

SOUTHWEST ORGANIZING PROJECT
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018
(With summarized comparative information for the
fiscal year ended June 30, 2017)

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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	5-10
 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	 11

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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, 2018, and the related statements of activities 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. 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 SWOP as of June 30, 2018, 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, 2017 financial statements and, in my report dated January 4, 2018, I 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 December 19, 2018, 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
December 19, 2018

SOUTHWEST ORGANIZING PROJECT
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018
(With summarized comparative totals as of June 30, 2017)

	June 30, 2018			Totals as of June 30, 2017
	Unrestricted	Temporarily Restricted	Total	
<u>ASSETS</u>				
Current assets:				
Cash (Note 5)	\$ 992,900	\$ 2,101,000	\$ 3,093,900	\$ 604,439
Grants and contracts receivable	493,217	283,770	776,987	1,409,612
Membership dues receivable, net of allowance for uncollectible amounts of \$ZERO and \$ZERO as of June 30, 2018 and June 30, 2017, respectively	2,525	-	2,525	-
Other receivables	746	-	746	1,788
Prepaid expenses and other	4,427	-	4,427	6,524
Total current assets	<u>1,493,815</u>	<u>2,384,770</u>	<u>3,878,585</u>	<u>2,022,363</u>
Building and office equipment, net of accumulated depreciation (Note 6)	<u>327,444</u>	-	<u>327,444</u>	<u>335,683</u>
Other assets:				
Investments, housing related (Note 7)	2,353,787	-	2,353,787	2,269,428
Investment, used furniture store	5,743	-	5,743	5,743
Total other assets	<u>2,359,530</u>	<u>-</u>	<u>2,359,530</u>	<u>2,275,171</u>
Total assets	<u>\$ 4,180,789</u>	<u>\$ 2,384,770</u>	<u>\$ 6,565,559</u>	<u>\$ 4,633,217</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Line of credit and revolving line of credit (Note 8)	\$ -	\$ -	\$ -	\$ -
Accounts payable	311,888	-	311,888	912,033
Accrued real estate taxes	9,468	-	9,468	8,803
Tenant security deposits	1,500	-	1,500	750
Total liabilities	<u>322,856</u>	<u>-</u>	<u>322,856</u>	<u>921,586</u>
Net assets (Note 4)	<u>3,857,933</u>	<u>2,384,770</u>	<u>6,242,703</u>	<u>3,711,631</u>
Total liabilities and net assets	<u>\$ 4,180,789</u>	<u>\$ 2,384,770</u>	<u>\$ 6,565,559</u>	<u>\$ 4,633,217</u>

The accompanying notes are an integral part of these financial statements

SOUTHWEST ORGANIZING PROJECT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(With summarized comparative totals for the fiscal year ended June 30, 2017)

	Fiscal Year Ended June 30, 2018			Totals for Fiscal Year Ended June 30, 2017
	Unrestricted	Temporarily Restricted	Total	
Public support and revenue:				
Public support:				
Grants and contributions (Note 9)	\$ 781,261	\$ 2,384,770	\$ 3,166,031	\$ 682,488
Net assets released from restrictions upon satisfaction of program requirements	55,475	(55,475)	-	-
Revenues:				
Contract fees and awards (Note 9)	2,142,847	-	2,142,847	1,917,792
Program service fees	7,737	-	7,737	100
Membership dues	26,350	-	26,350	25,750
Gain (loss), partnerships (Note 7)	(79,750)	-	(79,750)	-
Developer fees (Note 10)	214,438	-	214,438	113,405
Rental income (Note 11)	16,950	-	16,950	6,800
Expense reimbursements and other miscellaneous income	15,874	-	15,874	9,411
Interest	1,009	-	1,009	930
Total revenues	2,345,455	-	2,345,455	2,074,188
Total public support and revenues	3,182,191	2,329,295	5,511,486	2,756,676
Expenses:				
Program services:				
General community organizing	418,130	-	418,130	587,222
Education-related organizing	1,773,773	-	1,773,773	1,794,484
LISC New Communities	-	-	-	62,717
Citizenship and immigration	144,995	-	144,995	86,269
Health care organizing	69,647	-	69,647	15,635
Housing issues	260,930	-	260,930	129,042
Violence prevention	196,852	-	196,852	127,765
Total program services	2,864,327	-	2,864,327	2,803,134
Supporting services:				
Management and general	86,585	-	86,585	136,799
Resource development	29,502	-	29,502	22,567
Total supporting services	116,087	-	116,087	159,366
Total expenses	2,980,414	-	2,980,414	2,962,500
Net increase (decrease) in net assets	201,777	2,329,295	2,531,072	(205,824)
Net assets:				
Beginning of the year, as originally reported	3,656,156	55,475	3,711,631	1,653,916
Prior year adjustment (Note 13)	-	-	-	2,263,539
Beginning of the year, adjusted	3,656,156	55,475	3,711,631	3,917,455
End of the year	\$ 3,857,933	\$ 2,384,770	\$ 6,242,703	\$ 3,711,631

