

Northwest Assistance Ministries

Consolidated Financial Statements
and Independent Auditor's Report
September 30, 2019 and 2018

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, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended (presenting only comparative totals for 2018), 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, 2019 and 2018, 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, 2019 and the related consolidating statements of activities and cash flows for the year then ended are also presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2020, on our consideration of Northwest Assistance Ministries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest Assistance Ministries' internal control over financial reporting and compliance

Ralph and Ralph, P.C.

Houston, Texas
March 20, 2020

Northwest Assistance Ministries
Consolidated Statements of Financial Position
September 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 604,206	\$ 2,975,957
Receivables:		
Accounts receivable, net	25,148	40,845
Contributons	258,000	304,346
Government grants	257,156	337,498
Prepaid assets	68,289	73,908
Inventory	266,262	253,507
Investments	2,207,745	2,210,347
Property, net	7,583,904	7,637,328
Total assets	\$ 11,270,710	\$ 13,833,736
Liabilities and net assets		
Liabilities		
Accounts payable	175,750	237,108
Accrued liabilities	266,701	237,708
Line of credit	500,000	300,000
Notes payable	813,190	888,868
Total liabilities	1,755,641	1,663,684
Net assets		
Without donor restrictions	8,003,369	8,164,004
With donor restrictions	1,511,700	4,006,048
Total net assets	9,515,069	12,170,052
Total liabilities and net assets	\$ 11,270,710	\$ 13,833,736

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

Northwest Assistance Ministries
Consolidated Statements of Activities
For the Years Ended September 30, 2019 and 2018

	2019	2018
Changes in net assets, without donor restrictions		
Revenues and gains		
Contributions	\$ 3,516,554	\$ 5,387,992
Government grants	1,968,832	2,739,672
Special events	672,180	727,500
Sales	564,701	646,737
Donated goods and services	1,496,741	1,587,354
Program service fees	330,016	366,589
Miscellaneous income	86,913	61,255
Total	8,635,937	11,517,099
Net assets released from restrictions	3,577,277	2,421,350
Total revenues and gains, without donor restrictions	12,213,214	13,938,449
Expenses:		
Program services		
Assistance	5,694,510	6,187,223
Pediatric health	1,399,126	1,364,623
Family violence	789,989	1,822,868
Seniors	1,405,659	1,408,667
Learning center	400,556	319,139
Resale shop	694,426	960,786
Management and general	943,057	659,423
Fundraising and development	949,630	662,666
Distribution of earnings	-	-
Total expenses	12,276,953	13,385,395
Changes in net assets, without donor restrictions	(63,739)	553,054
Changes in net assets, with donor restrictions		
Contributions	909,697	3,249,775
Net investment return	76,336	102,879
Net assets released from restrictions	(3,577,277)	(2,421,350)
Changes in net assets, with donor restrictions	(2,591,244)	931,304
Total change in net assets	(2,654,983)	1,484,358
Net assets, beginning of year	12,170,052	10,685,694
Net assets, end of year	\$ 9,515,069	\$ 12,170,052

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, 2019, With Comparative Totals for 2018

