

Financial Statements

**Gulf Coast Community Foundation, Inc.
Gulfport, Mississippi**

**Year ended June 30, 2019
(With Summarized Financial Information
For the Year Ended June 30, 2018)**



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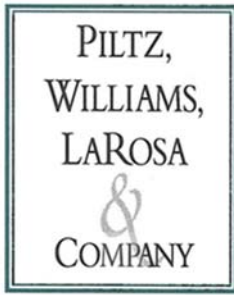
Gulf Coast Community Foundation, Inc.
Gulfport, Mississippi

Financial Statements

Year ended June 30, 2019
(With Summarized Financial Information
For the Year Ended June 30, 2018)

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Independent Auditors' Report

To the Board of Directors
Gulf Coast Community Foundation, Inc.
Gulfport, Mississippi

We have audited the accompanying financial statements of Gulf Coast Community Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

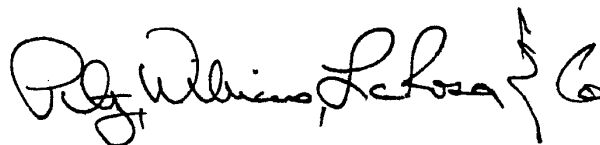
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gulf Coast Community Foundation, Inc. as of June 30, 2019 and the changes in its 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 Gulf Coast Community Foundation, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "P. J. Wilkins, CPA". The signature is written in a cursive style with a large initial "P" and "J".

Certified Public Accountants

Biloxi, Mississippi
October 31, 2019

Gulf Coast Community Foundation, Inc.
Statements of Financial Position

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	June 30,	
	2019	2018
Assets		
Cash and cash equivalents	\$ 7,776,311	\$ 4,054,202
Investments, equity and debt securities	16,116,977	15,589,910
Assets held in charitable lead trust	367,590	353,120
Beneficial interest in charitable remainder unitrust	1,624,157	1,672,323
Investment in Gulf Coast Nonprofit Center	1,422,473	1,471,523
Accounts receivable, other	17,249	1,459
Property and equipment, net	5,268	7,072
Total assets	\$ 27,330,025	\$ 23,149,609
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 9,278	\$ 120,459
Grants payable	87,750	18,250
Payroll liabilities	9,162	5,902
Liability for agency relationships	4,074,705	4,091,662
Liability for split interest agreement	367,590	353,120
Total liabilities	4,548,485	4,589,393
Net assets		
Without donor restrictions	12,058,389	12,063,887
With donor restrictions	10,723,151	6,496,329
Total net assets	22,781,540	18,560,216
Total liabilities and net assets	\$ 27,330,025	\$ 23,149,609

The accompanying notes are an integral part of the financial statements.

Gulf Coast Community Foundation, Inc.

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Statements of Activities

For the Year Ended June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and revenue				
Contributions	\$ 197,227	\$ 6,055,298	\$ 6,252,525	\$ 2,490,584
Fund raising income	67,648	-	67,648	67,917
Administrative fees, net	42,805	-	42,805	43,144
Interest and dividends	307,153	182,039	489,192	290,609
Realized/unrealized gain	143,351	2,586	145,937	473,882
Change in value of split-interest agreements	(48,166)	-	(48,166)	96,809
Decrease in equity of unconsolidated non-profit entity	(49,050)	-	(49,050)	(44,713)
Amortization of discounts	-	-	-	(2,801)
Other income	426,200	-	426,200	1,564
Net assets released from restrictions	2,013,101	(2,013,101)	-	-
Total support and revenue	<u>3,100,269</u>	<u>4,226,822</u>	<u>7,327,091</u>	<u>3,416,995</u>
Expenses				
Program services:				
Grants	2,295,576	-	2,295,576	2,330,448
General and administrative	556,999	-	556,999	737,683
Support services:				
General and administrative	233,912	-	233,912	243,411
Fundraising	19,280	-	19,280	20,857
Total expenses	<u>3,105,767</u>	<u>-</u>	<u>3,105,767</u>	<u>3,332,399</u>
Changes in net assets	(5,498)	4,226,822	4,221,324	84,596
Net assets, beginning of year	<u>12,063,887</u>	<u>6,496,329</u>	<u>18,560,216</u>	18,475,620
Net assets, end of year	<u>\$ 12,058,389</u>	<u>\$ 10,723,151</u>	<u>\$ 22,781,540</u>	<u>\$ 18,560,216</u>

The accompanying notes are an integral part of the financial statements.

