

Northwest Assistance Ministries
Annual Financial Reports Required
Under the United States Office of
Management and Budget Circular A-133

September 30, 2015 and 2014

Northwest Assistance Ministries

Table of Contents

Independent Auditor's Report.....1

Financial Statements:

Consolidated Statements of Financial Position.....3

Consolidated Statements of Activities.....4

Consolidated Statements of Functional Expenses.....5

Consolidated Statements of Cash Flows.....6

Consolidating Statements:

Consolidating Statement of Financial Position.....7

Consolidating Statement of Activities.....8

Consolidating Statement of Cash Flows.....9

Notes to Financial Statements.....10

Supplemental Information:

Schedule of Expenditures of Federal Awards.....22

Notes to the Schedule of Expenditures of
Federal and State Awards.....23

Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards.....24

Report on Compliance with Requirements Applicable
To Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133.....26

Schedule of Findings and Questioned Costs.....28



Report of Independent Auditors

To The Board of Directors
Northwest Assistance Ministries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Northwest Assistance Ministries (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses (presenting only comparative totals for 2014), and cash flows for the years 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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northwest Assistance Ministries as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Additionally, a consolidating statement of financial position as of September 30, 2015 and the related consolidating statements of activities and cash flows for the year then ended are also 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 information 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 March 4, 2016, on our consideration of Northwest Assistance Ministries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest Assistance Ministries' internal control over financial reporting and compliance.

Ralph and Ralph, P.C.

Houston, Texas
March 4, 2016

Northwest Assistance Ministries
Consolidated Statements of Financial Position
September 30, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 67,489	\$ 308,895
Investments	1,567,430	1,561,321
Accounts receivable, net	225,236	199,375
Promises to give, net	763,385	122,500
Government grants receivable	112,208	113,782
Inventory	511,068	410,185
Prepaid assets	93,101	75,409
Long-term investments	11,053	8,260
Assets restricted for long-term use	2,208,720	1,299,888
Land, building and equipment	2,862,701	2,948,905
Total assets	\$ 8,422,391	\$ 7,048,520
Liabilities and net assets		
Liabilities		
Accounts payable	140,935	185,763
Accrued liabilities	377,113	356,787
Accrued income	21,431	-
Line of credit	130,000	100,000
Notes payable	538,691	591,358
Total liabilities	1,208,170	1,233,908
Net assets		
Unrestricted	2,890,933	3,145,275
Unrestricted, board designated	4,500	4,500
Temporarily restricted	4,074,303	2,435,725
Permanently restricted	244,485	229,112
Total net assets	7,214,221	5,814,612
Total liabilities and net assets	\$ 8,422,391	\$ 7,048,520

The accompanying notes are an integral part of these financial statements.

Northwest Assistance Ministries
Consolidated Statements of Activities
For the Years Ended September 30, 2015 and 2014

Changes in unrestricted net assets	2015	2014
Revenues and gains		
Contributions	\$ 2,387,139	\$ 2,277,578
Government grants	1,729,246	1,805,156
Special events	844,867	881,354
Sales	1,122,556	1,073,840
Donated goods and services	1,967,383	1,773,933
Rental income	25,272	33,696
Program service fees	739,025	617,979
Miscellaneous income	17,993	37,097
Net assets released from restrictions	183,037	315,629
Total unrestricted revenues, gains, and other support	<u>9,016,518</u>	<u>8,816,262</u>
Expenses:		
Program services	8,063,954	7,849,544
Management and general	595,370	578,768
Fundraising and development	540,188	468,545
Distribution of earnings	-	-
Total expenses	<u>9,199,512</u>	<u>8,896,857</u>
Increase (decrease) in unrestricted net assets	<u>(182,994)</u>	<u>(80,595)</u>
Changes in temporarily restricted net assets		
Contributions	1,776,031	1,396,118
Income on long-term investments	17,150	10,737
Net unrealized and realized gains/losses, long-term investments	(42,914)	104,774
Net assets released from restrictions	(183,037)	(315,629)
Increase (decrease) in temporarily restricted net assets	<u>1,567,230</u>	<u>1,196,000</u>
Changes in permanently restricted net assets		
Contributions	15,373	21,905
Transfers between net asset categories	-	-
Transfers to NAM Endowment	-	-
Increase in permanently restricted net assets	<u>15,373</u>	<u>21,905</u>
Increase (decrease) in total net assets	<u>1,399,609</u>	<u>1,137,310</u>
Net assets, beginning of year	<u>5,814,612</u>	<u>4,677,302</u>
Net assets, end of year	<u><u>\$ 7,214,221</u></u>	<u><u>\$ 5,814,612</u></u>

The accompanying notes are an integral part of these financial statements.

