

FOUNDATION FOR THE MID SOUTH, INC.
JACKSON, MISSISSIPPI

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014

FOUNDATION FOR THE MID SOUTH, INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	5
Consolidated Statements of Cash Flows	7
Notes to the Financial Statements	9
SUPPLEMENTARY INFORMATION	
Schedules of Grants and Pledges Receivable	26
Schedules of Functional Expenses	27

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Foundation for the Mid South, Inc.
Jackson, Mississippi

We have audited the accompanying consolidated financial statements of the Foundation for the Mid South, Inc. (a nonprofit organization) and its affiliate, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation for the Mid South, Inc. and its affiliate as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 26 and 27 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

June 17, 2016

Mathews, Carter & Lindsay, P.A.

FOUNDATION FOR THE MID SOUTH, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2015 AND 2014

ASSETS		2015	2014
CURRENT ASSETS			
Cash and cash equivalents	\$	525,136	\$ 596,184
Certificates of deposit		3,555,430	4,763,207
Investments		5,198	3,719
Grants and pledges receivable, net		375,658	1,573
Prepaid expenses		14,614	19,538
		4,476,036	5,384,221
 INVESTMENTS			
Common stock		37,146	39,900
Endowment		9,210,358	9,251,115
		9,247,504	9,291,015
 PROPERTY AND EQUIPMENT, NET			
		545,847	568,292
		\$ 14,269,387	\$ 15,243,528

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	\$	20,129	\$ 13,950
Accrued expenses		104,997	128,719
Grants payable		175,000	148,500
Note payable, current portion		35,963	34,319
		336,089	325,488
 LONG TERM LIABILITIES			
Note payable		302,563	338,526

FOUNDATION FOR THE MID SOUTH, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED
AT DECEMBER 31, 2015 AND 2014

LIABILITIES AND NET ASSETS - CONTINUED

	<u>2015</u>	<u>2014</u>
NET ASSETS		
Unrestricted		
Board designated	\$ 42,995	\$ 42,995
Undesignated	<u>6,297,348</u>	<u>6,693,538</u>
Total unrestricted	6,340,343	6,736,533
Temporarily restricted	1,011,212	1,569,125
Permanently restricted	<u>6,279,180</u>	<u>6,273,856</u>
	<u>13,630,735</u>	<u>14,579,514</u>
	<u>\$ 14,269,387</u>	<u>\$ 15,243,528</u>

See Notes to Financial Statements.

FOUNDATION FOR THE MID SOUTH, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Grants and contributions	\$ 21,555	\$ 846,491	\$ 5,324	\$ 873,370
Investment loss	(22,551)	-	-	(22,551)
Net assets released from restrictions	<u>1,424,404</u>	<u>(1,424,404)</u>	<u>-</u>	<u>-</u>
	<u>1,423,408</u>	<u>(577,913)</u>	<u>5,324</u>	<u>850,819</u>
EXPENSES				
Program services				
Community development	872,120	-	-	872,120
Education	445,782	-	-	445,782
Health	140,011	-	-	140,011
Wealth building	<u>37,506</u>	<u>-</u>	<u>-</u>	<u>37,506</u>
	<u>1,495,419</u>	<u>-</u>	<u>-</u>	<u>1,495,419</u>
Management and general	317,114	-	-	317,114
Fundraising	<u>7,065</u>	<u>-</u>	<u>-</u>	<u>7,065</u>
	<u>1,819,598</u>	<u>-</u>	<u>-</u>	<u>1,819,598</u>
NON OPERATING: RECEIPT OF RESTRICTED NET ASSETS	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
CHANGE IN NET ASSETS	(396,190)	(557,913)	5,324	(948,779)
NET ASSETS AT BEGINNING OF YEAR	<u>6,736,533</u>	<u>1,569,125</u>	<u>6,273,856</u>	<u>14,579,514</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,340,343</u>	<u>\$ 1,011,212</u>	<u>\$ 6,279,180</u>	<u>\$ 13,630,735</u>

See Notes to Financial Statements.

