

**Financial Statements**

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

**Year ended June 30, 2023  
(With Summarized Financial Information  
For the Year Ended June 30, 2022)**



CERTIFIED PUBLIC ACCOUNTANTS  
*A Professional Association*

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

**Financial Statements**

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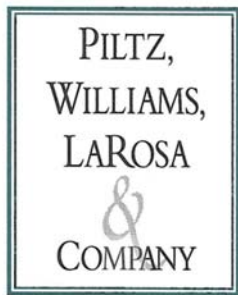
**Year ended June 30, 2023**  
**(With Summarized Financial Information**  
**For the Year Ended June 30, 2022)**

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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, 2023, 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, 2023, 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.

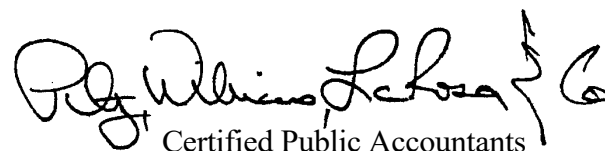
In performing an audit in accordance with GAAS, we:

- 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 2022 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated February 9, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

Biloxi, Mississippi  
February 2, 2024

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

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	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 458,482	\$ 642,917
Cash and cash equivalents, restricted	9,227,835	12,065,689
Investments, equity and debt securities	25,269,876	21,615,735
Assets held in charitable lead trust	365,837	339,468
Investment in Gulf Coast Nonprofit Center	1,144,303	1,280,535
Accounts receivable, other	7,474	8,169
Property and equipment, net	6,574	12,190
Total assets	<b>\$ 36,480,381</b>	<b>\$ 35,964,703</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 19,934	19,159
Grants payable	261,360	174,697
Payroll liabilities	24,446	14,653
Deferred grant revenue	80,208	-
Liability for agency relationships	7,903,352	5,414,741
Liability for split interest agreement	365,837	337,528
Total liabilities	<b>8,655,137</b>	<b>5,960,778</b>
<b>Net assets</b>		
Without donor restrictions	14,743,557	14,542,545
With donor restrictions	13,081,687	15,461,380
Total net assets	<b>27,825,244</b>	<b>30,003,925</b>
Total liabilities and net assets	<b>\$ 36,480,381</b>	<b>\$ 35,964,703</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, 2023**

(With Summarized Financial Information for the Year Ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<b>Support and revenue</b>				
Contributions	\$ 76,543	\$ 1,458,971	\$ 1,535,514	\$ 1,565,908
Fundraising income	98,220	-	98,220	-
Administrative fees, net	62,810	-	62,810	54,093
Interest and dividends	421,960	181,971	603,931	802,303
Realized/unrealized gain	825,896	233,250	1,059,146	(2,750,504)
Change in value of split-interest agreements	-	-	-	2,136,154
Decrease in equity of unconsolidated non-profit entity	(136,232)	-	(136,232)	(46,358)
Other income	8,043	-	8,043	5,503
Net assets released from restrictions	4,253,885	(4,253,885)	-	-
Total support and revenue	5,611,125	(2,379,693)	3,231,432	1,767,099
<b>Expenses</b>				
Program services:				
Grants	4,437,790	-	4,437,790	4,495,683
General and administrative	355,622	-	355,622	551,789
Support services:				
General and administrative	600,005	-	600,005	425,623
Fundraising	16,696	-	16,696	45,059
Total expenses	5,410,113	-	5,410,113	5,518,154
Changes in net assets	201,012	(2,379,693)	(2,178,681)	(3,751,055)
Net assets, beginning of year	14,542,545	15,461,380	30,003,925	33,754,980
Net assets, end of year	\$ 14,743,557	\$ 13,081,687	\$ 27,825,244	\$ 30,003,925

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

## Statements of Functional Expenses

For the Year Ended June 30, 2023

(With Summarized Financial Information for the Year Ended June 30, 2022)

