

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

Audited Financial Statements

December 31, 2019

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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, 2019, 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 auditors' 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 Stewpot Community Services, Inc. as of December 31, 2019, 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 August 13, 2020, 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.

A handwritten signature in black ink that reads "Grantham Poole PUC".

Ridgeland, Mississippi
August 13, 2020

STEWOPOT COMMUNITY SERVICES, INC.
Statement of Financial Position
December 31, 2019

	<u>ASSETS</u>			
	<u>Operating Fund</u>	<u>Bratton Street Project</u>	<u>Endowment/ Reserve Fund</u>	<u>Total</u>
Current Assets:				
Cash - Unrestricted	\$ 433,171	\$ -	\$ -	\$ 433,171
Cash - Restricted	390,139	-	-	390,139
Certificate of Deposit	100,426	-	-	100,426
Prepaid Insurance and Other	11,185	-	-	11,185
Grants Receivable	34,596	-	-	34,596
Total Current Assets	<u>969,517</u>	<u>-</u>	<u>-</u>	<u>969,517</u>
Long-Term Investments	-	-	616,798	616,798
Donated Land	85,000	-	-	85,000
Houses Held for Rehabilitation	-	13,353	-	13,353
Interfund Receivable (Payable)	187,809	(187,809)	-	-
Property and Equipment, Net	2,856,678	108,419	-	2,965,097
Total Assets	<u>\$ 4,099,004</u>	<u>\$ (66,037)</u>	<u>\$ 616,798</u>	<u>\$ 4,649,765</u>
 <u>LIABILITIES AND NET ASSETS</u> 				
Current Liabilities:				
Accounts Payable	\$ 26,615	\$ -	\$ -	\$ 26,615
Accrued Leave Payable	28,567	-	-	28,567
Current Maturities of Long-Term Debt	96,505	9,856	-	106,361
Total Current Liabilities	<u>151,687</u>	<u>9,856</u>	<u>-</u>	<u>161,543</u>
Long-Term Debt, Net of Current Maturities	<u>-</u>	<u>48,812</u>	<u>-</u>	<u>48,812</u>
Total Liabilities	<u>151,687</u>	<u>58,668</u>	<u>-</u>	<u>210,355</u>
Net Assets:				
Net Assets Without Donor Restrictions	3,659,726	(124,705)	616,798	4,151,819
Net Assets With Donor Restrictions	287,591	-	-	287,591
Total Net Assets	<u>3,947,317</u>	<u>(124,705)</u>	<u>616,798</u>	<u>4,439,410</u>
Total Liabilities and Net Assets	<u>\$ 4,099,004</u>	<u>\$ (66,037)</u>	<u>\$ 616,798</u>	<u>\$ 4,649,765</u>

See accompanying notes to financial statements.

STEWOPOT COMMUNITY SERVICES, INC.

