

**COMMUNITY FOUNDATION  
OF NORTHWEST MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

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# F. O. GIVENS & COMPANY

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Certified Public Accountant

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Certified Public Accountant

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Community Foundation of Northwest Mississippi

We have audited the accompanying financial statements of the Community Foundation of Northwest Mississippi (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses for the years 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 the Community Foundation of Northwest Mississippi as of December 31, 2015 and 2014, 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.

F. O. Givens & Co.  
Southaven, Mississippi  
August 8, 2016

**Community Foundation of Northwest Mississippi**  
**Statements of Financial Position**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,009,809	\$ 818,550
Investments (Note B)	10,977,149	11,325,789
Grants Receivable	90,000	665,000
Promises to Give (Note E)	3,541,522	4,522,878
Property and Equipment Net (Note F)	2,763	700
<b>TOTAL ASSETS</b>	<b>\$ 15,621,243</b>	<b>\$ 17,332,917</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 1,974	\$ 3,130
Amounts Held on Behalf of Others	1,150,760	1,064,018
Deferred Revenue	90,000	665,000
<b>TOTAL LIABILITIES</b>	<b>1,242,734</b>	<b>1,732,148</b>
<b>NET ASSETS</b>		
Unrestricted	10,836,987	11,077,891
Temporarily Restricted (Note H)	3,541,522	4,522,878
<b>TOTAL NET ASSETS</b>	<b>14,378,509</b>	<b>15,600,769</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 15,621,243</b>	<b>\$ 17,332,917</b>

The notes to the financial statements are an integral part of this statement.

**Community Foundation of Northwest Mississippi  
Statements of Activities  
Years Ended December 31, 2015 and 2014**

	<b>2015</b>			<b>2014</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Public Support						
Contributions	\$ 1,562,354	\$ -	\$ 1,562,354	\$ 2,191,846	\$ -	\$ 2,191,846
Fundraising	343,348	-	343,348	297,626	-	297,626
Administrative Revenue	127,919	-	127,919	123,591	-	123,591
Interest & Dividend Income	403,020	-	403,020	371,183	-	371,183
Net Unrealized & Realized Gain/(Loss) on Investments	(907,927)	-	(907,927)	38,015	-	38,015
Miscellaneous Income	55,171	-	55,171	70,280	-	70,280
<b>TOTAL INCOME</b>	<b>1,583,885</b>	<b>-</b>	<b>1,583,885</b>	<b>3,092,541</b>	<b>-</b>	<b>3,092,541</b>
Net Assets Put Under / Released From Restriction	981,356	(981,356)	-	1,754,575	(1,754,575)	-
<b>Total income and Net Assets Put Under Restriction</b>	<b>2,565,241</b>	<b>(981,356)</b>	<b>1,583,885</b>	<b>4,847,116</b>	<b>(1,754,575)</b>	<b>3,092,541</b>
Programs						
Programs Expenses	2,461,766	-	2,461,766	2,685,616	-	2,685,616
Supporting Services						
Fundraising	260,015	-	260,015	147,452	-	147,452
Administrative	84,364	-	84,364	79,174	-	79,174
<b>TOTAL EXPENSES</b>	<b>2,806,145</b>	<b>-</b>	<b>2,806,145</b>	<b>2,912,242</b>	<b>-</b>	<b>2,912,242</b>
<b>CHANGE IN NET ASSETS</b>	<b>(240,904)</b>	<b>(981,356)</b>	<b>(1,222,260)</b>	<b>1,934,874</b>	<b>(1,754,575)</b>	<b>180,299</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>11,077,891</b>	<b>4,522,878</b>	<b>15,600,769</b>	<b>9,299,267</b>	<b>6,277,453</b>	<b>15,576,720</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(156,250)</b>	<b>-</b>	<b>(156,250)</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 10,836,987</b>	<b>\$ 3,541,522</b>	<b>\$ 14,378,509</b>	<b>\$ 11,077,891</b>	<b>\$ 4,522,878</b>	<b>\$ 15,600,769</b>

The notes to the financial statements are an integral part of this statement.

