

Financial Statements



**For The Year Ended March 31, 2025
With Summarized Financial
Information for 2024**

Southern Environmental Law Center

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WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024**

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Southern Environmental Law Center
Charlottesville, Virginia

Opinion

We have audited the accompanying financial statements of the Southern Environmental Law Center (SELC), which comprise the statement of financial position as of March 31, 2025, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the SELC as of March 31, 2025, and the results of its change in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SELC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

**4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM**

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SELC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance; therefore, it is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SELC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SELC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Southern Environmental Law Center's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2024.

In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

September 30, 2025

Southern Environmental Law Center

**STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2025
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024**

ASSETS

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 10,917,631	\$ 9,696,695
Investments	242,665,151	227,830,049
Grant and contributions receivable, net	6,038,677	6,368,133
Prepaid expenses and other assets	1,088,687	676,485
Deposits	120,564	60,074
Property and equipment, net	6,018,155	3,681,361
Right-of-use assets, net	14,074,294	11,598,235
TOTAL ASSETS	\$ 280,923,159	\$ 259,911,032

LIABILITIES AND NET ASSETS

LIABILITIES

Operating lease liabilities	\$ 17,545,559	\$ 12,912,359
Accounts payable and accrued liabilities	1,503,371	86,072
Accrued salaries and related benefits	908,456	724,004
Total liabilities	19,957,386	13,722,435

NET ASSETS

Without donor restrictions:

Operating	93,041,766	93,804,740
Property and equipment	6,018,155	3,681,361
Board designated endowment funds	134,690,702	115,992,731
Total without donor restrictions	233,750,623	213,478,832

With donor restrictions

	27,215,150	32,709,765
Total net assets	260,965,773	246,188,597
TOTAL LIABILITIES AND NET ASSETS	\$ 280,923,159	\$ 259,911,032

See accompanying notes to financial statements.

Southern Environmental Law Center

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2025
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024**

	2025		2024	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 37,584,177	\$ 3,773,682	\$ 41,357,859	\$ 46,158,181
Foundation grants	3,303,939	4,410,707	7,714,646	7,544,692
Bequest contributions	142,048	426,202	568,250	3,343,487
Attorney fees	557,833	-	557,833	959,789
Net investment return	13,381,361	1,311,411	14,692,772	33,409,756
Contributed nonfinancial assets	246,000	-	246,000	5,000
Other revenue	84,264	-	84,264	3,181
Net assets released from donor restrictions	15,416,617	(15,416,617)	-	-
Total support and revenue	<u>70,716,239</u>	<u>(5,494,615)</u>	<u>65,221,624</u>	<u>91,424,086</u>
EXPENSES				
Program Services	41,805,103	-	41,805,103	36,568,396
Supporting Services:				
Administration and General	3,247,965	-	3,247,965	2,651,962
Fundraising	5,391,380	-	5,391,380	3,863,746
Total supporting services	<u>8,639,345</u>	<u>-</u>	<u>8,639,345</u>	<u>6,515,708</u>
Total expenses	<u>50,444,448</u>	<u>-</u>	<u>50,444,448</u>	<u>43,084,104</u>
Change in net assets	20,271,791	(5,494,615)	14,777,176	48,339,982
Net assets at beginning of year, as reclassified	<u>213,478,832</u>	<u>32,709,765</u>	<u>246,188,597</u>	<u>197,848,615</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 233,750,623</u></u>	<u><u>\$ 27,215,150</u></u>	<u><u>\$ 260,965,773</u></u>	<u><u>\$ 246,188,597</u></u>

See accompanying notes to financial statements.

Southern Environmental Law Center
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2025
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024

