

Northwest Assistance Ministries  
Consolidated Financial Statements  
and Independent Auditors' Report  
September 30, 2022 and 2021

Northwest Assistance Ministries  
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## Report of Independent Auditors

To The Board of Directors  
Northwest Assistance Ministries

### **Report on the Financial Statements**

#### **Opinion**

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, 2022, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Northwest Assistance Ministries as of September 30, 2022, 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.

#### **Basis for Opinion**

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements sections of our report. We are required to be independent of Northwest Assistance Ministries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Prior Period Financial Statements**

The consolidated financial statements of Northwest Assistance Ministries as of September 30, 2021 were audited by other auditors whose report dated March 24, 2022, expressed an unmodified opinion on those statements.

#### **Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions for event, considered in the aggregate, that raise substantial doubt about Northwest Assistance Ministries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position as of September 30, 2022 and the consolidating statements of activities and cash flows for the year then ended, and 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*, are presented for purposes of additional analysis and are 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 consolidating statements referred to above and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated 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 23, 2023, 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 Northwest Assistance Ministries' 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

*Tange, Mann + Garza*

Houston, Texas  
March 23, 2023

Northwest Assistance Ministries  
Consolidated Statements of Financial Position  
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,474,340	\$ 2,934,424
Receivables:		
Accounts receivable, net	-	43,071
Contributions	371,062	314,483
Government grants	435,443	572,727
Prepaid assets	86,209	72,219
Inventory	156,460	214,357
Investments	2,838,657	3,378,765
Property, net	6,953,091	7,125,352
<b>Total assets</b>	<b><u>\$ 12,315,262</u></b>	<b><u>\$ 14,655,398</u></b>
<b>Liabilities and net assets</b>		
Liabilities		
Accounts payable	201,784	218,503
Accrued liabilities	413,643	405,312
Note payable	878,192	933,359
<b>Total liabilities</b>	<b><u>1,493,619</u></b>	<b><u>1,557,174</u></b>
<b>Net assets</b>		
Without donor restrictions	7,600,311	8,949,405
With donor restrictions	3,221,332	4,148,819
<b>Total net assets</b>	<b><u>10,821,643</u></b>	<b><u>13,098,224</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 12,315,262</u></b>	<b><u>\$ 14,655,398</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Changes in net assets, without donor restrictions</b>		
Revenues and gains		
Contributions	\$ 3,216,364	\$ 4,003,173
Government grants	3,563,302	4,333,113
Sales	203,618	192,052
Donated goods and services	1,924,056	2,311,789
Program service fees	95,447	247,255
Rental Income	190,310	10,765
Miscellaneous income (loss)	(228,650)	301,205
Total	<u>8,964,447</u>	<u>11,399,352</u>
Net assets released from restrictions	<u>2,243,418</u>	<u>865,426</u>
Total revenues and gains, without donor restrictions	<u>11,207,865</u>	<u>12,264,778</u>
Expenses:		
Program services		
Assistance	6,326,670	4,635,282
Family violence	916,927	903,158
Pediatric health	707,829	1,446,106
Learning center	422,694	434,714
Resale shop	404,173	351,751
Seniors	1,911,163	1,870,177
Management and general	905,646	1,035,027
Fundraising and development	768,002	650,447
Distribution of earnings	-	-
Total expenses	<u>12,363,104</u>	<u>11,326,662</u>
Changes in net assets, without donor restrictions	<u>(1,155,239)</u>	<u>938,116</u>
<b>Changes in net assets, with donor restrictions</b>		
Contributions	1,316,397	3,023,717
Net investment return	(194,321)	265,484
Net assets released from restrictions	<u>(2,243,418)</u>	<u>(865,426)</u>
Changes in net assets, with donor restrictions	<u>(1,121,342)</u>	<u>2,423,775</u>
Total change in net assets	<u>(2,276,581)</u>	<u>3,361,891</u>
Net assets, beginning of year	<u>13,098,224</u>	<u>9,736,333</u>
<b>Net assets, end of year</b>	<u><u>\$ 10,821,643</u></u>	<u><u>\$ 13,098,224</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, 2022, With Comparative Totals for 2021

