

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

September 30, 2016 and 2015

Northwest Assistance Ministries

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## 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, 2016 and 2015, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended (presenting only comparative totals for 2015), 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, 2016 and 2015, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Additionally, a consolidating statement of financial position as of September 30, 2016 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 February 25, 2017, 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 25, 2017

Northwest Assistance Ministries  
Consolidated Statements of Financial Position  
September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 225,375	\$ 67,489
Investments	1,846,670	1,567,430
Accounts receivable, net	156,593	225,236
Promises to give, net	213,361	763,385
Government grants receivable	231,660	112,208
Inventory	365,450	511,068
Prepaid assets	65,030	93,101
Long-term investments	11,053	11,053
Assets restricted for long-term use	3,107,915	2,208,720
Land, building and equipment	3,047,081	2,862,701
<b>Total assets</b>	<b><u>\$ 9,270,188</u></b>	<b><u>\$ 8,422,391</u></b>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Accounts payable	167,852	140,935
Accrued liabilities	237,678	377,113
Accrued income	20,324	21,431
Line of credit	200,000	130,000
Notes payable	974,882	538,691
<b>Total liabilities</b>	<b><u>1,600,736</u></b>	<b><u>1,208,170</u></b>
<b>Net assets</b>		
Unrestricted	2,390,524	2,890,933
Unrestricted, board designated	4,500	4,500
Temporarily restricted	4,761,892	4,074,303
Permanently restricted	512,536	244,485
<b>Total net assets</b>	<b><u>7,669,452</u></b>	<b><u>7,214,221</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 9,270,188</u></b>	<b><u>\$ 8,422,391</u></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, 2016 and 2015

<b>Changes in unrestricted net assets</b>	<b>2016</b>	<b>2015</b>
Revenues and gains		
Contributions	\$ 2,408,998	\$ 2,387,139
Government grants	1,481,325	1,729,246
Special events	925,353	844,867
Sales	983,175	1,122,556
Donated goods and services	1,859,228	1,967,383
Rental income	-	25,272
Program service fees	464,228	739,025
Miscellaneous income	13,230	17,993
Net assets released from restrictions	503,388	183,037
Total unrestricted revenues, gains, and other support	<u>8,638,925</u>	<u>9,016,518</u>
Expenses:		
Program services	7,930,625	8,063,954
Management and general	646,688	595,370
Fundraising and development	492,821	540,188
Distribution of earnings	-	-
Total expenses	<u>9,070,134</u>	<u>9,199,512</u>
Increase (decrease) in unrestricted net assets	<u>(431,209)</u>	<u>(182,994)</u>
<b>Changes in temporarily restricted net assets</b>		
Contributions	1,021,412	1,776,031
Income on long-term investments	10,368	17,150
Net unrealized and realized gains/losses, long-term investments	89,997	(42,914)
Net assets released from restrictions	(503,388)	(183,037)
Increase (decrease) in temporarily restricted net assets	<u>618,389</u>	<u>1,567,230</u>
<b>Changes in permanently restricted net assets</b>		
Contributions	268,051	15,373
Transfers between net asset categories	-	-
Transfers to NAM Endowment	-	-
Increase in permanently restricted net assets	<u>268,051</u>	<u>15,373</u>
Increase (decrease) in total net assets	<u>455,231</u>	<u>1,399,609</u>
Net assets, beginning of year	<u>7,214,221</u>	<u>5,814,612</u>
<b>Net assets, end of year</b>	<u><u>\$ 7,669,452</u></u>	<u><u>\$ 7,214,221</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, 2016, With Comparative Total for 2015