Statements of Functional Expenses

For the Year Ended June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

	<u>Program</u> <u>Services</u>	<u>Admini-</u> <u>strative</u>	<u>Fundraising</u>	<u>2019</u> <u>Total</u>	<u>2018</u> <u>Total</u>
Personnel					
Salaries	\$ 278,573	\$ 79,288	\$ 5,062	\$ 362,923	\$ 336,868
Employee benefits	38,316	10,905	696	49,917	42,940
Payroll taxes	20,735	5,901	377	27,013	25,374
Totals	<u>337,624</u>	<u>96,094</u>	<u>6,135</u>	<u>439,853</u>	<u>405,182</u>
Other					
Grants and allocations	2,295,576	-	-	2,295,576	2,330,448
Fundraising	-	-	12,202	12,202	10,022
Professional fees	106,609	29,575	-	136,184	245,070
Advertising	-	-	-	-	200
Brokerage fees	-	91,687	-	91,687	90,585
Computer	18,748	4,468	285	23,501	20,582
Consulting fees	14,975	1,890	121	16,986	79,288
Depreciation	-	1,804	-	1,804	1,776
Dues and subscriptions	6,537	1,735	111	8,383	10,178
Telephone	4,529	718	46	5,293	5,767
Postage	1,128	287	18	1,433	1,634
Rent/lease	19,425	2,003	128	21,556	15,756
Office supplies and expense	12,142	509	33	12,684	21,178
Printing and publications	4,839	29	2	4,870	5,048
Travel and meetings	22,490	943	60	23,493	77,298
Insurance	5,334	1,518	97	6,949	7,399
Miscellaneous	2,619	652	42	3,313	4,988
Totals	<u>2,514,951</u>	<u>137,818</u>	<u>13,145</u>	<u>2,665,914</u>	<u>2,927,217</u>
Total expenses	<u>\$ 2,852,575</u>	<u>\$ 233,912</u>	<u>\$ 19,280</u>	<u>\$ 3,105,767</u>	<u>\$ 3,332,399</u>

The accompanying notes are an integral part of the financial statements.

Gulf Coast Community Foundation, Inc.
Statements of Cash Flows

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	Year Ended June 30,	
	2019	2018
Cash flows from operating activities		
Increase in net assets	\$ 4,221,324	\$ 84,596
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation expense	1,804	1,776
Amortization of discount on split-interest agreement	-	2,801
Realized and unrealized gain on investments	(145,937)	(473,882)
(Increase) decrease in operating assets:		
Assets held in charitable lead trust	(14,470)	30,302
Beneficial interest in remainder trust	48,166	(96,809)
Interest in unconsolidated non-profit entity	49,050	44,713
Accounts receivable - other	(15,790)	211
Increase (decrease) in operating liabilities:		
Payroll taxes payable	3,260	1,670
Liability for agency relationships	(16,957)	385,916
Liability for split interest agreement	14,470	(20,925)
Grants payable	69,500	(18,500)
Accounts payable	(111,181)	93,887
Net cash provided by operating activities	4,103,239	35,756
Cash flows from investing activities		
Additions to fixed assets	-	(816)
Investment purchases, net of redemptions	(381,130)	(280,987)
Net cash used in investing activities	(381,130)	(281,803)
Net increase (decrease) in cash and cash equivalents	3,722,109	(246,047)
Cash and cash equivalents, beginning of year	4,054,202	4,300,249
Cash and cash equivalents, end of year	\$ 7,776,311	\$ 4,054,202

The accompanying notes are an integral part of the financial statements.