Northwest Assistance Ministries
Consolidated Statements of Functional Expenses
For the Year Ended September 30, 2015, With Comparative Total for 2014

	2015											2014	
	Assistance Programs	Family Violence	SEA	Homeless Network	Children's Clinic	Training and Employment	Resale Shops	Senior Programs	Total Program Services	Management and General	Fundraising and Development	Total	Total
Salaries and wages	\$ 247,921	\$ 283,469	\$ 295,281	\$ 73,007	\$ 381,870	\$ 75,368	376,241	\$ 236,178	\$ 1,969,335	\$ 745,267	\$ 260,313	\$ 2,974,915	\$ 2,937,620
Payroll taxes/benefits	48,751	71,009	85,557	16,470	82,355	15,446	95,275	76,035	490,898	133,335	64,243	688,476	638,270
Professional services	7,819	66,817	181,165	15,990	8,874	3,255	5,626	21,277	310,823	197,123	129,181	637,127	610,659
In-kind donations	870,369	15,045	373,592	19,205	164,891	910	(55,330)	291,718	1,680,400	17,474	2,780	1,700,654	1,565,276
Direct aid to clients	261,139	7,497	755,462	4,665	219,825	53,163	-	116,480	1,418,231	-	-	1,418,231	1,463,027
Donated services	-	19,235	-	-	124,285	4,295	-	4,185	152,000	13,352	-	165,352	180,158
Office and program supplies	1,658	1,160	892	845	4,848	561	23,593	6,072	39,629	5,082	22,370	67,081	82,498
Postage and delivery	-	385	43	-	-	-	-	-	428	4,762	23,278	28,468	26,274
Utilities and building cost	16	49,809	15,687	602	110	1,620	69,772	14,460	152,076	163,236	-	315,312	269,350
Rent	2,595	2,275	3,524	18	5,154	2,622	282,629	2,585	301,402	7,326	3,708	312,436	319,594
Repair and maintenance	554	34	10	29	75	-	9,571	204	10,477	60,236	-	70,713	71,841
Taxes and licenses	-	-	-	-	-	-	-	-	-	-	-	-	295
Telephone	97	5,553	2,580	916	1,010	-	9,075	458	19,689	41,894	-	61,583	52,769
Insurance	-	604	-	-	-	-	3,390	-	3,994	61,248	-	65,242	77,375
Vehicle expense	7,341	-	-	4,471	-	-	24,646	8,594	45,052	-	-	45,052	48,142
Interest expense	-	-	-	-	-	-	2,984	-	2,984	21,409	-	24,393	26,928
Public relations and fundraising	843	220	191	729	500	171	13,910	342	16,906	5,699	234,062	256,667	228,444
Depreciation expense	40,344	11,150	9,128	4,977	11,842	14,105	83,074	21,196	195,816	21,000	3,484	220,300	210,441
Miscellaneous expense	30	90	352	-	-	-	31,300	-	31,772	4,675	16,206	52,653	50,201
NAM Endowment expenses	-	-	-	-	-	-	-	-	-	8,097	86,760	94,857	37,695
Overhead allocation	263,118	104,841	209,603	54,344	162,927	66,715	173,282	187,212	1,222,042	(915,845)	(306,197)	-	-
Total functional expense	\$ 1,752,595	\$ 639,193	\$ 1,933,067	\$ 196,268	\$ 1,168,566	\$ 238,231	\$ 1,149,038	\$ 986,996	\$ 8,063,954	\$ 595,370	\$ 540,188	\$ 9,199,512	\$ 8,896,857

The accompanying notes are an integral part of these financial statements.

Northwest Assistance Ministries
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 1,399,609	\$ 1,137,310
Adjustments to reconcile change in net assets to net cash		
Depreciation	220,300	210,441
Change in unrealized (gain)/loss on investments	63,554	(25,834)
(Increase) decrease from operating assets:		
Accounts receivable and promises to give	(682,258)	40,265
Government grants receivable	1,574	21,329
Inventory	(100,883)	(27,279)
Prepaid assets	(17,692)	20,942
Restricted assets, long-term use	(908,832)	(1,199,039)
Increase (decrease) from operating liabilities:		
Accounts payable	(23,908)	2,272
Accrued liabilities	20,326	37,551
Accrued income	21,431	(25,000)
Due to NAM Endowment	10,079	(10,759)
Net cash provided (used) by operating activities	<u>3,300</u>	<u>182,199</u>
Cash flows from investing activities		
(Gain)/loss on long-term investment	(23,434)	(81,238)
Purchase of property and equipment	(134,096)	(214,296)
Investments, net purchases and sales	(64,509)	(19,491)
Net cash provided (used) by for investing activities	<u>(222,039)</u>	<u>(315,025)</u>
Cash flows from financing activities		
Proceeds from borrowing agreements	120,000	-
Line of credit, borrowings	30,000	-
Payments on long-term debt	(172,667)	(27,820)
Net cash provided (used) by for investing activities	<u>(22,667)</u>	<u>(27,820)</u>
Net change in cash and cash equivalents	(241,406)	(160,646)
Cash and cash equivalents, beginning of year	<u>308,895</u>	<u>469,541</u>
Cash and cash equivalents, end of year	<u>\$ 67,489</u>	<u>\$ 308,895</u>
Supplemental information: Interest paid, cash basis	<u>\$ 24,393</u>	<u>\$ 26,929</u>

The accompanying notes are an integral part of these financial statements.