**Community Foundation of Northwest Mississippi**  
**Statements of Cash Flows**  
**Years Ended December 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase/(Decrease) in Net Assets Net of Prior Period Adjustment of \$(156,250) in 2014	\$ (1,222,260)	\$ 24,049
Adjustments to reconcile increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,279	1,038
Unrealized (Gain)/Loss on Investments	880,497	(42,124)
Realized (Gain)/Loss on Investments	27,430	4,109
(Increase)/Decrease in Operating Assets		
Grants Receivable	575,000	22,212
Promises to Give	981,356	844,886
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(1,156)	(2,443)
Agency Funds	86,742	194,980
Deferred Revenue	(575,000)	(22,212)
Net Cash Provided/(Used) by Operating Activities	753,888	1,024,495
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Equipment	(3,342)	-
(Increase)/Decrease in Investments	(559,287)	(1,032,984)
Net Cash Provided/ (Used) by Investing Activities	(562,629)	(1,032,984)
Net Increase/(Decrease) in Cash and Cash Equivalents	191,259	(8,489)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>818,550</b>	<b>827,039</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 1,009,809</b>	<b>\$ 818,550</b>

The notes to the financial statements are an integral part of this statement.

**Community Foundation of Northwest Mississippi**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2015 and 2014**

	<b>2015</b>				<b>2014</b>			
	<b>Programs</b>	<b>Fundraising</b>	<b>Administrative</b>	<b>Total</b>	<b>Programs</b>	<b>Fundraising</b>	<b>Administrative</b>	<b>Total</b>
Advertising	\$ 4,244	\$ 69,081	\$ 171	73,496	\$ 3,812	\$ -	\$ -	\$ 3,812
Bank Charges	6,600	2,392	950	9,942	7,515	2,228	1,077	10,820
Continuing Education	7,141	32	32	7,205	7,524	-	-	7,524
Depreciation Expense	-	-	1,279	1,279	-	-	1,038	1,038
Dues and Subscriptions	2,307	-	577	2,884	6,062	-	834	6,896
Crystal Ball Event Production	-	119,134	-	119,134	-	79,353	-	79,353
Insurance	2,218	739	739	3,696	6,137	1,466	1,466	9,069
Professional Fees	597,613	-	12,631	610,244	482,626	-	11,525	494,151
Miscellaneous	4,969	1,551	1,551	8,071	3,486	1,041	1,041	5,568
Office Expense	19,501	3,501	3,501	26,503	24,118	2,304	2,283	28,705
Postage	2,778	595	595	3,968	2,876	1,253	427	4,556
Grants, Scholarships, & Activities	1,453,594	-	-	1,453,594	1,791,024	-	-	1,791,024
Rent and Utilities	21,608	5,427	5,427	32,462	25,791	3,811	3,811	33,413
Repairs and Maintenance	5,455	1,886	1,886	9,227	10,359	1,443	1,443	13,245
Salaries and Employee Benefits	279,583	50,229	50,229	380,041	264,360	49,227	49,227	362,814
Taxes	18,670	3,529	3,529	25,728	21,209	3,687	3,687	28,583
Travel and Entertainment	35,485	1,919	1,267	38,671	28,717	1,639	1,315	31,671
<b>Total Expenses</b>	<b>\$ 2,461,766</b>	<b>\$ 260,015</b>	<b>\$ 84,364</b>	<b>\$ 2,806,145</b>	<b>\$ 2,685,616</b>	<b>\$ 147,452</b>	<b>\$ 79,174</b>	<b>\$ 2,912,242</b>

The notes to the financial statements are an integral part of this statement.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015 AND 2014**

**NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES**

**Organization**

The Community Foundation of Northwest Mississippi, (“the Foundation”) was organized January 7, 2002 as a nonprofit organization. It is dedicated to serving the people of Mississippi’s eleven northwest counties; Bolivar, Coahoma, DeSoto, Leflore, Marshall, Panola, Quitman, Sunflower, Tallahatchie, Tate, and Tunica. The Foundation’s purpose is to provide a flexible, tax-deductible vehicle to meet the needs of donors and philanthropists in Northwest Mississippi and stimulate the establishment of endowed funds that will serve the citizens and non-profit organizations of northwest Mississippi both now and in the future.

Donors contribute to the following fund types:

- Unrestricted Funds- those for which the Foundation has full discretion in making distributions for charitable purposes to meet community needs.
- Donor Advised Funds-unrestricted funds for which the donor has reserved the right to make nonbinding distribution recommendations to the Foundation.
- Field of Interest Funds- those used at the Foundation’s discretion to meet a general field of charitable need specified by the donor.
- Designated Purpose Funds – those used at the Foundation’s discretion to provide support to specific charitable organizations or programs.
- Scholarship Funds – used to provide scholarships for students.

**Basis of Presentation**

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) for the nonprofit industry. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions.

Accordingly the Foundation’s net assets and changes therein are classified and reported as follows:

- *Unrestricted net assets*- Net assets that are not subject to donor-imposed stipulations
- *Temporarily restricted net assets*- Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation or passage of time. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets.
- *Permanently restricted net assets*- Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally the donors of such assets allow the Foundation to use all or part of income earned on these assets. Currently the Foundation does not have any permanently restricted net assets.

