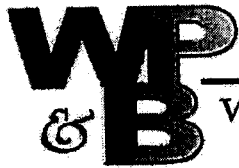


**COMMUNITY FOUNDATION
OF NORTHWEST MISSISSIPPI
FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006**

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006**

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WILLIAMS • PITTS • BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of the Community Foundation of Northwest Mississippi (a nonprofit organization), as of December 31, 2007 and 2006, and the related statements of activities, cash flows and functional expenses for the years 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.

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, 2007 and 2006 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Certified Public Accountants
July 23, 2008

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash-operating	\$ 16,411	\$ 97,233
Cash-designated	-	5,032
Promises to give	962,748	511,306
Accounts receivable	-	10,602
Grant receivable	428,176	-
Investments	3,319,085	1,560,840
Investment in CFNM, LLC	872,000	-
Property and equipment (net)	211,072	211,388
TOTAL ASSETS	<u>\$ 5,809,492</u>	<u>\$ 2,396,401</u>
 LIABILITIES		
Accounts payable	<u>\$ 5,804</u>	<u>\$ 12,224</u>
TOTAL LIABILITIES	<u>5,804</u>	<u>12,224</u>
 NET ASSETS		
Unrestricted	799,704	412,002
Temporarily restricted	713,391	568,312
Permanently restricted	<u>4,290,593</u>	<u>1,403,863</u>
TOTAL NET ASSETS	<u>5,803,688</u>	<u>2,384,177</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,809,492</u>	<u>\$ 2,396,401</u>

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007 and 2006**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total	2006 Total
REVENUES					
Public support					
Contributions - cash	\$ 766,251	\$ 614,805	\$ 2,702,341	\$ 4,083,397	\$ 2,203,912
Gifts-in-kind	1,495	149,286	99,683	250,464	10,252
Fundraising	239,163	-	-	239,163	220,333
Administrative Revenue	27,682	-	-	27,682	18,046
Investment Income	3,498	39,051	97,246	139,795	44,504
TOTAL INCOME	1,038,089	803,142	2,899,270	4,740,501	2,497,047
EXPENSES					
Programs					
Programs expense	360,470	658,063	10,857	1,029,390	821,514
Supporting services					
Fund raising	204,930	-	-	204,930	227,504
Administrative	80,986	-	-	80,986	115,985
TOTAL EXPENSES	646,386	658,063	10,857	1,315,306	1,165,003
NET ASSETS					
Change in net assets before unrealized gain (loss)	391,703	145,079	2,888,413	3,425,195	1,332,044
Unrealized gains (losses) on investments	(4,001)	-	(1,683)	(5,684)	35,012
CHANGE IN NET ASSETS	387,702	145,079	2,886,730	3,419,511	1,367,056
NET ASSETS AT BEGINNING OF YEAR	412,002	568,312	1,403,863	2,384,177	1,017,121
NET ASSETS AT END OF YEAR	\$ 799,704	\$ 713,391	\$ 4,290,593	\$ 5,803,688	\$ 2,384,177

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007 and 2006**

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 3,419,511	\$ 1,367,056
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	316	705
Unrealized (gain) loss on investments	5,684	(35,012)
Realized (gain) loss on investments	(139,795)	(44,504)
Donated assets		
(Increase) decrease in operating assets		
Accounts receivable	10,602	(9,884)
Grant receivable	(428,176)	-
Promises to give	(451,442)	(346,553)
Increase (decrease) in operating liabilities		
Accounts payable	(6,420)	8,493
	<u>2,410,280</u>	<u>940,301</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(1,713)
Investment in CFNM, LLC	(872,000)	-
Purchase of investments	(1,624,134)	(1,044,731)
Net cash used by investing activities	<u>(2,496,134)</u>	<u>(1,046,444)</u>
	(85,854)	(106,143)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>102,265</u>	<u>208,408</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 16,411</u>	<u>\$ 102,265</u>