	<b>2016</b>										<b>2015</b>	
	<b>Assistance Programs</b>	<b>Family Violence</b>	<b>Homeless Network</b>	<b>Children's Clinic</b>	<b>Training and Employment</b>	<b>Resale Shops</b>	<b>Senior Programs</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising and Development</b>	<b>Total</b>	<b>Total</b>
Salaries and wages	\$ 417,232	\$ 267,830	\$ 38,377	\$ 431,308	\$ 83,706	366,342	\$ 334,789	\$ 1,939,584	\$ 843,632	\$ 255,354	\$ 3,038,570	\$ 2,974,915
Payroll taxes/benefits	100,105	69,582	11,588	103,800	16,758	96,773	112,788	511,394	143,677	75,315	730,386	688,476
Professional services	7,413	45,318	-	5,426	15,225	9,849	11,977	95,208	234,115	142,467	471,790	637,127
In-kind donations	1,450,713	22,235	8,785	161,018	12	104,496	52,949	1,800,208	4,925	1,483	1,806,616	1,700,654
Direct aid to clients	622,185	9,538	14,896	247,684	63,975	-	355,808	1,314,086	-	-	1,314,086	1,418,231
Donated services	-	23,770	-	154,353	110	-	6,220	184,453	15,212	-	199,665	165,352
Office and program supplies	3,269	1,073	819	7,696	680	18,176	18,817	50,530	2,548	25,302	78,380	67,081
Postage and delivery	33	365	-	148	-	7	34	587	6,854	11,437	18,878	28,468
Utilities and building cost	7,693	35,280	-	-	1,633	58,765	20,962	124,333	155,424	-	279,757	315,312
Rent	4,628	2,032	1	4,940	2,016	254,550	2,760	270,927	8,738	3,047	282,712	312,436
Repair and maintenance	1,466	53	-	1,378	328	9,274	547	13,046	48,066	-	61,112	70,713
Communications	1,664	6,481	1,164	325	-	9,785	920	20,339	41,764	730	62,833	61,583
Insurance	-	790	-	-	-	4,770	1,609	7,169	58,589	-	65,758	65,242
Vehicle expense	8,139	-	86	-	-	23,193	6,575	37,993	80	-	38,073	45,052
Interest expense	-	-	-	-	-	844	567	1,411	33,435	-	34,846	24,393
Public relations and fundraising	2,093	511	353	1,377	78	8,654	1,205	14,271	8,503	176,101	198,875	256,667
Depreciation expense	56,239	15,870	1,496	14,409	14,526	84,179	27,719	214,438	17,629	4,194	236,261	220,300
Miscellaneous expense	846	345	-	-	-	24,517	32	25,740	14,475	16,962	57,177	52,653
NAM Endowment expenses	-	-	-	-	-	-	-	-	47,590	46,769	94,359	94,857
Overhead allocation	523,657	128,142	41,009	178,015	68,083	172,087	193,915	1,304,908	(1,038,568)	(266,340)	-	-
<b>Total functional expenses</b>	<b>\$ 3,207,375</b>	<b>\$ 629,215</b>	<b>\$ 118,574</b>	<b>\$ 1,311,877</b>	<b>\$ 267,130</b>	<b>\$ 1,246,261</b>	<b>\$ 1,150,193</b>	<b>\$ 7,930,625</b>	<b>\$ 646,688</b>	<b>\$ 492,821</b>	<b>\$ 9,070,134</b>	<b>\$ 9,199,512</b>

*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, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 455,231	\$ 1,399,609
Adjustments to reconcile change in net assets to net cash		
Depreciation	236,261	220,300
Change in unrealized (gain)/loss on investments	(48,885)	63,554
(Increase) decrease from operating assets:		
Accounts receivable and promises to give	650,551	(682,258)
Government grants receivable	(119,452)	1,574
Inventory	145,618	(100,883)
Prepaid assets	28,071	(17,692)
Restricted assets, long-term use	(899,195)	(908,832)
Increase (decrease) from operating liabilities:		
Accounts payable	5,872	(23,908)
Accrued liabilities	(139,435)	20,326
Accrued income	(1,107)	21,431
Due to NAM Endowment	(10,838)	10,079
Net cash provided (used) by operating activities	302,692	3,300
<b>Cash flows from investing activities</b>		
(Gain)/loss on long-term investment	41,113	(23,434)
Purchase of property and equipment	(420,641)	(134,096)
Investments, net purchases and sales	(271,466)	(64,509)
Net cash provided (used) by for investing activities	(650,994)	(222,039)
<b>Cash flows from financing activities</b>		
Proceeds from borrowing agreements	1,000,000	120,000
Line of credit, borrowings	70,000	30,000
Payments on long-term debt	(563,809)	(172,667)
Net cash provided (used) by for investing activities	506,191	(22,667)
Net change in cash and cash equivalents	157,889	(241,406)
Cash and cash equivalents, beginning of year	67,489	308,895
<b>Cash and cash equivalents, end of year</b>	<b>\$ 225,378</b>	<b>\$ 67,489</b>
<b>Supplemental information:</b> Interest paid, cash basis	\$ 34,846	\$ 24,393

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

# Consolidating Statements

Northwest Assistance Ministries  
Consolidating Statement of Financial Position  
September 30, 2016

