

**STEW POT COMMUNITY SERVICES, INC.
JACKSON, MISSISSIPPI**

AUDITED FINANCIAL STATEMENTS

**YEAR ENDED
DECEMBER 31, 2014**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Stewpot Community Services, Inc.
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Stewpot Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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

Board of Directors
Stewpot Community Services, Inc.

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 Stewpot Community Services, Inc. as of December 31, 2014, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2015, on our consideration of Stewpot Community Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stewpot Community Services, Inc.'s internal control over financial reporting and compliance.



Ridgeland, Mississippi
September 10, 2015

STEW POT COMMUNITY SERVICES, INC.
Statement of Financial Position
December 31, 2014

ASSETS

	Operating Fund	Capital Campaign	Bratton Street Project	Endowment Reserve Fund	Total
Cash (Note 12)	\$ 605,830	\$ 12,603	\$ -	\$ -	\$ 618,433
Prepaid insurance and other	24,407	-	-	-	24,407
Grants and contracts receivable	15,873	-	-	-	15,873
Houses held for rehabilitation	-	-	22,352	-	22,352
Interfund receivable (payable)	(82,617)	225,050	(142,433)	-	-
Long-term investments (Note 4)	-	-	-	64,290	64,290
Property and equipment (Net of accumulated depreciation of \$1,069,732) (Note 2)	3,399,543	-	109,838	-	3,509,381
Total Assets	\$ 3,963,036	\$ 237,653	\$ (10,243)	\$ 64,290	\$ 4,254,736

LIABILITIES AND NET ASSETS

Accounts payable	\$ 38,875	\$ -	\$ -	\$ -	\$ 38,875
Accrued leave payable	17,410	-	-	-	17,410
Notes Payable (Note 10)	-	45,833	96,828	-	142,661
Total Liabilities	56,285	45,833	96,828	-	198,946
Net Assets (Note 8)					
Unrestricted	3,887,819	-	(107,071)	64,290	3,845,038
Temporarily restricted	18,932	191,820	-	-	210,752
	3,906,751	191,820	(107,071)	64,290	4,055,790
Total Liabilities and Net Assets	\$ 3,963,036	\$ 237,653	\$ (10,243)	\$ 64,290	\$ 4,254,736

See accompanying notes to financial statements.

STEWOPOT COMMUNITY SERVICES, INC.
Statement of Activities
Year Ended December 31, 2014

	Operating Fund	Capital Campaign	Bratton Street Project	Endowment Reserve Fund	Total
Unrestricted Net Assets					
Support					
Business and individuals	\$ 1,142,748	\$ -	\$ -	\$ -	\$ 1,142,748
Churches	176,540	-	-	-	176,540
Special events and other	262,078	-	-	-	262,078
In-kind contributions	9,778	-	5,000	-	14,778
Interest income	36	-	-	3,354	3,390
Gain on involuntary conversion	31,574	-	-	-	31,574
Investment income	-	-	-	4,611	4,611
Unrealized depreciation	-	-	-	(5,201)	(5,201)
Administrative costs	-	-	-	(986)	(986)
	<u>1,622,754</u>	<u>-</u>	<u>5,000</u>	<u>1,778</u>	<u>1,629,532</u>
Net assets released from restrictions					
Restrictions satisfied by payments	<u>2,666,483</u>	<u>76,225</u>	<u>24,778</u>	<u>-</u>	<u>2,767,486</u>
	<u>4,289,237</u>	<u>76,225</u>	<u>29,778</u>	<u>1,778</u>	<u>4,397,018</u>
Expenses					
Program services					
Shelters	891,852	-	-	-	891,852
Food and other	934,314	-	-	-	934,314
Bratton Street Project	-	-	21,750	-	21,750
Supporting services					
Management and general	138,423	74,859	-	-	213,282
Fundraising	146,365	1,366	-	-	147,731
	<u>2,110,954</u>	<u>76,225</u>	<u>21,750</u>	<u>-</u>	<u>2,208,929</u>
Increase in Unrestricted Net Assets	<u>2,178,283</u>	<u>-</u>	<u>8,028</u>	<u>1,778</u>	<u>2,188,089</u>
Temporarily Restricted Net Assets					
Support for shelters	421,802	-	-	-	421,802
Support for food and other	144,870	-	-	-	144,870
Support for capital campaign	-	422,741	-	-	422,741
Support for Bratton Street Project	-	-	24,778	-	24,778
Interest income	-	52	-	-	52
Net assets released from restrictions					
Restrictions satisfied by payments	<u>(569,961)</u>	<u>(2,172,747)</u>	<u>(24,778)</u>	<u>-</u>	<u>(2,767,486)</u>
Decrease in Temporarily Restricted Net Assets	<u>(3,289)</u>	<u>(1,749,954)</u>	<u>-</u>	<u>-</u>	<u>(1,753,243)</u>
Increase (Decrease) in Net Assets	<u>2,174,994</u>	<u>(1,749,954)</u>	<u>8,028</u>	<u>1,778</u>	<u>434,846</u>
Transfer	12,000	-	-	(12,000)	-
Net Assets at Beginning of Year	<u>1,719,757</u>	<u>1,941,774</u>	<u>(115,099)</u>	<u>74,512</u>	<u>3,620,944</u>
Net Assets at End of Year	<u>\$ 3,906,751</u>	<u>\$ 191,820</u>	<u>\$(107,071)</u>	<u>\$ 64,290</u>	<u>\$ 4,055,790</u>

