

FRIENDS OF CHILDREN'S HOSPITAL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

FRIENDS OF CHILDREN'S HOSPITAL, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of Children's Hospital, Inc.
Jackson, Mississippi

Opinion

We have audited the accompanying financial statements of Friends of Children's Hospital, Inc. (a non-profit organization, the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Children's Hospital, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Errors

As discussed in Note 13 to the financial statements, certain errors in amounts previously reported for accounts receivable as of June 30, 2021, and revenues for the year then ended were discovered during the current year. Accordingly, amounts reported for accounts receivable and revenues have been restated in the June 30, 2021 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2021, to correct the errors. Our opinion is not modified with respect to that matter.

(Continued)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

(Continued)

- Conclude whether in our judgment there are conditions or events considered in the aggregate that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings and certain internal control related matters that we identified during the audits.

October 31, 2022

Tam, Brown & Ross Co.

FINANCIAL STATEMENTS

FRIENDS OF CHILDREN'S HOSPITAL, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

ASSETS

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|---------------------|---------------------|
| Cash and cash equivalents (Note 11) | \$ 5,811,706 | \$ 5,581,892 |
| Accounts receivable (Note 2) | 77,399 | 157,126 |
| Government grants receivable | 70,661 | 70,661 |
| Property and equipment (Note 3) | <u>48,434</u> | <u>29,796</u> |
| Total Assets | <u>\$ 6,008,200</u> | <u>\$ 5,839,475</u> |

LIABILITIES AND NET ASSETS (DEFICIT)

LIABILITIES

| | | |
|-------------------------------------|------------------|------------------|
| Accrued wages | \$ 11,383 | \$ 11,383 |
| Advance receipts for special events | 525 | 142,035 |
| Promises to give to others (Note 5) | <u>5,924,780</u> | <u>7,565,422</u> |
| Total Liabilities | <u>5,936,688</u> | <u>7,718,840</u> |

NET ASSETS (DEFICIT)

| | | |
|----------------------------|---------------|--------------------|
| Without donor restrictions | <u>71,512</u> | <u>(1,879,365)</u> |
|----------------------------|---------------|--------------------|

| | | |
|--|---------------------|---------------------|
| TOTAL LIABILITIES AND NET ASSETS (DEFICIT) | <u>\$ 6,008,200</u> | <u>\$ 5,839,475</u> |
|--|---------------------|---------------------|

The accompanying notes are an integral part of the financial statements.

FRIENDS OF CHILDREN'S HOSPITAL, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|--------------|--------------|
| CHANGES IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS | | |
| SUPPORT AND REVENUE | | |
| Special events (Note 8): | | |
| Revenue | \$ 2,047,868 | \$ 1,874,880 |
| Noncash contributions (Note 7) | 64,584 | 41,157 |
| Expenses | (166,836) | (133,885) |
| Net revenue from special events | 1,945,616 | 1,782,152 |
| Memberships and contributions of cash | 369,028 | 462,917 |
| Noncash contributions (Note 7) | 242,000 | 222,885 |
| Government grants (Note 12) | - | 70,661 |
| Specialty license plate fees | 522,368 | 524,366 |
| Check card logo fees | 368,586 | 319,271 |
| Interest and dividends | 3,833 | 3,837 |
| Loss on sale or disposal of equipment | (293) | - |
| | 3,451,138 | 3,386,089 |
| Net assets released from donor restrictions | 56,533 | 89,726 |
| Total Support and Revenue | 3,507,671 | 3,475,815 |
| EXPENSES | | |
| Program Services: | | |
| Contributions | 779,289 | 1,040,528 |
| Other | 26,005 | 22,523 |
| Total Program Services | 805,294 | 1,063,051 |
| Support Services: | | |
| Management and general | 121,526 | 111,038 |
| Fundraising | 629,974 | 573,611 |
| Total Support Services | 751,500 | 684,649 |
| Total Expenses | 1,556,794 | 1,747,700 |

(Continued)

FRIENDS OF CHILDREN'S HOSPITAL, INC.

