

**STEWOPOT COMMUNITY SERVICES, INC.  
JACKSON, MISSISSIPPI**

**Audited Financial Statements**

**December 31, 2021**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Stewpot Community Services, Inc. as of December 31, 2021, 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.

#### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Stewpot Community Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Stewpot Community Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Stewpot Community Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Stewpot Community Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with



auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2022, 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 solely 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 the effectiveness of Stewpot Community Services, Inc.'s 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  
October 3, 2022

**STEWOPOT COMMUNITY SERVICES, INC.**  
**Statement of Financial Position**  
**December 31, 2021**

|   | <u>ASSETS</u>             |                                       |  | <u>Total</u>        |
|---|---------------------------|---------------------------------------|--|---------------------|
|   | <u>Operating<br/>Fund</u> | <u>Bratton<br/>Street<br/>Project</u> | <u>Endowment/<br/>Reserve<br/>Fund</u> |                     |
| Current Assets:                           |                           |                                       |  |                     |
| Cash - Unrestricted                       | \$ 255,949                | \$ -                                  | \$ -                                   | \$ 255,949          |
| Cash - Restricted                         | 139,836                   | -                                     | -                                      | 139,836             |
| Certificate of Deposit                    | 100,992                   | -                                     | -                                      | 100,992             |
| Prepaid Insurance and Other               | 1,194                     | -                                     | -                                      | 1,194               |
| Grants Receivable                         | 264,107                   | -                                     | -                                      | 264,107             |
| <b>Total Current Assets</b>               | <b>762,078</b>            | <b>-</b>                              | <b>-</b>                               | <b>762,078</b>      |
| Long-Term Investments                     | -                         | -                                     | 864,114                                | 864,114             |
| Donated Land                              | 85,000                    | -                                     | -                                      | 85,000              |
| Houses Held for Rehabilitation            | -                         | 13,353                                | -                                      | 13,353              |
| Interfund Receivable (Payable)            | 383,839                   | (229,539)                             | (154,300)                              | -                   |
| Property and Equipment, Net               | 2,962,807                 | 45,428                                | -                                      | 3,008,235           |
| <b>Total Assets</b>                       | <b>\$ 4,193,724</b>       | <b>\$ (170,758)</b>                   | <b>\$ 709,814</b>                      | <b>\$ 4,732,780</b> |
| <b><u>LIABILITIES AND NET ASSETS</u></b>  |                           |                                       |  |                     |
| Current Liabilities:                      |                           |                                       |  |                     |
| Accounts Payable                          | \$ 14,469                 | \$ -                                  | \$ -                                   | \$ 14,469           |
| Accrued Leave Payable                     | 28,567                    | -                                     | -                                      | 28,567              |
| Line of Credit                            | 49,858                    | -                                     | -                                      | 49,858              |
| Current Maturities of Long-Term Debt      | -                         | 5,175                                 | -                                      | 5,175               |
| <b>Total Current Liabilities</b>          | <b>92,894</b>             | <b>5,175</b>                          | <b>-</b>                               | <b>98,069</b>       |
| Long-Term Debt, Net of Current Maturities | -                         | 29,251                                | -                                      | 29,251              |
| <b>Total Liabilities</b>                  | <b>92,894</b>             | <b>34,426</b>                         | <b>-</b>                               | <b>127,320</b>      |
| Net Assets:                               |                           |                                       |  |                     |
| Net Assets Without Donor Restrictions     | 4,068,911                 | (205,184)                             | 709,814                                | 4,573,541           |
| Net Assets With Donor Restrictions        | 31,919                    | -                                     | -                                      | 31,919              |
| <b>Total Net Assets</b>                   | <b>4,100,830</b>          | <b>(205,184)</b>                      | <b>709,814</b>                         | <b>4,605,460</b>    |
| <b>Total Liabilities and Net Assets</b>   | <b>\$ 4,193,724</b>       | <b>\$ (170,758)</b>                   | <b>\$ 709,814</b>                      | <b>\$ 4,732,780</b> |

See accompanying notes to financial statements.