See accompanying notes to financial statements.

STEWOPOT COMMUNITY SERVICES, INC.
Statement of Functional Expenses
Year Ended December 31, 2014

	<u>Shelters</u>	<u>Food and Other</u>	<u>Bratton Street Project</u>	<u>Manage- ment and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Compensation and related expenses						
Salaries and wages	\$ 424,932	\$275,817	\$ -	\$ 51,640	\$ 58,060	\$ 810,449
Contract labor	100,938	180,644	-	-	-	281,582
Payroll taxes	31,147	27,036	-	3,059	3,439	64,681
Employee benefits	79,890	69,346	-	7,845	8,815	165,896
	<u>636,907</u>	<u>552,843</u>	<u>-</u>	<u>62,544</u>	<u>70,314</u>	<u>1,322,608</u>
Accounting and auditing	7,134	14,269	-	2,378	-	23,781
Capital campaign and other	-	-	-	74,859	1,366	76,225
Conferences and training	-	150	-	598	-	748
Depreciation	32,973	134,663	3,628	1,651	-	172,915
Dues and subscriptions	390	99	-	3,474	-	3,963
Food and related supplies	16,819	24,993	-	-	-	41,812
Insurance	34,782	34,782	-	6,956	-	76,520
Interest	-	-	7,666	-	-	7,666
Occupancy						
Maintenance	12,285	7,033	-	436	-	19,754
Utilities	86,312	66,627	8,429	16,947	-	178,315
Postage and printing	56	-	-	6,319	-	6,375
Program expense	4,893	32,649	2,027	-	-	39,569
Scholarships	-	10,264	-	-	-	10,264
Security	2,432	625	-	-	-	3,057
Specific assistance	77	10,499	-	-	-	10,576
Supplies						
Cleaning	4,746	4,370	-	-	-	9,116
Office	786	3,469	-	4,283	-	8,538
Other	3,155	6,703	-	25,996	-	35,854
Equipment repairs	13,130	13,872	-	1,794	-	28,796
Telephone	20,027	11,313	-	5,047	-	36,387
Transportation provided	14,948	5,091	-	-	-	20,039
Fundraising - general	-	-	-	-	76,051	76,051
	<u>\$ 891,852</u>	<u>\$934,314</u>	<u>\$ 21,750</u>	<u>\$ 213,282</u>	<u>\$147,731</u>	<u>\$ 2,208,929</u>

See accompanying notes to financial statements.

STEW POT COMMUNITY SERVICES, INC.