GAAP provides that if a governing body of an organization has the unilateral power to redirect the use of a donor’s contribution to another beneficiary, such contributions must be classified as unrestricted net assets. The Foundation’s Board of Directors has that ability (variance power); however, they would intend to exercise this authority only if the stated purpose of the contribution becomes no longer applicable and incapable of fulfillment. Accordingly, the Foundation’s financial statements classify substantially all funds, including the principal of endowment funds, as unrestricted net assets, but segregate for internal management and endowment record keeping the portion that is held as endowment from the funds that are currently available for grants.



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**Use of Estimates in Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimated amounts.

**Cash and Cash Equivalents**

The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Of the total balance of cash and cash equivalents, \$978,022 and \$790,387 as of December 31 2015 and 2014, respectively, were held in money market funds with a reputable broker. They are valued using level 1 inputs in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*. These investments are not covered by federal deposit insurance. The remaining balances of cash and cash equivalents may exceed federal deposit insurance limits.

**Promises to Give**

Unconditional promises to give are recognized as receivables in the period promised. Conditional promises to give are recognized when the conditions on which they depend are substantially met. In 2013 such promises were recorded at present value using the discount rate of 1.37%. There were no new promises recorded in 2014 or 2015. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. The discount is amortized and recorded as contribution revenue using the effective interest method.

**Donated Assets**

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

**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 “Amounts held on behalf of others.”

**Investments**

Investments consist of equity securities, debt securities, and alternative investments which are carried at fair value if readily determinable and at net asset value per share if not readily determinable.

Investment securities are exposed to several risks, such as interest rate, market, and credit risks. Due to the risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur and those changes could materially affect the amounts reported in the Foundation’s financial statements.

**Property and Equipment**

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is recorded at estimated fair market value at date of donation, or at cost if purchased. Depreciation is computed using the straight-line method, and is based on the expected useful asset life which

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YEAR ENDED DECEMBER 31, 2015 AND 2014**

will range from 3 to 25 years. There has not been a policy adopted for applying time restriction for donated long lived assets. Depreciation expense for the year ended December 31, 2015 is \$1,279.

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Tax Exemption**

The Foundation is exempt from Federal income taxes under the provisions of the Internal Revenue Code as an entity described in Section 501(c)3. The Foundation is also exempt from state income taxes on related income. The Foundation has determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal income tax returns for tax years ended 2012 and beyond remain subject to examination by the Internal Revenue Service.

**Advertising**

The Foundation uses advertising to promote its programs, fundraiser and services to the general public. The cost of advertising is expensed as incurred.

**Revenue Recognition**

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications to give are reported at fair value at the date the gift was deemed unconditional. The gifts are recorded as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the assets. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donor-restricted contributions and investment income or gains whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statement.

**Fair Value Measurements**

The Foundation measures fair value of financial instruments using a three-tier hierarchy that prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy inputs are described below:

- Level 1 Quoted prices in active markets for identical assets
- Level 2 Other significant observable inputs (including quoted prices for similar assets, interest rates, and credit risk)
- Level 3 Significant unobservable inputs

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**Subsequent Events**

The Foundation has evaluated subsequent events through August 8, 2016, the date the financial statements were available to be issued.

**NOTE B: INVESTMENTS**

Investments at December 31 included the following:

	<b>2015</b>		<b>2014</b>
Common and preferred stock	\$ 957,711	\$	2,044,555
Bonds	30,393		31,201
Equity and fixed income funds	9,101,846		7,427,429
Other investment funds	-		967,803
Hedge funds	887,199		854,801
			<hr/>
Total investments	\$ 10,977,149	\$	<u>11,325,789</u>

The foundation's investments include interest in alternative investments. These investments consist primarily of interest in hedge funds. The objective of these hedge funds is to deliver positive returns while maintaining a lower degree of risk, as measured by standard deviation of monthly returns, than the broad equity markets in which it is investing. The assets of the hedge funds are allocated to investment funds that pursue absolute return strategies in the global equity markets, with stronger emphasis on developed equity markets of North America, Europe, and Asia. To achieve its absolute return objective, the investment funds will have the ability to maintain both long and/or short positions in their prospective portfolios. The fund managers will use their discretion in selecting, among other investments, individual stocks, indices, options, and other derivatives, both long and short. The foundation has chosen to invest in alternative investments because they can generate returns that match or exceed publicly traded securities, they carry lower correlations than equity classes relative to one another, and they can have a profound impact on the portfolio's diversification and total return.

