

**COMMUNITY FOUNDATION
OF NORTHWEST MISSISSIPPI**

**FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI

**FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of the Community Foundation of Northwest Mississippi (a nonprofit organization) as of December 31, 2009 and the related statement of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Community Foundation of Northwest Mississippi as of December 31, 2008, presented for comparison purposes, were audited by another audit firm. Those auditors expressed an unqualified opinion in their report dated August 14, 2009.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

F.O. Givens & Co.

F.O. Givens & Co.
Certified Public Accountants
July 15, 2010

COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,203,255	\$ 1,119,204
Grants Receivable	113,635	246,849
Investments	4,443,071	2,945,656
Note Recievable	1,000,000	-
Promises to Give	2,575,382	1,525,658
Investment in CFNM, LLC	851,000	872,000
Property and Equipment (net)	5,106	797,092
TOTAL ASSETS:	<u><u>\$ 10,191,449</u></u>	<u><u>\$ 7,506,459</u></u>
LIABILITIES		
Accounts Payable	13,607	24,313
Agency Fund	153,162	131,654
TOTAL LIABILITIES:	<u>166,769</u>	<u>155,967</u>
NET ASSETS		
Unrestricted	9,056,180	7,350,492
Temporarily Restricted	968,500	-
Permanently Restricted	-	-
TOTAL NET ASSETS:	10,024,680	7,350,492
TOTAL LIABILITIES & NET ASSETS:	<u><u>\$ 10,191,449</u></u>	<u><u>\$ 7,506,459</u></u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009 AND 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Public Support					
Contributions- Cash	\$ 3,399,925	\$ 1,000,000		\$ 4,399,925	\$ 3,319,522
Contributions- Gifts In Kind	41,581			41,581	822,493
Fundraising	164,946			164,946	204,202
Administrative Revenue	63,470			63,470	89,957
Investment Income	102,386	(1,733)		100,653	146,467
TOTAL INCOME	\$ 3,772,307	\$ 998,268	\$ -	\$ 4,770,575	\$ 4,582,641
Programs					
Programs Expenses	2,270,562	27,846		2,298,408	1,800,884
Supporting Services	-			-	
Fundraising	179,328			179,328	203,706
Administrative	174,489	1,922		176,411	112,990
TOTAL EXPENSES	\$ 2,624,379	\$ 29,768	-	\$ 2,654,147	\$ 2,117,580
Loss on Sale of Property	-	-	-	-	183,989
TOTAL EXPENSES & LOSSES	\$ 2,624,379	\$ 29,768	-	\$ 2,654,147	\$ 2,301,569
Change in Net Assets Before Unrealized Gains/(Losses)	1,147,928	968,500		2,116,428	2,281,072
Unrealized Gains/(Losses) on Investments	557,760	-	-	557,760	(729,885)
CHANGE IN NET ASSETS	\$ 1,705,688	\$ 968,500	-	\$ 2,674,188	\$ 1,551,187
NET ASSETS AT BEGINNING OF YEAR	7,350,492	-	-	7,350,492	5,803,688
Prior Period Adjustments					(4,383)
NET ASSETS AT BEGINNING OF YEAR - RESTATED	7,350,492	-	-	7,350,492	5,799,305
NET ASSETS AT END OF YEAR	\$ 9,056,180	\$ 968,500	-	\$ 10,024,680	\$ 7,350,492

See accompanying notes to the financial statements.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase/(Decrease) in Net Assets, before Prior Period Adjustment	\$ 2,674,188	\$ 1,551,187
Adjustments to reconcile increase in Net Assets to Net Cash		
Provided by Operating Activities:		
Prior Period Differences	30,099	(4,383)
Depreciation	2,983	1,866
Unrealized (Gain)/Loss on Investments	(557,760)	729,885
Realized (Gain)/Loss on Investments	(100,653)	(146,467)
Loss on Sale of Property and Equipment	-	183,989
(Increase)/Decrease in Donated Assets	760,359	(828,361)
(Increase)/Decrease in Operating Assets:		
Grants Receivable	133,214	181,327
Promises to Give	(1,049,724)	(562,910)
Note Receivable	(1,000,000)	-
Increase/(Decrease) in Operating Liabilities:		
Accounts Payable	(10,706)	18,509
Agency Funds	21,508	131,654
Net Cash Provided/(Used) by Operating Activities:	<u>903,508</u>	<u>1,256,296</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(997)	(685)
Sale of Property and Equipment		24,611
Investment in CFNM, LLC	21,000	
Purchase of Investments	(839,460)	(1,788,720)
Net Cash Provided/(Used) by Investing Activities:	<u>(819,457)</u>	<u>(1,764,794)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents:	84,051	(508,498)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,119,204</u>	<u>1,627,702</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,203,255</u></u>	<u><u>\$ 1,119,204</u></u>

