

LEADERSHIP BIRMINGHAM, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

With
Independent Auditor's Report
For the Years Ended June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021, 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 22, 2022

LEADERSHIP BIRMINGHAM, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

ASSETS	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 380,994	\$ 377,569
Certificates of deposit	70,000	70,000
Other assets	330	-
	451,324	447,569
EQUIPMENT, NET	200	400
TOTAL ASSETS	\$ 451,524	\$ 447,969
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ -	\$ 1,186
Deferred tuition	44,250	-
	44,250	1,186
TOTAL LIABILITIES	44,250	1,186
NET ASSETS		
Without donor-imposed restrictions	407,124	438,208
With donor-imposed restrictions	150	8,575
	407,274	446,783
TOTAL NET ASSETS	407,274	446,783
TOTAL LIABILITIES AND NET ASSETS	\$ 451,524	\$ 447,969

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, 2021

	Without Donor- Imposed Restrictions	With Donor- Imposed Restrictions	Total
REVENUES:			
Private/public contributions	\$ 89,520	\$ -	\$ 89,520
Member contributions	113,676	-	113,676
Interest income	343	-	343
Tuition income	-	-	-
Contributed goods and services	18,000	-	18,000
Event income	3,575	-	3,575
Other income	43,222	-	43,222
Released from restriction	8,425	(8,425)	-
	276,761	(8,425)	268,336
Total Revenues			
EXPENSES:			
Accounting fees	9,031	-	9,031
Computer/IT	5,774	-	5,774
Insurance	2,445	-	2,445
Materials	2,629	-	2,629
Meals	-	-	-
Office supplies	1,556	-	1,556
Payroll taxes	16,065	-	16,065
Postage and copying	2,369	-	2,369
Program coordination	15,333	-	15,333
Event expenses	3,500	-	3,500
Rent	18,000	-	18,000
Retreats	-	-	-
Salaries	209,114	-	209,114
Telephone	2,401	-	2,401
Dues and fees	3,109	-	3,109
Depreciation	200	-	200
Miscellaneous	16,319	-	16,319
	307,845	-	307,845
Total Expenses			
INCREASE (DECREASE) IN NET ASSETS	(31,084)	(8,425)	(39,509)
NET ASSETS AT BEGINNING OF YEAR	438,208	8,575	446,783
NET ASSETS AT END OF YEAR	\$ 407,124	\$ 150	\$ 407,274

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, 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)	-
	356,637	(3,500)	353,137
Total Revenues			
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
	351,358	-	351,358
Total Expenses			
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 CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (39,509)	\$ 1,779
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	(1,186)	1,150
Deferred tuition	44,250	(1,250)
Other assets	(330)	2,808
Net cash provided by operating activities	<u>3,425</u>	<u>4,687</u>
 INCREASE IN CASH AND CASH EQUIVALENTS	 3,425	 4,687
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>377,569</u>	 <u>372,882</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 380,994</u>	 <u>\$ 377,569</u>

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

LEADERSHIP BIRMINGHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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 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 as described below.

Change in accounting Principle

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 (class members). 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, 2019. The Organization implemented ASU No. 2014-09 during fiscal year 2021 to account for tuition revenue and membership dues.

LEADERSHIP BIRMINGHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Tuition

Tuition revenue is recognized when class members have paid tuition and have received all of the benefits listed in the tuition agreement signed before payment. The contract with each customer identifies the annual commitment by both the Organization and the customer, the services to be provided and the tuition payment terms. Consideration is collected before the Organization performs the services listed in the contract. The agreed-upon services are provided by the Organization throughout the year, and revenue is recognized as the services are provided.

Tuition revenue is included in deferred revenue on the statement of net assets until performance by the Organization has fulfilled the terms of each agreement. The deferred revenue represents the Organization's contract liability under Topic 606. No tuition revenue was recognized during fiscal year 2021. Deferred revenue from tuition totaled \$44,250 at June 30, 2021.

Membership Dues

The Organization accounts for the membership dues under Topic 606 according to the member subscription agreement between the Organization and its members. The membership services subscription includes the performance obligations of the Organization as well as the transaction price. Dues payments are received in advance and revenue is allocated and recognized as the services are provided by the Organization throughout the fiscal year. The balance representing unfulfilled services by the Organization are included in deferred revenue as a contract liability. No membership dues revenue was deferred as of June 30, 2021.

Member Contributions

This account represents annual dues as described above, 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.

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, 2021, 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.

LEADERSHIP BIRMINGHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 2015 through 2020. The Organization has filed tax returns through 2020.