Consolidating Statements

Northwest Assistance Ministries
Consolidating Statement of Financial Position
September 30, 2015

	NAM			
	NAM	Endowment	Eliminations	Consolidated
Assets				
Cash and cash equivalents	\$ 67,489	\$ -	\$ -	\$ 67,489
Investments	1,976	1,565,454	-	1,567,430
Accounts receivable, net	246,424	10,838	(32,026)	225,236
Promises to give, net	763,385	-	-	763,385
Government grants receivable	112,208	-	-	112,208
Inventory	511,068	-	-	511,068
Prepaid assets	93,101	-	-	93,101
Long-term investments	11,053	-	-	11,053
Assets restricted for long-term use	2,208,720	-	-	2,208,720
Land, building and equipment	2,862,701	-	-	2,862,701
Total assets	<u>\$ 6,878,125</u>	<u>\$ 1,576,292</u>	<u>\$ (32,026)</u>	<u>\$ 8,422,391</u>
Liabilities and net assets				
Liabilities				
Accounts payable	\$ 140,934	\$ 21,189	\$ (21,188)	\$ 140,935
Accrued liabilities	377,113	-	-	377,113
Accrued income	21,431	-	-	21,431
Due to NAM Endowment	10,838	-	(10,838)	-
Line of credit payable	130,000	-	-	130,000
Notes payable	538,691	-	-	538,691
Total liabilities	<u>1,219,007</u>	<u>21,189</u>	<u>(32,026)</u>	<u>1,208,170</u>
Net assets				
Unrestricted	2,432,310	458,623	-	2,890,933
Unrestricted, board designated	-	4,500	-	4,500
Temporarily restricted	3,226,808	847,495	-	4,074,303
Permanently restricted	-	244,485	-	244,485
Total net assets	<u>5,659,118</u>	<u>1,555,103</u>	<u>-</u>	<u>7,214,221</u>
Total liabilities and net assets	<u>\$ 6,878,125</u>	<u>\$ 1,576,292</u>	<u>\$ (32,026)</u>	<u>\$ 8,422,391</u>

The accompanying notes are an integral part of these financial statements.

Northwest Assistance Ministries
Consolidating Statement of Activities
For the Year Ended September 30, 2015

	NAM	NAM Endowment	Eliminations	Consolidated
Changes in unrestricted net assets				
Revenues and gains:				
Contributions	\$ 2,387,139	\$ -	\$ -	\$ 2,387,139
Government grants	1,729,246	-	-	1,729,246
Special events	658,937	185,930	-	844,867
Sales	1,122,556	-	-	1,122,556
Donated goods and services	1,967,383	-	-	1,967,383
Rental income	25,272	-	-	25,272
Program service fees	739,025	-	-	739,025
Miscellaneous income	17,993	-	-	17,993
Net assets released from restrictions	111,689	71,348	-	183,037
Total unrestricted revenues, gains, and other support	<u>8,759,240</u>	<u>257,278</u>	<u>-</u>	<u>9,016,518</u>
Expenses:				
Program services	8,063,954	-	-	8,063,954
Management and general	587,273	8,097	-	595,370
Fundraising and development	453,428	86,760	-	540,188
Distribution of earnings	-	71,348	(71,348)	-
Total expenses	<u>9,104,655</u>	<u>166,205</u>	<u>(71,348)</u>	<u>9,199,512</u>
Change in unrestricted net assets	<u>(345,415)</u>	<u>91,073</u>	<u>71,348</u>	<u>(182,994)</u>
Changes in temporarily restricted net assets				
Contributions	1,847,379	-	(71,348)	1,776,031
Income on long-term investments	-	17,150	-	17,150
Net unrealized and realized gains on long-term investments	-	(42,914)	-	(42,914)
Net assets released from restrictions	(111,689)	(71,348)	-	(183,037)
Change in temporarily restricted net assets	<u>1,735,690</u>	<u>(97,112)</u>	<u>(71,348)</u>	<u>1,567,230</u>
Changes in permanently restricted net assets				
Contributions	-	15,373	-	15,373
Transfers to/from NAM Endowment	-	-	-	-
Change in permanently restricted net assets	<u>-</u>	<u>15,373</u>	<u>-</u>	<u>15,373</u>
Total change in net assets	1,390,275	9,334	-	1,399,609
Net assets, beginning of year	4,268,843	1,545,769	-	5,814,612
Net assets, end of year	<u>\$5,659,118</u>	<u>\$1,555,103</u>	<u>\$ -</u>	<u>\$7,214,221</u>

The accompanying notes are an integral part of these financial statements.

