

GOOD NEWS PARTNERS
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
AUGUST 31, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
GOOD NEWS PARTNERS
Chicago, IL

Report of Financial Statements

We have audited the accompanying financial statements of GOOD NEWS PARTNERS (a nonprofit organization), which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility


Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 financial statements referred to above present fairly, in all material respects, the financial position of GOOD NEWS PARTNERS as of August 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Weiss, Sugar, Dvorak & Dusek, Ltd.

Chicago, Illinois
December 28, 2018

GOOD NEWS PARTNERS
Statements of Financial Position
August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 276,169	\$ 59,363
Investments in common stock at fair value		6,456
Advances	3,138	3,138
Note receivable	11,839	11,465
Accounts receivable, net of allowance for doubtful accounts of \$220,042 for 2017 and \$183,318 for 2016	141,830	81,279
Utility deposits	17,240	14,630
Real estate escrow	20,465	7,834
Prepaid expenses	<u>17,392</u>	
Total Current Assets	<u>488,073</u>	<u>184,165</u>
 PROPERTY AND EQUIPMENT		
Land	533,300	563,300
Buildings	2,946,529	3,106,530
Improvements	2,273,308	2,484,409
Equipment	114,424	114,424
Other		<u>7,500</u>
	<u>5,867,561</u>	<u>6,276,163</u>
Less: Accumulated depreciation	<u>1,360,766</u>	<u>1,276,031</u>
Net Property and Equipment	<u>4,506,795</u>	<u>5,000,132</u>
 OTHER ASSETS		
Other	70,090	70,090
Advances to Co-ops	620,427	933,266
Note receivable (net of current portion)	<u>299,150</u>	<u>310,005</u>
Total Other Assets	<u>989,667</u>	<u>1,313,361</u>
TOTAL ASSETS	<u>\$ 5,984,535</u>	<u>\$ 6,497,658</u>

GOOD NEWS PARTNERS
Statements of Financial Position (Continued)
August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 151,052	\$ 167,135
Accrued expenses	222,747	252,152
Co-op accrued expenses	24,219	93,245
Tenant security deposits	45,787	40,297
Deferred gain	115,013	121,672
Current maturities of mortgages payable	209,500	84,528
Current portion of unsecured notes payable due to related parties	<u>154,380</u>	<u>157,118</u>
Total Current Liabilities	<u>922,698</u>	<u>916,147</u>
NON-CURRENT LIABILITIES		
Mortgages payable (net of current maturities)	2,883,389	3,174,303
Unsecured notes payable due to related parties (net of current portion)	381,497	427,912
Equity due Co-op occupants	<u>569,391</u>	<u>626,429</u>
Total Non-Current Liabilities	<u>3,834,277</u>	<u>4,228,644</u>
NET ASSETS		
Unrestricted	807,480	960,066
Temporarily restricted	<u>420,080</u>	<u>392,801</u>
Total Net Assets	<u>1,227,560</u>	<u>1,352,867</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,984,535</u>	<u>\$ 6,497,658</u>

See independent auditors' report and notes to financial statements.

GOOD NEWS PARTNERS
Statements of Activities and Changes in Net Assets
For the Years Ended August 31, 2017 and 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	
			<u>2017</u>	<u>2016</u>
SUPPORT AND REVENUE				
Contributions:				
Individuals	\$ 174,435	\$ 35,000	\$ 209,435	\$ 271,254
Churches	74,475	16,644	91,119	116,761
Corporations and foundations	47,000		47,000	128,870
Government grants	195,531		195,531	179,456
Other	79,600		79,600	40,050
Program service revenue:				
Rental	585,734		585,734	551,284
Other	49,040		49,040	192,595
Investment income	17,302		17,302	13,804
Gain on sale of Bosworth property	95,842		95,842	
Miscellaneous	52,774		52,774	25,927
Net assets released from restriction	24,365	(24,365)		
Total Support and Revenue	<u>1,396,098</u>	<u>27,279</u>	<u>1,423,377</u>	<u>1,520,001</u>
EXPENSES				
Program services	1,261,374		1,261,374	1,293,749
Supporting services:				
Management and general	210,633		210,633	309,680
Fundraising	76,677		76,677	106,316
Total Expenses	<u>1,548,684</u>		<u>1,548,684</u>	<u>1,709,745</u>
CHANGE IN NET ASSETS	(152,586)	27,279	(125,307)	(189,744)
NET ASSETS - BEGINNING OF YEAR	<u>960,066</u>	<u>392,801</u>	<u>1,352,867</u>	<u>1,542,611</u>
NET ASSETS - END OF YEAR	<u>\$ 807,480</u>	<u>\$ 420,080</u>	<u>\$ 1,227,560</u>	<u>\$ 1,352,867</u>