**STEWOPOT COMMUNITY SERVICES, INC.**

**Statement of Activities**

**Year Ended December 31, 2021**

|  | <u>Operating<br/>Fund</u> | <u>Bratton<br/>Street<br/>Project</u> | <u>Endowment/<br/>Reserve<br/>Fund</u> | <u>Total</u>        |
|--|---------------------------|---------------------------------------|--|---------------------|
| Net Assets Without Donor Restriction Support:          |                           |                                       |  |                     |
| Business and Individuals                               | \$ 1,714,360              | \$ -                                  | \$ -                                   | \$ 1,714,360        |
| Churches   | 189,281                   | -                                     | -                                      | 189,281             |
| Special Events and Other                               | 149,848                   | -                                     | -                                      | 149,848             |
| Support for Bratton Street                             | -                         | 20,550                                | -                                      | 20,550              |
| In-kind Contributions                                  | 13,300                    | -                                     | -                                      | 13,300              |
| Interest Income  | 309                       | -                                     | -                                      | 309                 |
| Loss on Disposal of Assets                             | (65,173)                  | (55,413)                              | -                                      | (120,586)           |
| Investment Income, Net                                 | -                         | -                                     | 24,962                                 | 24,962              |
| Realized and Unrealized Gains, Net                     | -                         | -                                     | 56,165                                 | 56,165              |
|  | <u>2,001,925</u>          | <u>(34,863)</u>                       | <u>81,127</u>                          | <u>2,048,189</u>    |
| Net Assets Released from Restrictions                  | <u>2,137,673</u>          | <u>-</u>                              | <u>-</u>                               | <u>2,137,673</u>    |
|  | <u>4,139,598</u>          | <u>(34,863)</u>                       | <u>81,127</u>                          | <u>4,185,862</u>    |
| Expenses:  |                           |                                       |  |                     |
| Program Services                                       |                           |                                       |  |                     |
| Shelters and Rapid Rehousing                           | 2,185,856                 | -                                     | -                                      | 2,185,856           |
| Food and Other   | 1,294,596                 | -                                     | -                                      | 1,294,596           |
| Bratton Street Project                                 | -                         | 31,119                                | -                                      | 31,119              |
| <b>Total Program Services</b>                          | <u>3,480,452</u>          | <u>31,119</u>                         | <u>-</u>                               | <u>3,511,571</u>    |
| Supporting Services                                    |                           |                                       |  |                     |
| Management and General                                 | 308,046                   | -                                     | -                                      | 308,046             |
| Fundraising  | 108,570                   | -                                     | -                                      | 108,570             |
| <b>Total Expenses</b>                                  | <u>3,897,068</u>          | <u>31,119</u>                         | <u>-</u>                               | <u>3,928,187</u>    |
| <b>Change in Net Assets Without Donor Restrictions</b> | <u>242,530</u>            | <u>(65,982)</u>                       | <u>81,127</u>                          | <u>257,675</u>      |
| Net Assets With Donor Restrictions:                    |                           |                                       |  |                     |
| Support for Shelters and Rapid Rehousing               | 1,486,388                 | -                                     | -                                      | 1,486,388           |
| Support for Food and Other                             | 415,026                   | -                                     | -                                      | 415,026             |
| Interest Income  | 4                         | -                                     | -                                      | 4                   |
| Net Assets Released from Restrictions                  | <u>(2,137,673)</u>        | <u>-</u>                              | <u>-</u>                               | <u>(2,137,673)</u>  |
| <b>Change in Net Assets With Donor Restrictions</b>    | <u>(236,255)</u>          | <u>-</u>                              | <u>-</u>                               | <u>(236,255)</u>    |
| <b>Change in Net Assets</b>                            | 6,275                     | (65,982)                              | 81,127                                 | 21,420              |
| <b>Net Assets at Beginning of Year</b>                 | <u>4,094,555</u>          | <u>(139,202)</u>                      | <u>628,687</u>                         | <u>4,584,040</u>    |
| <b>Net Assets at End of Year</b>                       | <u>\$ 4,100,830</u>       | <u>\$ (205,184)</u>                   | <u>\$ 709,814</u>                      | <u>\$ 4,605,460</u> |

See accompanying notes to financial statements.

