

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

**September 30, 2014 and 2013**

# 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 <i>Government Auditing Standards</i> .....	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, 2014 and 2013, and the related consolidated statements of activities, functional expenses (presenting only comparative totals for 2013), 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, 2014 and 2013, 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, 2014 and the related consolidating statements of activities and cash flows for the year then ended is 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 February 13, 2015, 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  
February 13, 2015

Northwest Assistance Ministries  
Consolidated Statements of Financial Position  
September 30, 2014 and 2013

	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 308,895	\$ 469,541
Investments	1,561,321	1,437,056
Accounts receivable, net	199,375	128,962
Promises to give, net	122,500	237,500
Government grants receivable	113,782	135,111
Inventory	410,185	382,906
Prepaid assets	75,409	96,351
Long-term investments	8,260	5,962
Assets restricted for long-term use	1,299,888	100,849
Land, building and equipment	2,948,905	2,945,050
<b>Total assets</b>	<b>\$ 7,048,520</b>	<b>\$ 5,939,288</b>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Accounts payable	185,763	198,572
Accrued liabilities	356,787	319,236
Accrued income	-	25,000
Line of credit	100,000	100,000
Notes payable	591,358	619,178
<b>Total liabilities</b>	<b>1,233,908</b>	<b>1,261,986</b>
<b>Net assets</b>		
Unrestricted	3,145,275	3,292,372
Unrestricted, board designated	4,500	4,500
Temporarily restricted	2,435,725	1,173,223
Permanently restricted	229,112	207,207
<b>Total net assets</b>	<b>5,814,612</b>	<b>4,677,302</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,048,520</b>	<b>\$ 5,939,288</b>

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

Northwest Assistance Ministries  
Consolidated Statements of Activities  
For the Years Ended September 30, 2014 and 2013

<b>Changes in unrestricted net assets</b>	<b>2014</b>	<b>2013</b>
Revenues and gains		
Contributions	\$ 2,277,578	\$ 2,460,829
Government grants	1,805,156	1,633,062
Special events	881,354	819,469
Sales	1,073,840	1,228,148
Donated goods and services	1,773,933	1,457,280
Rental income	33,696	33,696
Program service fees	617,979	546,604
Miscellaneous income	37,097	87,069
Net assets released from restrictions	315,629	572,162
Total unrestricted revenues, gains, and other support	<u>8,816,262</u>	<u>8,838,319</u>
Expenses:		
Program services	7,849,544	7,317,883
Management and general	578,768	595,849
Fundraising and development	468,545	395,563
Distribution of earnings	-	-
Total expenses	<u>8,896,857</u>	<u>8,309,295</u>
Increase (decrease) in unrestricted net assets	<u>(80,595)</u>	<u>529,024</u>
<b>Changes in temporarily restricted net assets</b>		
Contributions	1,396,118	209,406
Transfers between net asset categories	-	8,200
Income on long-term investments	10,737	10,024
Net unrealized and realized gains/losses, long-term investments	104,774	97,020
Net assets released from restrictions	(315,629)	(550,276)
Increase (decrease) in temporarily restricted net assets	<u>1,196,000</u>	<u>(225,626)</u>
<b>Changes in permanently restricted net assets</b>		
Contributions	21,905	21,886
Transfers between net asset categories	-	(8,200)
Transfers to NAM Endowment	-	-
Increase in permanently restricted net assets	<u>21,905</u>	<u>13,686</u>
Increase (decrease) in total net assets	<u>1,137,310</u>	<u>317,084</u>
Net assets, beginning of year	<u>4,677,302</u>	<u>4,360,218</u>
<b>Net assets, end of year</b>	<u><u>\$ 5,814,612</u></u>	<u><u>\$ 4,677,302</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, 2014, With Comparative Total for 2013

