

**COMMUNITY FOUNDATION FOR
MISSISSIPPI, INC. AND SUBSIDIARIES**

Audited Consolidated Financial Statements
Year Ended March 31, 2018
(With Summarized Financial Information
for the Year Ended March 31, 2017)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Foundation for Mississippi, Inc. and Subsidiaries (the "Foundation") which comprise the consolidated statement of financial position as of March 31, 2018, 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 "consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of March 31, 2018, 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, 2017 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated 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, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

HORNE LLP

Ridgeland, Mississippi
August 27, 2018

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

March 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash	\$ 2,271,149	\$ 193,568
Money market funds	3,211,485	4,382,818
Total current assets	<u>5,482,634</u>	<u>4,576,386</u>
Investments	50,361,181	46,913,291
Cash surrender value of life insurance policies	108,342	105,351
Equipment and furnishings, net of accumulated depreciation	47,272	48,119
Total assets	<u>\$ 55,999,429</u>	<u>\$ 51,643,147</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Amounts held for others under agency transactions	\$ 8,763,521	\$ 7,828,270
Total current liabilities	<u>8,763,521</u>	<u>7,828,270</u>
Net assets		
Unrestricted	28,597,755	27,235,500
Temporarily restricted	18,638,153	16,579,377
Total net assets	<u>47,235,908</u>	<u>43,814,877</u>
Total liabilities and net assets	<u>\$ 55,999,429</u>	<u>\$ 51,643,147</u>

See accompanying notes.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Consolidated Statements of Activities
Year Ended March 31, 2018
(With Summarized Financial Information for the Year Ended March 31, 2017)

	Unrestricted Funds	Temporarily Restricted Funds	Total All Funds	
			2018	2017
Revenue, gains and other support				
Contributions	\$ 1,179,098	\$ 2,262,390	\$ 3,441,488	\$ 3,859,839
Grant revenue	-	2,899,058	2,899,058	802,128
Interest and dividends	1,043,292	658,496	1,701,788	1,330,778
Realized gains on investments	557,016	564,843	1,121,859	436,647
Unrealized gains on investments	867,001	373,605	1,240,606	2,686,202
Miscellaneous income	-	21,338	21,338	38,186
Administrative fees	65,916	-	65,916	61,319
Net assets released from restriction	4,720,954	(4,720,954)	-	-
Total revenue, gains and other support	8,433,277	2,058,776	10,492,053	9,215,099
Expenses				
Program services	6,899,986	-	6,899,986	4,735,636
Management and general	124,837	-	124,837	113,501
Fundraising	46,199	-	46,199	43,282
Total expenses	7,071,022	-	7,071,022	4,892,419
Change in net assets	1,362,255	2,058,776	3,421,031	4,322,680
Net assets, beginning of year	27,235,500	16,579,377	43,814,877	39,492,197
Net assets, end of year	\$ 28,597,755	\$ 18,638,153	\$ 47,235,908	\$ 43,814,877

See accompanying notes.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Consolidated Statements of Functional Expenses
Year Ended March 31, 2018
(With Summarized Financial Information for the Year Ended March 31, 2017)

	Program Services	Management and General	Fund Raising	Total Expenses	
				2018	2017
Direct expenses					
Grants and scholarships	\$ 4,003,944	\$ -	\$ -	\$ 4,003,944	\$ 2,441,778
Program expenses	2,208,706	-	-	2,208,706	1,652,922
Conferences and meetings	5,841	-	-	5,841	10,563
Investment and management fees	171,384	-	-	171,384	152,894
Total direct expenses	6,389,875	-	-	6,389,875	4,258,157
Allocated expenses					
Accounting and legal	2,413	45,854	-	48,267	40,254
Bank fees	3,334	-	-	3,334	3,215
Depreciation	1,788	192	149	2,129	1,604
Dues and subscriptions	12,156	1,302	1,012	14,470	11,402
Employee benefits	36,594	4,970	3,614	45,178	43,315
Insurance	6,985	748	582	8,315	9,510
IT consulting	5,022	-	-	5,022	6,015
Marketing and sponsorships	20,106	2,154	1,676	23,936	27,745
Meals and entertainment	13,319	1,427	1,110	15,856	2,326
Miscellaneous	17,917	1,921	1,492	21,330	6,403
Payroll taxes	23,663	3,214	2,337	29,214	28,809
Postage	2,409	258	201	2,868	3,200
Printing	6,019	734	587	7,340	9,348
Rent	16,343	16,343	-	32,686	32,880
Salaries and wages	308,340	41,873	30,453	380,666	375,100
Software hosting	15,706	1,683	1,309	18,698	16,569
Supplies	7,987	1,091	843	9,921	5,535
Telephone and internet	10,010	1,073	834	11,917	11,032
Total allocated expenses	510,111	124,837	46,199	681,147	634,262
Total	\$ 6,899,986	\$ 124,837	\$ 46,199	\$ 7,071,022	\$ 4,892,419