	2019										2018
	Assistance Programs	Family Violence	Pediatric Health	Training and Employment	Resale Shops	Senior Programs	Total Program Services	Management and General	Fundraising and Development	Total	Total
Salaries and wages	\$ 837,869	\$ 361,796	\$ 447,569	\$ 168,671	298,790	\$ 411,811	\$ 2,526,506	\$ 907,065	\$ 317,957	\$ 3,751,528	\$ 3,457,767
Payroll taxes/benefits	211,274	94,433	130,080	26,089	97,382	147,581	706,839	153,896	65,843	926,578	846,923
Professional services	33,307	44,036	70,300	7,046	18,882	5,124	178,695	240,535	195,891	615,121	679,829
In-kind donations	1,003,467	45,694	194,405	229	(7,025)	58,368	1,295,138	4,865	1,130	1,301,133	1,569,034
Direct aid to clients	3,073,349	72,444	227,818	114,119	-	557,946	4,045,676	-	-	4,045,676	5,168,571
Donated services	-	10,050	164,445	-	-	13,680	188,175	24,710	-	212,885	228,561
Office and program supplies	9,744	953	9,245	3,642	10,040	7,461	41,085	3,947	14,923	59,955	49,915
Postage and delivery	63	154	-	8	-	-	225	5,267	14,916	20,408	19,517
Utilities and building cost	10,674	33,889	156	3,284	37,494	19,011	104,508	139,387	346	244,241	271,786
Rent	9,108	1,928	5,057	1,893	1,806	2,719	22,511	4,536	2,958	30,005	70,309
Repair and maintenance	6,691	-	150	111	10,083	712	17,747	66,573	-	84,320	102,109
Communications	525	8,026	660	504	1,343	537	11,595	51,780	-	63,375	64,673
Insurance	203	-	4,091	-	10,595	1,787	16,676	63,642	1,673	81,991	76,165
Vehicle expense	10,127	-	-	-	20,372	6,828	37,327	128	-	37,455	45,128
Interest expense	224	-	-	-	-	-	224	35,996	-	36,220	38,086
Public relations and fundraising	6,587	296	7,113	2,451	17,692	707	34,846	11,452	314,009	360,307	333,240
Depreciation expense	53,834	16,729	16,737	12,298	92,415	33,581	225,594	100,076	4,680	330,350	311,315
Miscellaneous expense	586	-	-	-	11,919	30	12,535	27,271	17,041	56,847	35,642
NAM Endowment expenses	-	-	-	-	-	-	-	17,260	-	17,260	16,825
Overhead allocation	426,878	99,561	121,300	60,211	72,638	137,776	918,364	(916,627)	(1,737)	-	-
Total functional expenses	\$ 5,694,510	\$ 789,989	\$ 1,399,126	\$ 400,556	\$ 694,426	\$ 1,405,659	\$ 10,384,266	\$ 941,759	\$ 949,630	\$ 12,275,655	\$ 13,385,395

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (2,653,685)	\$ 1,484,358
Adjustments to reconcile change in net assets to net cash		
Depreciation	322,967	311,315
Net realized and unrealized (gain) loss on investments	(63,714)	(76,952)
Loss on disposal of asset	-	2,000
Changes in operating assets and liabilities:		
Accounts receivable, net	14,942	(5,400)
Contributions receivable	46,346	381,704
Government grants receivable	80,342	(35,137)
Prepaid assets	5,619	(1,158)
Inventory	(12,755)	208,196
Accounts payable	(61,901)	125,603
Accrued liabilities	28,993	5,953
Net cash provided (used) by operating activities	<u>(2,292,846)</u>	<u>2,400,482</u>
Investing Activities		
Purchase of property and equipment	(269,543)	(135,390)
Investments, net purchases and sales	66,316	(63,906)
Net cash provided (used) by for investing activities	<u>(203,227)</u>	<u>(199,296)</u>
Financing Activities		
Proceeds from borrowing agreements	-	64,000
Line of credit, borrowings	200,000	100,000
Payments on long-term debt	(75,678)	(98,074)
Net cash provided (used) by for investing activities	<u>124,322</u>	<u>65,926</u>
Net change in cash and cash equivalents	(2,371,751)	2,267,112
Cash and cash equivalents, beginning of year	<u>2,975,957</u>	<u>708,845</u>
Cash and cash equivalents, end of year	<u>\$ 604,206</u>	<u>\$ 2,975,957</u>
Supplemental information: Interest paid, cash basis	<u>\$ 36,220</u>	<u>\$ 38,086</u>

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

Consolidating Statements

Northwest Assistance Ministries
Consolidating Statement of Financial Position
September 30, 2019

	NAM	NAM Endowment	Eliminations	Consolidated
Assets				
Cash and cash equivalents	\$ 604,206	\$ -	\$ -	\$ 604,206
Receivables:				
Accounts receivable, net	27,003	205,489	(207,344)	25,148
Contributions	258,000	-	-	258,000
Government grants	257,156	-	-	257,156
Prepaid assets	68,289	-	-	68,289
Inventory	266,262	-	-	266,262
Investments	26,215	2,181,530	-	2,207,745
Property, net	7,583,904	-	-	7,583,904
Total assets	<u>\$ 9,091,035</u>	<u>\$ 2,387,019</u>	<u>\$ (207,344)</u>	<u>\$ 11,270,710</u>
Liabilities and net assets				
Liabilities				
Accounts payable	\$ 174,452	\$ 3,153	\$ (1,855)	\$ 175,750
Accrued liabilities	266,701	-	-	266,701
Due to NAM Endowment	205,489	-	(205,489)	-
Line of credit payable	500,000	-	-	500,000
Note payable	813,190	-	-	813,190
Total liabilities	<u>1,959,832</u>	<u>3,153</u>	<u>(207,344)</u>	<u>1,755,641</u>
Net assets				
Without donor restriction	6,651,622	1,351,747	-	8,003,369
With donor restriction	479,581	1,032,119	-	1,511,700
Total net assets	<u>7,131,203</u>	<u>2,383,866</u>	<u>-</u>	<u>9,515,069</u>
Total liabilities and net assets	<u>\$ 9,091,035</u>	<u>\$ 2,387,019</u>	<u>\$ (207,344)</u>	<u>\$ 11,270,710</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, 2019