	2014											2013 Total	
	Assistance Programs	Family Violence	SEA	Homeless Network	Children's Clinic	Training and Employment	Resale Shops	Senior Programs	Program Services	General Development	Total		
Salaries and wages	\$ 243,395	\$ 273,852	\$ 303,379	\$ 82,444	\$ 383,716	\$ 71,012	\$ 381,386	\$ 211,101	\$ 1,950,285	\$ 713,322	\$ 274,013	\$ 2,937,620	\$ 2,797,420
Payroll taxes/benefits	47,518	59,066	75,095	23,859	89,564	15,784	94,036	64,363	469,305	112,644	56,321	638,270	618,081
Professional services	883	49,683	169,408	17,213	396	7,600	22,994	8,075	276,252	198,833	135,574	610,659	480,643
In-kind donations	860,013	16,470	194,496	7,031	146,829	395	16,709	273,545	1,515,488	35,830	13,958	1,565,276	1,354,644
Direct aid to clients	263,456	12,116	813,166	4,021	211,054	50,292	-	108,922	1,463,027	-	-	1,463,027	1,420,159
Donated services	-	21,615	370	-	137,020	735	-	7,380	167,120	13,038	-	180,158	168,544
Office supplies	2,658	1,145	8,339	2,998	3,282	857	29,109	4,737	53,125	3,391	25,982	82,498	66,349
Postage and delivery	-	108	-	-	-	-	1,146	-	1,254	7,103	17,917	26,274	22,239
Utilities and building cost	140	46,563	16,818	391	539	1,805	69,158	12,646	148,060	121,290	-	269,350	248,094
Rent	2,795	2,271	3,133	13	5,056	2,534	289,569	2,590	307,961	7,810	3,823	319,594	408,256
Repair and maintenance	767	-	14	324	139	79	12,015	80	13,418	58,244	179	71,841	50,787
Taxes and licenses	-	-	-	-	-	-	245	-	245	50	-	295	6,533
Telephone	653	5,156	1,118	871	352	-	-	436	14,641	38,128	-	52,769	49,756
Insurance	-	-	-	-	-	-	5,850	-	5,850	71,379	146	77,375	79,608
Vehicle expense	8,779	-	3,750	3,888	-	-	23,945	7,780	48,142	-	-	48,142	39,260
Interest expense	-	-	-	-	-	-	1,649	-	1,649	25,279	-	26,928	41,492
Public relations and fundraising	1,264	702	772	753	525	171	38,642	815	43,644	9,248	175,552	228,444	214,323
Depreciation expense	39,566	10,672	8,589	4,764	11,142	10,958	82,091	19,820	187,602	19,605	3,234	210,441	170,133
Miscellaneous expense	684	15	293	-	-	30	26,862	-	27,884	3,571	18,746	50,201	66,302
NAM Endowment expenses	-	-	-	-	-	-	-	-	-	7,229	30,466	37,695	6,672
Overhead allocation	246,770	106,569	174,728	51,862	152,924	58,358	177,304	186,077	1,154,592	(867,226)	(287,366)	-	-
Total functional expense	\$ 1,719,341	\$ 606,003	\$ 1,773,468	\$ 200,432	\$ 1,142,538	\$ 229,610	\$ 1,278,785	\$ 908,367	\$ 7,849,544	\$ 578,768	\$ 468,545	\$ 8,896,857	\$ 8,309,295

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,137,310	\$ 317,084
Adjustments to reconcile change in net assets to net cash		
Depreciation	210,441	170,133
Donated stock	-	-
Change in unrealized (gain)/loss on investments	(25,834)	(103,834)
(Increase) decrease from operating assets:		
Accounts receivable and promises to give	40,265	(136,108)
Government grants receivable	21,329	(8,175)
Inventory	(27,279)	70,867
Prepaid assets	20,942	(76,011)
Restricted assets, long-term use	(1,199,039)	(8,447)
Increase (decrease) from operating liabilities:		
Accounts payable	2,272	7,594
Accrued liabilities	37,551	83,996
Accrued income	(25,000)	25,000
Due to NAM Endowment	(10,759)	11,315
Net cash provided (used) by operating activities	<u>182,199</u>	<u>353,414</u>
<b>Cash flows from investing activities</b>		
(Gain)/loss on long-term investment	(81,238)	6,666
Purchase of property and equipment	(214,296)	(219,983)
Investments, net purchases and sales	(19,491)	(20,599)
Net cash provided (used) by for investing activities	<u>(315,025)</u>	<u>(233,916)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowing agreements	-	755,000
Payments on long-term debt	(27,820)	(785,838)
Net cash provided (used) by for investing activities	<u>(27,820)</u>	<u>(30,838)</u>
Net change in cash and cash equivalents	(160,646)	88,660
Cash and cash equivalents, beginning of year	<u>469,541</u>	<u>380,881</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 308,895</u>	<u>\$ 469,541</u>
<b>Supplemental information: Interest paid, cash basis</b>	<u>\$ 26,929</u>	<u>\$ 41,492</u>

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



# Consolidating Statements

Northwest Assistance Ministries  
 Consolidating Statement of Financial Position  
 September 30, 2014

