

SOUTHWEST ORGANIZING PROJECT
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016
(With summarized comparative information for the
fiscal year ended June 30, 2015)

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TABLE OF CONTENTS

	<u>Page No.</u>
<u>Independent Auditors' Report</u>	
<u>Financial Statements:</u>	
Statement of Financial Position	1
Statement of Activities	2
Statement of Functional Expenses	3
Statement of Cash Flows	4
Notes to the Financial Statements	5-8
 Independent Auditor's 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	 9

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Independent Auditor's Report

The Steering Committee
Southwest Organizing Project
2558 W. 63rd Street
Chicago, Illinois 60629

I have audited the accompanying financial statements of the Southwest Organizing Project (SWOP), an Illinois nonprofit organization, which comprise of the statement of financial position as of June 30, 2016 and the related statements of activities, functional expenses, and cash flows for the fiscal 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southwest Organizing Project as of June 30, 2016 and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Summarized Comparative Information

The prior year summarized comparative information has been derived from SWOP's June 30, 2015 financial statements which were audited by me. My report dated November 13, 2015 expressed an unqualified opinion on those financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 31, 2016, on my consideration of SWOP's internal control over financial reporting and on my 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 my 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 SWOP's internal control over financial reporting and compliance.

James M. Babic, PC
October 31, 2016

SOUTHWEST ORGANIZING PROJECT
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016
(With summarized comparative totals as of June 30, 2015)

	June 30, 2016			Totals as of
	Unrestricted	Temporarily Restricted	Total	June 30, 2015
<u>ASSETS</u>				
Current assets:				
Cash (Note 5)	\$ 1,011,257	\$ 97,118	\$ 1,108,375	\$ 1,077,301
Grants and contracts receivable	271,240	157,453	428,693	369,569
Pledges receivable within one year	-	-	-	180,000
Membership dues receivable, net of allowance for uncollectible amounts of \$7,800 and \$7,800 as of June 30, 2016 and June 30, 2015, respectively	-	-	-	1,875
Other receivables	354	-	354	2,362
Prepaid expenses and other	5,782	-	5,782	3,387
Total current assets	1,288,633	254,571	1,543,204	1,634,494
Building and office equipment, net of accumulated depreciation (Note 6)	344,173	-	344,173	353,500
Other assets:				
Investment in limited liability company (Note 7)	5,889	-	5,889	3,083
Total assets	\$ 1,638,695	\$ 254,571	\$ 1,893,266	\$ 1,991,077
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 231,414	\$ -	\$ 231,414	\$ 173,230
Accrued real estate taxes	5,195	-	5,195	4,450
Contract advances	1,991	-	1,991	-
Tenant security deposits	750	-	750	1,500
Total liabilities	239,350	-	239,350	179,180
Net assets	1,399,345	254,571	1,653,916	1,811,897
Total liabilities and net assets	\$ 1,638,695	\$ 254,571	\$ 1,893,266	\$ 1,991,077

The accompanying notes are an integral part of these financial statements

SOUTHWEST ORGANIZING PROJECT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(With summarized comparative totals for the fiscal year ended June 30, 2015)

	Fiscal Year Ended June 30, 2016			Totals for Fiscal Year Ended June 30, 2015
	Unrestricted	Temporarily Restricted	Total	
Public support and revenue:				
Public support:				
Grants and contributions (Note 8)	\$ 610,885	\$ 254,571	\$ 865,456	\$ 1,479,698
Net assets released from restrictions upon satisfaction of program requirements	255,949	(255,949)	-	-
Revenues:				
Contract fees and awards (Note 8)	1,655,710	-	1,655,710	1,978,627
Membership dues	23,250	-	23,250	23,050
Developer fees (Note 9)	73,418	-	73,418	-
Rental income (Note 10)	19,075	-	19,075	8,808
Expense reimbursements and other miscellaneous income	18,160	-	18,160	9,933
Interest	1,204	-	1,204	1,251
Total revenues	1,790,817	-	1,790,817	2,021,669
Total public support and revenues	2,657,651	(1,378)	2,656,273	3,501,367
Expenses:				
Program services:				
General community organizing	384,204	-	384,204	355,696
Education-related organizing	1,793,300	-	1,793,300	1,992,042
LISC New Communities	48,054	-	48,054	97,475
Citizenship and immigration	92,802	-	92,802	72,066
Health care organizing	167,142	-	167,142	249,330
Housing issues	173,437	-	173,437	171,157
Violence prevention	9,886	-	9,886	272,215
Total program services	2,668,825	-	2,668,825	3,209,981
Supporting services:				
Management and general	118,840	-	118,840	132,797
Resource development	26,589	-	26,589	20,959
Total supporting services	145,429	-	145,429	153,756
Total expenses	2,814,254	-	2,814,254	3,363,737
Net increase (decrease) in net assets	(156,603)	(1,378)	(157,981)	137,630
Net assets:				
Beginning of the year	1,555,948	255,949	1,811,897	1,674,267
End of the year	<u>\$ 1,399,345</u>	<u>\$ 254,571</u>	<u>\$ 1,653,916</u>	<u>\$ 1,811,897</u>

