

**Financial Statements**

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

**Year ended June 30, 2022  
(With Summarized Financial Information  
For the Year Ended June 30, 2021)**



CERTIFIED PUBLIC ACCOUNTANTS  
*A Professional Association*

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

**Financial Statements**

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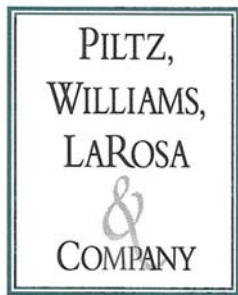
**Year ended June 30, 2022**  
**(With Summarized Financial Information**  
**For the Year Ended June 30, 2021)**

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## Independent Auditors' Report

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

### Report on the Audit of the Financial Statements

#### *Opinion*

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Gulf Coast Community Foundation, Inc. as of June 30, 2022, 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.

#### *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 Financial Statements section of our report. We are required to be independent of Gulf Coast Community Foundation, Inc. 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 Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gulf Coast Community Foundation, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

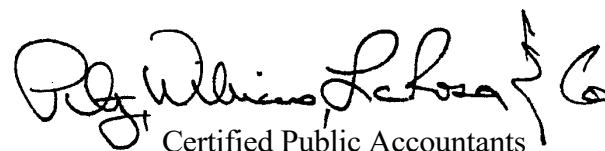
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Gulf Coast Community Foundation, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gulf Coast Community Foundation, Inc.'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 Gulf Coast Community Foundation, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated April 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Certified Public Accountants

Biloxi, Mississippi  
February 9, 2023

**Gulf Coast Community Foundation, Inc.**  
**Statements of Financial Position**

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	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 12,708,606	\$ 15,058,955
Investments, equity and debt securities	21,615,735	20,567,024
Assets held in charitable lead trust	339,468	433,088
Beneficial interest in charitable remainder unitrust	-	1,918,481
Investment in Gulf Coast Nonprofit Center	1,280,535	1,326,893
Accounts receivable, other	8,169	9,835
Property and equipment, net	12,190	17,942
Total assets	<b>\$ 35,964,703</b>	<b>\$ 39,332,218</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 19,159	25,557
Grants payable	174,697	56,750
Payroll liabilities	14,653	19,283
Liability for agency relationships	5,414,741	5,068,730
Liability for split interest agreement	337,528	406,918
Total liabilities	<b>5,960,778</b>	<b>5,577,238</b>
<b>Net assets</b>		
Without donor restrictions	14,542,545	14,348,447
With donor restrictions	15,461,380	19,406,533
Total net assets	<b>30,003,925</b>	<b>33,754,980</b>
Total liabilities and net assets	<b>\$ 35,964,703</b>	<b>\$ 39,332,218</b>

*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, 2022**

(With Summarized Financial Information for the Year Ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<b>Support and revenue</b>				
Contributions	\$ 89,525	\$ 1,476,383	\$ 1,565,908	\$ 3,948,617
Fund raising income	-	-	-	1,850
Administrative fees, net	54,093	-	54,093	47,759
Interest and dividends	504,835	297,468	802,303	513,146
Realized/unrealized loss	(1,885,118)	(865,386)	(2,750,504)	3,175,536
Change in value of split-interest agreements	2,136,154	-	2,136,154	418,303
Decrease in equity of unconsolidated non-profit entity	(46,358)	-	(46,358)	(35,410)
Other income	5,503	-	5,503	80,000
Net assets released from restrictions	4,853,618	(4,853,618)	-	-
Total support and revenue	<u>5,712,252</u>	<u>(3,945,153)</u>	<u>1,767,099</u>	<u>8,149,801</u>
<b>Expenses</b>				
Program services:				
Grants	4,495,683	-	4,495,683	3,426,158
General and administrative	551,789	-	551,789	952,259
Support services:				
General and administrative	425,623	-	425,623	422,803
Fundraising	45,059	-	45,059	13,679
Total expenses	<u>5,518,154</u>	<u>-</u>	<u>5,518,154</u>	<u>4,814,899</u>
Changes in net assets	194,098	(3,945,153)	(3,751,055)	3,334,902
Net assets, beginning of year	14,348,447	19,406,533	33,754,980	30,420,078
Net assets, end of year	<u>\$ 14,542,545</u>	<u>\$ 15,461,380</u>	<u>\$ 30,003,925</u>	<u>\$ 33,754,980</u>

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

## Statements of Functional Expenses

For the Year Ended June 30, 2022

(With Summarized Financial Information for the Year Ended June 30, 2021)