	NAM			Consolidated
	NAM	Endowment	Eliminations	
<b>Assets</b>				
Cash and cash equivalents	\$ 308,895	\$ -	\$ -	\$ 308,895
Investments	-	1,561,321	-	1,561,321
Accounts receivable, net	215,686	759	(17,070)	199,375
Promises to give, net	122,500	-	-	122,500
Government grants receivable	113,782	-	-	113,782
Inventory	410,185	-	-	410,185
Prepaid assets	75,409	-	-	75,409
Long-term investments	8,260	-	-	8,260
Assets restricted for long-term use	1,299,888	-	-	1,299,888
Land, building and equipment	2,948,905	-	-	2,948,905
<b>Total assets</b>	<b>\$ 5,503,510</b>	<b>\$ 1,562,080</b>	<b>\$ (17,070)</b>	<b>\$ 7,048,520</b>
<b>Liabilities and net assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 185,763	\$ 16,311	\$ (16,311)	\$ 185,763
Accrued liabilities	356,787	-	-	356,787
Accrued income	-	-	-	-
Due to NAM Endowment	759	-	(759)	-
Line of credit payable	100,000	-	-	100,000
Notes payable	591,358	-	-	591,358
<b>Total liabilities</b>	<b>1,234,667</b>	<b>16,311</b>	<b>(17,070)</b>	<b>1,233,908</b>
<b>Net assets</b>				
Unrestricted	2,777,725	367,550	-	3,145,275
Unrestricted, board designated	-	4,500	-	4,500
Temporarily restricted	1,491,118	944,607	-	2,435,725
Permanently restricted	-	229,112	-	229,112
<b>Total net assets</b>	<b>4,268,843</b>	<b>1,545,769</b>	<b>-</b>	<b>5,814,612</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,503,510</b>	<b>\$ 1,562,080</b>	<b>\$ (17,070)</b>	<b>\$ 7,048,520</b>

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

Northwest Assistance Ministries  
Consolidating Statement of Activities  
For the Year Ended September 30, 2014

	NAM	NAM Endowment	Eliminations	Consolidated
<b>Changes in unrestricted net assets</b>				
Revenues and gains:				
Contributions	\$ 2,277,578	\$ -	\$ -	\$ 2,277,578
Government grants	1,805,156	-	-	1,805,156
Special events	816,148	65,206	-	881,354
Sales	1,073,840	-	-	1,073,840
Donated goods and services	1,773,933	-	-	1,773,933
Rental income	33,696	-	-	33,696
Program service fees	617,979	-	-	617,979
Miscellaneous income	37,097	-	-	37,097
Net assets released from restrictions	249,127	66,502	-	315,629
Total unrestricted revenues, gains, and other support	<u>8,684,554</u>	<u>131,708</u>	<u>-</u>	<u>8,816,262</u>
Expenses:				
Program services	7,849,544	-	-	7,849,544
Management and general	571,539	7,229	-	578,768
Fundraising and development	438,079	30,466	-	468,545
Distribution of earnings	-	66,502	(66,502)	-
Total expenses	<u>8,859,162</u>	<u>104,197</u>	<u>(66,502)</u>	<u>8,896,857</u>
Change in unrestricted net assets	<u>(174,608)</u>	<u>27,511</u>	<u>66,502</u>	<u>(80,595)</u>
<b>Changes in temporarily restricted net assets</b>				
Contributions	1,462,620	-	(66,502)	1,396,118
Income on long-term investments	-	10,737	-	10,737
Net unrealized and realized gains on long-term investments	-	104,774	-	104,774
Net assets released from restrictions	(249,127)	(66,502)	-	(315,629)
Change in temporarily restricted net assets	<u>1,213,493</u>	<u>49,009</u>	<u>(66,502)</u>	<u>1,196,000</u>
<b>Changes in permanently restricted net assets</b>				
Contributions	-	21,905	-	21,905
Transfers to/from NAM Endowment	-	-	-	-
Change in permanently restricted net assets	<u>-</u>	<u>21,905</u>	<u>-</u>	<u>21,905</u>
Total change in net assets	1,038,885	98,425	-	1,137,310
Net assets, beginning of year	3,229,958	1,447,344	-	4,677,302
<b>Net assets, end of year</b>	<u><b>\$ 4,268,843</b></u>	<u><b>\$ 1,545,769</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 5,814,612</b></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, 2014