Gulf Coast Community Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

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Note 1 – Summary of Significant Accounting Policies

Organization – The Gulf Coast Community Foundation, Inc. (the Foundation) is a Mississippi nonprofit corporation chartered on October 5, 1989. It is operated exclusively for public charitable uses and purposes, including, but not limited to, all charitable, scientific, literary, educational, cultural, and civic purposes that most effectively serve the needs and interests of the Mississippi Gulf Coast community. The Foundation administers funds contributed or bequeathed to it by individuals, other agencies, corporations, and other sources for the benefit of the Mississippi Gulf Coast in a manner consistent with donors’ interests.

Basis of accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial statement presentation – The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. A description of these classes is as follows:

Net assets with donor restrictions - funds with donor-imposed purpose restrictions which have not been met and trust activity for which the ultimate purpose of the proceeds is not permanently restricted, as well as, funds with donor restrictions that the corpus invested in perpetuity and only the income be made available in accordance with donor restrictions.

Net assets without donor restrictions - funds with donor restrictions that the corpus be invested in perpetuity and only the income be made available in accordance with donor restrictions.

Amounts held for others under agency transactions – If a not-for-profit organization establishes a fund at the Foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as “liability for agency relationships.”

Cash and cash equivalents – For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income taxes – The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Similar provisions are available under the Mississippi Code for exemption from state income taxes. Management has evaluated the Foundation’s tax positions and believes there are no uncertain tax positions requiring disclosure.

Property and equipment – Property and equipment are stated at cost if purchased, or at fair market value if contributed. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Additions and betterments of \$2,500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Notes to Financial Statements

June 30, 2019 and 2018

(Continued)

Grants payable – Grants payable represents amounts due to fund beneficiaries that have been approved by the board and should be paid within the next twelve months.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Revenue recognition – Contributions/gifts are recognized as revenue when received. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of public stock are recorded at their fair market value at the date of contribution.

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

Summarized financial information – The 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 June 30, 2018, from which the summarized information was derived.

Cost Allocation – The financial statements report certain categories of expenses that are attributable to more than one supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort.

Note 2 – Investments, Equity and Debt Securities

Investments are carried at fair value, and net realized and unrealized gains and losses are reflected in the statements of activities. The investments' cost, market value, and realized and unrealized gains were as follows for the years ending:

Notes to Financial Statements

June 30, 2019 and 2018

(Continued)

	June 30, 2019		June 30, 2018	
	Cost/ Donated Value	Market Value	Cost/ Donated Value	Market Value
Equity mutual funds	\$ 8,110,137	\$ 10,134,662	\$ 7,647,171	\$ 9,938,729
Government bonds	2,103,464	2,153,535	2,429,852	2,377,054
Corporate bonds	3,772,839	3,828,780	3,345,867	3,274,127
Totals	\$ 13,986,440	\$ 16,116,977	\$ 13,422,890	\$ 15,589,910
Excess of market over cost, end of year		\$ 2,130,537		\$ 2,167,020
Excess of market over cost, beginning of year		2,167,020		2,318,345
Unrealized gain (loss) for the year		(36,483)		(151,325)
Allocated to liability for agency funds		16,500		(56,915)
Allocated to Foundation net assets		(52,983)		(94,410)
Realized gain for the year		198,920		568,292
Net realized and unrealized gain (loss) on investments		\$ 145,937		\$ 473,882

Note 3 - Charitable Lead Trust

On August 29, 1997, a donor established a charitable lead trust naming the Foundation as the trustee and co-beneficiary. Under terms of the split-interest agreement, the Foundation and the Catholic Diocese of Biloxi were to receive annual payments for twenty years. With the expiration of the twenty year period, the foundation is now managing the remaining trust assets until they can be distributed to the trust beneficiaries according to the terms of the trust agreement.

