

LEADERSHIP BIRMINGHAM, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

With
Independent Auditor's Report
For the Years Ended June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Leadership Birmingham, Inc.

We have audited the accompanying financial statements of Leadership Birmingham, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 respects, the assets, liabilities, and net assets of Leadership Birmingham, Inc. as of June 30, 2020, and its revenue and expenses and changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

DiPiazza LaRocca Heeter & Co., LLC

DiPiazza LaRocca Heeter & Co., LLC
Birmingham, Alabama

February 17, 2021

LEADERSHIP BIRMINGHAM, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 377,569	\$ 372,882
Certificates of deposit	70,000	70,000
Other assets	-	2,808
	447,569	445,690
 EQUIPMENT, NET	 400	 600
TOTAL ASSETS	\$ 447,969	\$ 446,290
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,186	\$ 36
Deferred tuition	-	1,250
	1,186	1,286
TOTAL LIABILITIES	1,186	1,286
NET ASSETS		
Without donor-imposed restrictions	438,208	432,929
With donor-imposed restrictions	8,575	12,075
	446,783	445,004
TOTAL NET ASSETS	446,783	445,004
 TOTAL LIABILITIES AND NET ASSETS	 \$ 447,969	 \$ 446,290

The notes to the financial statements are an integral part of these statements.

LEADERSHIP BIRMINGHAM, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2020

	Without Donor- Imposed Restrictions	With Donor- Imposed Restrictions	Total
REVENUES:			
Private/public contributions	\$ 119,250	\$ -	\$ 119,250
Member contributions	79,836	-	79,836
Interest income	3,490	-	3,490
Tuition income	82,542	-	82,542
Contributed goods and services	18,000	-	18,000
Event income	4,619	-	4,619
Other income	45,400	-	45,400
Released from restriction	3,500	(3,500)	-
Total Revenues	356,637	(3,500)	353,137
EXPENSES:			
Accounting fees	9,319	-	9,319
Computer/IT	4,337	-	4,337
Insurance	2,306	-	2,306
Materials	9,546	-	9,546
Meals	20,000	-	20,000
Office supplies	4,487	-	4,487
Payroll taxes	15,523	-	15,523
Postage and copying	2,134	-	2,134
Program coordination	22,663	-	22,663
Event expenses	7,957	-	7,957
Rent	18,000	-	18,000
Retreats	13,815	-	13,815
Salaries	202,910	-	202,910
Telephone	2,352	-	2,352
Dues and fees	4,820	-	4,820
Depreciation	200	-	200
Miscellaneous	10,989	-	10,989
Total Expenses	351,358	-	351,358
INCREASE (DECREASE) IN NET ASSETS	5,279	(3,500)	1,779
NET ASSETS AT BEGINNING OF YEAR	432,929	12,075	445,004
NET ASSETS AT END OF YEAR	\$ 438,208	\$ 8,575	\$ 446,783

The notes to the financial statements are an integral part of this statement.

LEADERSHIP BIRMINGHAM, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2019

	Without Donor- Imposed Restrictions	With Donor- Imposed Restrictions	Total
REVENUES:			
Private/public contributions	\$ 129,138	\$ 4,925	\$ 134,063
Member contributions	47,595	-	47,595
Interest income	1,635	-	1,635
Tuition income	111,151	-	111,151
Contributed goods and services	18,000	-	18,000
Event income	15,052	-	15,052
Other income	266	-	266
Released from restriction	2,900	(2,900.0)	-
	325,737	2,025	327,762
EXPENSES:			
Accounting fees	9,680	-	9,680
Brochures	350	-	350
Buses and security	12,090	-	12,090
Computer/IT	975	-	975
Insurance	2,208	-	2,208
Materials	17,295	-	17,295
Meals	25,314	-	25,314
Office supplies	4,030	-	4,030
Payroll taxes	15,053	-	15,053
Postage and copying	4,230	-	4,230
Program coordination	9,365	-	9,365
Event expenses	25,454	-	25,454
Rent	18,000	-	18,000
Retreats	20,303	-	20,303
Salaries	197,756	-	197,756
Telephone	5,392	-	5,392
Dues and fees	3,799	-	3,799
Depreciation	200	-	200
Miscellaneous	6,995	-	6,995
	378,489	-	378,489
INCREASE IN NET ASSETS	(52,752)	2,025	(50,727)
NET ASSETS AT BEGINNING OF YEAR	485,681	10,050	495,731
NET ASSETS AT END OF YEAR	\$ 432,929	\$ 12,075	\$ 445,004

The notes to the financial statements are an integral part of this statement.