Statement of Cash Flows

Year Ended December 31, 2014

Cash Flows from Operating Activities:

Increase in net assets	\$ 434,846
Adjustments to reconcile change in net assets to net cash provided (required) by operating activities	
Depreciation	172,915
Contributions restricted for capital campaign	(422,741)
Gain on involuntary conversion from hail damage	(31,574)
Unrealized loss on investments	5,201
In-kind contribution - Bratton Street	(5,000)
Provision for uncollectible campaign contributions	96,568
Amortization of discount on campaign contributions	(21,709)
(Increase) or decrease in operating assets:	
Grants and contract receivables	32,202
Prepaid expenses and other	2,241
Increase or (decrease) in operating liabilities:	
Accrued leave	(13,334)
Construction payable	(128,259)
Accounts payable	22,289
Net Cash Provided By Operating Activities	<u>143,645</u>

Cash Flows From Investing Activities

Net redemptions of investments	5,020
Insurance proceeds from hail damage	31,574
Payments for capital campaign construction in progress	(36,714)
Payments for property and equipment	(54,197)
Net Cash Required By Investing Activities	<u>(54,317)</u>

Cash Flows From Financing Activities

Capital campaign contributions restricted for long-term purposes	502,231
Payment on construction loans	(564,337)
Proceeds from construction loan	260,170
Payments on mortgage loans and promissory note	(6,329)
Net Cash Provided By Financing Activities	<u>191,735</u>

NET INCREASE IN CASH 281,063

CASH AT BEGINNING OF YEAR 337,370

CASH AT END OF YEAR \$ 618,433

Supplemental Data:

Interest paid \$ 18,200

See accompanying notes to financial statements.

STEWPOD COMMUNITY SERVICES, INC.
Notes to Financial Statements
December 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Stewpot Community Services, Inc. is a not-for-profit organization that assists hungry and homeless individuals in the Jackson, Mississippi area. The Organization is responsible for the operation of the following:

Soup Kitchen-Jackson	Sims House - transitional shelter for women
Meals on Wheels	Billy Brumfield House - an emergency night shelter for men
Food Pantry	Matt's House - an overnight shelter for women
Clothing Closet	Virginia's Playhouse – Day Program for Elderly and Mentally Ill
Legal Clinic	
Summer Recreation Camp	Bratton Street Development Project
Children's After-School Program	Teen's After-School Program
Community Health Clinic	Counseling Services
Opportunity Center - day shelter	Flower's Emergency Shelter for Women and Children

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

STEWSPOT COMMUNITY SERVICES, INC.
Notes to Financial Statements
December 31, 2014

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property and Equipment

All expenditures over \$2,000 for assets having an estimated useful life that extends beyond the year of acquisition are capitalized and depreciated or amortized over the estimated useful life of the asset. Land, building, furniture, equipment and leasehold improvements are recorded at cost. The building comprising Matt's House is being depreciated on the straight-line method over 31.5 years. The Community Center and the Stewpot buildings are being depreciated on the straight-line method over 40 years. Depreciation of furniture and equipment and amortization of leasehold improvements are provided on the straight-line method over 5 to 15 years. The Flowers House addition in 2007 is being depreciated on the straight-line method over 39 years. The Capital Campaign's new dining room renovation was placed in service in February 2014 and included buildings, equipment, and landscaping being depreciated on the straight-line method over 10 to 40 years as deemed appropriate.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. 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.

Investment Securities

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities, if any, are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Tax Exempt Status

Stewpot Community Services, Inc. is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code, and similar provisions of the laws of the State of Mississippi.

The Organization has adopted the provisions of FASB ASC Topic 740-10, Income Taxes. Management believes it has no material uncertain tax positions or any related penalties and interest to accrue for the year ended December 31, 2014, and accordingly, there is no liability for unrecognized tax benefits.

The Project files IRS Form 990 annually with the Federal Government and is still open to examination by taxing authorities for calendar years 2011 and later.

STEW POT COMMUNITY SERVICES, INC.
Notes to Financial Statements
December 31, 2014

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Concentration of Credit Risk

The Organization maintains cash in bank deposit accounts at high quality financial institutions and a credit union. The balances at times may exceed federally insured limits. At December 31, 2014, the amount in excess of insured limits was approximately \$253,466. The risk is minimized by maintaining all deposits in high quality financial institutions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents, if any.

Subsequent Events

Management has evaluated subsequent events through September 10, 2015, the date the financial statements were available to be issued.

