



**FOUNDATION
FOR THE MID SOUTH**

ARKANSAS • LOUISIANA • MISSISSIPPI

Expanding Knowledge. Improving Lives.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

(With Independent Auditor's Report Thereon)

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 Statement of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 – 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 the **Foundation for the Mid South, Inc. and its Affiliate** (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, the consolidated statement of functional expenses for the year ended December 31, 2018, 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, 2018 and 2017, 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.

Emphasis of Matter

As disclosed in Note 2(m) to the consolidated financial statements, the Foundation adopted the requirements of the Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, on January 1, 2018. Our opinion is not modified with respect to this matter.

Landmark PLC
Certified Public Accountants

July 9, 2019
Little Rock, Arkansas

Consolidated Financial Statements

Foundation for the Mid South, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 833,143	\$ 374,191
Certificates of deposit	1,708,496	2,905,859
Prepaid expenses	115,505	21,061
Grants and contributions receivable, net	12,375	583,519
Investments	11,254,412	11,919,768
Property and equipment, net	468,929	494,348
TOTAL ASSETS	\$ 14,392,860	\$ 16,298,746
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 9,010	\$ 4,170
Accrued expenses	137,250	203,083
Grants payable	102,750	452,570
Refundable advances	91,002	13,487
Note payable	225,145	264,784
Total Liabilities	565,157	938,094
Net Assets		
Without donor restrictions	7,242,009	8,360,320
With donor restrictions	6,585,694	7,000,332
Total Net Assets	13,827,703	15,360,652
TOTAL LIABILITIES AND NET ASSETS	\$ 14,392,860	\$ 16,298,746

See accompanying notes to consolidated financial statements.

Foundation for the Mid South, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUES, GAINS AND LOSSES						
Grants and contributions	\$ 571,242	\$ 343,991	\$ 915,233	\$ 208,449	\$ 399,138	\$ 607,587
Investment (loss) return, net	(648,512)	-	(648,512)	1,793,069	-	1,793,069
Other income	1,338	-	1,338	69,328	-	69,328.000
Total Support, Revenues, Gains and Losses	(75,932)	343,991	268,059	2,070,846	399,138	2,469,984
NET ASSETS RELEASED FROM RESTRICTIONS	758,629	(758,629)	-	1,426,896	(1,426,896)	-
Total Support, Revenues, Gains, Losses and Reclassifications	682,697	(414,638)	268,059	3,497,742	(1,027,758)	2,469,984
EXPENSES						
Program Services						
Community development	1,186,886	-	1,186,886	1,315,751	-	1,315,751
Education	155,750	-	155,750	374,919	-	374,919
Health and wellness	14,641	-	14,641	2,814	-	2,814
Wealth building	97,302	-	97,302	47,646	-	47,646
Total Program Services	1,454,579	-	1,454,579	1,741,130	-	1,741,130
Fundraising	8,100	-	8,100	16,200	-	16,200
Management and General	338,329	-	338,329	322,299	-	322,299
Total Expenses	1,801,008	-	1,801,008	2,079,629	-	2,079,629
(DECREASE) INCREASE IN NET ASSETS	(1,118,311)	(414,638)	(1,532,949)	1,418,113	(1,027,758)	390,355
NET ASSETS, BEGINNING OF YEAR	8,360,320	7,000,332	15,360,652	6,942,207	8,028,090	14,970,297
NET ASSETS, END OF YEAR	\$ 7,242,009	\$ 6,585,694	\$ 13,827,703	\$ 8,360,320	7,000,332	\$ 15,360,652

See accompanying notes to consolidated financial statements.

Foundation for the Mid South, Inc.

