

**THE MONTGOMERY INSTITUTE**

**FINANCIAL STATEMENTS**

**August 31, 2015 and 2014**

## CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7-16



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Montgomery Institute  
Meridian, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of The Montgomery Institute (a nonprofit organization), which comprise the statement of financial position as of August 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Montgomery Institute as of August 31, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited The Montgomery Institute's 2014 financial statements, and our report dated January 9, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

**THE MONTGOMERY INSTITUTE**  
**STATEMENTS OF FINANCIAL POSITION**  
August 31, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 196,200	\$ 249,362
Grants receivable	19,193	15,675
Other receivables	16,953	35,217
Prepaid expenses	<u>6,173</u>	<u>3,024</u>
<b>Total current assets</b>	<u>\$ 238,519</u>	<u>\$ 303,278</u>
<b>EQUIPMENT</b>		
Equipment at cost	\$ 53,878	\$ 38,409
Less accumulated depreciation	<u>16,012</u>	<u>37,844</u>
<b>Total equipment, net</b>	<u>\$ 37,866</u>	<u>\$ 565</u>
<b>OTHER NON-CURRENT ASSETS</b>		
Endowment cash - restricted	\$ 88,897	\$ 205,244
Endowment investments - restricted	1,054,866	1,018,517
Asset held in custody for others	<u>-</u>	<u>23,767</u>
<b>Total other non-current assets</b>	<u>\$ 1,143,763</u>	<u>\$ 1,247,528</u>
<b>Total assets</b>	<u>\$ 1,420,148</u>	<u>\$ 1,551,371</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	<u>\$ 9,855</u>	<u>\$ 28,900</u>
<b>Total current liabilities</b>	<u>\$ 9,855</u>	<u>\$ 28,900</u>
<b>CUSTODIAL ACCOUNT HELD FOR OTHERS</b>	<u>\$ -</u>	<u>\$ 23,767</u>
<b>NET ASSETS</b>		
Unrestricted net assets (deficit)	\$ (3,837)	\$ 84,574
Permanently restricted net assets	<u>1,414,130</u>	<u>1,414,130</u>
<b>Total net assets</b>	<u>\$ 1,410,293</u>	<u>\$ 1,498,704</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,420,148</u>	<u>\$ 1,551,371</u>

The Notes to Financial Statements are an integral part of these statements.

**THE MONTGOMERY INSTITUTE**

**STATEMENTS OF ACTIVITIES**

For the Year Ended August 31, 2015

(with summarized financial information for the year ended August 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
<b>SUPPORT AND REVENUE</b>					
Contributions and grants from foundations, businesses, universities or individuals	\$ 243,399	\$ -	\$ -	\$ 243,399	\$ 279,056
Educational services income	367,768	-	-	367,768	214,595
Program fee income	3,175	-	-	3,175	2,184
Realized and unrealized net gain (loss) on investments	(63,086)	-	-	(63,086)	76,613
Interest income	56	-	-	56	123
Investment income, net	<u>23,088</u>	<u>-</u>	<u>-</u>	<u>23,088</u>	<u>5,716</u>
<b>Total support and revenue</b>	<b><u>\$ 574,400</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 574,400</u></b>	<b><u>\$ 578,287</u></b>
<b>EXPENSES</b>					
Program services					
Leadership and workforce development	\$ 460,215	\$ -	\$ -	\$ 460,215	\$ 269,680
Strategic thinking and analysis	60,844	-	-	60,844	35,213
Information dissemination	96,575	-	-	96,575	98,057
Support services					
Management and general	43,702	-	-	43,702	60,861
Fundraising	<u>1,475</u>	<u>-</u>	<u>-</u>	<u>1,475</u>	<u>-</u>
<b>Total expenses</b>	<b><u>\$ 662,811</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 662,811</u></b>	<b><u>\$ 463,811</u></b>
Change in net assets	\$ (88,411)	\$ -	\$ -	\$ (88,411)	\$ 114,476
<b>Net assets (deficit), beginning</b>	<b><u>84,574</u></b>	<b><u>-</u></b>	<b><u>1,414,130</u></b>	<b><u>1,498,704</u></b>	<b><u>1,384,228</u></b>
<b>Net assets (deficit), ending</b>	<b><u>\$ (3,837)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,414,130</u></b>	<b><u>\$ 1,410,293</u></b>	<b><u>\$ 1,498,704</u></b>

The Notes to Financial Statements are an integral part of these statements.