	2022									
	Assistance Programs	Family Violence	Medical Services	Training and Employment	Resale Shops	Senior Programs	Total Program Services	Management and General	Fundraising and Development	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Salaries and wages	638,698	357,457	196,628	181,287	127,863	496,038	1,997,971	976,343	312,191	2022 Total
Payroll taxes/benefits	160,841	91,454	57,323	34,201	30,544	149,971	524,334	169,931	75,896	\$ 3,286,505
Professional services	120,628	86,643	25,323	6,307	16,545	5,801	261,247	234,943	206,425	770,161
In-kind donations	1,643,519	47,366	82,529	1,000	235	66,171	1,840,820	60	-	702,615
Direct aid to clients	3,177,765	112,968	76,919	93,879	-	892,352	4,353,883	-	-	764,945
Donated services	-	7,650	115,010	620	-	11,980	135,260	2,350	-	1,840,880
Office and program supplies	11,881	13,721	3,233	1,330	4,795	8,910	43,870	8,185	4,706	3,073,560
Postage and delivery	1	3	89	6	15	4	118	2,992	21,516	177,720
Utilities and building cost	22,473	40,510	1,742	11,711	27,047	24,235	128,718	96,295	-	56,761
Rent	7,914	1,908	2,224	3,816	1,899	2,663	20,424	5,453	2,106	22,315
Repair and maintenance	4,824	759	629	2,027	6,393	574	15,206	108,582	190	24,626
Communications	744	8,678	-	-	655	-	10,077	46,300	-	27,983
Insurance	-	604	8,891	-	14,117	1,700	25,312	80,372	-	123,978
Vehicle expense	13,517	-	-	1,567	14,582	29,814	59,480	-	-	56,377
Interest expense	-	-	-	-	-	-	-	-	-	43,195
Public relations and fundraising	1,087	1,128	440	216	3,460	33	6,364	28,542	-	105,684
Depreciation expense	54,132	20,232	19,518	41,332	84,747	41,902	261,863	16,439	154,955	59,480
Miscellaneous expense	4,388	60	-	-	6,546	-	10,994	94,710	5,372	28,542
Overhead allocation	464,258	125,786	117,331	43,395	64,730	178,015	993,515	(967,107)	(26,408)	177,758
Total functional expenses	\$ 6,326,670	\$ 916,927	\$ 707,829	\$ 422,694	\$ 404,173	\$ 1,911,163	\$ 10,689,456	\$ 905,646	\$ 768,002	109,369
										356,256
										20,297
										-
										\$ 11,326,662

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (2,276,581)	\$ 3,361,891
Adjustments to reconcile change in net assets to net cash		
Depreciation	361,945	356,256
Net realized and unrealized (gain) loss on investments	555,988	(491,917)
Changes in operating assets and liabilities:		
Accounts receivable, net	43,071	(166,192)
Contributions receivable	(56,579)	145,548
Government grants receivable	137,284	(139,009)
Prepaid assets	(13,990)	(11,724)
Inventory	57,897	(35,225)
Accounts payable	(16,719)	(27,656)
Accrued liabilities	8,331	88,721
Contributions restricted for long-term purpose	(175,000)	-
Net cash provided (used) by operating activities	<u>(1,374,353)</u>	<u>3,080,693</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(189,684)	(82,366)
Investments, net purchases and sales	(15,880)	(148,098)
Net cash provided (used) by for investing activities	<u>(205,564)</u>	<u>(230,464)</u>
<b>Financing Activities</b>		
SBA PPP loan (forgiveness) proceeds	-	(792,337)
Payments on long-term debt	(55,167)	(53,462)
Contributions restricted for long-term purpose	175,000	-
Net cash provided (used) by for investing activities	<u>119,833</u>	<u>(845,799)</u>
Net change in cash and cash equivalents	(1,460,084)	2,004,430
Cash and cash equivalents, beginning of year	<u>2,934,424</u>	<u>929,994</u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 1,474,340</b></u>	<u><b>\$ 2,934,424</b></u>
<b>Supplemental information: Interest paid, cash basis</b>	<u><b>\$ 28,542</b></u>	<u><b>\$ 29,111</b></u>