	NAM			Consolidated
	NAM	Endowment	Eliminations	
<b>Operating Activities</b>				
Change in equity	\$ 1,038,885	\$ 98,425	\$ -	\$ 1,137,310
Adjustments to reconcile change in equity to net cash provided by:				
Depreciation and amortization	210,441	-	-	210,441
Donated stock	-	-	-	-
Unrealized gain/loss on investments	-	(25,834)	-	(25,834)
(Increase) decrease in:				
Accounts receivable and promises to give	29,506	10,759	-	40,265
Government grants receivable	21,329	-	-	21,329
Inventory	(27,279)	-	-	(27,279)
Prepaid assets	20,942	-	-	20,942
Restricted assets, long-term use	(1,199,039)	-	-	(1,199,039)
Increase (decrease) in:				
Accounts payable	(12,809)	15,081	-	2,272
Accrued liabilities	37,551	-	-	37,551
Accrued income	(25,000)	-	-	(25,000)
Due to NAM Endowment	(10,759)	-	-	(10,759)
Net cash provided by operating activities	<u>83,768</u>	<u>98,431</u>	<u>-</u>	<u>182,199</u>
<b>Investing Activities</b>				
(Gain) loss on long-term investment	(2,298)	(78,940)	-	(81,238)
Purchase of property and equipment	(214,296)	-	-	(214,296)
Investments, net purchases and sales	-	(19,491)	-	(19,491)
Net cash used for investing activities	<u>(216,594)</u>	<u>(98,431)</u>	<u>-</u>	<u>(315,025)</u>
<b>Financing Activities</b>				
Proceeds from borrowing agreements	-	-	-	-
Line of credit, repayments	-	-	-	-
Payments on long-term debt	(27,820)	-	-	(27,820)
Net cash used for financing activities	<u>(27,820)</u>	<u>-</u>	<u>-</u>	<u>(27,820)</u>
Net increase	<u>(160,646)</u>	<u>-</u>	<u>-</u>	<u>(160,646)</u>
Cash and cash equivalents, beginning of year	<u>469,541</u>	<u>-</u>	<u>-</u>	<u>469,541</u>
Cash and cash equivalents, end of year	<u>\$ 308,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,895</u>

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

Northwest Assistance Ministries  
Notes to Financial Statements  
September 30, 2014 and 2013

**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. (“NAM Endowment”). 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, 2014, this account is primarily comprised of funds donated for facility development projects.

Northwest Assistance Ministries  
Notes to Financial Statements (Continued)  
September 30, 2014 and 2013

**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, 2014 and 2013

**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	
	2014	2013
Assistance programs	\$ 193,630	\$ 186,070
SEA	5,045	8,663
Homeless network	171,775	170,270
Children's clinic	31,935	28,000
Training and employment	18,203	16,825
Resale shops	355,020	298,623
Senior programs	304,030	336,815
Management and general	3,720	5,645
Fundraising and development	16,783	17,032
	<u>\$ 1,100,141</u>	<u>\$ 1,067,943</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, 2014 and 2013

**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 2011, 2012, and 2013 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, 2014 and 2013

**Note 3 –Fair Value Measurements (Continued)**

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

	<u>Fair Value</u>	<u>Measurements Using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<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>

Assets measured at fair value at September 30, 2013 are as follows:

	<u>Fair Value</u>	<u>Measurements Using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>September 30, 2013</i>				
Pooled separate accounts:				
Money market accounts	\$ 431	\$ -	\$ 431	\$ -
Equity accounts	551,255	-	551,255	-
Fixed income accounts	553,985	-	553,985	-
Alternative assets	270,454	-	270,454	-
Real assets	60,931	-	60,931	-
Inventory	382,906	64,276	62,848	255,782
Long-term investment in partnership	5,962	-	5,962	-
	<u>\$ 1,825,924</u>	<u>\$ 64,276</u>	<u>\$ 1,505,866</u>	<u>\$ 255,782</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, 2014.

*Level 1 Fair Value Measurements –*

Level 1 valued inventory consists of medical supplies maintained in the children’s clinic. Children 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, 2014 and 2013

**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):

	2014	2013
Resale shop inventory balance, beginning of year	\$ 255,782	\$ 318,805
Excess of in-kind donations over sales	(1,399)	(63,023)
Resale shop inventory balance, end of year	<u>\$ 254,383</u>	<u>\$ 255,782</u>

**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, 2014, NAM and NAM Endowment had excess deposits of \$25,152 and \$0, 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, 2014 and 2013

**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:

	2014	2013
Interest and dividends	\$ 10,737	\$ 10,024
Net realized and unrealized gain	104,774	97,020
Management fees	(4,477)	(4,084)
	\$ 111,034	\$ 102,960

Long-term investment balance is comprised of an interest in a partnership. At September 30, 2014 and 2013, this balance represented one remaining investment in a partnership with a fair value of \$8,260 and \$5,962, respectively.

