



# FOUNDATION FOR THE MID SOUTH

ARKANSAS • LOUISIANA • MISSISSIPPI

*Expanding Knowledge. Improving Lives.*

**CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019 and 2018**

**(With Independent Auditor's Report Thereon)**

# Foundation for the Mid South, Inc.

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the **Foundation for the Mid South, Inc. and its Affiliate** (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, the consolidated statements of functional expenses for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of 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 auditor's 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.

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

**Opinion**

In our opinion, the consolidated financial statements referred to on the preceding page present fairly, in all material respects, the financial position of the **Foundation for the Mid South, Inc. and its Affiliate** as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Landmark PLC*  
Certified Public Accountants

July 6, 2020  
Little Rock, Arkansas

## **Consolidated Financial Statements**

# Foundation for the Mid South, Inc.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION December 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,010,274	\$ 833,143
Certificates of deposit	909,975	1,708,496
Prepaid expenses	24,344	115,505
Contributions receivable, net	16,912	12,375
Investments	14,098,714	11,254,412
Property and equipment, net	428,587	468,929
<b>TOTAL ASSETS</b>	<b>\$ 16,488,806</b>	<b>\$ 14,392,860</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 7,622	\$ 9,010
Accrued expenses	132,057	137,250
Grants payable	19,091	102,750
Refundable advances	841,335	91,002
Note payable	183,554	225,145
<b>Total Liabilities</b>	<b>1,183,659</b>	<b>565,157</b>
<b>Net Assets</b>		
Without donor restrictions	9,025,967	7,242,009
With donor restrictions	6,279,180	6,585,694
<b>Total Net Assets</b>	<b>15,305,147</b>	<b>13,827,703</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 16,488,806</b>	<b>\$ 14,392,860</b>

See accompanying notes to consolidated financial statements.

## Foundation for the Mid South, Inc.

### CONSOLIDATED STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT, REVENUES, GAINS AND LOSSES</b>						
Grants and contributions	\$ 537,022	\$ 95,136	\$ 632,158	\$ 571,242	\$ 343,991	\$ 915,233
Investment return (loss), net	2,861,571	-	2,861,571	(648,512)	-	(648,512)
Other income	2,510	-	2,510	1,338	-	1,338
<b>Total Support, Revenues, Gains and Losses</b>	<u>3,401,103</u>	<u>95,136</u>	<u>3,496,239</u>	<u>(75,932)</u>	<u>343,991</u>	<u>268,059</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>401,650</u>	<u>(401,650)</u>	<u>-</u>	<u>758,629</u>	<u>(758,629)</u>	<u>-</u>
<b>Total Support, Revenues, Gains, Losses and Reclassifications</b>	<u>3,802,753</u>	<u>(306,514)</u>	<u>3,496,239</u>	<u>682,697</u>	<u>(414,638)</u>	<u>268,059</u>
<b>EXPENSES</b>						
<b>Program Services</b>						
Community development	983,315	-	983,315	1,186,719	-	1,186,719
Education	636,010	-	636,010	155,750	-	155,750
Health and wellness	25,654	-	25,654	14,641	-	14,641
Wealth building	39,818	-	39,818	97,302	-	97,302
<b>Total Program Services</b>	<u>1,684,797</u>	<u>-</u>	<u>1,684,797</u>	<u>1,454,412</u>	<u>-</u>	<u>1,454,412</u>
<b>Fundraising</b>	2,700	-	2,700	8,100	-	8,100
<b>Management and General</b>	331,298	-	331,298	338,496	-	338,496
<b>Total Expenses</b>	<u>2,018,795</u>	<u>-</u>	<u>2,018,795</u>	<u>1,801,008</u>	<u>-</u>	<u>1,801,008</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	1,783,958	(306,514)	1,477,444	(1,118,311)	(414,638)	(1,532,949)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>7,242,009</u>	<u>6,585,694</u>	<u>13,827,703</u>	<u>8,360,320</u>	<u>7,000,332</u>	<u>15,360,652</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 9,025,967</u>	<u>\$ 6,279,180</u>	<u>\$ 15,305,147</u>	<u>\$ 7,242,009</u>	<u>6,585,694</u>	<u>\$ 13,827,703</u>

See accompanying notes to consolidated financial statements.