**STEWOPOT COMMUNITY SERVICES, INC.**

**Statement of Functional Expenses**

**Year Ended December 31, 2021**

|                                       | <b>Shelters<br/>and Rapid<br/>Rehousing</b> | <b>Food<br/>and<br/>Other</b> | <b>Bratton<br/>Street<br/>Project</b> | <b>Management<br/>and<br/>General</b> | <b>Fund-<br/>Raising</b> | <b>Total</b>        |
|---------------------------------------|---|-------------------------------|---------------------------------------|---------------------------------------|--------------------------|---------------------|
| <b>Compensation Related Expenses:</b> |   |                               |                                       |                                       |                          |                     |
| Salaries and Wages                    | \$ 634,478                                  | \$ 417,065                    | \$ -                                  | \$ 93,895                             | \$ 33,171                | \$ 1,178,609        |
| Part-time and Contract Labor          | 102,086                                     | 92,397                        | -                                     | 41,557                                | -                        | 236,040             |
| Payroll Taxes                         | 67,385                                      | 46,608                        | -                                     | 12,393                                | 3,035                    | 129,421             |
| Employee Benefits                     | 162,393                                     | 112,323                       | -                                     | 29,863                                | 7,314                    | 311,893             |
|                                       | <u>966,342</u>                              | <u>668,393</u>                | -                                     | <u>177,708</u>                        | <u>43,520</u>            | <u>1,855,963</u>    |
| <b>Other Expenses:</b>                |   |                               |                                       |                                       |                          |                     |
| Accounting and Auditing               | -   | -                             | -                                     | 35,553                                | -                        | 35,553              |
| Conference and Training               | 214   | -                             | -                                     | 1,874                                 | -                        | 2,088               |
| Depreciation                          | 105,238                                     | 96,692                        | 3,499                                 | 8,546                                 | -                        | 213,975             |
| Dues and Subscriptions                | -   | 84,620                        | -                                     | 5,706                                 | -                        | 90,326              |
| Food and Related Supplies             | 6,995                                       | 47,680                        | -                                     | 8,315                                 | -                        | 62,990              |
| Insurance                             | 54,384                                      | 61,183                        | -                                     | 10,172                                | -                        | 125,739             |
| Interest                              | -   | -                             | 3,090                                 | -                                     | -                        | 3,090               |
| Occupancy                             |   |                               |                                       |                                       |                          |                     |
| Maintenance                           | 28,550                                      | 57,827                        | -                                     | 7,153                                 | -                        | 93,530              |
| Rent                                  | -   | -                             | 6,746                                 | -                                     | -                        | 6,746               |
| Utilities                             | 53,480                                      | 47,224                        | 10,616                                | 29,207                                | -                        | 140,527             |
| Postage and Printing                  | -   | 1,301                         | -                                     | 7,035                                 | -                        | 8,336               |
| Program Expense                       | 848,558                                     | 108,556                       | 7,168                                 | -                                     | -                        | 964,282             |
| Security                              | 37,394                                      | 55,764                        | -                                     | -                                     | -                        | 93,158              |
| Specific Assistance                   | 168   | 3,924                         | -                                     | -                                     | -                        | 4,092               |
| Supplies                              |   |                               |                                       |                                       |                          |                     |
| Cleaning                              | 7,714                                       | 3,594                         | -                                     | -                                     | -                        | 11,308              |
| Office                                | 1,723                                       | 16,649                        | -                                     | 3,649                                 | -                        | 22,021              |
| Other                                 | 40,622                                      | 8,151                         | -                                     | 7,928                                 | -                        | 56,701              |
| Equipment Repairs                     | 7,893                                       | 17,824                        | -                                     | 692                                   | -                        | 26,409              |
| Telephone                             | 20,872                                      | 9,500                         | -                                     | 4,508                                 | -                        | 34,880              |
| Transportation Provided               | 5,709                                       | 5,714                         | -                                     | -                                     | -                        | 11,423              |
| Fundraising - General                 | -   | -                             | -                                     | -                                     | 65,050                   | 65,050              |
|                                       | <u>\$ 2,185,856</u>                         | <u>\$ 1,294,596</u>           | <u>\$ 31,119</u>                      | <u>\$ 308,046</u>                     | <u>\$ 108,570</u>        | <u>\$ 3,928,187</u> |



**STEW POT COMMUNITY SERVICES, INC.**

**Statement of Cash Flows**

**Year Ended December 31, 2021**

|  |                          |
|--|--------------------------|
| Cash Flows From Operating Activities:  |                          |
| Change in Net Assets   | \$ 21,420                |
| Adjustments to Reconcile Change in Net Assets to Net Cash Required By Operating Activities |                          |
| Depreciation   | 213,975                  |
| Loss on Disposal of Assets   | 120,586                  |
| Realized and Unrealized Gains on Investments   | (56,165)                 |
| (Increase) or Decrease in Operating Assets:  |                          |
| Grants and Contract Receivables  | (16,357)                 |
| Prepaid Expenses and Other   | 44,218                   |
| Increase (Decrease) in Operating Liabilities:  |                          |
| Accounts Payable   | (21,263)                 |
| <b>Net Cash Provided By Operating Activities</b>   | <u>306,414</u>           |
| Cash Flows From Investing Activities:  |                          |
| Net Purchases of Investments   | (224,501)                |
| Payments for Property and Equipment  | (449,191)                |
| <b>Net Cash Required By Investing Activities</b>   | <u>(673,692)</u>         |
| Cash Flows From Financing Activities:  |                          |
| Proceeds from Line of Credit   | 50,000                   |
| Payments on Line of Credit   | (142)                    |
| Payments on Mortgage Loans   | (14,445)                 |
| <b>Net Cash Provided By Financing Activities</b>   | <u>35,413</u>            |
| <b>Net Decrease in Cash</b>  | (331,865)                |
| <b>Cash at Beginning of Year</b>   | <u>727,650</u>           |
| <b>Cash at End of Year</b>   | <u><u>\$ 395,785</u></u> |
| Cash at End of Year:   |                          |
| Cash - Unrestricted  | \$ 255,949               |
| Cash - Restricted  | 139,836                  |
|  | <u><u>\$ 395,785</u></u> |
| Supplemental Data:   |                          |
| Interest Paid  | <u><u>\$ 3,090</u></u>   |