STATEMENTS OF ACTIVITIES - CONTINUED

Years Ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|--------------------|-----------------------|
| Change in Net Assets (Deficit) without Donor Restrictions | <u>1,950,877</u> | <u>1,728,115</u> |
| CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS | | |
| Contributions | 56,533 | 89,726 |
| Net assets released from restrictions | <u>(56,533)</u> | <u>(89,726)</u> |
| Change in Net Assets with Donor Restrictions | <u>-</u> | <u>-</u> |
| CHANGE IN NET ASSETS (DEFICIT) | 1,950,877 | 1,728,115 |
| NET ASSETS (DEFICIT), BEGINNING OF YEAR, as restated (Note 13) | <u>(1,879,365)</u> | <u>(3,607,480)</u> |
| NET ASSETS (DEFICIT), END OF YEAR | <u>\$ 71,512</u> | <u>\$ (1,879,365)</u> |

The accompanying notes are an integral part of the financial statements.

FRIENDS OF CHILDREN'S HOSPITAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

| | Program Services | | Support Services | | Total |
|--------------------------------------|-------------------|------------------|------------------------|-------------------|---------------------|
| | Contributions | Other | Management and General | Fund-raising | |
| Advertising and promotion | \$ - | \$ 3,138 | \$ 12,552 | \$ 277,760 | \$ 293,450 |
| Contributions to UMMC | 779,289 | - | - | - | 779,289 |
| Depreciation | - | 253 | 1,010 | 3,789 | 5,052 |
| Dues and subscriptions | - | 37 | 149 | 559 | 745 |
| Fees: | | | | | |
| Bank charges | - | 123 | 492 | 1,844 | 2,459 |
| Credit card processing | - | - | - | 9,202 | 9,202 |
| Payroll service | - | 195 | 781 | 2,928 | 3,904 |
| Information technology | - | 2,276 | 9,105 | 34,142 | 45,523 |
| Insurance | - | - | 17,504 | - | 17,504 |
| Janitorial | - | 174 | 694 | 2,603 | 3,471 |
| Meetings | - | 393 | 1,573 | 5,900 | 7,866 |
| Office supplies | - | 708 | 2,835 | 10,630 | 14,173 |
| Professional development | - | 20 | 78 | 293 | 391 |
| Professional fees | - | 2,226 | 8,903 | 33,385 | 44,514 |
| Rent | - | 1,380 | 5,520 | 20,700 | 27,600 |
| Salaries, benefits and payroll taxes | - | 14,856 | 59,425 | 222,844 | 297,125 |
| Utilities | - | 226 | 905 | 3,395 | 4,526 |
| | 779,289 | 26,005 | 121,526 | 629,974 | 1,556,794 |
| Special events | - | - | - | 166,836 | 166,836 |
| | <u>\$ 779,289</u> | <u>\$ 26,005</u> | <u>\$ 121,526</u> | <u>\$ 796,810</u> | <u>\$ 1,723,630</u> |

The accompanying notes are an integral part of the financial statements.

FRIENDS OF CHILDREN'S HOSPITAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

| | Program Services | | Support Services | | Total |
|--------------------------------------|---------------------|------------------|------------------------|-------------------|---------------------|
| | Contributions | Other | Management and General | Fund-raising | |
| Advertising and promotion | \$ - | \$ 258 | \$ 1,032 | \$ 233,190 | \$ 234,480 |
| Contributions to UMMC | 1,040,528 | - | - | - | 1,040,528 |
| Depreciation | - | 218 | 872 | 3,268 | 4,358 |
| Dues and subscriptions | - | 29 | 116 | 436 | 581 |
| Fees: | | | | | |
| Bank charges | - | 155 | 621 | 2,329 | 3,105 |
| Credit card processing | - | - | - | 6,430 | 6,430 |
| Payroll service | - | 220 | 878 | 3,292 | 4,390 |
| Information technology | - | 1,611 | 6,446 | 24,173 | 32,230 |
| Insurance | - | - | 20,941 | - | 20,941 |
| Janitorial | - | 312 | 1,248 | 4,680 | 6,240 |
| Meetings | - | 21 | 83 | 312 | 416 |
| Office supplies | - | 376 | 1,504 | 5,640 | 7,520 |
| Professional development | - | 10 | 38 | 143 | 191 |
| Professional fees | - | 1,508 | 6,034 | 22,626 | 30,168 |
| Rent | - | 1,365 | 5,463 | 20,485 | 27,313 |
| Salaries, benefits and payroll taxes | - | 16,232 | 64,930 | 243,486 | 324,648 |
| Utilities | - | 208 | 832 | 3,121 | 4,161 |
| | <u>1,040,528</u> | <u>22,523</u> | <u>111,038</u> | <u>573,611</u> | <u>1,747,700</u> |
| Special events | - | - | - | 133,885 | 133,885 |
| | <u>\$ 1,040,528</u> | <u>\$ 22,523</u> | <u>\$ 111,038</u> | <u>\$ 707,496</u> | <u>\$ 1,881,585</u> |

The accompanying notes are an integral part of the financial statements.

