

**COMMUNITY FOUNDATION OF
GREATER JACKSON, INC. AND
SUBSIDIARIES**

Audited Consolidated Financial Statements
Year Ended March 31, 2017
(With Summarized Financial Information
for the Year Ended March 31, 2016)

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Community Foundation of Greater Jackson, Inc.
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Foundation of Greater Jackson, Inc. and Subsidiaries (the "Foundation") which comprise the consolidated statement of financial position as of March 31, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements (collectively, the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 financial position of the Foundation as of March 31, 2017, and the changes 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's March 31, 2016 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

HORNE LLP

Ridgeland, Mississippi
August 8, 2017

COMMUNITY FOUNDATION OF GREATER JACKSON, INC. AND ITS SUBSIDIARY

Consolidated Statements of Financial Position

March 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash	\$ 193,568	\$ 449,948
Money market funds	4,382,818	3,298,207
Contribution receivable - bequest	-	5,500,000
Total current assets	<u>4,576,386</u>	<u>9,248,155</u>
Investments	46,913,291	36,728,856
Cash surrender value of life insurance policies	105,351	92,049
Equipment and furnishings, net of accumulated depreciation	48,119	3,260
Total assets	<u>\$ 51,643,147</u>	<u>\$ 46,072,320</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Note payable	\$ -	\$ 12,500
Amounts held for others under agency transactions	7,828,270	6,567,623
Total current liabilities	<u>7,828,270</u>	<u>6,580,123</u>
Net assets		
Unrestricted	27,235,500	19,219,489
Temporarily restricted	16,579,377	20,272,708
Total net assets	<u>43,814,877</u>	<u>39,492,197</u>
Total liabilities and net assets	<u>\$ 51,643,147</u>	<u>\$ 46,072,320</u>

See accompanying notes.

COMMUNITY FOUNDATION OF GREATER JACKSON, INC. AND ITS SUBSIDIARY
Consolidated Statements of Activities
Year Ended March 31, 2017
(With Summarized Financial Information for the Year Ended March 31, 2016)

	Unrestricted Funds	Temporarily Restricted Funds	Total All Funds	
			2017	2016
Revenue, gains and other support				
Contributions	\$ 2,077,956	\$ 1,781,883	\$ 3,859,839	\$ 12,852,999
Grant income	-	802,128	802,128	-
Interest and dividends	812,286	518,492	1,330,778	1,131,315
Realized gains (losses) on investments	254,454	182,193	436,647	(178,974)
Unrealized gains (losses) on investments	1,479,157	1,207,045	2,686,202	(2,458,883)
Miscellaneous income	14,236	23,950	38,186	11,701
Administrative fees	61,319	-	61,319	48,959
Net assets released from retraction	8,209,022	(8,209,022)	-	-
Total revenue, gains and other support	12,908,430	(3,693,331)	9,215,099	11,407,117
Expenses				
Program services	4,735,636	-	4,735,636	4,045,135
Management and general	113,501	-	113,501	107,793
Fundraising	43,282	-	43,282	40,074
Total expenses	4,892,419	-	4,892,419	4,193,002
Change in net assets	8,016,011	(3,693,331)	4,322,680	7,214,115
Net assets, beginning of year	19,219,489	20,272,708	39,492,197	32,278,082
Net assets, end of year	\$ 27,235,500	\$ 16,579,377	\$ 43,814,877	\$ 39,492,197

See accompanying notes.

COMMUNITY FOUNDATION OF GREATER JACKSON, INC. AND ITS SUBSIDIARY
Consolidated Statements of Functional Expenses
Year Ended March 31, 2017
(With Summarized Financial Information for the Year Ended March 31, 2016)

