



**FOUNDATION
FOR THE MID SOUTH**

ARKANSAS • LOUISIANA • MISSISSIPPI

Expanding Knowledge. Improving Lives.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
December 31, 2017 and 2016**

(With Independent Auditor's Report Thereon)

**Thomas &
Thomas LLP**

Certified Public Accountants

Foundation for the Mid South, Inc.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 – 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 – 17
SUPPLEMENTARY INFORMATION	
Consolidated Schedules of Expenses by Natural Classification	19

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 **Foundation for the Mid South, Inc. and its Affiliate** (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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 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.
Page Two

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, 2017 and 2016, 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedules of expenses by natural classification are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Thomas & Thomas LLP

Certified Public Accountants

July 2, 2018
Little Rock, Arkansas

Consolidated Financial Statements

Foundation for the Mid South, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 374,191	\$ 268,625
Certificates of deposit	2,905,859	3,303,817
Prepaid expenses	21,061	15,224
Grants and contributions receivable, net	583,519	1,280,933
Investments	11,919,768	10,143,111
Property and equipment, net	494,348	504,577
TOTAL ASSETS	\$ 16,298,746	\$ 15,516,287
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 4,170	\$ 3,739
Accrued expenses	203,083	132,397
Grants payable	466,057	107,291
Note payable	264,784	302,563
Total Liabilities	938,094	545,990
Net Assets		
Unrestricted	8,360,320	6,942,207
Temporarily restricted	721,152	1,748,910
Permanently restricted	6,279,180	6,279,180
Total Net Assets	15,360,652	14,970,297
TOTAL LIABILITIES AND NET ASSETS	\$ 16,298,746	\$ 15,516,287

See accompanying notes to consolidated financial statements.

Foundation for the Mid South, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUES, GAINS AND LOSSES								
Grants and contributions	\$ 208,449	\$ 399,138	\$ -	\$ 607,587	\$ 22,952	\$ 1,910,828	\$ -	\$ 1,933,780
Investment income (loss)	1,793,069	-	-	1,793,069	911,675	-	-	911,675
Other income	69,328	-	-	69,328	-	-	-	-
Total Support, Revenues, Gains and Losses	<u>2,070,846</u>	<u>399,138</u>	<u>-</u>	<u>2,469,984</u>	<u>934,627</u>	<u>1,910,828</u>	<u>-</u>	<u>2,845,455</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,426,896</u>	<u>(1,426,896)</u>	<u>-</u>	<u>-</u>	<u>1,173,130</u>	<u>(1,173,130)</u>	<u>-</u>	<u>-</u>
Total Support, Revenues, Gains, Losses and Reclassifications	<u>3,497,742</u>	<u>(1,027,758)</u>	<u>-</u>	<u>2,469,984</u>	<u>2,107,757</u>	<u>737,698</u>	<u>-</u>	<u>2,845,455</u>
EXPENSES								
Program Services								
Community development	1,315,751	-	-	1,315,751	769,989	-	-	769,989
Education	374,919	-	-	374,919	351,423	-	-	351,423
Health and wellness	2,814	-	-	2,814	36,254	-	-	36,254
Wealth building	47,646	-	-	47,646	61,832	-	-	61,832
Total Program Services	<u>1,741,130</u>	<u>-</u>	<u>-</u>	<u>1,741,130</u>	<u>1,219,498</u>	<u>-</u>	<u>-</u>	<u>1,219,498</u>
Management and General	322,299	-	-	322,299	271,995	-	-	271,995
Fundraising	16,200	-	-	16,200	14,400	-	-	14,400
Total Expenses	<u>2,079,629</u>	<u>-</u>	<u>-</u>	<u>2,079,629</u>	<u>1,505,893</u>	<u>-</u>	<u>-</u>	<u>1,505,893</u>
INCREASE (DECREASE) IN NET ASSETS	1,418,113	(1,027,758)	-	390,355	601,864	737,698	-	1,339,562
NET ASSETS, BEGINNING OF YEAR	<u>6,942,207</u>	<u>1,748,910</u>	<u>6,279,180</u>	<u>14,970,297</u>	<u>6,340,343</u>	<u>1,011,212</u>	<u>6,279,180</u>	<u>13,630,735</u>
NET ASSETS, END OF YEAR	<u>\$ 8,360,320</u>	<u>\$ 721,152</u>	<u>\$ 6,279,180</u>	<u>\$ 15,360,652</u>	<u>\$ 6,942,207</u>	<u>\$ 1,748,910</u>	<u>\$ 6,279,180</u>	<u>\$ 14,970,297</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, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 390,355	\$ 1,339,562
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities		
Depreciation	44,122	41,270
Net realized and unrealized gains on investments	(1,550,132)	(683,982)
Change in operating assets and liabilities:		
Prepaid expenses	(5,837)	(610)
Grants and contributions receivable, net	697,415	(907,395)
Accounts payable	431	(47)
Accrued expenses	70,686	13,177
Grants payable	358,766	(67,709)
Net Cash Provided (Used) in Operating Activities	5,806	(265,734)
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of certificates of deposits	3,053,816	3,055,429
Purchase and reinvestment of certificates of deposit	(2,655,858)	(2,803,816)
Purchase and reinvestment of investments	(226,526)	(206,427)
Purchase of property and equipment	(33,893)	-
Net Cash Provided by Investing Activities	137,539	45,186
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of note payable	(37,779)	(35,963)
Net Cash Used in Financing Activities	(37,779)	(35,963)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	105,566	(256,511)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	268,625	525,136
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 374,191	\$ 268,625
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 13,743	\$ 15,559