	<u>Program</u> <u>Services</u>	<u>Admini-</u> <u>strative</u>	<u>Fundraising</u>	<u>2023</u> <u>Total</u>	<u>2022</u> <u>Total</u>
<b>Personnel</b>					
Salaries	\$ 190,638	\$ 316,147	\$ -	\$ 506,785	\$ 511,153
Employee benefits	24,480	40,597	-	65,077	55,799
Payroll taxes	14,372	23,833	-	38,205	38,135
Totals	<u>229,490</u>	<u>380,577</u>	<u>-</u>	<u>610,067</u>	<u>605,087</u>
<b>Other</b>					
Grants and allocations	4,437,790	-	-	4,437,790	4,495,683
Fundraising	-	-	16,696	16,696	4,945
Professional fees	-	30,768	-	30,768	45,451
Brokerage fees	-	108,690	-	108,690	126,270
Computer	25,565	25,089	-	50,654	39,424
Website design	6,948	6,942	-	13,890	11,311
Consulting fees	38,923	-	-	38,923	87,780
Depreciation	-	5,616	-	5,616	5,752
Dues and subscriptions	8,496	9,096	-	17,592	17,301
Telephone	6,104	4,171	-	10,275	9,836
Postage	575	954	-	1,529	1,053
Rent/lease	18,893	7,197	-	26,090	28,797
Office supplies and expense	3,280	2,742	-	6,022	8,498
Printing and publications	170	239	-	409	1,617
Repairs and maintenance	1,279	2,100	-	3,379	2,983
Travel and meetings	10,322	11,340	-	21,662	13,712
Insurance	2,677	4,439	-	7,116	9,331
Miscellaneous	2,900	45	-	2,945	3,323
Totals	<u>4,563,922</u>	<u>219,428</u>	<u>16,696</u>	<u>4,800,046</u>	<u>4,913,067</u>
Total expenses	<u>\$ 4,793,412</u>	<u>\$ 600,005</u>	<u>\$ 16,696</u>	<u>\$ 5,410,113</u>	<u>\$ 5,518,154</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>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
(Decrease)/increase in net assets	\$ (2,178,681)	\$ (3,751,055)
Adjustments to reconcile increase/(decrease) in net assets to net cash provided by operating activities:		
Depreciation expense	5,616	5,752
Realized and unrealized (gain)/loss on investments	(1,059,146)	2,750,504
(Increase) decrease in operating assets:		
Assets held in charitable lead trust	(26,369)	93,620
Beneficial interest in remainder trust	-	1,918,481
Interest in unconsolidated non-profit entity	136,232	46,358
Accounts receivable - other	695	1,666
Increase (decrease) in operating liabilities:		
Payroll taxes payable	9,793	(4,630)
Liability for agency relationships	2,488,611	346,011
Liability for split interest agreement	28,309	(69,390)
Grants payable	86,663	117,947
Deferred grant revenue	80,208	-
Accounts payable	775	(6,398)
Net cash provided by/(used in) operating activities	(427,294)	1,448,866
<b>Cash flows from investing activities</b>		
Investment purchases, net of redemptions	(2,594,995)	(3,799,215)
Net cash used in investing activities	(2,594,995)	(3,799,215)
Net increase (decrease) in cash and cash equivalents and restricted cash	(3,022,289)	(2,350,349)
Cash and cash equivalents, and restricted cash beginning of year	12,708,606	15,058,955
Cash and cash equivalents, and restricted cash end of year	\$ 9,686,317	\$ 12,708,606

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



**Gulf Coast Community Foundation, Inc.**  
**Notes to Financial Statements**  
June 30, 2023 and 2022

**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 Financial Position and the Statements of Cash Flows, the Foundation, considers all cash and highly liquid investments with an initial maturity of three months or less to be cash equivalents. The following table provides a reconciliation of cash, cash equivalents, restricted cash and restricted cash equivalents reported within the Statements of Financial Position that sum to the totals of the same such amounts in the Statements of Cash Flows.

	<b>June 30,</b>	
	<u>2023</u>	<u>2022</u>
Cash	\$ 458,482	\$ 642,917
Cash restricted for specified fund use	9,227,835	12,065,689
Totals	<u>9,686,317</u>	<u>12,708,606</u>

Notes to Financial Statements

June 30, 2023 and 2022

(Continued)

**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.

**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.

**Deferred grant revenue** – Deferred grant revenues consist of grant funds that were received in the current year but were unearned at year end.

**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 received are recorded as revenue with donor restrictions or revenue without donor restrictions, depending on the existence and nature of any donor restrictions. All donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions. 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, 2022, from which the summarized information was derived.

**Notes to Financial Statements**

June 30, 2023 and 2022

(Continued)

**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.

**Leases** – The Foundation adopted FASB Accounting Standards Update 2016-02, Leases (Topic 842). The purpose of the update is to increase transparency and comparability among organizations by recognizing the lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. It was determined that the Foundation's current lease is short term. Accordingly, the Foundation has adopted an accounting policy under the standard to recognize the lease payments in the period in which the obligations for those payments are incurred. This method is unchanged from how the lease payments were previously recognized, and as such, the adoption of the new standard is not expected to have a material effect on the Foundation's financial position, results of operations, or cash flows. The Foundation elected the practical expedient upon adoption that allows the Foundation to forego evaluating any previous leases for changes in term or status and contracts for potential embedded leases. The Foundation has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from short-term leases for any class of underlying asset.