## Foundation for the Mid South, Inc.

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2019

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries	\$ 332,485	\$ -	\$ 153,316	\$ 485,801
Payroll taxes and employee benefits	110,451	-	42,037	152,488
Conference and employee training	2,948	-	100	3,048
Contractual services	498,807	2,700	5,715	507,222
Equipment purchases	2,247	-	1,479	3,726
Equipment rental	3,659	-	4,613	8,272
Grants	584,993	-	-	584,993
Insurance	5,069	-	13,011	18,080
Interest and fee expense	-	-	10,873	10,873
Maintenance and repairs	-	-	13,863	13,863
Office supplies	192	-	2,875	3,067
Postage	249	-	560	809
Printing and reproduction	258	-	-	258
Professional fees, dues and publications	64,677	-	31,844	96,521
Telephone	3,179	-	8,870	12,049
Travel - meetings and participants	27,684	-	2,478	30,162
Travel - staff	18,513	-	345	18,858
Other	1,776	-	26,587	28,363
Depreciation	27,610	-	12,732	40,342
	<u>\$ 1,684,797</u>	<u>\$ 2,700</u>	<u>\$ 331,298</u>	<u>\$ 2,018,795</u>
Total Expenses	<u>\$ 1,684,797</u>	<u>\$ 2,700</u>	<u>\$ 331,298</u>	<u>\$ 2,018,795</u>

See accompanying notes to consolidated financial statements.



## Foundation for the Mid South, Inc.

### CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2018

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries	\$ 383,800	\$ -	\$ 163,846	\$ 547,646
Payroll taxes and employee benefits	95,268	-	50,998	146,266
Conference and employee training	1,995	-	100	2,095
Contractual services	548,763	8,100	-	556,863
Equipment purchases	1,677	-	2,033	3,710
Equipment rental	3,941	-	2,002	5,943
Grants	254,493	-	-	254,493
Insurance	6,243	-	12,498	18,741
Interest and fee expense	25	-	11,977	12,002
Maintenance and repairs	-	-	5,369	5,369
Office supplies	367	-	1,554	1,921
Postage	669	-	723	1,392
Printing and reproduction	450	-	163	613
Professional fees, dues and publications	61,745	-	50,578	112,323
Telephone	3,476	-	8,687	12,163
Travel - meetings and participants	29,882	-	4,405	34,287
Travel - staff	17,350	-	617	17,967
Other	14,631	-	9,655	24,286
Depreciation	29,637	-	13,291	42,928
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenses	<u>\$ 1,454,412</u>	<u>\$ 8,100</u>	<u>\$ 338,496</u>	<u>\$ 1,801,008</u>

See accompanying notes to consolidated financial statements.

# Foundation for the Mid South, Inc.

## CONSOLIDATED STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 1,477,444	\$ (1,532,950)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	40,342	42,928
Net realized and unrealized (gains) losses on investments	(2,564,412)	915,739
Change in operating assets and liabilities:		
Prepaid expenses	91,161	(94,444)
Grants and contributions receivable, net	(4,537)	571,144
Accounts payable	(1,388)	4,840
Accrued expenses	(5,193)	(65,833)
Grants payable	(83,659)	(349,820)
Refundable advances	750,333	77,515
<b>Net Cash Used in Operating Activities</b>	<b>(299,909)</b>	<b>(430,881)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturities of certificates of deposits	1,708,495	1,997,363
Purchase and reinvestment of certificates of deposit	(909,974)	(800,000)
Purchase and reinvestment of investments	(279,890)	(250,382)
Purchase of property and equipment	-	(17,509)
<b>Net Cash Provided by Investing Activities</b>	<b>518,631</b>	<b>929,472</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of note payable	(41,591)	(39,639)
<b>Net Cash Used in Financing Activities</b>	<b>(41,591)</b>	<b>(39,639)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	177,131	458,952
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	833,143	374,191
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,010,274</b>	<b>\$ 833,143</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	\$ 9,931	\$ 11,883

See accompanying notes to consolidated financial statements.