See accompanying notes to consolidated financial statements.

Foundation for the Mid South, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2017 and 2016

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. 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) Basis of Accounting

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 is required to report information regarding its financial position and activities according to three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

(c) Cash and Cash Equivalents

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

(d) Investments

Investments are reported at fair value on the consolidated statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. Investment income (loss) reported on the consolidated statements of activities includes realized and unrealized gains and losses on investments bought and sold, as well as those held during the year. Purchases and sales are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Foundation for the Mid South, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investments (Continued)

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 unrestricted net assets 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 cost, net of accumulated depreciation. The Foundation capitalizes additions of property and equipment in excess of \$5,000. 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) Grants and Contributions

Grants and 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 received with donor restrictions are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income is recognized. All other grants and contributions are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

(g) Functional Expenses

The Foundation allocates its expenses on a functional basis among various programs and supporting services. Expenses that can be identified with a specific program or supporting service are recorded directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases. Costs associated with providing the various programs and supporting services are summarized on the consolidated schedules of expenses by natural classification.

(h) Income Taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code 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

Foundation for the Mid South, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Income Taxes (Continued)

positions taken and has concluded that as of December 31, 2017 and 2016, 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 are recorded when the grants are approved by the Foundation's Board of Directors. All grantees are eligible organizations who are required to use the funds for charitable purposes. Any grants which have not been paid to the intended recipient as of the end of the year are recorded in grants payable on the consolidated statements of financial position.

(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 accounting principles generally accepted in the United States of America 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) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenues from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard, and subsequently issued amendments, will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The guidance in ASU No. 2014-09 and related amendments will be effective for the Foundation on January 1, 2019. The Foundation does not anticipate that this standard and related amendments will have a material effect on the consolidated financial statements.

Foundation for the Mid South, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Recent Accounting Pronouncements (Continued)

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The purpose of ASU No. 2016-14 is to amend existing financial reporting standards applicable to not-for-profit entities to improve the usefulness, relevance and clarity of information presented in financial statements and to enhance the information presented in the notes thereto. This new standard, which will be effective for the Foundation as of January 1, 2018, will require presentation of two classes of net assets (net assets with donor restrictions and net assets without donor restrictions). ASU No. 2016-14 will also require enhanced disclosures including, but not limited to, disclosures about governing board designations and other self-imposed limits on the use of resources as well as the composition of net assets with donor restrictions at the end of the period and how those restrictions affect the use of resources; qualitative information communicating how liquid resources are managed to meet cash needs for general expenditures within one year of the financial reporting date; and quantitative information communicating the availability of resources to meet cash needs for general expenditures within one year of the financial reporting date. While this new standard will significantly impact the presentation of the consolidated financial statements and the content of disclosures in the notes to the consolidated financial statements, it is not expected to have a material impact on the recording or measurement of amounts presented therein.

NOTE 3: GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at December 31, include the following:

	<u>2017</u>	<u>2016</u>
Foundation grants	\$ 565,672	\$ 1,165,000
Promises to give	20,683	122,382
	<u>586,355</u>	<u>1,287,382</u>
Allowance for doubtful accounts	(2,836)	(6,449)
Total	<u>\$ 583,519</u>	<u>\$ 1,280,933</u>

Receivables at December 31, 2017 are expected to be collected in the subsequent year. Management has not discounted amounts due in future years as any such discount would not be material.