Statement of Activities

Year Ended December 31, 2019

	<u>Operating Fund</u>	<u>Bratton Street Project</u>	<u>Endowment/ Reserve Fund</u>	<u>Total</u>
Net Assets Without Donor Restriction Support:				
Businesses and Individuals	\$ 1,036,268	\$ -	\$ 528,142	\$ 1,564,410
Churches	158,929	-	-	158,929
Special Events and Other	224,190	-	-	224,190
Support for Bratton Street	-	23,650	-	23,650
In-kind Contributions	8,230	-	-	8,230
Interest Income	553	-	-	553
Investment Income, Net	-	-	25,049	25,049
Realized and Unrealized Gains, Net	-	-	13,662	13,662
	<u>1,428,170</u>	<u>23,650</u>	<u>566,853</u>	<u>2,018,673</u>
Net Assets Released from Restrictions	<u>1,136,192</u>	<u>-</u>	<u>-</u>	<u>1,136,192</u>
	<u>2,564,362</u>	<u>23,650</u>	<u>566,853</u>	<u>3,154,865</u>
Expenses:				
Program Services				
Shelters and Rapid Rehousing	746,101	-	-	746,101
Food and Other	1,105,637	-	-	1,105,637
Bratton Street Project	-	33,311	-	33,311
Total Program Services	<u>1,851,738</u>	<u>33,311</u>	<u>-</u>	<u>1,885,049</u>
Supporting Services				
Management and General	229,842	-	-	229,842
Fundraising	115,251	-	-	115,251
Total Expenses	<u>2,196,831</u>	<u>33,311</u>	<u>-</u>	<u>2,230,142</u>
Change in Net Assets Without Donor Restrictions	<u>367,531</u>	<u>(9,661)</u>	<u>566,853</u>	<u>924,723</u>
Net Assets With Donor Restrictions:				
Support for Shelters and Rapid Rehousing	366,757	-	-	366,757
Support for Food and Other	535,368	-	-	535,368
Interest Income	169	-	-	169
Net Assets Released from Restrictions	<u>(1,136,192)</u>	<u>-</u>	<u>-</u>	<u>(1,136,192)</u>
Change in Net Assets With Donor Restrictions	<u>(233,898)</u>	<u>-</u>	<u>-</u>	<u>(233,898)</u>
Change in Net Assets	<u>133,633</u>	<u>(9,661)</u>	<u>566,853</u>	<u>690,825</u>
Net Assets at Beginning of Year	<u>3,813,684</u>	<u>(115,044)</u>	<u>49,945</u>	<u>3,748,585</u>
Net Assets at End of Year	<u>\$ 3,947,317</u>	<u>\$ (124,705)</u>	<u>\$ 616,798</u>	<u>\$ 4,439,410</u>

STEWOPOT COMMUNITY SERVICES, INC.

Statement of Functional Expenses

Year Ended December 31, 2019

	<u>Shelters and Rapid Rehousing</u>	<u>Food and Other</u>	<u>Bratton Street Project</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Compensation Related Expenses:						
Salaries and Wages	\$ 281,664	\$ 423,986	\$ -	\$ 90,859	\$ 42,308	\$ 838,817
Contract Labor	82,811	110,958	-	-	-	193,769
Payroll Taxes	26,809	39,348	-	6,683	3,112	75,952
Employee Benefits	61,264	89,918	-	15,272	7,113	173,567
	<u>452,548</u>	<u>664,210</u>	<u>-</u>	<u>112,814</u>	<u>52,533</u>	<u>1,282,105</u>
Other Expenses:						
Accounting and Auditing	-	-	-	30,502	-	30,502
Conference and Training	604	-	-	1,835	-	2,439
Depreciation	48,128	88,125	4,079	5,829	-	146,161
Dues and Subscriptions	200	59,350	-	4,659	-	64,209
Food and Related Supplies	6,970	23,111	-	-	-	30,081
Insurance	35,139	44,447	-	8,890	-	88,476
Interest	-	-	4,823	1,894	-	6,717
Occupancy						
Maintenance	19,917	32,225	-	6,328	-	58,470
Utilities	64,670	50,169	19,583	19,911	-	154,333
Postage and Printing	-	-	-	8,788	-	8,788
Program Expense	69,326	84,245	4,826	-	-	158,397
Scholarships	-	540	-	-	-	540
Security	7,348	2,218	-	-	-	9,566
Specific Assistance	593	8,301	-	-	-	8,894
Supplies						
Cleaning	1,369	3,780	-	-	-	5,149
Office	394	7,200	-	2,925	-	10,519
Other	5,492	4,407	-	21,197	-	31,096
Equipment Repairs	8,873	16,847	-	1,332	-	27,052
Telephone	17,094	9,232	-	2,938	-	29,264
Transportation Provided	7,436	7,230	-	-	-	14,666
Fundraising - General	-	-	-	-	62,718	62,718
	<u>\$ 746,101</u>	<u>\$ 1,105,637</u>	<u>\$ 33,311</u>	<u>\$ 229,842</u>	<u>\$ 115,251</u>	<u>\$ 2,230,142</u>

STEW POT COMMUNITY SERVICES, INC.