# Foundation for the Mid South

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

### **NOTE 1: NATURE OF OPERATIONS**

The Foundation for the Mid South, Inc. (the "Foundation") began in 1990 as a not-for-profit grant making and program-initiating organization serving the residents of Arkansas, Louisiana and Mississippi. The goal of the Foundation is to create a philanthropic effort to bring together the public and private sectors and focus their resources on increasing racial, social and economic equity in the region. The Foundation's support comes primarily from grants and donor contributions. Current operations are supported generally through grants and contributions.

The Foundation focuses on strengthening four inter-related areas in the communities in which they serve: education, health and wellness, wealth building and community development through grants and partnering efforts that enable communities to grow and prosper.

The Foundation for the Mid South Properties, LLC ("Properties") was formed in 2005 to acquire and own the building and improvements used by the Foundation in its operations. The Foundation is the sole member of Properties; therefore, the accounts of Properties are consolidated with those of the Foundation.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

#### **(a) Basis of Accounting and Consolidation**

The consolidated financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Transactions and balances between the Foundation and Properties have been eliminated in consolidation.

#### **(b) Basis of Presentation**

The Foundation presents information regarding financial position and activities in accordance with generally accepted accounting principles, which require the distinction between net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are resources available to support operations and are not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates and the overall purpose and mission of the Foundation. Net assets with donor restrictions are resources subject to donor imposed limitations on how or when such resources may be used.

#### **(c) Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Foundation considers all short-term investment funds and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

# Foundation for the Mid South

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(d) Investments**

The Foundation records purchases of investments at cost on the transaction trade date. Thereafter, securities are reported at fair value on the consolidated statements of financial position. Changes in fair values are recorded in the period in which they occur. Realized gains and losses on sales of securities are recognized on the transaction trade dates. Dividend income is recorded on the ex-dividend date, and interest income is accrued as it is earned. Investment return (loss) presented on the consolidated statements of activities includes dividends, interest, other investment income, as well as realized and unrealized gains and losses, and is net of external investment expenses.

The use of investment income or realized gains on investments may be restricted by donors. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

#### **(e) Property and Equipment**

Property and equipment are recorded at historical cost, net of accumulated depreciation. The Foundation capitalizes additions of property and equipment \$5,000 or greater. Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets, which range from 3 to 40 years.

#### **(f) Contributions**

Contributions, including unconditional promises to give, are recognized as support in the consolidated statements of activities in the period received or when the Foundation becomes aware that a promise to give has been made, whichever occurs first. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are recorded as increases in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Amounts received from donors before any donor imposed conditions are met are reported as refundable advances until the barrier has been met.

Contributed services are recognized if the services received either create or enhance long-lived assets, or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the years ended December 31, 2019 and 2018, no amounts have been reflected in the financial statements for contributed services as the Foundation pays for most services requiring specific expertise. A variety of tasks that assist the Foundation with specific program services and various assignments are performed by volunteers, however, such services do not meet the criteria for recognition.

# Foundation for the Mid South

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2019 and 2018

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(f) Contributions (Continued)**

Receivables at December 31, 2019 and 2018 are generally expected to be collected in full in the subsequent year. Management has not discounted amounts due in future years as any such discount would not be material.

At December 31, 2019 and 2018, approximately 87% of the Foundation's grants and contributions revenue was provided by three donors.

#### **(g) Functional Allocation of Expenses**

The costs of conducting program and supporting activities are summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification of expenses by function. Within the program category, costs that are directly related to the Foundation's programmatic initiatives, including grants, contractual services, and costs directly related to program costs are recorded. Program expenses also incorporate all costs directly associated with the program operations of the Foundation, including the salaries and benefits of personnel performing program related activities and their travel. It also contains office expenses, such as printing and mailing, costs specific to the program areas, and an allocation of depreciation. Fundraising activities include those direct expenses related to fundraising for the Foundation. Management and general activities include those expenses not directly related to programmatic initiatives or fundraising activities, but which provide for the overall support and direction of the Foundation.