At December 31, 2017 and 2016, 73% and 76% of the Foundation's grants and contributions were provided by three donors and one donor, respectively.

Foundation for the Mid South, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2017 and 2016

NOTE 4: INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
Mutual funds	\$ 11,859,469	\$ 10,099,238
Equity securities	<u>60,299</u>	<u>43,873</u>
	<u>\$ 11,919,768</u>	<u>\$ 10,143,111</u>

Investment return consisted of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 242,937	\$ 227,693
Net realized and unrealized gain on investments	<u>1,550,132</u>	<u>683,982</u>
	<u>\$ 1,793,069</u>	<u>\$ 911,675</u>

NOTE 5: FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology are other significant observable inputs (including quoted prices for similar securities in active markets, quoted prices for identical or similar assets in inactive markets, and interest rates, credit risk, maturity dates or other observable market data).
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Foundation uses appropriate valuation techniques based on available inputs to measure the fair value of assets. When available, the Foundation measures fair value using Level 1 inputs, because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Foundation for the Mid South, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2017 and 2016

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

For the years ended December 31, 2017 and 2016, the application of valuation techniques used to determine the fair values of investments has been consistent. The following is a description of the valuation methodologies used by the Foundation:

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 produce a fair value calculation 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 following table presents assets measured at fair value on a recurring basis at December 31, 2017 and 2016:

	December 31, 2017			
	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual Funds				
Mid cap index fund	\$ 705,415	\$ 705,415	\$ -	\$ -
Federal money market fund	28,757	28,757	-	-
Small cap index fund	710,140	710,140	-	-
International stock mutual fund	1,273,735	1,273,735	-	-
Bond market index fund	2,318,093	2,318,093	-	-
Stock market index fund	6,823,329	6,823,329	-	-
Equity Securities				
Domestic common stock	50,509	50,509	-	-
International common stock	9,790	9,790	-	-
Total Investments	<u>\$ 11,919,768</u>	<u>\$ 11,919,768</u>	<u>\$ -</u>	<u>\$ -</u>

Foundation for the Mid South, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2017 and 2016

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	December 31, 2016			
	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual Funds				
Mid cap index fund	\$ 591,533	\$ 591,533	\$ -	\$ -
Prime money market fund	28,526	28,526	-	-
Small cap index fund	610,940	610,940	-	-
International stock mutual fund	998,586	998,586	-	-
Bond market index fund	2,238,454	2,238,454	-	-
Stock market index fund	5,631,199	5,631,199	-	-
Equity Securities				
Domestic common stock	36,487	36,487	-	-
International common stock	7,386	7,386	-	-
Total Investments	<u>\$ 10,143,111</u>	<u>\$ 10,143,111</u>	<u>\$ -</u>	<u>\$ -</u>

There were no transfers into or out of Level 3 investments during the years ended December 31, 2017 or 2016. There are no redemption restrictions on the investments.

NOTE 6: PROPERTY AND EQUIPMENT

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

	2017	2016
Furniture, fixtures and equipment	\$ 267,919	\$ 241,119
Buildings and improvements	806,908	799,815
	1,074,827	1,040,934
Less accumulated depreciation and amortization	(580,479)	(536,357)
Property and equipment, net	<u>\$ 494,348</u>	<u>\$ 504,577</u>

Foundation for the Mid South, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2017 and 2016

NOTE 7: GRANTS PAYABLE

Grants payable are due to be paid for years subsequent to December 31, 2017, as follows:

2018	\$ 422,057
2019	<u>44,000</u>
	<u>\$ 466,057</u>

NOTE 8: NOTE PAYABLE

The Foundation has a note payable to a financial institution secured by land and building. Payment of principal and interest at 4.75% is due monthly. The note, which bears interest at 4.75%, is payable in monthly installments of \$4,294 through November 2023. Future maturities of the note as of December 31, 2017 for each of the next five years and thereafter are as follows:

2018	\$ 39,639
2019	41,591
2020	43,615
2021	45,786
2022	48,041
Thereafter	<u>46,112</u>
	<u>\$ 264,784</u>

NOTE 9: EMPLOYEE BENEFIT PLAN

The Foundation sponsors a defined contribution retirement plan for eligible employees. The Foundation's contributions to the plan were approximately \$62,000 and \$48,000 for the years ended December 31, 2017 and 2016, respectively, which were based on 12% of eligible employees' salaries. 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 10: ENDOWMENTS

The Foundation's endowments consists of 2 individual funds established for a variety of purposes. The endowments include both donor restricted endowment funds 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.

