

**COMMUNITY FOUNDATION  
OF NORTHWEST MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
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**Table of Contents**

Independent Auditor's Report	1
General Purpose Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6

# F. O. GIVENS & COMPANY

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FRANK O. GIVENS, III  
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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, 2017 and 2016, 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

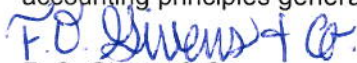
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2017 and 2016, 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 10, 2018

**Community Foundation of Northwest Mississippi**  
**Statements of Financial Position**  
**Years Ended December 31, 2017 and 2016**

	2017		2016
<b>ASSETS</b>			
Cash and Cash Equivalents	1,735,549	\$	470,301
Investments (Note B)	14,137,232		13,315,587
Grants Receivable	656,366		1,364,492
Promises to Give (Note E)	1,618,664		2,573,511
Property and Equipment Net (Note F)	535		1,649
<b>TOTAL ASSETS</b>	<b>\$ 18,148,346</b>		<b>\$ 17,725,540</b>
<b>LIABILITIES</b>			
Accounts Payable	22,469	\$	1,098
Amounts Held on Behalf of Others	1,196,819		1,117,261
Deferred Revenue	656,366		1,364,492
<b>TOTAL LIABILITIES</b>	<b>1,875,654</b>		<b>2,482,851</b>
<b>NET ASSETS</b>			
Unrestricted	14,654,028		12,669,178
Temporarily Restricted (Note H)	1,618,664		2,573,511
<b>TOTAL NET ASSETS</b>	<b>16,272,692</b>		<b>15,242,689</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 18,148,346</b>		<b>\$ 17,725,540</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, 2017 and 2016**

	<u>2017</u>			<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support						
Contributions	\$ 2,041,632	\$ -	\$ 2,041,632	\$ 2,433,919	\$ -	\$ 2,433,919
Fundraising	422,952	-	422,952	443,585	-	443,585
Administrative Revenue	145,828	-	145,828	133,707	-	133,707
Interest & Dividend Income	406,135	-	406,135	338,880	-	338,880
Net Unrealized & Realized Gain/(Loss) on Investments	1,056,401	-	1,056,401	301,227	-	301,227
Miscellaneous Income	79,030	-	79,030	69,858	-	69,858
<b>TOTAL INCOME</b>	<u>4,151,978</u>	<u>-</u>	<u>4,151,978</u>	<u>3,721,176</u>	<u>-</u>	<u>3,721,176</u>
Net Assets Put Under / Released From Restriction	954,847	(954,847)	-	968,011	(968,011)	-
<b>Total income and Net Assets Put Under Restriction</b>	<u>5,106,825</u>	<u>(954,847)</u>	<u>4,151,978</u>	<u>4,689,187</u>	<u>(968,011)</u>	<u>3,721,176</u>
Programs						
Programs Expenses	2,721,596	-	2,721,596	2,456,802	-	2,456,802
Supporting Services						
Fundraising	309,350	-	309,350	317,257	-	317,257
Administrative	91,029	-	91,029	82,937	-	82,937
<b>TOTAL EXPENSES</b>	<u>3,121,975</u>	<u>-</u>	<u>3,121,975</u>	<u>2,856,996</u>	<u>-</u>	<u>2,856,996</u>
<b>CHANGE IN NET ASSETS</b>	1,984,850	(954,847)	1,030,003	1,832,191	(968,011)	864,180
<b>NET ASSETS AT BEGINNING OF YEAR</b>	12,669,178	2,573,511	15,242,689	10,836,987	3,541,522	14,378,509
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-	-	-	-
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 14,654,028</u></u>	<u><u>\$ 1,618,664</u></u>	<u><u>\$ 16,272,692</u></u>	<u><u>\$ 12,669,178</u></u>	<u><u>\$ 2,573,511</u></u>	<u><u>\$ 15,242,689</u></u>

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, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase/(Decrease) in Net Assets	\$ 1,030,003	\$ 864,180
Adjustments to reconcile increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,114	1,114
Unrealized (Gain)/Loss on Investments	(481,664)	(532,253)
Realized (Gain)/Loss on Investments	(574,737)	231,026
(Increase)/Decrease in Operating Assets		
Grants Receivable	708,126	(1,274,492)
Promises to Give	954,847	968,011
Increase (Decrease) in Operating Liabilities		
Accounts Payable	21,371	(876)
Agency Funds	79,558	(33,499)
Deferred Revenue	(708,126)	1,274,492
Net Cash Provided/(Used) by Operating Activities	1,030,492	1,497,703
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Equipment	-	-
(Increase)/Decrease in Investments	234,756	(2,037,211)
Net Cash Provided/ (Used) by Investing Activities	234,756	(2,037,211)
Net Increase/(Decrease) in Cash and Cash Equivalents	1,265,248	(539,508)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>470,301</b>	<b>1,009,809</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 1,735,549</b>	<b>\$ 470,301</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, 2017 and 2016**