	Program Services	Management and General	Fund Raising	Total Expenses	
				2017	2016
Direct expenses					
Grants and scholarships	\$ 2,441,778	\$ -	\$ -	\$ 2,441,778	\$ 2,443,259
Program expenses	1,652,922	-	-	1,652,922	1,022,304
Conferences and meetings	10,563	-	-	10,563	6,984
Investment and management fees	152,894	-	-	152,894	126,148
Total direct expenses	4,258,157	-	-	4,258,157	3,598,695
Allocated expenses					
Accounting and legal	2,013	38,241	-	40,254	39,320
Bank fees	3,215	-	-	3,215	2,958
Depreciation	1,348	144	112	1,604	1,159
Dues and subscriptions	9,578	1,026	798	11,402	13,141
Employee benefits	35,085	4,765	3,465	43,315	33,339
Insurance	7,988	856	666	9,510	9,129
IT consulting	6,015	-	-	6,015	6,480
Marketing and sponsorships	23,306	2,497	1,942	27,745	78,897
Meals and entertainment	1,954	209	163	2,326	1,071
Miscellaneous	5,379	576	448	6,403	3,192
Payroll taxes	23,335	3,169	2,305	28,809	22,645
Postage	2,688	288	224	3,200	4,483
Printing	7,665	935	748	9,348	14,905
Rent	16,440	16,440	-	32,880	32,880
Salaries and wages	303,831	41,261	30,008	375,100	296,087
Software hosting	13,918	1,491	1,160	16,569	19,645
Supplies	4,454	610	471	5,535	4,261
Telephone and internet	9,267	993	772	11,032	10,715
Total allocated expenses	477,479	113,501	43,282	634,262	594,307
Total	\$ 4,735,636	\$ 113,501	\$ 43,282	\$ 4,892,419	\$ 4,193,002

See accompanying notes.

COMMUNITY FOUNDATION OF GREATER JACKSON, INC. AND ITS SUBSIDIARY

Consolidated Statements of Cash Flows

Years Ended March 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 4,322,680	\$ 7,214,115
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,604	1,159
Realized (gains) losses on investments	(436,647)	178,974
Unrealized (gains) losses on investments	(2,686,202)	2,458,883
Non-cash contributions	(150,000)	(2,300,000)
Changes in assets and liabilities		
Contribution receivable - charitable lead annuity trust	-	61,375
Contributions receivable - bequest	5,500,000	(5,500,000)
Cash surrender value of life insurance policies	(13,302)	(19,940)
Amounts held for others under agency transactions	577,220	1,203,071
Net cash provided by operating activities	<u>7,115,353</u>	<u>3,297,637</u>
Cash flows from investing activities		
Purchase of equipment and furnishings	(46,463)	-
Net change in money market funds	(1,084,611)	691,113
Proceeds from sale of investments	8,286,269	10,244,049
Purchase of investments	(14,514,428)	(14,046,337)
Net cash used in investing activities	<u>(7,359,233)</u>	<u>(3,111,175)</u>
Cash flows from financing activities		
Change in notes payable	(12,500)	12,500
Net increase (decrease) in cash and cash equivalents	(256,380)	198,962
Cash, beginning of year	449,948	250,986
Cash, end of year	<u>\$ 193,568</u>	<u>\$ 449,948</u>
Non-cash investing activity		
Contributed residential duplex	\$ 150,000	\$ -
Contributed timber rights	\$ -	\$ 2,300,000

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Community Foundation of Greater Jackson, Inc. and its subsidiaries (the "Foundation") is a nonprofit, community corporation created by and for the people of Hinds, Rankin and Madison Counties to help charitable donors establish permanent giving funds that reflect individual philanthropic interests while also making a long-term, positive impact on the community.

In December 2015, the Foundation formed CFGJ Properties, LLC (the "LLC"), pursuant to the Revised Mississippi Limited Liability Company Act. The Foundation is the sole member of the LLC. The LLC was created as a vehicle for the Foundation to receive charitable donations in the form of real property.

In December 2016, the Foundation formed CFGJ Properties II, LLC (the "LLC II"), pursuant to the Revised Mississippi Limited Liability Company Act. The Foundation is the sole member of the LLC II. The LLC II was created as a vehicle for the Foundation to receive charitable donations in the form of real property.

Basis of Presentation

The Foundation's consolidated financial statements are presented on the accrual basis and report information regarding its financial position and activities according to three classes of net assets: (1) unrestricted net assets, (2) temporarily restricted net assets and (3) permanently restricted net assets.

Use of Estimates

The preparation of consolidated financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Community Foundation of Greater Jackson, Inc., CFGJ Properties, LLC and CFGJ Properties II, LLC. All material intercompany items and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with maturity when purchased of three months or less to be cash equivalents.

Money Market Funds

Money market funds include highly liquid mutual funds that invest in short-term securities. The funds' objectives are to maintain fair market values at \$1 per share.

COMMUNITY FOUNDATION OF GREATER JACKSON, INC. AND SUBSIDIARIES
Years Ended March 31, 2017 and 2016

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

Investments

The Foundation's investments are measured at fair value in the consolidated financial statements. Investment income or loss, including realized and unrealized gains and losses on investments and interest and dividends, is included in the consolidated statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or by law.