Assets held under this agreement are recorded at market value and are reflected on the statement of financial position of the Foundation as of June 30, 2019 and 2018 in the amount of \$367,590 and \$353,120, respectively. The current value of the remainder interest of this trust as of June 30, 2019 and 2018 is reported on the statement of financial position as a liability in the amount of \$367,590 and \$353,120, respectively. This liability is adjusted annually to account for the income and expenses of the trust.

Note 4 - Charitable Remainder Unitrust

During 2003, a donor established a charitable remainder unitrust with a local third party investment advisory firm. The charitable remainder unitrust provides for distributions to the grantor or other designated beneficiaries over the life of the unitrust (usually the designated beneficiary's lifetime). Upon the death of the designated beneficiary, the remaining unitrust assets will be distributed to the Foundation in satisfaction of its charitable remainder interest. The present value of the unitrust attributable to the future benefits to be received by the Foundation is recorded in the statement of financial position as of June 30, 2019 and 2018 in the amount of \$1,624,157 and \$1,672,323, respectively. On an annual basis, the Foundation will revalue the remainder interest based on applicable mortality tables and current market conditions.

Notes to Financial Statements

June 30, 2019 and 2018

(Continued)

Note 5 - Investment in Gulf Coast Non-Profit Center

The Foundation acquired a 30% equity interest in the Gulf Coast Non-Profit Center, Inc. for \$2,000,000 on June 12, 2008. The Center leases space to non-profit organizations on the Mississippi Gulf Coast at below market price in order to increase their capacity to serve the community. The Center is a 501(c)(25) organization with the United Way of South Mississippi (20%), the Gulf Coast Business Council Research Foundation (30%), the Gulf Coast Community Foundation (30%), and the Mississippi Gulf Coast Chamber of Commerce Foundation (20%) as its members. The facility is operating with a high occupancy rate as of the date of this report, but declines in that occupancy rate could lead to a higher rate of rent for the equity members or a need for capital contributions by the equity members. It is the policy of the Foundation to account for this investment under the equity method of accounting.

The following summarized financial information of the Gulf Coast Non-Profit Center, Inc. is being presented using the calendar year end of the entity:

	December 31,			Year Ended December 31,	
	2018	2017		2018	2017
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Assets	\$4,250,696	\$4,413,947	Revenues	\$ 684,014	\$ 681,248
Liabilities	(20,789)	(20,541)	Expenses	(847,513)	(830,290)
Equity	<u>\$4,229,907</u>	<u>\$4,393,406</u>	Changes in equity	<u>\$ (163,499)</u>	<u>\$ (149,042)</u>

Note 6 - Risks and Uncertainties

The Foundation maintains cash balances at financial institutions which at times may exceed the federally insured limit of \$250,000. The Foundation also maintains money market accounts at investment institutions that are not insured by the FDIC. Total uninsured balances at June 30, 2019 and 2018 were \$7,114,004 and \$3,360,962, respectively. The Foundation has not experienced any such losses and does not believe that it is exposed to any significant credit risk on these deposits.

Investment securities are exposed to various market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in net values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

Note 7 – Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. The fair value hierarchy established in ASC 820 prioritizes the inputs used in valuation techniques into three levels as follows:

- 1 Level 1 – inputs are quoted prices in active markets for identical assets or liabilities;

Gulf Coast Community Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018
(Continued)

- 2 Level 2 – inputs are other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- 3 Level 3 – inputs are unobservable for the assets or liability.

Fair values of assets measured on a recurring basis at June 30, 2019 and 2018 are as follows:

June 30, 2019	Market Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments, equity and debt securities			
Equity mutual funds	\$ 10,134,662	\$ 10,134,662	\$ -
Government bonds	2,153,535	2,153,535	-
Corporate bonds	3,828,780	3,828,780	-
Total investments	<u>\$ 16,116,977</u>	<u>\$ 16,116,977</u>	<u>\$ -</u>
Assets held in charitable lead trust	<u>\$ 367,590</u>	<u>\$ 367,590</u>	<u>\$ -</u>
Beneficial interest in charitable remainder unitrust	<u>\$ 1,624,157</u>	<u>\$ -</u>	<u>\$ 1,624,157</u>
June 30, 2018			
Investments, equity and debt securities			
Equity mutual funds	\$ 9,938,729	\$ 9,938,729	\$ -
Government bonds	2,377,054	2,377,054	-
Corporate bonds	3,274,127	3,274,127	-
Total investments	<u>\$ 15,589,910</u>	<u>\$ 15,589,910</u>	<u>\$ -</u>
Assets held in charitable lead trust	<u>\$ 353,120</u>	<u>\$ 353,120</u>	<u>\$ -</u>
Beneficial interest in charitable remainder unitrust	<u>\$ 1,672,323</u>	<u>\$ -</u>	<u>\$ 1,672,323</u>

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation had no assets or liabilities valued using Level 3 inputs. The following is a description of the methodologies used for assets measured at fair value.

Investments, equity and debt securities and Assets held in Charitable Lead Trust: Valued at the closing price reported on the active market on which the individual securities are traded.

Beneficial interest in charitable remainder unitrust: Valued at the present value of future benefits to be received.

Notes to Financial Statements

June 30, 2019 and 2018

(Continued)

Note 8 - Property and Equipment

Depreciation expense for the periods ended June 30, 2019 and 2018 was \$1,803 and \$1,776, respectively. A summary of property and equipment follows:

	June 30,	
	2019	2018
Computer equipment	\$ 53,127	\$ 53,127
Software	20,000	20,000
Leashold Improvements	3,550	3,550
Office furniture	3,179	3,179
Net property and equipment	<u>79,856</u>	<u>79,856</u>
Less accumulated depreciation	74,588	72,784
Totals	<u>\$ 5,268</u>	<u>\$ 7,072</u>

Note 9 - Liability for Agency Relationships

The Foundation maintained agency funds for the years ended June 30, 2019 and 2018 which are reported on the Statement of Financial Position as a liability. Agency funds are categorized by the Foundation into the following fund types:

	June 30,	
	2019	2018
Healthcare	<u>\$3,021,478</u>	\$2,905,382
Field of interest	196,336	188,212
Designated	282,012	445,578
Scholarship & education programs	524,058	503,650
Organization's operation	50,821	48,840
Totals	<u>\$ 4,074,705</u>	<u>\$ 4,091,662</u>

Gulf Coast Community Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018
(Continued)

Note 10 – Net Assets

Net assets at June 30, 2019 and 2018 have been categorized as follows:

	June 30,	
	2019	2018
Without donor restrictions:		
Board designated for specific fund activities	\$ 4,369,206	\$ 4,731,507
Board designated for employee assistance	14,617	16,967
Board designated for field of interest	3,801,436	3,967,702
Board designated for scholarship & education programs	1,186,948	1,171,247
Board designated for fiscal agent activities	446,144	428,756
Undesignated	2,240,038	1,747,708
Total without donor restrictions	<u>12,058,389</u>	<u>12,063,887</u>
With donor restrictions:		
Donor-advised	157,103	114,613
Designated	7,747,527	3,706,014
Employee assistance	475,003	452,909
Field of interest	221,639	207,463
Scholarship & education programs	1,975,366	1,993,007
Fiscal Agent	146,513	22,323
Total with donor restrictions	<u>10,723,151</u>	<u>6,496,329</u>
Total net assets	<u>\$ 22,781,540</u>	<u>\$ 18,560,216</u>

During 2018, the Center adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. As a result, it was determined that certain net assets previously reported as temporarily restricted will now be reported as net assets with donor restrictions, as presented above.

Note 11 – Related Party Transactions

The Foundation rents office and storage space from the Gulf Coast Nonprofit Center (see Note 5). Both leases are for a period of 12 months and are renewed annually. Related party rent expense for the years ended June 30, 2019 and 2018 amounted to \$9,168 and \$12,224, respectively. Additional amounts included in rent expense on the statements of functional expenses are rents paid on behalf of fiscal sponsorship funds.