FRIENDS OF CHILDREN'S HOSPITAL, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets (deficit) | \$ 1,950,877 | \$ 1,728,115 |
| Adjustments to reconcile change in net assets (deficit) to net cash from operating activities: | | |
| Depreciation | 5,052 | 4,358 |
| Contributions of property and equipment received | (13,500) | - |
| Loss on sale or disposal of equipment | 293 | - |
| (Increase) decrease in: | | |
| Accounts receivable | 79,727 | 10,388 |
| Government grants receivable | - | (70,661) |
| Promises to give | - | 5,000 |
| Increase (decrease) in: | | |
| Advance receipts for special events | (141,510) | 142,035 |
| Promises to give to others | <u>(1,640,642)</u> | <u>(2,667,630)</u> |
| Net Cash Provided By (Used In) Operating Activities | <u>240,297</u> | <u>(848,395)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | <u>(10,483)</u> | <u>(1,617)</u> |
| Net Cash Used In Investing Activities | <u>(10,483)</u> | <u>(1,617)</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 229,814 | (850,012) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>5,581,892</u> | <u>6,431,904</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 5,811,706</u> | <u>\$ 5,581,892</u> |
| SUPPLEMENTAL DATA: | | |
| Non-cash property and equipment contributions received | <u>\$ 13,500</u> | <u>\$ -</u> |

The accompanying notes are an integral part of the financial statements.

FRIENDS OF CHILDREN'S HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1. Summary of Significant Accounting Policies

Nature of Operations

Friends of Children's Hospital, Inc. (the Organization) is a not-for-profit organization whose mission and principal activities are for the purpose of holding various special events throughout the Jackson metropolitan area that serve to educate the public about opportunities and services available at Blair E. Batson Hospital for Children at the University of Mississippi Medical Center (UMMC), as well as to provide the funds necessary to continue these opportunities and services. The Organization has an affiliation agreement with UMMC, as discussed in Note 10.

Concentration of Support

A significant portion of the Organization's support and revenue is provided by Century Club Charities through the Sanderson Farms Championship, a Mississippi PGA TOUR golf event. During the years ended June 30, 2022 and 2021, 43% and 42%, respectively, of the Organization's support and revenue was derived from the net proceeds of the Sanderson Farms Championship.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents

All highly liquid investments with an initial maturity of three months or less are cash equivalents.

Property and Equipment

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded at their estimated fair value at the date of donation. The Organization has implemented a \$500 capitalization threshold, and purchases below that amount are expensed as incurred. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets.

(Continued)

Notes to Financial Statements – Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

The estimated useful life for each major depreciable classification of property and equipment is as follows:

| | |
|-------------------------|----------|
| Leasehold improvements | 3 years |
| Furniture and equipment | 5 years |
| Artwork | 15 years |

Promises to Give to Others

Unconditional promises to give to be paid in future years are initially reported at fair value, which is determined by calculating the discounted present value of estimated future cash flows. The resulting discount is amortized using the level-yield method, and the annual amortization is reported as contributions expense.

Contributions and Special Events

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Advances received on conditional promises to give are reflected as liabilities until the conditions are substantially met. Special event proceeds received in advance of a special event are implied to be conditioned upon the occurrence of the special event.

Unconditional promises to give are recognized as receivables when notifications of the promises to give are received by the Organization.

The Organization reports contributions of cash and other assets as 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 a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

The Organization reports contributions of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(Continued)

Notes to Financial Statements – Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

Specialty License Plate Fee Revenue

The Organization receives a portion of the proceeds from fees generated by certain Mississippi specialty license plates. The fees charged for specialty license plates are established by the provisions of Section 27-19-56, Miss. Code Ann. (1972) and can be changed by the Mississippi Legislature.

