

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

Audited Consolidated Financial Statements
Year Ended March 31, 2022
(With Summarized Financial Information
for the Year Ended March 31, 2021)

CONTENTS

Independent Auditor's Report	1 - 2
------------------------------	-------

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. and Subsidiaries
Jackson, Mississippi

Opinion

We have audited the 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, 2022, 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").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of March 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's March 31, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

HORNE LLP

Ridgeland, Mississippi
August 18, 2022

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

March 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash	\$ 5,172,232	\$ 6,053,622
Money market funds	6,153,921	6,065,498
Contribution receivable - charitable lead annuity trust, current portion	589,600	584,148
Other receivables	-	43,359
Total current assets	<u>11,915,753</u>	<u>12,746,627</u>
Investments	67,768,832	66,593,648
Contribution receivable - charitable lead annuity trust, less current portion	3,798,407	4,270,634
Other assets	144,596	117,089
Equipment and furnishings, net of accumulated depreciation	46,790	71,547
Total assets	<u>\$ 83,674,378</u>	<u>\$ 83,799,545</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Amounts held for others under agency transactions	\$ 12,542,464	\$ 12,705,439
Accounts payable	8,930	-
Total current liabilities	<u>12,551,394</u>	<u>12,705,439</u>
Net assets		
Without donor restrictions	33,814,430	33,722,481
With donor restrictions	37,308,554	37,371,625
Total net assets	<u>71,122,984</u>	<u>71,094,106</u>
Total liabilities and net assets	<u>\$ 83,674,378</u>	<u>\$ 83,799,545</u>

See accompanying notes.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Consolidated Statements of Activities
Year Ended March 31, 2022
(With Summarized Financial Information for the Year Ended March 31, 2021)

	Without		Total All Funds	
	Donor Restrictions	With Donor Restrictions	2022	2021
Revenue, gains and other support				
Contributions	\$ 2,147,516	\$ 2,221,260	\$ 4,368,776	\$ 9,653,662
Grant revenue	85,215	5,018,927	5,104,142	9,762,360
Investment income, net of investment management fees	1,377,997	1,001,955	2,379,952	16,486,106
Miscellaneous income	3,124	156,370	159,494	6,890
Administrative fees	233,840	-	233,840	111,435
Net assets released from restriction	8,461,583	(8,461,583)	-	-
Total revenue, gains and other support	12,309,275	(63,071)	12,246,204	36,020,453
Expenses				
Program services	11,957,448	-	11,957,448	9,589,265
Management and general	199,621	-	199,621	145,778
Fundraising	60,257	-	60,257	91,987
Total expenses	12,217,326	-	12,217,326	9,827,030
Change in net assets	91,949	(63,071)	28,878	26,193,423
Net assets, beginning of year	33,722,481	37,371,625	71,094,106	44,900,683
Net assets, end of year	\$ 33,814,430	\$ 37,308,554	\$ 71,122,984	\$ 71,094,106

See accompanying notes.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Consolidated Statements of Functional Expenses
Year Ended March 31, 2022
(With Summarized Financial Information for the Year Ended March 31, 2021)

	Program Services	Management and General	Fund Raising	Total Expenses	
				2022	2021
Direct expenses					
Grants and scholarships	\$ 5,470,981	\$ -	\$ -	\$ 5,470,981	\$ 4,334,451
Program expenses	5,795,558	-	-	5,795,558	4,463,637
Conferences and meetings	8,070	-	-	8,070	5,144
Total direct expenses	11,274,609	-	-	11,274,609	8,803,232
Allocated expenses					
Accounting and legal services	5,763	109,488	-	115,251	42,000
Bank fees	4,669	-	-	4,669	3,400
Depreciation	23,278	2,494	1,940	27,712	27,049
Dues and subscriptions	7,967	854	664	9,485	13,695
Employee benefits	54,576	7,412	5,390	67,378	63,101
Insurance	9,902	1,061	825	11,788	12,202
IT consulting	24,279	-	-	24,279	6,000
Marketing and sponsorships	60,027	6,431	5,002	71,460	169,852
Meals and entertainment	1,788	192	149	2,129	144
Miscellaneous	13,287	1,424	1,107	15,818	17,742
Office	12,013	1,642	1,268	14,923	11,082
Payroll taxes	25,376	3,446	2,506	31,328	38,424
Postage	1,771	190	148	2,109	3,400
Printing	15,999	1,951	1,561	19,511	26,690
Rent	8,987	8,987	-	17,974	18,008
Salaries and wages	341,279	46,347	33,707	421,333	513,000
Software hosting	62,194	6,664	5,183	74,041	48,115
Telephone and internet	9,684	1,038	807	11,529	9,894
Total allocated expenses	682,839	199,621	60,257	942,717	1,023,798
Total	\$ 11,957,448	\$ 199,621	\$ 60,257	\$ 12,217,326	\$ 9,827,030