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

## Consolidating Statements

Northwest Assistance Ministries  
Consolidating Statement of Financial Position  
September 30, 2022

	NAM	NAM Endowment	Eliminations	Consolidated
<b>Assets</b>				
Cash and cash equivalents	\$ 1,474,340	\$ -	\$ -	\$ 1,474,340
Receivables:				
Accounts receivable, net	-	5,002	(5,002)	-
Contributions	371,062	-	-	371,062
Government grants	435,443	-	-	435,443
Due from NAM Endowment	65		(65)	-
Prepaid assets	86,209	-	-	86,209
Inventory	156,460	-	-	156,460
Investments	-	2,838,657	-	2,838,657
Property and equipment, net	6,953,091	-	-	6,953,091
Total assets	<u>\$ 9,476,670</u>	<u>\$ 2,843,659</u>	<u>\$ (5,067)</u>	<u>\$ 12,315,262</u>
<b>Liabilities and net assets</b>				
Liabilities				
Accounts payable	\$ 201,784	\$ 65	\$ (65)	\$ 201,784
Accrued liabilities	413,643	-	-	413,643
Due to NAM Endowment	5,002	-	(5,002)	-
Note payable	878,192	-	-	878,192
Total liabilities	<u>1,498,621</u>	<u>65</u>	<u>(5,067)</u>	<u>1,493,619</u>
<b>Net assets</b>				
Without donor restriction	6,255,627	1,344,684	-	7,600,311
With donor restriction	1,722,422	1,498,910	-	3,221,332
Total net assets	<u>7,978,049</u>	<u>2,843,594</u>	<u>-</u>	<u>10,821,643</u>
<b>Total liabilities and net assets</b>	<u>\$ 9,476,670</u>	<u>\$ 2,843,659</u>	<u>\$ (5,067)</u>	<u>\$ 12,315,262</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, 2022

	NAM	NAM Endowment	Eliminations	Consolidated
<b>Changes in net assets, without donor restrictions</b>				
Revenues and gains				
Contributions	\$ 3,215,087	\$ 1,277	\$ -	\$ 3,216,364
Government grants	3,563,302	-	-	3,563,302
Sales	203,618	-	-	203,618
Donated goods and services	1,924,056	-	-	1,924,056
Program services fees	95,447	-	-	95,447
Rental income	190,310	-	-	190,310
Miscellaneous income (loss)	20,972	(249,622)	-	(228,650)
Total	9,212,792	(248,345)	-	8,964,447
Net assets released from restrictions	2,124,376	119,042	-	2,243,418
Total revenues and gains	<u>\$ 11,337,168</u>	<u>\$ (129,303)</u>	<u>\$ -</u>	<u>\$ 11,207,865</u>
Expenses and losses				
Program services				
Assistance	6,326,670	-	-	6,326,670
Family violence	916,927	-	-	916,927
Medical services	707,829	-	-	707,829
Learning center	422,694	-	-	422,694
Resale shop	404,173	-	-	404,173
Seniors	1,911,163	-	-	1,911,163
Management and general	905,646	-	-	905,646
Fundraising and development	768,002	-	-	768,002
Distribution of earnings	-	193,855	(193,855)	-
Total expenses	<u>12,363,104</u>	<u>193,855</u>	<u>(193,855)</u>	<u>12,363,104</u>
Changes in net assets, without donor restrictions	<u>(1,025,936)</u>	<u>(323,158)</u>	<u>193,855</u>	<u>(1,155,239)</u>
<b>Changes in net assets, with donor restrictions</b>				
Contributions	1,362,752	147,500	(193,855)	1,316,397
Net investment return	-	(194,321)	-	(194,321)
Net assets released from restrictions	<u>(2,124,376)</u>	<u>(119,042)</u>	<u>-</u>	<u>(2,243,418)</u>
Changes in net assets, with donor restrictions	<u>(761,624)</u>	<u>(165,863)</u>	<u>(193,855)</u>	<u>(1,121,342)</u>
Total change in net assets	(1,787,560)	(489,021)	-	(2,276,581)
Net assets, beginning of year	9,765,609	3,332,615	-	13,098,224
Net assets, end of year	<u>\$ 7,978,049</u>	<u>\$ 2,843,594</u>	<u>\$ -</u>	<u>\$ 10,821,643</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, 2022