#### **(h) Income Taxes**

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and a similar provision of state law and is not a private foundation within the meaning of Section 509(a) of the Code. Accounting standards require the Foundation to evaluate tax positions and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation has analyzed the tax positions taken and has concluded that as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Foundation may be subject to audit by the Internal Revenue Service; however there are currently no audits for any tax periods in progress.

#### **(i) Grants to Others**

Grants made by the Foundation with specific performance-related requirements are reported as expense in the consolidated statements of activities when the requirements are met. Unconditional grants made by the Foundation are reported as expense when the grants are approved by the Foundation's Board of Directors. Any advance payments of conditional grants are recorded in prepaid expenses on the consolidated statements of financial position. Any unconditional grants or grants with specific performance-related requirements which have been met but not yet paid to the intended recipient as of the end of the year are recorded in grants payable on the consolidated statements of financial position. Grants are generally paid within one year from the date of the award.

# Foundation for the Mid South

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(j) Financial Instruments and Credit Risk**

The Foundation maintains cash and cash equivalent balances in accounts with financial institutions and investment banking firms. The balances in these accounts may exceed applicable insured limits. Management believes that such accounts are maintained with reputable financial institutions and investment banking firms, and the Foundation has not experienced any losses in these accounts to date.

The Board of Directors has adopted an investment policy that specifies target portfolio allocations, permissible investment vehicles, as well as monitoring benchmarks and procedures. In addition, the Board of Directors has adopted general policies relevant to performing due diligence on and continuous monitoring of investments. While risks related to investing, such as market risk and credit risk, cannot be avoided, management and the Board of Directors, working with reputable investment managers, believe that investment policies are prudent, properly designed and implemented to ensure the longevity of the Foundation.

#### **(k) Use of Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

#### **(l) Recently Adopted Accounting Pronouncements**

Effective January 1, 2019, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. ASU No. 2014-09 supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Analysis of the various provisions of this standard resulted in no significant changes to the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The disclosures of revenue have been enhanced in accordance with the standard.

Effective January 1, 2019, the Foundation adopted the provisions of ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 assists entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or exchange (reciprocal) transactions and 2) determining whether a contribution is conditional. Distinguishing between contributions and exchange transactions determines which accounting guidance is applied, and the accounting may be different depending on the guidance applied. In addition, for contributions, determining whether a contribution is conditional or unconditional affects the timing of recognition. Implementation of this standard did not have a significant impact on the Foundation's financial statements.

# Foundation for the Mid South

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2019 and 2018

### NOTE 3: INVESTMENTS

Investments presented on the consolidated statements of financial position at December 31, include the following:

	<u>2019</u>	<u>2018</u>
Mutual funds	\$ 13,997,934	\$ 11,192,020
Equity securities	<u>100,780</u>	<u>62,392</u>
	<u>\$ 14,098,714</u>	<u>\$ 11,254,412</u>

### NOTE 4: FAIR VALUE MEASUREMENTS

Generally accepted accounting principles provide a framework for measuring fair value that applies to all financial instruments that are being measured and reported on a fair value basis. 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. The Foundation utilizes valuation techniques to determine fair values that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values, as follows:

Level 1 – Fair values are determined based on unadjusted quoted prices for identical assets in active markets that the Foundation has the ability to access.

Level 2 – Fair values are determined based on inputs other than quoted prices that are observable for the asset, either directly or indirectly. These might include quoted prices for similar assets in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset, or inputs that are derived principally from or corroborated by market data by correlation or other means. If the asset has a specified (contractual) term, the input must be observable for substantially the full term of the asset.