LEADERSHIP BIRMINGHAM, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 1,779	\$ (50,727)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation expense	200	200
Changes in assets and liabilities:		
Accounts payable	1,150	36
Deferred tuition	(1,250)	-
Other assets	2,808	(1,502)
Net cash provided by (used in) operating activities	4,687	(51,993)
 DECREASE IN CASH AND CASH EQUIVALENTS	 4,687	 (51,993)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>372,882</u>	 <u>424,875</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 377,569</u>	 <u>\$ 372,882</u>

The notes to the financial statements are an integral part of these statements.

LEADERSHIP BIRMINGHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Leadership Birmingham, Inc. (the Organization) is an independent not-for-profit organization, which annually brings together a class of 50 leaders from the Birmingham, Alabama community with diverse backgrounds. The Organization provides monthly program days to educate leaders about the community and how to contribute to the betterment of Greater Birmingham. The Organization also prepares and encourages its graduates to engage in greater individual and group action in order to contribute to the betterment of the Birmingham community and its people.

Youth Leadership Forum (YLF) is a program of the Organization. YLF is designed to provide a leadership development and community awareness program for selected high school sophomores and juniors from the greater Birmingham area.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting which conforms to accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.
- Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a 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. See NOTE 4 regarding donor restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LEADERSHIP BIRMINGHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

Leadership Birmingham, Inc. considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents. The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Certificates of Deposit

These investments are carried at cost which approximates fair value. All interest income is reported in the consolidated statement of activities as earned.

Equipment

Equipment is stated at cost or, if donated, at estimated market value as of the date of the gift. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts, and any gain or loss is reflected in operations. Depreciation is provided using the straight-line method based on the following estimated useful lives:

Furniture, fixtures and equipment	3-5 years
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Revenue Recognition

Donations are recognized by the Organization as unrestricted revenue or temporarily restricted revenue when pledged or received. Donated property or equity securities are recorded at estimated fair value on the date received as determined by the Board of Trustees or by independent appraisal. Tuition revenue is recognized in the appropriate program year.

Member Contributions

This account represents annual dues and other donations received from alumni members.

Tax Status

The Organization's revenues are exempt from federal income taxes under the provisions of Section 501(c)(3) of the U.S. Internal Revenue Code, except for amounts representing unrelated business revenues.

LEADERSHIP BIRMINGHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Concentrations of Credit Risk

The Organization placed its temporary cash investments with high credit quality financial institutions, which, at various times during the years ended June 30, 2020, may have exceeded the Federal Deposit Insurance Corporation insurance limits. The Organization has not experienced and does not anticipate any credit losses on these deposits.

Uncertain Tax Positions

The Organization applies authoritative guidance relating to uncertainty in income taxes. This guidance requires entities to assess their tax positions for the likelihood that they would be overturned upon Internal Revenue Service (IRS) examination or upon examination by state taxing authorities. In accordance with this guidance, the Organization has assessed its tax positions and determined that it does not have any positions at June 30, 2019, that it would be unable to substantiate. Under statute, the Organization is subject to IRS and state taxing authority review for tax years 2014 through 2019. The Organization has filed tax returns through 2019.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The amendments in this update are effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2020. The Organization is currently evaluating the effect that the provisions of ASU No. 2014-09 will have on the Organization's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), increasing the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Organization is currently evaluating the effect that the provisions of ASU No. 2016-02 will have on the Organization's consolidated financial statements.

LEADERSHIP BIRMINGHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Recent Accounting Pronouncements (Continued)

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019. Early application of the amendments in this update is permitted. The Organization is currently evaluating the effect that the provisions of ASU No. 2016-15 will have on the Organization’s consolidated financial statements.

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13 *Fair Value Measurement (Topic 820); Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* as part of the FASB’s disclosure framework project. This project’s primary focus is the improvement of the effectiveness of fair value disclosures in the notes to the financial statements. Under ASU 2018-13, nonpublic entities are no longer required to complete a reconciliation of the opening balances to the closing balances of recurring Level 3 fair value measurements. Rather, such entities are required to separately disclose for these Level 3 fair value measurements only changes during the period attributable to (1) purchases and issues (each type separately) and (2) transfers into or out of Level 3 (each type separately, and the reasons for those transfers must also be disclosed). The effective date is for fiscal years beginning after December 15, 2019. It is to be applied prospectively and may be early adopted. The Organization has evaluated its investments and determined that this standard will have no effect on the Organization or related financial statement disclosures.

Subsequent Events

The Organization evaluated its June 30, 2020 financial statements for subsequent events through the date the financial statements were issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact operations and future revenues. Other financial impacts that could occur are uncertain at this time.

NOTE 2 – FUNCTIONAL EXPENSES²

Expenses classified according to function for the years ended June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Programs	\$ 190,624	202,626
Retreats	102,785	110,176
Administrative and general	57,949	65,687
	<u>\$ 351,358</u>	<u>378,489</u>

LEADERSHIP BIRMINGHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – CONTRIBUTED SERVICES

The Organization received office space free of rent valued at \$18,000 for the year ended June 30, 2020.