**THE MONTGOMERY INSTITUTE**

**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Year Ended August 31, 2015

(with summarized financial information for the year ended August 31, 2014)

	Program Services			Support Services		2015 Total	2014 Total
	Leadership and Workforce Development	Strategic Thinking and Analysis	Information Dissemination	Management General	Fundraising		
Contracts	\$ 183,797	\$ 29,864	\$ 798	\$ -	\$ -	\$ 214,459	\$ 104,842
Depreciation	4,118	540	1,329	715	-	6,702	288
Insurance	5,378	704	1,735	933	-	8,750	3,719
Meeting expense	497	40	3,504	-	150	4,191	11,598
Office expense	11,646	1,525	3,757	2,511	1,325	20,764	23,506
Professional fees	4,468	585	1,442	775	-	7,270	6,485
Rent	16,956	59	3,908	2,177	-	23,100	20,200
Salaries, payroll taxes and benefits	206,798	27,087	66,720	35,880	-	336,485	263,184
Telephone and communication	3,157	414	1,019	548	-	5,138	3,692
Travel	23,200	-	12,298	128	-	35,626	26,170
Utilities	200	26	65	35	-	326	127
<b>Total expenses</b>	<b>\$ 460,215</b>	<b>\$ 60,844</b>	<b>\$ 96,575</b>	<b>\$ 43,702</b>	<b>\$ 1,475</b>	<b>\$ 662,811</b>	<b>\$ 463,811</b>

The Notes to Financial Statements are an integral part of these statements.

**THE MONTGOMERY INSTITUTE**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended August 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (88,411)	\$ 114,476
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,702	288
Realized and unrealized net (gain) loss on investments	63,086	(76,613)
Loss on disposal of equipment	490	-
Change in grants receivable	(3,518)	(2,377)
Change in other receivables	18,264	(30,795)
Change in prepaid expenses	(3,149)	(1,242)
Change in asset held for others	23,767	(23,767)
Change in accounts payable and accrued expenses	(19,045)	18,172
Change in custodial account held for others	<u>(23,767)</u>	<u>23,767</u>
Net cash provided by (used in) operating activities	<u>\$ (25,581)</u>	<u>\$ 21,909</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	\$ (44,493)	\$ -
Interest for reinvestment	(4,217)	(2,590)
Proceeds from sale of investments	45,000	1,197,981
Purchase of investments	<u>(140,218)</u>	<u>(1,060,923)</u>
Net cash provided by (used in) investing activities	<u>\$ (143,928)</u>	<u>\$ 134,468</u>
Net increase (decrease) in cash and cash equivalents	\$ (169,509)	\$ 156,377
Cash and cash equivalents, beginning of year	<u>454,606</u>	<u>298,229</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 285,097</u></u>	<u><u>\$ 454,606</u></u>

The Notes to Financial Statements are an integral part of these statements.

**THE MONTGOMERY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies**

Nature of activities

The Montgomery Institute (the “Institute”) is a Mississippi non-profit corporation. The Institute’s mission is to support regional community building programs which advance leadership and workforce development, strategic thinking and analysis, and information dissemination among the people of East Mississippi and West Alabama.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as unrestricted revenue. Accordingly, net assets of the Institute and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets that are available for use, but expendable only for those purposes specified by the grantor.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Institute.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statements of cash flows, the Institute considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents, unless those investments are held for endowment purposes.

**Note 1. Summary of Significant Accounting Policies (continued)**

Investments

The Institute's investments consist of marketable equity and debt securities that are reported at their fair values in the statements of financial positions. Unrealized gains and losses are reported in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Accounting Standards Codification ("ASC") 820 defines fair value and establishes a framework for measuring fair value in U.S. generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 applies only to fair value measurements that are already required or permitted by other accounting standards and is expected to increase the consistency of those measurements. The definition of fair value focuses on the exit price, i.e., the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, not the entry price, i.e., the price that would be paid to acquire the asset or received to assume the liability at the measurement date.

In accordance with ASC 820, the Institute groups its assets measured at fair value in three levels, based on the markets in which such assets are traded and the reliability of the assumptions used to determine fair value. This hierarchy requires the Institute to maximize the use of observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. Each fair value measurement is placed into the proper level based on the lowest level of significant input. These levels are:

- Level 1 – Inputs to the valuation methodology are based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Inputs to the valuation methodology are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Inputs to the valuation methodology are generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset.