Consolidated Statement 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	613	-	-	613
Professional fees, dues and publications	74,805	-	37,518	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	1,575	-	22,711	24,286
Depreciation	29,637	-	13,291	42,928
	<u>\$ 1,454,579</u>	<u>\$ 8,100</u>	<u>\$ 338,329</u>	<u>\$ 1,801,008</u>
Total Expenses	<u>\$ 1,454,579</u>	<u>\$ 8,100</u>	<u>\$ 338,329</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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in net assets	\$ (1,532,949)	\$ 390,355
Adjustments to reconcile change in net assets to net cash provided in operating activities		
Depreciation	42,928	44,122
Net realized and unrealized losses (gains) on investments	915,738	(1,550,132)
Change in operating assets and liabilities:		
Prepaid expenses	(94,444)	(5,837)
Grants and contributions receivable, net	571,144	697,415
Accounts payable	4,840	431
Accrued expenses	(65,833)	70,686
Grants payable	(349,820)	345,279
Refundable advances	77,515	13,487
Net Cash (Used) Provided in Operating Activities	(430,881)	5,806
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of certificates of deposits	1,997,363	3,053,816
Purchase and reinvestment of certificates of deposit	(800,000)	(2,655,858)
Purchase and reinvestment of investments	(250,382)	(226,526)
Purchase of property and equipment	(17,509)	(33,893)
Net Cash Provided by Investing Activities	929,472	137,539
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of note payable	(39,639)	(37,779)
Net Cash Used in Financing Activities	(39,639)	(37,779)
NET INCREASE IN CASH AND CASH EQUIVALENTS	458,952	105,566
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	374,191	268,625
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 833,143	\$ 374,191
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 11,883	\$ 13,743

See accompanying notes to consolidated financial statements.

Foundation for the Mid South

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

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, 2018 AND 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investments

The Foundation records purchases of investment 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 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) Grants and Contributions

Grants are recognized as revenue in the consolidated statements of activities when the Foundation meets the conditions for revenue recognition, generally when it incurs reimbursable program expenditures or when the effort required by the grant is expended. Grant funds that are received in advance that remain unearned at year-end are recorded as refundable advances.

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 net assets without donor restrictions if the restrictions are met in the reporting period in which the income is recognized.

Grants and contributions are reported as support with donor restrictions 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), 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.

Foundation for the Mid South

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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. Functional expenses by natural classification for the year ended December 31, 2018 are presented in the consolidated statement of functional expenses. 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 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, 2018 and 2017, 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 grants that have been paid to the intended recipient but have not been earned by the recipient 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.

(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.

Foundation for the Mid South

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial Instruments and Credit Risk (Continued)

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) Recently Issued 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 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 implementation of ASU No. 2014-09, as amended, will have a material effect on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under ASU No. 2016-02, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The guidance in ASU No. 2016-02 will be effective for the Foundation on January 1, 2020. The Foundation is currently evaluating the effect that implementation of this standard will have on the consolidated financial statements.

In June of 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to assist 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. Resource recipients are required to implement the amendments in ASU No. 2018-08 for annual periods beginning after December 15, 2018, and resource providers are required to implement the amendments

Foundation for the Mid South

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Recently Issued Accounting Pronouncements (Continued)

for annual periods beginning after December 15, 2019. The Foundation is currently evaluating the effect that implementation of this standard will have on the consolidated financial statements.

(m) Recently Adopted Accounting Pronouncements

In 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The purpose of ASU No. 2016-14 was 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. The Foundation adopted the provisions of ASU No. 2016-14 as required on January 1, 2018. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, a statement of functional expenses and new disclosures regarding liquidity and availability of resources are now presented. As permitted under ASU No. 2016-14 the Foundation has elected to omit the consolidated statement of functional expenses and disclosures of liquidity and availability of resources for the year ended December 31, 2017.

NOTE 3: GRANTS AND CONTRIBUTIONS RECEIVABLE

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

	<u>2018</u>	<u>2017</u>
Foundation grants	\$ 10,000	\$ 565,672
Promises to give	3,542	20,683
	<u>13,542</u>	<u>586,355</u>
Allowance for doubtful accounts	<u>(1,167)</u>	<u>(2,836)</u>
Total	<u>\$ 12,375</u>	<u>\$ 583,519</u>

Receivables at December 31, 2018 and 2017 are generally 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, 2018 and 2017, 87% and 73% of the Foundation's grants and contributions were provided by three grantors and donors.