The Foundation's investments consist of equity and fixed income securities, timber rights, and a residential duplex. The Foundation desires to maintain a diversified mix of assets and maintains an investment policy that is monitored by management and the Investment Committee.

Equipment and Furnishings

Equipment and furnishings are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated lives of the assets. It is the policy of the Foundation to capitalize all fixed asset purchases with a minimum useful life of one year and a minimum cost of \$500.

Amounts Held for Others Under Agency Transactions

The Foundation accounts for amounts held for others under agency transactions in accordance with Accounting Standards Codification ("ASC") 958-605, *Transfers of Assets to a Not-For-Profit Entity or Charitable Trust That Raises or Holds Contributions for Others* ("ASC 958-605"). This standard establishes requirements for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. ASC 958-605 requires that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as "amounts held for others under agency transactions".

Net Assets

Restricted net assets are those which have been restricted by donors. The restriction may be temporary or permanent, depending upon the terms of the gift. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restriction. Gifts whose restrictions are met in the same reporting period are reported as unrestricted gifts.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Contributions

Contributions are recognized as revenue when they are received or unconditionally promised.

COMMUNITY FOUNDATION OF GREATER JACKSON, INC. AND SUBSIDIARIES
Years Ended March 31, 2017 and 2016

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Noncash contributions are recorded at estimated fair value on the date of the gift.

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. See Note 11 for discussion of contributed services.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Summarized Financial Information

The consolidated 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended March 31, 2016, from which the summarized information was derived.

Note 2. Investments

The details of investments at March 31, 2017 were as follows:

	Cost/Basis		Fair Value		Unrealized Appreciation
Equity securities	\$ 29,503,787	\$	\$ 35,972,505	\$	6,468,718
Fixed income securities	8,446,268		8,609,989		163,721
Timber rights	2,142,037		2,180,797		38,760
Real estate	150,000		150,000		-
	<u>\$ 40,242,092</u>	\$	<u>\$ 46,913,291</u>	\$	<u>6,671,199</u>

The cost basis of marketable securities includes reinvested dividends.

Investment return is classified in the consolidated statements of activities based on the donor's requirements for invested funds. The following schedule summarizes the investment return and its classification in the consolidated statements of activities for the year ended March 31, 2017.

COMMUNITY FOUNDATION OF GREATER JACKSON, INC. AND SUBSIDIARIES
Years Ended March 31, 2017 and 2016

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Continued

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 812,286	\$ 518,492	\$ 1,330,778
Realized gains	254,454	182,193	436,647
Unrealized gains	1,479,157	1,207,045	2,686,202
	<u>\$ 2,545,897</u>	<u>\$ 1,907,730</u>	<u>\$ 4,453,627</u>

During the fiscal year ending March 31, 2017, investment securities with total fair market values of \$667,997 were contributed to the Foundation. These contributed investments were subsequently sold and the resulting proceeds of the sales are included in contributions on the statement of activities.

The details of investments at March 31, 2016 were as follows:

	Cost/Basis	Fair Value	Unrealized Appreciation
Equity securities	\$ 24,517,022	\$ 27,524,917	\$ 3,007,895
Fixed income securities	6,648,157	6,903,939	255,782
Timber rights	2,300,000	2,300,000	-
	<u>\$ 33,465,179</u>	<u>\$ 36,728,856</u>	<u>\$ 3,263,677</u>

Amounts shown as cost include reinvested dividends.

Investment return is classified in the consolidated statements of activities based on the donor's requirements for invested funds. The following schedule summarizes the investment return and its classification in the consolidated statements of activities for the year ended March 31, 2016.

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 489,436	\$ 641,879	\$ 1,131,315
Realized losses	(76,617)	(102,357)	(178,974)
Unrealized losses	(1,197,932)	(1,260,951)	(2,458,883)
	<u>\$ (785,113)</u>	<u>\$ (721,429)</u>	<u>\$ (1,506,542)</u>

During the fiscal year ended March 31, 2016, investments with total fair market values of \$314,256 were contributed to the Foundation. These contributed investments were subsequently sold and the resulting proceeds of the sales are included in contributions on the consolidated statements of activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Continued

The Foundation invests in various investment types. Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and activities.

Note 3. Fair Value Disclosures

ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), establishes a framework for measuring fair value and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. ASC 820 also expands financial statement disclosures about fair value measurements. Under ASC 820, fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 also establishes a three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Directly or indirectly observable inputs other than Level 1 prices, such as quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks and default rates); or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities would include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as for which the determination of the fair value requires significant management judgment or estimation.