FOUNDATION FOR THE MID SOUTH, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Grants and contributions	\$ 25,414	\$ 748,931	\$ 6,454	\$ 780,799
Investment income	761,606	-	-	761,606
Net assets released from restrictions	<u>1,755,180</u>	<u>(1,755,180)</u>	<u>-</u>	<u>-</u>
	<u>2,542,200</u>	<u>(1,006,249)</u>	<u>6,454</u>	<u>1,542,405</u>
EXPENSES				
Program services				
Community development	1,004,043	-	-	1,004,043
Education	461,295	-	-	461,295
Health	243,830	-	-	243,830
Wealth building	<u>46,012</u>	<u>-</u>	<u>-</u>	<u>46,012</u>
	1,755,180	-	-	1,755,180
Management and general	279,203	-	-	279,203
Fundraising	<u>30,577</u>	<u>-</u>	<u>-</u>	<u>30,577</u>
	<u>2,064,960</u>	<u>-</u>	<u>-</u>	<u>2,064,960</u>
NON OPERATING: RETURN OF RESTRICTED NET ASSETS	<u>-</u>	<u>171,140</u>	<u>-</u>	<u>171,140</u>
CHANGE IN NET ASSETS	477,240	(1,177,389)	6,454	(693,695)
NET ASSETS AT BEGINNING OF YEAR	<u>6,259,293</u>	<u>2,746,514</u>	<u>6,267,402</u>	<u>15,273,209</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,736,533</u>	<u>\$ 1,569,125</u>	<u>\$ 6,273,856</u>	<u>\$ 14,579,514</u>

See Notes to Financial Statements.

FOUNDATION FOR THE MID SOUTH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (948,779)	\$ (693,695)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	40,507	35,479
Net realized and unrealized (gains) losses on investments	236,904	(551,537)
Contributions received restricted for long-term investment	(5,324)	(6,454)
Dividends on restricted investments	(193,393)	(188,797)
(Increase) decrease in		
Grants and pledges receivable, net	(374,085)	200,236
Other assets	4,924	(580)
Increase (decrease) in		
Accounts payable	6,179	(9,203)
Accrued expenses	(23,722)	(152,101)
Grants payable	26,500	75,517
	<u> </u>	<u> </u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(1,230,289)</u>	<u>(1,291,135)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(18,062)	(21,205)
Maturities of certificates of deposits	3,840,448	5,128,352
Purchase and reinvestment of certificates of deposit	(2,652,888)	(3,650,000)
Proceeds from sale/maturity of investments	18,738	20,823
	<u> </u>	<u> </u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,188,236</u>	<u>1,477,970</u>

FOUNDATION FOR THE MID SOUTH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions restricted for long-term purposes	\$ 5,324	\$ 6,454
Payment of long-term debt	<u>(34,319)</u>	<u>(32,708)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(28,995)</u>	<u>(26,254)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(71,048)	160,581
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>596,184</u>	<u>435,603</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 525,136</u>	<u>\$ 596,184</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 17,204</u>	<u>\$ 18,814</u>

See Notes to Financial Statements.

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activity

The Foundation for the Mid South, Inc. (the "Foundation") began in 1990 as a not-for-profit grant making and program-initiating organization serving Arkansas, Louisiana and Mississippi. The goal of the Foundation is to create a philanthropic effort to respond to the region's problems, with initial program efforts in the areas of families and children, economic development and education. The Foundation's revenues and other support are derived principally from contributions and grants.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and the Foundation for the Mid South Properties, LLC (FMSP), which is a single-member Mississippi limited liability company formed in June 2005 to acquire and own the building and improvements used by the Foundation in its operation. The Foundation is the sole member of FMSP. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affected reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents and Certificates of Deposit

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2014 and 2013, cash equivalents consisted primarily of cash in checking and money market accounts.

Investment Risks

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the near term could materially affect the amount reported in the accompanying financial statements.

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments and Investment Return

Investments in mutual funds having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses.

Investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Property and equipment are stated at cost and are depreciated on a straight-line basis over the estimated useful life of each asset.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributions – (continued)

temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows techniques. The resulting discount is amortized using the interest method and reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

The Foundation accounts for income taxes in accordance with income tax accounting guidance in FASB ASC Topic 740, "Income Taxes". The Foundation has adopted accounting guidance for recognizing and measuring uncertain tax positions. The Foundation follows the statutory requirements for its income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional taxes from activities deemed to be unrelated to the Foundation's tax-exempt status would not have a material effect on the Foundation's consolidated financial statements.

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the program, management and general, and fundraising categories based on the estimates of time spent on activities and other methods.