**Reclassifications** - Certain reclassifications have been made to the 2022 financial statement presentation to correspond to the current year's format.

**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, 2023 and 2022

(Continued)

	June 30, 2023		June 30, 2022	
	Cost/ Donated Value	Market Value	Cost/ Donated Value	Market Value
Equity mutual funds	\$ 12,905,309	\$ 16,508,612	\$ 12,136,063	\$ 13,891,763
Government bonds	3,241,281	3,112,319	2,595,398	2,504,222
Corporate bonds	6,047,241	5,648,945	5,518,517	5,219,750
Totals	<u>\$ 22,193,831</u>	<u>\$ 25,269,876</u>	<u>\$ 20,249,978</u>	<u>\$ 21,615,735</u>
Excess of market over cost, end of year		\$ 3,076,045		\$ 1,365,757
Excess of market over cost, charitable remainder interest		-		1,505,922
Excess of market over cost, beginning of year		<u>1,365,757</u>		<u>4,845,210</u>
Unrealized gain (loss) for the year		<u>1,710,288</u>		<u>(4,985,375)</u>
Allocated to liability for agency funds		<u>516,106</u>		<u>(1,453,075)</u>
Allocated to Foundation net assets		<u>1,194,182</u>		<u>(3,532,300)</u>
Realized gain for the year		<u>(135,036)</u>		<u>781,796</u>
Net realized and unrealized gain (loss) on investments		<u>\$ 1,059,146</u>		<u>\$ (2,750,504)</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, 2023 and 2022 in the amount of \$365,837, and \$339,468, respectively. The current value of the remainder interest of this trust as of June 30, 2023 and 2022 is reported on the statement of financial position as a liability in the amount of \$365,837 and \$337,528, 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, 2023 and 2022 in the amount of \$- and \$-, respectively.

## Notes to Financial Statements

June 30, 2023 and 2022

(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>2022</b>	<b>2021</b>		<b>2022</b>	<b>2021</b>
Assets	<b>\$ 3,307,327</b>	\$ 3,761,288	Revenues	<b>\$ 768,167</b>	\$ 676,754
Liabilities	<b>(4,649)</b>	(4,506)	Net Unrealized Loss	<b>\$ (268,779)</b>	\$ -
Equity	<b><u>\$ 3,302,678</u></b>	<u>\$ 3,756,782</u>	Expenses	<b>(953,492)</b>	(831,281)
			Changes in equity	<b><u>\$ (454,104)</u></b>	<u>\$ (154,527)</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, 2023 and 2022 were \$8,965,826 and \$12,076,548, 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, 2023 and 2022  
(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, 2023 and 2022 are as follows:

<b>June 30, 2023</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	\$ 16,508,612	\$ 16,508,612	\$ -
Government bonds	3,112,319	3,112,319	-
Corporate bonds	5,648,945	5,648,945	-
Total investments	<u>\$ 25,269,876</u>	<u>\$ 25,269,876</u>	<u>\$ -</u>
Assets held in charitable lead trust	<u>\$ 365,837</u>	<u>\$ 365,837</u>	<u>\$ -</u>
<u>June 30, 2022</u>			
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>
Beneficial interest in charitable remainder unitrust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2023 and 2022

(Continued)

**Note 8 - Property and Equipment**

Depreciation expense for the periods ended June 30, 2023 and 2022 was \$5,616 and \$5,752, respectively. A summary of property and equipment follows:

	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Computer equipment	\$ 5,617	\$ 5,617
Software	16,500	36,500
Leashold Improvements	3,550	3,550
Office furniture	3,179	3,179
Total property and equipment	<u>28,846</u>	<u>48,846</u>
Less accumulated depreciation	<u>22,272</u>	<u>36,656</u>
Property and equipment, net	<u>\$ 6,574</u>	<u>\$ 12,190</u>