Check Card Logo Fee Revenue

A bank, as a part of its banking services and under an agreement with the Organization, offers its customers a check card and checks that feature the Organization's logo. A small fee is charged to each of these customers, and these fees are contributed to the Organization, as well as a portion of the swipe fees charged by the bank to merchants on transactions made with the check cards.

Noncash Contributions

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets, or require specialized skills possessed by the individuals providing the service, and the service would typically need to be purchased if not donated. Contributions of tangible items are recognized as revenue at their estimated fair value.

Advertising

Advertising costs are expensed as incurred.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State of Mississippi and has not been classified as a private foundation by the Internal Revenue Service.

The Organization files Form 990 information returns in the U.S. federal jurisdiction. The Organization is generally no longer subject to income tax examinations for the years ended June 30, 2018, and prior.

(Continued)

Notes to Financial Statements – Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with U.S. 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.

Reclassifications

Certain amounts in the financial statements for the year ended June 30, 2021, have been reclassified to conform to the current year presentation.

NOTE 2. Accounts Receivable

Accounts receivable consisted of the following as of June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|------------------------------|------------------|-------------------|
| Specialty license plate fees | \$ 43,838 | \$ 40,610 |
| Check card logo fees | <u>33,561</u> | <u>116,516</u> |
| | <u>\$ 77,399</u> | <u>\$ 157,126</u> |

NOTE 3. Property and Equipment

Property and equipment consist of the following as of June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|------------------|------------------|
| Leasehold improvements | \$ 12,997 | \$ 12,997 |
| Office furnishings | 37,914 | 37,914 |
| Office equipment | 22,229 | 12,545 |
| Artwork | <u>38,850</u> | <u>25,350</u> |
| | 111,990 | 88,806 |
| Less accumulated depreciation | <u>(63,556)</u> | <u>(59,010)</u> |
| | <u>\$ 48,434</u> | <u>\$ 29,796</u> |

(Continued)

Notes to Financial Statements – Continued

NOTE 4. Conditional Promises to Give

In 2016, the Organization obtained a conditional promise to give from Century Club Charities related to a portion of the proceeds from the annual Sanderson Farms Championship during its 10-year commitment to sponsor the championship through 2026. The value of this conditional promise to give has not been established, as it is contingent on future event proceeds. As such, this conditional promise will be recognized at the time that it becomes unconditional. Future proceeds from this promise are expected to be used to fund a portion of the Organization's commitment to UMMC for the Children's of Mississippi Capital Campaign, as further discussed in Note 5. The Organization received contributions of \$1,500,000 and \$1,455,000 during the years ended June 30, 2022 and 2021, respectively, from the Sanderson Farms Championship golf event.

NOTE 5. Promises to Give to UMMC

The Organization's board of directors routinely commits to funding specific projects or chaired faculty positions at UMMC. These commitments are considered by the Organization to be revocable unless a formal agreement is executed with UMMC.

In April, 2016, the board of directors approved and signed a pledge agreement with UMMC for the Children's of Mississippi Capital Campaign. The Organization pledged \$20,000,000 to be paid in annual installments of \$2,000,000 through June 30, 2026. Portions of this commitment are expected to be funded by Century Club Charities through the Sanderson Farms Championship conditional promise to give, as described in Note 4.

The Organization's payments to UMMC under the promise to give were \$2,000,000 and \$3,455,000 during the years ended June 30, 2022 and 2021, respectively.

\$359,358 and \$787,370 of contribution expense was recognized in the years ended June 30, 2022 and 2021, respectively, for the amortization of the present value discount on the promise to give.