See accompanying notes.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years Ended March 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 3,421,031	\$ 4,322,680
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,129	1,604
Realized gains on investments	(1,121,859)	(436,647)
Unrealized gains on investments	(1,240,606)	(2,686,202)
Non-cash contributions	(293,554)	(150,000)
Changes in assets and liabilities		
Contributions receivable - bequest	-	5,500,000
Cash surrender value of life insurance policies	(2,991)	(13,302)
Amounts held for others under agency transactions	412,978	577,220
Net cash provided by operating activities	<u>1,177,128</u>	<u>7,115,353</u>
Cash flows from investing activities		
Purchase of equipment and furnishings	(15,870)	(46,463)
Net change in money market funds	1,171,333	(1,084,611)
Proceeds from sale of investments	14,854,329	8,286,269
Proceeds from disposal of equipment and furnishings	14,588	-
Purchase of investments	(15,123,927)	(14,514,428)
Net cash provided by (used in) investing activities	<u>900,453</u>	<u>(7,359,233)</u>
Cash flows from financing activities		
Change in notes payable	-	(12,500)
Net increase (decrease) in cash	2,077,581	(256,380)
Cash, beginning of year	193,568	449,948
Cash, end of year	<u>\$ 2,271,149</u>	<u>\$ 193,568</u>
Non-cash investing activity		
Contributed residential duplex	\$ -	\$ 150,000

See accompanying notes.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2018 and 2017

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. On January 18, 2018, the Community Foundation of Greater Jackson, Inc. expanded its reach into 19 additional counties in the state of Mississippi, and as a result, the Community Foundation of Greater Jackson, Inc. changed its name to Community Foundation for Mississippi, Inc.

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 Foundation, CFGJ Properties, LLC and CFGJ Properties II, LLC. All material intercompany items and transactions have been eliminated in consolidation.

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 FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2018 and 2017

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 and timber rights. 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.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2018 and 2017

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

Contributions

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

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 10 for discussion of contributed services.

Grant Revenue

The Company receives grant income from various organizations. The Company recognizes grant revenue as the conditions in the grant agreement are met. The Company recognized \$2,899,058 and \$802,128 of grant income from various organizations in 2018 and 2017, respectively.

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, 2017, from which the summarized information was derived.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no effect on previously reported change in net assets or net assets.

Recent Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2018-08, *Not-for-Profit Entities* (Topic 958) ("ASU 2018-08"), which clarified how entities determine whether to account for a transfer of assets as an exchange transaction or a contribution and whether a contribution is conditional. ASU 2018-08 is effective for annual periods beginning after June 15, 2018; however, early adoption is permitted. The Foundation has elected to early adopt ASU 2018-08. The adoption of ASU 2018-08 did not have a material impact on the financial statement of the Foundation.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2018 and 2017

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies the principles for recognizing revenue. The guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Foundation will be required to adopt ASU No. 2014-09 as of April 1, 2019. The Foundation is currently evaluating the impact of ASU No. 2014-09 on the Foundation's financial position and statement of activities.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which will change certain financial statement requirements for not-for-profit ("NFP") entities within the scope of ASC 958. NFP's will no longer be required to distinguish between resources with temporary and permanent restrictions on the face of their financial statements, meaning they will present two classes of net assets instead of three. They will be required to present expenses by their natural and functional classification and present investment returns net of external and direct internal investment expenses. NFP's will also be required to provide more information about their available resources and liquidity. ASU 2016-14 is effective for the Foundation's annual financial statements for the year ended March 31, 2019.