There is no public market for alternative investments, and the shares are transferable or redeemable only at the discretion of the funds' investment managers. A determination of net asset value per share is made on a monthly basis, and this net asset value is considered to be the fair value for these investments.

Investment income (loss) for the years ended December 31<sup>st</sup> was as follows:

	<b>2015</b>		<b>2014</b>
Interest and dividends	\$ 403,020	\$	<u>371,183</u>
Net realized gains (losses) on investments	(27,430)		(4,109)
Net unrealized gains (losses) on investments	<u>(880,497)</u>		<u>42,124</u>
			<hr/>
Total investment income (loss)	\$ <u>(504,907)</u>	\$	<u>409,198</u>

Investment income is reported net of fees. The fees for 2015 and 2014 were \$80,538 and \$73,523 respectively.

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**NOTE C: FAIR VALUE MEASUREMENTS**

Quoted market prices are used to determine the fair value of investments in publicly traded equity securities. Equity and fixed income funds are valued using quotes from pricing vendors based on recent trading activity and other observable market data. Bonds and Certificates of deposits are valued primarily by custodians based on pricing models that incorporate available trade, bid, and other market information. The fair value of alternative investments is based on the net asset value per share as a practical expedient.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the foundation believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table, set forth by level within the fair value hierarchy, presents the foundation's investments at fair value as of December 31, 2015:

	2015			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
U.S. equities	\$ 957,711	\$ -	\$ -	\$ 957,711
Bonds:				
Corporate bonds	-	9,350	-	9,350
Municipal bonds	-	21,043	-	21,043
Equity and fixed income funds:				
Domestic equity & other	498,798	3,934,391	-	4,433,189
International equity & other	971,121	740,706	-	1,711,827
Fixed income funds	-	2,956,830	-	2,956,830
Subtotal	2,427,630	7,662,320	-	10,089,950
Alternative and other investment funds:				
Multistrategy	-	-	887,199	887,199
Subtotal other	-	-	887,199	887,199
Total investments	\$ 2,427,630	\$ 7,662,320	\$ 887,199	\$ 10,977,149

The foundation uses NAV to determine the fair value of all underlying investments that do not have readily determinable market value. Net asset value was used in 2015 as follows:

	Net Asset Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
ABS Alpha Global Equity Portfolio	\$ 887,199	-	Quarterly	45 Days

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The following table, set forth by level within the fair value hierarchy, presents the foundation's investments at fair value as of December 31, 2014:

	2014			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
U.S. equities	\$ 2,044,555	\$ -	\$ -	\$ 2,044,555
Bonds:				
Corporate bonds	-	9,025	-	9,025
Municipal bonds	-	22,176	-	22,176
Equity and fixed income funds:				
Growth funds	1,553,618	2,928,959	-	4,482,577
High-yield funds	-	324,701	-	324,701
Bond funds	-	2,620,151	-	2,620,151
Subtotal	3,598,173	5,905,012	-	9,503,185
Alternative and other investment funds:				
Multistrategy	-	-	854,801	854,801
Nontraditional bond	-	967,803	-	967,803
Subtotal other	-	967,803	854,801	1,822,604
Total investments	\$ 3,598,173	\$ 6,872,815	\$ 854,801	\$ 11,325,789

The foundation uses NAV to determine the fair value of all underlying investments that do not have readily determinable market value. Net asset value was used in 2014 as follows:

	Net Asset Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
ABS Alpha Global Equity Portfolio	\$ 854,801	-	Quarterly	45 Days

Information regarding the changes in the fair value of the foundation's Level 3 investments for the years ended December 31 is as follows:

	2015	2014
Level 3 investments beginning	\$ 854,801	813,834
Unrealized gains	32,398	40,967
Purchases	-	-
Fees	-	-
Level 3 investment ending	887,199	854,801

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The foundation’s policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1, level 2, or level 3 during 2015 and 2014.

**NOTE D: ENDOWED FUNDS**

The Foundation follows the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) and its own governing documents. The Board of Directors has recognized that the majority of the Foundation’s contributions are subject to the terms of specific agreements with the Foundation and its Financial Policies and Investment Guidelines. Under the terms of the Bylaws and Financial Policies and Investment Guidelines, 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 the ability to distribute corpus, all contributions are classified as unrestricted.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of those endowment assets. The Foundation’s spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 8%; enough to make an annual distribution, pay management fees, and maintain its purchasing power. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Foundation targets a diversified asset allocation that places an emphasis on equity-based 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 for grant making and administration. The current spending policy is to distribute an amount at least equal to 4.5% to 5% of an annual average daily balance of the fair value of the endowment funds. Over the long term, the Foundation expects its current spending policy to allow its endowment assets to grow at an average rate of 3% to 3.5% annually. 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 new gifts and investment return.