	2025				2024	
	Program Services	Supporting Services			Total Expenses	Total Expenses
		Administration and General	Fundraising	Total Supporting Services		
Salaries and related expenses:						
Salaries	\$ 21,241,395	\$ 1,914,023	\$ 2,700,728	\$ 4,614,751	\$ 25,856,146	\$ 23,469,127
Payroll taxes	1,576,412	142,048	200,432	342,480	1,918,892	1,696,926
Employee benefits	3,552,391	320,099	451,667	771,766	4,324,157	3,817,175
Total salaries and related expenses	<u>26,370,198</u>	<u>2,376,170</u>	<u>3,352,827</u>	<u>5,728,997</u>	<u>32,099,195</u>	<u>28,983,228</u>
Equipment, software, depreciation and amortization	1,581,496	142,111	200,522	342,633	1,924,129	1,616,782
Contributed nonfinancial assets	4,929	444	627	1,071	6,000	5,000
General contracted services	1,332,094	118,404	225,256	343,660	1,675,754	844,173
Grants to other organizations	86,416	-	-	-	86,416	265,500
Insurance	160,027	14,420	20,347	34,767	194,794	172,787
Development services	32,224	2,904	130,860	133,764	165,988	105,637
Conferences and meetings	663,722	37,744	160,304	198,048	861,770	703,808
Miscellaneous	2,949	252	356	608	3,557	5,356
Occupancy	2,917,891	262,925	370,992	633,917	3,551,808	3,334,228
Office supplies	115,747	9,937	17,937	27,874	143,621	182,796
Postage and delivery	124,962	9,181	133,365	142,546	267,508	183,836
Printing and publications	312,388	18,721	122,374	141,095	453,483	328,195
Professional development	147,883	9,564	13,495	23,059	170,942	144,887
Professional dues and fees	131,266	10,413	17,147	27,560	158,826	141,609
Environmental program litigation	3,370,352	3,416	4,820	8,236	3,378,588	2,208,525
Communications, education and marketing	3,202,726	176,002	307,863	483,865	3,686,591	2,459,134
Reference materials	358,325	6,627	155,933	162,560	520,885	457,093
Telephone	176,927	15,943	22,495	38,438	215,365	195,725
Travel	712,581	32,787	133,860	166,647	879,228	745,805
Total operating expenses	<u>15,434,905</u>	<u>871,795</u>	<u>2,038,553</u>	<u>2,910,348</u>	<u>18,345,253</u>	<u>14,100,876</u>
TOTAL EXPENSES	<u>\$ 41,805,103</u>	<u>\$ 3,247,965</u>	<u>\$ 5,391,380</u>	<u>\$ 8,639,345</u>	<u>\$ 50,444,448</u>	<u>\$ 43,084,104</u>

See accompanying notes to financial statements.

Southern Environmental Law Center

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2025
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024**

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,777,176	\$ 48,339,982
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	414,063	456,467
Loss on disposal of property and equipment	107,048	-
Net realized and unrealized gain	(8,584,842)	(28,451,500)
Receipt of contributed securities	(1,450,028)	(4,062,847)
Proceeds from sale of contributed securities	1,448,431	4,071,119
Realized loss (gain) on sale of contributed securities	1,597	(8,272)
Donor endowment fund contribution to be held in perpetuity	(426,202)	(3,007,533)
Discount on long-term receivables	(164,918)	176,041
Amortization of right-of-use asset	4,154,995	2,130,070
Contributed land	(240,000)	-
Decrease (increase) in:		
Grant and contributions receivable	494,374	(4,014,050)
Prepaid expenses and other assets	(412,202)	(118,331)
Deposits	(60,490)	11,923
(Decrease) increase in:		
Operating lease liabilities	(1,997,854)	(2,039,903)
Accounts payable and accrued liabilities	1,417,299	(230,135)
Accrued salaries and related benefits	184,452	91,423
Net cash provided by operating activities	9,662,899	13,344,454
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,617,905)	(31,700)
Purchase of investments	(20,049,184)	(16,341,265)
Proceeds from sale of investments	13,798,924	1,962,140
Net cash used by investing activities	(8,868,165)	(14,410,825)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contribution to donor endowment funds	426,202	3,007,533
Net cash provided by financing activities	426,202	3,007,533
Net increase in cash and cash equivalents	1,220,936	1,941,162
Cash and cash equivalents at beginning of year	9,696,695	7,755,533
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 10,917,631	\$ 9,696,695

See accompanying notes to financial statements.

Southern Environmental Law Center

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2025
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024

	<u>2025</u>	<u>2024</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Right-of-Use Asset	\$ 4,695,395	\$ 470,192
Operating Lease Liability for Right-of-Use Asset	\$ 6,631,054	\$ 470,192
Capitalized Tenant Improvement Allowances	\$ 1,935,659	\$ -

See accompanying notes to financial statements.