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Management's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of assets and liabilities being measured and their placement within the fair value hierarchy.

Assets measured at fair value, on a recurring basis, are summarized below as of March 31, 2017 and 2016. There have been no changes in the valuation methodologies used at March 31, 2017 and 2016.

Money market funds (Level 1): Valued at net asset value of shares held by the funds at year-end.

COMMUNITY FOUNDATION OF GREATER JACKSON, INC. AND SUBSIDIARIES
Years Ended March 31, 2017 and 2016

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Continued

Investments in equity and fixed income securities, except for bonds (Level 1): Valued at the closing price reported on the active market on which the individual securities are traded.

Bonds (Level 2): Valued based on yields currently available on comparable securities of issues with similar credit ratings.

Timber rights and real estate (Level 3): The fair value is calculated by applying a discounted cash flow approach. The valuation model considers the present value of the net cash flows expected to be generated by the asset and the risks and management costs associated with the asset.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of March 31, 2017:

	Level 1	Level 2	Level 3
Money market funds	\$ 4,382,818	\$ -	\$ -
Equity securities			
Mutual funds	31,209,986	-	-
Common stocks	4,762,519	-	-
Timber rights	-	-	2,180,797
Real estate	-	-	150,000
Fixed income securities			
Mutual funds	7,929,016	-	-
Bonds	-	680,973	-
Total assets at fair value	<u>\$ 48,284,339</u>	<u>\$ 680,973</u>	<u>\$ 2,330,797</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of March 31, 2016:

	Level 1	Level 2	Level 3
Money market funds	\$ 3,298,207	\$ -	\$ -
Equity securities			
Mutual funds	23,532,915	-	-
Common stocks	3,992,002	-	-
Timber rights	-	-	2,300,000
Fixed income securities			
Mutual funds	6,151,357	-	-
Bonds	-	752,582	-
Total assets at fair value	<u>\$ 36,974,481</u>	<u>\$ 752,582</u>	<u>\$ 2,300,000</u>

COMMUNITY FOUNDATION OF GREATER JACKSON, INC. AND SUBSIDIARIES
Years Ended March 31, 2017 and 2016

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Continued

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements.

	Real Estate	Timber Rights
Balance at April 1, 2015	\$ -	\$ -
Contributions	-	2,300,000
Balance at April 1, 2016	-	2,300,000
Contributions	150,000	-
Sale of Timber	-	(157,963)
Unrealized gain on investment	-	38,760
Balance at March 31, 2017	\$ 150,000	\$ 2,180,797

Note 4. Timber Rights

In December 2015, the Foundation received as a donation a leasehold interest of 1,858 acres of timber rights referred to as a Timber Purchase and Cutting Agreement (the "TPC") in Northern Alabama. The TPC is 99 year agreement that primarily gives the TPC owner the right to grow and harvest timber for 87 more years on certain properties in which the timber rights were owned by the donor. Additionally, the TPC owner also has recreational rights for the term of the agreement. There are no annual payments associated with the TPC and the TPC owner is only subject to property taxes for timber growing purposes (\$2.50 per acre). There is no reforestation expense for the TPC owner during the last 24 years of the agreement, as the ownership of any acreage clear-cut during that time period will revert back to the landowner. Additionally, there is an option for the landowner to buy out the rights to the TPC from the TPC owner at the 50 and 75 year anniversaries. Additionally, if there is any land needed for mineral use by the landowner, the landowner would have to pay the TPC owner the fair market value of all standing timber as well as the value of the loss of future growing rights for the term of the use on the parcels being used.

The fair market value of the TPC was originally appraised at \$2,300,000 by an independent third party appraiser. The TPC will be re-appraised every 5 years from the date of donation. In years that an appraisal is not obtained, management estimates the changes in fair market value based on current inventory estimates and market prices as received from the timber management company. Any changes in fair market value are recorded as unrealized gains or losses in the consolidated statement of activities.