	<u>Program</u> <u>Services</u>	<u>Admini-</u> <u>strative</u>	<u>Fundraising</u>	<u>2022</u> <u>Total</u>	<u>2021</u> <u>Total</u>
<b>Personnel</b>					
Salaries	\$ 292,061	\$ 190,110	\$ 28,982	\$ 511,153	\$ 576,284
Employee benefits	31,882	20,753	3,164	55,799	71,034
Payroll taxes	21,790	14,183	2,162	38,135	42,453
Totals	<u>345,733</u>	<u>225,046</u>	<u>34,308</u>	<u>605,087</u>	<u>689,771</u>
<b>Other</b>					
Grants and allocations	4,495,683	-	-	4,495,683	3,426,158
Fundraising	-	-	4,945	4,945	7,342
Professional fees	14,982	30,469	-	45,451	71,824
Brokerage fees	-	126,270	-	126,270	105,033
Computer	24,115	13,284	2,025	39,424	52,251
Website design	7,237	3,535	539	11,311	18,463
Consulting fees	87,780	-	-	87,780	320,114
Depreciation	-	5,752	-	5,752	2,085
Dues and subscriptions	11,159	5,330	812	17,301	10,478
Telephone	7,562	1,973	301	9,836	7,305
Postage	601	392	60	1,053	1,486
Rent/lease	23,989	4,172	636	28,797	28,108
Office supplies and expense	6,380	1,838	280	8,498	29,997
Printing and publications	1,551	57	9	1,617	5,117
Repairs and maintenance	1,771	1,052	160	2,983	2,996
Travel and meetings	11,636	1,801	275	13,712	26,870
Insurance	5,332	3,470	529	9,331	7,437
Miscellaneous	1,961	1,182	180	3,323	2,064
Totals	<u>4,701,739</u>	<u>200,577</u>	<u>10,751</u>	<u>4,913,067</u>	<u>4,125,128</u>
Total expenses	<u>\$ 5,047,472</u>	<u>\$ 425,623</u>	<u>\$ 45,059</u>	<u>\$ 5,518,154</u>	<u>\$ 4,814,899</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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	<b>Year Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
(Decrease)/increase in net assets	\$ (3,751,055)	\$ 3,334,902
Adjustments to reconcile increase/(decrease) in net assets to net cash provided by operating activities:		
Depreciation expense	5,752	2,085
Realized and unrealized (gain)/loss on investments	2,750,504	(3,175,536)
Gain on forgiveness of Paycheck Protection Program Loan	-	(80,000)
(Increase) decrease in operating assets:		
Assets held in charitable lead trust	93,620	(73,980)
Beneficial interest in remainder trust	1,918,481	(418,303)
Interest in unconsolidated non-profit entity	46,358	35,410
Accounts receivable - other	1,666	17,448
Increase (decrease) in operating liabilities:		
Payroll taxes payable	(4,630)	6,080
Liability for agency relationships	346,011	965,059
Liability for split interest agreement	(69,390)	47,810
Grants payable	117,947	(34,375)
Accounts payable	(6,398)	14,500
Net cash provided by operating activities	<b>1,448,866</b>	<b>641,100</b>
<b>Cash flows from investing activities</b>		
Additions to fixed assets	-	(15,918)
Investment purchases, net of redemptions	(3,799,215)	(899,282)
Net cash used in investing activities	<b>(3,799,215)</b>	<b>(915,200)</b>
Net increase (decrease) in cash and cash equivalents	(2,350,349)	(274,100)
Cash and cash equivalents, beginning of year	<b>15,058,955</b>	<b>15,333,055</b>
Cash and cash equivalents, end of year	<b>\$ 12,708,606</b>	<b>\$ 15,058,955</b>

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



**Gulf Coast Community Foundation, Inc.**  
**Notes to Financial Statements**  
June 30, 2022 and 2021

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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 be 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, 2022 and 2021

(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, 2021, 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.

**Advertising expense** – The Foundation expenses advertising costs as they are incurred. Total advertising costs at June 30, 2022 and 2021 were \$0 and \$0, respectively.