NOTE 2 **PROPERTY AND EQUIPMENT**

As of December 31, 2014, property and equipment consisted of:

Buildings -		
Bratton Street Rental Houses (Note 6)	\$	137,941
1100 W. Capitol Street		2,211,345
Matt's House		90,914
Community Center		439,161
Gallatin Street Property		82,678
Flowers House		156,225
Opportunity Center		289,499
Old Globe Building		8,670
Land		150,473
Furniture and equipment		487,476
Leasehold improvements		304,670
Vehicles		192,673
Playground		27,388
		<u>4,579,113</u>
Less accumulated depreciation and amortization		<u>(1,069,732)</u>
		<u>\$ 3,509,381</u>

STEWPOD COMMUNITY SERVICES, INC.
Notes to Financial Statements
December 31, 2014

NOTE 3 **LEASE AGREEMENTS**

Stewpot Community Services, Inc. operates the following facility at the will and pleasure of the City of Jackson:

<u>Lessor</u>	<u>Facility</u>
City of Jackson, MS	Billy Brumfield House

Stewpot leases a portion of its West Capitol Street building for use as a clinic to provide healthcare for the residents and homeless in the area. Stewpot currently receives \$1,791 per month on a month to month basis.

NOTE 4 **INVESTMENTS**

Investments are presented in the financial statements at fair value. Cost and unrealized appreciation at December 31, 2014 are as follows:

Endowment Fund – Long-Term Investments

	<u>Cost</u>	<u>Unrealized Appreciation</u>
Mutual Funds	\$ <u>50,281</u>	\$ <u>14,009</u>

NOTE 5 **HOUSES HELD FOR REHABILITATION**

Houses held for rehabilitation include houses on Bratton Street, a neighboring street to the Stewpot main office in Jackson, Mississippi. These houses are purchased, rehabilitated and sold to low-income individuals who may not be able to afford their own home otherwise. The houses are stated at the cost to purchase plus the cost of improvements and are sold based on the rehabilitated costs plus any cost to sell.

NOTE 6 **BRATTON STREET RENTAL HOUSES**

In August 2005, the Organization obtained approval to purchase a Bratton Street house, renovate it and rent the house to three of the Organization’s volunteer assistants. The volunteer assistants are mentally challenged, but can live on their own. The house is managed by Stewpot staff members and the volunteer assistants pay rent from their disability checks.

In 2008, the Organization obtained two additional houses that it had previously rehabilitated and sold. The owners defaulted on their mortgages. As of December 31, 2014, Stewpot had month-to-month rent agreements with seven volunteer assistants for \$300 per month each. The rent charged is used to service the mortgage debt and pay property taxes. See Note 10.

STEWPOINT COMMUNITY SERVICES, INC.
Notes to Financial Statements
December 31, 2014

NOTE 7 **SUMMARY OF FEDERAL GRANTS**

<u>Funding Source</u>	<u>Purpose</u>	<u>Recognized Support</u>
U. S. Department of Housing and Urban Development - Supportive Housing Program	Funding of Flowers House Funding of Matt's House	\$ 69,040 8,939
City of Jackson, Mississippi- HUD Emergency Shelter Grant	Funding for Opportunity Center Funding for Matt's House Funding for Sims House Funding for Billy Brumfield House Funding for Flowers House	44,240 2,595 3,856 7,980 3,494
City of Jackson, Mississippi- Community Development Block Grant	After School Program	<u>7,940</u>
		<u>\$ 148,084</u>

NOTE 8 **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

Long-term capital campaign project	\$ 191,820
Heartworks	7,054
Various capital improvement projects	5,000
Various scholarships; medical and other assistance	<u> 6,878</u>
	<u>\$ 210,752</u>

NOTE 9 **IN-KIND CONTRIBUTIONS**

Contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. During the year ended December 31, 2014, the organization received donated professional services of \$9,778.

During the year ended December 31, 2014, the organization also received property valued at \$5,000. This property is being held as work-in-process for Bratton Street.

The Organization receives a significant amount of donated services from unpaid volunteers and donations of food, clothing and other items. No amounts have been recognized in the statement of activities for the donations because the criteria for recognition under FASB Accounting Standards Codification 958-605 have not been satisfied.