The accompanying notes are an integral part of these financial statements

SOUTHWEST ORGANIZING PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(With summarized comparative totals for the fiscal year ended June 30, 2015)

	PROGRAM SERVICES							SUPPORTING SERVICES			TOTALS		
	General Community Organizing	Education - Related Organizing	LISC New Communities	Citizenship and Immigration	Health Care Organizing	Housing Issues	Violence Prevention	Total	Management and General	Resource Develop- ment	Total	2016	2015
Salaries	\$ 187,344	183,614	\$ 38,789	\$ 52,475	\$ 105,204	\$ 111,495	\$ -	\$ 678,921	\$ 5,353	\$ 16,060	\$ 21,413	\$ 700,334	\$ 974,398
Staff retirement plan benefits (Note 11)	9,104	9,251	1,939	2,624	4,909	4,862	-	32,689	258	773	1,031	33,720	40,820
Staff health insurance benefits	25,772	61,104	3,731	7,943	15,931	17,024	-	131,505	1,037	3,111	4,148	135,653	150,510
Payroll taxes	23,177	16,549	3,595	3,993	8,402	9,189	-	64,905	512	1,535	2,047	66,952	105,873
Contracted services and stipends	43,221	385,350	-	18,081	25,857	22,006	7,742	502,257	45,630	-	45,630	547,887	643,942
Payments to subgrantees	-	1,056,638	-	-	-	-	-	1,056,638	-	-	-	1,056,638	1,092,950
Program-specific expenses	1,314	463	-	1,535	-	-	-	3,312	-	-	-	3,312	48,251
Professional fees	17,344	37,672	-	-	1,780	840	-	57,636	12,279	-	12,279	69,915	57,807
Occupancy (Note 12)	772	505	-	-	-	24	-	1,301	27,376	-	27,376	28,677	25,577
Equipment rent, repairs and maintenance	10,439	709	-	314	-	342	-	11,804	1,701	-	1,701	13,505	22,498
Depreciation (Note 6)	4,664	-	-	-	-	196	-	4,860	4,467	-	4,467	9,327	8,330
Office supplies and expenses	5,843	21,284	-	408	3,839	-	937	32,311	2,779	-	2,779	35,090	44,228
Dues and subscriptions	19,980	83	-	-	-	-	-	20,063	1,710	-	1,710	21,773	32,741
General liability and officers insurance	168	201	-	-	-	2,806	-	3,175	8,234	-	8,234	11,409	11,517
Postage and courier	-	-	-	-	-	101	-	101	755	-	755	856	657
Printing and duplicating	581	5,819	-	57	-	79	350	6,886	876	-	876	7,762	10,540
Telecommunications	6,281	1,139	-	-	654	3,328	100	11,502	4,066	-	4,066	15,568	17,117
Leadership and staff training	4,931	245	-	-	-	-	-	5,176	128	-	128	5,304	11,695
Travel and meals	20,420	12,674	-	5,372	566	1,145	757	40,934	18	5,110	5,128	46,062	58,256
Write-off of uncollectible receivables	-	-	-	-	-	-	-	-	-	-	-	-	3,220
Bank charges	-	-	-	-	-	-	-	-	1,661	-	1,661	1,661	1,131
Miscellaneous	2,849	-	-	-	-	-	-	2,849	-	-	-	2,849	1,679
Total functional expenses	\$ 384,204	1,793,300	\$ 48,054	\$ 92,802	\$ 167,142	\$ 173,437	\$ 9,886	\$ 2,668,825	\$ 118,840	\$ 26,589	\$ 145,429	\$ 2,814,254	\$ 3,363,737

