

Financial Statements

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

**Year ended June 30, 2020
(With Summarized Financial Information
For the Year Ended June 30, 2019)**



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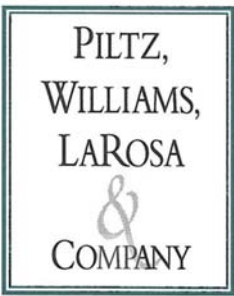
Gulf Coast Community Foundation, Inc.
Gulfport, Mississippi

Financial Statements

Year ended June 30, 2020
(With Summarized Financial Information
For the Year Ended June 30, 2019)

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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, 2020, 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.

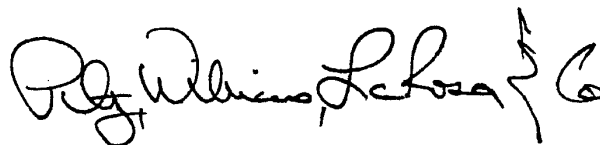
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020 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 2019 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 "Robert Wilkins Le Rosa" followed by a stylized flourish or initials.

Certified Public Accountants

Biloxi, Mississippi
April 21, 2021

Gulf Coast Community Foundation, Inc.
Statements of Financial Position

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	June 30,	
	2020	2019
Assets		
Cash and cash equivalents	\$ 15,333,055	\$ 7,776,311
Investments, equity and debt securities	16,492,206	16,116,977
Assets held in charitable lead trust	359,108	367,590
Beneficial interest in charitable remainder unitrust	1,500,178	1,624,157
Investment in Gulf Coast Nonprofit Center	1,362,303	1,422,473
Accounts receivable, other	27,283	17,249
Property and equipment, net	4,109	5,268
Total assets	\$ 35,078,242	\$ 27,330,025
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 11,057	\$ 9,278
Grants payable	91,125	87,750
Payroll liabilities	13,203	9,162
Loan payable	80,000	-
Liability for agency relationships	4,103,671	4,074,705
Liability for split interest agreement	359,108	367,590
Total liabilities	4,658,164	4,548,485
Net assets		
Without donor restrictions	12,133,044	12,058,389
With donor restrictions	18,287,034	10,723,151
Total net assets	30,420,078	22,781,540
Total liabilities and net assets	\$ 35,078,242	\$ 27,330,025

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, 2020

(With Summarized Financial Information for the Year Ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Support and revenue				
Contributions	\$ 408,955	\$ 10,315,592	10,724,547	6,252,525
Fund raising income	55,452	-	55,452	67,648
Administrative fees, net	42,849	-	42,849	42,805
Interest and dividends	313,675	186,247	499,922	489,192
Realized/unrealized gain	(52,278)	(174,971)	(227,249)	145,937
Change in value of split-interest agreements	(123,979)	-	(123,979)	(48,166)
Decrease in equity of unconsolidated non-profit entity	(60,170)	-	(60,170)	(49,050)
Other income	426,194	-	426,194	426,200
Net assets released from restrictions	2,762,985	(2,762,985)	-	-
Total support and revenue	3,773,683	7,563,883	11,337,566	7,327,091
Expenses				
Program services:				
Grants	2,741,726	-	2,741,726	2,295,576
General and administrative	672,735	-	672,735	556,999
Support services:				
General and administrative	254,327	-	254,327	233,912
Fundraising	30,240	-	30,240	19,280
Total expenses	3,699,028	-	3,699,028	3,105,767
Changes in net assets	74,655	7,563,883	7,638,538	4,221,324
Net assets, beginning of year	12,058,389	10,723,151	22,781,540	18,560,216
Net assets, end of year	\$ 12,133,044	\$ 18,287,034	\$ 30,420,078	\$ 22,781,540

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

Statements of Functional Expenses

For the Year Ended June 30, 2020

(With Summarized Financial Information for the Year Ended June 30, 2019)

