

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

Audited Consolidated Financial Statements
Year Ended March 31, 2019
(With Summarized Financial Information
for the Year Ended March 31, 2018)

CONTENTS

Independent Auditor's Report	1 - 2
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Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 19
Independent Auditor's Report on Supplementary Information	20
Consolidated Schedules of Operations	21
Consolidated Schedules of Contribution Income	22



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, 2019, 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, 2019, 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, 2018 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

HORNE LLP

Ridgeland, Mississippi
September 19, 2019

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

March 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash	\$ 2,014,415	\$ 2,271,149
Money market funds	3,839,567	3,211,485
Total current assets	<u>5,853,982</u>	<u>5,482,634</u>
Investments	48,737,402	50,361,181
Other assets	112,414	108,342
Equipment and furnishings, net of accumulated depreciation	<u>72,822</u>	<u>47,272</u>
Total assets	<u>\$ 54,776,620</u>	<u>\$ 55,999,429</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Amounts held for others under agency transactions	<u>\$ 8,608,887</u>	<u>\$ 8,763,521</u>
Total current liabilities	<u>8,608,887</u>	<u>8,763,521</u>
Net assets		
Without donor restrictions	28,169,908	28,597,755
With donor restrictions	<u>17,997,825</u>	<u>18,638,153</u>
Total net assets	<u>46,167,733</u>	<u>47,235,908</u>
Total liabilities and net assets	<u>\$ 54,776,620</u>	<u>\$ 55,999,429</u>

See accompanying notes.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

Year Ended March 31, 2019

(With Summarized Financial Information for the Year Ended March 31, 2018)

	Without		Total All Funds	
	Donor Restrictions	Donor Restrictions	2019	2018
Revenue, gains and other support				
Contributions	\$ 1,067,569	\$ 2,315,640	\$ 3,383,209	\$ 3,441,488
Grant revenue	-	2,085,230	2,085,230	2,899,058
Investment income, net of investment management fees	725,097	297,028	1,022,125	3,892,865
Miscellaneous income	2,707	48,248	50,955	21,338
Administrative fees	78,404	-	78,404	65,916
Net assets released from restriction	5,386,474	(5,386,474)	-	-
Total revenue, gains and other support	7,260,251	(640,328)	6,619,923	10,320,665
Expenses				
Program services	7,518,951	-	7,518,951	6,728,598
Management and general	119,625	-	119,625	124,837
Fundraising	49,522	-	49,522	46,199
Total expenses	7,688,098	-	7,688,098	6,899,634
Change in net assets	(427,847)	(640,328)	(1,068,175)	3,421,031
Net assets, beginning of year	28,597,755	18,638,153	47,235,908	43,814,877
Net assets, end of year	\$ 28,169,908	\$ 17,997,825	\$ 46,167,733	\$ 47,235,908

See accompanying notes.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Consolidated Statements of Functional Expenses
Year Ended March 31, 2019
(With Summarized Financial Information for the Year Ended March 31, 2018)

	Program Services	Management and General	Fund Raising	Total Expenses	
				2019	2018
Direct expenses					
Grants and scholarships	\$ 3,221,593	\$ -	\$ -	\$ 3,221,593	\$ 4,003,944
Program expenses	3,741,806	-	-	3,741,806	2,208,706
Conferences and meetings	11,260	-	-	11,260	5,837
Total direct expenses	6,974,659	-	-	6,974,659	6,218,487
Allocated expenses					
Accounting and legal	1,967	37,366	-	39,333	48,267
Bank fees	2,598	-	-	2,598	3,334
Depreciation	13,409	1,437	1,117	15,963	2,129
Dues and subscriptions	10,470	1,122	872	12,464	14,470
Employee benefits	36,837	5,003	3,638	45,478	45,178
Insurance	8,006	858	667	9,531	8,315
IT consulting	6,014	-	-	6,014	5,022
Marketing and sponsorships	27,954	2,995	2,330	33,279	23,936
Meals and entertainment	3,201	343	267	3,811	15,856
Miscellaneous	10,789	1,156	899	12,844	21,330
Office	12,660	1,730	1,343	15,733	9,921
Payroll taxes	24,486	3,325	2,418	30,229	29,214
Postage	2,269	243	189	2,701	2,868
Printing	11,102	1,354	1,083	13,539	7,340
Rent	15,276	15,276	-	30,552	32,686
Salaries and wages	318,897	43,307	31,503	393,707	380,666
Software hosting	27,203	2,915	2,267	32,385	18,698
Telephone and internet	11,154	1,195	929	13,278	11,917
Total allocated expenses	544,292	119,625	49,522	713,439	681,147
Total	\$ 7,518,951	\$ 119,625	\$ 49,522	\$ 7,688,098	\$ 6,899,634