The accompanying notes are an integral part of these financial statements

SOUTHWEST ORGANIZING PROJECT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2016 AND JUNE 30, 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Net increase (decrease) in net assets	\$ (157,981)	\$ 137,630
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	9,327	8,330
(Increase) decrease in:		
Grants and contracts receivable	(59,124)	213,123
Pledges receivable	180,000	(140,000)
Membership dues receivable	1,875	2,075
Other receivables	2,008	5,734
Prepaid expenses and other	(2,395)	(277)
Increase (decrease) in:		
Accounts payable	58,185	162,024
Accrued real estate taxes	745	4,450
Contract advances	1,991	-
Tenant security deposits	(750)	1,500
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>33,880</u>	<u>394,589</u>
CASH FLOW USED IN INVESTING ACTIVITIES		
Purchase of building	-	(152,744)
Investment in limited liability company	(2,806)	(3,083)
Total cash flow used in investing activities	<u>(2,806)</u>	<u>(155,827)</u>
NET INCREASE IN CASH	31,074	238,762
CASH, BEGINNING OF THE YEAR	<u>1,077,301</u>	<u>838,539</u>
CASH, END OF THE YEAR	<u>\$ 1,108,375</u>	<u>\$ 1,077,301</u>

The accompanying notes are an integral part of these financial statements

SOUTHWEST ORGANIZING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

NOTE 1 - HISTORY AND NATURE OF THE ORGANIZATION

The Southwest Organizing Project (SWOP) was incorporated on June 18, 1996 under the State of Illinois General Not-For-Profit Corporation Act of 1987. SWOP was formed by, and is composed of, dues-paying not-for-profit member institutions for the purpose of achieving an economically stable, open, multiracial community within Chicago's southwest neighborhoods through leadership education and development.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation

The financial statements are prepared on the accrual basis of accounting.

Financial statement presentation follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) No. 958-605 and No. 958-205.

Under FASB ASC No. 958-605 contributions are recognized in the period received, or in the period in which an unconditional promise to give is made.

Under FASB ASC 958-205, SWOP is required to report information regarding its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Classification of net assets as unrestricted, temporarily restricted, or permanently restricted is based on the absence or existence of donor imposed restrictions.

Donor-imposed restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, restricted support that is received and fulfilled within the same fiscal year is reported as unrestricted.

Income taxes

SWOP is exempt from federal taxes under Section 501(c)3 of the Internal Revenue Code. Contributions to SWOP qualify as charitable contributions under Section 170(b)(1)(A). SWOP is classified as an organization that is not a private foundation under Section 509(a)(2). SWOP's management has determined that FIN 48, which addresses accounting for uncertainty in income taxes, has no effect on its financial statements due to SWOP's tax-exempt status.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures. Actual results could differ from those estimates.

Expense allocation

The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

SWOP has evaluated subsequent events through October 31, 2016, the date financial statements were available to be issued.

SOUTHWEST ORGANIZING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

NOTE 3 - PRIOR YEAR SUMMARIZED INFORMATION

The financial statements include certain prior-year summarized information presented for comparative purposes. Such comparative information is in total but not by net asset class and, therefore, does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with SWOP's financial statements for the fiscal year ended June 30, 2015, from which the summarized information was derived.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2016 are available for the following programs:

<u>Program:</u>	<u>Amount</u>
Elev8	\$ 24,600
Public Education Reform	102,500
General Organizing Support	88,759
Citizenship	14,324
Youth Recreational Activities	12,765
Education Organizing	7,500
Healthcare Organizing	4,123
Total	<u>\$ 254,571</u>

NOTE 5 - CONCENTRATION OF RISK

At various times during the fiscal year SWOP's bank balances exceeded the federally insured limit. As of June 30, 2016, SWOP's uninsured cash balance was \$384,672. SWOP has not experienced a loss, and believes it is not exposed to any significant risk of loss, on such bank balances.

NOTE 6 - BUILDING AND OFFICE EQUIPMENT, net of accumulated depreciation

Purchased computer and office equipment is recorded at cost. Donated computer and office equipment is recorded at the estimated fair market value on the date of receipt. Depreciation is provided on a double-declining balance basis over an estimated useful life of five years. As of June 30, 2016 and June 30, 2015 computer and office equipment and related accumulated depreciation were as follows:

	<u>06/30/2016</u>	<u>06/30/2015</u>
Building	\$ 352,744	\$ 352,744
Office equipment	48,894	48,894
Total cost	<u>401,638</u>	<u>401,638</u>
Less accumulated depreciation	<u>(57,465)</u>	<u>(48,138)</u>
Building and office equipment, net of accumulated depreciation	<u>\$ 344,173</u>	<u>\$ 353,500</u>

SOUTHWEST ORGANIZING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

NOTE 7 - INVESTMENT IN LIMITED LIABILITY COMPANY

SWOP Acquisitions, LLC was created by SWOP to facilitate certain housing-related program activities. SWOP is the sole member of SWOP Acquisitions LLC. The value of SWOP Acquisitions, LLC is reported using the equity method whereby the value of the investment is increased by capital contributions, loans, and net operating income; and the investment value is decreased by distributions of capital, loan repayments, and net operating losses.