	<u>Program</u> <u>Services</u>	<u>Admini-</u> <u>strative</u>	<u>Fundraising</u>	<u>2020</u> <u>Total</u>	<u>2019</u> <u>Total</u>
Personnel					
Salaries	\$ 341,646	\$ 92,210	\$ 4,912	\$ 438,768	362,923
Employee benefits	45,904	12,390	660	58,954	49,917
Payroll taxes	25,538	6,893	367	32,798	27,013
Totals	<u>413,088</u>	<u>111,493</u>	<u>5,939</u>	<u>530,520</u>	<u>439,853</u>
Other					
Grants and allocations	2,741,726	-	-	2,741,726	2,295,576
Fundraising	-	-	23,472	23,472	12,202
Professional fees	82,358	30,308	-	112,666	136,184
Advertising	850	-	-	850	-
Brokerage fees	-	95,800	-	95,800	91,687
Computer	18,023	2,682	143	20,848	21,001
Website Design	8,991	2,427	129	11,547	2,500
Consulting fees	63,868	1,715	91	65,674	16,986
Depreciation	-	1,159	-	1,159	1,804
Dues and subscriptions	8,941	2,300	122	11,363	8,383
Telephone	5,063	640	34	5,737	5,293
Postage	1,110	264	14	1,388	1,433
Rent/lease	18,276	1,927	103	20,306	21,556
Office supplies and expense	17,130	520	28	17,678	12,684
Printing and publications	2,781	-	-	2,781	4,870
Repairs and maintenance	2,165	542	29	2,736	2,026
Travel and meetings	23,137	732	39	23,908	23,493
Insurance	5,424	1,464	78	6,966	6,949
Miscellaneous	1,530	354	19	1,903	1,287
Totals	<u>3,001,373</u>	<u>142,834</u>	<u>24,301</u>	<u>3,168,508</u>	<u>2,665,914</u>
Total expenses	<u>\$ 3,414,461</u>	<u>\$ 254,327</u>	<u>\$ 30,240</u>	<u>\$ 3,699,028</u>	<u>\$ 3,105,767</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,	
	2020	2019
Cash flows from operating activities		
Increase in net assets	\$ 7,638,538	\$ 4,221,324
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	1,159	1,804
Realized and unrealized (gain)/loss on investments	227,249	(145,937)
(Increase) decrease in operating assets:		
Assets held in charitable lead trust	8,482	(14,470)
Beneficial interest in remainder trust	123,979	48,166
Interest in unconsolidated non-profit entity	60,170	49,050
Accounts receivable - other	(10,034)	(15,790)
Increase (decrease) in operating liabilities:		
Payroll taxes payable	4,041	3,260
Liability for agency relationships	28,966	(16,957)
Liability for split interest agreement	(8,482)	14,470
Grants payable	3,375	69,500
Accounts payable	1,779	(111,181)
Net cash provided by operating activities	8,079,222	4,103,239
Cash flows from investing activities		
Investment purchases, net of redemptions	(602,478)	(381,130)
Net cash used in investing activities	(602,478)	(381,130)
Cash flows from financing activities		
Loan proceeds	80,000	-
Net cash provided by financing activities	80,000	-
Net increase in cash and cash equivalents	7,556,744	3,722,109
Cash and cash equivalents, beginning of year	7,776,311	4,054,202
Cash and cash equivalents, end of year	\$ 15,333,055	\$ 7,776,311

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

Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019

(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, 2019, 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:

Gulf Coast Community Foundation, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(Continued)

