

FRIENDS OF CHILDREN'S HOSPITAL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

FRIENDS OF CHILDREN'S HOSPITAL, INC.

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TANN, BROWN & RUSS CO., PLLC
CERTIFIED PUBLIC ACCOUNTANTS
1501 LAKELAND DRIVE, SUITE 300
JACKSON, MISSISSIPPI 39216-4841
TELEPHONE (601) 354-4926
FACSIMILE (601) 354-4947

MEMBERS
AMERICAN INSTITUTE
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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, 2023 and 2022, 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, 2023 and 2022, 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.

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.

(Continued)

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.
- 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.

Tann, Brown & Russ Co.

November 7, 2023

FINANCIAL STATEMENTS

FRIENDS OF CHILDREN'S HOSPITAL, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents (Note 11)	\$ 2,802,276	\$ 5,811,706
Investments (Note 2)	1,960,130	-
Accounts receivable (Note 3)	74,468	77,399
Government grants receivable	-	70,661
Property and equipment (Note 4)	<u>46,382</u>	<u>48,434</u>
Total Assets	<u>\$ 4,883,256</u>	<u>\$ 6,008,200</u>

LIABILITIES AND NET ASSETS (DEFICIT)

LIABILITIES		
Accrued wages	\$ 11,383	\$ 11,383
Advance receipts for special events	-	525
Promises to give to others (Note 6)	<u>5,076,244</u>	<u>5,924,780</u>
Total Liabilities	<u>5,087,627</u>	<u>5,936,688</u>
NET ASSETS (DEFICIT)		
Without donor restrictions	<u>(204,371)</u>	<u>71,512</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 4,883,256</u>	<u>\$ 6,008,200</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CHANGES IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Special events (Note 9):		
Cash contributions	\$ 1,408,803	\$ 2,047,868
Noncash contributions (Note 8)	64,265	64,584
Expenses	<u>(224,304)</u>	<u>(166,836)</u>
Net revenue from special events	1,248,764	1,945,616
Memberships and contributions of cash	258,626	369,028
Noncash contributions (Note 8)	124,300	242,000
Specialty license plate fees	495,666	522,368
Check card logo fees	369,940	368,586
Interest and dividends	119,420	3,833
Loss on investments	(789)	-
Loss on sale or disposal of equipment	<u>(303)</u>	<u>(293)</u>
	2,615,624	3,451,138
Net assets released from donor restrictions	<u>168,431</u>	<u>56,533</u>
Total Support and Revenue	<u>2,784,055</u>	<u>3,507,671</u>
EXPENSES		
Program Services:		
Contributions	2,451,890	779,289
Other	<u>22,869</u>	<u>26,005</u>
Total Program Services	<u>2,474,759</u>	<u>805,294</u>
Support Services:		
Management and general	108,258	121,526
Fundraising	<u>476,921</u>	<u>629,974</u>
Total Support Services	<u>585,179</u>	<u>751,500</u>
Total Expenses	<u>3,059,938</u>	<u>1,556,794</u>

(Continued)

FRIENDS OF CHILDREN'S HOSPITAL, INC.
 STATEMENTS OF ACTIVITIES - CONTINUED
 Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Change in Net Assets (Deficit) without Donor Restrictions	<u>(275,883)</u>	<u>1,950,877</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	168,431	56,533
Net assets released from restrictions	<u>(168,431)</u>	<u>(56,533)</u>
Change in Net Assets with Donor Restrictions	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS (DEFICIT)	(275,883)	1,950,877
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>71,512</u>	<u>(1,879,365)</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (204,371)</u>	<u>\$ 71,512</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, 2023

	Program Services		Support Services		Total
	Contributions	Other	Management and General	Fund-raising	
Advertising and promotion	\$ -	\$ 1,579	\$ 6,317	\$ 146,792	\$ 154,688
Contributions to UMMC	2,451,890	-	-	-	2,451,890
Depreciation	-	298	1,190	4,461	5,949
Dues and subscriptions	-	39	155	581	775
Fees:					
Bank charges	-	237	948	3,553	4,738
Credit card processing	-	-	-	10,781	10,781
Payroll service	-	186	744	2,791	3,721
Information technology	-	1,931	7,724	28,966	38,621
Insurance	-	-	16,781	-	16,781
Janitorial	-	176	706	2,647	3,529
Meetings	-	369	1,476	5,536	7,381
Office supplies	-	760	3,039	11,397	15,196
Professional development	-	6	25	94	125
Professional fees	-	1,311	5,246	19,672	26,229
Rent	-	1,404	5,617	21,062	28,083
Salaries, benefits and payroll taxes	-	14,309	57,235	214,632	286,176
Utilities	-	264	1,055	3,956	5,275
	<u>2,451,890</u>	<u>22,869</u>	<u>108,258</u>	<u>476,921</u>	<u>3,059,938</u>
Special events	-	-	-	224,304	224,304
	<u>\$ 2,451,890</u>	<u>\$ 22,869</u>	<u>\$ 108,258</u>	<u>\$ 701,225</u>	<u>\$ 3,284,242</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.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ (275,883)	\$ 1,950,877
Adjustments to reconcile change in net assets (deficit) to net cash from operating activities:		
Depreciation	5,949	5,052
Contributions of property and equipment received	(3,000)	(13,500)
Loss on investments	789	-
Loss on sale or disposal of equipment	303	293
(Increase) decrease in:		
Accounts receivable	2,931	79,727
Government grants receivable	70,661	-
Increase (decrease) in:		
Advance receipts for special events	(525)	(141,510)
Promises to give to others	<u>(848,536)</u>	<u>(1,640,642)</u>
 Net Cash Provided By (Used In) Operating Activities	 <u>(1,047,311)</u>	 <u>240,297</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,960,919)	-
Purchases of property and equipment	<u>(1,200)</u>	<u>(10,483)</u>
 Net Cash Used In Investing Activities	 <u>(1,962,119)</u>	 <u>(10,483)</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (3,009,430)	 229,814
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>5,811,706</u>	 <u>5,581,892</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 2,802,276</u>	 <u>\$ 5,811,706</u>
 SUPPLEMENTAL DATA:		
Non-cash property and equipment contributions received	 <u>\$ 3,000</u>	 <u>\$ 13,500</u>

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

FRIENDS OF CHILDREN'S HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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 11.