See accompanying notes to financial statements.

**STEWOPOT COMMUNITY SERVICES, INC.**  
**Notes to Financial Statements**  
**December 31, 2021**

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**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    |
| Children’s After-School Program             | Opportunity Center Day Shelter |
| Clothing Closet                             | Teen’s After-School Program    |
| Temporary Emergency Shelter                 | Street Outreach                |
| Matt’s House Emergency Shelter for Women    |                                |
| Rental Assistance for Mississippians (RAMP) |                                |

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.

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.

**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

**STEW POT COMMUNITY SERVICES, INC.**  
**Notes to Financial Statements**  
**December 31, 2021**

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

Revenue Recognition (Continued)

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, 2021.

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.

Revenue is recognized in accordance with the Financial Accounting Standards Board (FASB) ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Organization's revenue from contracts primarily consists of the cost-reimbursable grant revenue. These contracts are considered single performance obligations and are satisfied as the grant objectives are met.

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, 2021, the organization received donated professional services of \$13,300.

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, 2021**

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**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:

**STEWSPOT COMMUNITY SERVICES, INC.**

**Notes to Financial Statements**

**December 31, 2021**

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**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 2018 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, 2021, there was \$61,361 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 October 3, 2022, the date the financial statements were available to be issued.

**STEWSPOT COMMUNITY SERVICES, INC.**  
**Notes to Financial Statements**  
**December 31, 2021**

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**NOTE 2      PROPERTY AND EQUIPMENT**

As of December 31, 2021, property and equipment consisted of:

|  |                                   |
|--|-----------------------------------|
| Buildings:                                     |                                   |
| Bratton Street Rental Houses                   | \$ 68,228                         |
| 1100 W. Capitol Street                         | 2,455,771                         |
| Food Pantry                                    | 255,622                           |
| Rapid Rehousing Office                         | 126,346                           |
| Matt's House                                   | 140,812                           |
| Brumfield                                      | 105,122                           |
| Opportunity Center                             | 384,730                           |
| Flowers House                                  | 211,063                           |
| Clothing Closet                                | 26,309                            |
| Land   | 23,670                            |
| Furniture and Equipment                        | 331,550                           |
| Leasehold Improvements                         | 206,223                           |
| Vehicles                                       | 286,312                           |
| Teen Center                                    | 259,971                           |
| Playground                                     | 7,423                             |
|  | <hr/>                             |
|  | 4,889,152                         |
| Less Accumulated Depreciation and Amortization | <hr/> (1,880,917) <hr/>           |
| <b>Total Property and Equipment, Net</b>       | <b><u><u>\$ 3,008,235</u></u></b> |

**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. Stewspot currently receives \$1,791 per month on a month to month basis. Total rental income for this lease was \$21,492 in 2021 and it is included in Support for Food 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 Stewspot 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.

**STEWSPOT COMMUNITY SERVICES, INC.**  
**Notes to Financial Statements**  
**December 31, 2021**

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**NOTE 5      BRATTON STREET RENTAL HOUSES**

Beginning in August 2005, the Organization purchased several Bratton Street houses and renovated them to rent to some of the Organization’s volunteer assistants. The volunteer assistants are mentally challenged but can live on their own.

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.

In 2021, one Bratton Street house was demolished, and another house was not rentable due to lack of functionality. The loss on these involuntary conversions is included in the Statement of Activities for the year ending December 31, 2021. Management is presently determining what to do with the empty lot and the non-functionable home going forward.

As of December 31, 2021, Stewpot had month-to-month rent agreements with residents for other houses for \$300 per month each. The rent charged is used to service the mortgage debt and pay property taxes. See Note 9. The houses are managed by Stewpot staff members.

