

GOOD NEWS PARTNERS
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
AUGUST 31, 2015 AND 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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.

Weiss, Sugar, Dvorak & Dusek, Ltd.

Chicago, Illinois
May 2, 2016

GOOD NEWS PARTNERS
Statements of Financial Position
August 31, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 14,325	\$ 140,321
Investments in common stock at fair value	24,546	39,421
Advances	3,290	1,686
Note receivable	4,185	2,044
Pledges receivable		116,828
Accounts receivable, net of allowance for doubtful accounts of \$162,812 for 2015 and \$84,373 for 2014	73,383	66,864
Utility deposits	<u>7,258</u>	<u>7,258</u>
Total Current Assets	<u>126,987</u>	<u>374,422</u>
PROPERTY AND EQUIPMENT		
Land	563,300	543,200
Buildings	3,106,530	2,724,630
Improvements	2,417,749	2,261,912
Equipment	<u>114,424</u>	<u>114,424</u>
	6,202,003	5,644,166
Less: Accumulated depreciation	<u>1,190,623</u>	<u>1,104,438</u>
Net Property and Equipment	<u>5,011,380</u>	<u>4,539,728</u>
OTHER ASSETS		
Other	70,090	70,090
Advances to Co-ops	720,017	720,956
Note receivable	<u>330,543</u>	<u>332,750</u>
Total Other Assets	<u>1,120,650</u>	<u>1,123,796</u>
TOTAL ASSETS	<u>\$ 6,259,017</u>	<u>\$ 6,037,946</u>

GOOD NEWS PARTNERS
Statements of Financial Position (Continued)
August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank overdraft	\$ 62,743	\$
Accounts payable	111,434	7,879
Accrued expenses	137,458	48,494
Co-op accrued expenses	92,274	90,163
Tenant security deposits	39,257	34,812
Deferred revenue	123,819	126,501
Notes payable, unsecured:		
Other	220,650	258,684
Current portion - long-term debt	<u>2,280,197</u>	<u>1,688,280</u>
Total Current Liabilities	<u>3,067,832</u>	<u>2,254,813</u>
NON-CURRENT LIABILITIES		
Mortgages payable	843,158	1,561,344
Notes payable, unsecured:		
Directors and others	204,380	204,380
Equity due Co-op occupants	<u>601,036</u>	<u>547,866</u>
Total Non-Current Liabilities	<u>1,648,574</u>	<u>2,313,590</u>
NET ASSETS		
Unrestricted	1,047,088	930,331
Restricted	<u>495,523</u>	<u>539,212</u>
Total Net Assets	<u>1,542,611</u>	<u>1,469,543</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$6,259,017</u>	<u>\$6,037,946</u>

GOOD NEWS PARTNERS
Statements of Activities and Changes in Net Assets
August 31, 2015 and 2014

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>	
			<u>2015</u>	<u>2014</u>
SUPPORT AND REVENUE				
Contributions:				
Individuals	\$ 666,469	\$	\$ 666,469	\$ 397,220
Churches	142,654		142,654	98,352
Corporations and foundations	150,158		150,158	304,613
Government grants	188,423		188,423	201,461
Other	17,130		17,130	23,125
Program service revenue:				
Rental	489,031		489,031	554,638
Other	213,072		213,072	133,666
Investment income (loss)	18,718		18,718	1,650
Gain on sale				73,946
Miscellaneous	14,386		14,386	55,290
Net assets released from restriction	<u>43,689</u>	<u>(43,689)</u>		
Total Support and Revenue	<u>1,943,730</u>	<u>(43,689)</u>	<u>1,900,041</u>	<u>1,843,961</u>
EXPENSES				
Program services	1,496,567		1,496,567	1,304,938
Supporting services:				
Management and general	189,424		189,424	240,966
Fundraising	<u>140,982</u>		<u>140,982</u>	<u>140,509</u>
Total Expenses	<u>1,826,973</u>		<u>1,826,973</u>	<u>1,686,413</u>
CHANGE IN NET ASSETS	116,757	(43,689)	73,068	157,548
NET ASSETS - BEGINNING OF YEAR	<u>930,331</u>	<u>539,212</u>	<u>1,469,543</u>	<u>1,311,995</u>
NET ASSETS - END OF YEAR	<u>\$ 1,047,088</u>	<u>\$ 495,523</u>	<u>\$ 1,542,611</u>	<u>\$ 1,469,543</u>

GOOD NEWS PARTNERS
Statements of Cash Flows
For the Years Ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of support and revenue over (expenses)	\$ 73,068	\$ 157,548
<i>Adjustment to reconcile excess of support and revenue over expenses to net cash provided by operating activities:</i>		
Depreciation	86,185	94,600
Increase (decrease) in value of investments	14,875	(33,390)
Gain on sale		(200,447)
Gift of building	(402,000)	
<i>Increase (decrease) in cash due to changes in:</i>		
Advances	(1,604)	(511)
Accounts receivable	(6,519)	(36,183)
Note receivable	66	(334,794)
Advances to Co-ops	939	(36,213)
Pledges receivable	116,828	(116,828)
Accounts payable and accrued expenses	255,262	(12,562)
Co-op accrued expenses	2,111	(5,067)
Deferred revenue	(2,682)	126,501
Tenant security deposits and utility deposits	<u>4,445</u>	<u>(2,094)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>140,974</u>	<u>(399,440)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to building improvements	(155,837)	(162,456)
Sale of land and building		<u>542,000</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(155,837)</u>	<u>379,544</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in unsecured borrowing:		
Notes payable	(74,034)	90,000
Increase in equity due co-op occupants	53,170	70,796
Payments on mortgages	<u>(90,269)</u>	<u>(136,631)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(111,133)</u>	<u>24,165</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(125,996)	4,269
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>140,321</u>	<u>136,052</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 14,325</u>	<u>\$ 140,321</u>