	NAM			
	NAM	Endowment	Eliminations	Consolidated
<b>Assets</b>				
Cash and cash equivalents	\$ 162,416	\$ 62,959	\$ -	\$ 225,375
Investments	-	1,846,670	-	1,846,670
Accounts receivable, net	156,735	-	(142)	156,593
Promises to give, net	213,361	-	-	213,361
Government grants receivable	231,660	-	-	231,660
Inventory	365,450	-	-	365,450
Prepaid assets	65,030	-	-	65,030
Long-term investments	11,053	-	-	11,053
Assets restricted for long-term use	3,107,915	-	-	3,107,915
Land, building and equipment	3,047,081	-	-	3,047,081
Total assets	<u>\$ 7,360,701</u>	<u>\$ 1,909,629</u>	<u>\$ (142)</u>	<u>\$ 9,270,188</u>
<b>Liabilities and net assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 167,852	\$ 142	\$ (142)	\$ 167,852
Accrued liabilities	237,678	-	-	237,678
Accrued income	20,324	-	-	20,324
Due to NAM Endowment	-	-	-	-
Line of credit payable	200,000	-	-	200,000
Note payable	974,882	-	-	974,882
Total liabilities	<u>1,600,736</u>	<u>142</u>	<u>(142)</u>	<u>1,600,736</u>
<b>Net assets</b>				
Unrestricted	1,876,733	513,791	-	2,390,524
Unrestricted, board designated	-	4,500	-	4,500
Temporarily restricted	3,883,232	878,660	-	4,761,892
Permanently restricted	-	512,536	-	512,536
Total net assets	<u>5,759,965</u>	<u>1,909,487</u>	<u>-</u>	<u>7,669,452</u>
<b>Total liabilities and net assets</b>	<u>\$ 7,360,701</u>	<u>\$ 1,909,629</u>	<u>\$ (142)</u>	<u>\$ 9,270,188</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, 2016

	NAM	NAM Endowment	Eliminations	Consolidated
<b>Changes in unrestricted net assets</b>				
Revenues and gains:				
Contributions	\$ 2,408,998	\$ -	\$ -	\$ 2,408,998
Government grants	1,481,325	-	-	1,481,325
Special events	775,826	149,527	-	925,353
Sales	983,175	-	-	983,175
Donated goods and services	1,859,228	-	-	1,859,228
Rental income	-	-	-	-
Program service fees	464,228	-	-	464,228
Miscellaneous income	13,230	-	-	13,230
Net assets released from restrictions	434,188	69,200	-	503,388
Total unrestricted revenues, gains, and other support	<u>8,420,198</u>	<u>218,727</u>	<u>-</u>	<u>8,638,925</u>
Expenses:				
Program services	7,930,625	-	-	7,930,625
Management and general	599,098	47,590	-	646,688
Fundraising and development	446,052	46,769	-	492,821
Distribution of earnings	-	69,200	(69,200)	-
Total expenses	<u>8,975,775</u>	<u>163,559</u>	<u>(69,200)</u>	<u>9,070,134</u>
Change in unrestricted net assets	<u>(555,577)</u>	<u>55,168</u>	<u>69,200</u>	<u>(431,209)</u>
<b>Changes in temporarily restricted net assets</b>				
Contributions	1,090,612	-	(69,200)	1,021,412
Income on long-term investments	-	10,368	-	10,368
Net unrealized and realized gains on long-term investments	-	89,997	-	89,997
Net assets released from restrictions	(434,188)	(69,200)	-	(503,388)
Change in temporarily restricted net assets	<u>656,424</u>	<u>31,165</u>	<u>(69,200)</u>	<u>618,389</u>
<b>Changes in permanently restricted net assets</b>				
Contributions	-	268,051	-	268,051
Transfers to/from NAM Endowment	-	-	-	-
Change in permanently restricted net assets	<u>-</u>	<u>268,051</u>	<u>-</u>	<u>268,051</u>
Total change in net assets	100,847	354,384	-	455,231
Net assets, beginning of year	5,659,118	1,555,103	-	7,214,221
<b>Net assets, end of year</b>	<b><u>\$ 5,759,965</u></b>	<b><u>\$ 1,909,487</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,669,452</u></b>