	NAM	NAM Endowment	Eliminations	Consolidated
<b>Cash Flows From Operating Activities</b>				
Changes in net assets	\$ (1,787,560)	\$ (489,021)	\$ -	\$ (2,276,581)
Adjustments to reconcile changes in net assets to net cash				
Depreciation	361,945	-	-	361,945
Net realized and unrealized (gain) loss on investments	49,874	506,114	-	555,988
Changes in operating assets and liabilities:				
Accounts receivable, net	43,071	(1,278)	1,278	43,071
Contributions receivable	(56,579)	-	-	(56,579)
Government grants receivable	137,284	-	-	137,284
Due from NAM Endowment	(65)	-	65	-
Prepaid assets	(13,990)	-	-	(13,990)
Inventory	57,897	-	-	57,897
Accounts payable	(16,719)	65	(65)	(16,719)
Accrued liabilities	8,331	-	-	8,331
Due to NAM Endowment	1,278	-	(1,278)	-
Contributions restricted for long-term purpose	(175,000)			(175,000)
Net cash used by operating activities	\$ (1,390,233)	\$ 15,880	\$ -	\$ (1,374,353)
<b>Cash Flows From Investing Activities</b>				
Purchase of property and equipment	(189,684)	-	-	(189,684)
Investment purchases	-	(237,695)	-	(237,695)
Proceeds from investment sales	-	221,815	-	221,815
Net cash provided by/used in investing activities	(189,684)	(15,880)	-	(205,564)
<b>Cash Flows From Financing Activities</b>				
Payments on long-term debt	(55,167)	-	-	(55,167)
Contributions restricted for long-term purpose	175,000			175,000
Net cash provided by financing activities	119,833	-	-	119,833
Net change in cash and cash equivalents	(1,460,084)	-	-	(1,460,084)
Cash and cash equivalents, beginning of year	2,934,424	-	-	2,934,424
Cash and cash equivalents, end of year	\$ 1,474,340	\$ -	\$ -	\$ 1,474,340

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

Northwest Assistance Ministries  
Notes to Financial Statements  
September 30, 2022 and 2021

**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 2019, 2020, and 2021 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. After December 2021, the Children's Clinic was closed, and services were transitioned to the Spring Branch Community Health Center, a tenant and referral source for NAM clients.

Northwest Assistance Ministries  
Notes to Financial Statements  
September 30, 2022 and 2021

**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, 2022 and 2021, the allowance for uncollectible accounts was \$-0- and \$269,279, respectively. At September 30, 2022 and 2021, 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, 2022 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. After December 2021, the Children's Clinic was closed, and inventory was transitioned to the Spring Branch Community Health Center, a tenant and referral source for NAM clients.

*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  
September 30, 2022 and 2021

**Note 1 – Organization and Significant Accounting Policies (Continued)**

*Advertising*

Advertising costs are expensed as incurred.

*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 contract or board designation.

Net assets with donor restrictions are subject to donor-imposed restriction. 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 \$10 per hour, the Organization received general volunteer donated time of \$389,185 and \$301,450 in the years ended September 30, 2022 and 2021. 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.



Northwest Assistance Ministries  
Notes to Financial Statements  
September 30, 2022 and 2021

**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.

*Reclassification*

Certain reclassifications have been made to the 2021 financial statements in order for them to conform to the 2022 presentation.