	NAM	NAM Endowment	Eliminations	Consolidated
Changes in net assets, without donor restrictions				
Revenues and gains				
Contributions	\$ 3,477,633	\$ 38,921	\$ -	\$ 3,516,554
Government grants	1,968,832	-	-	1,968,832
Special events	672,180	-	-	672,180
Sales	564,701	-	-	564,701
Donated goods and services	1,496,741	-	-	1,496,741
Program services fees	330,016	-	-	330,016
Miscellaneous income	21,137	65,776	-	86,913
Total	<u>8,531,240</u>	<u>104,697</u>	<u>-</u>	<u>8,635,937</u>
Net assets released from restrictions	3,539,109	38,168	-	3,577,277
Total revenues and gains	<u>\$ 12,070,349</u>	<u>\$ 142,865</u>	<u>\$ -</u>	<u>\$ 12,213,214</u>
Expenses and losses				
Program services				
Assistance	5,694,510	-	-	5,694,510
Pediatric health	1,399,126	-	-	1,399,126
Family violence	789,989	-	-	789,989
Seniors	1,405,659	-	-	1,405,659
Learning center	400,556	-	-	400,556
Resale shop	694,426	-	-	694,426
Management and general	924,499	18,558	-	943,057
Fundraising and development	949,630	-	-	949,630
Distribution of earnings	-	96,896	(96,896)	-
Total expenses	<u>12,258,395</u>	<u>115,454</u>	<u>(96,896)</u>	<u>12,276,953</u>
Changes in net assets, without donor restrictions	<u>(188,046)</u>	<u>27,411</u>	<u>96,896</u>	<u>(63,739)</u>
Changes in net assets, with donor restrictions				
Contributions	879,093	127,500	(96,896)	909,697
Net investment return	-	76,336	-	76,336
Net assets released from restrictions	<u>(3,539,109)</u>	<u>(38,168)</u>	<u>-</u>	<u>(3,577,277)</u>
Changes in net assets, with donor restrictions	<u>(2,660,016)</u>	<u>165,668</u>	<u>(96,896)</u>	<u>(2,591,244)</u>
Total change in net assets	(2,848,062)	193,079	-	(2,654,983)
Net assets, beginning of year	9,979,265	2,190,787	-	12,170,052
Net assets, end of year	<u>\$ 7,131,203</u>	<u>\$ 2,383,866</u>	<u>\$ -</u>	<u>\$ 9,515,069</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, 2019

	NAM	NAM Endowment	Eliminations	Consolidated
Cash Flows From Operating Activities				
Changes in net assets	\$ (2,848,062)	\$ 193,079	\$ -	\$ (2,654,983)
Adjustments to reconcile changes in net assets to net cash				
Depreciation	322,967	-	-	322,967
Net realized and unrealized (gain) loss on investments	(7,187)	(56,527)	-	(63,714)
Changes in operating assets and liabilities:				
Accounts receivable, net	14,942	(204,921)	204,921	14,942
Contributions receivable	46,346	-	-	46,346
Government grants receivable	80,342	-	-	80,342
Prepaid assets	5,619	-	-	5,619
Inventory	(12,755)	-	-	(12,755)
Accounts payable	(62,656)	2,053	-	(60,603)
Accrued liabilities	28,993	-	-	28,993
Due to NAM Endowment	204,921	-	(204,921)	-
Net cash used by operating activities	<u>\$ (2,226,530)</u>	<u>\$ (66,316)</u>	<u>\$ -</u>	<u>\$ (2,292,846)</u>
Cash Flows From Investing Activities				
Purchase of property and equipment	(269,543)	-	-	(269,543)
Proceeds from investment sales, net	-	66,316	-	66,316
Net cash provided by/used in investing activities	<u>(269,543)</u>	<u>66,316</u>	<u>-</u>	<u>(203,227)</u>
Cash Flows From Financing Activities				
Proceeds from borrowings	-	-	-	-
Line of credit, borrowings	200,000	-	-	200,000
Payments on long-term debt	(75,678)	-	-	(75,678)
Net cash provided by financing activities	<u>124,322</u>	<u>-</u>	<u>-</u>	<u>124,322</u>
Net change in cash and cash equivalents	(2,371,751)	-	-	(2,371,751)
Cash and cash equivalents, beginning of year	<u>2,975,957</u>	<u>-</u>	<u>-</u>	<u>2,975,957</u>
Cash and cash equivalents, end of year	<u>\$ 604,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 604,206</u>