*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, 2016

	NAM			Consolidated
	NAM	Endowment	Eliminations	
<b>Operating Activities</b>				
Change in equity	\$ 100,847	\$ 354,384	\$ -	\$ 455,231
Adjustments to reconcile change in equity to net cash provided by:				
Depreciation and amortization	236,261	-	-	236,261
Unrealized gain/loss on investments	-	(48,885)	-	(48,885)
(Increase) decrease in:				
Accounts receivable and promises to give	639,713	10,838	-	650,551
Government grants receivable	(119,452)	-	-	(119,452)
Inventory	145,618	-	-	145,618
Prepaid assets	28,071	-	-	28,071
Restricted assets, long-term use	(899,195)	-	-	(899,195)
Increase (decrease) in:				
Accounts payable	26,918	(21,046)	-	5,872
Accrued liabilities	(139,435)	-	-	(139,435)
Accrued income	(1,107)	-	-	(1,107)
Due to NAM Endowment	(10,838)	-	-	(10,838)
Net cash provided by operating activities	<u>7,401</u>	<u>295,291</u>	<u>-</u>	<u>302,692</u>
<b>Investing Activities</b>				
(Gain) loss on long-term investment	-	41,113	-	41,113
Purchase of property and equipment	(420,641)	-	-	(420,641)
Investments, net purchases and sales	1,976	(273,442)	-	(271,466)
Net cash used for investing activities	<u>(418,665)</u>	<u>(232,329)</u>	<u>-</u>	<u>(650,994)</u>
<b>Financing Activities</b>				
Proceeds from borrowing agreements	1,000,000	-	-	1,000,000
Line of credit, borrowings	70,000	-	-	70,000
Payments on long-term debt	(563,809)	-	-	(563,809)
Net cash used for financing activities	<u>506,191</u>	<u>-</u>	<u>-</u>	<u>506,191</u>
Net increase	<u>94,927</u>	<u>62,962</u>	<u>-</u>	<u>157,889</u>
Cash and cash equivalents, beginning of year	<u>67,489</u>	<u>-</u>	<u>-</u>	<u>67,489</u>
Cash and cash equivalents, end of year	<u>\$ 162,416</u>	<u>\$ 62,962</u>	<u>\$ -</u>	<u>\$ 225,378</u>

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

Northwest Assistance Ministries  
Notes to Financial Statements  
September 30, 2016 and 2015

**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.

In accordance with authoritative guidance, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are defined as follows:

Unrestricted Net Assets Net assets that are not subject to restrictions.

Temporarily Restricted Net Assets Net assets subject to restrictions that permit the Organization to use or expend the assets only as specified. The restrictions are satisfied either by the passage of time or by expenditures for specific programs of the Organization.

Permanently Restricted Net Assets Net assets subject to restrictions that they be maintained permanently on behalf of the Organization.

**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 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.

Northwest Assistance Ministries  
Notes to Financial Statements (Continued)  
September 30, 2016 and 2015

**Note 2 – Significant Accounting Policies (Continued)**

**Investments (Continued)**

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, 2016, this account is primarily comprised of funds donated for facility development projects.

**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.

Northwest Assistance Ministries  
Notes to Financial Statements (Continued)  
September 30, 2016 and 2015

**Note 2 – Significant Accounting Policies (Continued)**

**Accounts Receivable and Government Grant Receivable (Continued)**

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.

**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	
	2016	2015
Assistance programs	\$ 147,485	\$ 168,056
Homeless network	18,620	183,870
Children's clinic	22,810	25,210
Training and employment	8,163	12,005
Resale shops	240,158	313,155
Senior programs	283,842	264,056
Management and general	5,725	7,189
Fundraising and development	11,175	11,381
	<u>\$ 737,978</u>	<u>\$ 984,922</u>

Northwest Assistance Ministries  
Notes to Financial Statements (Continued)  
September 30, 2016 and 2015

**Note 2 – Significant Accounting Policies (Continued)**

**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.

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 2013, 2014, and 2015 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, 2016 and 2015

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

Assets measured at fair value at September 30, 2016 are as follows:

	<b>Fair Value</b>	<b>Measurements Using:</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<i>September 30, 2016</i>				
Pooled separate accounts:				
Money market accounts	\$ 33,055	\$ -	\$ 33,055	\$ -
Equity accounts	725,187	-	725,187	-
Fixed income accounts	670,711	-	670,711	-
Alternative assets	245,976	-	245,976	-
Real assets	87,717	-	87,717	-
Inventory	365,450	84,438	47,730	233,282
Long-term investment in partnership	11,053	-	11,053	-
	<u>\$ 2,139,149</u>	<u>\$ 84,438</u>	<u>\$ 1,821,429</u>	<u>\$ 233,282</u>

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

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

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, 2016.