Marketable equity and debt securities are the Institute's only assets carried at fair value. The Institute has no liabilities that are carried at fair value.

**Note 1. Summary of Significant Accounting Policies (continued)**

Property and equipment

Purchased property and equipment, consisting primarily of office equipment, is recorded at cost and is depreciated using the straight-line method over its estimated useful life.

Net assets

Permanently restricted net assets are endowment funds consisting of cash equivalents and investments which are restricted in perpetuity to continue the tradition of the Institute. Income generated by the assets is to be used in accordance with donor stipulations.

Contributions

Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Expense allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of the Institute.

Income taxes

The Institute is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Institute has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1) of the Internal Revenue Code.

The Institute has adopted the provisions of FASB ASC 740-10, Accounting for Uncertainty in Income Taxes. The Institute's status as a 501(c)(3) not-for-profit has been determined to be valid and the adoption of FASB ASC 740-10 did not result in a change to net assets. The Organization files Federal Form 990 and is generally no longer subject to examination by the Internal Revenue Service for years prior to 2012.

**Note 1. Summary of Significant Accounting Policies (continued)**

Risks and uncertainties

The Institute invests or holds a variety of investment vehicles including governmental obligations, corporate stock, and mutual funds. These investments are exposed to interest rate, market, credit, and other risks depending upon the nature of the investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Institute's investments, which could materially affect amounts reported in the financial statements.

Subsequent events

Management has evaluated subsequent events through January 5, 2016, the date on which the financial statements were available to be issued.

**Note 2. Endowment**

The State of Mississippi approved the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in July 2013. The Institute interprets UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as permanently restricted net assets 1) the original value of gifts donated to the perpetual endowment, 2) the original value of subsequent gifts to the perpetual endowment, and 3) accumulation to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Institute's endowment investment policy is based on fundamental financial principles that include prudent asset allocation, risk assessment and long-term planning. The investment policy emphasizes total return, which allows the funds to utilize current dividend and interest income, and over time, a portion of the aggregate return from capital appreciation, in an attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Within this framework, specific investment objectives for endowment investments include liquidity, preservation of capital, preservation of purchasing power, and long-term growth of capital.

**Note 2. Endowment (continued)**

As of August 31, 2015 and 2014, the investments and cash in the endowment account totaled \$1,143,763 and \$1,223,761, respectively. Included in these amounts are cash balances of \$88,897 and \$205,244 and investment balances of \$1,054,866 and \$1,018,517 for the years ended August 31, 2015 and 2014, respectively.

The endowment was created during fiscal 2001 to provide permanent operating support for the Institute. The Board of Directors authorized the use of funds beginning in 2005 to support operations. The withdrawals coupled with the significant market decline during 2008 caused a deficit in the permanent restrictions of the endowment. The Institute expects the funds to be returned to the endowment through the total return of the remaining funds invested in the endowment and as contributions for general operating purposes become available to transfer to the endowment. As of August 31, 2015 and 2014, the permanently restricted contributions in the endowment totaled \$1,414,130. As of August 31, 2015 and 2014, the remaining deficit in the endowment as a result of these withdrawals and changes in the market values of the investment securities is \$270,367 and \$190,369, respectively.

**Note 3. Grants and Related Receivables**

Mississippi State Department of Health

During fiscal 2015, the Institute was awarded a cost reimbursement grant for \$87,000 from the Mississippi State Department of Health for the purpose of establishing, facilitating, and strengthening the Mississippi Tobacco-Free Coalition program by developing and maintaining a general coalition, attending mandatory staff development training, establishing youth program teams, and promotion of the Mississippi Tobacco Quitline and ACT Center. The ending date of this grant is June 30, 2016. As of August 31, 2015, the institute received \$0 of this grant and \$15,546 is included in grants receivable.

During fiscal 2014, the Institute was awarded a cost reimbursement grant for \$87,000 from the Mississippi State Department of Health for the purpose of establishing, facilitating, and strengthening the Mississippi Tobacco-Free Coalition program by developing and maintaining a general coalition, attending mandatory staff development training, establishing youth program teams, and promotion of the Mississippi Tobacco Quitline and ACT Center. The ending date of this grant is June 30, 2015. As of August 31, 2015, the institute received \$86,973 of this grant.