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

Northwest Assistance Ministries
Notes to Financial Statements
September 30, 2019 and 2018

Note 1 – Organization and Significant Accounting Policies

Organization

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.

NAM Endowment Fund, Inc. (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 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.

Basis of consolidation

NAM has both control and economic interest in NAM Endowment. These consolidated statements include the assets, liabilities, net assets, and activities of NAM and NAM Endowment (collectively, the Organization). Significant balances and transactions between these consolidated entities have been eliminated.

Federal income tax status

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 Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Cash and cash equivalents

For purposes of the statement of financial position and cash flows, cash and cash equivalents include all highly liquid investments with original maturities of one year or less. Cash restricted or designated for acquisition of long-lived assets, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Accounts and government grants receivable

Accounts receivable consists primarily of non-interest bearing amounts due for program service fees for the Children's Clinic. An allowance for uncollectible accounts receivable is provided when management believes balances may not be collected in full based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

Note 1 – Organization and Significant Accounting Policies (Continued)

Accounts and government grants receivable (Continued)

Accounts receivable are written off against the allowance when management determines a receivable is not collectible. It is possible that management's estimate regarding collectability will change in the near term resulting in a change in the carrying value of accounts receivable. At September 30, 2019 and 2018, the allowance for uncollectible accounts was \$68,214 and \$127,020, respectively.

At September 30, 2019 and 2018, government grants receivable were determined to be fully collectible. As such, no allowance for uncollectible accounts was recorded.

Contributions receivable

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Contributions receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. An allowance for uncollectible accounts receivable is provided when management believes balances may not be collected in full based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off against the allowance when management determines a receivable is not collectible. It is possible that management's estimate regarding collectability will change in the near term resulting in a change in the carrying value of accounts receivable.

At September 30, 2019, all contributions receivable are expected to be collected within one year and were determined to be fully collectible. As such, no allowance for uncollectible accounts was recorded.

Investments

Investments consist of pooled separate accounts and are reported at fair value. Net investment return (loss) consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses. Net investment return is reported in the statement of activities as a change in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions. Net investment return whose use is restricted by the donor is reported as an increase or decrease in net assets with donor restrictions.

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.

Property

The Organization capitalizes property additions over \$2,000 at cost, or if donated, at fair value on the date of the donation, and with useful lives of more than one year. Lesser amounts are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as determined on each asset. 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. Maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed when incurred.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

Note 1 – Organization and Significant Accounting Policies (Continued)

Net asset classification

Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

Net assets without donor restrictions are available for use in general operations and are not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contact or board designation.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when the stipulated time has elapsed, the stipulated purpose has been fulfilled, or both. Contributions of long-lived assets and of cash restricted for the acquisition of long-lived assets are released when the assets are placed in service. Donor restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for their restricted purpose.

Contributions

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions that are received with donor stipulations that limit their use are classified as restricted support.

Non-cash contributions

Donated materials, use of facilities, and services are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized when the item is used. Contributions of service are recognized only when service received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

NAM receives significant food donations, which are distributed to clients. The Children's Clinic receives donated materials and supplies. 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.

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. Volunteer time is maintained in logs. Estimating the value of the volunteer time at \$10 per hour, the Organization received general volunteer donated time of \$725,130 and \$723,499 in the years ended September 30, 2019 and 2018. General volunteer hour donations were primarily to the assistance programs, senior programs, and resale shop.