NOTE 8 - GRANTS AND CONTRIBUTIONS, AND CONTRACT FEES AND AWARDS

SWOP recognized grants and contributions, and contracts and awards from the following benefactors for the fiscal years ended June 30, 2016 and June 30, 2015:

<u>Grants and contributions:</u>	<u>06/30/2016</u>	<u>06/30/2015</u>
Active Transportation	\$ 5,000	\$ 10,000
Chicago Community Foundation	57,917	-
Chicago Community Trust	119,500	65,050
Chicago Public Library Foundation	-	20,000
Communities United	55,000	62,000
Esperanza Health Centers	30,000	-
Landau Family Foundation	20,000	20,000
Local Initiatives Support Corporation of Chicago	244,110	763,669
Marguerite Casey Foundation	-	360,000
United Way of Metropolitan Chicago	205,000	125,000
Wieboldt Foundation	50,000	-
Woods Fund of Chicago	40,000	-
Anonymous donor(s)	-	35,000
Others under \$10,000 each, both years	38,929	18,979
Total grants and contributions	<u>\$ 865,456</u>	<u>\$ 1,479,698</u>
<u>Contract fees and awards:</u>	<u>06/30/2016</u>	<u>06/30/2015</u>
Brighton Park Neighborhood Council	\$ 31,626	\$ -
Chicago Public Schools	174,381	237,107
Illinois Coalition for Immigrant and Refugee Rights	-	41,256
Illinois Department of Human Services	-	221,229
Illinois State Board of Education	1,430,406	1,432,125
Northeastern Illinois University	12,664	16,008
Others under \$10,000 each, both years	6,633	30,902
Total contract fees and awards	<u>\$ 1,655,710</u>	<u>\$ 1,978,627</u>

SOUTHWEST ORGANIZING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

NOTE 9 - DEVELOPER FEES

Through its investment in SWOP Acquisitions, LLC (see Note 7) SWOP realized \$73,418 of developer fees during the fiscal year ended June 30, 2016.

NOTE 10 - RENT INCOME

SWOP rents retail space located within real property owned by SWOP under an agreement that commenced in February, 2015 and has no set termination date. SWOP rents this space on a month-to-month basis. The agreement can be terminated by either party upon 30 days notice. Monthly rent under the agreement is \$500. Rent income realized under this agreement for the fiscal year ended June 30, 2016 and June 30, 2015 was \$6,000 and \$2,500, respectively.

During the fiscal years ended June 30, 2016 and June 30, 2015 SWOP realized \$13,075 and \$5,588, respectively, of rental income from two residential apartments located within real property owned by SWOP.

Total rental income for the fiscal years ended June 30, 2016 and June 30, 2015 was \$19,075 and \$8,88, respectively.

NOTE 11 - STAFF RETIREMENT PLAN BENEFITS

SWOP participates in the National Organizer's Alliance Retirement Pension Plan (the "Plan"), a multi-employer retirement plan under Internal Revenue Code 413(c). Under the Plan SWOP is obligated to make a minimum contribution equal to 5% of compensation paid to each eligible employee. The Plan considers an employee eligible after one year of employment with a community organizing entity.

SWOP's employer contributions to this plan for the fiscal years ended June 30, 2016 and June 30, 2015 were \$33,720 and \$40,820; respectively.

NOTE 12 - OPERATING LEASE COMMITMENTS

Prior to relocating to the building it purchased in November, 2014 SWOP leased its primary facility, located at 2609 W 63rd Street, Chicago, Illinois, under a lease agreement that commenced June 1, 2000 and was terminated in October, 2014. Monthly rent under the lease agreement during the fiscal years ended June 30, 2016 and June 30, 2015 was \$ZERO, and \$686, respectively. Lease expense under this agreement for the fiscal years ended June 30, 2016 and June 30, 2015 was \$ZERO and \$2,208, respectively.

Independent Auditor's 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

The Steering Committee
Southwest Organizing Project
2558 W. 63rd Street
Chicago, Illinois 60629

I 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 the Southwest Organizing Project (SWOP), a nonprofit organization, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued my report thereon dated October 31, 2016.

Internal Control Over Financial Reporting

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

My 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 my audit I did not identify any deficiencies in internal control that I 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 SWOP's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SWOP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SWOP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James M. Babic, PC

October 31, 2016