The Foundation approves and issues disbursements from a fund to support the Gulf Coast Women's Conference. This fund was established to support the activities of this conference on an annual basis. In fiscal year 2019 \$9,000 was disbursed to DWilson & Associates to cover payments to individuals hired to set-up and run the conference, and \$4,971 to run advertisements for the event in the Gulf Coast Woman magazine. The rate extended to the Foundation for this advertisement was below the average market rate. Dorothy Wilson is a current Foundation board member and owner of DWilson & Associates and the Gulf Coast Woman magazine.

Notes to Financial Statements

June 30, 2019 and 2018

(Continued)

Note 12 – Endowment Funds

Effective July 1, 2012 the State of Mississippi enacted the Uniform Prudent Management of Institutional Funds Act “UPMIFA”. The Foundation interprets the current state law regarding the treatment of endowments as the preservation of purchasing power and prudent expenditure of endowment funds and related appreciation.

The Board of Directors has determined that the majority of the Foundation’s contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation. Under the terms of the Foundation’s governing documents, the Board of Directors has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of this determination, the organization would consider a fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of the initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instruments. The Board of Directors has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. At June 30, 2019 and June 30, 2018, the Foundation had 4 and 5 endowment funds with deficiencies totaling \$585,247 and \$560,683, respectively. These funds are presented in the following table. As a result of the ability to distribute the principal, all contributions not classified as with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

	June 30,	
	2019	2018
Fair value of underwater endowments	\$ 290,573	\$ 285,895
Original endowment and subsequent gift amounts	875,820	846,578
Deficiencies of underwater endowment funds	\$ (585,247)	\$ (560,683)

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 purpose of 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 appreciation of investments, (6) other resources of the Foundation, and (7) the investment policies of the Foundation.

Investment return objectives, risk parameters and strategies - The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return.

Notes to Financial Statements

June 30, 2019 and 2018

(Continued)

Endowment investment and spending policies - The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. The intent of the Foundation is to keep the corpus intact with the income and/or capital gains expended in keeping with the purpose of the Foundation. The objective is to grow the portfolio in parity with the inflation-adjusted target spending. The Foundation targets a diversified asset allocation that places an emphasis on equity-based investments and bond investments to achieve its long-term objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds (including underwater endowment funds), for program services and administration. The current spending policy is to distribute an amount of 4% of an average ending fair market value of the previous 12 quarters for each fund calculated on an individual basis. Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment assets to grow and allow the Foundation to collect an administrative fee for maintaining the funds. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated endowment funds	\$ 560,583	\$ -	\$ 560,583
Donor-restricted endowment funds			
Designated	-	179,191	179,191
Employee Assistance	-	475,003	475,003
Field of interest	-	22,494	22,494
Scholarship	-	1,947,768	1,947,768
Unrestricted board designated funds			
Designated	1,852,153	-	1,852,153
Donor-advised	2,571,273	-	2,571,273
Field of interest	4,214,673	-	4,214,673
Scholarship	909,867	-	909,867
Total funds	<u>\$ 10,108,549</u>	<u>\$ 2,624,456</u>	<u>\$ 12,733,005</u>

Notes to Financial Statements

June 30, 2019 and 2018

(Continued)

Changes in endowment net assets as of June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 9,885,831	\$ 2,452,769	\$ 12,338,600
Contributions	523,315	212,468	735,783
Investment income	239,333	67,783	307,116
Net appreciation (depreciation)	95,185	54,130	149,315
Amounts appropriated for expenditure	(635,115)	(162,694)	(797,809)
Endowment net assets, end of year	<u>\$ 10,108,549</u>	<u>\$ 2,624,456</u>	<u>\$ 12,733,005</u>