Statement of Cash Flows

Year Ended December 31, 2019

Cash Flows From Operating Activities:	
Change in Net Assets	\$ 690,825
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities	
Depreciation	146,161
Realized and Unrealized Gains on Investments	(13,662)
(Increase) or Decrease in Operating Assets:	
Grants and Contract Receivables	(34,596)
Prepaid Expenses and Other	(10,905)
Increase (Decrease) in Operating Liabilities:	
Outstanding Checks in Excess of Bank Balance	(19,818)
Accounts Payable	(6,760)
Net Cash Provided By Operating Activities	<u>751,245</u>
Cash Flows From Investing Activities:	
Net Purchases of Investments	(553,492)
Payments for Property and Equipment	(326,180)
Net Cash Required By Investing Activities	<u>(879,672)</u>
Cash Flows From Financing Activities:	
Proceeds from Line of Credit	96,184
Payments on Mortgage Loans and Promissory Note	(9,171)
Net Cash Provided By Financing Activities	<u>87,013</u>
Net Decrease in Cash	(41,414)
Cash at Beginning of Year	<u>864,724</u>
Cash at End of Year	<u>\$ 823,310</u>
Supplemental Data:	
Interest Paid	<u>\$ 6,717</u>
Cash at End of Year:	
Cash - Unrestricted	\$ 433,171
Cash - Restricted	390,139
	<u>\$ 823,310</u>

See accompanying notes to financial statements.

STEW POT COMMUNITY SERVICES, INC.
Notes to Financial Statements
December 31, 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

Community Kitchen	Meals on Wheels
Billy Brumfield Shelter for Men	Food Pantry
Summer Recreation Camp	HUD Rapid Rehousing Project
Legal Clinic	Opportunity Center Day Shelter
Bratton Street Development Project	Children's After-School Program
Teen's After-School Program	Matt's House Emergency Shelter for Women
Clothing Closet	MS-500 Continuum of Care (COC)
Homeless Management Information System (HMIS)	

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.

New Accounting Standard

During the year ended December 31, 2019, the Organization adopted the Financial Accounting Standards Board (FASB) ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASC Topic 605). This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis to all agreements with grantors that either were not completed as of January 1, 2019 or were entered into after that date. There is no effect on net assets in connection with the implementation of ASU 2018-08. Adoption of ASU 2018-08 resulted in classification of certain grant agreements as contributions, not exchange transactions, thereby requiring disclosure of conditional grants (*i.e.* grant funds that are available to the Organization upon the satisfaction of certain conditions and related invoice submission to the grantor). See Note 7 for additional information.

Net Asset Presentation

In accordance with ASU 2016-14, net assets, support and revenues, and expenses are classified based on the existence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. These types of contributions are gifted for recurring programs and the general budget of the Organization. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions - board designated.

STEWOPOT COMMUNITY SERVICES, INC.
Notes to Financial Statements
December 31, 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

With Donor Restrictions – Net assets subject to donor-imposed stipulations that are more restrictive than the Organization’s general operations. For these types of net assets, the donor has restricted the gift to be used for a particular program, purpose or mission of the Organization. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition

All contributions are considered to be available for general 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 net assets with donor restrictions. When a temporary restriction expires, that particular net asset with donor restriction is 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. There were no promises to give recognized or outstanding at December 31, 2019.

A significant portion of the Organization’s revenue is derived from cost-reimbursable federal and state contracts and grants, the receipt of which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized as receivable when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Contributed Services

Contributions of donated services and materials 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 when they are received or unconditionally pledged. During the year ended December 31, 2019, the organization received donated professional services of \$8,230.

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 these type donations because the criteria for recognition under FASB Accounting Standards Codification 958-605 have not been satisfied.

STEW POT COMMUNITY SERVICES, INC.
Notes to Financial Statements
December 31, 2019

NOTE 1 ORGANIZATION AND 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 buildings are being depreciated on a straight-line basis over 30 to 40 years. Depreciation of vehicles, furniture and equipment and amortization of leasehold improvements are provided on the straight-line method over 5 to 15 years.