Mississippi Development Authority

During fiscal 2015, the Institute entered into an agreement with Mississippi Development Authority to provide funding in the amount of \$9,000 for the purpose of maintaining the annual license maintenance fee with U.S. SourceLink. As of August 31, 2015, the Institute received the full amount of this grant.

**Note 3. Grants and Related Receivables (continued)**

During fiscal 2014, the Institute entered into an agreement with Mississippi Development Authority to provide funding in the amount of \$10,500 for the purpose of maintaining the annual license maintenance fee with U.S. SourceLink. As of August 31, 2014, the Institute received the full amount of this grant.

During fiscal 2014, the Institute received \$1,365 from the Mississippi Development Authority to provide funding for the Professionals Business Symposium. As of August 31, 2014, the Institute received the full amount of this grant.

The Riley Foundation

In fiscal 2015, the Institute was awarded a grant for \$4,000 from The Riley Foundation for the purpose of hiring a college student under the summer work program. This grant ended August 31, 2015. As of August 31, 2015, the Institute received the full amount of this grant.

In fiscal 2014, the Institute was awarded a grant for \$4,000 from The Riley Foundation for the purpose of hiring a college student under the summer work program. This grant ended August 31, 2014. As of August 31, 2014, the Institute received the full amount of this grant.

AT&T Foundation

In fiscal 2014, the Institute was awarded a grant for \$4,000 from AT&T Foundation for the purpose of purchasing educational materials to initiate the summer portion of the Meridian Freedom Project. As of August 31, 2014, the Institute received the full amount of this grant.

City of Meridian

In fiscal 2014, the Institute was awarded a \$15,000 grant from the City of Meridian for the purpose of forming a specialized health care zone master plan to attract industries to the community. As of August 31, 2014, the Institute received the full amount of this grant. During fiscal 2015, the Institute discontinued the efforts of the plan. The \$15,000 was disbursed to City of Meridian.

Jeff Anderson Regional Medical Center

In fiscal 2014, the Institute was awarded a \$15,000 grant from the Jeff Anderson Regional Medical Center for the purpose of forming a specialized health care zone master plan to attract industries to the community. As of August 31, 2014, the Institute received the full amount of this grant. During fiscal 2015, the Institute discontinued the efforts of the plan. The \$15,000 was disbursed to Jeff Anderson Regional Medical Center.

**Note 3. Grants and Related Receivables (continued)**

Rush Health Systems

In fiscal 2014, the Institute was awarded a \$15,000 grant from the Rush Health Systems for the purpose of forming a specialized health care zone master plan to attract industries to the community. As of August 31, 2014, the Institute received the full amount of this grant. During fiscal 2015, the Institute discontinued the efforts of the plan. Rush Health Systems contributed the \$15,000 to the Institute.

Mississippi Power Company

In fiscal 2014, the Institute was awarded a \$15,000 grant from the Mississippi Power Company for the purpose of forming a specialized health care zone master plan to attract industries to the community. As of August 31, 2014, the Institute received the full amount of this grant. During fiscal 2015, the Institute discontinued the efforts of the plan. Mississippi Power Company contributed the \$15,000 to the Institute.

Kemper County Economic Development Authority

In fiscal 2014, the Institute was awarded a \$2,300 grant from Kemper County Economic Development Authority for the purpose of providing training for the Leadership Kemper Program. As of August 31, 2015, the Institute received the full amount of this grant.

Dollar General Literacy Foundation

In fiscal 2015, the Institute was awarded a \$1,500 grant from Dollar General Literacy Foundation for the purpose of providing funding for the Freedom Project summer program. As of August 31, 2015, the Institute received the full amount of this grant.

In fiscal 2014, the Institute was awarded a \$2,000 grant from Dollar General Literacy Foundation for the purpose of providing funding for the Freedom Project summer program. As of August 31, 2014, the Institute received the full amount of this grant.

Meridian Council for Arts

In fiscal 2014, the Institute was awarded a \$1,815 grant from Meridian Council for Arts for the purpose of an arts forum. As of August 31, 2014, the Institute received the full amount of this grant.

**Note 3. Grants and Related Receivables (continued)**

The Community Foundation

In fiscal 2015, the Institute was awarded a \$2,500 grant from the Community Foundation for the educational component of the Highway 80 Songwriters Festival. As of August 31, 2015, the Institute received the full amount of this grant.