See accompanying notes.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years Ended March 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (1,068,175)	\$ 3,421,031
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	15,963	2,129
Realized gains on investments	(472,913)	(1,121,859)
Unrealized losses (gains) on investments	1,296,393	(1,240,606)
Non-cash contributions	-	(293,554)
Changes in assets and liabilities		
Other assets	(4,072)	(2,991)
Amounts held for others under agency transactions	215,277	412,978
Net cash (used in) provided by operating activities	<u>(17,527)</u>	<u>1,177,128</u>
Cash flows from investing activities		
Purchases of equipment and furnishings	(41,513)	(15,870)
Net change in money market funds	(628,082)	1,171,333
Proceeds from sale of investments	18,441,046	14,854,329
Proceeds from disposal of equipment and furnishings	-	14,588
Purchases of investments	<u>(18,010,658)</u>	<u>(15,123,927)</u>
Net cash (used in) provided by investing activities	<u>(239,207)</u>	<u>900,453</u>
Net (decrease) increase in cash	(256,734)	2,077,581
Cash, beginning of year	<u>2,271,149</u>	<u>193,568</u>
Cash, end of year	<u>\$ 2,014,415</u>	<u>\$ 2,271,149</u>

See accompanying notes.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2019 and 2018

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., a nonprofit, community corporation, was 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. (the "Foundation").

In December 2015 and December 2016, the Foundation formed CFGJ Properties, LLC and CFGJ Properties II, LLC, respectively, pursuant to the Revised Mississippi Limited Liability Company Act. The Foundation is the sole member of these LLC's. These LLC's were created as a vehicle for the Foundation to receive charitable donations in the form of real property.

Basis of Presentation

The Foundation's financial statements are presented in accordance with accounting principles generally accepted in the United States of America, which requires the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated that resources be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2019 and 2018

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

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.

Investments

The Foundation's investments are measured at fair value in the consolidated financial statements. Investment income or loss consists of realized and unrealized capital gains and losses and interest and dividends, less external investment expenses, and 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 or its affiliate 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

Net assets with donor restrictions are those which have been restricted by donors, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2019 and 2018

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

The bylaws of the Foundation include a variance provision giving the Board of Directors the responsibility and authority whenever any restriction or condition on the distribution of funds becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable, educational and scientific needs of the State of Mississippi, to modify any restriction or condition placed on the distribution of funds and to apply the whole or any part of the principal or income of funds as in its judgement is necessary to serve more effectively the charitable, educational and scientific purposes of the Foundation. Based on this provision, all contributions and assets not classified as with donor restrictions are classified as without donor restrictions.

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.

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 Foundation receives grant income from various organizations. The Foundation recognizes grant revenue as the conditions in the grant agreement are met. The Foundation recognized \$2,085,230 and \$2,899,058 of grant income from various organizations in 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs, such as grants and scholarships, program expenses and conferences and meetings, have been evaluated for allocation among the program and supporting services benefited. These expenses have been determined to relate solely to program services. Program expenses are expenses paid through the funds that relate to the specific charitable purpose of each fund. The remaining expenses are allocated annually based on management's estimates of the time incurred or usage of expenses toward program, fundraising, and management and general.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2019 and 2018

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

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, 2018, 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 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 for the year ended March 31, 2020. The Foundation is currently evaluating the impact of ASU No. 2014-09 on the Foundation's financial position and statement of activities.

The Foundation adopted FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2019. The changes required to the financial statements were applied retrospectively to the 2018 financial statements presented herein. The adoption did not impact the Foundation's financial position as of March 31, 2019 and 2018 or the changes in its net assets or cash flows for the years then ended.

Note 2. Investments

The details of investments at March 31, 2019 were as follows:

	<u>Cost/Basis</u>		<u>Fair Value</u>		<u>Unrealized Appreciation</u>
Equity securities	\$ 29,895,389	\$	36,100,332	\$	6,204,943
Fixed income securities	10,251,314		10,442,788		191,474
Timber rights	2,003,857		2,194,282		190,425
	<u>\$ 42,150,560</u>	<u>\$</u>	<u>48,737,402</u>	<u>\$</u>	<u>6,586,842</u>

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2019 and 2018

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Continued

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, 2019.