Northwest Assistance Ministries
Consolidating Statement of Cash Flows
For the Year Ended September 30, 2015

	NAM			Consolidated
	NAM	Endowment	Eliminations	
Operating Activities				
Change in equity	\$ 1,390,275	\$ 9,334	\$ -	\$ 1,399,609
Adjustments to reconcile change in equity to net cash provided by:				
Depreciation and amortization	220,300	-	-	220,300
Unrealized gain/loss on investments	-	63,554	-	63,554
(Increase) decrease in:				
Accounts receivable and promises to give	(671,623)	(10,635)	-	(682,258)
Government grants receivable	1,574	-	-	1,574
Inventory	(100,883)	-	-	(100,883)
Prepaid assets	(17,692)	-	-	(17,692)
Restricted assets, long-term use	(908,832)	-	-	(908,832)
Increase (decrease) in:				
Accounts payable	(44,829)	20,921	-	(23,908)
Accrued liabilities	20,326	-	-	20,326
Accrued income	21,431	-	-	21,431
Due to NAM Endowment	10,079	-	-	10,079
Net cash provided by operating activities	<u>(79,874)</u>	<u>83,174</u>	<u>-</u>	<u>3,300</u>
Investing Activities				
(Gain) loss on long-term investment	(2,793)	(20,641)	-	(23,434)
Purchase of property and equipment	(134,096)	-	-	(134,096)
Investments, net purchases and sales	(1,976)	(62,533)	-	(64,509)
Net cash used for investing activities	<u>(138,865)</u>	<u>(83,174)</u>	<u>-</u>	<u>(222,039)</u>
Financing Activities				
Proceeds from borrowing agreements	120,000	-	-	120,000
Line of credit, borrowings	30,000	-	-	30,000
Payments on long-term debt	(172,667)	-	-	(172,667)
Net cash used for financing activities	<u>(22,667)</u>	<u>-</u>	<u>-</u>	<u>(22,667)</u>
Net increase	<u>(241,406)</u>	<u>-</u>	<u>-</u>	<u>(241,406)</u>
Cash and cash equivalents, beginning of year	308,895	-	-	308,895
Cash and cash equivalents, end of year	<u>\$ 67,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,489</u>

The accompanying notes are an integral part of these financial statements.

Northwest Assistance Ministries
Notes to Financial Statements
September 30, 2015 and 2014

Note 1 – Nature of Activities

Northwest Assistance Ministries (NAM) is a coalition of various congregations and affiliate groups incorporated as a non-profit organization under the laws of the State of Texas. NAM has been serving people in the northwest part of Harris County since November of 1983. NAM provides direct assistance to individuals for food, housing, clothing, utilities, medical and transportation needs. NAM is supported by funds received through donations from corporate and individual donors, federal and state grants, grants from private foundations, and sales revenues from NAM resale shops.

Note 2 – Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States.

Consolidation of Financial Statements

The consolidated financial statements include the accounts of NAM and NAM Endowment Fund, Inc. (öNAM Endowmentö). All significant inter-organization balances and transactions were eliminated in consolidation.

NAM Endowment was established in August of 2000, to receive, administer and distribute funds or other property exclusively for religious, charitable, scientific, literary, educational or other exempt purposes as defined in Sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1986. NAM and NAM Endowment have some shared board members on their governing boards. Accordingly, the accounts of NAM Endowment have been consolidated herein, as required by generally accepted accounting principles. NAM Endowment maintains assets with both temporary and permanent donor restrictions.

Any contributions received by NAM with permanent restrictions are transferred to the NAM Endowment. Distributions are made from the NAM Endowment to NAM on a periodic basis. These distributions are calculated based on the distributions policy for the Endowment and in compliance with the original donor restrictions.

Investments

Investments in pooled separate accounts are valued based on the quoted market prices of the underlying investments in the separate accounts. The fair values of the pooled separate accounts are estimated by the third party investment advisor using the net asset value per share of the investments. Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Assets Restricted for Long Term Use

Cash restricted for various long-term uses has been restricted by donors and is not available for operating purposes. For the fiscal year ended September 30, 2015, this account is primarily comprised of funds donated for facility development projects.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note 2 – Significant Accounting Policies (Continued)

Promises to Give

Contributions are recognized when the donor makes a promise to give the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are satisfied in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NAM uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Land, Building and Equipment

The Organization capitalizes land, building and equipment over \$2,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of land, building and equipment are recorded as contributions at their estimated value. Such donations are reported as unrestricted contributions unless the donor has restricted the asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor restriction regarding how long those donated assets must be maintained, NAM reports expirations of donor restrictions when the donated or acquired assets are replaced in service. NAM reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as determined on each asset. The cost and accumulated depreciation of assets sold or otherwise disposed are removed from related accounts. Resulting gains or losses on the disposals are reflected in income. Expenditures, which materially increase values or extend useful lives of property and equipment, are capitalized. Routine maintenance, repair, renewal and replacement costs are expensed in the year incurred. Estimated useful lives used to calculate depreciation range from three to five years on furniture and equipment; five to ten years on transportation equipment and 39 years is used for the building.

Accounts Receivable and Government Grant Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. Grants receivable represent the amounts billed but uncollected under grants as of year-end.

NAM provides for losses on receivables using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of clients to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Inventory

The inventory balance is comprised of the donated food maintained at the NAM pantry, NAM resale shop merchandise, and the Children's Clinic medication. The NAM Pantry and the Children's Clinic inventory is valued at the estimated value as of the report date. The goods available for sale at the NAM resale shops are stated at the expected sales price which approximates fair market value.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note 2 – Significant Accounting Policies (Continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Donated Goods and Services

NAM receives significant food donations, which are distributed to clients. These donations are received primarily from private, individual donors. The Children's Clinic receives donated materials and supplies. Donated goods are reflected as contributions at their estimated values at date of receipt. Donated merchandise sold at the NAM resale shops is recorded as sales income, at the time of sale.