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2007 and 2006**

	Programs		Supporting Services		2007	2006
	General	Fundraising	Administrative	Totals	Totals	
Advertising	\$ 1,033	\$ 470	\$ 376	\$ 1,879	\$ 3,564	
Bank charges	193	88	70	351	822	
Continuing education	3,988	1,813	1,450	7,251	9,567	
Depreciation expense	174	79	63	316	705	
Dues and subscription	862	392	313	1,567	1,526	
Fundraising expense	-	103,697	-	103,697	88,319	
Insurance	977	444	355	1,776	1,766	
Professional fees	5,241	2,382	1,906	9,529	13,365	
Miscellaneous	2,999	1,363	1,091	5,453	144	
Office expense	14,660	6,664	5,331	26,655	49,969	
Postage	2,638	1,199	959	4,796	2,928	
Program expense	806,680	-	-	806,680	612,738	
Rent and utilities	7,658	3,481	2,785	13,924	18,726	
Repairs and maintenance	105	48	38	191	2,282	
Salaries and employee benefits	164,147	74,612	59,690	298,449	320,661	
Taxes	11,860	5,391	4,313	21,564	22,364	
Travel and entertainment	6,175	2,807	2,246	11,228	15,562	
TOTAL EXPENSES	\$ 1,029,390	\$ 204,930	\$ 80,986	\$ 1,315,306	\$ 1,165,008	

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006**

Note A: Organization and Summary of Significant Accounting Policies

Organization

The Community Foundation of Northwest Mississippi, ("CFNM") was organized January 7, 2002 as a non-profit 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 permanently endowed funds that will serve the citizens and non-profit organizations of northwest Mississippi both now and in the future.

Income Tax Exemption

CFNM 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 CFNM 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.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006**

Note A: Organization and Summary of Significant Accounting Policies (Continued)

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. 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. All other investments are carried at cost basis. The CFNM's investments include securities held in various companies within 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 investments securities will occur and those changes could materially affect the amounts reported in the CFNM's financial statements.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of 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 current year are recognized at face value and pledges beyond the current year are recognized at net present value.

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 estimates.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006**

Note A: Organization and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, CFNM considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. As of December 31, 2007 CFNM did not have deposits in excess of federal deposit insurance.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment is recorded at estimated fair market value at date of donation or at cost if purchased. Depreciation is computed on the straight-line method and is based on expected useful lives ranging from 3 to 25 years.

Note B: Investments

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

	<u>2007</u>	<u>2006</u>
Cost of equity and debt securities	\$ 3,282,699	\$ 1,478,151
Prior period unrealized gains	42,070	47,677
Current year unrealized (losses) gains	(5,684)	35,012
Market value of securities	<u>\$ 3,319,085</u>	<u>\$ 1,560,840</u>

Note C: Promise to Give

January 20, 2005 CFNM 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 CFNM as a viable grant making institution. Toward that end, the CFNM 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 this grant shall be used by CFNM to build permanently endowed funds. All grant funds for endowment building are considered a challenge grant, requiring CFNM to establish permanently endowed funds that the Maddox Foundation will match on a dollar for dollar basis.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006**

Note C: Promise to Give (Continued)

- For every dollar donated to the general permanent endowment of CFNM, the Maddox Foundation will make equal matching payments into the general permanent endowment of CFNM.
- 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 CFNM. 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 CFNM into the Maddox Foundation Advised Fund.
- A maximum of \$1,000,000 may be used by CFNM for general operating costs.

Contributions received by CFNM for all endowments during 2007 totaled \$962,748. These contributions were divided as follows: \$352,694 into the general permanent endowment of the Community Foundation, including a countywide affiliate fund and certain field of interest funds, and \$610,054 for other permanently endowed funds. Accordingly, the Maddox Foundation will fund \$657,721 into the general permanent endowment of the Community Foundation and \$305,027 into the Maddox Foundation Donor Advised Fund. The Maddox Foundation promise to give of \$962,748 was received by CFNM on January 22, 2008.

Note D: Property and Equipment

	2007	2006
Land - Donated	\$ 208,600	\$ 208,600
Equipment	4,382	4,382
Total	212,982	212,982
Accumulated depreciation	(1,910)	(1,594)
Net property and equipment	\$ 211,072	\$ 211,388

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006**

Note E: Current Assets and Current Liabilities

Current Assets		
	2007	2006
Cash and cash equivalents	\$ 16,411	\$ 102,265
Promises to give	962,748	511,306
Accounts receivable - other	-	10,602
Grant receivable	428,176	-
Investments	3,319,085	1,560,840
Total current assets	\$4,726,420	\$2,185,013
Current Liabilities		
	5,804	12,224
Total current liabilities	\$ 5,804	\$ 12,224

Note F: Related Party

In December 2007, the Community Foundation of Northwest Mississippi received a donation of \$872,000. The Community Foundation formed a single member limited liability company, CFNM, LLC (the "LLC"), with the Community 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 it received.

Note G: Subsequent Event

In March 2008, the land purchased by CFNM, LLC as discussed in Note F above, 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 La Quinta hotel on the site.