Note 2. Investments

The details of investments at March 31, 2018 were as follows:

	Cost/Basis	Fair Value	Unrealized Appreciation
Equity securities	\$ 29,991,931	\$ 38,110,191	\$ 8,118,260
Fixed income securities	9,963,591	10,114,105	150,514
Timber rights	2,070,757	2,136,885	66,128
	<u>\$ 42,026,279</u>	<u>\$ 50,361,181</u>	<u>\$ 8,334,902</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, 2018.

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 1,043,292	\$ 658,496	\$ 1,701,788
Realized gains	557,016	564,843	1,121,859
Unrealized gains	867,001	373,605	1,240,606
	<u>\$ 2,467,309</u>	<u>\$ 1,596,944</u>	<u>\$ 4,064,253</u>

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2018 and 2017

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Continued

During the fiscal year ending March 31, 2018, investment securities with total fair market values of \$770,657 were contributed to the Foundation. Contributed investments of \$477,103 were subsequently sold and the resulting proceeds of the sales are included in contributions on the statement of activities. Contributed investments of \$293,554 were included in contributions on the statement of activities at their fair market value.

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>

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, 2017.

	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 ended March 31, 2017, investments 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 consolidated statements of activities.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2018 and 2017. There have been no changes in the valuation methodologies used at March 31, 2018 and 2017.

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

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.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2018 and 2017

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Continued

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of March 31, 2018:

	Level 1	Level 2	Level 3
Money market funds	\$ 3,211,485	\$ -	\$ -
Equity securities			
Mutual funds	33,294,224	-	-
Common stocks	4,815,967	-	-
Timber rights	-	-	2,136,885
Fixed income securities			
Mutual funds	8,868,820	-	-
Bonds	-	1,245,285	-
Total assets at fair value	\$ 50,190,496	\$ 1,245,285	\$ 2,136,885

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	\$ 48,284,339	\$ 680,973	\$ 2,330,797

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, 2016	\$ -	\$ 2,300,000
Contributions	150,000	-
Sale of Timber	-	(157,963)
Unrealized gain on investment	-	38,760
Balance at April 1, 2017	150,000	2,180,797
Contributions	-	-
Sales	(121,500)	(47,145)
Unrealized gain on investment	-	27,368
Realized loss on investment	(28,500)	(24,135)
Balance at March 31, 2018	\$ -	\$ 2,136,885

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2018 and 2017

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 a 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.

Note 5. Amounts Held for Others Under Agency Transactions

At March 31, 2018 and 2017, the Foundation was the intermediary for agency funds with a combined value of \$8,763,520 and \$7,828,270, respectively. The following table summarizes activity in such funds during the years ended March 31, 2018 and 2017:

	2018	2017
Agency fund balances at April 1	\$ 7,828,270	\$ 6,567,623
Contributions	470,331	712,208
Investment income	358,900	263,994
Realized gain (loss) on investments	101,900	(45,006)
Unrealized gain on investments	420,373	728,433
Management fees and grants paid on behalf of funds	(416,254)	(398,982)
Agency fund balances at March 31	<u>\$ 8,763,520</u>	<u>\$ 7,828,270</u>

Note 6. Endowment Net Assets

The Foundation's endowment consists of approximately 115 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.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2018 and 2017

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Continued

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.

Endowment net asset composition by type of fund included \$4,466,725 donor-advised, unrestricted funds and \$14,856,242 temporarily restricted funds as of March 31, 2018 and \$3,784,438 donor-advised, unrestricted funds and \$14,595,834 temporarily restricted funds as of March 31, 2017. Changes in endowment net assets for the years ended March 31, 2018 and 2017 are as follows:

	Year Ended March 31,	
	2018	2017
Endowment net assets, beginning of year	\$ 18,380,272	\$ 16,574,513
Investment return		
Interest and dividends	837,992	638,530
Net appreciation in value	1,126,236	1,655,014
Total investment return	1,964,228	2,293,544
Contributions and other income	701,801	531,997
Net assets released	(1,723,334)	(1,019,782)
Endowment net assets, end of year	\$ 19,322,967	\$ 18,380,272

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

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2018 and 2017

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Continued

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.