Volunteer medical and other professional personnel contribute substantial amounts of services toward the fulfillment of projects initiated by NAM. Contributions of services are made under the control of NAM, are objectively measurable and represent program or support expenditures that would otherwise be incurred by NAM personnel are reflected in both public support and program expense in the accompanying financial statements.

In addition to donated time which meets financial reporting requirements for inclusion in the accounting records, NAM also receives significant volunteer time not presented in the Organization's financial statements. Presented below is the value of this volunteer time. Values were calculated based on volunteer logs with an estimated value as of \$10.00 per hour.

Program	Estimated value	
	2015	2014
Assistance programs	\$ 164,663	\$ 193,630
SEA	3,393	5,045
Homeless network	183,870	171,775
Children's clinic	25,210	31,935
Training and employment	12,005	18,203
Resale shops	313,155	355,020
Senior programs	264,056	304,030
Management and general	7,189	3,720
Fundraising and development	11,381	16,783
	<u>\$ 984,922</u>	<u>\$ 1,100,141</u>

Functional Expenses

Expenses are categorized on the Statement of Activities as program services, management and general, and fundraising and development. Expenditures of NAM are allocated on a functional basis among its various programs and support services. Services offered by NAM are organized into distinct programs. These programs are presented in detail on the Statement of Functional Expenses.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note 2 – Significant Accounting Policies (Continued)

Functional Expenses (Continued)

Program service expenses include direct and indirect (allocated) expenses for the programs offered by NAM. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses, common to several functions, are allocated to the programs by various statistical bases. The management and general expense balance is comprised of the costs that are incurred to administer NAM and any additional costs not allocated to programs and fundraising efforts. Fundraising and development expenses represent the costs incurred relating to community fundraising efforts. Some fundraising and development expense allocations to programmatic categories are for activities that jointly promote both programmatic and fundraising goals. These activities include salaries and benefits for fund development employees who are primarily engaged in community outreach and education and in volunteer development. Related expenses, such as website development, printing, publishing and associated costs of delivery are also included. These items typically include brochures and online information describing programs and how they are accessed, newsletters, press releases, and other informational services.

Federal Income Tax

Both NAM and NAM Endowment are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and are classified by the Internal Revenue Service as other than private.

The Organizations' Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 –Fair Value Measurements

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets and have the highest priority.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* - Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note 3 –Fair Value Measurements (Continued)

Assets measured at fair value at September 30, 2015 are as follows:

	Fair Value	Measurements Using:		
		Level 1	Level 2	Level 3
<i>September 30, 2015</i>				
Pooled separate accounts:				
Money market accounts	\$ 29,118	\$ -	\$ 29,118	\$ -
Equity accounts	627,277	-	627,277	-
Fixed income accounts	604,891	-	604,891	-
Alternative assets	236,540	-	236,540	-
Real assets	67,628	-	67,628	-
Inventory	511,068	89,785	85,363	335,920
Long-term investment in partnership	11,053	-	11,053	-
	<u>\$ 2,087,575</u>	<u>\$ 89,785</u>	<u>\$ 1,661,870</u>	<u>\$ 335,920</u>

Assets measured at fair value at September 30, 2014 are as follows:

	Fair Value	Measurements Using:		
		Level 1	Level 2	Level 3
<i>September 30, 2014</i>				
Pooled separate accounts:				
Money market accounts	\$ 28,416	\$ -	\$ 28,416	\$ -
Equity accounts	655,442	-	655,442	-
Fixed income accounts	551,771	-	551,771	-
Alternative assets	249,655	-	249,655	-
Real assets	76,036	-	76,036	-
Inventory	410,185	68,731	87,071	254,383
Long-term investment in partnership	8,260	-	8,260	-
	<u>\$ 1,979,765</u>	<u>\$ 68,731</u>	<u>\$ 1,656,651</u>	<u>\$ 254,383</u>

The following is a description of the valuation methodologies used for the assets measured at fair value. There have been no changes in the methodology used at September 30, 2015.

Level 1 Fair Value Measurements

Level 1 valued inventory consists of medical supplies maintained in the children's clinic. Children's clinic inventory is valued at the replacement cost of the items at the report date.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note 3 – Fair Value Measurements (Continued)

Level 2 Fair Value Measurements

The investment balance is comprised of investments in pooled separate accounts. A significant portion of the underlying securities have level 1 quoted pricing inputs but net asset value of the pooled separate account is not publically quoted. Level 2 valued inventories consists of food pantry items. Contributed assets donated by retail vendors are recorded at fair values as determined by the vendor. Other donated food is valued using a standard per pound rate, as provided by a national food pantry. NAM owns an interest in a partnership, donated to the organization in a prior period. The value of the asset is based on the K-1 received from the partnership.

Level 3 Fair Value Measurements

NAM receives significant non-cash contributions which are sold in resale shops or provided to clients through programs. At the end of the period, remaining items are recorded as inventory. Fair value of the inventory is determined based on expected sales price of items, based on resale shop experience.