*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, 2016 and 2015

**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):

	2016	2015
Resale shop inventory balance, beginning of year	\$ 335,920	\$ 254,383
(Deficit) excess of in-kind donations over sales	(102,638)	81,537
Resale shop inventory balance, end of year	\$ 233,282	\$ 335,920

**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, 2016, NAM and NAM Endowment had \$0 in excess deposits.

**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, 2016 and 2015

**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:

	2016	2015
Interest and dividends	\$ 10,368	\$ 17,150
Net realized and unrealized gain	89,997	(42,913)
Management fees	(4,949)	(4,755)
	<u>\$ 95,416</u>	<u>\$ (30,518)</u>

Long-term investment balance is comprised of an interest in a partnership. At September 30, 2016 and 2015, this balance represented one remaining investment in a partnership with a fair value of \$11,053.

**Note 6 – Accounts Receivable**

Included in the accounts receivable balance are program service fees billed by the Children's Clinic. These receivables of \$172,105 and \$191,466 for September 30, 2016 and 2015, respectively, are presented on the Statement of Financial Position, net of the allowance for uncollectible accounts. The allowance at September 30, 2016 and 2015 is \$124,355 and \$134,482, respectively.

At September 30, 2016 and 2015, 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 years ended 2016 and 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, 2016 and 2015 the unconditional promises to give balance is \$213,361 and \$763,385, respectively. NAM considers all pledge balances at September 30, 2016 to be fully collectible.

The pledges receivable at September 30, 2016 and 2015 includes \$62,500 and \$212,500, respectively, in foundation pledges receivable, collectible within one year. The remaining pledges receivable balances represent capital campaign pledges, expected to be collected in future periods as follows:

	2016	2015
Current, to be collected within one year	\$ 90,861	\$ 366,473
Non-current, to be collected between one to five years	60,000	184,412
	<u>\$ 150,861</u>	<u>\$ 550,885</u>

Northwest Assistance Ministries  
Notes to Financial Statements (Continued)  
September 30, 2016 and 2015

**Note 8 – Inventory**

The inventory balances as of September 30, 2016 and 2015 are detailed below:

	2016	2015
Resale shop and senior program inventory	\$ 233,282	\$ 335,920
Children's clinic, medication	84,438	89,785
Food pantry inventory	47,730	85,363
Total inventory	\$ 365,450	\$ 511,068

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

Land, building and equipment at September 30, 2016 and 2015 consisted of the following:

	2016	2015
Land	\$ 439,000	\$ 439,000
Building and improvements	4,491,264	4,224,777
Furniture and equipment	527,133	795,395
Total land, building and equipment	\$ 5,457,397	\$ 5,459,172
Accumulated depreciation	(2,410,316)	(2,596,471)
	\$ 3,047,081	\$ 2,862,701

Depreciation expense for the years ended September 30, 2016 and 2015 totaled \$236,262 and \$220,300, respectively.

During 2016, NAM disposed of \$413,397 in fully depreciated assets, primarily included in the furniture and equipment category. 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, 2016 and 2015

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

Notes payable balance at September 30, 2016 and 2015 consisted of the following:

	2016	2015
Bank loan (\$1,000,000-original principle) payable in monthly principle/interest installments of \$7,229, at 3.61% per annum through March 2021; secured by a first lien security interest in land and building.	\$ 974,882	\$ -
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
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
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	\$ 974,882	\$ 538,691

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 credit limit is \$500,000 and the maturity date is May 15, 2017. NAM pays interest on any outstanding funds at the BBA LIBOR Daily Floating Rate plus 3.00%. At September 30, 2016 and 2015, the outstanding balance on this line was \$200,000 and \$130,000, respectively. Total interest expense for the year ended September 30, 2016 and 2015 was \$34,847 and \$24,393, respectively.

Note payments for the next five years are as follows:

Year Ending September 30,		Payments Due
2017	\$	52,431
2018	\$	58,974
2019	\$	56,520
2020	\$	58,594
2021	\$	748,363

Northwest Assistance Ministries  
Notes to Financial Statements (Continued)  
September 30, 2016 and 2015

**Note 11 – Lease Agreements**

NAM leases retail space for its resale shop and office equipment under agreements with varying expiration dates through 2018, incurring a monthly lease expense of approximately \$14,000.