COMMUNITY FOUNDATION OF GREATER JACKSON, INC. AND SUBSIDIARIES
Years Ended March 31, 2017 and 2016

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Amounts Held for Others Under Agency Transactions

At March 31, 2017 and 2016, the Foundation was the intermediary for agency funds with a combined value of \$7,828,270 and \$6,567,623, respectively. The following table summarizes activity in such funds during the years ended March 31, 2017 and 2016:

	2017	2016
Agency fund balances at April 1	\$ 6,567,623	\$ 5,794,883
Contributions	712,208	1,349,497
Investment income	263,994	283,741
Realized loss on investments	(45,006)	(43,553)
Unrealized gain (loss) on investments	728,433	(548,133)
Management fees and grants paid on behalf of fund(s)	(398,982)	(268,812)
	<hr/>	<hr/>
Agency fund balances at March 31	\$ 7,828,270	\$ 6,567,623

Note 6. Endowment Net Assets

The Foundation's endowment consists of approximately 100 individual funds established for a variety of purposes. Its endowment includes both donor-restricted and donor-advised endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the purchasing power of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as temporarily restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. The donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization 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.

COMMUNITY FOUNDATION OF GREATER JACKSON, INC. AND SUBSIDIARIES
Years Ended March 31, 2017 and 2016

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Continued

Endowment net asset composition by type of fund included \$3,784,438 donor-advised, unrestricted funds and \$14,595,834 temporarily restricted funds as of March 31, 2017 and \$3,228,647 donor-advised, unrestricted funds and \$13,345,866 temporarily restricted funds as of March 31, 2016. Changes in endowment net assets for the years ended March 31, 2017 and 2016 are as follows:

	Year Ended March 31,	
	2017	2016
Endowment net assets, beginning of year	\$ 16,574,513	\$ 18,247,216
Investment return		
Interest and dividends	638,530	771,209
Net appreciation (depreciation) in value	1,655,014	(1,717,421)
Total investment return	2,293,544	(946,212)
Contributions and other income	531,997	381,330
Net assets released	(1,019,782)	(1,107,821)
Endowment net assets, end of year	<u>\$ 18,380,272</u>	<u>\$ 16,574,513</u>

The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to support current and future operational needs, while seeking to maintain the purchasing power of these endowment assets over the long-term. The overall, long-term investment goal of the Foundation is to achieve an annualized total return (net of fees and expenses), through appreciation and income, greater than the rate of inflation (as measured by the Domestic Consumer Price Index) plus management fees and distribution needs, thus protecting the assets against inflation. The Foundation expects its endowment funds to provide an average rate of return of approximately 7 percent annually. Actual returns in a given year may vary from this amount dependent upon a combination of market variances and the donor's choice of investment options.

The Board of Trustees and Investment Committee believe that investing in securities with higher return expectations outweighs their short-term volatility risk. As a result, the majority of endowment assets will be invested in equity or equity-like securities. Fixed income securities will be used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets.

The Foundation has a policy of appropriating for distribution each year a maximum of 5 percent of its endowment fund's average fair value for the previous 12 months. Although not anticipated, the Board of Trustees may modify any restrictions if such restrictions become unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 1 percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

COMMUNITY FOUNDATION OF GREATER JACKSON, INC. AND SUBSIDIARIES
Years Ended March 31, 2017 and 2016

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted as shown below as of March 31, 2017 and 2016:

	2017	2016
Art	1,783,737	1,681,363
Catholic church and other non-profits	239,887	222,715
Children's Cancer Clinic	458,994	405,960
Community enrichment	2,452,171	2,245,129
Disease and disorder	39,829	-
Disaster relief	3,357	13,421
Educational purposes	4,949,131	4,415,160
Episcopal Diocese operations	434,649	393,069
Food and nutrition	160,002	-
Journalism awards	123,055	111,056
Library	2,864	2,668
Mid-South Foundation purposes	369,764	327,040
Mission work	64,911	36,102
Museums	629,753	593,261
Musicians	817,797	578,486
Other	1,008,080	873,090
Philanthropy	12,732	52,648
Scholarships	1,779,513	1,642,951
Special needs	873,410	826,445
Underprivileged children	200,656	188,970
Women's issues	175,085	163,174
Time restrictions	-	5,500,000
	\$ 16,579,377	\$ 20,272,708

In fiscal year 2016, the Foundation was the beneficiary of a bequest with a total estimated value of \$8,000,000, of which \$2,500,000 was received during fiscal year 2016. The remainder of the bequest was received during fiscal year 2017. Time restrictions shown above represent estimated future cash flows that are included in contributions receivable – bequest on the consolidated statement of financial position. The donor did not impose any restrictions upon the contribution; therefore, as the time restrictions were satisfied through the remaining distributions, the assets were reclassified from temporarily restricted to unrestricted net assets. The Foundation's Board of Trustees is currently considering the potential use of these funds.