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 1,216,700	\$ 792,525	\$ 2,009,225
Realized gains	302,625	170,288	472,913
Unrealized losses	(686,155)	(610,238)	(1,296,393)
Investment expense	(108,073)	(55,547)	(163,620)
	<u>\$ 725,097</u>	<u>\$ 297,028</u>	<u>\$ 1,022,125</u>

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.

	Without Donor Restrictions	With Donor Restrictions	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
Investment expense	(113,262)	(58,126)	(171,388)
	<u>\$ 2,354,047</u>	<u>\$ 1,538,818</u>	<u>\$ 3,892,865</u>

During the fiscal year ending March 31, 2019, investment securities with total fair market values of \$435,202 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Continued

During the fiscal year ended March 31, 2018, investments with total fair market values of \$770,657 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.

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, 2019 and 2018. There have been no changes in the valuation methodologies used at March 31, 2019 and 2018.

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

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2019 and 2018

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 (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, 2019:

	Level 1	Level 2	Level 3
Money market funds	\$ 3,839,567	\$ -	\$ -
Equity securities			
Mutual funds	31,498,702	-	-
Common stocks	4,601,630	-	-
Timber rights	-	-	2,194,282
Fixed income securities			
Mutual funds	9,273,837	-	-
Bonds	-	1,168,951	-
Total assets at fair value	\$ 49,213,736	\$ 1,168,951	\$ 2,194,282

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

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2019 and 2018

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.

	Timber Rights
Balance at April 1, 2017	\$ 2,180,797
Contributions	-
Sales	(47,145)
Unrealized gain on investment	27,368
Realized loss on investment	(24,135)
Balance at April 1, 2018	2,136,885
Contributions	-
Sales	(162,125)
Unrealized gain on investment	126,485
Realized gain on investment	93,037
Balance at March 31, 2019	\$ 2,194,282

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.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2019 and 2018

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Amounts Held for Others Under Agency Transactions

At March 31, 2019 and 2018, the Foundation was the intermediary for agency funds with a combined value of \$8,608,887 and \$8,763,521, respectively. The following table summarizes activity in such funds during the years ended March 31, 2019 and 2018:

	2019	2018
Agency fund balances at April 1	\$ 8,763,521	\$ 7,828,270
Contributions	117,279	470,332
Investment income	451,087	358,900
Realized gain on investments	76,369	101,900
Unrealized gain (loss) on investments	(446,280)	420,373
Investment expense	(35,481)	(33,073)
Management fees and grants paid on behalf of funds	(317,608)	(383,181)
Agency fund balances at March 31	<u>\$ 8,608,887</u>	<u>\$ 8,763,521</u>

Note 6. Endowment Net Assets

The Foundation's endowment consists of approximately 113 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 FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2019 and 2018

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Continued

Endowment net asset composition by type of fund included \$4,389,974 donor-advised, without donor restriction funds and \$14,492,336 with donor restriction funds as of March 31, 2019 and \$4,466,725 donor-advised, without donor restriction funds and \$14,856,242 with donor restriction funds as of March 31, 2018. Changes in endowment net assets for the years ended March 31, 2019 and 2018 are as follows:

	Year Ended March 31,	
	2019	2018
Endowment net assets, beginning of year	\$ 19,322,967	\$ 18,380,272
Investment return		
Interest and dividends	1,013,893	837,992
Net (depreciation) appreciation in value	(618,360)	1,126,236
Total investment return	395,533	1,964,228
Contributions and other income	269,780	701,801
Net assets released	(1,105,970)	(1,723,334)
Endowment net assets, end of year	\$ 18,882,310	\$ 19,322,967

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 Foundation'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 FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2019 and 2018

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted as shown below as of March 31, 2019 and 2018:

	2019	2018
Arts and culture	\$ 3,193,611	\$ 3,209,765
Aviation education	1,340	1,640
Community development	351,991	484,968
Civil rights	3,398	-
Disaster relief	2,402	2,870
Disease and disorder	242,499	261,105
Educational purposes	6,483,801	6,970,663
Food and nutrition	9,930	70,141
General health	50,045	2,949
Historic preservation	78,308	-
Housing and shelter	100,545	378,054
Human services	218,627	194,482
Other	56,516	130
Philanthropy	6,474,418	6,329,699
Public affairs	23,870	-
Religion	600,373	633,483
Sports and leisure	49,912	38,900
Youth development	56,239	59,304
	<u>\$ 17,997,825</u>	<u>\$ 18,638,153</u>

Note 8. Operating Leases

On December 1, 2017, the Foundation entered into a five year, non-cancelable operating lease agreement for a new office space beginning on March 1, 2018, with the option to renew for an additional five years. Total rent expense for fiscal 2019 and 2018 for operating leases was \$30,552 and \$32,686, respectively.