Level 3 – Fair values are determined based on valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and are not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The application of valuation techniques used to determine the fair values of investment securities has not changed during the years ended December 31, 2019 or 2018. The following is a description of the valuation methodologies used by the Foundation:

# Foundation for the Mid South

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2019 and 2018

### NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

*Mutual Funds* – The fair values of these open ended mutual funds are based on the net asset values per share of the funds reported on the active market on which the mutual funds are traded as of the close of business on the reporting date.

*Equity Securities* – The fair values of these investments are based on the closing price reported on the active market on which the individual securities are traded.

The methods described above may result in reported fair value amounts that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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 Foundation had no transfer of investments between Level 1 and Level 2 or into or out of Level 3 during the years ended December 31, 2019 or 2018.

The fair value of the Foundation assets measured on a recurring basis at December 31, 2019 are as follows:

	2019			
	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>Mutual Funds</b>				
Mid cap index fund	\$ 839,001	\$ 839,001	\$ -	\$ -
Federal money market fund	29,896	29,896	-	-
Small cap index fund	820,246	820,246	-	-
International stock mutual fund	1,324,313	1,324,313	-	-
Bond market index fund	2,519,398	2,519,398	-	-
Stock market index fund	8,465,080	8,465,080	-	-
<b>Equity Securities</b>				
Domestic common stock	82,331	82,331	-	-
International common stock	18,449	18,449	-	-
Total Investments	\$ 14,098,714	\$ 14,098,714	\$ -	\$ -



# Foundation for the Mid South

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2019 and 2018

### NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

The fair value of the Foundation assets measured on a recurring basis at December 31, 2018 are as follows:

	2018			
	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>Mutual Funds</b>				
Mid cap index fund	\$ 640,304	\$ 640,304	\$ -	\$ -
Prime money market fund	29,270	29,270	-	-
Small cap index fund	644,000	644,000	-	-
International stock mutual fund	1,089,898	1,089,898	-	-
Bond market index fund	2,317,456	2,317,456	-	-
Stock market index fund	6,471,092	6,471,092	-	-
<b>Equity Securities</b>				
Domestic common stock	48,543	48,543	-	-
International common stock	13,849	13,849	-	-
Total Investments	\$ 11,254,412	\$ 11,254,412	\$ -	\$ -

### NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2019	2018
Furniture, fixtures and equipment	\$ 275,978	\$ 275,978
Buildings and improvements	816,358	816,358
	1,092,336	1,092,336
Less accumulated depreciation and amortization	(663,749)	(623,407)
Property and equipment, net	\$ 428,587	\$ 468,929

# Foundation for the Mid South

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2019 and 2018

### **NOTE 6: NOTE PAYABLE**

The Foundation has a note payable to a financial institution secured by land and building. The note, which bears interest at 4.75%, is payable in monthly installments through November 2023. Future maturities of the note as of December 31, 2019 are as follows:

2020	\$ 43,615
2021	45,786
2022	48,041
2023	<u>46,112</u>
	<u>\$ 183,554</u>

### **NOTE 7: EMPLOYEE BENEFIT PLAN**

The Foundation sponsors a defined contribution retirement plan for eligible employees. The Foundation's contributions to the plan, which were based on 12% of eligible employees' salaries, were approximately \$56,000 and \$54,000 for the years ended December 31, 2019 and 2018, respectively. All full time employees who have attained the age of 21 are eligible for retirement benefits the first day following a 90 day introductory period. Part time employees are eligible after receiving \$500 of earnings in a calendar year.

### **NOTE 8: ENDOWMENTS**

The Foundation's endowments consists of 2 individual funds established for a variety of purposes. The endowments include endowment funds with donor restrictions and funds designated by the Board of Directors (the Board). Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the State of Mississippi's Management of Institutional Funds Act (SMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restrictions absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions the original value of gifts donated to the endowment with donor restrictions, the original value of subsequent gifts to the endowment with donor restrictions and accumulations to the endowment with donor restrictions made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions: (1) the duration and preservation of the various funds, (2) the purposes of the endowment funds with donor restrictions, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation or depreciation of investments, (6) other resources of the Foundation and (7) the Foundation's investment policies.