Southern Environmental Law Center

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2025

1. Summary of Significant Accounting Policies

Organization

The Southern Environmental Law Center (SELC) is a legal and policy non-profit with the mission to protect the basic right to clean air, clean water, and a livable climate; to preserve our region's natural treasures and rich biodiversity; and to provide a healthy environment for all. Incorporated in the State of North Carolina in November 1985, SELC now has a team of over 100 attorneys working in 9 offices throughout Virginia, North Carolina, South Carolina, Georgia, Alabama, Tennessee, and Washington, D.C., making it the largest environmental advocacy organization in the South.

SELC focuses on issues of climate change and energy, air and water quality, transportation and land use, the coast and wetlands, mountains and forests and environmental justice and wildlife by using a broad array of legal and policy approaches. Collaborating with more than 200 local partner groups, SELC works at the national, state, and local level. It helps regulatory agencies to implement effective policies. And when necessary, it goes to court to stop environmental abuses and set far-reaching precedents.

SELC is classified as a public interest law firm. SELC does not charge for professional services, relying instead on charitable gifts from foundations, families and individuals. Contributions to SELC are tax deductible within the limitation prescribed by the code.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to non-profit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follow:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Southern Environmental Law Center

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2025

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with SELC's financial statements for the year ended March 31, 2024, from which the summarized information was derived.

Cash and Cash Equivalents

SELC considers all cash and other highly liquid investments with initial maturities of three months or less, excluding money market funds included as part of the investment portfolio, to be cash equivalents. Money market funds held by investment managers totaled \$88 as of March 31, 2025. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, SELC maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment return, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statement of Activities and Change in Net Assets.

Investments acquired by gift, such as donated securities, are recorded at their fair value at the date of the gift. SELC's policy is to liquidate all gifts of investments as soon as possible after the gift.

Grants and Contributions Receivable

Grants and contributions receivable include unconditional promises to give that are expected to be collected in future years. Grants and contributions receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term grants and contributions receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions.

Property and Equipment

Property and equipment in excess of \$5,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally 5 to 15 years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the remaining life term of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense totaled \$414,063 for the year ended March 31, 2025 and is included in Equipment, software, depreciation and amortization in the accompanying Statement of Functional Expenses.

Southern Environmental Law Center

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2025

1. Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is to its current value, and a loss is reported in accompanying Statement of Financial Position, to its current fair value.

Income Taxes

SELC is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. SELC is not a private foundation.

Attorney Fees Revenue

SELC's attorney fees are the most significant revenue streams that are treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. SELC has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. SELC's contracts with customers generally have initial terms of one year or less.

Support from Contributions, Grants and Bequests

Contributions, grants and bequests are recognized in the appropriate category of net assets in the period received. SELC performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

Support from contributions is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. However, SELC had no refundable advances as of March 31, 2025.

Southern Environmental Law Center

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2025

1. Summary of Significant Accounting Policies (Continued)

Support from Contributions, Grants and Bequests (Continued)

In addition, SELC may obtain funding source agreements related to conditional contributions, which will be received in future years. SELC's unrecognized conditional contributions to be received in future years totaled \$18,000,000 as of March 31, 2025.

Contributed Nonfinancial Assets

Contributed nonfinancial assets are recorded at their fair value as of the date of the gift and consisted of contributed advertising and capitalized land held for sale. Contributed advertising is valued at the price of similar services purchased in the general market. Contributed land was recorded based on an independent appraisal value and subsequent contract price. Contributed 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 SELC.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing SELC's programs and supporting services have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area are reported as direct expenses within that functional area and expenses that benefitted more than one functional area, such as personnel costs, were allocated based on estimated time and effort.

Risks and Uncertainties

SELC invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

1. Summary of Significant Accounting Policies (Continued)

Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications pertained to endowment corpus and accumulated earnings between net assets classes. The reclassifications had no effect on the previously reported changes in net assets.

2. Investments and Fair Value Measurements

In accordance with FASB ASC 820, *Fair Value Measurement*, SELC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the accompanying Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market SELC has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the year ended March 31, 2025. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.
- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Fixed Income Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by SELC are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by SELC are deemed to be actively traded.