Assets measured at fair value on a recurring basis using significant unobservable inputs (level 3):

	2015	2014
Resale shop inventory balance, beginning of year	\$ 254,383	\$ 255,782
Excess of in-kind donations over sales	81,537	(1,399)
Resale shop inventory balance, end of year	\$ 335,920	\$ 254,383

Note 4 – Cash and Cash Equivalents

Cash and cash equivalents represent cash in banks and short-term investments with an initial maturity of three months or less. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

NAM maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. At September 30, 2015, NAM and NAM Endowment had excess deposits of \$0 and \$25,152, respectively.

Note 5 – Investments

Significant investment accounts are maintained in the NAM Endowment Fund. Additionally, a long-term investment is held by NAM. NAM Endowment Fund funds are invested in pooled separate accounts with a non-profit foundation, which is managed by a third party investment advisor.

Investments in pooled separate accounts and mutual funds are valued at the reported net asset value of the interest or shares held. This method may produce a fair value that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while NAM believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date. See the Fair Value disclosure for the valuation methodology and the aggregate carrying value for each major type of investment.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note 5 – Investments (Continued)

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return consists of the following:

	2015	2014
Interest and dividends	\$ 17,150	\$ 10,737
Net realized and unrealized gain	(42,913)	104,774
Management fees	(4,755)	(4,477)
	\$ (30,518)	\$ 111,034

Long-term investment balance is comprised of an interest in a partnership. At September 30, 2015 and 2014, this balance represented one remaining investment in a partnership with a fair value of \$11,053 and \$8,260, respectively.

Note 6 ó Accounts Receivable

Included in the accounts receivable balance are program service fees billed by the Children's Clinic. These receivables of \$246,424 and \$216,833 for September 30, 2015 and 2014, respectively, are presented on the Statement of Financial Position, net of the allowance for uncollectible accounts. The allowance at September 30, 2015 and 2014 is \$134,482 and \$156,435, respectively.

At September 30, 2015 and 2014, government grants receivable were determined to be fully collectible. As such, no allowance for uncollectible promises was recorded.

Note 7 – Unconditional Promises to Give

NAM receives pledges of future contributions from foundations or corporations. These pledges include one year pledges and multi-year pledges, in which annual installment contributions are outlined in the award. For the fiscal year ended 2015, the pledges receivable balance includes capital campaign pledges for a planned facility expansion. In accordance with authoritative accounting guidance, these pledges to give were recognized as revenue in the period when the pledge is made, rather than as the payments are received. At September 30, 2015 and 2014 the unconditional promises to give balance is \$763,385 and \$122,500, respectively. NAM considers all pledge balances at September 30, 2015 to be fully collectible.

The pledges receivable at September 30, 2015 includes \$212,500 in foundation pledges receivable, collectible within one year. The remaining \$550,885 pledges receivable balance represents capital campaign pledges, expected to be collected in future periods as follows:

- Current, to be collected within 1 year \$366,473
- Long-term, to be collected within 1 to 5 years \$184,412

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note 8 – Inventory

The inventory balances as of September 30, 2015 and 2014 are detailed below:

	<u>2015</u>	<u>2014</u>
Resale shop and senior program inventory	\$ 335,920	\$ 254,383
Children's clinic, medication	89,785	68,731
Food pantry inventory	85,363	87,071
Total inventory	<u>\$ 511,068</u>	<u>\$ 410,185</u>

Note 9 – Land, Building and Equipment

Land, building and equipment at September 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 439,000	\$ 439,000
Building and improvements	4,224,777	4,264,838
Furniture and equipment	795,395	815,658
Total land, building and equipment	<u>\$ 5,459,172</u>	<u>\$ 5,519,496</u>
Accumulated depreciation	<u>(2,596,471)</u>	<u>(2,570,591)</u>
	<u>\$ 2,862,701</u>	<u>\$ 2,948,905</u>

Depreciation expense for the years ended September 30, 2015 and 2014 totaled \$220,300 and \$210,441, respectively.

During 2015, NAM relocated a resale shop. Capitalized leasehold improvements for this location were removed from the accounting records. The disposed assets were fully depreciated, with capitalized cost and accumulated depreciation balances of \$194,423.

In a prior period, NAM received \$250,000 from a donor foundation to be used for the purchase of a building. The donor stipulated that donated funds be refunded to the foundations in the event that the building is sold. Neither the Board of Directors nor management has intentions to sell the NAM building. In accordance with accounting principles generally accepted in the United States, no liability has been recorded for this amount.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note 10 –Notes Payable and Line of Credit

Notes payable balance at September 30, 2015 and 2014 consisted of the following:

	2015	2014
Bank loan (\$655,000-original principle) payable in monthly principle/interest installments of \$11,021, at 3.77% per annum through Nov 2018; secured by a first lien security interest in land and building and assignment of leases and rental income.	\$ 367,151	\$ 482,967
Bank loan (\$125,000-original principle) payable in monthly principle and interest installments of \$3,651, at 3.28% per annum through April 2017; secured by a second lien security interest in land and building and assignment of leases and rental income.	67,555	108,391
Bank loan (\$120,000-original principle) payable in monthly principle and interest installments of \$3,505, at 3.25% per annum through April 2018; secured by a second lien security interest in land and building and assignment of leases and rental income.	103,985	-
Total notes payable	\$ 538,691	\$ 591,358

NAM also has a line of credit agreement with a bank, which keeps funds available to NAM. This line of credit is secured by a second lien on the building. The maturity date of the line of credit is May 15, 2016. NAM pays interest on any outstanding funds at the BBA LIBOR Daily Floating Rate plus 3.00%. At September 30, 2015 and 2014, the outstanding balance on this line was \$130,000 and \$100,000, respectively. Total interest expense for the year ended September 30, 2015 and 2014 was \$24,393 and \$26,929, respectively.