2. INVESTMENTS AND INVESTMENT RETURN

Investments at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Estimated Fair Value</u>	<u>Cost</u>	<u>Estimated Fair Value</u>
Mutual funds	\$ 7,173,257	\$ 9,210,358	\$ 6,977,770	\$ 9,251,115
U.S. common stock	22,365	37,146	22,365	39,900
Other	<u>5,198</u>	<u>5,198</u>	<u>3,719</u>	<u>3,719</u>
	<u>\$ 7,200,820</u>	<u>\$ 9,252,702</u>	<u>\$ 7,003,854</u>	<u>\$ 9,294,734</u>

The Foundation's permanently restricted net assets include various endowment funds established by donors.

Total Investment return comprised the following:

	<u>2015</u>	<u>2014</u>
Interest and dividend	\$ 214,353	\$ 210,069
Net unrealized gain (losses) on investments	<u>(236,904)</u>	<u>551,537</u>
	<u>\$ (22,551)</u>	<u>\$ 761,606</u>

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

3. FAIR VALUE MEASUREMENTS

The Foundation utilizes fair value measurements to record certain assets and to determine fair value disclosures. In accordance with FASB ASC Topic 820, "Fair Value Measurements", fair value is 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. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

ASC Topic 820 establishes a three-tier fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2 – Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset and liability.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used to measure fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Cash and cash equivalents and certificates of deposits: The carrying amount is a reasonable estimate of fair value.

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

3. FAIR VALUE MEASUREMENTS – Continued

Grants and pledges receivable: For contributions receivable that are due within one year, carrying amounts are a reasonable estimate of fair value. For contributions receivable that are due in more than one year, fair value is estimated at the present value of estimated future cash flows, using a discount rate reflective of current interest rates.

Equity securities: Valued at the closing price reported on the active markets on which the individual securities are traded.

Mutual funds: Valued at the net asset value of shares held by the Foundation at year-end.

Accounts payable and accrued liabilities: The carrying amount is a reasonable estimate of fair value.

Grants payable: The carrying amount is a reasonable estimate of fair value.

Notes payable: Rates currently available to the Foundation for debt with similar terms and remaining maturities are used to estimate the fair value of these liabilities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its 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 presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level as required by ASC Topic 820, Fair Value Measurements, in which the fair value measurements fall at December 31, 2015 and 2014.

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

3. FAIR VALUE MEASUREMENTS – (Continued)

	<u>2015</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment Investments				
Mutual funds	<u>\$ 9,210,358</u>	<u>\$ 9,210,358</u>	\$ -	\$ -
Equity securities				
U.S. common stock	37,146	37,146	-	-
Other	<u>5,198</u>	<u>-</u>	<u>5,198</u>	<u>-</u>
Total equity securities	<u>42,344</u>	<u>37,146</u>	<u>5,198</u>	<u>-</u>
Total assets recognized at fair value	<u>\$ 9,252,702</u>	<u>\$ 9,247,504</u>	<u>\$ 5,198</u>	<u>\$ -</u>

	<u>2014</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment Investments				
Mutual funds	<u>\$ 9,251,115</u>	<u>\$ 9,251,115</u>	\$ -	\$ -
Equity securities				
U.S. common stock	39,900	39,900	-	-
Other	<u>3,719</u>	<u>-</u>	<u>3,719</u>	<u>-</u>
Total equity securities	<u>43,619</u>	<u>39,900</u>	<u>3,719</u>	<u>-</u>
Total assets recognized at fair value	<u>\$ 9,294,734</u>	<u>\$ 9,291,015</u>	<u>\$ 3,719</u>	<u>\$ -</u>

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

3. FAIR VALUE MEASUREMENTS – Continued

The following financial instruments are recognized on the consolidated statement of financial position using measures other than fair value. The estimated fair value for those assets and liabilities are disclosed as of December 31, 2015 and 2014, as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Assets:				
Cash and cash equivalents	\$ 525,136	\$ 525,136	\$ 596,184	\$ 596,184
Certificates of deposit	3,555,430	3,555,430	4,763,207	4,763,207
Grants and pledges receivable	375,658	375,658	1,573	1,573
Liabilities:				
Accounts payable	20,129	20,129	13,950	13,950
Accrued liabilities	104,997	104,997	128,719	128,719
Grants payable	175,000	175,000	148,500	148,500
Notes payable	338,526	338,526	372,845	372,845

4. GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable are temporarily restricted as December 31, 2015 and 2014, and consisted of the following:

	<u>2015</u>	<u>2014</u>
Due within one year	\$ 377,546	\$ 1,580
Less		
Allowance for uncollectible grants and pledges	1,888	7
	\$ 375,658	\$ 1,573

There is no discount for 2015 and 2014 since all receivables are due within one year.