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, 2023 and 2022, 36% and 43%, 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 and money market mutual funds are cash equivalents.

Investments

Investments in marketable securities are reported at fair value.

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, 2019, 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, 2022, have been reclassified to conform to the current year presentation.

NOTE 2. Investments

The valuation of investments is based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available.

All of the investments at June 30, 2023 were valued using Level 1 fair value measurement based on quoted market prices from brokers.

A summary of investments held at fair value as of June 30, 2023 is as follows:

U.S. treasury notes and bonds	\$ 986,020
U.S. treasury bills	<u>974,110</u>
Total investments	<u>\$1,960,130</u>

(Continued)

Notes to Financial Statements – Continued

NOTE 3. Accounts Receivable

Accounts receivable consisted of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Specialty license plate fees	\$ 44,450	\$ 43,838
Check card logo fees	29,918	33,561
Other	100	-
	<u>\$ 74,468</u>	<u>\$ 77,399</u>

NOTE 4. Property and Equipment

Property and equipment consist of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 12,997	\$ 12,997
Office furnishings	37,914	37,914
Office equipment	21,777	22,229
Artwork	<u>41,850</u>	<u>38,850</u>
	114,538	111,990
Less accumulated depreciation	<u>(68,156)</u>	<u>(63,556)</u>
	<u>\$ 46,382</u>	<u>\$ 48,434</u>

NOTE 5. 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 6. The Organization received contributions of \$1,000,000 and \$1,500,000 during the years ended June 30, 2023 and 2022, respectively, from the Sanderson Farms Championship golf event.

(Continued)

Notes to Financial Statements – Continued

NOTE 6. 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 \$1,000,000 and \$2,000,000 during the years ended June 30, 2023 and 2022, respectively.

\$151,464 and \$359,358 of contribution expense was recognized in the years ended June 30, 2023 and 2022, respectively, for the amortization of the present value discount on the promise to give.

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

<u>Fiscal Year Ending June 30,</u>	
2024	\$2,000,000
2025	2,000,000
2026	<u>1,545,000</u>
Total scheduled payments	5,545,000
Discount to present value at 4.75%	<u>(468,756)</u>
Present value of promise to give	<u>\$5,076,244</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. As of June 30, 2023, the Organization’s remaining conditional pledge was \$2,700,000 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.

(Continued)

Notes to Financial Statements – Continued

NOTE 7. 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$2,802,276	\$5,811,706
Investments	1,960,130	-
Accounts receivable	74,468	77,399
Government grants receivable	-	<u>70,661</u>
	<u>4,836,874</u>	<u>5,959,766</u>
Advance receipts for special events	-	<u>(525)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$4,836,874</u>	<u>\$5,959,241</u>

NOTE 8. Noncash Contributions

For the years ended June 30, 2023 and 2022, noncash contributions revenue recognized within the statements of activities consisted of the following:

	<u>2023</u>	<u>2022</u>
Advertising and promotion services	\$ 121,300	\$ 228,500
Special events facilities usage and services	36,920	13,597
Special events supplies	2,250	6,042
Fundraising raffle prizes	25,095	23,095
Fundraising auction items	-	21,850
Property and equipment used in operations	3,000	13,500
	<u>\$ 188,565</u>	<u>\$ 306,584</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.

(Continued)

Notes to Financial Statements – Continued

NOTE 9. Special Events

Special events consisted of the following for the years ended June 30, 2023 and 2022:

	Support and Revenue	Expenses	Net Revenue
2023			
Trustmark Pro-Am Golf Tournament	\$ 156,200	\$ 57,883	\$ 98,317
Clays for Kids	65,873	21,145	44,728
BankPlus presents Light-A-Light	48,727	10,128	38,599
Over the Edge presented by Trustmark Century Club Charities through Sanderson Farms Championship	156,398	86,127	70,271
Other special events	1,000,000	4,552	995,448
	45,870	44,469	1,401
	<u>\$1,473,068</u>	<u>\$ 224,304</u>	<u>\$ 1,248,764</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 Century Club Charities through Sanderson Farms Championship	102,692	61,122	41,570
Other special events	1,500,000	15,785	1,484,215
	38,468	29,777	8,691
	<u>\$2,112,452</u>	<u>\$ 166,836</u>	<u>\$ 1,945,616</u>

NOTE 10. 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 \$7,479 and \$6,757 for the years ended June 30, 2023 and 2022, respectively.

(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, 2023 and 2022, the Organization recognized expense for contributions to UMMC of \$2,451,890 and \$779,289, respectively. The terms of the Organization's promise to give are detailed in Note 6.

A member of the Organization's board of directors was employed at a financial institution where the Organization maintains significant account balances. As of June 30, 2023 and 2022, the Organization's cash and cash equivalents in accounts at the financial institution totaled approximately \$253,000 and \$1,831,000, respectively.

NOTE 12. Subsequent Events

Subsequent events have been evaluated by management of the Organization through November 7, 2023, which is the date that the financial statements were available to be issued.