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, 2018
(With summarized comparative totals for the fiscal year ended June 30, 2017)

	PROGRAM SERVICES							SUPPORTING SERVICES			TOTALS	
	General Community Organizing	Education - Related Organizing	Citizenship and Immigration	Health Care Organizing	Housing Issues	Violence Prevention	Total	Management and General	Resource Develop- ment	Total	2018	2017
Salaries	\$ 229,440	\$ 191,585	\$ 78,970	\$ 20,647	\$ 177,058	\$ 43,987	\$ 741,687	\$ 5,717	\$ 20,000	\$ 25,717	\$ 767,404	\$ 732,011
Staff retirement plan benefits (Note 12)	10,688	8,924	3,678	962	8,247	2,049	34,548	266	932	1,198	35,746	33,003
Staff health insurance benefits	45,547	38,032	15,677	4,099	35,149	8,732	147,236	1,135	3,970	5,105	152,341	123,644
Payroll taxes	21,367	17,843	7,355	1,923	16,490	4,097	69,075	532	1,863	2,395	71,470	68,503
Contracted services and stipends	9,974	469,706	19,493	26,911	6,075	130,294	662,453	34,618	-	34,618	697,071	606,222
Payments to subgrantees	-	975,616	-	-	-	-	975,616	-	-	-	975,616	1,076,013
Program-specific expenses	680	3,529	-	-	-	-	4,209	-	-	-	4,209	1,401
Professional fees	10,846	22,219	121	-	300	-	33,486	19,704	-	19,704	53,190	64,376
Real estate taxes	-	-	-	-	-	-	-	9,867	-	9,867	9,867	11,472
Utilities and other occupancy expenses	9,948	8,307	3,424	895	7,677	1,907	32,158	249	867	1,116	33,274	40,367
Equipment rent, repairs and maintenance	5,679	1,052	603	-	143	-	7,477	1,223	-	1,223	8,700	8,182
Depreciation (Note 6)	2,463	2,057	848	222	1,901	472	7,963	61	215	276	8,239	8,490
Office supplies and expenses	4,765	13,633	4,557	411	-	1,617	24,983	890	1,290	2,180	27,163	37,451
Dues and subscriptions	20,243	-	859	-	840	-	21,942	11	-	11	21,953	19,247
General liability and officers insurance	4,188	3,497	1,441	377	3,232	803	13,538	104	365	469	14,007	11,347
Postage and courier	387	-	287	-	-	-	674	1,176	-	1,176	1,850	1,160
Printing and duplicating	2,399	6,738	48	-	1,587	337	11,109	948	-	948	12,057	8,238
Telecommunications	7,942	450	2,831	499	796	1,650	14,168	8,844	-	8,844	23,012	15,900
Leadership and staff training	6,901	-	170	-	-	-	7,071	-	-	-	7,071	2,909
Travel and meals	23,174	6,418	3,633	479	1,435	907	36,046	570	-	570	36,616	44,323
Write-off of uncollectible receivables	-	-	-	-	-	-	-	-	-	-	-	15,008
Interest expense (Note 8)	-	-	-	12,222	-	-	12,222	-	-	-	12,222	-
Banking and finance charges	-	-	-	-	-	-	-	633	-	633	633	2,092
Grant and contract refunds	-	4,167	-	-	-	-	4,167	-	-	-	4,167	30,762
Miscellaneous	1,499	-	1,000	-	-	-	2,499	37	-	37	2,536	379
Total functional expenses	\$ 418,130	\$ 1,773,773	\$ 144,995	\$ 69,647	\$ 260,930	\$ 196,852	\$ 2,864,327	\$ 86,585	\$ 29,502	\$ 116,087	\$ 2,980,414	\$ 2,962,500