STEWOPOT COMMUNITY SERVICES, INC.
Notes to Financial Statements
December 31, 2014

NOTE 10 **NOTES PAYABLE AND LONG-TERM DEBT**

Mortgage Loans

In 2005, the Organization refinanced a construction loan and obtained a mortgage loan on the Dennis House (see Note 6). The mortgage is for a term of 15 years at 8% interest, including principal and interest payments of \$481 per month. The balance of this loan was \$26,726 at December 31, 2014.

In 2008, the Organization purchased two homes on Bratton Street to be used as program rental properties. The mortgage is for twenty years at 7.50%, including monthly principal and interest payments of \$685. The balance of this loan was \$70,102 at December 31, 2014.

Construction Loans

The Organization obtained a construction loan on May 8, 2013, to assure that completion of the Capital Campaign construction was not delayed due to lack of funds. The loan is for a maximum of \$635,000 and was originally due on August 30, 2014, at 4% interest. The loan was extended to August 2015 at the same interest rate. The loan is collateralized by the campaign pledges. The outstanding balance on this loan was \$45,833 on December 31, 2014. The loan was paid off in April 2015. Interest capitalized on this loan in 2014 was \$10,534.

The following table shows maturities by year on the long-term debt at December 31, 2014.

Year Ending	Bratton Street Houses	Dennis House	Construction Loan	Total
2015	\$ 3,066	\$ 3,772	\$ 45,833	\$ 52,671
2016	3,304	4,085	-	7,389
2017	3,561	4,424	-	7,985
2018	3,837	4,792	-	8,629
2019	4,135	5,189	-	9,324
After	52,199	4,464	-	56,663
	<u>\$ 70,102</u>	<u>\$ 26,726</u>	<u>\$ 45,833</u>	<u>\$ 142,661</u>
Less current maturities				<u>(52,671)</u>
Long-term portion				<u>\$ 89,990</u>

STEWSPOT COMMUNITY SERVICES, INC.
Notes to Financial Statements
December 31, 2014

NOTE 11 FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2014 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Long-term investments	\$ <u>64,290</u>	\$ <u>64,290</u>

All assets have been valued using a market approach. There were no changes in the valuations techniques during the current year.

NOTE 12 RESTRICTED CASH

The Organization has \$21,045 included in cash but held in separate accounts. The use of these funds is restricted to a long-term capital campaign project, scholarships and other.

NOTE 13 SIMPLE RETIREMENT PLAN

The Organization established a SIMPLE Retirement Plan for its employees in 2004. All employees are eligible to participate and contribute to the plan. The Organization contributed 2% of each employee's compensation to the Plan in 2014, which totaled \$15,358.

NOTE 14 ENDOWMENT/RESERVE FUND

The Community Foundation of Greater Jackson holds assets for Stewspot Community Services, Inc. Upon the transfer, Stewspot specified itself as the beneficiary and, as such, recognizes the assets as a beneficial interest in assets held by others. The agreement between the Foundation and Stewspot specifies semiannual distributions of income from both funds.

Reserve funds may be distributed based on a request from Stewspot's Board of Directors for a special initiative or temporary relief of a working cash shortfall. The agreement also specifies that, in the event the Foundation ever ceases to be a 501(c)(3) organization, or if Stewspot is ever dissolved, the Foundation will continue to hold the assets and shall distribute income to a 501(c)(3) organization that in the opinion of the Foundation Board of Directors most nearly meets the purposes and objectives for which the funds were established. At December 31, 2014, the breakdown of the fund balances was as follows:

Endowment Fund	\$ 23,136
Reserve Fund	<u>41,154</u>
	<u>\$ 64,290</u>

During 2014, \$12,000 was transferred from the reserve fund to operating cash.

NOTE 15 FUNDRAISING COSTS

The Organization incurred fundraising costs in 2014 in the amount of \$147,731. This amount includes \$146,365 for the general fund for special events costs, annual postage and printing costs of regular newsletters and employee's time allocation. The remaining \$1,366 is made up of capital campaign expenditures.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Stewpot Community Services, Inc.
Jackson, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Stewpot Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stewpot Community Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stewpot Community Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in *internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Stewpot Community Services, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stewpot Community Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Ridgeland, Mississippi
September 10, 2015