**Note 9 - Liability for Agency Relationships**

The Foundation maintained agency funds for the years ended June 30, 2023 and 2022 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>2023</b>	<b>2022</b>
Healthcare	<u>\$5,691,024</u>	<u>\$3,216,119</u>
Field of interest	117,685	193,883
Designated	1,437,186	1,399,190
Scholarship & education programs	599,372	552,034
Organization's operation	58,085	53,515
Totals	<u>\$ 7,903,352</u>	<u>\$ 5,414,741</u>

**Gulf Coast Community Foundation, Inc.**  
**Notes to Financial Statements**  
June 30, 2023 and 2022  
(Continued)

**Note 10 – Net Assets**

Net assets at June 30, 2023 and 2022 have been categorized as follows:

	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Without donor restrictions:		
Board designated for specific fund activities	\$ 4,518,973	\$ 4,472,892
Board designated for employee assistance	8,867	10,417
Board designated for field of interest	6,144,694	5,834,000
Board designated for scholarship & education programs	1,130,392	1,045,159
Board designated for fiscal agent activities	489,932	469,781
Undesignated	2,450,699	2,710,296
Total without donor restrictions	14,743,557	14,542,545
With donor restrictions:		
Donor-advised	637,086	286,454
Designated	7,382,942	10,368,102
Employee assistance	1,252,969	1,225,014
Field of interest	1,922,090	1,832,627
Scholarship & education programs	1,866,803	1,733,677
Fiscal Agent	19,797	15,506
Total with donor restrictions	13,081,687	15,461,380
Total net assets	\$ 27,825,244	\$ 30,003,925

**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, 2023 and 2022 amounted to \$11,538 and \$9,768, respectively. Additional amounts included in rent expense on the statements of functional expenses are rents paid on behalf of fiscal sponsorship funds.

**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.



## Notes to Financial Statements

June 30, 2023 and 2022

(Continued)

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, 2023 and 2022, the Foundation had 49 and 55 endowment funds with deficiencies totaling \$2,127,519 and \$2,489,402, 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>	
	<u>2023</u>	<u>2022</u>
Fair value of underwater endowments	<b>\$ 12,502,460</b>	\$ 12,620,984
Original endowment and subsequent gift amounts	<b>14,629,979</b>	15,110,386
Deficiencies of underwater endowment funds	<b><u>\$ (2,127,519)</u></b>	<b><u>\$ (2,489,402)</u></b>

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, 2023 and 2022

(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, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated endowment funds	\$ 1,148,283	\$ -	\$ 1,148,283
Donor-restricted endowment funds			
Designated	-	484,702	484,702
Donor-advised	-	112,284	112,284
Employee Assistance	-	1,114,240	1,114,240
Field of interest	-	1,104,948	1,104,948
Scholarship	-	1,912,636	1,912,636
Unrestricted board designated funds			
Designated	2,209,538	-	2,209,538
Donor-advised	2,565,014	-	2,565,014
Field of interest	6,122,885	-	6,122,885
Scholarship	1,085,776	-	1,085,776
Total funds	<u>\$ 13,131,496</u>	<u>\$ 4,728,810</u>	<u>\$ 17,860,306</u>

**Gulf Coast Community Foundation, Inc.**

**Notes to Financial Statements**

June 30, 2023 and 2022

(Continued)

Changes in endowment net assets as of June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 12,447,298	\$ 4,372,388	\$ 16,819,686
Contributions	45,296	212,806	258,102
Investment income	316,121	109,480	425,601
Net appreciation (depreciation)	829,177	179,050	1,008,227
Amounts appropriated for expenditure	(506,396)	(144,914)	(651,310)
Endowment net assets, end of year	<u>\$ 13,131,496</u>	<u>\$ 4,728,810</u>	<u>\$ 17,860,306</u>

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	397,442
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	-	2,149,066
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>

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	765,664
Investment income	299,940	223,208	523,148
Net appreciation (depreciation)	251,036	(733,624)	(482,588)
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>

Notes to Financial Statements

June 30, 2023 and 2022

(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>2023</b>
Financial assets at year-end	<u>\$ 35,329,504</u>
Less those unavailable for general expenditures within one year due to:	
Investments designated for other fund use	25,269,876
Cash designated for other fund use	9,564,928
Accounts receivable for other fund use	2,460
Split interest agreement	<u>365,837</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 126,403</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, 2023 and 2022 amounted to \$317,742 and \$421,866, 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, 2023 and 2022

(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 \$11,205 and \$13,997 are included in employee benefits expense for June 30, 2023 and 2022, respectively.

**Note 15 - Subsequent Events**

Management has evaluated subsequent events through February 2, 2024, the date on which the financial statements were available to be issued.