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, 2018 AND JUNE 30, 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Net increase (decrease) in net assets	\$ 2,531,072	\$ (205,824)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	8,239	8,490
(Gain) loss, partnerships	79,750	-
(Increase) decrease in:		
Grants and contracts receivable	632,625	(980,919)
Pledges receivable	-	-
Membership dues receivable	(2,525)	-
Other receivables	1,042	(1,434)
Prepaid expenses and other	2,097	(742)
Increase (decrease) in:		
Accounts payable	(600,145)	680,619
Accrued real estate taxes	665	3,608
Contract advances	-	(1,991)
Tenant security deposits	750	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>2,653,570</u>	<u>(498,193)</u>
CASH FLOW USED IN INVESTING ACTIVITIES		
Capital contributions to limited liability company(ies)	<u>(164,109)</u>	<u>(5,743)</u>
Total cash flow used in investing activities	<u>(164,109)</u>	<u>(5,743)</u>
NET INCREASE (DECREASE) IN CASH	2,489,461	(503,936)
CASH, BEGINNING OF THE YEAR	<u>604,439</u>	<u>1,108,375</u>
CASH, END OF THE YEAR	<u>\$ 3,093,900</u>	<u>\$ 604,439</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, 2018

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 united for the purpose of building a broad-based organization of Christian, Muslim and Jewish faith institutions, local schools and other institutions in Southwest Chicago, which will enable families to exercise common values, determine their own future and connect with each other to improve life in their neighborhoods. To this end, leaders of SWOP have dedicated themselves to building relationships across racial, ethnic, generational and faith differences and to bringing the common concerns of their institutions into the public life of the community as they develop the capacity to act collectively and “stand for the whole.”

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.

(Continued on the following page)

SOUTHWEST ORGANIZING PROJECT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED
 JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 December 19, 2018, the date financial statements were available to be issued.

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, 2017, from which the summarized information was derived.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 are available for the following programs:

<u>Program:</u>	<u>Amount</u>
Reclaiming Southwest Chicago Housing Initiative	\$ 2,000,000
Police accountability	13,770
Recreational activities for youth	11,000
Education organizing	90,000
General operations, time restricted	270,000
Total	<u>\$ 2,384,770</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, 2018, SWOP's uninsured cash balance was \$2,472,232. SWOP has not experienced a loss, and believes it is not exposed to any significant risk of loss, on such bank balances.

SOUTHWEST ORGANIZING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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, 2018 and June 30, 2017 computer and office equipment and related accumulated depreciation were as follows:

	06/30/2018	06/30/2017
Building	\$ 352,744	\$ 352,744
Computer and office equipment, at cost	48,894	48,894
Total cost	401,638	401,638
Less accumulated depreciation	(74,194)	(65,955)
Computer and office equipment, net of accumulated depreciation ...	\$ 327,444	\$ 335,683

NOTE 7 - INVESTMENT IN LIMITED LIABILITY COMPANIES

SWOP is a partner in several limited liability companies that were created to facilitate housing-related program activities. SWOP’s capital in these partnerships was funded through government grants. The value of these partnerships 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 - LINE OF CREDIT AND REVOLVING LINE OF CREDIT

October 30, 2017 SWOP entered into a \$1,000,000 line of credit agreement with Metro IAF Community Restoration Fund, LLC. This line credit agreement has a one year term and bears a fixed interest rate of 2%. The primary purpose for this line of credit is to provide working capital for SWOP’s Reclaiming Southwest Chicago effort which seeks to acquire, rehab and reoccupy 100 vacant units within a three-square mile target area located in and around the Chicago Lawn Micro Market Recovery Program area. During the fiscal year ended June 30, 2018 SWOP borrowed and repaid \$1,000,000 on this loan. Interest expense related to this loan for the fiscal year ended June 30, 2018 was \$12,222.

On June 28, 2017 SWOP entered into a \$300,000 revolving line of credit agreement with Local Initiatives Support Corporation. This revolving line credit agreement has a two-year term and bears a fixed interest rate of 6%. The primary purpose for this revolving line of credit is to provide working capital for SWOP’s Parent Mentor program funded by the Illinois State Board of Education. SWOP did not utilize this line credit during the fiscal years ended June 30, 2018 and June 30, 2017.