See independent auditors' report and notes to financial statements.

GOOD NEWS PARTNERS
Statements of Cash Flows
For the Years Ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (125,307)	\$ (189,744)
<i>Adjustments to change in net assets to net cash provided (used) by operating activities:</i>		
Depreciation	84,735	85,408
Amortization of debt issuance costs to interest expense	9,910	3,303
Increase in value of investments		18,090
(Gain) on sale of Bosworth property	(95,842)	
<i>Increase (decrease) in cash due to changes in:</i>		
Advances		152
Note receivable	10,481	13,258
Accounts receivable	(60,551)	(7,896)
Utility deposits	(2,610)	(7,372)
Real estate escrow	(12,631)	(7,834)
Prepaid expenses	(17,392)	
Advances to Co-ops	312,839	(213,249)
Accounts payable and accrued expenses	(45,488)	107,652
Co-op accrued expenses	(69,026)	971
Tenant security deposits	5,490	1,040
Deferred gain	(6,659)	(2,147)
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(12,051)</u>	<u>(198,368)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of Bosworth property - net	504,444	
Proceeds from sale of investments	6,456	
Purchases of property and equipment		(74,160)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>510,900</u>	<u>(74,160)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in unsecured notes payable	(49,153)	160,000
(Decrease) increase in equity due co-op occupants	(57,038)	25,393
Payments on mortgages	(325,852)	(3,140,229)
Borrowings on mortgages	150,000	3,341,772
Debt issuance costs		(69,370)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(282,043)</u>	<u>317,566</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	216,806	45,038
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>59,363</u>	<u>14,325</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 276,169</u>	<u>\$ 59,363</u>

See independent auditors' report and notes to financial statements.

GOOD NEWS PARTNERS
Statements of Functional Expenses
For the Year Ended August 31, 2017
With Comparative Totals for the Year Ended August 31, 2016

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL			
	Jonquil Hotel	New Life Interim Housing	Rental Housing	Education, Children and Youth	Builders and Apprentices	Ministry	Total	Management and General	Fund Raising		
Depreciation	\$ 16,456	\$ 10,973	\$ 47,810	\$	\$	\$ 2,661	\$ 77,900	\$ 6,835	\$ 40	\$ 84,735	\$ 85,408
Eviction	390		15,338				15,728			15,768	4,133
Exterminator	3,086	764					3,850			3,850	
Fees and memberships	2,198	9,117	34,732		(901)		45,146	11,884	102	57,132	55,180
Food											4,396
Fund raising events									4,075	4,075	6,443
Housing and travel									15,125	15,125	16,500
Insurance	5,044	8,090	5,551	855	4,584	1,414	25,538	1,089	892	27,519	95,199
Interest	21,693	11,321	110,433			5,338	148,785	1,042		149,827	148,781
Material and supplies	4,333	7,472	13,580		(911)	65	24,539	2,894		27,433	29,993
Miscellaneous	2,740		1,399				4,139	5,271		9,410	3,258
Office	787	1,761	66		1,652	110	4,376	3,114	103	7,593	4,344
Payroll taxes	20,014	17,565		3,827	37,061		78,467	15,567	7,389	101,423	117,237
Postage and mailing		123	6				129	34	2,334	2,497	1,921
Programs	100	3,694					3,794	(30)	50	3,814	5,638
Provision for bad debts	25,673		23,365				49,038	(307)		48,731	55,542
Real estate taxes	1,564	87	39,560				41,211	(2,935)		38,276	32,947
Rent	1,200		6,460				7,660			7,660	6,000
Repairs and maintenance	1,314	6,058	4,299		291	13,148	24,819			24,819	3,752
Rubbish	4,987	112	6,684				12,074			12,074	10,573
Salaries and wages	128,712	169,548	35,683	55,284	180,193	3,600	573,020	161,527	46,321	780,868	894,968
Telephone		3,922			900	552	5,374	3,453	91	8,918	17,859
Training		795		1,056			1,851	751	137	2,739	578
Transportation		771					771	44	18	833	1,892
Utilities	41,539	11,454	56,900			3,272	113,165	400		113,565	107,203
TOTAL EXPENSES - 2017	\$ 281,830	\$ 263,627	\$ 401,866	\$ 61,022	\$ 222,869	\$ 30,160	\$ 1,261,374	\$ 210,633	\$ 76,677	\$ 1,548,684	
TOTAL EXPENSES - 2016	\$ 265,063	\$ 190,528	\$ 449,093	\$ 85,059	\$ 238,445	\$ 65,561	\$ 1,293,749	\$ 309,680	\$ 106,316	\$ 1,709,745	