	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
	<u>Cost/ Donated Value</u>	<u>Market Value</u>	<u>Cost/ Donated Value</u>	<u>Market Value</u>
Equity mutual funds	\$ 9,365,657	\$ 10,285,045	\$ 8,110,137	\$ 10,134,662
Government bonds	1,837,919	1,950,274	2,103,464	2,153,535
Corporate bonds	4,035,244	4,256,887	3,772,839	3,828,780
Totals	<u>\$ 15,238,820</u>	<u>\$ 16,492,206</u>	<u>\$ 13,986,440</u>	<u>\$ 16,116,977</u>
Excess of market over cost, end of year		\$ 1,253,386		\$ 2,130,537
Excess of market over cost, beginning of year		<u>2,130,537</u>		<u>2,167,020</u>
Unrealized gain (loss) for the year		(877,151)		(36,483)
Allocated to liability for agency funds		<u>(142,443)</u>		<u>16,500</u>
Allocated to Foundation net assets		<u>(734,708)</u>		<u>(52,983)</u>
Realized gain for the year		<u>507,459</u>		<u>198,920</u>
Net realized and unrealized gain (loss) on investments		<u>\$ (227,249)</u>		<u>\$ 145,937</u>

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, 2020 and 2019 in the amount of \$359,108, and \$367,590, respectively. The current value of the remainder interest of this trust as of June 30, 2020 and 2019 is reported on the statement of financial position as a liability in the amount of \$359,108 and \$367,590, 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, 2020 and 2019 in the amount of \$1,500,178 and \$1,624,157, 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, 2020 and 2019

(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,	
	2019	2018		2019	2018
Assets	\$4,047,146	\$4,250,696	Revenues	\$ 676,701	\$ 684,014
Liabilities	(17,807)	(20,789)	Expenses	(877,269)	(847,513)
Equity	<u>\$4,029,339</u>	<u>\$4,229,907</u>	Changes in equity	<u>\$ (200,568)</u>	<u>\$ (163,499)</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, 2020 and 2019 were \$14,744,707 and \$7,114,004, 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, 2020 and 2019
(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, 2020 and 2019 are as follows:

June 30, 2020	Market Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
June 30, 2020			
Investments, equity and debt securities			
Equity mutual funds	\$ 10,285,045	\$ 10,285,045	\$ -
Government bonds	1,950,274	1,950,274	-
Corporate bonds	4,256,887	4,256,887	-
Total investments	<u>\$ 16,492,206</u>	<u>\$ 16,492,206</u>	<u>\$ -</u>
Assets held in charitable lead trust	<u>\$ 359,108</u>	<u>\$ 359,108</u>	<u>\$ -</u>
Beneficial interest in charitable remainder unitrust	<u>\$ 1,500,178</u>	<u>\$ -</u>	<u>\$ 1,500,178</u>
June 30, 2019			
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>

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, 2020 and 2019

(Continued)

Note 8 - Property and Equipment

Depreciation expense for the periods ended June 30, 2020 and 2019 was \$1,159 and \$1,803, respectively. A summary of property and equipment follows:

	June 30,	
	2020	2019
Computer equipment	\$ 9,786	\$ 53,127
Software	20,000	20,000
Leashold Improvements	3,550	3,550
Office furniture	3,179	3,179
Net property and equipment	<u>36,515</u>	<u>79,856</u>
Less accumulated depreciation	<u>32,406</u>	<u>74,588</u>
Totals	<u>\$ 4,109</u>	<u>\$ 5,268</u>

Note 9 - Liability for Agency Relationships

The Foundation maintained agency funds for the years ended June 30, 2020 and 2019 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,	
	2020	2019
Healthcare	<u>\$3,046,153</u>	<u>\$3,021,478</u>
Field of interest	193,196	196,336
Designated	284,621	282,012
Scholarship & education programs	528,448	524,058
Organization's operation	51,253	50,821
Totals	<u>\$ 4,103,671</u>	<u>\$ 4,074,705</u>

Gulf Coast Community Foundation, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(Continued)

Note 10 – Net Assets

Net assets at June 30, 2020 and 2019 have been categorized as follows:

	June 30,	
	2020	2019
Without donor restrictions:		
Board designated for specific fund activities	\$ 4,218,695	\$ 4,369,206
Board designated for employee assistance	13,317	14,617
Board designated for field of interest	3,663,328	3,801,436
Board designated for scholarship & education programs	1,162,285	1,186,948
Board designated for fiscal agent activities	449,944	446,144
Undesignated	2,625,475	2,240,038
Total without donor restrictions	12,133,044	12,058,389
With donor restrictions:		
Donor-advised	254,967	157,103
Designated	14,238,303	7,747,527
Employee assistance	879,948	475,003
Field of interest	1,028,874	221,639
Scholarship & education programs	1,864,247	1,975,366
Fiscal Agent	20,695	146,513
Total with donor restrictions	18,287,034	10,723,151
Total net assets	\$ 30,420,078	\$ 22,781,540

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, 2020 and 2019 amounted to \$9,168 and \$9,168, 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 2020 \$327 was disbursed to DWilson & Associates for event related expenses. 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, 2020 and 2019

(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, 2020 and 2019, the Foundation had 5 and 5 endowment funds with deficiencies totaling \$502,855 and \$585,247, 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,	
	2020	2019
Fair value of underwater endowments	<u>\$ 1,227,135</u>	<u>\$ 290,573</u>
Original endowment and subsequent gift amounts	<u>1,729,990</u>	<u>875,820</u>
Deficiencies of underwater endowment funds	<u><u>\$ (502,855)</u></u>	<u><u>\$ (585,247)</u></u>

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, 2020 and 2019

(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, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated endowment funds	\$ 1,082,555	\$ -	\$ 1,082,555
Donor-restricted endowment funds			
Designated	-	228,364	228,364
Employee Assistance	-	879,948	879,948
Field of interest	-	849,159	849,159
Scholarship	-	1,815,650	1,815,650
Unrestricted board designated funds			
Designated	2,061,673	-	2,061,673
Donor-advised	2,382,571	-	2,382,571
Field of interest	3,640,328	-	3,640,328
Scholarship	1,008,980	-	1,008,980
Total funds	<u>\$ 10,176,107</u>	<u>\$ 3,773,121</u>	<u>\$ 13,949,228</u>

Notes to Financial Statements

June 30, 2020 and 2019

(Continued)

Changes in endowment net assets as of June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 10,108,549	\$ 2,624,456	\$ 12,733,005
Contributions	795,113	1,306,439	2,101,552
Investment income	215,172	69,248	284,420
Net appreciation (depreciation)	(217,254)	(71,253)	(288,507)
Amounts appropriated for expenditure	(725,473)	(155,769)	(881,242)
Endowment net assets, end of year	<u>\$ 10,176,107</u>	<u>\$ 3,773,121</u>	<u>\$ 13,949,228</u>

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

	Donor Restrictions	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>

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>

Notes to Financial Statements

June 30, 2020 and 2019

(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,
	2020
Financial assets at year-end	<u>\$ 33,711,830</u>
Less those unavailable for general expenditures within one year due to:	
Investments designated for other fund use	16,492,206
Cash designated for other fund use	15,118,850
Accounts receivable for other fund use	2,279
Beneficial interest in charitable remainder unitrust	1,500,178
Split interest agreement	<u>359,108</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 239,209</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, 2020 and 2019 amounted to \$276,535 and \$309,623, 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, 2020 and 2019

(Continued)

Note 14 – Loan Payable

During the year, the Foundation received a loan in the amount of \$80,000 under the Paycheck Protection Program established by The Coronavirus Aid, Relief, and Economic Security (CARES) Act. The balance of this loan at June 30, 2020 is \$80,000.

Note 15 – 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 \$13,500 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 \$14,637 and \$10,313 are included in employee benefits expense for June 30, 2020 and 2019, respectively.

Note 16 - Subsequent Events

Management has evaluated subsequent events through April 21, 2021, the date on which the financial statements were available to be issued.

Subsequent to year end, the Foundation has applied for and has been notified that \$80,000 in eligible expenditures for payroll and other expenses described in the CARES Act has resulted in the total loan being forgiven.