**Note 6 – Accounts Receivable**

Included in the accounts receivable balance are program service fees billed by the Children’s Clinic. These receivables of \$216,833 and \$181,249 for September 30, 2014 and 2013, respectively, are presented on the Statement of Financial Position, net of the allowance for uncollectible accounts. The allowance at September 30, 2014 and 2013 is \$156,435 and \$134,183, respectively.

At September 30, 2014 and 2013, 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. 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, 2014 and 2013 the unconditional promises to give balance is \$122,500 and \$237,500, respectively. NAM considers all pledge balances at September 30, 2014 as fully collectible.

Pledges receivable at September 30, 2014 of \$122,500 are expected to be collected in future periods as follows:

- Current, to be collected with 1 year \$82,500
- Long-term, to be collected in 1 to 5 years \$40,000

Northwest Assistance Ministries  
Notes to Financial Statements (Continued)  
September 30, 2014 and 2013

**Note 8 – Inventory**

The inventory balances as of September 30, 2014 and 2013 are detailed below:

	2014	2013
Resale shop and senior program inventory	\$ 254,383	\$ 255,782
Children's clinic, medication	68,731	64,276
Food pantry inventory	87,071	62,848
Total inventory	<u>\$ 410,185</u>	<u>\$ 382,906</u>

**Note 9 – Land, Building and Equipment**

Land, building and equipment at September 30, 2014 and 2013 consisted of the following:

	2014	2013
Land	\$ 439,000	\$ 439,000
Building and improvements	4,264,838	4,068,270
Furniture and equipment	815,658	797,930
Total land, building and equipment	<u>\$ 5,519,496</u>	<u>\$ 5,305,200</u>
Accumulated depreciation	<u>(2,570,591)</u>	<u>(2,360,150)</u>
	<u>\$ 2,948,905</u>	<u>\$ 2,945,050</u>

Depreciation expense for the years ended September 30, 2014 and 2013 totaled \$210,441 and \$170,133, respectively.

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.

**Note 10 –Notes Payable and Line of Credit**

The notes payable balance of NAM consists of the following at September 30, 2014 and 2013:

	2014	2013
Bank loan (original principle balance of \$655,000) payable in monthly principle and interest installments of \$11,021, at 3.77% per annum through November of 2018; secured by a first lien security interest in land and building and assignment of leases and rental income.	\$ 482,967	\$ 619,178
Bank loan (original principle balance of \$125,000) payable in monthly principle and interest installments of \$3,651, at 3.28% per annum through April of 2017; secured by a second lien security interest in land and building and assignment of leases and rental income.	108,391	-
Total notes payable	<u>\$ 591,358</u>	<u>\$ 619,178</u>

Northwest Assistance Ministries  
Notes to Financial Statements (Continued)  
September 30, 2014 and 2013

**Note 10 – Notes Payable and Line of Credit (Continued)**

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, 2015. NAM pays interest on any outstanding funds at the BBA LIBOR Daily Floating Rate plus 3.00%. At September 30, 2014 and 2013, the outstanding balance on this line was \$100,000. Total interest expense for the year ended September 30, 2014 and 2013 was \$26,929 and \$41,492, respectively.

Note payments for the next five years are as follows:

Year Ending September 30,	Notes Payable Payments Due	
2015	\$	159,919
2016	\$	162,731
2017	\$	150,407
2018	\$	118,301

**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. NAM incurs monthly lease expense for resale shop space and office equipment of approximately \$1,198 and \$1,980, respectively.

In 2013, NAM entered into an occupancy lease for its resale operations. Under this lease, NAM will occupy the leased space from January 2014 through December 2016, at a monthly rate ranging from \$12,000 to \$15,000 over the term of the lease.

Future minimum lease payments as of September 30, 2014 are as follows:

Year Ending September 30,	Minimum Lease Payments	
2015	\$	144,000
2016	\$	171,000
2017	\$	45,000

**Note 12 – Joint Costs**

During the years ended September 30, 2014 and 2013, NAM incurred joint costs of \$471,112 and \$412,770, respectively, for informational materials and activities and staff costs that included fund raising appeals. NAM allocated \$155,315 and \$138,853, respectively, to fundraising expense, and \$315,797 and \$273,853, respectively, to management and program activities.