Foundation for the Mid South

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 4: INVESTMENTS

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

	<u>2018</u>	<u>2017</u>
Mutual funds	\$ 11,192,020	\$ 11,859,469
Equity securities	<u>62,392</u>	<u>60,299</u>
	<u>\$ 11,254,412</u>	<u>\$ 11,919,768</u>

NOTE 5: 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.

Foundation for the Mid South

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

The application of valuation techniques used to determine the fair values of investment securities has not changed during the years ended December 31, 2018 or 2017. 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 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 following tables present assets measured at fair value on a recurring basis at December 31, 2018 and 2017:

	December 31, 2018			
	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	\$ 640,304	\$ 640,304	\$ -	\$ -
Federal 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	-	-
Equity Securities				
Domestic common stock	48,543	48,543	-	-
International common stock	13,849	13,849	-	-
Total Investments	\$ 11,254,412	\$ 11,254,412	\$ -	\$ -

Foundation for the Mid South

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

	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	\$ -	\$ -
Prime 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	\$ 11,919,768	\$ 11,919,768	\$ -	\$ -

There were no transfers into or out of Level 3 investments during the years ended December 31, 2018 or 2017. There are no redemption restrictions on the investments.

NOTE 6: PROPERTY AND EQUIPMENT

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

	2018	2017
Furniture, fixtures and equipment	\$ 275,978	\$ 267,919
Buildings and improvements	816,358	806,908
	1,092,336	1,074,827
Less accumulated depreciation and amortization	(623,407)	(580,479)
Property and equipment, net	\$ 468,929	\$ 494,348

Foundation for the Mid South

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 7: GRANTS PAYABLE

Amounts reported as grants payable in the 2018 consolidated statement of financial position totaling approximately \$103,000 are due to be paid during the year ended December 31, 2019.

NOTE 8: 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 of \$4,294 through November 2023. Future maturities of the note as of December 31, 2018 for each of the next five years and thereafter are as follows:

2019	\$ 41,591
2020	43,615
2021	45,786
2022	48,041
2023	<u>46,112</u>
	<u>\$ 225,145</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 \$54,000 and \$62,000 for the years ended December 31, 2018 and 2017, 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 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.

Foundation for the Mid South

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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 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.

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.

Foundation for the Mid South

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 10: ENDOWMENTS (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 5,512,668	\$ 6,279,180	\$ 11,791,848
Investment loss, net	(667,449)	-	(667,449)
Endowment net assets, end of year	<u>\$ 4,845,219</u>	<u>\$ 6,279,180</u>	<u>\$ 11,124,399</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,752,437	\$ 6,279,180	\$ 10,031,617
Investment return, net	1,760,231	-	1,760,231
Endowment net assets, end of year	<u>\$ 5,512,668</u>	<u>\$ 6,279,180</u>	<u>\$ 11,791,848</u>

NOTE 11: NET ASSETS WITH DONOR RESTRICTIONS

The following provides a description of the purposes for which net assets are donor restricted at December 31, 2018 and 2017:

	2018	2017
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	647,755
Wealth Building	-	73,397
	<u>\$ 6,585,694</u>	<u>\$ 7,000,332</u>

Foundation for the Mid South

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 12: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>2018</u>
Financial assets, at December 31, 2018	\$ 13,923,931
Less those unavailable for general expenditures within one year:	
Prepaid expenses	(115,505)
Endowments with donor restrictions in perpetuity	<u>(6,279,180)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,529,246</u>

The operations of the Foundation are primarily funded by income generated through grants and contributions. As indicated in Note 11 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.

NOTE 13: SUBSEQUENT EVENTS

The Foundation has evaluated events that occurred after December 31, 2018, but prior to July 9, 2019, the date the consolidated financial statements were available to be 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, 2018.