See independent auditors' report and notes to financial statements.

GOOD NEWS PARTNERS
Notes to Financial Statements
August 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Good News Partners (the "Organization"), incorporated in 1980, is a Christian community organization, striving to empower people to embody the church and to upbuild community. Our community works together through ministries of housing; youth, learning/enrichment, addiction recovery, and spiritual growth programs; job training/employment opportunities; and community development.

Basis of Presentation

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

Included in the Organization's accounting records are buildings and improvements related to the Co-op Housing Program and their related mortgages payable and equity due Co-op owners. The Co-op Housing Program encourages home ownership and its financial responsibilities among the families it serves. The Organization acts as a financial intermediary by collecting Co-op owners' monthly assessments and remitting them to local financial institutions. Operating costs of the Co-ops are paid for by each of the Co-op Associations independently. Although in theory the Co-ops are independent of Good News Partners, the Organization can and does incur significant operating expenses and rehabilitation expenditures on their behalf and is ultimately liable for their mortgages. As the Co-ops provide cash to reduce principal on the mortgages, the Organization records an equal liability to the Co-ops. Expenses paid directly by the Co-ops are not included in these financial statements.

Property and Equipment

Maintenance, repairs and minor replacements are expensed. Depreciation is computed using the straight-line method over the estimated useful life of five to seven years for equipment, thirty-nine years for buildings and improvements.

Revenue Recognition

All contributions and grants are considered unrestricted unless otherwise specified by the donor and are recorded at fair market value at the date of donation. Restricted grants are recorded as temporarily restricted revenue upon receipt and recognized as unrestricted revenue when expenditures have been made in accordance with donor restrictions.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(C)(3) of the Internal Revenue Code. Thus no provision for income taxes has been provided in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

Donation of services is vital to the success of Good News Partners. No amounts have been reflected for donated services since no objective basis is available to measure their value.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

New Accounting Pronouncement

During 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The ASU is effective for the year ending October 31, 2019. This ASU replaces the three classes of net assets used in financial statements of nonprofit entities (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets (net assets with donor restrictions and net assets without donor restrictions).

NOTE 2 - MORTGAGES PAYABLE

During 2016, the Organization refinanced its mortgages payable with one financial institution. Debt issuance costs incurred as a result of this refinance amounted to \$69,370. These costs are amortized into interest expense over the life of the loans, which is seven years. During the years ended August 31, 2017 and 2016, the amount amortized into interest expense amounted to \$9,910 and \$3,303, respectively.