See accompanying notes.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years Ended March 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 28,878	\$ 26,193,423
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	27,712	27,049
Realized gains on investments	(2,014,153)	(304,472)
Unrealized losses (gains) on investments	1,863,859	(14,319,127)
Changes in assets and liabilities		
Contributions receivable - charitable lead trust	466,775	(4,854,782)
Other receivables	43,359	(43,359)
Other assets	(27,507)	(10,185)
Accounts payable	8,930	-
Amounts held for others under agency transactions	173,975	2,515,836
Net cash provided by operating activities	<u>571,828</u>	<u>9,204,383</u>
Cash flows from investing activities		
Purchases of equipment and furnishings	(2,955)	(13,725)
Net change in money market funds	(88,423)	(108,654)
Proceeds from sale of investments	9,983,135	12,030,932
Purchases of investments	(11,344,975)	(16,245,470)
Net cash used in investing activities	<u>(1,453,218)</u>	<u>(4,336,917)</u>
Net increase (decrease) in cash	(881,390)	4,867,466
Cash, beginning of year	<u>6,053,622</u>	<u>1,186,156</u>
Cash, end of year	<u>\$ 5,172,232</u>	<u>\$ 6,053,622</u>

See accompanying notes.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2022 and 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Nature of Operations

The Community Foundation for Mississippi, Inc. (the "Foundation"), a nonprofit, community corporation, was created by and for the people of 22 counties throughout the state of Mississippi 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 and December 2016, the Foundation formed CFGJ Properties, LLC and CFGJ Properties II, LLC, respectively, collectively ("the LLCs"), pursuant to the Revised Mississippi Limited Liability Company Act. The Foundation is the sole member of the LLCs. The LLCs were 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 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 trustees.

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 consolidated 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 and the LLCs. 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, 2022 and 2021

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 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 property and equipment purchases with a minimum useful life of one year and a minimum cost of \$1,000.

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.

The bylaws of the Foundation include a variance provision giving the Board of Trustees 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 judgment 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.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2022 and 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

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.

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 \$5,104,142 and \$9,762,360 of grant income from various organizations in 2022 and 2021, 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 consolidated 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.

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 consolidated financial statements for the year ended March 31, 2021, from which the summarized information was derived.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2022 and 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Continued

Recent Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets. The new standard requires a not-for-profit to disclose contributed nonfinancial assets recognized within the consolidated statement of activities disaggregated by category that depicts the type of contributed nonfinancial assets. The new standard requires a not-for-profit to disclose qualitative information about each identified category regarding whether the contributed nonfinancial assets were monetized or utilized during the reporting period. For contributed nonfinancial assets utilized, the organization must disclose a description of the programs or other activities in which those assets were used. The new standard also requires that disclosures be made regarding the policy for monetizing rather than utilizing contributed nonfinancial assets, a description of any donor-imposed restrictions associated with the contributed nonfinancial assets, the valuation techniques and inputs used to arrive at a fair value measure in accordance with ASC Topic 820 *Fair Value Measurement (ASC 820)*, the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The standard is effective for the Foundation on April 1, 2022. The Foundation is currently evaluating the effect that the updated standard will have on its consolidated financial statements.

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.

Note 2. Charitable Lead Annuity Trust

The Foundation is the beneficiary of a charitable lead annuity trust that was established on December 22, 2020. Under the terms of the trust agreement, the Foundation is to receive quarterly payments of \$127,575. The Foundation recognized \$4,867,647 in contributions in connection with the charitable lead annuity trust on the consolidated statement of activities for the year ended March 31, 2021. The Foundation recorded amortization of the discount associated with the estimated present value of the receivable in the amount of \$43,525 and \$1,116 as a contribution in 2022 and 2021, respectively.