**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, 2022 comprise the following:

Financial assets	
Cash and cash equivalents	\$ 1,474,340
Operating contributions receivable	127,895
Government grants receivable	435,443
Total financial assets available for general expenditure	<u>\$ 2,037,678</u>

NAM Endowment includes board designated endowment funds of \$1,344,684. 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  
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**Note 3 – Contributions Receivable**

Contributions receivable, as of September 30, 2022 and 2021, of \$371,062 and \$314,483, respectively, are comprised of foundation pledges receivable, collectible within one year. At September 30, 2022 and 2021, three donors accounted for 96% and 99% of total contributions receivable, respectively.

**Note 4 – Investments**

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

	2022	2021
NAM operating investment	\$ -	\$ 49,874
NAM Endowment investments	2,838,657	3,328,890
	<u>\$ 2,838,657</u>	<u>\$ 3,378,764</u>

The NAM operating investment was a long-term investment interest in a partnership that was liquidated in 2022. NAM Endowment 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 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 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, 2022 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>September 30, 2022</i>				
Pooled separate accounts:				
Equity accounts	\$ 2,589,368	\$ -	\$ 2,589,368	\$ -
Fixed income accounts	249,289	-	249,289	-
Inventory	156,460	-	102,269	54,191
	<u>\$ 2,995,117</u>	<u>\$ -</u>	<u>\$ 2,940,926</u>	<u>\$ 54,191</u>

Northwest Assistance Ministries  
Notes to Financial Statements  
September 30, 2022 and 2021

**Note 5 – Fair Value Measurements (Continued)**

Assets measured at fair value at September 30, 2021 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>September 30, 2021</i>				
Pooled separate accounts:				
Equity accounts	\$ 2,657,626	\$ -	\$ 2,657,626	\$ -
Fixed income accounts	671,264	-	671,264	-
Inventory	214,357	70,528	88,756	55,073
Long-term investment in partnership	49,874	-	49,874	-
	<u>\$ 3,593,121</u>	<u>\$ 70,528</u>	<u>\$ 3,467,520</u>	<u>\$ 55,073</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. This contract was terminated in 2022.
- 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 owned an interest in a partnership, donated to the organization in a prior period. The value of the asset was based on the K-1 received from the partnership. The investment was liquidated in 2022.

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  
September 30, 2022 and 2021

**Note 6 – Inventory**

The inventory balances as of September 30, 2022 and 2021 are detailed below:

	2022	2021
Resale shop and senior program inventory	\$ 54,191	\$ 55,073
Pediatric Health Center, medication	-	70,528
Food pantry inventory	102,269	88,756
Total inventory	<u>\$ 156,460</u>	<u>\$ 214,357</u>

**Note 7 – Property**

Land, building and equipment consists of the following:

	2022	2021
Land	\$ 439,000	\$ 439,000
Building and improvements	9,587,855	9,471,123
Furniture and equipment	896,885	829,883
Total land, building and equipment	\$ 10,923,740	\$ 10,740,006
Accumulated depreciation	<u>(3,970,649)</u>	<u>(3,614,654)</u>
	<u>\$ 6,953,091</u>	<u>\$ 7,125,352</u>

Depreciation expense for the years ended September 30, 2022 and 2021 totaled \$361,945 and \$356,256, respectively. During 2022, NAM disposed assets with a recorded value of approximately \$5,950; disposed assets were fully depreciated.

**Note 8 – Note Payable and Line of Credit**

NAM has a bank loan with balance due of \$878,192 and \$933,359 at September 30, 2022 and 2021, respectively.

The bank loan was issued during 2016, with an original principal balance of \$1,000,000. In June of 2020, the bank loan was refinanced, with a funding loan amount of \$1,000,000. The loan accrued interest at 3.1% per annum and is payable in monthly principal and interest installments of \$6,976, through June of 2025. At loan maturity the remaining balance is due. The loan is secured by a first lien security interest in land and building.

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, 2023. NAM pays interest on any outstanding funds at the BBA LIBOR Daily Floating Rate plus 3.00%. At September 30, 2022 and 2021, the outstanding balance on this line was \$0.