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated endowment funds	\$ 100,145	\$ -	\$ 100,145
Donor-restricted endowment funds			
Designated	-	21,701	21,701
Employee Assistance	-	452,909	452,909
Scholarship	-	1,978,159	1,978,159
Unrestricted board designated funds			
Designated	1,720,987	-	1,720,987
Donor-advised	2,677,312	-	2,677,312
Field of interest	4,386,885	-	4,386,885
Scholarship	1,000,502	-	1,000,502
Total funds	<u>\$ 9,885,831</u>	<u>\$ 2,452,769</u>	<u>\$ 12,338,600</u>

Changes in endowment net assets as of June 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 9,504,357	\$ 2,381,717	\$ 11,886,074
Contributions	277,963	129,526	407,489
Investment income	176,071	48,319	224,390
Net appreciation (depreciation)	422,740	82,404	505,144
Amounts appropriated for expenditure	(495,300)	(189,197)	(684,497)
Endowment net assets, end of year	<u>\$ 9,885,831</u>	<u>\$ 2,452,769</u>	<u>\$ 12,338,600</u>

Notes to Financial Statements

June 30, 2019 and 2018

(Continued)

Note 13 – Liquidity and Availability of Financial Assets

The following reflects the Foundation’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of the assets nature or contractual restrictions.

	June 30,
	2019
Financial assets at year-end	<u>\$ 25,902,284</u>
Less those unavailable for general expenditures within one year due to:	
Investments designated for other fund use	16,116,977
Cash designated for other fund use	7,631,736
Accounts receivable for other fund use	13,687
Beneficial interest in charitable remainder unitrust	1,624,157
Split interest agreement	<u>367,590</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 148,137</u></u>

In addition to these funds available for general expenditures, the foundation’s Board of Directors has chosen to charge an administrative fee to all funds based on the funds class. Funds are classified and charged administrative fees as follows:

ENDOWED FUND FEES	
1.25% of Annual Fund Balance	

PASS THROUGH FUND FEES BY CLASS				
Class 1	Class 2	Class 3	Class 4	Class 5
3 Transactions or less yearly	4-10 Transactions or less yearly	11-25 Transactions yearly	26-50 Transactions yearly	Varies
2-5% of Gifts not less than \$250 Annually	2-5% of Gifts not less than \$500 Annually	2-5% of Gifts not less than \$750 Annually	2-5% of Gifts not less than \$1000 Annually \$250 for each add'l 25 transactions	Fee will be indicated clearly in Exception Form

FISCAL SPONSORSHIP FUND FEES	
5% of Annual Fund Balance	

Administrative fees for the years ended June 30, 2019 and 2018 amounted to \$309,623 and \$231,594, respectively. The Foundation utilizes this administrative fee income to support the operations of the Foundation. Such administrative fee income (Operating Fund) and administrative fee expense (other funds) is netted in the presentation of the statement of activities.

Notes to Financial Statements

June 30, 2019 and 2018

(Continued)

Note 14 – Defined Contribution Retirement Plan

The Foundation adopted a resolution effective February 24, 2015, approving the establishment of a tax deferred investment plan under Internal Revenue Code Section 408(p). Employees are eligible to participate in the Plan when they have met service requirements. The Plan is a pre-tax elective deferral plan, commonly known as a Simple IRA. The elective deferral limit for the current year was \$13,000 plus the \$3,000 catch up provision for employees 50 or older. The Foundation may elect to match participants' pre-tax deferrals on a dollar-for-dollar basis up to 3% (but not less than 1%) of eligible compensation for any year. The Foundation may contribute less than a 3% match (but not less than 1%) in no more than two out of every five years. In lieu of matching contributions, the Foundation may elect to make a non-elective contribution of 2% of each eligible employee's compensation. Employees are immediately vested in all contributions. Employer contributions of \$10,313 and \$8,816 are included in employee benefits expense for June 30, 2019 and 2018, respectively.

Note 15 - Subsequent Events

Management has evaluated subsequent events through October 31, 2019, the date on which the financial statements were available to be issued.

The Foundation experienced one large cash receipt subsequent to year end. This cash receipt was a gift from the Mississippi Power Company in the amount of \$1,415,929 to add to the Low-Income Energy Assistance Fund.