THE MONTGOMERY INSTITUTE

FINANCIAL STATEMENTS

August 31, 2021 and 2020

C O N T E N T S

Richard L. James
R. Benton Moulds
O. Keith Evans
Alan L. Webb
W. Douglas Coleman
Dena C. Lagendijk

Of Counsel
George R. Rea
Charles E. Rea

REA, SHAW, GIFFIN & STUART, LLP
CERTIFIED PUBLIC ACCOUNTANTS

2415 Ninth Street
P.O. Box 2090
Meridian, MS 39301
(601) 693-2841

611 Spring Street
P.O. Box 562
Waynesboro, MS 39367
(601) 735-2317

Member:
American Institute Of Certified Public Accountants,

Division for CPA Firms

Mississippi Society of Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

Report on the Financial Statements

We have reviewed the accompanying financial statements of The Montgomery Institute (a nonprofit organization), which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United State of America.

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
February 17, 2022

THE MONTGOMERY INSTITUTE

STATEMENTS OF FINANCIAL POSITION

August 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	$ 442,986	$ 319,045
Grants receivable	16,705	16,333
Prepaid expenses	7,921	8,080
Total current assets	$ 467,612	$ 343,458
EQUIPMENT		
Equipment, at cost	$ 10,808	$ 10,808
Automobiles, at cost	48,070	48,070
Leasehold improvements, at cost	3,765	3,765
Less accumulated depreciation	(57,861)	(56,610)
Total equipment, net	$ 4,782	$ 6,033
OTHER NON-CURRENT ASSETS		
Endowment cash - restricted	$ 153,036	$ 68,705
Endowment investments - restricted	1,506,893	1,386,556
Total other non-current assets	$ 1,659,929	$ 1,455,261
Total assets	$ 2,132,323	$ 1,804,752
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 14,573	$ 8,128
Total current liabilities	$ 14,573	$ 8,128
NOTE PAYABLE	$ -	$ 54,600
Total liabilities	$ 14,573	$ 62,728
NET ASSETS		
Net asset without donor restrictions	$ 703,620	$ 327,894
Net assets with donor restrictions	1,414,130	1,414,130
Total net assets	$ 2,117,750	$ 1,742,024
Total liabilities and net assets	$ 2,132,323	$ 1,804,752

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

THE MONTGOMERY INSTITUTE

STATEMENT S OF ACTIVITIES
For the Year Ended August 31, 2021
(with summarized financial information for the year ended August 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
SUPPORT AND REVENUE				
Contributions and grants from foundations, government entities, businesses or individuals	$ 432,333	$ -	$ 432,333	$ 299,247
Program fee income	2,200	-	2,200	3,305
Rental income	-	-	-	8,000
Other income	110,925	-	110,925	1,101
Realized and unrealized net loss on investments	226,695	-	226,695	(72,026)
Interest income	70	-	70	38
Investment income, net	47,973	-	47,973	52,156
Donated facility	-	-	-	7,600
Total support and revenue	$ 820,196	$ -	$ 820,196	$ 299,421
EXPENSES				
Program services:				
Leadership and workforce development	$ 285,759	$ -	$ 285,759	$ 242,672
Strategic thinking and analysis	18,617	-	18,617	32,810
Information dissemination	89,861	-	89,861	79,086
Support services:				
Management and general	49,869	-	49,869	71,582
Fundraising	364	-	364	242
Total expenses	$ 444,470	$ -	$ 444,470	$ 426,392
Change in net assets	$ 375,726	$ -	$ 375,726	$ (126,971)
Net assets, beginning	327,894	1,414,130	1,742,024	1,868,995
Net assets, ending	$ 703,620	$ 1,414,130	$ 2,117,750	$ 1,742,024

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

THE MONTGOMERY INSTITUTE

STATEMENT S OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2021
(with summarized financial information for the year ended August 31, 2020)

	Program Services			Support Services			
	Leadership and Workforce Development	Strategic Thinking and Analysis	Information Dissemination	Management General	Fundraising	2021 Total	2020 Total
Contracts	$ 16,354	$ -	$ -	$ -	$ -	$ 16,354	$ 14,430
Depreciation	750	64	283	154	-	1,251	3,521
Donated facility	-	-	-	-	-	-	7,600
Insurance	6,503	552	2,451	1,338	-	10,844	10,252
Meeting expense	-	-	-	70	11	81	354
Office expense	33,989	-	4,675	3,160	353	42,177	23,639
Professional fees	4,319	366	1,627	888	-	7,200	9,299
Rent	11,733	995	4,421	2,413	-	19,562	24,000
Salaries, payroll taxes, and benefits	196,122	16,640	73,911	40,344	-	327,017	310,761
Telephone and communication	3,287	-	932	999	-	5,218	6,066
Travel	5,966	-	1,561	503	-	8,030	9,704
Utilities	6,736	-	-	-	-	6,736	6,766
Total expenses	$ 285,759	$ 18,617	$ 89,861	$ 49,869	$ 364	$ 444,470	$ 426,392

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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 375,726	$ (126,971)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
PPP loan forgiveness	(110,925)	-
Depreciation	1,251	3,520
Realized and unrealized net (gain) loss on investments	(226,695)	72,026
Change in grants receivable	(372)	(1,502)
Change in prepaid expenses	159	(361)
Change in accounts payable and accrued expenses	6,445	2,951
Net cash provided by (used in) operating activities	$ 45,589	$ (50,337)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest for reinvestment	$ -	$ (51,926)
Proceeds from sale of investments	236,905	354,343
Purchase of investments	(130,547)	(245,878)
Net cash provided by (used in) investing activities	$ 106,358	$ 56,539
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of note payable	$ 56,325	$ 54,600
Net cash provided by financing activities	$ 56,325	$ 54,600
Net increase in cash and cash equivalents	$ 208,272	$ 60,802
Cash and cash equivalents, beginning of year	387,750	326,948
Cash and cash equivalents, end of year	$ 596,022	$ 387,750

The Notes to Financial Statements are an integral part of these 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 financial statements of the Institute have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Institute reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions. Accordingly, net assets of the Institute and changes therein are classified and reported as follows:

Net Assets without Donor Restriction - net assets that are not subject to or are no longer subject to donor imposed stipulations.