**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, 2022 and 2021

(Continued)

	June 30, 2022		June 30, 2021	
	Cost/ Donated Value	Market Value	Cost/ Donated Value	Market Value
Equity mutual funds	\$ 12,136,063	\$ 13,891,763	\$ 9,600,597	\$ 14,224,011
Government bonds	2,595,398	2,504,222	1,841,440	1,934,397
Corporate bonds	5,518,517	5,219,750	4,279,777	4,408,616
Totals	\$ 20,249,978	\$ 21,615,735	\$ 15,721,814	\$ 20,567,024
Excess of market over cost, end of year		\$ 1,365,757		\$ 4,845,210
Excess of market over cost, charitable remainder interest		1,505,922		-
Excess of market over cost, beginning of year		4,845,210		1,253,386
Unrealized gain (loss) for the year		(4,985,375)		3,591,824
Allocated to liability for agency funds		(1,453,075)		847,357
Allocated to Foundation net assets		(3,532,300)		2,744,467
Realized gain for the year		781,796		431,069
Net realized and unrealized gain (loss) on investments		\$ (2,750,504)		\$ 3,175,536

**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, 2022 and 2021 in the amount of \$339,468, and \$433,088, respectively. The current value of the remainder interest of this trust as of June 30, 2022 and 2021 is reported on the statement of financial position as a liability in the amount of \$337,528 and \$406,918, 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 designated beneficiary passed away during the 2022 fiscal year and the remaining unitrust assets were 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, 2022 and 2021 in the amount of \$- and \$1,918,481, respectively.

## Notes to Financial Statements

June 30, 2022 and 2021

(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:

	<b>December 31,</b>			<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>		<b>2021</b>	<b>2020</b>
Assets	<b>\$ 3,761,288</b>	\$ 3,919,493	Revenues	<b>\$ 676,754</b>	\$ 671,829
Liabilities	<b>(4,506)</b>	(8,184)	Expenses	<b>(831,281)</b>	(789,861)
Equity	<b><u>\$ 3,756,782</u></b>	<u>\$ 3,911,309</u>	Changes in equity	<b><u>\$ (154,527)</u></b>	<u>\$ (118,032)</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, 2022 and 2021 were \$12,076,548 and \$14,382,316, 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, 2022 and 2021  
(Continued)

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- 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, 2022 and 2021 are as follows:

<b>June 30, 2022</b>	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	\$ 13,891,763	\$ 13,891,763	\$ -
Government bonds	2,504,222	2,504,222	-
Corporate bonds	5,219,750	5,219,750	-
Total investments	<u>\$ 21,615,735</u>	<u>\$ 21,615,735</u>	<u>\$ -</u>
Assets held in charitable lead trust	<u>\$ 339,468</u>	<u>\$ 339,468</u>	<u>\$ -</u>
<hr/>			
June 30, 2021			
Investments, equity and debt securities			
Equity mutual funds	\$ 14,224,011	\$ 14,224,011	\$ -
Government bonds	1,934,397	1,934,397	-
Corporate bonds	4,408,616	4,408,616	-
Total investments	<u>\$ 20,567,024</u>	<u>\$ 20,567,024</u>	<u>\$ -</u>
Assets held in charitable lead trust	<u>\$ 433,088</u>	<u>\$ 433,088</u>	<u>\$ -</u>
Beneficial interest in charitable remainder unitrust	<u>\$ 1,918,481</u>	<u>\$ -</u>	<u>\$ 1,918,481</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, 2022 and 2021

(Continued)

**Note 8 - Property and Equipment**

Depreciation expense for the periods ended June 30, 2022 and 2021 was \$5,752 and \$2,085, respectively. A summary of property and equipment follows:

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
Computer equipment	\$ 5,617	\$ 5,617
Software	36,500	36,500
Leashold Improvements	3,550	3,550
Office furniture	3,179	3,179
Net property and equipment	<u>48,846</u>	<u>48,846</u>
Less accumulated depreciation	36,656	30,904
Totals	<u>\$ 12,190</u>	<u>\$ 17,942</u>

**Note 9 - Liability for Agency Relationships**

The Foundation maintained agency funds for the years ended June 30, 2022 and 2021 which are reported on the Statement of Financial Position as a liability. Agency funds are categorized by the Foundation into the following fund types:

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
Healthcare	<u>\$3,216,119</u>	<u>\$3,772,596</u>
Field of interest	193,883	229,612
Designated	1,399,190	350,010
Scholarship & education programs	552,034	653,207
Organization's operation	53,515	63,305
Totals	<u>\$ 5,414,741</u>	<u>\$ 5,068,730</u>

**Gulf Coast Community Foundation, Inc.**  
**Notes to Financial Statements**  
June 30, 2022 and 2021  
(Continued)

**Note 10 – Net Assets**

Net assets at June 30, 2022 and 2021 have been categorized as follows:

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
Without donor restrictions:		
Board designated for specific fund activities	\$ 4,472,892	\$ 5,073,951
Board designated for employee assistance	10,417	11,717
Board designated for field of interest	5,834,000	4,488,496
Board designated for scholarship & education programs	1,045,159	1,360,838
Board designated for fiscal agent activities	469,781	555,708
Undesignated	2,710,296	2,857,737
Total without donor restrictions	14,542,545	14,348,447
With donor restrictions:		
Donor-advised	286,454	385,762
Designated	10,368,102	14,188,151
Employee assistance	1,225,014	1,132,498
Field of interest	1,832,627	1,454,605
Scholarship & education programs	1,733,677	2,206,680
Fiscal Agent	15,506	38,837
Total with donor restrictions	15,461,380	19,406,533
Total net assets	<b>\$ 30,003,925</b>	<b>\$ 33,754,980</b>

During 2018, the Foundation 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, 2022 and 2021 amounted to \$9,768 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.