Program service fees

Program service fees represents fees associated with services provided by the Children's Clinic. Fees are recognized as earned when services are provided to clients.

Advertising

Advertising costs are expensed as incurred.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

Note 1 – Organization and Significant Accounting Policies (Continued)

Functional allocation of expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Certain expenses have been allocated among the programs and supporting services benefited. Expenses allocated include depreciation, interest, and occupancy, which are allocated on a square footage basis, and salaries and benefits, payroll taxes, information technology, general supplies and equipment rental and insurance, which are allocated on the basis of estimated time and effort.

Estimates

Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Financial instruments and credit risk

Deposit concentration is managed by placing cash, money market accounts, and certificates of deposits with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Credit risk associated with accounts receivable and contributions receivable is considered limited due to high historical collection rates and because substantial portions of the outstanding amounts are from foundations and government agencies supportive of our mission. Investments are made by third party investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Note 2 – Financial Assets and Liquidity Management

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of September 30, 2019 comprise the following:

Financial assets		
Cash and cash equivalents	\$	604,206
Accounts receivable		25,148
Operating contributions receivable		258,000
Government grants receivable		257,156
Operating investments		26,215
Total financial assets available for general expenditure	<u>\$</u>	<u>1,170,725</u>

NAM Endowment includes board designated endowment funds of \$1,149,441. Although the Organization does not intend to spend from the board designated portion of the endowment, other than amounts appropriated for general expenditures as part of the annual budget approval and appropriation, amounts from the board -designated endowment could be made available if necessary.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

Note 3 – Contributions Receivable

Contributions receivable, at September 30, 2019, of \$258,000 is comprised of foundation pledges receivable, collectible within one year. Contributions receivable at September 30, 2018 of \$304,346, included \$248,820 in foundation pledges receivable, collectible within one year. The remaining pledges receivable balance primarily represent capital campaign pledges, for a facility expansion, completed in 2017. At September 30, 2019 and 2018, three donors accounted for 88% and 59% of total contributions receivable, respectively.

Note 4 – Investments

Investments are reported in the statement of financial position as follows:

	2019	2018
NAM operating investments	\$ 26,215	\$ 19,028
NAM Endowment investments	2,181,530	2,191,319
	\$ 2,207,745	\$ 2,210,347

The NAM operating investment is a long-term investment interest in a partnership. NAM Endowment Fund funds are invested in pooled separate accounts with a third-party investment advisor.

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 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.

Note 5 – 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 as 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 or liabilities that the reporting entity has the ability to access at the reporting date.
- *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.

Assets measured at fair value at September 30, 2019 are as follows:

	Total	Level 1	Level 2	Level 3
<i>September 30, 2019</i>				
Pooled separate accounts:				
Equity accounts	\$ 1,383,703	\$ -	\$ 1,383,703	\$ -
Fixed income accounts	797,827	-	797,827	-
Inventory	266,262	74,070	57,342	134,850
Long-term investment in partnership	26,215	-	26,215	-
	\$ 2,474,007	\$ 74,070	\$ 2,265,087	\$ 134,850

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

Note 5 – Fair Value Measurements (Continued)

Assets measured at fair value at September 30, 2018 are as follows:

<i>September 30, 2018</i>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled separate accounts:				
Equity accounts	\$ 1,276,584	\$ -	\$ 1,276,584	\$ -
Fixed income accounts	914,726	-	914,726	-
Inventory	253,508	80,175	45,051	128,282
Long-term investment in partnership	19,028	-	19,028	-
	<u>\$ 2,463,846</u>	<u>\$ 80,175</u>	<u>\$ 2,255,389</u>	<u>\$ 128,282</u>

Valuation methods used for assets measured at fair value are as follows:

- Investments in pooled separate accounts are valued at the reported net asset value of the interest or shares held. 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, which are valued based on the quoted market prices of the underlying investments in the 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 publicly quoted.
- Level 1 valued inventory consists of medical supplies maintained in the Pediatric Health Center. Pediatric Health Center inventory is valued at the replacement cost of the items at the report date.
- Level 2 valued inventory 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.
- Level 3 valued inventory consists of resale shop inventory. 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.
- 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.