**NOTE 6      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, 2021, have been recorded as receivables in the amount of \$264,107. In accordance with ASU 2018-08, conditional grant commitments that extend beyond December 31, 2021 are as follows:

| <u>Grants</u>  | <u>Terms</u>  | <u>Grant<br/>Amounts</u> | <u>Earned<br/>Through<br/>December 31,<br/>2021</u> | <u>Funding<br/>Available</u> |
|--|---|--------------------------|---|------------------------------|
| Federal, State,<br>and Local<br>Government<br>Grants | Various Terms from<br>April 1, 2019<br>through<br>30-Nov-22 | <u>\$ 3,589,477</u>      | <u>\$ 1,938,319</u>                                 | <u>\$ 1,651,509</u>          |

**NOTE 7      NET ASSETS WITH DONOR RESTRICTIONS**

Net asset with donor restrictions consists of \$31,919 for the HeARTworks program.

|            |                  |
|------------|------------------|
| Heartworks | <u>\$ 31,919</u> |
|            | <u>\$ 31,919</u> |

**STEW POT COMMUNITY SERVICES, INC.**  
**Notes to Financial Statements**  
**December 31, 2021**

**NOTE 8**     **NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions at December 31, 2021 are:

|   |    |              |
|---|----|--------------|
| Board Designated - Capital Improvements | \$ | 650,055      |
| Undesignated Amounts                    |    | 3,923,486    |
|   |    | \$ 4,573,541 |

**NOTE 9**     **NOTES PAYABLE AND LONG-TERM DEBT**

Line of Credit

In August 2021, the Organization obtained a promissory note in the amount of \$100,505 with BankPlus. The balance due at December 31, 2021 was \$49,858. This note requires an interest rate of 2.2% and full payment of all outstanding principal plus all accrued unpaid interest on August 12, 2022. The note is secured by a certificate of deposit with a balance of \$100,992 at December 31, 2021. The note was renewed in August 2022. See Note 18, *Subsequent Events*.

Mortgage Loans

In 2008, the Organization purchased two homes on Bratton Street to be used as program rental properties. See Note 5. Only one mortgage remains for twenty years at 7.5%, including monthly principal and interest payments of \$685. The balance of this loan is \$33,536 on December 31, 2021.

The following table shows maturities by year on the long-term debt at December 31, 2021.

| <u>Year</u><br><u>Ending</u> | <u>Bratton Street</u><br><u>Houses</u> |
|------------------------------|--|
| 2022                         | \$ 5,175                               |
| 2023                         | 5,577                                  |
| 2024                         | 6,009                                  |
| 2025                         | 6,476                                  |
| After                        | 11,189                                 |
|                              | 34,426                                 |
| Less Current Maturities      | (5,175)                                |
| Long-Term Portion            | \$ 29,251                              |

**NOTE 10**     **FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2021 are as follows:

| Category of Investment: | <u>Fair Value</u> | <u>Unfunded</u><br><u>Commitments</u> | <u>Redemption</u><br><u>Frequency</u> | <u>Redemption</u><br><u>Notice</u> |
|-------------------------|-------------------|---------------------------------------|---------------------------------------|------------------------------------|
| Pooled - Long-term Fund | \$ 864,114        | \$ -                                  | as needed                             | 1-2 days                           |



**STEWSPOT COMMUNITY SERVICES, INC.**  
**Notes to Financial Statements**  
**December 31, 2021**

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**NOTE 10    FAIR VALUE MEASUREMENTS (CONTINUED)**

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 2021 consist of the following:

|                                    |                                       |
|------------------------------------|---------------------------------------|
| Investment Income                  | \$        32,162                      |
| Investment Expense                 | <u>          (7,200)</u>              |
| Net Investment Income              | 24,962                                |
| Realized and Unrealized Gains, Net | <u>          56,165</u>               |
| <b>Total Investment Return</b>     | <u><u>          \$     81,127</u></u> |

**NOTE 11    RESTRICTED CASH**

The Organization has \$139,836 held in separate accounts at December 31, 2021. The use of these funds is restricted and relates to insurance proceeds from the teen center, capital funds, scholarships and other.

**NOTE 12    SIMPLE RETIREMENT PLAN**

The Organization established a SIMPLE Retirement Plan for its full time 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 2021, which totaled \$16,724.