A summary of endowment net assets by type of fund as of December 31 is as follows:

	<b>2015</b>	<b>2014</b>
Board Designated	\$ 2,219,634	\$ 1,571,889
Designated Purpose	2,352,468	2,575,864
Donor Advised	2,359,035	2,566,564
Field of Interest	2,102,858	2,235,844
Scholarship	562,178	516,634
Total Endowment Funds	<u>\$ 9,596,173</u>	<u>\$ 9,466,795</u>

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
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A summary of changes in endowment net assets as of December 31 is as follows:

	<b>2015</b>	<b>2014</b>
Endowment Net Assets, Beginning of Year	\$ 9,466,795	\$ 9,412,244
Contributions	1,126,295	697,891
Interest and Dividends, Net of Fees	381,750	342,486
Realized Gains/ (Losses)	(16,360)	1,667
Grants, Scholarships, & Programs	(358,381)	(753,577)
Administrative Fees	(107,529)	(101,740)
Other Income/ (Expense)	(6,938)	(198,712)
Unrealized Gains/ (Losses)	(889,459)	66,536
Change in Endowment Net Assets	\$ 129,378	\$ 54,551
Endowment Net Assets, End of Year	\$ 9,596,173	\$ 9,466,795

**NOTE E: PROMISES TO GIVE**

On January 20, 2005, the Foundation entered into a retroactive grant agreement with the Maddox Foundation for the amount of \$10,000,000. This grant was awarded by the Maddox Foundation for the overall purpose of establishing the Foundation as a viable grant-making institution. This was a ten year grant, commencing January 1, 2004 through December 31, 2013.

The provisions of the grant are as follows:

- A minimum of \$9,000,000 of the grant shall be used by the Foundation to build permanently endowed funds. All grant funds for endowment building are considered a challenge grant, requiring the Foundation to establish permanently endowed funds that the Maddox Foundation will match on a dollar for dollar basis.
- For every dollar donated to the general permanent endowment of the Foundation, the Maddox Foundation will make equal matching payments into the general permanent endowment of the Foundation.
- For every dollar donated to any other permanently endowed or donor advised funds, the Maddox Foundation will make a payment of 50% of such amounts into the general permanent endowment of the Foundation. The Maddox Foundation will also establish a Maddox Foundation Advised Fund, and make a payment equal to 50% of donations to other permanently endowed funds held by the Foundation into the Maddox Foundation Advised Fund.
- A maximum of \$1,000,000 may be used by the Foundation for general operating costs.

The Maddox Foundation promise to give at years ended December 31, 2015 and December 31, 2014 are \$3,727,162 and \$4,727,162. The current payment plan of the Maddox Foundation is \$1,000,000 per year until paid off. The amount due in less than one year is \$1,000,000 and in one to five years is \$2,727,162. All promises to give are deemed collectable so there is no allowance for uncollectable balances. Promise to give balances at December 31 are as follows:

	<b>2015</b>	<b>2014</b>
Maddox Foundation	\$ 3,727,162	\$ 4,727,162
Discount to Present Value	(185,640)	(204,284)
Total	\$ 3,541,522	\$ 4,522,878

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**NOTE F: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Furniture & Equipment	\$ 21,071	\$ 17,729
Total:	21,071	17,729
Accumulated Depreciation	(18,308)	(17,029)
Net Property and Equipment:	<u>\$ 2,763</u>	<u>\$ 700</u>

**NOTE G: CURRENT ASSETS AND CURRENT LIABILITIES**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,009,809	\$ 818,550
Promises to Give	1,000,000	1,000,000
Grant Receivable	90,000	665,000
Investments	10,977,149	11,325,789
Total Current Assets	<u>\$13,076,958</u>	<u>\$13,809,339</u>
Current Liabilities		
Accounts Payable	\$ 1,974	\$ 3,130
Deferred Income- Grant Receivable	90,000	665,000
Total Current Liabilities	<u>\$ 91,974</u>	<u>\$ 668,130</u>

**NOTE H: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following balances at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Promises to Give, Due in Future Years	3,541,522	4,522,878
Total	\$ 3,541,522	\$ 4,522,878

**NOTE I: PRIOR PERIOD ADJUSTMENTS**

A prior period adjustment was recorded in the year ended December 31, 2014 due to the Community Foundation recording revenue for an agency transaction in the amount of \$156,250 in a prior year.