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 proportional to salary expenses for each program.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

The Organization records its investments in financial instruments at fair value. Realized gains and losses are recorded upon disposition of financial instruments calculated based upon the difference between the net proceeds of the sale and the cost basis of the instrument sold. Investment income and both realized and unrealized gains and losses are recorded in the statement of activities based on the classification of the investment from which it was derived. Investment expenses are offset against investment earnings.

The Organization's long-term investments are in an investment pool maintained and managed by a local foundation in which the Organization owns units as opposed to owning shares of the underlying investments. The units of the pool are measured at fair value using the net asset value per share, reported by the foundation, which the Organization considers to be a practical expedient to determining the units' fair value.

Fair Value Measurements

The Organization records its non-cash contributions and investments in financial instruments at fair market value. Realized gains and losses are recorded upon disposition of financial instruments calculated based upon the difference between the proceeds and the cost basis. All other changes in valuation of financial instruments are included in the statement of activities.

Generally accepted accounting standards establishes fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. These inputs are summarized in the three broad levels as follows:

STEW POT COMMUNITY SERVICES, INC.
Notes to Financial Statements
December 31, 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Level 1 – Quoted prices in active markets for identical financial instruments.

Level 2 – Observable inputs other than Level 1 quoted prices (including, but not limited to, quoted prices for similar financial instruments, interest rates, prepayment speeds, and credit risk).

Level 3 – Significant unobservable inputs.

Observable inputs are those based on market data obtained from sources independent of Stewpot, and observable, inputs reflect Stewpot’s own assumptions based on the best information available. The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

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.

Accounting standards prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management has evaluated its uncertain tax positions and related income tax contingencies and feels they are not material to the financial statements. Penalties and interest assessed by income taxing authorities are included in operating expenses if incurred.

The Organization files IRS Form 990 annually with the Federal Government and is still open to examination by taxing authorities for calendar years 2016 and later.

Concentration of Credit Risk

The Organization maintains cash in bank deposit accounts at high quality financial institutions. The balances at times may exceed federally insured limits. At December 31, 2019, there was \$159,384 in excess of insured limits. The risk, if any, is minimized by maintaining all deposits in well-established, high quality financial institutions.

Cash and Cash Equivalents

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

Subsequent Events

Management has evaluated subsequent events through August 13, 2020, the date the financial statements were available to be issued.

STEWPOD COMMUNITY SERVICES, INC.
Notes to Financial Statements
December 31, 2019

NOTE 2 PROPERTY AND EQUIPMENT

As of December 31, 2019, property and equipment consisted of:

Buildings -	
Bratton Street Rental Houses	\$ 156,010
1100 W. Capitol Street	2,304,187
Food Pantry	251,453
Matt's House	135,062
Gallatin Street Warehouse	82,678
Flowers House	156,225
Opportunity Center	341,683
Old Globe Building	8,670
Land	12,000
Furniture and Equipment	472,170
Leasehold Improvements	283,917
Vehicles	200,318
Sims House Renovation	121,377
Playground	12,381
	<u>4,538,131</u>
Less Accumulated Depreciation and Amortization	<u>(1,573,034)</u>
Total Property and Equipment, Net	<u><u>\$ 2,965,097</u></u>

NOTE 3 LEASE AGREEMENTS

The Organization 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

The Organization 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. Total rental income for this lease was \$21,492 in 2019 and it is included in Special Events and Other in the statement of activities.

NOTE 4 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 5 BRATTON STREET RENTAL HOUSES

Since August 2005, the Organization has purchased several Bratton Street houses and renovated them to rent to some of the Organization's volunteer assistants. The volunteer assistants are

STEW POT COMMUNITY SERVICES, INC.
Notes to Financial Statements
December 31, 2019

NOTE 5 BRATTON STREET RENTAL HOUSES (CONTINUED)

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. In 2016, another Bratton Street house was returned to Stewpot by a lender at no cost to Stewpot. On January 1, 2017, Stewpot decided to rent this home to disabled women. As of December 31, 2019, Stewpot had month-to-month rent agreements with five volunteer assistants and/or disabled women for these Bratton Street rental houses for \$300 per month each. The rent charged is used to service the mortgage debt and pay property taxes. See Note 10.