(Continued)

Notes to Financial Statements – Continued

NOTE 5. Promises to Give to UMMC - Continued

Future scheduled annual payments by the Organization under the promise to give to UMMC are as follows:

| <u>Fiscal Year Ending June 30,</u> | |
|------------------------------------|--------------------|
| 2023 | \$2,000,000 |
| 2024 | 2,000,000 |
| 2025 | 2,000,000 |
| 2026 | <u>545,000</u> |
| Total scheduled payments | 6,545,000 |
| Discount to present value at 4.75% | <u>(620,220)</u> |
| Present value of promise to give | <u>\$5,924,780</u> |

In May, 2022, the Organization entered into a conditional pledge agreement with the University of Mississippi Foundation (the Foundation) for the Children's of Mississippi Growing Campaign. The Organization conditionally pledged \$3,000,000 to be paid in annual installments of \$300,000 through June 30, 2032. The Organization's promise to give to the Foundation is conditional upon receipt of revenues from the bank check card logo fee program discussed in Note 1, and the term of the agreement automatically extends for successive one-year periods as necessary until sufficient revenues to fulfill the pledge have been received from the bank check card logo fee program. Since the promise to give is conditional upon receipt of future revenues, a liability is not recognized until the associated revenue from the bank check card logo fee program is received by the Organization and the promise to give becomes unconditional.

NOTE 6. Liquidity

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual, donor-imposed, or self-imposed restrictions within one year of the statement of financial position date:

| | <u>2022</u> | <u>2021</u> |
|--|--------------------|--------------------|
| Cash and cash equivalents | \$5,811,706 | \$5,581,892 |
| Accounts receivable | 77,399 | 157,126 |
| Government grants receivable | <u>70,661</u> | <u>70,661</u> |
| | 5,959,766 | 5,809,679 |
| Advance receipts for special events | <u>(525)</u> | <u>(142,035)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$5,959,241</u> | <u>\$5,667,644</u> |

(Continued)

Notes to Financial Statements – Continued

NOTE 7. Noncash Contributions

For the years ended June 30, 2022 and 2021, noncash contributions revenue recognized within the statements of activities consisted of the following:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Advertising and promotion services | \$ 228,500 | \$ 222,885 |
| Special events facilities usage and services | 13,597 | 13,175 |
| Special events supplies | 6,042 | 6,042 |
| Fundraising raffle prizes | 23,095 | 21,940 |
| Fundraising auction items | 21,850 | - |
| Property and equipment | 13,500 | - |
| | <u>\$ 306,584</u> | <u>\$ 264,042</u> |

Noncash contributions are reflected at the estimated fair values of the services and items received based on prices for comparable services and items, except that items contributed for fundraising auctions are valued based on the proceeds of the auctions as a net transaction.

NOTE 8. Special Events

Special events consisted of the following for the years ended June 30, 2022 and 2021:

| | <u>Support and Revenue</u> | <u>Expenses</u> | <u>Net Revenue</u> |
|--|--------------------------------|-------------------|------------------------|
| 2022 | | | |
| Trustmark Pro-Am Golf Tournament | \$ 178,177 | \$ 44,959 | \$ 133,218 |
| BankPlus presents Enchanted Evening | 248,086 | 2,362 | 245,724 |
| BankPlus presents Light-A-Light | 45,029 | 12,831 | 32,198 |
| Over the Edge presented by Trustmark | 102,692 | 61,122 | 41,570 |
| Century Club Charities through Sanderson Farms Championship | 1,500,000 | 15,785 | 1,484,215 |
| Other special events | 38,468 | 29,777 | 8,691 |
| | <u>\$2,112,452</u> | <u>\$ 166,836</u> | <u>\$ 1,945,616</u> |

(Continued)

Notes to Financial Statements – Continued

NOTE 8. Special Events - Continued

| | Support and Revenue | Expenses | Net Revenue |
|--|------------------------|-------------------|---------------------|
| 2021 | | | |
| Trustmark Pro-Am Golf Tournament | \$ 169,072 | \$ 43,624 | \$ 125,448 |
| BankPlus presents Enchanted Evening | 49,850 | 970 | 48,880 |
| BankPlus presents Light-A-Light | 72,720 | 7,457 | 65,263 |
| Over the Edge presented by Trustmark Century Club Charities through | 136,475 | 44,730 | 91,745 |
| Sanderson Farms Championship | 1,455,000 | 8,102 | 1,446,898 |
| Other special events | 32,920 | 29,002 | 3,918 |
| | <u>\$ 1,916,037</u> | <u>\$ 133,885</u> | <u>\$ 1,782,152</u> |

NOTE 9. Defined Contribution Retirement Plan

The Organization has a defined-contribution 401(k) retirement plan covering substantially all employees. Employees are allowed to make contributions to the plan subject to certain Internal Revenue Service limits. Additionally, the Organization makes discretionary matching contributions to the plan at amounts annually determined by the Organization's board of directors. Retirement plan expense was \$6,757 and \$8,857 for the years ended June 30, 2022 and 2021, respectively.