Foundation for the Mid South, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 10: ENDOWMENTS (Continued)

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 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 the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment 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 donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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.

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.

The following summarizes the composition of endowment net assets by type at December 31, 2017:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowments	\$ -	\$ 6,279,180	\$ 6,279,180
Board designated endowments	5,512,668	-	5,512,668
Total endowments	<u>\$ 5,512,668</u>	<u>\$ 6,279,180</u>	<u>\$ 11,791,848</u>

Foundation for the Mid South, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2017 and 2016

NOTE 10: ENDOWMENTS (Continued)

The following summarizes the composition of endowment net assets by type at December 31, 2016:

	Unrestricted	Permanently Restricted	Total
Donor restricted endowments	\$ -	\$ 6,279,180	\$ 6,279,180
Board designated endowments	3,752,437	-	3,752,437
Total endowments	<u>\$ 3,752,437</u>	<u>\$ 6,279,180</u>	<u>\$ 10,031,617</u>

Changes in endowment net assets for the year ended December 31, 2017, are as follows:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 3,752,437	\$ 6,279,180	\$ 10,031,617
Interest and dividends	226,526	-	226,526
Net appreciation in fair value of investments	1,533,705	-	1,533,705
Endowment net assets, end of year	<u>\$ 5,512,668</u>	<u>\$ 6,279,180</u>	<u>\$ 11,791,848</u>

Changes in endowment net assets for the year ended December 31, 2016, are as follows:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,863,555	\$ 6,279,180	\$ 9,142,735
Interest and dividends	209,658	-	209,658
Net appreciation in fair value of investments	679,224	-	679,224
Endowment net assets, end of year	<u>\$ 3,752,437</u>	<u>\$ 6,279,180</u>	<u>\$ 10,031,617</u>

At December 31, 2017 and 2016, the Foundation had no temporarily restricted endowment net assets.

Foundation for the Mid South, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2017 and 2016

NOTE 11: RESTRICTED NET ASSETS

The following provides a description of the purposes for which net assets are permanently restricted at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</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>6,139,792</u>
	<u>\$ 6,279,180</u>	<u>\$ 6,279,180</u>

Temporarily restricted net assets consist of income and contributions received with donor-imposed restrictions limiting the Foundation's use of contributed assets to a later period, a specific purpose or both. The amounts are transferred to unrestricted net assets in the period the donor-imposed restrictions expire or the donor-stipulated purpose has been fulfilled by the Foundation.

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Community development	\$ 647,755	\$ 1,629,155
Wealth building	<u>73,397</u>	<u>119,755</u>
	<u>\$ 721,152</u>	<u>\$ 1,748,910</u>

NOTE 12: SUBSEQUENT EVENTS

The Foundation has evaluated events that occurred after December 31, 2017, but prior to July 2, 2018, the date the consolidated financial statements were issued. The Foundation did not identify any events or transactions during this period of time that require recognition or disclosure in the consolidated financial statements as of and for the year ended December 31, 2017.

Supplementary Information

Foundation for the Mid South

CONSOLIDATED SCHEDULES OF EXPENSES BY NATURAL CLASSIFICATION Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Salaries	\$ 673,291	\$ 539,118
Payroll taxes and employee benefits	179,487	132,213
Conference and employee training	1,210	59,249
Contractual services	298,792	100,137
Equipment purchases	192	1,895
Equipment rental	10,854	14,558
Grants	603,700	320,148
Insurance	18,314	15,015
Interest and fee expense	13,918	15,798
Maintenance and repairs	5,591	3,389
Office supplies	3,345	2,919
Postage	1,223	1,344
Printing and reproduction	-	883
Professional fees, dues and publications	126,328	86,177
Rent and employee parking	-	7
Telephone	11,516	12,827
Travel - meetings and participants	32,486	119,174
Travel - staff	34,344	17,950
Other	20,916	21,822
Depreciation	44,122	41,270
	<u>\$ 2,079,629</u>	<u>\$ 1,505,893</u>

See Independent Auditor's Report.