Southern Environmental Law Center

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025**

2. Investments and Fair Value Measurements (Continued)

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of March 31, 2025:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 88	\$ -	\$ -	\$ 88
Equities	143,564,013	-	-	143,564,013
Fixed income mutual funds	99,101,050	-	-	99,101,050
TOTAL INVESTMENTS	\$ 242,665,151	\$ -	\$ -	\$ 242,665,151

Net investment return consisted of the following for the year ended March 31, 2025:

Interest and dividends	\$ 6,125,698
Net realized and unrealized gain	8,583,245
Investment expenses provided by external investment advisors	(16,171)
NET INVESTMENT RETURN	\$ 14,692,772

3. Grants and Contributions Receivable

SELC has received written promises to give from various donors totaling \$6,176,676 as of March 31, 2025. Grants and contributions receivable that are due in more than one year have been recorded at the net present value of their estimated future cash flows using a discount rate of 3.89%.

Grants and contributions receivable are expected to be collected as follows as of March 31, 2025:

Less than one year	\$ 3,696,366
One to five years	2,480,310
Total	6,176,676
Less: Allowance to discount balance to present value	(137,999)
GRANTS AND CONTRIBUTIONS RECEIVABLE, NET	\$ 6,038,677

Southern Environmental Law Center

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025**

4. Property and Equipment

Property and equipment consisted of the following as of March 31, 2025:

Land - held for sale	\$ 240,000
Equipment	310,782
Furniture	772,414
Leasehold improvements	6,885,997
Intangible asset (Domain name)	220,000
Total property and equipment	<u>8,429,193</u>
Less: Accumulated depreciation and amortization	(2,411,038)
PROPERTY AND EQUIPMENT, NET	<u><u>\$ 6,018,155</u></u>

As further discussed in Note 7, During the year ended March 31, 2025, SELC received a contribution of land which was held for sale and subsequently placed under contract for a sales value of \$240,000.

5. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of March 31, 2025:

Alabama	\$ 1,500,000
North Carolina	110,000
Energy/Air	1,025,000
Virginia	190,000
Coast & Wetlands	510,000
Strategic Plan	618,681
Georgia	25,000
Federal Response	88,481
Climate	121,598
Accumulated investment earnings on endowment	15,391,824
Endowment to be invested in perpetuity	7,634,566
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u><u>\$ 27,215,150</u></u>

The following net assets with donor restrictions were released for donor restrictions either by incurring expenses which satisfied the restricted purposes specified by the donors or through the passage of time during the year ended March 31, 2025.

Southern Environmental Law Center

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025**

5. Net Assets with Donor Restrictions (Continued)

North Carolina	\$ 2,953,160
Climate	171,689
Environmental Justice	7,000
Federal Response	15,639
Energy/Air	5,441,793
Forests	1,668,486
Alabama	2,116,889
Georgia	95,500
Tennessee	533,396
Water	242,600
Virginia	649,990
Coast & Wetlands	710,973
Wildlife	129,000
Land & Community/Transportation	106,500
Cross-Program	363,352
South Carolina	210,650
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ 15,416,617

6. Liquidity and Availability

SELC has a policy to structure its financial assets to be available and liquid as its obligations become due. In addition, SELC has Board designated net assets without donor restrictions that were established by the Board of Directors that may be drawn upon in the event of financial distress or an immediate liquidity need.

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following as of March 31, 2025:

Cash and cash equivalents	\$ 10,917,631
Investments	242,665,151
Grants and contributions receivable	6,038,677
Subtotal financial assets available within one year	259,621,459
Donor-restricted funds	(27,215,150)
Board designated funds	(134,690,702)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 97,715,607

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**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025**

7. Contributed Nonfinancial Assets

SELC was the beneficiary of certain contributed nonfinancial assets which allowed SELC to provide greater resources towards its various programs. During the year ended March 31, 2025, SELC was the recipient of donated land which has been capitalized as property and equipment, held for sale in the accompanying Statement of Financial Position. No donor-imposed restrictions were associated with the contributed nonfinancial assets, which are recorded at their estimated fair market value as of the date of the gift. In addition, none of the donated goods were monetized through sale. Subsequent to year-end, the donated land was placed under a sales contract for \$240,000 and monetized through sale on the open real estate market.

