

**COMMUNITY FOUNDATION
OF NORTHWEST MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
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, 2010, and the related statement of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of The Community Foundation of Northwest Mississippi management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose 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, 2010, and the changes in its net assets and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

F. O. Givens & Co.
Certified Public Accountants
November 14, 2011

Community Foundation of Northwest Mississippi
Statement of Financial Position
Years Ended December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and Cash Equivalents	2,938,276	1,203,255
Grants Receivable	244,229	113,635
Investments	3,043,118	4,443,071
Note Receivable		1,000,000
Allowance for Doubtful Accounts		
Promises to Give	3,045,153	2,575,382
Investment in CFNM, LLC	754,469	851,000
Property and Equipment (net)	4,230	5,106
TOTAL ASSETS:	10,029,475	10,191,449
LIABILITIES		
Accounts Payable	32,073	13,607
Agency Fund	159,398	153,162
Deferred Revenue	244,229	
TOTAL LIABILITIES:	435,700	166,769
NET ASSETS		
Unrestricted	8,655,357	9,056,180
Temporarily Restricted	938,418	968,500
Permanently Restricted		
TOTAL NET ASSETS:	9,593,775	10,024,680
TOTAL LIABILITIES AND NET ASSETS:	10,029,475	10,191,449

Community Foundation of Northwest Mississippi
Statement of Activities
Years Ended December 31, 2010 and 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Public Support					
Contributions- Cash	1,964,858			1,964,858	4,399,935
Contributions - Gifts in Kind	-			-	41,581
Fundraising	338,498			338,498	164,946
Administrative Revenue	74,376			74,376	63,470
Investment Income	109,186			109,186	100,653
TOTAL INCOME	<u>2,486,918</u>	<u>-</u>	<u>-</u>	<u>2,486,918</u>	<u>4,770,585</u>
Programs					
Programs Expenses	1,692,746	30,082		1,722,828	2,298,408
Supporting Services					
Fundraising	177,571			177,571	179,328
Administrative	107,739			107,739	176,411
TOTAL EXPENSES	<u>1,978,057</u>	<u>30,082</u>		<u>2,008,139</u>	<u>2,654,147</u>
Loss on Bad Debt-Note Receivable	1,000,000			1,000,000	
TOTAL EXPENSES & LOSSES	<u>2,978,057</u>	<u>30,082</u>	<u>-</u>	<u>3,008,139</u>	<u>2,654,147</u>
Change in Net Assets Before Unrealized Gains/(Losses)	(491,139)	(30,082)		(521,221)	2,116,428
Unrealized Gains/(Losses) on Investments	90,316			90,316	557,760
			-		
CHANGE IN NET ASSETS	<u>(400,823)</u>	<u>(30,082)</u>		<u>(430,905)</u>	<u>2,674,188</u>
NET ASSES AT BEGINNING OF YEAR	9,056,180	968,500		10,024,680	7,350,492
Prior Period Adjustments					
NET ASSETS AT BEGINNING OF YEAR- RESTATE	<u>9,056,180</u>	<u>968,500</u>		<u>10,024,680</u>	<u>7,350,492</u>
NET ASSETS AT END OF YEAR	<u>8,655,357</u>	<u>938,418</u>	<u>-</u>	<u>9,593,775</u>	<u>10,024,680</u>

**Community Foundation of Northwest Mississippi
Statement of Cash Flows
Years Ended December 31, 2010 and 2009**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase/(Decrease) in Net Assets, after Prior Period Adjustment	(430,905)	2,674,188
Adjustments to reconcile increase in Net Assets to Net Cash Provided by Operating Activities:		
Prior Period Differences		30,099
Depreciation	3,121	2,983
Unrealized (Gain)/Loss on Investments	(106,042)	(557,760)
Realized (Gain)/Loss on Investments	15,726	(100,653)
(Increase)/Decrease in Donated Assets		760,359
(Increase)/Decrease in Operating Assets:		
Grants Receivable	(130,594)	133,214
Promises to Give	(469,771)	(1,049,724)
Note Receivable	1,000,000	(1,000,000)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	18,466	(10,706)
Agency Funds	6,236	21,508
Deferred Revenue	244,229	
Net Cash Provided/(Used) by Operating Activities:	150,466	903,508
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(2,245)	(997)
Sale of Property and Equipment		
Investment in CFNM, LLC	96,531	21,000
(Increase)/Decrease in Investments	1,490,269	(839,460)
Net Cash Provided/ (Used) by Investing Activities:	1,584,555	(819,457)
Net Increase/(Decrease) in Cash and Cash Equivalents:	1,735,021	84,051
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,203,255	1,119,204
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,938,276	1,203,255

COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>Programs</u>	<u>Supporting Services</u>		2,010	2009
	General	Fundraising	Administrative	Totals	Totals
Advertising	866	577	-	1,443	3,500
Bank Charges	1,802	601	601	3,004	2,754
Continuing Education	3,193	1,064	1,064	5,322	10,733
Depreciation Expense	1,873	624	624	3,121	2,983
Dues and Subscriptions	1,750	583	583	2,917	2,847
Fundraising Expense	-	79,255	-	79,255	78,537
Insurance	1,471	490	490	2,451	3,570
Professional Fees	525,610		10,000	535,610	304,584
Miscellaneous	2,803	934	934	4,672	8,008
Office Expense	13,955	4,652	4,652	23,258	21,315
Postage	3,332	1,111	1,111	5,554	4,531
Program Expense	903,135	-	-	903,135	1,770,570
Rent and Utilities	16,759	5,586	5,586	27,932	24,895
Repairs and Maintenance	4,240	1,413	1,413	7,067	6,528
Salaries and Employee Benefits	208,413	69,471	69,471	347,355	357,663
Taxes	13,867	4,622	4,622	23,112	23,950
Travel and Entertainment	19,759	6,586	6,586	32,931	27,180
Total Expenses	<u>1,722,828</u>	<u>177,571</u>	<u>107,739</u>	<u>2,008,139</u>	<u>2,654,147</u>

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010**

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.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
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YEAR ENDED DECEMBER 31, 2010**

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 and 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, \$2,833,537 and \$1,137,360 as of December 31 2010 and 2009, 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, 2010 is \$3,121.

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010**

Subsequent Events

The Foundation has evaluated subsequent events through November 1, 2011, 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:

	<u>2010</u>	<u>2009</u>
Cost of Equity and Debt Securities	2,983,899	3,885,311
Current Year Unrealized Gains/(Losses)	<u>59,219</u>	<u>557,760</u>
Market Value of Securities	<u>\$3,043,118</u>	<u>\$ 4,443,071</u>

Note: Current Year Unrealized Gains/(Losses) on the Statement of Activities includes changes in valuations due to changing to a different investment firm.

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

	<u>2010</u>	<u>2009</u>
Fixed Income	2,161,977	1,507,405
Equities	200,066	-
MLPs	681,075	-
Mutual Funds	-	2,935,666
Totals:	<u>\$3,043,118</u>	<u>\$ 4,443,071</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, 2010 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

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010**

Foundation targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term objectives within prudent risk parameters.

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, 2010 is as follows:

Board Designated	\$ 1,275,404
Designated Non Profit	1,436,637
Donor Advised	639,637
Field of Interest	2,549,734
Scholarship	260,455
Total Endowment Funds	<u>\$ 6,161,867</u>

A summary of changes in endowment net assets as of December 31, 2010 is as follows:

Endowment Net Assets, Beginning of Year	\$ 5,545,708
Prior Period Adjustments	<u>6,220</u>
Endowment Net Assets, Beginning of Year - Restated	\$ 5,551,928
Contributions	464,364
Interest and Dividends, Net of Fees	103,886
Realized Gains/ (Losses)	(15,249)
Grants	(78,283)
Administrative Fees	(65,986)
Other Income/ (Expense)	42,166
Unrealized Gains/ (Losses)	<u>159,041</u>
Change in Endowment Net Assets	\$ 609,939
Endowment Net Assets, End of Year	<u>\$ 6,161,867</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

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
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YEAR ENDED DECEMBER 31, 2010**

challenge grant, requiring the Foundation to establish permanently endowed funds that the Maddox Foundation will match on a dollar for dollar basis.

- 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, 2010 and December 31, 2009 are \$469,671 and \$1,039,724. These promises to give will fund \$1,377,583 into the general endowment of the Community Foundations and \$131,812 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, 2010 is as follows:

Contributions to Donor Advised Funds	\$ 9,028
Contributions to Designated Non Profit Funds	166,670
Contributions to Board Designated Funds	172,563
Contributions to Field of Interest Funds	62,500
Contributions to Scholarship Funds	58,910
	<u>\$ 469,671</u>

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2010	2009
Equipment	14,110	11,865
Total:	14,110	11,865
Accumulated Depreciation	(9,880)	(6,759)
Net Property and Equipment	\$ 4,230	\$ 5,106

**COMMUNITY FOUNDATION OF NORTHWEST MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010**

NOTE F: CURRENT ASSETS AND CURRENT LIABILITIES

	2,010	2,009
Current Assets		
Cash and Cash Equivalents	\$2,938,276	\$ 1,203,255
Promises to Give	-	-
Grant Receivable	80,409	113,635
Note Receivable	-	1,000,000
Investments	3,043,118	4,443,071
	\$6,061,803	\$ 6,759,961
Current Liabilities		
Accounts Payable	\$ 32,073	\$ 13,607
Deferred Income- Grant Receivable	80,409	-
	\$ 112,482	\$ 13,607

NOTE G: NOTE RECEIVABLE

In December 2009, the Foundation received as a donation a \$1,000,000 note payable. The debtor was Palmer Home Film, LLC, a company set up to assist funding of a major motion picture about the Palmer Home for Children; with an expected movie release date of December 2010. The note was confirmed with an expected repayment date of December 15, 2010. In late 2010/early 2011, the Foundation was informed that the movie would not be made and that the film company has filed a complaint against the movie producer to whom the payment was made for failure to either produce the movie or refund the payment. As of the date of this report collection of funds is unlikely. Due to this information, the Foundation has written off the note receivable and expensed \$1,000,000 in bad debt in 2010.

NOTE H: 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 2010 the LLC reimbursed the Foundation \$21,000 of their initial investment, which the Foundation has invested.

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. In 2010 the hotel became operational.

As the Foundation is a 100% member of CFNM, LLC, the LLC is shown on the Foundation's financial statements on an equity basis.