NOTE 6 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		
HMIS	Monitoring of Homeless	\$ 83,904
COC	Planning	51,053
Rapid Rehousing	Housing	109,975
City of Jackson, Mississippi-		
HUD Emergency	Funding for Opportunity Center	46,141
Other	Funding for Matt's House	26,553
Other	Funding for Brumfield	34,493
Emergency Food & Shelter	Food	16,234
Mississippi Home Corporation		
Rapid Rehousing	Housing	13,177
City of Jackson, Mississippi-		
Community Development Block Grant	After School Program	<u>16,948</u>
		<u>\$ 398,478</u>

Income from grants is included in Support for the respective programs in the statement of activities.

NOTE 7 GRANT REIMBURSEMENTS RECEIVABLE AND FUTURE COMMITMENTS

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2019, have been recorded as receivables in the amount of \$34,596. Following are the grant commitments that extend beyond December 31, 2019.

STEWOPOT COMMUNITY SERVICES, INC.
Notes to Financial Statements
December 31, 2019

NOTE 7 GRANT REIMBURSEMENTS RECEIVABLE AND FUTURE COMMITMENTS
(CONTINUED)

<u>Grants</u>	<u>Terms</u>	<u>Grant Amounts</u>	<u>Earned Through December 31, 2019</u>	<u>Funding Available</u>
Federal, State, and Local Government Grants	Various Terms from February 25, 2019 through March 31, 2021	\$ 604,546	\$ 170,775	\$ 433,771

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net asset with donor restrictions are available for the following purposes:

Capital Campaign Project	\$ 221,618
Heartworks	30,845
Opportunity Center Projects	19,884
Various Capital Improvement Projects	3,000
Computer Technology	838
Various Scholarships, Medical, and Other Assistance	<u>11,406</u>
	<u>\$ 287,591</u>

NOTE 9 NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2019 are:

Board Designated - Capital Improvements	\$ 400,055
Undesignated Amount	<u>3,751,764</u>
	<u>\$ 4,151,819</u>

NOTE 10 NOTES PAYABLE AND LONG-TERM DEBT

Cash Flow Loan

The Organization obtained a working capital loan to assist with cash flow in October of 2016. The loan originally was for a maximum principal amount of \$102,295, maturing on October 25, 2021, collateralized by the building at 1008 West Capitol Street known as the Teen Center. The Organization has renewed the loan several times. The latest renewal was on August 12, 2019 at 2.35%. A certificate of deposit at the same bank in the amount of \$100,338 has been pledged as collateral for the loan, due on August 12, 2020. The balance of the loan and the certificate of deposit at December 31, 2019 was \$96,505 and \$100,426, respectively. Management is working to renew this loan but as of August 13, 2020, it has not yet been renewed and is still shown as current on the statement of financial position.

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 \$5,400 at December 31, 2019.

STEW POT COMMUNITY SERVICES, INC.
Notes to Financial Statements
December 31, 2019

NOTE 10 **NOTES PAYABLE AND LONG-TERM DEBT (CONTINUED)**

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 \$53,268 at December 31, 2019.

The following table shows maturities by year on the long-term debt at December 31, 2019.

<u>Year</u> <u>Ending</u>	<u>Cash</u> <u>Flow Loan</u>	<u>Bratton Street</u> <u>Houses</u>	<u>Dennis</u> <u>House</u>	<u>Total</u>
2020	\$ 96,505	\$ 4,456	\$ 5,400	\$ 106,361
2021	-	4,802	-	4,802
2022	-	5,175	-	5,175
2023	-	5,577	-	5,577
2024	-	33,258	-	33,258
After	-	-	-	-
	<u>\$ 96,505</u>	<u>\$ 53,268</u>	<u>\$ 5,400</u>	<u>\$ 155,173</u>
				Less Current Maturities
				<u>(106,361)</u>
				<u>\$ 48,812</u>

NOTE 11 **FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2019 are as follows:

Long-term Investments:

<u>Category of Investment:</u>	<u>Fair Value</u>	<u>Unfunded</u> <u>Commitments</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice</u>
Pooled - Long-term Fund	<u>\$ 616,798</u>	<u>\$ -</u>	as needed	1-2 days

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, requires that assets reported at fair value using the net asset value practical expedient not be classified according to their level within the fair value hierarchy. All of the Organization's long-term investments are measured at fair value using the practical expedient.