Northwest Assistance Ministries  
Notes to Financial Statements  
September 30, 2022 and 2021

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

In May of 2020, the Organization successfully secured a \$792,337 Small Business Association (SBA) loan under the Payroll Protection Program to secure payroll expenses for otherwise furloughed employees impacted by the government-imposed shelter in place orders. Per the terms of the loan, the full amount is to be forgiven as long as loan proceeds are used to cover payroll costs and other specified non-payroll costs. NAM fully complied with the terms of the program in order to qualify for loan forgiveness. During the year ended September 30, 2021, the SBA approved NAM's request for loan forgiveness and remitted the forgiven amount, the full balance of the loan, to the lending bank.

Total loan agreement interest expense for the year ended September 30, 2022 and 2021 was \$28,542 and \$29,111, respectively.

Note payments for the next five years are as presented below.

Year Ending September 30,	Note Payable Payments Due
2023	\$ 57,174
2024	58,972
2025	762,046
	<u>\$ 878,192</u>

**Note 9 – Commitments and Contingencies**

*Cash deposits*

NAM has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$1,224,340 at September 30, 2022. NAM maintains its cash with high-quality financial institutions and believes this limits these risks.

*Leases*

The Organization leases office equipment under agreements with varying expiration dates through 2028, incurring a monthly lease expense of approximately \$1,650. For the years ended September 30, 2022 and 2021, equipment lease expense was approximately \$30,000. Minimum future lease payments are as follows:

Year Ending September 30,	Minimum lease payments due
2023	\$ 20,000
2024	20,000
2025	20,000
2026	20,000
2027	20,000
Thereafter	15,000
	<u>\$ 115,000</u>

Northwest Assistance Ministries  
Notes to Financial Statements  
September 30, 2022 and 2021

**Note 10 – Donated Professional Services and Materials**

Donated professional services and materials were recognized as contributions and expenses as follows for the years ended September 30, 2022 and 2021:

	Program Services	Management and General	Fundraising	Total
<i>September 30, 2022</i>				
Goods and Supplies	\$ 1,786,316	\$ 60	\$ -	\$ 1,786,376
Services	135,330	2,350	-	137,680
	<u>1,921,646</u>	<u>2,410</u>	<u>-</u>	<u>1,924,056</u>
<i>September 30, 2021</i>				
Goods and Supplies	2,127,584	5,645	840	2,134,069
Services	171,150	6,570	-	177,720
	<u>\$ 2,298,734</u>	<u>\$ 12,215</u>	<u>\$ 840</u>	<u>\$ 2,311,789</u>

**Note 11 – NAM Endowment Fund**

NAM Endowment consists of various individual funds established by donors to provide annual funding for specific activities, including homelessness prevention, domestic violence 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.

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

Northwest Assistance Ministries  
Notes to Financial Statements  
September 30, 2022 and 2021

**Note 11 – NAM Endowment Fund (Continued)**

NAM 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 2022 and 2021, NAM Endowment distributed approximately 7% and 4% of the average fair value of the investments, respectively. 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.

Endowment asset composition as of September 30, 2022 is presented below.

	Without Donor Restrictions	With Donor Restrictions	Total
<i>September 30, 2022</i>			
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	\$ -	\$ 1,390,846	\$ 1,390,846
Original gift and amounts with donor stipulated use restrictions	-	15,570	15,570
Accumulated net investment gains	-	92,494	92,494
Board-designated endowment funds	1,344,684	-	1,344,684
Endowment net assets	<u>\$ 1,344,684</u>	<u>\$ 1,498,910</u>	<u>\$ 2,843,594</u>

Northwest Assistance Ministries  
Notes to Financial Statements  
September 30, 2022 and 2021

**Note 11 – NAM Endowment Fund (Continued)**

Endowment asset composition as of September 30, 2021 is presented below.