	<b>2017</b>				<b>2016</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	\$ 28,315	\$ 74,640	\$ 39	102,994	\$ 5,144	\$ 63,772	\$ 32	\$ 68,948
Bank Charges	4,912	4,128	106	9,146	4,738	2,200	93	7,031
Continuing Education	67	14	14	95	8,597	320	320	9,237
Depreciation Expense	-	-	1,114	1,114	-	-	1,114	1,114
Dues and Subscriptions	2,405	-	560	2,965	2,394	-	513	2,907
Crystal Ball Event Production	-	140,810	-	140,810	-	169,441	-	169,441
Insurance	3,454	1,151	1,151	5,756	2,698	900	900	4,498
Professional Fees	405,925	2,596	2,596	411,117	396,775	2,638	2,638	402,051
Miscellaneous	1,392	464	464	2,320	175	59	59	293
Office Expense	15,515	3,860	3,860	23,235	14,372	3,017	3,017	20,406
Postage	2,379	547	547	3,473	1,893	375	375	2,643
Grants, Scholarships, & Activities	1,947,346	-	-	1,947,346	1,706,289	-	-	1,706,289
Rent and Utilities	20,508	5,214	5,214	30,936	21,172	5,288	5,288	31,748
Repairs and Maintenance	8,451	2,817	2,817	14,085	5,872	1,947	1,947	9,766
Salaries and Employee Benefits	254,655	66,508	66,508	387,671	255,950	60,878	60,878	377,706
Taxes	17,480	4,529	4,529	26,538	16,884	3,896	3,896	24,676
Travel and Entertainment	8,792	2,072	1,510	12,374	13,848	2,526	1,867	18,241
<b>Total Expenses</b>	<b><u>\$ 2,721,596</u></b>	<b><u>\$ 309,350</u></b>	<b><u>\$ 91,029</u></b>	<b><u>\$ 3,121,975</u></b>	<b><u>\$ 2,456,801</u></b>	<b><u>\$ 317,257</u></b>	<b><u>\$ 82,937</u></b>	<b><u>\$ 2,856,995</u></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, 2017 AND 2016**

**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.



**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017 AND 2016**

**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, \$539,206 and \$436,905 as of December 31 2017 and 2016, 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. In 2017 such promises were recorded at present value using the discount rate of 1.37%. There were no new promises recorded in 2017 or 2016. 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.

**Grants Receivable**

Conditional promises to give are recognized when the conditions on which they depend are substantively met. The 2017 Grants Receivable consists of a grant awarded by the W.K. Kellogg Foundation to increase the breastfeeding rates of extremely low birth weight babies utilizing a multiagency approach to ensure better outcomes and affect systemic change.

**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.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017 AND 2016**

**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 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, 2017 is \$1,114.

**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

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017 AND 2016**

Level 2 Other significant observable inputs (including quoted prices for similar assets, interest rates, and credit risk)

Level 3 Significant unobservable inputs

**Subsequent Events**

The Foundation has evaluated subsequent events through August 10, 2018, the date the financial statements were available to be issued.

**NOTE B: INVESTMENTS**

Investments at December 31 included the following:

	<b>2017</b>		<b>2016</b>
Common and preferred stock	\$ 14,686	\$	972,532
Bonds	2,912,211		4,264,201
Equity and fixed income funds	10,471,007		5,165,724
Hedge funds	739,328		2,913,129
	<u>14,137,232</u>		<u>13,315,587</u>
Total investments	\$ 14,137,232	\$	13,315,587

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>2017</b>		<b>2016</b>
Interest and dividends	\$ 406,135	\$	338,880
Net realized gains (losses) on investments	574,737		(231,026)
Net unrealized gains (losses) on investments	481,664		532,253
	<u>1,462,536</u>		<u>640,107</u>
Total investment income (loss)	\$ 1,462,536	\$	640,107

Investment income is reported net of fees. The fees for 2017 and 2016 were \$87,385 and \$80,857 respectively.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017 AND 2016**

**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, 2017:

	2017			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
U.S. equities	\$ 14,686	\$ -	\$ -	\$ 14,686
Bonds:				
Corporate bonds	-	1,470,505	-	1,470,505
Municipal bonds	-	20,757	-	20,757
Equity and fixed income funds:				
Domestic equity & other	7,970,118	-	-	7,970,118
International equity & other	3,588,212	-	-	3,588,212
Fixed income funds	333,626	-	-	333,626
Subtotal	11,906,642	1,491,262	-	13,397,904
Alternative and other investment funds:				
Multistrategy	-	-	739,328	739,328
Subtotal other	-	-	739,328	739,328
Total investments	\$ 11,906,642	\$ 1,491,262	\$ 739,328	\$ 14,137,232