Recent Accounting Pronouncements

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, 2021. The Organization is currently evaluating the effect that the provisions of ASU No. 2016-02 will have on the Organization’s consolidated financial statements.

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 has implemented the provisions of ASU No. 2016-15 and no changes were considered necessary to the Organization’s consolidated financial statements.

Subsequent Events

The Organization evaluated its June 30, 2021 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 EXPENSES

Expenses classified according to function for the years ended June 30, 2021 and 2020, are as follows:

	2021	2020
Programs	\$ 172,793	190,624
Retreats	96,790	102,785
Administrative and general	38,262	57,949
	\$ 307,845	351,358

LEADERSHIP BIRMINGHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – CONTRIBUTED SERVICES

The Organization received office space free of rent valued at \$18,000 for the year ended June 30, 2021.

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	\$ 380,994
Certificates of deposit	70,000
Deferred revenue	(44,250)
Net assets with donor-imposed restrictions	<u>(150)</u>
Total financial assets available to meet operating expenses within one year at June 30, 2021	\$ <u><u>406,594</u></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 2021. 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, 2021

	<u>Leadership Birmingham</u>	<u>Members Association</u>	<u>Youth Leadership Forum</u>	<u>TOTAL</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 179,684	\$ 11,791	\$ 189,519	\$ 380,994
Certificates of deposit	70,000	-	-	70,000
Other assets	330	-	-	330
TOTAL CURRENT ASSETS	<u>250,014</u>	<u>11,791</u>	<u>189,519</u>	<u>451,324</u>
EQUIPMENT (NET)	<u>200</u>	<u>-</u>	<u>-</u>	<u>200</u>
TOTAL ASSETS	<u>\$ 250,214</u>	<u>\$ 11,791</u>	<u>\$ 189,519</u>	<u>\$ 451,524</u>
 LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred tuition	44,250	-	-	44,250
TOTAL LIABILITIES	44,250	-	-	44,250
 NET ASSETS				
Without donor-imposed restrictions	205,814	11,791	189,519	407,124
With donor-imposed restrictions	150	-	-	150
TOTAL NET ASSETS	<u>205,964</u>	<u>11,791</u>	<u>189,519</u>	<u>407,274</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 250,214</u>	<u>\$ 11,791</u>	<u>\$ 189,519</u>	<u>\$ 451,524</u>

See auditor's report.

LEADERSHIP BIRMINGHAM, INC.
SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY PROGRAM
For the Year Ended June 30, 2021

	Leadership Birmingham	Youth Leadership Forum (YLF)	Members Association	Eliminations	Total
REVENUES:					
Private/public contributions	\$ 72,825	\$ 100,092	\$ -	\$ (83,397)	89,520
Member contributions	61,201	-	52,475	-	113,676
Interest income	300	43	-	-	343
Tuition income	-	-	-	-	-
Contributed goods and services	18,000	-	-	-	18,000
Event income	125	-	3,450	-	3,575
Other income	43,222	-	-	-	43,222
YLF share of administrative costs	7,200	-	-	(7,200)	-
Total Revenues	202,873	100,135	55,925	(90,597)	268,336
EXPENSES:					
Accounting fees	9,031	-	-	-	9,031
Computer/IT	1,102	771	3,901	-	5,774
Insurance	1,223	1,223	-	-	2,445
Materials	2,259	370	-	-	2,629
Office supplies	982	242	332	-	1,556
Payroll taxes	10,348	3,423	2,294	-	16,065
Postage and copying	1,657	212	500	-	2,369
Program coordination	15,333	-	-	-	15,333
Event expenses	-	-	3,500	-	3,500
Rent	18,000	-	-	-	18,000
Retreats	-	-	-	-	-
Salaries	134,382	44,740	29,992	-	209,114
Telephone	801	800	800	-	2,401
Dues and fees	3,000	64	45	-	3,109
Depreciation	200	-	-	-	200
Miscellaneous	11,821	-	4,498	-	16,319
LB Support from YLF	-	7,200	-	(7,200)	-
YLF Pledge	83,397	-	-	(83,397)	-
Total Expenses	293,536	59,045	45,862	(90,597)	307,845
INCREASE (DECREASE) IN NET ASSETS	(90,663)	41,091	10,063	-	(39,509)
NET ASSETS AT BEGINNING OF YEAR	296,627	148,428	1,728	-	446,783
NET ASSETS AT END OF YEAR	\$ 205,964	\$ 189,519	\$ 11,791	\$ -	\$ 407,274

See auditor's report.