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2015</u>	<u>2014</u>
Furniture, fixtures and equipment	\$ 241,119	\$ 223,057
Buildings and improvements	<u>799,815</u>	<u>799,815</u>
	1,040,934	1,022,872
Less accumulated depreciation	<u>(495,087)</u>	<u>(454,580)</u>
	<u>\$ 545,847</u>	<u>\$ 568,292</u>

Depreciation expense for the year ended December 31, 2015 and 2014 totaled \$40,507 and \$35,479, respectively.

6. NOTE PAYABLE

A summary of the note payable follows:

	<u>2015</u>	<u>2014</u>
Note payable to Liberty Bank and Trust Company at 4.75% interest, payable in monthly installments of principal and interest of \$4,294, matures November 1, 2023, secured by land and building	\$ 338,526	\$ 372,845
Less current maturities	<u>35,963</u>	<u>34,319</u>
	<u>\$ 302,563</u>	<u>\$ 338,526</u>

The future maturities of notes payable at December 31, 2015 are as follows:

2016	\$ 35,963
2017	37,779
2018	39,639
2019	41,591
2020	43,615
Thereafter	<u>139,939</u>
	<u>\$ 338,526</u>

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

7. NET ASSETS

Designated Net Assets

A portion of unrestricted net assets has been designated by the Foundation's Board of Directors for grants to be made in the community experience partnership program. Designated net assets remain under the control of the Board of Directors, which may, at its discretion, later use these net assets for other purposes. The balance of these designated assets was \$42,995 at both December 31, 2015 and 2014.

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Community development	\$ 924,224	\$ 950,053
Education	72,284	517,973
Health	-	68,889
Wealth building	<u>14,704</u>	<u>32,210</u>
	<u>\$ 1,011,212</u>	<u>\$ 1,569,125</u>

Permanently Restricted Net Assets

Permanently restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Investment in perpetuity, the income of which is expendable to support:		
Community development	\$ 139,388	\$ 139,388
Any activity of the Foundation	<u>6,139,792</u>	<u>6,134,468</u>
	<u>\$ 6,279,180</u>	<u>\$ 6,273,856</u>

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

7. NET ASSETS - Continued

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose:

	<u>2015</u>	<u>2014</u>
Community development	\$ 872,120	\$ 1,004,043
Education	445,689	461,295
Health	69,089	243,830
Wealth	<u>37,506</u>	<u>46,012</u>
	<u>\$ 1,424,404</u>	<u>\$ 1,755,180</u>

Net assets returned to donor (received from the grantee) without incurring expenses satisfying the restricted purpose:

	<u>2015</u>	<u>2014</u>
Community development	\$ -	\$ 171,140
Wealth	<u>(20,000)</u>	<u>-</u>
	<u>\$ (20,000)</u>	<u>\$ 171,140</u>

8. ENDOWMENT

The Foundation's endowment consists of two individual funds. The endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

8. ENDOWMENT- Continued

The Foundation's governing body has interpreted the State of Mississippi's Management of Institutional Funds Act (SMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation is added to the fund. The Foundation considers the following factors in making determination to appropriate or accumulated donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at December 31, 2015 and 2014 was:

	<u>2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 2,863,555</u>	<u> -</u>	<u>\$ 6,279,180</u>	<u>\$ 9,142,735</u>

	<u>2014</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 2,904,312</u>	<u> -</u>	<u>\$ 6,273,856</u>	<u>\$ 9,178,168</u>

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

8. ENDOWMENT- Continued

Changes in endowment net assets for the years ended December 31, 2015 and 2014, were:

	<u>2015</u>			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ 2,904,312</u>	<u>\$ -</u>	<u>\$ 6,273,856</u>	<u>\$ 9,178,168</u>
Investment return				
Investment income	193,393	-	-	193,393
Net appreciation (depreciation)	<u>(234,150)</u>	<u>-</u>	<u>-</u>	<u>(234,150)</u>
Total return	<u>(40,757)</u>	<u>-</u>	<u>-</u>	<u>(40,757)</u>
Contributions	<u>-</u>	<u>-</u>	<u>5,324</u>	<u>5,324</u>
Endowment net assets, end of year	<u>\$ 2,863,555</u>	<u>\$ -</u>	<u>\$ 6,279,180</u>	<u>\$ 9,142,735</u>