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017 AND 2016**

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 2017 as follows:

	Net Asset Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Vida Longevity Fund	\$421,856	-	Quarterly	180 days 2 yr lock
Pine Grove Alternative Funds	317,472	-	Quarterly	95 days

The following table, set forth by level within the fair value hierarchy, presents the foundation's investments at fair value as of December 31, 2016:

	2016			Total Assets at Fair Value
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
U.S. equities	972,532	\$ -	\$ -	\$ 972,532
Bonds:				
Corporate bonds	-	4,264,201	-	4,264,201
Municipal bonds	-	-	-	-
Equity and fixed income funds:				
Growth funds	4,760,679	-	-	4,760,679
International Equity & Other	1,524,202	-	-	1,524,202
Bond funds	22,236	-	-	22,236
Subtotal	7,279,649	4,264,201	-	11,543,850
Alternative and other investment funds:				
Multistrategy	-	-	1,771,736	1,771,736
Subtotal other	-	-	1,771,736	1,771,736
Total investments	\$ 7,279,649	\$ 4,264,201	\$ 1,771,736	\$ 13,315,586

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017 AND 2016**

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 2016 as follows:

	Net Asset Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
ABS Alpha Global Equity Portfolio	\$ 1,055,923	-	Quarterly	45 days
Vida Longevity Fund	\$414,517	-	Quarterly	180 days 2 yr lock
Pine Grove Alternative Funds	\$301,297	-	Quarterly	95 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:

	<b>2017</b>	<b>2016</b>
Level 3 investments beginning	\$ 1,771,737	887,199
Unrealized gains	147,199	1,775
Purchases	(150,000)	900,000
Fees	-	-
Draws	(1,029,608)	(17,237)
<b>Level 3 investment ending</b>	<b>739,328</b>	<b>1,771,737</b>

**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.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017 AND 2016**

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>2017</b>	<b>2016</b>
Board Designated	\$ 3,714,909	\$ 3,167,906
Designated Purpose	2,625,759	2,375,747
Donor Advised	3,371,744	2,438,716
Field of Interest	2,463,975	2,293,728
Scholarship	659,768	583,510
Total Endowment Funds	<u>\$ 12,836,155</u>	<u>\$ 10,859,607</u>

A summary of changes in endowment net assets as of December 31 is as follows:

	<b>2017</b>	<b>2016</b>
Endowment Net Assets, Beginning of Year	<u>\$ 10,859,608</u>	<u>\$ 9,596,173</u>
Contributions	1,050,169	1,114,040
Interest and Dividends, Net of Fees	381,207	314,025
Realized Gains/ (Losses)	543,618	(231,770)
Grants, Scholarships, & Programs	(323,157)	(303,739)
Administrative Fees	(121,220)	(109,887)
Other Income/ (Expense)	(71,549)	(42,074)
Unrealized Gains/ (Losses)	517,479	522,841
Change in Endowment Net Assets	<u>\$ 1,976,547</u>	<u>\$ 1,263,436</u>
Endowment Net Assets, End of Year	<u>\$ 12,836,155</u>	<u>\$ 10,859,609</u>

**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:

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017 AND 2016**

- 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, 2017 and December 31, 2016 are \$1,727,162 and \$2,727,162. 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 \$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>2017</b>	<b>2016</b>
Maddox Foundation	\$ 1,727,162	\$ 2,727,162
Discount to Present Value	(108,497)	(153,651)
Total	\$ 1,618,665	\$ 2,573,511

**NOTE F: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

		<b>2017</b>	<b>2016</b>
Furniture & Equipment		\$ 21,071	\$ 21,071
	Total:	21,071	21,071
Accumulated Depreciation		(20,536)	(19,422)
Net Property and Equipment:		\$ 535	\$ 1,649



**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017 AND 2016**

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,735,549	\$ 470,301
Promises to Give	1,000,000	1,000,000
Grant Receivable	656,366	1,364,492
Investments	<u>14,137,232</u>	<u>13,315,587</u>
Total Current Assets	<u>\$17,529,147</u>	<u>\$16,150,380</u>
Current Liabilities		
Accounts Payable	\$ 22,469	\$ 1,098
Deferred Income- Grant Receivable	<u>656,366</u>	<u>1,364,492</u>
Total Current Liabilities	<u>\$ 678,835</u>	<u>\$ 1,365,590</u>

**NOTE H: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following balances at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Promises to Give, Due in Future Years	1,618,665	2,573,511
Total	\$ <u>1,618,665</u>	\$ <u>2,573,511</u>