See accompanying notes to the financial statements.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2009 AND 2008**

	Programs	Supporting Services		2009	2008
	General	Fundraising	Administrative	Totals	Totals
Advertising	2,100	1,400	-	3,500	5,000
Bank Charges	1,652	551	551	2,754	2,817
Continuing Education	6,440	2,147	2,147	10,733	22,293
Depreciation Expense	1,790	597	597	2,983	1,866
Dues and Subscriptions	1,708	569	569	2,847	2,330
Fundraising Expense	-	78,537	-	78,537	90,716
Insurance	2,142	714	714	3,570	1,806
Professional Fees	227,564	-	77,020	304,584	68,894
Miscellaneous	4,805	1,602	1,602	8,008	96
Office Expense	12,789	4,263	4,263	21,315	24,631
Postage	2,719	906	906	4,531	4,166
Program Expense	1,770,570	-	-	1,770,570	1,461,907
Rent and Utilities	14,937	4,979	4,979	24,895	16,532
Repairs and Maintenance	3,917	1,306	1,306	6,528	8,779
Salaries and Employee Benefits	214,598	71,533	71,533	357,663	354,640
Taxes	14,370	4,790	4,790	23,950	27,922
Travel and Entertainment	16,308	5,436	5,436	27,180	23,185
Total Expenses	\$ 2,298,408	\$ 179,328	\$ 176,411	\$ 2,654,147	\$ 2,117,580

See accompanying notes to the financial statements.

COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009

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 eight northwest counties; Coahoma, DeSoto, Marshall, Panola, Quitman, 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.

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.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117; "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Donated Assets

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

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.

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Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investments

Investments consist of marketable equity and debt securities which are carried at fair market value (a Level 1 input). All other investments are carried at cost basis. The Foundation's investments include securities held in various companies with various markets. All securities are held in an account with a major financial institution.

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.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges for the current year are recognized at face value, and pledges beyond the current year are recognized at net present value.

Agency Funds

Assets contributed to the Foundation from or for the direct benefit of another nonprofit organization are accounted for as a liability rather than being recognized as revenue to the Foundation, as the Foundation is acting as an agent on the behalf of the other nonprofit organization. Investment or other income produced from the assets is also accounted for as a liability.

Estimates

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

For purposes of the Statements of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Of the total balance of cash and cash equivalents, \$1,137,360 and \$1,084,841 as of December 31 2009 and 2008, respectively, were held in money market funds with a reputable broker. These investments are not covered by federal deposit insurance. The remaining balances of cash and cash equivalents do not exceed federal deposit insurance limits.

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.

Depreciation expense for the year ended December 31, 2009 is \$2,983.

COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
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Subsequent Events

The Foundation has evaluated subsequent events through July 15, 2010, the date the financial statements were available to be issued.

NOTE B: INVESTMENTS

The components of investments as shown on the statement of financial position are as follows:

	2009	2008
Cost of Equity and Debt Securities	3,885,311	3,675,541
Current Year Unrealized Gains/(Losses)	557,760	(729,885)
Market Value of Securities	<u>\$4,443,071</u>	<u>\$ 2,945,656</u>

Investments in marketable securities consist of the following at December 31:

	2009	2008
Fixed Income	1,507,405	1,193,929
Equities	-	34,868
Mutual Funds	2,935,666	1,716,859
Totals:	<u>\$4,443,071</u>	<u>\$ 2,945,656</u>

NOTE C: ENDOWED FUNDS

The Foundation follows the Uniform Management of Institutional Funds Act of 1972 ("UMIFA") 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 prior to the fiscal year ended December 31, 2009 were classified as unrestricted. However, certain 2009 grant agreements specify a minimum time frame before the Foundation's Board of Directors will have the ability to distribute any corpus above a certain annual percentage without written approval from the grantor. These contributions are classified as temporarily restricted.

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.