The status of the amounts recorded under the charitable lead annuity trust is as follows at March 31, 2022:

	<u>2022</u>
Remaining quarterly payments	\$ 4,578,719
Less: discount at .93 percent	<u>190,712</u>
Present value of amounts receivable	4,388,007
Current portion of present value	<u>589,600</u>
Long-term portion of present value	\$ <u>3,798,407</u>

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2022 and 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Continued

The charitable lead annuity trust is scheduled to be received as follows:

Within one year	\$ 637,875
Two to three years	1,020,600
Four to five years	1,020,600
Six to seven years	1,020,600
Eight to nine years	879,044
	<u>\$ 4,578,719</u>

Note 3. Investments

The details of investments at March 31, 2022 were as follows:

	Cost/Basis	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	\$ 39,421,802	\$ 53,529,725	\$ 14,107,923
Fixed income securities	12,485,064	12,148,142	(336,922)
Timber rights	1,775,425	2,090,965	315,540
	<u>\$ 53,682,291</u>	<u>\$ 67,768,832</u>	<u>\$ 14,086,541</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, 2022.

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 1,199,435	\$ 1,222,492	\$ 2,421,927
Realized gains	879,396	1,134,757	2,014,153
Unrealized losses	(592,698)	(1,271,161)	(1,863,859)
Investment expenses	(108,136)	(84,133)	(192,269)
	<u>\$ 1,377,997</u>	<u>\$ 1,001,955</u>	<u>\$ 2,379,952</u>

The details of investments at March 31, 2021 were as follows:

	Cost/Basis	Fair Value	Unrealized Appreciation
Equity securities	\$ 38,138,816	\$ 53,912,853	\$ 15,774,037
Fixed income securities	10,311,043	10,680,795	369,752
Timber rights	1,775,425	2,000,000	224,575
	<u>\$ 50,225,284</u>	<u>\$ 66,593,648</u>	<u>\$ 16,368,364</u>

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2022 and 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Continued

The following schedule summarizes the investment return and its classification in the consolidated statements of activities for the year ended March 31, 2021.

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 1,097,774	\$ 917,366	\$ 2,015,140
Realized gains (losses)	489,168	(184,696)	304,472
Unrealized gains	7,107,523	7,211,604	14,319,127
Investment expenses	(92,134)	(60,499)	(152,633)
	<u>\$ 8,602,331</u>	<u>\$ 7,883,775</u>	<u>\$ 16,486,106</u>

During the year ending March 31, 2022, investment securities with total fair market values of \$984,477 were contributed to the Foundation. These contributed investments were subsequently sold and the resulting proceeds of the sales are included in contributions in the consolidated statement of activities.

During the year ended March 31, 2021, investments with total fair market values of \$639,626 were contributed to the Foundation. These contributed investments were subsequently sold and the resulting proceeds of the sales are included in contributions in the consolidated statements of activities.

Note 4. Fair Value 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. 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.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2022 and 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Continued

Assets measured at fair value, on a recurring basis, are summarized below as of March 31, 2022 and 2021. There have been no changes in the valuation methodologies used at March 31, 2022 and 2021.

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 (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, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 6,153,921	\$ -	\$ -	\$ 6,153,921
Equity securities				
Mutual funds	49,645,604	-	-	49,645,604
Common stocks	3,884,121	-	-	3,884,121
Timber rights	-	-	2,090,965	2,090,965
Fixed income securities				
Mutual funds	10,991,443	-	-	10,991,443
Bonds	-	1,156,699	-	1,156,699
Total assets at fair value	<u>\$ 70,675,089</u>	<u>\$ 1,156,699</u>	<u>\$ 2,090,965</u>	<u>\$ 73,922,753</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of March 31, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 6,065,498	\$ -	\$ -	\$ 6,065,498
Equity securities				
Mutual funds	49,276,559	-	-	49,276,559
Common stocks	4,636,294	-	-	4,636,294
Timber rights	-	-	2,000,000	2,000,000
Fixed income securities				
Mutual funds	10,039,666	-	-	10,039,666
Bonds	-	641,129	-	641,129
Total assets at fair value	<u>\$ 70,018,017</u>	<u>\$ 641,129</u>	<u>\$ 2,000,000</u>	<u>\$ 72,659,146</u>