	Without Donor Restrictions	With Donor Restrictions	Total
<i>September 30, 2021</i>			
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	\$ -	\$ 1,243,346	\$ 1,243,346
Original gift and amounts with donor stipulated use restrictions	-	15,570	15,570
Accumulated net investment gains	-	405,857	405,857
Board-designated endowment funds	1,667,842	-	1,667,842
Endowment net assets	<u>\$ 1,667,842</u>	<u>\$ 1,664,773</u>	<u>\$ 3,332,615</u>

Changes in net assets of endowment funds are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2020	\$ 1,470,680	\$ 1,235,007	\$ 2,705,687
Contributions	2,505	220,000	222,505
Net investment return	283,933	265,485	549,418
Expense	(24,383)	-	(24,383)
Appropriations for distribution	(64,893)	(55,719)	(120,612)
Endowment net assets, September 30, 2021	1,667,842	1,664,773	3,332,615
Contributions	1,277	147,500	148,777
Net investment return	(221,598)	(194,321)	(415,919)
Expense	(28,024)	-	(28,024)
Appropriations for distribution	(74,813)	(119,042)	(193,855)
Endowment net assets, September 30, 2022	<u>\$ 1,344,684</u>	<u>\$ 1,498,910</u>	<u>\$ 2,843,594</u>



Northwest Assistance Ministries  
Notes to Financial Statements  
September 30, 2022 and 2021

**Note 12 – Restrictions on Net Assets**

Net assets with donor restrictions of NAM and NAM Endowment Fund total \$3,221,332 and \$4,148,819, at December 31, 2022 and 2021, respectively.

NAM net assets are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
<b>NAM:</b>		
Subject to expenditure for specified purpose:		
Homelessness	\$ 141,081	\$ 150,650
Pediatric services	-	150,000
Low income and social assistance	-	14,893
Senior services	96,095	67,051
Educational services	15,357	15,357
Restricted for future period	639,102	264,185
Emergency/disaster relief	701,000	1,751,382
Capital	129,787	-
Inventory, children's clinic	-	70,528
Total subject to expenditure for specified purpose	<u>\$ 1,722,422</u>	<u>\$ 2,484,046</u>

NAM Endowment Fund net assets are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
<b>NAM Endowment:</b>		
Subject to spending policy and appropriation:		
General endowment	\$ 303,822	\$ 321,647
Educational scholarship	17,859	20,172
Children's services	320,076	332,501
Family violence	31,806	23,759
Low income and social assistance	294,679	314,541
CEO Fund	530,668	652,153
Total endowment	<u>\$ 1,498,910</u>	<u>\$ 1,664,773</u>

Northwest Assistance Ministries  
Notes to Financial Statements  
September 30, 2022 and 2021

**Note 12 – 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:

	2022	2021
Expiration of time and purpose restrictions:		
Homelessness	\$ 406,312	\$ 324,274
Children's services	175,000	-
Low income and social assistance	146,143	55,014
Senior services	106,576	145,640
Mental health counseling	32,500	
Educational services	-	5,250
Disaster relief	1,050,382	279,530
Inventory, children's clinic	70,528	-
Capital	50,213	-
General	86,722	-
Total subject to expenditure for specified purpose	<u>2,124,376</u>	<u>809,708</u>
Endowment appropriations:		
Homelessness assistance	24,752	8,920
CEO fund	49,456	19,955
Children's services	14,585	20,000
General	30,249	6,844
Total endowment	<u>119,042</u>	<u>55,719</u>
Total net assets released from restrictions	<u>\$ 2,243,418</u>	<u>\$ 865,427</u>

**Note 13 – Net Assets Without Donor Restrictions**

Net assets without donor restrictions are composed of the following at September 30, 2022 and 2021:

	2022	2021
Board designated endowment funds	\$ 1,344,684	\$ 1,667,842
Property, net	6,074,898	6,191,992
Undesignated	180,729	1,089,571
	<u>\$ 7,600,311</u>	<u>\$ 8,949,405</u>

Northwest Assistance Ministries  
Notes to Financial Statements  
September 30, 2022 and 2021

**Note 14 – Concentration of Support**

In the years ended September 30, 2022 and 2021, a significant amount of contributions was provided by a few major contributors. In the year ended September 30, 2022, the Organization received approximately \$1.09 million from City of Houston. In the year ended September 30, 2021, the Organization received approximately \$1.3 million from the United Way of Greater Houston, including supplemental awards for disaster relief. Additionally, the Organization received approximately \$1.1 million from a private foundation for emergency needs. 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 –New Accounting Guidance Implementation**

*Accounting for Leases*

In February 2016, the FASB issued ASU-2016-02, *Leases* (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessees in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments as well as capitalize indirect costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Association for fiscal year 2023. The Organization does not anticipate that the standard will have a material effect on the financial statements.