# Foundation for the Mid South

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2019 and 2018

### **NOTE 8: ENDOWMENTS (Continued)**

The Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified investment portfolio, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distribution to meet the operating needs of the Foundation, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The Foundation has a spending policy of appropriating for distribution each year the lesser of sufficient funds to meet operating needs of its programs or five percent of the value of the endowment fund. In establishing this spending policy each year, the Foundation considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Changes in endowment net assets for the year ended December 31, 2019 and 2018, are as follows:

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 4,845,219	\$ 6,279,180	\$ 11,124,399
Investment return, net	2,805,914	-	2,805,914
Endowment net assets, end of year	\$ 7,651,133	\$ 6,279,180	\$ 13,930,313
	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 5,512,668	\$ 6,279,180	\$ 11,791,848
Investment return, net	(667,449)	-	(667,449)
Endowment net assets, end of year	\$ 4,845,219	\$ 6,279,180	\$ 11,124,399

# Foundation for the Mid South

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2019 and 2018

### **NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS**

The following provides a description of the purposes for which net assets are donor restricted at December 31, 2019 and 2018:

	2019	2018
Perpetually restricted by donor, the income available to be used for the following purposes:		
Community development	\$ 139,388	\$ 139,388
Any activity of the Foundation	6,139,792	6,139,792
Donor restricted with time or purpose restrictions:		
Community development	-	306,514
	\$ 6,279,180	\$ 6,585,694

### **NOTE 10: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Foundation's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use within one year of the balance sheet date:

	2019	2018
Financial assets, at December 31	\$ 16,060,219	\$ 13,923,931
Less those unavailable for general expenditures within one year:		
Prepaid expenses	(24,344)	(115,505)
Endowments with donor restrictions in perpetuity	(6,279,180)	(6,279,180)
Financial assets available to meet cash needs for general expenditures within one year	\$ 9,756,695	\$ 7,529,246

The operations of the Foundation are primarily funded by income generated through grants and contributions. As indicated in Note 8 to the financial statements, certain assets have been restricted by the donor in perpetuity. The Foundation structures its financial assets to be available as general expenditures, liabilities and other obligations become due.

# Foundation for the Mid South

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

### **NOTE 11: SUBSEQUENT EVENTS**

Management has evaluated events that occurred through July 6, 2020, the date the consolidated financial statements were available to be issued.

As of the date of the independent auditor's report, the COVID-19 pandemic has had an adverse impact on both domestic and global financial markets and operations. Management is unable to accurately predict how the COVID-19 pandemic will affect the Foundation due to uncertainties surrounding the severity of the disease and the duration of the outbreak.

Subsequent to year end, the Coronavirus Aid, Relief and Economic Security (CARES) Act implemented the Paycheck Protection Program (PPP) to provide small businesses with funds to pay up to 8 weeks of payroll costs including benefits, interest on mortgages, rent and utilities. These funds are provided in the form of unsecured loans that may be forgiven when used for forgivable expenses, subject to certain conditions. The Foundation's PPP application was approved in the amount of approximately \$105,000. The Paycheck Protection Program Flexibility Act allows small businesses more time to use the PPP funds by extending the covered period from 8 weeks to the earlier of 24 weeks or December 31, 2020, with the option to keep the original 8-week period. The Foundation's application for an economic injury disaster loan (EIDL) in the amount of \$150,000 was also approved subsequent to year end. EIDL offers forgiveness of an up-to-\$10,000 loan advance. The EIDL loan, minus the forgiven portion, is payable over up to 30 years at 2.75% interest and includes an automatic 1 year deferral on repayment although interest will continue to accrue.

While the Foundation intends to use the PPP loan proceeds and maintain employment levels in such a way as to ensure that the PPP loan will be forgiven in its entirety, the amount to be forgiven is subject to determination and approval by the lender, pursuant to the requirements of the CARES Act and related implementation guidance. Interest will accrue on the outstanding principal balance at 1%.