Net Assets with Donor Restriction - net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Institute has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

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 net assets without donor restrictions 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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

Donated facilities

The Institute receives donations of the use of facilities that are recorded when there is an objective basis upon which to value them. These donations are an essential part of the Institute's activities.

New accounting pronouncements

During the year ended August 31, 2021, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (*Topic 606*), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and, supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. Topic 606 has been applied using the modified–retrospective method. There was no adjustment to opening net assets as of September 1, 2020.

During the year ended August 31, 2021, the Organization adopted FASB ASU 2018-08, *Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which requires that an entity evaluate whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. The results of applying Topic 958 did not have a material impact on the financial statements.

Endowment

Net assets with donor restrictions are endowment funds consisting of marketable equity and debt securities 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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

As a result of this interpretation, the Institute classifies net assets with donor restrictions 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 net assets with donor restrictions will remain restricted 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.

Contributions and grants

The Institute receives various contributions and grants each year. Receivables are stated at unpaid balances less an allowance for uncollectible accounts. The Institute provides for losses on receivables using the allowance method. The allowance is based on historical experience. It is the Organization's policy to charge-off uncollectible receivables when management determines the receivable will not be collected. There was no allowance deemed necessary at August 31, 2021 or 2020.

Revenue recognition

Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration the Organization expects to be entitled to receive in exchange for those goods and services. The Organization applies the five-step model under FASB ASC 606, *Revenue from Contracts with Customers*, to determine when revenue is earned and recognized.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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 Institute files Federal Form 990 and is generally no longer subject to examination by the Internal Revenue Service for years prior to 2018.

Subsequent events

Management has evaluated subsequent events through February 17, 2022, the date on which the financial statements were available to be issued.

Note 2. Endowment

As of August 31, 2022 and 2021, the investments and cash in the endowment account totaled $1,659,929 and $1,455,261, respectively. Included in these amounts are cash balances of $153,036 and $68,705, and investment balances of $1,506,893 and $1,386,556 for the years ended August 31, 2021 and 2020, respectively.

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:

	2021	2020
Common stock	$ 973,508	$ 856,226
Mutual funds	81,820	81,638
Preferred stock	235,517	235,789
American depository receipts	33,464	-
Master partnership	73,401	54,968
Certificates of deposit	109,183	157,935
	$ 1,506,893	$ 1,386,556

Note 2. Endowment (continued)

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

	2021	2020
Investments, beginning of the year	$ 1,386,556	$ 1,515,121
Sale of investments	(236,905)	(354,343)
Interest income reinvested	-	51,926
Purchases of investments	130,547	245,878
Net unrealized and realized gain	226,695	(72,026)
	$ 1,506,893	$ 1,386,556

Note 3. PPP Loan Forgiveness

The Company received a loan from Community Bank, in the amount of $54,600 under the Small Business Administration (SBA) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated April, 2022, with an interest rate of 1.000%. The Company applied for and has been notified that $54,600 (principal and interest) in eligible expenditures described in the CARES Act has been forgiven as of August 2021. Loan forgiveness is reflected in Government grants and contracts in the accompanying statements of income.

Note 4. Lease Commitments

The Institute was obligated under a lease agreement for its operating facilities through June 2013. In November 2014, the Institute agreed to pay monthly rental payments of $2,000 per month. This lease commitment ended during the year ended August 31, 2021. During 2020, the Institute renewed a lease agreement for office space for the Meridian Freedom Project at $1 per year. This lease agreement ended during the year ended August 31, 2021.

During 2021, the Institute entered into a lease agreement to lease office space in the amount of $506 per month. This lease expires October 31, 2022. During 2021, the Institute entered into a lease agreement to lease office space for the Meridian Freedom Project in the amount of $650 per month for the first two years and $750 for year three. This lease expires October 31, 2023.

Future minimum lease payments are as follows:

For the year ending:	
August 31, 2022	$ 13,874
August 31, 2023	9,912
August 31, 2024	1,500

Note 5. Donated Facilities

The Institute received donated facilities during fiscal year 2020 for the use of office space on a reduced rent basis. The value of donated facilities was $7,600 for the year ended August 31, 2020.

Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at August 31, 2021:

Business contributions	$ 1,389,600
Individual contributions	24,530
	$ 1,414,130

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 with grantors. The Institute does not believe it is subject to any unusual credit risk beyond the customary credit risk related to conduction of its nonprofit activities.

The Institute is exposed to considerable market risk as approximately 71% and 77% of its assets were in equity and debt securities at August 31, 2021 and 2020, respectively.

Note 8. 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.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact net income. Other financial impact could occur though such potential impact is unknown at this time.

Note 9. Liquidity and Available Resources

The following reflects the Institute's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Institute or Institute Board approves that action.

	2021	2020
Financial assets available within one year		
Cash	$ 442,986	$ 319,045
Grant receivable	16,705	16,333
Investments	1,506,893	1,386,556
Total financial assets	$ 1,966,584	$ 1,721,934
Contractual or donor-imposed restrictions		
Endowment contributions	$ (1,414,130)	$ (1,414,130)
Total contractual or donor-imposed restrictions	$ (1,414,130)	$ (1,414,130)
Financial assets available to meet cash needs for expenditures within one year	$ 552,454	$ 307,804