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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, 2009 is as follows:

Board Designated	\$ 1,027,852
Designated Non Profit	1,241,427
Donor Advised	626,295
Field of Interest	2,453,510
Scholarship	196,624
Total Endowment Funds	<u>\$ 5,545,708</u>

A summary of changes in endowment net assets as of December 31, 2009 is as follows:

Endowment Net Assets, Beginning of Year	\$ 4,049,742
Prior Period Adjustments	<u>6,031</u>
Endowment Net Assets, Beginning of Year - Restated	\$ 4,055,773
Contributions	1,109,883
Interest and Dividends, Net of Fees	115,296
Realized Gains/ (Losses)	(18,010)
Grants	(87,512)
Administrative Fees	(53,924)
Other Income/ (Expense)	(116,182)
Unrealized Gains/ (Losses)	<u>540,383</u>
Change in Endowment Net Assets	\$ 1,489,935
Endowment Net Assets, End of Year	<u>\$ 5,545,708</u>

NOTE D: 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. Toward that end, the Foundation may use the grant for the purposes of general operating support, capacity building, a grant-making program, and endowment building. This is a ten year grant, commencing January 1, 2004 through December 31, 2013.

The provisions of the grant are as follows:

- A minimum of \$9,000,000 of the grant shall be used by the Foundation to build permanently endowed funds. All grant funds for endowment building are considered a challenge grant, requiring the Foundation to establish permanently endowed funds that the Maddox Foundation will match on a dollar for dollar basis.

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- 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 for the years ended December 31, 2009 and December 31, 2008 are \$1,039,724 and \$1,525,658. These promises to give will fund \$1,818,348 into the general endowment of the Community Foundations and \$757,134 into the Maddox Foundation Donor Advised Fund. The Maddox Foundation makes no commitment to make payment on these promises to give before the grant ending date of December 31, 2013. However, in previous years the Maddox Foundation has remitted payment on their outstanding promises to give annually; therefore these promises to give are not recognized in the financial statements at net present value.

A reconciliation between contributions received and the Maddox Foundation match for the year ended December 31, 2009 is as follows:

Contributions to Donor Advised Funds	\$ 5,025
Contributions to Designated Non Profit Funds	15,160
Contributions to Board Designated Funds	657,383
Contributions to Field of Interest Funds	355,500
Contributions to Scholarship Funds	6,656
	<u>\$ 1,039,724</u>

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2009	2008
Land- Donated	\$ -	\$ 790,000
Equipment	11,865	10,868
Total:	11,865	800,868
Accumulated Depreciation	(6,759)	(3,776)
Net Property and Equipment	<u>\$ 5,106</u>	<u>\$ 797,092</u>

The land held by the Community Foundation of Northwest Mississippi was donated to the North Mississippi Land Trust in December 2009.

COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
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NOTE F: CURRENT ASSETS AND CURRENT LIABILITIES

	2,009	2,008
Current Assets		
Cash and Cash Equivalents	\$1,203,255	\$ 1,119,204
Promises to Give	-	1,525,658
Grant Receivable	113,635	246,849
Investments	4,443,071	2,945,656
Note Receivable	1,000,000	-
Total Current Assets	<u>\$6,759,961</u>	<u>\$ 5,837,367</u>
Current Liabilities		
Accounts Payable	<u>\$ 13,607</u>	<u>\$ 24,313</u>
Total Current Liabilities	<u>\$ 13,607</u>	<u>\$ 24,313</u>

NOTE G: NOTE RECEIVABLE

In December 2009, the Foundation received as a donation a \$1,000,000 note payable. The debtor is Palmer Home Film, LLC, a company set up to assist funding of a major motion picture about the Palmer Home for Children; the expected release date is December 2010. The note carries an annual interest rate of 5% and is expected to be repaid on December 15, 2010.

NOTE H: CONTINGENCIES

The Foundation has booked the contribution of a note receivable from Palmer Home Film, LLC in the fiscal year ended December 31, 2009 (see Note G). This note will be collected from the box office proceeds of a film about the Palmer Home for Children and from sales of an attached line of clothing. Payment is expected to be received in December, 2010. However, the proceeds from the film and sales of clothing are not certain, and it is reasonably possible that revenues will not allow total repayment of the note. At this time it is not possible to reliably estimate an allowance for uncollectible receivables.

NOTE I: RELATED PARTY

In December 2007, the Foundation received a donation of \$872,000. The Foundation formed a single member limited liability company, CFNM, LLC (the "LLC"), with the Foundation as the sole member, and invested the contribution into the LLC. The LLC chose to purchase a parcel of land in Shelby County, Tennessee with the funds received. In 2009 the LLC reimbursed the Foundation \$21,000 of their initial investment, which the Foundation has invested with Merrill Lynch.

In March 2008, the land purchased by CFNM, LLC was used as a capital contribution to acquire a 50% share in CBH Hospitality, LLC, which was formed by CFNM, LLC with two other members to build and operate a LEED-certified (Leadership in Energy and Environmental Design) "Green" La Quinta hotel on the site.