Note payments for the next five years are as follows:

Year Ending September 30,	Payments Due
2016	\$ 203,785
2017	\$ 192,815
2018	\$ 142,091

Note 11 – Lease Agreements

NAM leases office space to tenants under operating lease agreements, all which terminate within a twelve month period. NAM leases office equipment under agreements with varying expiration dates through 2018, incurring a monthly lease expense of approximately \$1,200.

In 2015, NAM revised its occupancy lease for its resale operations. Under this lease, NAM will occupy the leased space through December 2017, at a monthly rate of \$13,000 through the term of the lease.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note 11 – Lease Agreements (Continued)

Future minimum lease payments as of September 30, 2015 are as follows:

Year Ending September 30,	Minimum Lease Payments	
2016	\$	168,730
2017	\$	167,205
2018	\$	44,602

Note 12 – Joint Costs

During the years ended September 30, 2015 and 2014, NAM incurred joint costs of \$482,633 and \$471,112, respectively, for informational materials and activities and staff costs that included fund raising appeals. NAM allocated \$151,098 and \$155,315, respectively, to fundraising expense, and \$331,535 and \$315,797, respectively, to management and program activities.

Note 13 – Concentration of Support

In the years ended September 30, 2015 and 2014, a significant amount of contributions were provided by a few major contributors. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term. The Organization's market is concentrated in the Houston, Texas, geographical area.

Note 14 – Restrictions on Net Assets

Temporarily restricted net assets at September 30, 2015 and 2014 are presented below.

	2015	2014
NAM:		
Inventory, medicine	\$ 89,785	\$ 68,731
Emergency fund	5,001	5,058
Children's services	250,247	62,500
Low-income and social assistance	77,105	115,173
Senior services	45,996	18,330
Educational services	4,070	2,326
Planned capital expenditures	2,754,604	1,219,000
	<u>\$ 3,226,808</u>	<u>\$ 1,491,118</u>
NAM Endowment:		
Building maintenance	\$ 850,694	\$ 910,582
Educational scholarship	12,440	12,440
Accumulated investment earnings (losses)	(15,639)	21,585
	<u>\$ 847,495</u>	<u>\$ 944,607</u>

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note 14 – Restrictions on Net Assets (Continued)

In January of 2002, NAM and the NAM Endowment entered into an agreement with a donor foundation. The foundation matched funds raised by NAM. In accordance with this agreement, the combined amount is to be maintained by NAM Endowment with distributions to NAM restricted for the maintenance of the NAM building. Approximately \$230,113 of the NAM funds raised, which were matched by the foundation, was contributed to NAM, absent of donor restrictions. Generally, donations received without donor restrictions are classified for financial statement purposes as unrestricted. However, since these contributions are irrevocably included with the building maintenance funds, these contributions are excluded from unrestricted net assets, classifying the entire building maintenance asset balance as temporarily restricted net assets.

Note 15 – Permanently Restricted Net Assets

Permanently restricted net assets for NAM Endowment at September 30, 2015 and 2014 are detailed below:

Restricted purpose:	2015	2014
Interfaith Hospitality Network and homelessness prevention	121,155	105,782
General operating expenses of NAM	123,330	123,330
	\$ 244,485	\$ 229,112

NAM Endowment also maintains unrestricted funds of \$4,500, transferred to NAM Endowment. The Board resolved to include these funds with the permanent endowment investments. The balance is presented as board designated and included in the unrestricted component of net assets.

Note 16 – Permanently Restricted Endowment Funds

NAM Endowment maintains assets with both temporary and permanent donor restrictions. This disclosure relates only to the assets received with permanent donor restrictions and the unused earnings thereon.

Permanently restricted net assets at September 30, 2015 and 2014 consist of approximately four individual funds established for a variety of purposes, including homelessness prevention and general operating expenses of NAM. Contributions to these endowment funds are subject to donor restrictions that stipulate the original principle of the gift is to be held and invested by the Organization indefinitely and income from the fund is to be expended for the purposes defined by the donor. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NAM has adopted investment and spending policies based on the requirements of the State Uniform Management of Institutional Funds Act (SUMIFA). As a result, of the Organization's interpretation of SUMIFA, and in accordance with donor restrictions, contributions to these endowment funds are classified as permanently restricted net assets. The historical dollar value of those contributions must be maintained inviolate. Income from the fund is classified with temporarily restricted net assets until the purpose restriction is satisfied. When the purpose restriction is met, the net assets are reclassified to unrestricted net assets.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2015 and 2014

Note 16 – Permanently Restricted Endowment Funds (Continued)

The donor-permanently restricted endowment funds are invested in pooled separate accounts, maintained by a third party foundation. The underlying assets of the pooled separate accounts include equity, fixed income, real estate and money market funds. The Endowment board monitors the investment to ensure that it is pursuant to the Organization's investment and spending objectives of providing a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Organization generally expends the endowment's funds' investment income for the donor-restricted purpose in the first calendar quarter once annual calendar year financial reports have been reviewed.