Future minimum lease payments as of September 30, 2016 are as follows:

Year Ending September 30,	Minimum Lease Payments	
2017	\$	169,349
2018	\$	45,496

**Note 12 – Joint Costs**

During the years ended September 30, 2016 and 2015, NAM incurred joint costs of \$423,112 and \$482,633, respectively, for informational materials and activities and staff costs that included fund raising appeals. NAM allocated \$149,148 and \$151,098, respectively, to fundraising expense, and \$273,964 and \$331,535, respectively, to management and program activities.

**Note 13 – Concentration of Support**

In the years ended September 30, 2016 and 2015, 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, 2016 and 2015 are presented below.

	2016	2015
<b>NAM:</b>		
Inventory, medicine	\$ 84,438	\$ 89,785
Emergency fund	4,929	5,001
Children's services	190,611	250,247
Low-income and social assistance	52,693	77,105
Senior services	64,564	45,996
Educational services	4,045	4,070
Planned capital expenditures	3,484,952	2,754,604
	<u>\$ 3,886,232</u>	<u>\$ 3,226,808</u>
<b>NAM Endowment:</b>		
Building maintenance	\$ 851,276	\$ 850,694
Educational scholarship	12,440	12,440
Accumulated investment earnings (losses)	14,944	(15,639)
	<u>\$ 878,660</u>	<u>\$ 847,495</u>

Northwest Assistance Ministries  
Notes to Financial Statements (Continued)  
September 30, 2016 and 2015

**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, 2016 and 2015 are detailed below:

<b>Restricted purpose:</b>	2016	2015
Interfaith Hospitality Network and homelessness prevention	131,155	121,155
Martens Endowed CEO Fund	250,000	-
General operating expenses of NAM	131,381	123,330
	\$ 512,536	\$ 244,485

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, 2016 and 2015 consist of approximately six 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, 2016 and 2015

**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, 2016 and 2015 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
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	(26,029)	-	(26,029)
Permanently restricted endowment net assets, September 30, 2015	(3,199)	244,485	241,286
Contributions	-	268,051	268,051
Investment income	10,060	-	10,060
Net appreciation	48,489	-	48,489
Program expenditures/transfers	(27,966)	-	(27,966)
Permanently restricted endowment net assets, September 30, 2016	\$ 27,384	\$ 512,536	\$ 539,920

**Note 17 – Subsequent Event**

In preparing the financial statements, the Organization has evaluated the events and transactions for potential recognition or disclosure through February 25, 2017, 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, 2016

<b>Federal Grantor/Pass Through Grantor/Program</b>	<b>Federal CFDA Number</b>	<b>Identifying Number</b>	<b>Federal Expenditure</b>
U.S. Department of Housing and Urban Development:			
Direct Program:			
Supportive Housing Program	14.235	TX0273L6E001405	\$ 134,491
Supportive Housing Program	14.235	TX0273L6E001506	214,486
Pass-through programs from:			
Harris County			
Community Block Development Grant (MOW)	14.218	2016-00018	46,287
Texas Department of Housing and Community Affairs			
Emergency Solutions Grant	14.231	42140002060	14,369
Total U.S. Department of Housing and Urban Development			<u>409,633</u>
U.S. Department of Justice:			
Pass-through programs from:			
State of Texas Criminal Justice Division			
Victims of Criminal Acts (VOCA)	16.575	13715-15	220,774
Victims of Criminal Acts (VOCA)	16.575	13715-16	22,637
Office of the Attorney General			
Office of Victims Assistance	16.582	1552975	21,762
Office of Victims Assistance	16.582	1769363	3,093
Total U.S. Department of Justice			<u>268,266</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	529-15-0031-00008B	7,595
Family Violence Prevention and Services	93.671	529-15-0031-00008C	1,006
Family Violence Prevention and Services	93.667	529-15-0031-00008B	41,812
Family Violence Prevention and Services	93.667	529-15-0031-00008C	1,996
Total U.S. Department of Health and Human Services			<u>52,409</u>
Department of Homeland Security:			
Direct Program:			
Emergency Food and Shelter	97.024	32-782800-026	90,000
Total Department of Homeland Security			<u>90,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 820,308</u></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, 2016

**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's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

In the administration of the federal programs awarded, NAM did not elect to use the 10% de minimus indirect cost rate.



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, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 25, 2017.

**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 Northwest Assistance Ministries' 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' 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 25, 2017



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

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 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, 2016. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

## 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Ralph and Ralph, P.C.*

Houston, Texas  
February 25, 2017

Northwest Assistance Ministries  
Summary of Findings and Questioned Costs  
For the Year Ended September 30, 2016

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: 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 federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes   X   no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
16.575	Victims of Criminal Acts (VOCA)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

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.*