Mortgages payable at August 31, consisted of the following:

	<u>2017</u>	<u>2016</u>
A. Independent Co-ops with Residents Remitting		
Monthly Assessments to GNP:		
Mortgage payable at 5.05%, principal and interest in monthly installments on Esperanza Latina Co-op, until 2023, secured by land, building and rents	\$ 423,527	\$ 432,780
Mortgage payable at 5.05%, principal and interest in monthly installments on Phoenix Co-op, until 2023, secured by land, building and rents	486,864	497,495
Mortgage payable 5.05%, principal and interest in monthly installments on BOS Co-op, until 2023, secured by land, building and rents		<u>243,773</u>
Total Balance	910,391	1,174,048
Less: Portion payable in one year	<u>21,243</u>	<u>24,203</u>
Total Long-Term Portion	<u>889,148</u>	<u>1,149,845</u>

NOTE 2 – MORTGAGES PAYABLE (Continued)

	<u>2017</u>	<u>2016</u>
B. Co-ops with Income and Expenses Included in GNP Program Services:		
Mortgage payable at 5.05%, principal and interest in monthly installments on Fargo Co-op, until 2023, secured by land, building and rents	\$ 262,867	\$ 268,609
Less: Portion payable in one year	<u>6,135</u>	<u>5,539</u>
Total Long-Term Portion	<u>256,732</u>	<u>263,070</u>
C. Non Co-op Mortgages:		
Mortgage payable at 5.05%, principal and interest in monthly installments on Jonquil Hotel, Jonquil Terrace, Lloyd Apartments, Ministry Center and New Life, until 2023, secured by land, building and rents	1,801,118	1,840,468
Mortgage payable at 2.0% above the Wall Street Journal prime rate, principal and interest in monthly installments on Jonquil Terrace, until 2018, secured by land, building and rents	150,000	
Other	<u>24,670</u>	<u>41,773</u>
Total Balance	1,975,788	1,882,241
Less: Portion payable in one year	<u>192,032</u>	<u>64,696</u>
Total Long-Term Portion	<u>1,783,756</u>	<u>1,817,545</u>
TOTAL LONG-TERM MORTGAGE DEBT	<u>\$ 2,929,636</u>	<u>\$ 3,230,460</u>

Maturities of mortgages payable and amortization of debt issuance costs for the years ending August 31, are as follows:

	<u>MATURITIES</u>	<u>AMORTIZATION</u>	<u>TOTAL</u>
2018	\$ 219,410	\$ (9,910)	\$ 209,500
2019	69,498	(9,910)	59,588
2020	72,766	(9,910)	62,856
2021	76,207	(9,910)	66,297
2022	79,830	(9,910)	69,920
After	<u>2,631,335</u>	<u>(6,607)</u>	<u>2,624,728</u>
	<u>\$ 3,149,046</u>	<u>\$ (56,157)</u>	<u>\$ 3,092,889</u>

NOTE 3 - INVESTMENTS IN COMMON STOCK

The Organization complies with the provisions of Accounting Standards Codification 820 (ASC 820), "Fair Value Measurements and Disclosures". Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e, the "exit price") in an orderly transaction between market participants at the measurement date.

The Organization's significant financial instruments are investments in common stock. The carrying values of these financial instruments recorded in the accompanying statement of financial position approximate fair value.

The Organization's investments in common stock amounted to \$0 and \$6,456 at August 31, 2017 and 2016, respectively. These investments were valued using level 1 inputs. The historical cost and fair market value of investments in common stock, all of which are held at one institution, at August 31, were as follows:

	<u>2016</u>	
	<u>COST</u>	<u>MARKET VALUE</u>
Common stock	<u>\$ 554</u>	<u>\$ 6,456</u>

NOTE 4 - RELATED PARTIES

The Organization receives loans from its Board Members, President and others. Interest rates on the loans vary from 0% to 5% and certain loans have no set maturity date. Statement of financial position classification is based on management's anticipated repayment schedule.