This amount was recognized in contributed goods and service revenues and rent expense in the consolidated statement of activities and changes in net assets.

NOTE 4 – LIQUIDATION AND ASSET AVAILABILITY

Operating liquidity comes from cash and cash equivalents and is monitored quarterly to ensure that the Organization’s expenses are paid in a timely manner. Operating surpluses are placed in cash and cash equivalents or certificates of deposit and used as approved by the board in the Organization’s annual budget.

The following table details the Organization’s financial assets available for operating expenses within one year of the statement of financial position date:

<u>Financial Assets</u>	
Cash and cash equivalents	\$ 377,569
Certificates of deposit	70,000
Other assets	-
Net assets with donor-imposed restrictions	<u>(8,636)</u>
Total financial assets available to meet operating expenses within one year at June 30, 2020	\$ <u>438,933</u>

The Organization has no donor-imposed or reserve restrictions on these available funds.

NOTE 5 – SCHOLARSHIP FUND

During 2018, the Organization initiated the Ann D. Florie Scholarship fund in honor of the outgoing Executive Director. No contributions were made to the fund during 2020. All contributions to the Fund are recorded as additions to net assets with donor-imposed restrictions.

SUPPLEMENTARY INFORMATION

LEADERSHIP BIRMINGHAM, INC.
SCHEDULE OF FINANCIAL POSITION BY PROGRAM
June 30, 2020

	Leadership Birmingham	Members Association	Youth Leadership Forum	TOTAL
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 229,141	\$ -	\$ 148,428.40	\$ 377,569
Certificates of deposit	70,000.00	-	-	70,000
TOTAL CURRENT ASSETS	299,141	-	148,428	447,569
EQUIPMENT (NET)	400	-	-	400
TOTAL ASSETS	\$ 299,541	\$ -	\$ 148,428	\$ 447,969
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 1,186.00	\$ -	\$ -	\$ 1,186
TOTAL LIABILITIES	1,186	-	-	1,186
NET ASSETS				
Without donor-imposed restrictions	294,587	1,728	141,893	438,208
With donor-imposed restrictions	8,575	-	-	8,575
TOTAL NET ASSETS	303,162	1,728	141,893	446,783
TOTAL LIABILITIES AND NET ASSETS	\$ 304,348	\$ 1,728	\$ 141,893	\$ 447,969

See auditor's report.

LEADERSHIP BIRMINGHAM, INC.
SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY PROGRAM
For the Year Ended June 30, 2020

	Leadership Birmingham	Youth Leadership Forum (YLF)	Members Association	Eliminations	Total
REVENUES:					
Private/public contributions	\$ 83,050	\$ 76,200	\$ -	\$ (40,000)	\$ 119,250
Member contributions	38,158	-	41,678	-	79,836
Interest income	2,284	1,206	-	-	3,490
Tuition income	82,542	-	-	-	82,542
Contributed goods and services	18,000	-	-	-	18,000
Event income	-	-	4,619	-	4,619
Other income	45,400	-	-	-	45,400
YLF share of administrative costs	7,200	-	-	(7,200)	-
Total Revenues	276,634	77,406	46,297	(47,200)	353,137
EXPENSES:					
Accounting fees	9,319	-	-	-	9,319
Computer/IT	2,737	-	1,600	-	4,337
Insurance	1,663	643	-	-	2,306
Materials	8,879	667	-	-	9,546
Meals	14,450	4,939	611	-	20,000
Office supplies	3,653	834	-	-	4,487
Payroll taxes	10,047	3,171	2,305	-	15,523
Postage and copying	508	494	1,132	-	2,134
Program coordination	16,739	5,924	-	-	22,663
Event expenses	-	-	7,957	-	7,957
Rent	18,000	-	-	-	18,000
Retreats	9,588	4,227	-	-	13,815
Salaries	131,324	41,458	30,128	-	202,910
Telephone	925	841	586	-	2,352
Dues and fees	4,820	-	-	-	4,820
Depreciation	200	-	-	-	200
Miscellaneous	9,751	1,238	-	-	10,989
LB Support from YLF	-	7,200	-	(7,200)	-
YLF Pledge	40,000	-	-	(40,000)	-
Total Expenses	282,603	71,636	44,319	(47,200)	351,358
INCREASE (DECREASE) IN NET ASSETS	(5,969)	5,770	1,978	-	1,779
NET ASSETS AT BEGINNING OF YEAR	309,131	136,123	(250)	-	445,004
NET ASSETS AT END OF YEAR	\$ 303,162	\$ 141,893	\$ 1,728	\$ -	\$ 446,783

See auditor's report.