United Way of East Mississippi, Inc.

In fiscal 2015, the Institute was awarded a \$4,667 grant from Untied Way of East Mississippi, Inc. for support of the Meridian Freedom Project. As of August 31, 2015, the Institute received \$1,945 and \$2,722 is included in grants receivable.

Phil Hardin Foundation

In fiscal 2015, the Institute was awarded a \$50,000 grant from Phil Hardin Foundation for the Meridian Freedom Project. As of August 31, 2015, the Institute received the full amount of this grant.

Tulsa Community Foundation

In fiscal 2015, the Institute was awarded a \$15,500 grant from Tulsa Community Foundation for the Meridian Freedom Project. As of August 31, 2105, the Institute received the full amount of this grant.

Mississippi Arts Commission

In fiscal 2015, the Institute was awarded a \$3,700 grant for the Highway 80 Songwriters Festival. As of August 31, 2015, the Institute received \$2,775 of this grant and \$925 is included in grants receivable.

**Note 4. Investments**

Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statements of activities and changes in net assets. The fair values were determined using only Level 1 inputs.

The investment portfolio consisted of the following at August 31:

	<u>2015</u>	<u>2014</u>
International Equity Funds	\$ 268,028	\$ 282,541
Common Stock Funds	696,746	596,052
Certificates of Deposits	<u>90,092</u>	<u>139,924</u>
	<u>\$ 1,054,866</u>	<u>\$ 1,018,517</u>

**Note 4. Investments (continued)**

Investment activities for the years ended August 31 are as follows:

	<u>2015</u>	<u>2014</u>
Investments, beginning of the year	\$ 1,018,517	\$ 1,076,372
Sale of investments	(45,000)	(1,197,981)
Purchases of investments	140,218	1,060,923
Interest income reinvested	4,217	2,590
Net unrealized and realized gain (loss)	<u>(63,086)</u>	<u>76,613</u>
	<u>\$ 1,054,866</u>	<u>\$ 1,018,517</u>

**Note 5. Educational Services**

During fiscal 2015, the Institute entered into an agreement to provide educational services to Monroe Economic Development Authority, East Mississippi Community College, and East Central Community College for the purpose of facilitating research and development efforts. Educational services income related to these agreements for the years ended August 31, 2015 and 2014 was \$214,818 and \$145,595, respectively.

During fiscal 2015, the Institute entered into a purchase order agreement with Amatrol, Inc. to provide an extension for access to the Amatrol e-learning system. This purchase order extension includes East Mississippi Community College, East Central Community College, Jones Junior College, and Meridian Community College. The Institute invoiced these community colleges for a total of \$152,950. As of August 31, 2015, the Institute received \$152,950 of these funds.

During fiscal 2014, the Institute entered into a purchase order agreement with Amatrol, Inc. to provide an extension for access to the Amatrol e-learning system. This purchase order extension includes East Mississippi Community College, Jones Junior College, and Meridian Community College. The Institute invoiced these community colleges for a total of \$69,000. As of August 31, 2015, the Institute received the \$69,000 of these funds.

**Note 6. Lease Commitments**

The Institute was obligated under a lease agreement for its operating facilities through June 2013. In December 2014, the Institute agreed to pay monthly rental payments of \$1,000 per month. In November 2014, the Institute agreed to pay monthly rental payments of \$2,000 per month. This agreement has no end date. Rent expense for the years ended August 31, 2015 and 2014 was \$23,100 and \$20,200, respectively.

**Note 6. Lease Commitments** (continued)

During fiscal 2014, the Institute entered into a one-year lease agreement with the City of Meridian for the office space of the Meridian Freedom Project. Rent is \$750 per month. In August 2014, the Institute made leasehold improvements in lieu of rent in the amount of \$11,200. This amount was included in rent expense. In April 2015, the lease agreement was amended with monthly rental payments of \$250. The lessor and lessee may terminate the lease upon thirty days written notice to the other party.

Future minimum lease payments are as follows:

For the year ending:

August 31, 2016	\$ 27,000
August 31, 2017	\$ 27,000
August 31, 2018	\$ 27,000
August 31, 2019	\$ 27,000
August 31, 2020	\$ 27,000

**Note 7. Concentrations**

The Institute places its cash with financial institutions and at times has deposits in excess of federal insurance limits. Concentrations of credit risk with respect to grants occur because of the volume of business transacted with grantors.