These valuation methods may produce a fair value that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

Note 6 – Inventory

The inventory balances as of September 30, 2019 and 2018 are detailed below:

	<u>2019</u>	<u>2018</u>
Resale shop and senior program inventory	\$ 134,850	\$ 128,282
Pediatric Health Center, medication	74,070	80,175
Food pantry inventory	<u>57,342</u>	<u>45,050</u>
Total inventory	<u>\$ 266,262</u>	<u>\$ 253,507</u>

Note 7 – Property

Land, building and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 439,000	\$ 439,000
Building and improvements	9,379,713	9,178,865
Furniture and equipment	<u>745,540</u>	<u>717,986</u>
Total land, building and equipment	\$ 10,564,253	\$ 10,335,851
Accumulated depreciation	<u>(2,980,349)</u>	<u>(2,698,523)</u>
	<u>\$ 7,583,904</u>	<u>\$ 7,637,328</u>

Depreciation expense for the years ended September 30, 2019 and 2018 totaled \$330,350 and \$311,315, respectively. During 2019 and 2018, NAM disposed assets with a recorded value of \$41,212 and \$185,514, respectively. Asset disposal in 2018 resulted in a \$2,000 loss; 2019 disposed assets were fully depreciated.

Note 8 –Notes Payable and Line of Credit

NAM has a bank loan with balance due of \$813,190 and \$869,068 at September 30, 2019 and 2018, respectively. The bank loan was issued during 2016, with an original principle balance of \$1,000,000. The loan is payable in monthly principle and interest installments of \$7,229, at 3.61% per annum through March 2021 and is secured by a first lien security interest in land and building.

A second bank loan issued on May 31, 2018 with an original principle of \$64,000. Under the agreed terms, the loan is payable in monthly principle and interest installments of \$1,102, at 7.24% per annum for 72 months. However, extra payments were made and the balance outstanding at September 30, 2018 is \$19,800. This loan was fully repaid as of September 30, 2019.

NAM also has a working capital line of credit agreement, which keeps funds available to NAM. This line of credit is secured by a second lien on the building. The credit limit is \$750,000 and the maturity date is July 31, 2020. NAM pays interest on any outstanding funds at the BBA LIBOR Daily Floating Rate plus 3.00%. At September 30, 2019 and 2018, the outstanding balance on this line was \$500,000 and \$300,000, respectively.

Total interest expense for the year ended September 30, 2019 and 2018 was \$36,220 and \$38,086, respectively.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

Note 8 –Notes Payable and Line of Credit (Continued)

Note payments for the next five years are as follows:

Year Ending September 30,	Notes Payable Payments Due
2020	\$ 66,226
2021	\$ 748,854

Note 9 – Commitments and Contingencies

Leases

The Organization leased retail space for its resale shop, at a rate of \$13,000 per month through December of 2017. For the year ended September 30, 2018, rent expense for the retail space was \$39,000.

The Organization leases office equipment under agreements with varying expiration dates through 2023, incurring a monthly lease expense of approximately \$2,500. For the years ended September 30, 2019 and 2018, equipment lease expense was approximately \$30,000. Minimum future lease payments are as follows:

Year Ending September 30,	Minimum lease payments due
2020	\$ 12,873
2021	\$ 12,873
2022	\$ 12,873
2023	\$ 9,655

Note 10 – NAM Endowment Fund

NAM Endowment consists of various individual funds established by donors to provide annual funding for specific activities, including homelessness prevention, children’s services, and general operations of NAM. The Endowment also includes certain net assets without donor restriction that have been designated for endowment by NAM and transferred to the NAM Endowment and that have been collected at fundraising events.

The Board of Trustees of NAM Endowment has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NAM Endowment classifies the original value of gifts to the Endowment as net assets with donor restrictions invested in perpetuity. Donor restricted net assets not retained in perpetuity are subject to appropriation for expenditure by NAM Endowment in a manner consistent with the standard of prudence prescribed by TUPMIFA.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

Note 10 – NAM Endowment Fund (Continued)

NAM Endowment considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- Duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of NAM Endowment

We have adopted investment and spending policies for NAM Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets.

Spending policy

The spending policy provides for annual distributions as determined by the Board, using established guidelines for the various fund categories. Category guidelines include minimum spending rates based on earnings and on average fair value of underlying assets. In establishing the policy, rates were set with the objective of maintaining the long-term purchasing power of endowment assets over time.