NOTE 5 - CO-OP EQUITY BUY-OUTS

As stated in Note 1, the Co-ops are independent of Good News Partners. Good News Partners encourages Co-op owners to find willing buyers for Co-op units or the Co-op Association itself to buy such units from departing owners. In the event no buyers can be found or the Co-op Association cannot fund a buy-out, Good News Partners may expend its own funds for that purpose. Good News Partners is currently working with each Co-op to update our contract to reflect the actual amount each Co-op will reimburse Good News Partners.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes in future periods:

	<u>2017</u>	<u>2016</u>
Building purchase	\$ 233,540	\$ 233,548
Education	35,000	
Ending homelessness		24,365
Exterior and interior renovations	50,000	50,000
Youth	30,000	30,000
Other	<u>71,540</u>	<u>54,888</u>
	<u>\$ 420,080</u>	<u>\$ 392,801</u>

NOTE 7 - DEPRECIATION POLICY ON CO-OPS

The Organization had been recording depreciation of the Co-op buildings and improvements since inception of the Co-op program. When a Co-op begins operations as an independent Co-op, the Organization ceases to incur any revenue or expenses on the Co-op properties. Since no revenue or expenses are incurred by the Organization, no results of operations are matched against the depreciation expense on the Co-op properties.

NOTE 8 - BUILDING IMPROVEMENTS

Program services expense for Builders and Apprentices excludes salaries, employee benefits and material expenditures in the amount of \$0 in 2017 and \$66,660 in 2016 that were capitalized as building improvements.

NOTE 9 - ADVANCES TO CO-OPS

The Organization advances money to the Co-ops for various reasons including improvements and short-term cash flow problems. Good News Partners has classified these advances as long-term since these advances may not be repaid until the Co-ops take title to the properties. Advances are collateralized by the properties.

NOTE 10 - TAX STATUS

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for income taxes in the financial statements. Management believes that the Organization continues to qualify and to operate as designated.

NOTE 10 - TAX STATUS (Continued)

Accounting standards provide guidance for how certain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's information returns to determine whether the tax position are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit and asset or expense and liability in the current year. The Organization files information returns in the U.S. federal jurisdiction and Illinois state jurisdiction. The Organization is no longer subject to U.S. federal and state examinations by tax authorities for years before 2014. As of and for the year ended August 31, 2017, management has determined that there are no uncertain tax positions.

NOTE 11 - SALE OF BUILDING

As of August 31, 2014, the Fargo Building (a rental building owned by the Organization) was sold to the Fargo Co-op (an Illinois Corporation) for approximately \$542,000. The Fargo Co-op ("Fargo") is the home of the Founder, former President and current Director of Good News, Dr. Bud Ogle ("Dr. Ogle"). Dr. Ogle is also the President of the Fargo. The Fargo is not part of the Organization as of August 31, 2014 and will operate as a separate entity from the Organization. It is the intention of the Fargo management to operate Fargo in the spirit of the Organization to service low income families.

The sale of the building was priced at approximately \$20,000 above market value. Dr. Ogle provided all the cash invested in the transaction for the purchase of the Fargo Building. The transaction is a contract sale with deferred gain of \$126,501 recognized ratably by the Organization as Fargo repays the balance due of approximately \$310,989 at August 31, 2017, until it is paid in full on October 1, 2029 or sooner. For the years ended August 31, 2017 and 2016, the Organization recognized \$6,659 and \$2,147, respectively, of deferred gain into miscellaneous income. The Organization retains title to the Fargo Building until the loans are paid in full.

At August 31, 2017, the Organization additionally owed \$262,867 for a mortgage on the Fargo Building, which the Organization is obligated to pay until it is paid in full. Fargo is obligated to pay its own operating expenses and real estate taxes.

NOTE 12 - DONATION OF BUILDING

On August 24, 2015, Dr. Bud Ogle, Founder, former President and current Director of the Organization, donated a three flat building to Good News Partners. The Organization recorded a donation of \$402,000 for the gift of the building. The building was recorded on the books at its appraised value. On June 14, 2018, the building was sold for \$400,000. The impact of this sale is not recognized in the accompanying financial statements.

NOTE 13 - SUBSEQUENT EVENTS

On June 14, 2018, the Organization sold a building for \$400,000 that was previously donated and recorded on the books at \$402,000 (as more fully discussed in Note 12). Subsequent events were evaluated through December 28, 2018, the date the financial statements were available to be issued. Management concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.