**Note 16 – COVID-19 Pandemic**

The COVID-19 pandemic developed rapidly in 2020; measures to contain the virus were taken and adjusted as appropriate to meet circumstances as they developed. Health and safety measures taken by the Organization to monitor and mitigate the effects of COVID-19, include social distancing, remote working and temperature checks for the staff and the clients we serve. At this stage, the impact on operations has been a negative effect on donated service time, both general and professional, operational accommodations for risks and concerns, and the cancelation of the 2020 fundraising event.

During 2020, the Organizations secured a \$792,337 Small Business Administration (SBA) loan under the Payroll Protection Program to cover payroll costs and other specified non-payroll costs. In 2021, the full balance was forgiven and reported in government grant income.

**Note 17 – Subsequent Events**

Management has evaluated subsequent events through March 23, 2023, 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.

# Federal Awards Reporting

Schedule of Expenditures of Federal Awards  
Northwest Assistance Ministries  
For the Year Ended September 30, 2022

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	TX0273L6E001910	\$ 794,709
Pass-through programs from:			
Texas Department of Housing and Community Affairs			
Emergency Solutions Grants Program	14.231	789961943	148,135
Harris County			
Community Block Development Grant (MOW)	14.218	2021-0019	18,798
Community Block Development Grant (MOW)	14.218	2022-007h	34,717
Community Block Development Grant (YAH)	14.218	2022-007i	11,667
Total U.S. Department of Housing and Urban Development			<u>1,008,026</u>
U.S. Department of Justice:			
Pass-through programs from:			
State of Texas Criminal Justice Division			
Victims of Criminal Acts (VOCA)	16.575	1371518	373,979
Office of the Attorney General			
Office of Victims Assistance (OVAG)	16.582	2109908	41,855
Total U.S. Department of Justice			<u>415,834</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	HHS000380000005	21,045
Family Violence Prevention and Services	93.671	HHS000380000005	10,318
Family Violence Prevention and Services	93.667	HHS000380000005	4,211
Family Violence Prevention and Services	93.558	HHS000380000005	43,852
Total U.S. Department of Health and Human Services			<u>79,426</u>
Federal Emergency Management Agency (FEMA)			
Direct Program:			
Emergency Food and Shelter	97.024	36-782800-026	1,474
Emergency Food and Shelter	97.024	37-782800-026	81,258
Emergency Food and Shelter	97.024	CARES-782800-026	149,360
Emergency Food and Shelter	97.024	ARPA-782800-026	262,653
Total Department of Homeland Security			<u>494,745</u>
Total Expenditures of Federal Awards			<u>\$ 1,998,031</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, 2022

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Northwest Assistance Ministries under programs of the federal government for the year ended September 30, 2022.

The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Northwest Assistance Ministries, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Northwest Assistance Ministries.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 – Indirect Cost Rate**

Northwest Assistance Ministries has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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, 2022, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Northwest Assistance Ministries' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Northwest Assistance Ministries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

*Tange, Mann + Garga*

March 23, 2023



**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**

***Opinion on Each Major Federal Program***

We have audited Northwest Assistance Ministries' compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Northwest Assistance Ministries and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Northwest Assistance Ministries' compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Northwest Assistance Ministries' federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Northwest Assistance Ministries' compliance based on our audit. Reasonable assurance is a high level

of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Northwest Assistance Ministries' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Northwest Assistance Ministries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Northwest Assistance Ministries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Northwest Assistance Ministries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Tange, Mann + Garga*

March 23, 2023

## 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

“Going concern” emphasis-of-matter paragraph included        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	Continuum of Care Program

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.