Northwest Assistance Ministries  
Notes to Financial Statements (Continued)  
September 30, 2014 and 2013

**Note 13 – Concentration of Support**

In the years ended September 30, 2014 and 2013, 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, 2014 and 2013 are presented below.

	2014	2013
<b>NAM:</b>		
Inventory, medicine	\$ 68,731	\$ 64,276
Emergency fund	5,058	3,943
Children's services	62,500	62,500
Low-income and social assistance	115,173	87,034
Senior services	18,330	24,872
Educational services	2,326	10,000
Planned capital expenditures	1,219,000	25,000
	\$ 1,491,118	\$ 277,625
<b>NAM Endowment:</b>		
Building maintenance	\$ 910,582	\$ 886,819
Educational scholarship	12,440	8,200
Accumulated investment earnings (losses)	21,585	579
	\$ 944,607	\$ 895,598

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.

Northwest Assistance Ministries  
Notes to Financial Statements (Continued)  
September 30, 2014 and 2013

**Note 15 – Permanently Restricted Net Assets**

Permanently restricted net assets for NAM Endowment at September 30, 2014 and 2013 are detailed below:

<b>Restricted purpose:</b>	2014	2013
Interfaith Hospitality Network and homelessness prevention	105,782	105,782
General operating expenses of NAM	123,330	101,425
	\$ 229,112	\$ 207,207

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, 2014 and 2013 consist of approximately 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.

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.

Northwest Assistance Ministries  
Notes to Financial Statements (Continued)  
September 30, 2014 and 2013

**Note 16 – Permanently Restricted Endowment Funds (Continued)**

The composition of endowment net assets and the changes in endowment net assets as of September 30, 2014 and 2013 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Permanently restricted endowment net assets, September 30, 2012	\$ (19,175)	\$ 193,521	\$ 174,346
Contributions	-	21,886	21,886
Investment income	3,551	-	3,551
Net appreciation	34,559	-	34,559
Program expenditures	(18,356)	(8,200)	(26,556)
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/transfers	(24,017)	-	(24,017)
Permanently restricted endowment net assets, September 30, 2014	\$ 21,585	\$ 229,112	\$ 250,697

**Note 17 – Subsequent Event**

In preparing the financial statements, the Organization has evaluated the events and transactions for potential recognition or disclosure through February 13, 2015, 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, 2014

<u>Federal Grantor/Pass Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Identifying Number</u>	<u>Federal Expenditure</u>
U.S. Department of Housing and Urban Development:			
Direct Program:			
Supportive Housing Program	14.235	TX0183L6E001205	\$ 453,882
Supportive Housing Program	14.235	TX0183L6E001306	89,635
Supportive Housing Program	14.235	TX0273L6E001203	159,490
Supportive Housing Program	14.235	TX0273L6E001304	190,098
Pass-through programs from:			
Harris County			
Community Block Development Grant (MOW)	14.218	2014-0021	25,710
Emergency Solutions Grant	14.231	2014-0034	9,917
Texas Department of Housing and Community Affairs			
Emergency Solutions Grant	14.231	42130001756	295,497
Total U.S. Department of Housing and Urban Development			<u>1,224,229</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	189,468
Victims of Criminal Acts (VOCA)	16.575	13715-15	13,709
Office of the Attorney General			
Office of Victims Assistance	16.582	1444389	35,905
Office of Victims Assistance	16.582	1552975	1,796
Total U.S. Department of Justice			<u>240,878</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	529-14-0052-00005	16,453
Family Violence Prevention and Services	93.671	529-15-0031-00008	1,336
Family Violence Prevention and Services	93.667	529-14-0052-00005	43,188
Family Violence Prevention and Services	93.667	529-15-0031-00008	3,042
Total U.S. Department of Health and Human Services			<u>64,019</u>
Department of Homeland Security:			
Direct Program:			
Emergency Food and Shelter	97.024	30-782800-031	76,255
Total Department of Homeland Security			<u>76,255</u>
Total Expenditures of Federal Awards			<u>\$ 1,605,381</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, 2014

**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, 2014, 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 February 13, 2015.

**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  
February 13, 2015



**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, 2013. 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, 2014.

## 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  
February 13, 2015

Northwest Assistance Ministries  
Summary of Findings and Questioned Costs  
For the Year Ended September 30, 2014

**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
14.231	Emergency Solutions Grant

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.*