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted as shown below as of March 31, 2018 and 2017:

	2018	2017
Arts and culture	\$ 3,209,765	\$ 3,282,346
Aviation education	1,640	-
Community development	484,968	386,984
Disaster relief	2,870	3,357
Disease and disorder	261,105	498,823
Educational purposes	6,970,663	4,644,213
Environmental	-	41,683
Food and nutrition	70,141	160,002
General health	2,949	109,864
Housing and shelter	378,054	344,936
Human services	194,482	113,395
Other	130	26
Philanthropy	6,329,699	6,220,607
Public affairs	-	123,055
Religion	633,483	593,589
Sports and leisure	38,900	37
Youth development	59,304	56,460
	<u>\$ 18,638,153</u>	<u>\$ 16,579,377</u>

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2018 and 2017

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 expired December 31, 2017. On December 1, 2017, the Foundation entered into a long-term, non-cancelable operating lease agreement for a new office space beginning on March 1, 2018. Total rent expense for fiscal 2018 and 2017 for operating leases was \$32,686 and \$32,880, respectively.

Future net minimum rental payments required under the operating lease agreement are as follows:

Year Ending March 31,	Amount
2019	\$ 30,552
2020	30,552
2021	30,552
2022	30,552
2023	15,276
	<hr/>
	\$ 137,484

Note 9. Concentrations of Credit Risk

The Foundation maintains its cash in bank deposit accounts. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At March 31, 2018 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, 2018, the Foundation had \$48,875,229 in excess of SIPC insured limits.

Note 10. Contributed Services

The facility utilized by the Foundation through February 2018 was provided at a cost that is less than fair rental value. Rental expense for each of the years ended March 31, 2018 and 2017 includes contributed rent of \$15,070 and \$16,440, respectively. These amounts are reflected in the accompanying consolidated statements of activities 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 Foundation's total contributions to the Plan were \$11,420 and \$11,253 in 2018 and 2017, respectively.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2018 and 2017

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Subsequent Events

The Foundation has evaluated subsequent events through August 27, 2018, the date these financial statements were available to be issued.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the consolidated financial statements of Community Foundation for Mississippi, Inc. and Subsidiaries (the "Foundation"), as of and for the year ended March 31, 2018, and have issued our report thereon, dated August 27, 2018, 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 27, 2018

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES

Consolidated Schedules of Operations

March 31, 2018, 2017, 2016, 2015, and 2014

	2018	2017	2016	2015	2014
Total revenues, gains and other	\$ 10,485,753	\$ 9,208,799	\$ 11,407,117	\$ 5,735,908	\$ 5,562,716
Unrealized (gains) losses on investments	(1,240,606)	(2,686,202)	2,458,883	620,044	(2,043,334)
Realized (gains) losses on investments	(1,121,859)	(436,647)	178,974	(734,978)	(287,715)
Adjusted revenues	8,123,288	6,085,950	14,044,974	5,620,974	3,231,667
Total expenses	(7,064,714)	(4,886,119)	(4,193,002)	(4,420,613)	(3,101,050)
Change in net assets, net of market effect	\$ 1,058,574	\$ 1,199,831	\$ 9,851,972	\$ 1,200,361	\$ 130,617

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 FOR MISSISSIPPI, INC. AND SUBSIDIARIES

Consolidated Schedules of Contribution Income
March 31, 2018, 2017, 2016, 2015, and 2014

	2018	2017	2016	2015	2014
Contributions	\$ 3,441,488	\$ 3,859,839	\$ 12,852,999	\$ 4,416,968	\$ 2,250,202
Less nonrecurring contributions	(650,000)	(821,264)	(11,100,000)	(989,943)	-
Adjusted contributions	<u>\$ 2,791,488</u>	<u>\$ 3,038,575</u>	<u>\$ 1,752,999</u>	<u>\$ 3,427,025</u>	<u>\$ 2,250,202</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.