## Notes to Financial Statements

June 30, 2022 and 2021

(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, 2022 and 2021, the Foundation had 55 and 5 endowment funds with deficiencies totaling \$2,489,402 and \$547,080, 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.

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
Fair value of underwater endowments	<b>\$ 12,620,984</b>	\$ 1,387,240
Original endowment and subsequent gift amounts	<b>15,110,386</b>	1,934,320
Deficiencies of underwater endowment funds	<b>\$ (2,489,402)</b>	\$ (547,080)

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, 2022 and 2021

(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, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated endowment funds	\$ 1,059,511	\$ -	\$ 1,059,511
Donor-restricted endowment funds			
Designated	-	397,442	397,441
Employee Assistance	-	1,089,788	1,089,788
Field of interest	-	1,089,148	1,089,148
Scholarship	-	1,796,010	1,796,010
Unrestricted board designated funds			
Designated	2,149,066	-	2,149,067
Donor-advised	2,439,852	-	2,439,852
Field of interest	5,811,501	-	5,811,501
Scholarship	987,368	-	987,368
Total funds	<u>\$ 12,447,298</u>	<u>\$ 4,372,388</u>	<u>\$ 16,819,686</u>

**Gulf Coast Community Foundation, Inc.**  
**Notes to Financial Statements**  
June 30, 2022 and 2021  
(Continued)

Changes in endowment net assets as of June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 12,365,288	\$ 4,722,211	\$ 17,087,499
Contributions	71,415	694,249	1,527,547
Investment income	299,940	223,208	523,148
Net appreciation (depreciation)	251,036	(733,624)	(1,244,471)
Amounts appropriated for expenditure	(540,381)	(533,656)	(1,074,037)
Endowment net assets, end of year	<u>\$ 12,447,298</u>	<u>\$ 4,372,388</u>	<u>\$ 16,819,686</u>

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	Donor Restrictions	Donor Restrictions	Total
Undesignated endowment funds	\$ 1,286,860	\$ -	\$ 1,286,860
Donor-restricted endowment funds			
Designated	-	315,103	315,103
Employee Assistance	-	969,705	969,705
Field of interest	-	1,272,205	1,272,205
Scholarship	-	2,165,198	2,165,198
Unrestricted board designated funds			
Designated	2,482,156	-	2,482,156
Donor-advised	2,916,301	-	2,916,301
Field of interest	4,465,746	-	4,465,746
Scholarship	1,214,224	-	1,214,224
Total funds	<u>\$ 12,365,287</u>	<u>\$ 4,722,211</u>	<u>\$ 17,087,498</u>

Changes in endowment net assets as of June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 10,176,107	\$ 3,773,121	\$ 13,949,228
Contributions	141,894	467,347	609,241
Investment income	191,432	74,282	265,714
Net appreciation (depreciation)	2,469,229	733,752	3,202,981
Amounts appropriated for expenditure	(613,375)	(326,291)	(939,666)
Endowment net assets, end of year	<u>\$ 12,365,287</u>	<u>\$ 4,722,211</u>	<u>\$ 17,087,498</u>

Notes to Financial Statements

June 30, 2022 and 2021

(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.

	<b>June 30,</b>
	<b>2022</b>
Financial assets at year-end	<b>\$ 34,671,978</b>
<b>Less</b> those unavailable for general expenditures	
within one year due to:	
Investments designated for other fund use	21,617,675
Cash designated for other fund use	12,380,754
Accounts receivable for other fund use	2,225
Beneficial interest in charitable remainder unitrust	-
Split interest agreement	337,528
Financial assets available to meet cash needs for	
general expenditures within one year	<b>\$ 333,796</b>

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, 2022 and 2021 amounted to \$421,866 and \$306,854, 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, 2022 and 2021

(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 \$13,500 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 \$13,997 and \$16,460 are included in employee benefits expense for June 30, 2022 and 2021, respectively.

**Note 15 - Subsequent Events**

Management has evaluated subsequent events through February 9, 2023, the date on which the financial statements were available to be issued.