The components of total investment return for 2019 consist of the following:

Investment Income	\$ 25,916
Investment Expense	<u>(867)</u>
Net Investment Income	25,049
Realized and Unrealized Gains, Net	<u>13,662</u>
Total Investment Return	<u>\$ 38,711</u>

NOTE 12 **RESTRICTED CASH**

The Organization has \$390,139 held in separate accounts at December 31, 2019. The use of these funds is restricted and relates to insurance proceeds from the teen center, capital funds, scholarships and other.

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Notes to Financial Statements
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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 2019, which totaled \$15,508.

NOTE 14 **ENDOWMENT/RESERVE FUND**

The Community Foundation of Greater Jackson (Foundation) holds assets for the Organization. Upon the transfer, the Organization 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 the Organization specifies semiannual distributions of income from both funds.

Endowment funds are part of the Foundation's endowment. Reserve funds may be distributed based on a request from the Organization'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 Organization ever ceases to be a 501(c)(3) organization, or if the Organization 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, 2019, the breakdown of the fund balances was as follows:

Endowment Fund	\$	29,471
Reserve Fund		<u>587,327</u>
		<u>\$ 616,798</u>

NOTE 15 **FUNDRAISING COSTS**

The Organization incurred fundraising costs in 2019 in the amount of \$115,251. This amount includes special events costs, annual postage and printing costs of regular newsletters and employee's time allocation.

NOTE 16 **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

Financial assets available for general expenditures, that is without donor or other restrictions limiting their use, within one year of the current statement of financial position date, comprise the following:

Cash	\$	433,171
Grants Receivable		<u>34,596</u>
Total Available Assets		<u>\$ 467,767</u>

The Organization has additional restricted cash funds of \$299,629 that are designated by the board for capital improvements and are not intended to be spent on general operations. These amounts could be made available if necessary by board approval.

STEWPOD COMMUNITY SERVICES, INC.
Notes to Financial Statements
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NOTE 17 **NEW ACCOUNTING STANDARDS**

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606), which clarifies the principles for recognizing revenue. This guidance requires an entity to record revenue when the transfer of promised good or services to customers and in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Organization will be required to adopt ASU 2014-09 as of January 1, 2020. The Organization is currently evaluating the impact of ASU 2014-09 on the Organization's revenue, financial condition and results of operations. The adoption of ASU 2014-09 is not expected to have a material effect.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC Topic 842). This standard increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. Under the standard, leased assets will be recorded as a right-of-use assets and liabilities will be recorded for future lease payments. The Organization is required to adopt ASU 2016-02 in 2022 using a modified retrospective approach. Early adoption is permitted. The Organization is currently evaluating the new guidance and has not determined the impact this standard may have on their financial statements nor has the method of adoption been determined by management of the Organization.

NOTE 18 **SUBSEQUENT EVENTS**

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The degree to which COVID-19 may impact the Organization's operational and financial performance is dependent upon a multitude of unpredictable factors, including the duration and spread of the outbreak and its impact on Stewpot's missions, donors/contributors, employees, and vendors. At present, management is unable to determine whether or to what extent the COVID-19 pandemic will have a measurable impact on the Organization's financial condition or results of operations.

On April 17, 2020, Stewpot was extended a loan from a local bank in the amount of \$152,000, pursuant to the Paycheck Protection Program (PPP), Title 1 of the CARES Act, which was enacted March 27, 2020. The loan matures on April 17, 2022 and bears interest at 1%, payable monthly beginning in October 2020 with 18 payments of \$8,548 per month. The note may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, rent, utilities and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization intends to use the entire loan amount for qualifying expenses and, therefore, expects substantially all the loan amount to be forgiven.



**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, 2019, 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 August 13, 2020.

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.



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.

A handwritten signature in black ink that reads "Grantham Poole Pirec".

Ridgeland, Mississippi
August 13, 2020