The contributed nonfinancial assets consisted of the following for the year ended March 31, 2025:

Donated advertising	\$ 6,000
Donated land (capitalized)	240,000
TOTAL	<u><u>\$ 246,000</u></u>

The contributed nonfinancial assets have been recorded in support and in the following functional expense categories for the year ended March 31, 2025:

Program Services	\$ 4,929
Administration and General	444
Fundraising	627
TOTAL	<u><u>\$ 6,000</u></u>

8. Lease Commitments

SELC follows FASB ASC 842 for leases. SELC has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. SELC has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

SELC has operating leases for office facilities in Virginia, Washington D.C., Alabama, Georgia, North Carolina, South Carolina, and Tennessee. Office facilities are pursuant to leases with varying terms and conditions. The office leases include escalations of base rentals which are being amortized on a basis to achieve straight-line rent expense over the life of the lease.

For the year ended March 31, 2025, total lease cost was \$2,681,052 and total cash paid was \$2,345,099, and is included in Occupancy in the accompanying Statement of Functional Expenses. As of March 31, 2025, the weighted-average remaining lease term and rate for operating leases is 6.8 years and 3.40%, respectively.

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**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025**

8. Lease Commitments (Continued)

The following is a schedule of the future minimum lease payments due under the operating lease, net of imputed interest, as of March 31, 2025:

2026	\$ 2,488,821
2027	2,786,054
2028	2,706,907
2029	2,462,883
2030	2,017,645
Thereafter	8,149,228
Total	<u>20,611,538</u>
Less: Imputed interest	(3,065,979)
Total	<u><u>\$ 17,545,559</u></u>

9. Retirement Plan

SELC provides retirement benefits to its employees through a defined contribution plan (the Plan) under Section 403(b) of the Internal Revenue Code covering all full-time employees with one year of eligible service. SELC provides a 9% contribution of each eligible employee's salary; the employer contribution does not begin until one year of service has been reached. SELC's contributions to the Plan totaled \$1,837,285 for the year ended March 31, 2025.

10. Endowment Funds

SELC's endowment funds consist of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law -

SELC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by the state of Virginia as requiring the preservation of the fair value of the original gift made to the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result, of this interpretation, SELC classifies as net assets with donor restrictions: (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.

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NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2025

10. Endowment Funds (Continued)

Additionally, in accordance with UPMIFA, SELC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Return Objectives and Risk Parameters -

SELC has adopted an investment policy for endowment assets that attempts 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 SELC must hold in perpetuity or for a donor specified period(s) as well as Board designated funds. The endowment assets will be invested in a manner that is intended to accommodate investment styles and strategies that are considered reasonable and prudent, while providing long-term growth. In keeping with SELC's mission and sound investment practices, the Investment Committee will maximize the investment of the equity portion of SELC's Investment Portfolio in Environmental, Social and Governance funds.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, SELC 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). SELC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Board of Trustees annually reviews the endowment fund and determines payout as part of the budgeting process.

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires SELC to maintain as a fund of perpetual duration. However, there were no funds with deficiencies as of March 31, 2025.

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NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2025

10. Endowment Funds (Continued)

Endowment funds consisted of the following as of March 31, 2025:

	Without donor restrictions	With donor restrictions		Total with donor restrictions
	Board designated	Available for appropriation	Held in perpetuity	
Board designated funds	\$ 134,690,702	\$ -	\$ -	\$ -
Donor-restricted funds	-	15,391,824	7,634,566	23,026,390
ENDOWMENT FUND	<u>\$ 134,690,702</u>	<u>\$ 15,391,824</u>	<u>\$ 7,634,566</u>	<u>\$ 23,026,390</u>

Changes in endowment funds consisted of the following as of and for the year ended March 31, 2025:

	Without donor restrictions	With donor restrictions		Total with donor restrictions
	Board designated	Available for appropriation	Held in perpetuity	
Endowment funds, beginning of year	\$ 115,992,731	\$ 14,080,413	\$ 7,208,364	\$ 21,288,777
Contributions	11,422,942	-	426,202	426,202
Net investment return	7,275,029	1,311,411	-	1,311,411
ENDOWMENT FUNDS	<u>\$ 134,690,702</u>	<u>\$ 15,391,824</u>	<u>\$ 7,634,566</u>	<u>\$ 23,026,390</u>

11. Subsequent Events

In preparing these financial statements, SELC has evaluated events and transactions for potential recognition or disclosure through September 30, 2025, the date the financial statements were issued.