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2022 and 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. 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, 2020	\$ 2,089,369
Contributions	-
Sales	(43,359)
Unrealized loss on investment	(41,337)
Realized loss on investment	(4,673)
Balance at March 31, 2021	2,000,000
Contributions	-
Sales	-
Unrealized gain on investment	90,965
Realized gain (loss) on investment	-
Balance at March 31, 2022	\$ 2,090,965

Note 5. 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. The TPC owner is subject to property taxes for timber growing purposes (\$2.50 per acre), insurance costs and any associated management fees. 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 is required 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.

In March 2021, the fair market value of the TPC was most recently appraised at \$2,000,000 by an independent third-party appraiser. The TPC is 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, 2022 and 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Amounts Held for Others Under Agency Transactions

At March 31, 2022 and 2021, the Foundation was the intermediary for agency funds with a combined value of \$12,542,464 and \$12,705,439, respectively. The following table summarizes activity in such funds during the years ended March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Agency fund balances at April 1	\$ 12,705,439	\$ 7,293,343
Contributions	319,688	2,584,506
Dividends and interest	587,335	444,298
Realized gain (loss) on investments	85,177	(60,441)
Unrealized gain (loss) on investments	(422,127)	2,956,700
Investment expense	(31,152)	(21,567)
Management fees and grants paid on behalf of funds	(701,896)	(491,400)
	<hr/>	<hr/>
Agency fund balances at March 31	\$ 12,542,464	\$ 12,705,439

Note 7. Endowment Net Assets

The Foundation's endowment consists of approximately 96 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 Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation 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, 2022 and 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Continued

Endowment net asset composition by type of fund included \$5,483,904 donor-advised, without donor restriction funds and \$22,982,859 with donor restriction funds as of March 31, 2022 and \$5,675,305 donor-advised, without donor restriction funds and \$22,944,093 with donor restriction funds as of March 31, 2021. Changes in endowment net assets for the years ended March 31, 2022 and 2021 are as follows:

	Year Ended March 31,	
	2022	2021
Endowment net assets, beginning of year	\$ 28,619,398	\$ 19,336,361
Investment return		
Interest and dividends	1,340,901	1,119,003
Net appreciation (depreciation) in value	(141,103)	8,294,278
Total investment return	1,199,798	9,413,281
Contributions and other income	843,875	1,629,590
Net assets released	(2,196,308)	(1,759,834)
Endowment net assets, end of year	<u>\$ 28,466,763</u>	<u>\$ 28,619,398</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 funds' 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, 2022 and 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted as shown below as of March 31, 2022 and 2021:

	2022	2021
Arts and culture	\$ 5,094,754	\$ 4,834,408
Aviation education	629,449	647,376
Community development	410,603	373,182
Disaster relief	1,039,114	1,763,465
Disease and disorder	343,185	297,985
Educational purposes	8,315,589	8,902,155
Food and nutrition	528	20,358
General health	182,750	105,285
Historic preservation	113,492	107,315
Human services	1,307,562	1,030,600
Journalism	2,529,154	1,673,531
Other	28,003	32,532
Philanthropy	16,464,417	16,737,820
Religion	706,967	709,776
Sports and leisure	68,564	67,068
Youth development	74,423	68,769
	<u>\$ 37,308,554</u>	<u>\$ 37,371,625</u>

Note 9. Operating Lease

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 2022 and 2021 for operating leases was \$17,973 and \$18,008, respectively.

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

Year Ending March 31,	Amount
2023	\$ 8,484
	<u>\$ 8,484</u>

Note 10. 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, 2022, 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.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2022 and 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Continued

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, 2022, the Foundation had \$70,055,466 in excess of SIPC insured limits.

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 \$12,640 and \$15,390 in 2022 and 2021, respectively.