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

Year Ending March 31,	Amount
2020	\$ 30,552
2021	30,552
2022	30,552
2023	15,276
	<u>\$ 106,932</u>

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2019 and 2018

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2019 the Foundation 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, 2019, the Foundation had \$48,033,426 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, 2019 and 2018 includes contributed rent of \$0 and \$15,070, respectively. There were no contributed services for the year ended March 31, 2019. These amounts are reflected in the accompanying consolidated statements of activities as contribution revenue and rent expense for the year ended March 31, 2018.

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 may make a discretionary contribution. The Foundation's total contributions to the Plan were \$11,811 and \$11,420 in 2019 and 2018, respectively.

Note 12. Liquidity and Availability

The following represents the Foundation's financial assets at March 31, 2019 and 2018:

	2019	2018
Financial assets at year-end:		
Cash	\$ 2,014,415	\$ 2,271,149
Money market funds	3,839,567	3,211,485
Investments	48,737,402	50,361,181
Total financial assets	<u>54,591,384</u>	<u>55,843,815</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	17,997,825	18,638,153
Amounts held for others under agency transactions	8,608,887	8,763,521
Designated net assets without donor restrictions	27,724,918	28,242,496
	<u>54,331,630</u>	<u>55,644,170</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 259,754</u>	<u>\$ 199,645</u>

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2019 and 2018

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Continued

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses or approximately \$180,000. As part of its liquidity plan, excess cash is invested in interest bearing checking and money market accounts. Although the Foundation's policies and spending methodology does not require it to spend from its liquid financial assets other than from amounts appropriated for general expenditures as part of its annual budget approval and appropriations process, financial sources to satisfy operational needs could be available, if necessary.

On August 1, 2019, after receipt of the proceeds described in Note 13, the Foundation's Board of Trustees changed the liquidity goal to one year's operating expense in reserves. At this same time, the Board established an operating reserve equal to \$700,000 or approximately one year's operating expenses. In addition, subsequent to year end the Foundation's Board of Trustees voted to designate 5 percent of the average fair value of the operating endowment fund described in note 13 to fund annual operating expenses of the Foundation, which is expected to initially approximate \$150,000 annually.

Note 13. Subsequent Events

In May 2019, the Foundation received \$4,239,912, net of expenses, under the terms of the BP Deepwater Horizon Economic and Property Settlement Program. In July 2019, the Foundation received \$101,329, net of expenses, under the terms of Halliburton Energy and Transocean Settlement Program. The proceeds are included in other income in the consolidated statement of activities for the year ended March 31, 2020.

On July 24, 2019, the Foundation's Board of Trustees voted to use a portion of the proceeds described above to create an operating endowment fund in the amount of \$3,000,000.

The Foundation has evaluated subsequent events through September 19, 2019, 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, 2019, and have issued our report thereon, dated September 19, 2019, 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
September 19, 2019

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES

Consolidated Schedules of Operations

March 31, 2019, 2018, 2017, 2016, and 2015

	2019	2018	2017	2016	2015
Total revenues, gains and other	\$ 6,619,923	\$ 10,320,665	\$ 9,208,799	\$ 11,407,117	\$ 5,735,908
Unrealized (gains) losses on investments	1,296,393	(1,240,606)	(2,686,202)	2,458,883	620,044
Realized (gains) losses on investments	(472,913)	(1,121,859)	(436,647)	178,974	(734,978)
Adjusted revenues	7,443,403	7,958,200	6,085,950	14,044,974	5,620,974
Total expenses	(7,688,098)	(6,899,634)	(4,886,119)	(4,193,002)	(4,420,613)
Change in net assets, net of market effect	\$ (244,695)	\$ 1,058,566	\$ 1,199,831	\$ 9,851,972	\$ 1,200,361

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, 2019, 2018, 2017, 2016, and 2015

	2019	2018	2017	2016	2015
Contributions	\$ 3,383,209	\$ 3,441,488	\$ 3,859,839	\$ 12,852,999	\$ 4,416,968
Less nonrecurring contributions	-	(650,000)	(821,264)	(11,100,000)	(989,943)
Adjusted contributions	\$ 3,383,209	\$ 2,791,488	\$ 3,038,575	\$ 1,752,999	\$ 3,427,025

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.