	<u>2014</u>			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ 2,168,312</u>	<u>\$ -</u>	<u>\$ 6,267,402</u>	<u>\$ 8,435,714</u>
Investment return				
Investment income	188,797	-	-	188,797
Net appreciation (depreciation)	<u>547,203</u>	<u>-</u>	<u>-</u>	<u>547,203</u>
Total return	<u>736,000</u>	<u>-</u>	<u>-</u>	<u>736,000</u>
Contributions	<u>-</u>	<u>-</u>	<u>6,454</u>	<u>6,454</u>
Endowment net assets, end of year	<u>\$ 2,904,312</u>	<u>\$ -</u>	<u>\$ 6,273,856</u>	<u>\$ 9,178,168</u>

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

8. ENDOWMENT- (Continued)

	<u>2015</u>	<u>2014</u>
Permanently restricted assets-portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SMIFA	<u>\$ 6,279,180</u>	<u>\$ 6,273,856</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There was no deficiency in 2015 or 2014.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods.

Under the Foundation's policies, endowment assets are invested in a manner that is intended to earn the highest possible return given the risk tolerance established by the Foundation.

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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that utilizes a strategy of fixed income, equities and cash equivalents in a mix which is conducive to participation in rising markets, while allowing for maximum capital protection in falling markets.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year up to 5% of the value of the endowment fund.

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

9. RETIREMENT PLAN

The Foundation sponsors a defined contribution retirement plan for all employees. The Foundation's contributions to the plan were \$61,284 and \$69,370 in 2015 and 2014, respectively, which were based on 12% of eligible employees' salary. All full-time employees are eligible for retirement benefits the first day following the 90-day introductory period. Part-time employees are eligible after receiving \$500 of earnings in a calendar year.

10. SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 87% of all grants and contributions were received from three donors in 2014. In 2015, approximately 84% of all grants and contributions were received from three donors.

Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated statements of financial position.

Concentration of Credit Risk

The Foundation maintains its cash in financial institutions by Federal Deposit Insurance Corporation (FDIC). The coverage limit of \$250,000 now applies to interest bearing and non-interest bearing accounts. As of December 31, 2015 and 2014, the Foundation's cash accounts exceed the federally insured limit by \$240,199 and \$263,767, respectively.

FOUNDATION FOR THE MID SOUTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

11. SUBSEQUENT EVENTS

In accordance with the FASB Accounting Standards Codification Topic 855, *Subsequent Events*, we have evaluated subsequent events through June 17, 2016, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 17, 2016, have been incorporated into these financial statements.

SUPPLEMENTARY INFORMATION

FOUNDATION FOR THE MID SOUTH, INC.
 SCHEDULES OF GRANTS AND PLEDGES RECEIVABLE
 AT DECEMBER 31, 2015 AND 2014

	2015	2014
W.K. Kellogg Foundation	\$ 70,000	\$ -
Mary Reynolds Babcock Foundation	100,000	-
Jobs for the Future	206,794	20
Individual pledges less than \$10,000	752	1,560
Allowance for uncollectible amounts	(1,888)	(7)
	\$ 375,658	\$ 1,573

FOUNDATION FOR THE MID SOUTH, INC.

SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Salaries	\$ 576,660	\$ 630,942
Payroll taxes and employee benefits	162,749	180,720
Conference and employee training	28,484	37,556
Contractual services	102,912	73,360
Equipment purchases	3,526	7,287
Equipment rental	20,925	13,805
Grants	566,040	591,382
Insurance	15,830	14,592
Interest and fee expense	17,375	19,299
Maintenance and repairs	7,198	4,998
Office supplies	8,606	5,700
Postage	849	290
Printing and reproduction	609	16,615
Professional fees, dues and publications	93,864	93,255
Rent and employee parking	214	6,000
Telephone	12,175	14,522
Travel - meetings and participants	96,514	235,986
Travel - staff	27,401	47,068
Other	37,160	36,104
Depreciation	<u>40,507</u>	<u>35,479</u>
	<u>\$ 1,819,598</u>	<u>\$ 2,064,960</u>