**NOTE 13    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, 2021, the breakdown of the fund balances was as follows:

|                             |                                      |
|-----------------------------|--------------------------------------|
| Endowment Fund              | \$     35,630                        |
| Reserve Fund                | 828,484                              |
| Stewspot Contributions, Net | <u>         (154,300)</u>            |
|                             | <u><u>         \$    709,814</u></u> |

**STEWOPOT COMMUNITY SERVICES, INC.**  
**Notes to Financial Statements**  
**December 31, 2021**

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**NOTE 14**    **FUNDRAISING COSTS**

The Organization incurred fundraising costs in 2021 in the amount of \$65,050. This amount includes special events costs, annual postage and printing costs of regular newsletters and employee's time allocation.

**NOTE 15**    **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                          | \$        | 255,949               |
| Grants Receivable             |           | 264,107               |
| <b>Total Available Assets</b> | <b>\$</b> | <b><u>520,056</u></b> |

To assist in managing liquidity , the Organizaiton has a promissory note in the amount of \$100,505 to manage cash flow. See Note 9, *Notes Payable and Long Term Debt*.

**NOTE 16**    **NEW ACCOUNTING STANDARDS**

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 17**    **UNCERTAINTIES**

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.

**NOTE 18**    **SUBSEQUENT EVENTS**

As discussed in Note 9, the promissory note with BankPlus was refinanced on August 16, 2022, with an interest rate of 2.2% and a maturity date of August 12, 2023.

**STEWOPOT COMMUNITY SERVICES, INC.**  
**Schedule of Expenditures of Federal Financial Awards**  
**Year Ended December 31, 2021**

| <u>Federal Grantor/Pass-Through<br/>Grantor/Program Title</u>       | <u>CFDA<br/>Number</u> | <u>Federal Project or<br/>Pass Through<br/>Grantor's Number</u> | <u>Expenditures</u> |
|---|------------------------|---|---------------------|
| <b><u>U.S. Dept. of Housing and Urban Development:</u></b>          |                        |   |                     |
| <u>Provided through City of Jackson:</u>                            |                        |   |                     |
| <u>COVID Grants:</u>  |                        |   |                     |
| Emergency Solutions Grant Program                                   | 14.231                 | E-20-MW-28-0003   | \$ 20,597           |
| Rapid Rehousing   | 14.231                 | E-20-MW-28-0003   | 388,095             |
| Street Outreach   | 14.231                 | E-20-MW-28-0003   | 45,926              |
| Emergency Shelter - Hazzard Pay                                     | 14.231                 | E-20-MW-28-0003   | 14,700              |
| <u>Non-COVID Grants:</u>  |                        |   |                     |
| Emergency Shelter - Brumfield                                       | 14.231                 | E-20-MW-28-0003   | 3,350               |
| After School/Summer Camp  | 14.218                 | B-20-MC-28-0003   | 18,600              |
| Total Provided Through City of Jackson:                             |                        |   | 491,268             |
| <u>Provided through MS Home Corps:</u>                              |                        |   |                     |
| <u>COVID Grant:</u>   |                        |   |                     |
| Rental Assistance for Mississippians (RAMP)                         | 14.231                 | 2019-ESGCV-SCS-20   | 605,716             |
| <u>Provided through Continuum of Care:</u>                          |                        |   |                     |
| FY19 Rapid Rehousing  | 14.267                 | MS0106L4G001900   | 33,763              |
| FY19 Planning   | 14.267                 | MS018L4G001900  | 33,758              |
| FY19 HMIS   | 14.267                 | MS0001L4G001910   | 14,467              |
| FY19 Coordinated Entry  | 14.267                 | MS0101L4G001901   | 146,685             |
| HMIS 2  | 14.267                 | MS0110L4G001900   | 74,671              |
| FY20 Rapid Rehousing  | 14.267                 | MS0106L4G002001   | 7,781               |
|   |                        |   | 311,125             |
| Total from U.S. Dept. of Housing and Urban Development:             |                        |   | \$ 1,408,109        |
| <b><u>U.S. Dept. of Homeland Security:</u></b>                      |                        |   |                     |
| <u>Provided through Federal Emergency Management Agency (FEMA):</u> |                        |   |                     |
| EFSP/Phase 37   | 97.024                 |   | 16,900              |
| Total from U.S. Dept. of Homeland Security:                         |                        |   | 16,900              |
| <b>Total Expenditures</b>   |                        |   | <b>\$ 1,425,009</b> |

**STEWOPOT COMMUNITY SERVICES, INC.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**December 31, 2021**

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**NOTE 1      BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the federal awards expended by Stewpot Community Services, Inc. (the Organization) for the year ended December 31, 2021.