NOTE 10. Operating Leases

The Organization leases certain office space and equipment under operating leases with terms in excess of one year. Rent expense totaled \$27,600 and \$27,313 for the years ended June 30, 2022 and 2021, respectively, and future minimum lease payments are as follows:

| | |
|------|------------------|
| 2023 | \$ 30,586 |
| 2024 | <u>7,034</u> |
| | <u>\$ 37,620</u> |

(Continued)

Notes to Financial Statements – Continued

NOTE 11. Related Party Transactions

In January, 2020, the Organization entered into an affiliation agreement with UMMC that expires in February, 2025. This agreement, which was subject to approval by the Board of Trustees of the Mississippi Institutions of Higher Learning, formalizes the arrangement under which the Organization provides financial support to UMMC and, in turn, UMMC provides certain facilities and support services to the Organization on a cost reimbursement basis. The affiliation agreement is cancellable by UMMC, upon providing 30 days notice, and requires the Organization to transfer any remaining funds to UMMC, or to another entity designated by UMMC, upon the cancellation or non-renewal of the agreement. During the years ended June 30, 2022 and 2021, the Organization recognized expense for contributions to UMMC of \$779,289 and \$1,040,528, respectively. The terms of the Organization's promise to give are detailed in Note 5.

A member of the Organization's board of directors is employed at a financial institution where the Organization maintains significant account balances. As of June 30, 2022 and 2021, the Organization's cash and cash equivalents in accounts at the financial institution totaled approximately \$1,831,000 and \$2,040,000, respectively.

NOTE 12. Implications of COVID-19

In March, 2020, a global pandemic was declared by the World Health Organization related to a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted economic conditions in the U.S., as federal, state and local governments react to the public health crisis, creating uncertainties in the U.S. economy. Due to the pandemic, some of the Organization's revenue-generating fundraisers were cancelled. While the disruption resulting from the pandemic is currently expected to be temporary, there is uncertainty around its duration.

The Organization has requested refunds totaling \$70,661 from the Internal Revenue Service (IRS) for the Employee Retention Credit related to personnel costs incurred during the coronavirus pandemic. These IRS refunds are reflected as revenue in the financial statements for the year ended June 30, 2021.

NOTE 13. Correction of Errors

The Organization discovered understatements of the amounts previously reported for accounts receivable related to check card logo fees revenue of \$97,945 and for government grants receivable related to Employee Retention Credit refunds from the Internal Revenue Service of \$70,661. Additionally, the Organization discovered that \$172,932 of check card logo fees revenue was misclassified as special events revenue, and that \$41,157 of noncash contributions related to special events were not recorded as either revenues or related expenses.

(Continued)

Notes to Financial Statements – Continued

NOTE 13. Correction of Errors - Continued

The financial statements for the year ended June 30, 2021, have been restated to correct these errors, which are summarized as follows:

| | As Previously Reported | Error Correction | As Restated |
|--|---------------------------|---------------------|----------------|
| Accounts receivable | \$ 59,181 | \$ 97,945 | \$ 157,126 |
| Government grants receivable | - | 70,661 | 70,661 |
| Total assets | 5,670,869 | 168,606 | 5,839,475 |
| Special events: | | | |
| Revenue | 2,047,812 | (172,932) | 1,874,880 |
| Noncash contributions | - | 41,157 | 41,157 |
| Expenses | (92,728) | (41,157) | (133,885) |
| Check card logo fees revenue | 151,326 | 167,945 | 319,271 |
| Government grants revenue | - | 70,661 | 70,661 |
| Total support and revenue | 3,410,141 | 65,674 | 3,475,815 |
| Change in net assets (deficit) without donor restrictions | 1,662,441 | 65,674 | 1,728,115 |
| Net assets (deficit) without donor restrictions: | | | |
| Beginning of year | (3,710,412) | 102,932 | (3,607,480) |
| End of year | (2,047,971) | 168,606 | (1,879,365) |

NOTE 14. Subsequent Events

Subsequent events have been evaluated by management of the Organization through October 31, 2022, which is the date that the financial statements were available to be issued.