SOUTHWEST ORGANIZING PROJECT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED
 JUNE 30, 2018

NOTE 9 - 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, 2018 and June 30, 2017:

<u>Grants and contributions:</u>	<u>06/30/2018</u>	<u>06/30/2017</u>
AT&T Midwest	\$ 25,000	\$ 25,000
Applegate & Thorne-Thomsen	11,500	-
Brennan Family Foundation	10,000	-
Chicago Community Foundation	100,940	37,500
Chicago Community Trust	85,000	113,070
Chicago Teachers Union Foundation, Inc.	-	35,000
Communities United	-	25,000
Field Foundation of Illinois	25,000	-
Grow Your Own Illinois	15,000	-
Illinois Coalition of Immigrant and Refugee Rights	6,667	25,000
Landau Family Foundation	20,000	20,000
Local Initiatives Support Corporation of Chicago	1,052,833	131,480
John D. And Catherine T. MacArthur Foundation	1,000,000	-
Marguerite Casey Foundation	361,000	-
Peter Kinney & Lisa Landquist Fund	10,000	-
Phalarope Foundation	10,000	10,000
Polk Bros. Foundation	50,000	-
Sisters of St. Casimir	20,000	-
Steve & Christy King Family Foundation	25,000	-
R.R. McCormick Foundation via United Way of Metro. Chicago ...	180,000	-
Waterton Philanthropic Fund	50,000	-
Wieboldt Foundation	25,000	25,000
Woods Fund of Chicago	40,000	154,475
Individual donor(s), \$10,000 or more each	-	10,000
Others under \$10,000 each, both years	43,091	70,963
Total grants and contributions	<u>\$ 3,166,031</u>	<u>\$ 682,488</u>

(Continued on the following page)

SOUTHWEST ORGANIZING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

NOTE 9 - GRANTS AND CONTRIBUTIONS, AND CONTRACT FEES AND AWARDS (Continued)

<u>Contract fees and awards:</u>	<u>06/30/2018</u>	<u>06/30/2017</u>
Chicago Public Schools	\$ 255,498	\$ 184,178
GEM-IFK Venture for Educational Support	14,000	-
Illinois Coalition for Immigrant and Refugee Rights	34,371	31,091
Illinois Department of Human Services	97,349	97,200
Illinois State Board of Education	1,454,363	1,466,300
Public Health Institute of Metropolitan Chicago	29,000	-
Resurrection Project	52,187	16,184
University of Illinois Chicago	203,729	119,557
Others under \$10,000 each, both years	2,350	3,282
Total contract fees and awards	<u>\$ 2,142,847</u>	<u>\$ 1,917,792</u>

NOTE 10 - DEVELOPER FEES

Through its investment in limited liability companies created to facilitate housing-related programs (see Note 7) SWOP realized \$214,438 and \$113,405 of developer fees during the fiscal years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 11 - 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 this agreement was \$500 through October, 2016. After October, 2016 monthly rent under this agreement was \$600. Rent income realized under this agreement for the fiscal years ended June 30, 2018 and June 30, 2017 was \$7,200 and \$6,800, respectively.

In addition to the rented space, SWOP rented to residential apartments located within its owned property. Rental income from these residential apartments for the fiscal year ended June 30, 2018 and June 30, 2017 was \$9,750 and \$ZERO, respectively.

Total rental income for the fiscal years ended June 30, 2018 and June 30, 2017 was \$16,950 and \$6,800, respectively.

NOTE 12 - 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, 2018 and June 30, 2017 were \$35,746 and \$33,003; respectively.

SOUTHWEST ORGANIZING PROJECT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED
 JUNE 30, 2018

NOTE 13 - PRIOR YEAR ADJUSTMENTS

Adjustments to net assets as of June 30, 2016 consist of the following:

	Increase (Decrease) Net Assets As of June 30, 2016
Government grants received on or before June 30, 2016 to fund SWOP's capital contributions to limited liability companies created to facilitate housing-related programs	\$ 2,360,000
Net operating losses passed through to SWOP relating to limited liability companies created to facilitate housing-related programs.	(96,461)
Net increase in net assets as of June 30, 2016	\$ <u>2,263,539</u>

Financial information related to SWOP's interest in the limited liability companies per above was received after the audit report for the fiscal year ended June 30, 2016 was issued.

The statement of financial position as of June 30, 2016 and the statement of activities for the fiscal year ended June 30, 2016 were restated to reflect these adjustments.

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, 2018, 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 December 19, 2018.

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

December 19, 2018