COMMUNITY FOUNDATION OF GREATER JACKSON, INC. AND SUBSIDIARIES
Years Ended March 31, 2017 and 2016

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Operating Leases

The Foundation leases its office facilities under a long-term, non-cancelable operating lease agreement. During August 2016, the Foundation exercised a one-year extension option. The renewed lease term expires December 31, 2017. Total rent expense for fiscal 2017 and 2016 for operating leases was \$32,880 in each year.

Future net minimum rental payments required under the operating lease agreement total \$12,330.

Note 9. Concentrations of Credit Risk

The Foundation maintains its cash in bank deposits accounts. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At March 31, 2017 the Company had uninsured balances in excess of these insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on its bank deposits.

The Foundation holds money market funds and securities at brokerage firms that are potentially subject to credit risks. Balances are insured up to \$500,000, including a \$250,000 limit for cash, by the Securities Investor Protection Corporation ("SIPC"). At March 31, 2017, the Foundation had approximately \$46,047,974 in excess of SIPC insured limits.

Note 10. Contributed Services

The facility utilized by the Foundation is provided at a cost that is less than fair rental value. Rental expense for each of the years ended March 31, 2017 and 2016 includes \$16,440 of contributed rent. These amounts are reflected in the accompanying consolidated financial statements as contribution revenue and rent expense.

Note 11. Profit Sharing 401(k) Retirement Plan

The Foundation has a safe harbor, contributory 401(k) profit sharing plan (the "Plan") covering all full-time employees. Employees are allowed to contribute a percentage of their annual wages to the Plan, subject to certain Internal Revenue Service limitations. The Foundation contributes a safe harbor non-elective contribution of 3 percent and a discretionary contribution. The Company's total contributions to the Plan were \$11,253 and \$8,883 in 2017 and 2016, respectively.

Note 12. Subsequent Events

The Foundation has evaluated subsequent events through August 8, 2017, the date these financial statements were available to be issued.

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Trustees
Community Foundation of Greater Jackson, Inc.
and Subsidiaries.
Jackson, Mississippi

We have audited the consolidated financial statements of Community Foundation of Greater Jackson, Inc. and Subsidiaries (the "Foundation"), as of and for the year ended March 31, 2017, and have issued our report thereon, dated August 8, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

HORNE LLP

Ridgeland, Mississippi
August 8, 2017

COMMUNITY FOUNDATION OF GREATER JACKSON, INC.
Consolidated Schedules of Operations
March 31, 2017, 2016, 2015, 2014, and 2013

	2017	2016	2015	2014	2013
Total revenues, gains and other	\$ 9,208,799	\$ 11,407,117	\$ 5,735,908	\$ 5,562,716	\$ 7,240,991
Unrealized (gains) losses on investments	(2,686,202)	2,458,883	620,044	(2,043,334)	(1,060,432)
Realized (gains) losses on investments	(436,647)	178,974	(734,978)	(287,715)	(378,415)
Adjusted revenues	6,085,950	14,044,974	5,620,974	3,231,667	5,802,144
Total expenses	(4,886,119)	(4,193,002)	(4,420,613)	(3,101,050)	(2,664,110)
Change in net assets, net of market effect	<u>\$ 1,199,831</u>	<u>\$ 9,851,972</u>	<u>\$ 1,200,361</u>	<u>\$ 130,617</u>	<u>\$ 3,138,034</u>

The schedule is presented to provide supplemental information relating to the change in net assets, net of market effects. Market effects include realized and unrealized gains and losses.

See independent auditor's report on supplementary information.

COMMUNITY FOUNDATION OF GREATER JACKSON, INC.
Consolidated Schedules of Contribution Income
March 31, 2017, 2016, 2015, 2014, and 2013

	2017	2016	2015	2014	2013
Contributions	\$ 3,859,839	\$ 12,852,999	\$ 4,416,968	\$ 2,250,202	\$ 4,955,591
Less nonrecurring contributions	(821,264)	(11,100,000)	(989,943)	-	(2,928,006)
Adjusted contributions	<u>\$ 3,038,575</u>	<u>\$ 1,752,999</u>	<u>\$ 3,427,025</u>	<u>\$ 2,250,202</u>	<u>\$ 2,027,585</u>

The schedule represents a five-year comparison of contributions net of nonrecurring contributions. Nonrecurring contributions are defined by management as significant, one-time contributions.

See independent auditor's report on supplementary information.