The composition of endowment net assets and the changes in endowment net assets as of September 30, 2015 and 2014 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Permanently restricted endowment net assets, September 30, 2013	\$ 579	\$ 207,207	\$ 207,786
Contributions	-	21,905	21,905
Investment income	4,217	-	4,217
Net appreciation	40,806	-	40,806
Program expenditures	(24,017)	-	(24,017)
Permanently restricted endowment net assets, September 30, 2014	21,585	229,112	250,697
Contributions	-	15,373	15,373
Investment income	7,237	-	7,237
Net appreciation	(5,992)	-	(5,992)
Program expenditures/transfers	(26,029)	-	(26,029)
Permanently restricted endowment net assets, September 30, 2015	\$ (3,199)	\$ 244,485	\$ 241,286

Note 17 – Subsequent Event

In preparing the financial statements, the Organization has evaluated the events and transactions for potential recognition or disclosure through March 4, 2016, the date that the financial statements were available to be issued.

Supplemental Information

Schedule of Expenditures of Federal Awards
Northwest Assistance Ministries
For the Year Ended September 30, 2015

Federal Grantor/Pass Through Grantor/Program	Federal CFDA Number	Identifying Number	Federal Expenditure
U.S. Department of Housing and Urban Development:			
Direct Program:			
Supportive Housing Program	14.235	TX0183L6E001306	\$ 436,714
Supportive Housing Program	14.235	TX0273L6E001405	192,706
Supportive Housing Program	14.235	TX0273L6E001304	151,265
Pass-through programs from:			
Harris County			
Community Block Development Grant (MOW)	14.218	2015-0017	39,311
Emergency Solutions Grant	14.231	2014-0034	13,418
Texas Department of Housing and Community Affairs			
Emergency Solutions Grant	14.231	42140002060	<u>326,159</u>
Total U.S. Department of Housing and Urban Development			<u>1,159,573</u>
U.S. Department of Justice:			
Pass-through programs from:			
State of Texas Criminal Justice Division			
Victims of Criminal Acts (VOCA)	16.575	13715-14	210,082
Victims of Criminal Acts (VOCA)	16.575	13715-15	11,030
Office of the Attorney General			
Office of Victims Assistance	16.582	1444389	33,281
Office of Victims Assistance	16.582	1552975	<u>70</u>
Total U.S. Department of Justice			<u>254,463</u>
U.S. Department of Health and Human Services:			
Pass-through programs from:			
Texas Health and Human Services Commission			
Family Violence Prevention and Services	93.671	529-15-0006	25,801
Family Violence Prevention and Services	93.671	529-13-0016-00008	16,698
Family Violence Prevention and Services	93.671	529-15-0031-00008B	1,645
Family Violence Prevention and Services	93.667	529-13-0016-00008	38,035
Family Violence Prevention and Services	93.667	529-15-0031-00008B	<u>4,021</u>
Total U.S. Department of Health and Human Services			<u>86,200</u>
Department of Homeland Security:			
Direct Program:			
Emergency Food and Shelter	97.024	32-782800-026	<u>88,995</u>
Total Department of Homeland Security			<u>88,995</u>
Total Expenditures of Federal Awards			<u>\$ 1,589,231</u>

See Notes to the Schedule of Expenditures of Federal Awards.

Northwest Assistance Ministries
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Note 1 - Basis of Presentation

The accompanying schedules of expenditures of federal awards include the federal grant activity of NAM and are presented on the accrual basis of accounting, , in accordance with accounting principles generally accepted in the United States. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



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*

To the Board of Directors of
Northwest Assistance Ministries

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 Northwest Assistance Ministries (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2015, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Ralph and Ralph, P.C.

Houston, Texas
March 4, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
Northwest Assistance Ministries

Report on Compliance for Each Major Federal Program

We have audited Northwest Assistance Ministries' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Northwest Assistance Ministries' major federal programs for the year ended September 30, 2015. Northwest Assistance Ministries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northwest Assistance Ministries' major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northwest Assistance Ministries' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Northwest Assistance Ministries' compliance.

Opinion on Each Major Federal Program

In our opinion, Northwest Assistance Ministries 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 September 30, 2015.

Report on Internal Control Over Compliance

Management of Northwest Assistance Ministries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northwest Assistance Ministries' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northwest Assistance Ministries' internal control over compliance.

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.

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Ralph and Ralph, P.C.

Houston, Texas
March 4, 2016

Northwest Assistance Ministries
Summary of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? _____ yes X no
Significant Deficiency identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness identified? _____ yes X no
Significant Deficiency identified? _____ yes X none reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.235	Supportive Housing Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes _____ no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Awards Findings and Questioned Costs

No matters were reported.

The accompanying notes are an integral part of these financial statements.