Note 12. Liquidity and Availability

The following represents the Foundation's financial assets at March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash	\$ 5,172,232	\$ 6,053,622
Money market funds	6,153,921	6,065,498
Investments	67,768,832	66,593,648
Other receivable	-	43,359
Contribution receivable – charitable lead annuity trust	4,388,007	4,854,782
Total financial assets	<u>83,482,992</u>	<u>83,610,909</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	37,308,554	37,371,625
Amounts held for others under agency transactions	12,542,464	12,705,439
Designated net assets without donor restrictions	31,745,789	31,771,188
Accounts payable	8,930	-
	<u>81,605,737</u>	<u>81,848,252</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,877,255</u>	<u>\$ 1,762,657</u>

The Foundation's goal is generally to maintain financial assets to meet one year of operating expenses or approximately \$1,000,000. 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, as necessary.

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES
Years Ended March 31, 2022 and 2021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Risks and Uncertainties

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

On March 11, 2020, the World Health Organization declared the COVID-19, a novel strain of coronavirus, outbreak a pandemic. The pandemic in the United States and throughout the world has resulted in substantial volatility in financial markets. The ultimate impact on the Foundation's investment portfolio will depend on certain developments including the duration and spread of the outbreak and governmental, regulatory, and private sector responses. The full effect of the pandemic on the Foundation's investments cannot be estimated at August 18, 2022.

Note 14. Paycheck Protection Program

On April 28, 2020, the Foundation received \$85,215 in proceeds from the Paycheck Protection Program ("PPP" or the "Program"), a Small Business Administration ("SBA") lending program intended to assist companies in keeping their workforce employed during the COVID-19 pandemic. The Foundation elected an accounting policy to analogize ASC 958-605, *Not-for-Profit Entities – Revenue* and account for the for the PPP proceeds as a conditional contribution. Under ASC 958, a conditional contribution is recognized when the conditions for forgiveness have been substantially met or explicitly waived. On December 21, 2020, the Foundation's PPP loan plus accrued interest was forgiven in its entirety by the SBA. The Foundation recognized the forgiveness within grant revenue in the consolidated statements of activities as the legal release from the obligation indicates the Foundation complied with the conditions of the contribution.

On June 7, 2021, the Foundation received \$85,215 in proceeds from the PPP Second Draw under the Program. On January 10, 2022, the Foundation's PPP Second Draw plus accrued interest was forgiven in its entirety by the SBA. The Foundation recognized the forgiveness within grant revenue in the consolidated statements of activities as the legal release from the obligation indicated the Foundation complied with the conditions of the contribution.

Note 15. Subsequent Events

The Foundation has evaluated subsequent events through August 18, 2022, the date these consolidated 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, 2022, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 audit 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 consolidated financial statements as a whole.

HORNE LLP

Ridgeland, Mississippi
August 18, 2022

COMMUNITY FOUNDATION FOR MISSISSIPPI, INC. AND SUBSIDIARIES

Consolidated Schedules of Operations

March 31, 2022, 2021, 2020, 2019, and 2018

	2022	2021	2020	2019	2018
Total revenues, gains and other	\$ 12,246,204	\$ 36,020,453	\$ 7,357,624	\$ 6,619,923	\$ 10,320,665
Unrealized (gains) losses on investments	1,863,859	(14,319,127)	6,042,430	1,296,393	(1,240,606)
Realized (gains) on investments	(2,014,153)	(304,472)	(28,812)	(472,913)	(1,121,859)
Adjusted revenues	12,095,910	21,396,854	13,371,242	7,443,403	7,958,200
Total expenses	(12,217,326)	(9,827,030)	(8,639,047)	(7,688,098)	(6,899,634)
Change in net assets, net of market effect	\$ (121,416)	\$ 11,569,824	\$ 4,732,195	\$ (244,695)	\$ 1,058,566

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, 2021, 2020, 2019, 2018, and 2017

	2022	2021	2020	2019	2018
Contributions	\$ 4,368,776	\$ 9,653,662	\$ 5,555,324	\$ 3,383,209	\$ 3,441,488
Less nonrecurring contributions	(851,579)	(6,441,620)	(998,100)	-	(650,000)
Adjusted contributions	\$ 3,517,197	\$ 3,212,042	\$ 4,557,224	\$ 3,383,209	\$ 2,791,488

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.