For the purposes of the Schedule, federal awards include all grants, contracts, loans, and loan guarantee agreements entered into directly between the Organization and agencies and departments of the federal government. The Organization has classified all awards into major and nonmajor programs in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The major program includes the following grants:

Emergency Shelter Grant Program – Pass-through from City of Jackson

Rental Assistance for Mississippians (RAMP) - Pass-through from Mississippi Home Corp.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting: The accompanying Schedule includes the federal grant activity of the Organization and is presented on the modified cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The amounts presented in the Schedule have been reconciled to the Organization's basic financial statements.

Cost allocation: The Organization allocates indirect costs related to grant programs in accordance with, the cost principles contained in the Uniform Guidance. The Organization has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Program costs/Matching contributions: The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Organization portion, may be more than shown.

**NOTE 3      OTHER NONCASH ASSISTANCE**

The Organization did not receive federal noncash assistance during the year ended December 31, 2021.

**NOTE 4      AMOUNT OF FEDERAL INSURANCE IN EFFECT DURING THE YEAR**

No federal insurance was received by the Organization during the year ended December 31, 2021.



**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, 2021, 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 October 3, 2022.

**Report on 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) as a basis for designing 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-01 and 2021-02 that we consider to be significant deficiencies.



## **Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-01.

## **Stewpot Community Services, Inc.'s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Stewpot Community Services Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Stewpot Community Services, Inc.'s response was not subject to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the response.

## **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 cursive script that reads "Grantham Poole Ricc".

Ridgeland, Mississippi  
October 3, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Stewpot Community Services, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Stewpot Community Services, Inc.'s major federal programs for the year ended December 31, 2021. Stewpot Community Services, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Stewpot Community Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Stewpot Community Services, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Stewpot Community Services, Inc.'s compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provision of contracts or grant agreements applicable to Stewpot Community Services, Inc.'s federal programs.



## **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Stewpot Community Services, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Stewpot Community Services, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Stewpot Community Services, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Stewpot Community Services, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Stewpot Community Services, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-02. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Stewpot Community Services, Inc.'s response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Stewpot Community Services, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.





## Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-01 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Stewpot Community Services, Inc.'s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Stewpot Community Services, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Grantham Poole PCC".

Ridgeland, Mississippi  
October 3, 2022

**STEW POT COMMUNITY SERVICES, INC.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2021**

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**Section I - Summary of Auditors' Results**

Financial Statements

|    |   |                   |
|----|---|-------------------|
| 1. | Type of auditors' report issued:  | <u>Unmodified</u> |
| 2. | Internal control over financial reporting:  |                   |
|    | Material weakness(es) identified  | None              |
|    | Significant deficiencies identified   | Yes               |
| 3. | Noncompliance material to financial statements which would be required to be reported in accordance with <i>Government Auditing Standards</i> | None              |

Federal Awards

|    |  |            |
|----|--|------------|
| 4. | Internal Control over major programs:  |            |
|    | Material weakness identified   | None       |
|    | Significant deficiencies identified  | Yes        |
| 5. | Type of auditors' report issued on compliance for major programs:                    | Unmodified |
| 6. | Audit findings as required by 2 CFR section 200.516(a)                               | Yes        |
| 7. | The program tested as a major programs was:  |            |
|    | <u>CFDA Numbers</u> <u>Name of Federal Program</u>                                   |            |
|    | CFDA 14.231    Emergency Solutions Grant Program – Pass-through from City of Jackson |            |
|    | CFDA 14.231    RAMP - Pass-through from Mississippi Home Corps.                      |            |
| 8. | Dollar threshold used to distinguish between Type A and Type B programs:             | \$ 750,000 |
| 9. | Auditee qualified as low-risk auditee  | No         |

**Section II - Financial Statements Findings**

See Schedule of findings and Questioned Costs on the following page.

**Section III - Federal Award Findings and Questioned Costs**

See Schedule of findings and Questioned Costs on the following page.

**STEW POT COMMUNITY SERVICES, INC.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2021**

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**Section II: Financial Statement Findings**

Significant Deficiency not considered to be Material Weakness

**2021-1** Criteria or Specific Requirement - Management is responsible for establishing and maintaining internal control over financial reporting, including a process for verifying appropriate classification between programs and what the activity relates to. Internal control should allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements.

Condition - The external auditors noted sufficient review controls were not maintained around classification of general ledger activity to meet sufficient review requirements and proper records.

Effect – The lack of controls around reviewing classification of general ledger activity resulted in inappropriate classifications in activity, additional adjusting journal entries, and extended time in conducting the year end audit.

Cause – Lack of sufficient review controls over general ledger activity classification.