During fiscal years 2019 and 2018, NAM Endowment distributed 4% of the average fair value of the investments. In conjunction with the authorization of the annual distribution, the Board of Directors of NAM Endowment will review the policy in light of current and expected market conditions and rate of inflation. Other distributions may be made from time to time at the discretion of the Board of Directors.

Investment policy

NAM Endowment funds are maintained in investment accounts which are managed by third party investment advisor subject to oversight by the Board of Directors. Investment decisions follow guidance provided in an investment policy approved by the Board of Directors of NAM Endowment. The investment policies attempt to provide a predictable stream of funding to programs supported while seeking to maintain the purchasing power of the endowment assets. Over time, the long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments.

The investment policy requires that investments be appropriately diversified between equity, fixed income and other investment classes to minimize risk and volatility while maximizing returns. Investment diversification is reviewed annually with the investment advisor.

The endowment funds are invested in pooled separate accounts, maintained by a third-party investment advisor. The underlying assets of the pooled separate accounts include equity and fixed income funds.

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

Note 10 – NAM Endowment Fund (Continued)

Investment policy (Continued)

Endowment asset composition and changes in net assets of endowment funds are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<i>September 30, 2019</i>			
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	\$ -	\$ 877,131	\$ 877,131
Original gift and amounts with donor stipulated use restrictions	-	15,570	15,570
Accumulated net investment gains	-	139,418	139,418
Board-designated endowment funds	<u>1,351,747</u>	<u>-</u>	<u>1,351,747</u>
Endowment net assets	<u>\$ 1,351,747</u>	<u>\$ 1,032,119</u>	<u>\$ 2,383,866</u>
<i>September 30, 2018</i>			
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	\$ -	\$ 749,631	\$ 749,631
Original gift and amounts with donor stipulated use restrictions	-	14,710	14,710
Accumulated net investment gains	-	102,110	102,110
Board-designated endowment funds	<u>1,324,335</u>	<u>-</u>	<u>1,324,335</u>
Endowment net assets	<u>\$ 1,324,335</u>	<u>\$ 866,451</u>	<u>\$ 2,190,786</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, September 30, 2017	414,229	1,641,491	2,055,720
Contributions	35,179	75,000	110,179
Net investment return	84,316	46,274	130,590
Transfer due to restriction release	850,040	(850,040)	-
Expense	(16,825)	-	(16,825)
Appropriations for expenditure	<u>(42,604)</u>	<u>(46,273)</u>	<u>(88,877)</u>
Endowment net assets, September 30, 2018	1,324,335	866,452	2,190,787
Contributions	38,921	127,500	166,421
Net investment return	65,776	76,336	142,112
Expense	(18,558)	-	(18,558)
Appropriations for expenditure	<u>(58,727)</u>	<u>(38,169)</u>	<u>(96,896)</u>
Endowment net assets, September 30, 2019	<u>1,351,747</u>	<u>1,032,119</u>	<u>2,383,866</u>

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

Note 11 – Restrictions on Net Assets

Net assets with donor restrictions are restricted for the following purposes:

	2019	2018
NAM:		
Subject to expenditure for specified purpose:		
Homelessness	\$ 74,477	\$ 44,754
Children's services	-	282,388
Low income and social assistance	102,017	-
Senior services	26,212	15,372
Educational services	18,767	60,115
Mental health	-	55,633
Disaster relief	184,038	2,601,160
Inventory, medicines:		
Children's services	74,070	80,175
Total subject to expenditure for specified purpose	479,581	3,139,597
 NAM Endowment:		
Subject to spending policy and appropriation:		
General endowment	209,590	196,615
Educational scholarship	15,570	14,710
Children's services	103,684	70,893
Family violence	23,759	-
Low income and social assistance	217,926	185,165
CEO Fund	461,590	399,069
Total endowment	1,032,119	866,452
 Total net assets with donor restrictions	\$ 1,511,700	\$ 4,006,049

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

Note 11 – Restrictions on Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, occurrence of the passage of time or other events specified by the donors as follows:

	<u>2019</u>	<u>2018</u>
Expiration of time and purpose restrictions:		
Homelessness	\$ 44,754	\$ 38,406
Children's services	114,888	247,576
Low income and social assistance	192,078	183,190
Senior services	77,362	100,761
Educational services	52,237	44,855
Mental health	55,633	45,003
Disaster relief	2,921,982	664,241
Inventory, medicines:		
Disaster relief	-	55,626
Children's services	80,175	53,594
Total subject to expenditure for specified purpose	<u>3,539,109</u>	<u>1,433,252</u>
Endowment appropriations:		
Homelessness assistance	6,458	5,421
CEO fund	12,592	8,927
Children's services	19,118	12,850
Facilities	-	88,876
Transfer for donor restriction release	-	872,024
Total endowment	<u>38,168</u>	<u>988,098</u>
Total net assets released from restrictions	<u>\$ 3,577,277</u>	<u>\$ 2,421,350</u>

Note 12 – Net Assets Without Donor Restrictions

Net assets without donor restrictions are composed of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Board designated endowment funds	1,351,747	1,324,335
Property, net	7,583,904	7,637,328
Undesignated	(932,282)	(797,659)
	<u>\$ 8,003,369</u>	<u>\$ 8,164,004</u>

Northwest Assistance Ministries
Notes to Financial Statements (Continued)
September 30, 2019 and 2018

Note 13 – Donated Professional Services and Materials

Donated professional services and materials were recognized as contributions and expenses as follows for the years ended September 30, 2019 and 2018:

	Program Services	Management and General	Fundraising	Total
<i>September 30, 2019</i>				
Goods and Supplies	1,295,138	4,865	1,130	1,301,133
Services	188,175	24,710	-	212,885
	<u>1,483,313</u>	<u>29,575</u>	<u>1,130</u>	<u>1,514,018</u>
<i>September 30, 2018</i>				
Goods and Supplies	1,554,610	12,086	2,338	1,569,034
Services	218,919	9,192	450	228,561
	<u>1,773,529</u>	<u>21,278</u>	<u>2,788</u>	<u>1,797,595</u>

Note 14 – Concentration of Support

In the year ended September 30, 2018, a significant amount of contributions was provided by a few major contributors. Notably, the Organization received approximately \$5 million from the Greater Houston Community Foundation, for Hurricane Harvey relief. 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 15 – Subsequent Event

Management has evaluated subsequent events through March 20, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Supplemental Information

Schedule of Expenditures of Federal Awards
Northwest Assistance Ministries
For the Year Ended September 30, 2019

Federal Grantor/Pass Through Grantor/Program	Federal CFDA Number	Identifying Number	Federal Expenditure
U.S. Department of Housing and Urban Development:			
Direct Program:			
Continuum of Care Program	14.267	TX0273L6E001708	\$ 480,937
Continuum of Care Program	14.267	TX0273L6E001809	41,211
Pass-through programs from:			
Harris County			
Community Block Development Grant (MOW)	14.218	2018-0017	15,303
Community Block Development Grant (MOW)	14.218	2019-0017	30,638
Continuum of Care (FVC)	14.267	TX0429L6E001	90,205
Total U.S. Department of Housing and Urban Development			<u>658,294</u>
U.S. Department of Justice:			
Pass-through programs from:			
State of Texas Criminal Justice Division			
Victims of Criminal Acts (VOCA)	16.575	1371517	174,362
Office of the Attorney General			
Office of Victims Assistance	16.582	1987916	36,306
Office of Victims Assistance	16.582	2097723	2,283
Total U.S. Department of Justice			<u>212,951</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	529-15-0031-00008	20,190
Family Violence Prevention and Services	93.671	HHS000380000005	1,655
Family Violence Prevention and Services	93.667	529-15-0031-00008	4,547
Family Violence Prevention and Services	93.667	HHS000380000005	339
Family Violence Prevention and Services	93.558	529-15-0031-00008	38,186
Family Violence Prevention and Services	93.558	HHS000380000005	3,199
Total U.S. Department of Health and Human Services			<u>68,116</u>
Department of Homeland Security:			
Direct Program:			
Emergency Food and Shelter	97.024	35-782800-026	10,593
Emergency Food and Shelter	97.024	36-782800-026	73,907
Total Department of Homeland Security			<u>84,500</u>
Total Expenditures of Federal Awards			<u>\$ 1,023,861</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, 2019

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, 2019, 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 March 20, 2020.

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
March 20, 2020



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, 2019. 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, 2019.

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
March 20, 2020

Northwest Assistance Ministries
Summary of Findings and Questioned Costs
For the Year Ended September 30, 2019

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: Unmodified

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
14.267	HUD Continuum of Care

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.