Recommendation – The organization should have a more detailed review process in place to verify proper general ledger records and classifications.

Views of Responsible Officials and Planned Corrective Action – Stewpot Community Services, Inc. will design a process to ensure that general ledger activity is reviewed, recorded with the proper classification, and representative of the activity within that period. The Executive Director will perform a secondary review to ensure all requirements are met.

**Section III: Federal Award Findings and Questioned Costs**

Significant Deficiency not considered to be Material Weakness

**2021-2** Criteria or Specific Requirement - Management is responsible for establishing and maintaining internal control over grant compliance, including a process for maintaining appropriate documentation for grant support. The internal control should allow management or employees, in the normal course of performing their assigned functions to be knowledgeable about the grant terms and review for compliance with such terms. Further, supporting documentation and evidence of the review of such documentation should be maintained.

Condition - The external auditors noted sufficient monitoring controls were not maintained around each respective grant to meet sufficient review requirements and proper documentation.

Effect – The lack of controls around monitoring and reviewing grant expenditures, resulted in the following errors for the respective grants:

**STEW POT COMMUNITY SERVICES, INC.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2021**

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**Section III: Federal Award Findings and Questioned Costs (Continued)**

a) Emergency Solutions Grant- RAMP – MHC (CFDA #14.231) -

1. Expenditures were coded to the wrong general ledger account, which is coded by grant.
2. Support could not be provided for an expenditure that was submitted as a federal expense.

Cause – Lack of sufficient review controls over grant documentation and maintenance of such documentation.

Recommendation – The organization should have a process in place to maintain proper documentation for all federal grant activity and implement a periodic review to ensure that the documentation exists and is appropriate. We believe that by creating a formal process with a review element would allow the Organization to maintain appropriate documentation to support all federal expenditures. The auditor notes that this is a finding carried over from the 2020 audit, which was not issued until 2022. As a result, the Organization was not able to address the finding in fiscal year ending December 31, 2021.

Views of Responsible Officials and Planned Corrective Action – Stewpot Community Services, Inc. will design a process to ensure that each grant expenditure is supported by appropriate documentation and implement a review element to ensure that the documentation is reasonable and accurate. The Executive Director will perform a secondary review to ensure all requirements are met.

**STEWOPOT COMMUNITY SERVICES, INC.**  
**Summary Schedule of Prior Audit Finding**  
**December 31, 2021**

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| <b>Reference<br/>Number</b>                               | <b>Summary of Findings</b>   | <b>Status</b>             |
|---|--|---------------------------|
| <b><u>Federal Award Findings and Questioned Costs</u></b> |  |                           |
| <b>2020-1</b>   | The external auditors noted there was a lack of sufficient review controls over grant documentation and maintenance of such documentation. | Ongoing Finding<br>2021-2 |

Stewpot Community Services, Inc.  
Response to Findings and Questioned Costs  
Year Ending December 31, 2021

2021-1 & 2

In response to the recommendations made in our FY2021 Single Audit, Stewpot Community Services, Inc. will improve its process of maintaining proper documentation for all federal grant activity and will implement a periodic review to ensure that the documentation exists and is appropriate. Stewpot believes that being more attentive to this process and adding a review element, we will better maintain appropriate documentation to support all federal expenditures.

The process will include the following steps:

1. All requests submitted for payment will be reviewed by the Accounting Manager to ensure that all documentation is reasonable and accurate. The Accounting Manager will then report any changes or concerns to the Grants Manager or RAMP Program Manager for correction or additional documentation.
2. The Grants Manager and the RAMP Program Manager will submit RFCs to the Executive Director for review and signature. RFCs will then be uploaded into the agency's Google Drive secure file sharing.
3. a. Both the RAMP Program Manager and Grants Manager will keep a Grant Tracker for each grant that documents when RFCs are submitted and tracks total expenditures and balances to date.  
b. At month end close, grant management staff will convene with accounting to reconcile each Grant Tracker with the General Ledger. The report will be filed in Google Drive.  
c. At least quarterly, the Executive Director will review the reconciliation between the Grant Tracker and the General Ledger.
4. Upon payment from the grantor via ACH, the Accounting Manager will notify either the RAMP Program Manager or Grants Manager. In turn, these Managers will produce documentation to ensure that the amount paid is coded to the correct grant.
5. The Grants Manager will check monthly to see that all RFCs submitted have been paid or are on the agenda for the grantor to pay. Any missed payments or delay will be reported to both the Accounting Manager and the Executive Director.

  
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Jill Buckley, Executive Director