GOOD NEWS PARTNERS
Statements of Functional Expenses
For the Years Ended August 31, 2015 and 2014

	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	2015	2014
Depreciation	\$ 17,903		\$ 58,786			\$ 2,661	\$ 79,350	\$ 6,835		\$ 86,185	\$ 94,600
Eviction			578				578			578	2,100
Exterminator		760	606		222		1,588			1,588	1,908
Fees and memberships	364	634	1,799	70	3,285	10	6,162	16,607	1,225	23,994	22,905
Food		9,375			40	4,912	14,327	521		14,848	13,682
Fund raising events						71	71		7,021	7,092	7,990
Housing and travel									16,500	16,500	16,500
Insurance	16,461	9,204	25,919	8,878	36,313	10,737	107,512	34,861	7,258	149,631	141,728
Interest	23,750	2,000	90,057		1,850	3,874	121,531	12,606		134,137	134,888
Material and supplies	14,540	7,618	21,833	34	32,681	3,227	79,933	7,286	3,439	90,658	83,827
Miscellaneous					7,460	28	7,488	600	813	8,901	9,536
Office	468	382		293	7	68	1,218	9,293	7,283	17,794	15,801
Payroll taxes	3,696	14,587	5,085	2,757	18,957	4,986	50,068	1,315	6,495	56,563	49,434
Postage and mailing									5,234	6,549	2,720
Programs		5,536				8,102	13,638			13,638	7,483
Provision for bad debts	30,118		48,874				78,992	(193)		78,799	37,223
Real estate taxes	1,172	44	26,077				27,293			27,293	41,239
Rent	1,200		4,800				6,000			6,000	15,540
Repairs and maintenance	1,680	364	68				2,112			2,112	3,205
Rubbish	5,774		3,957				9,731			9,731	10,676
Salaries and wages	142,217	185,575	92,159	36,872	237,717	76,458	770,998	93,977	85,401	950,376	824,605
Telephone	2,648	4,761	1,412				8,821	4,427	275	13,523	15,350
Training		200	133		133		466			466	90
Transportation		2,299	928	28		4,745	8,000	1,048	38	9,086	10,099
Utilities	36,123	13,215	47,459			3,893	100,690	241		100,931	123,284
	<u>\$ 298,114</u>	<u>\$ 256,554</u>	<u>\$ 430,530</u>	<u>\$ 48,932</u>	<u>\$ 338,665</u>	<u>\$ 123,772</u>	<u>\$ 1,496,567</u>	<u>\$ 189,424</u>	<u>\$ 140,982</u>	<u>\$ 1,826,973</u>	<u>\$ 1,686,413</u>

GOOD NEWS PARTNERS
Notes to Financial Statements
August 31, 2015 and 2014

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 and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its audit guide for voluntary health and welfare organizations.

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 on 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.

NOTE 2 - LONG-TERM DEBT

	<u>2015</u>	<u>2014</u>
A. Independent Co-ops with Residents Remitting		
Monthly Assessments to GNP:		
Mortgage payable at 6.375%, principal and interest in monthly installments on Esperanza Latina Co-op, until 2014, secured by land building and rents	\$ 368,947	\$ 394,485
Mortgage payable at 7%, principal and interest in monthly installments on Phoenix Co-op, until 2015, secured by land, building and rents	160,072	163,656
Mortgage payable at 6.00%, principal and interest in monthly installments on BOS Co-op, until 2018, secured by land, building and rents	245,601	257,834
Mortgage payable at 7.0%, principal and interest in monthly installments on Phoenix Co-op, until 2019, secured by land, building and rents	<u>295,031</u>	<u>302,053</u>
Total Balance	1,069,651	1,118,028
Less: Portion payable in one year	<u>562,295</u>	<u>591,295</u>
Total Long-Term Portion	<u>507,356</u>	<u>526,733</u>

NOTE 2 - LONG-TERM MORTGAGE DEBT (Continued)

	<u>2015</u>	<u>2014</u>
B. Co-ops with Income and Expenses Included in GNP Program Services:		
Mortgage payable at 5.75% principal and interest in monthly installments on Fargo Apartments, until 2014, secured by land, building and rents	\$ 218,184	\$ 223,789
Less: Portion payable in one year	<u>218,184</u>	<u>223,789</u>
Total Long-Term Portion	<u>0</u>	<u>0</u>
C. Non Co-op Mortgages:		
Mortgage payable at 7.04%, principal and interest in monthly installments on Jonquil Hotel, until 2014, secured by land, building and rents	336,089	346,403
Mortgage payable at 4.875%, principal and interest in monthly installments on Lloyd Apartments, until 2014, secured by land, building and rents	465,315	483,348
Mortgage payable at 5.50%, principal and interest in monthly installments on New Life, secured by land and building until 2017	234,256	248,339
Mortgage payable at 3.12%, principal and interest in monthly installments on ministry building, until 2023, secured by land and building	116,826	130,305
Mortgage payable at 6.00%, principal and interest in monthly installments on Jan-Crowe-Pierce building, until 2016, secured by land and building	<u>683,034</u>	<u>699,412</u>
Total Balance	1,835,520	1,907,807
Less: Portion payable in one year	<u>1,499,718</u>	<u>873,196</u>
Total Long-Term Portion	<u>335,802</u>	<u>1,034,611</u>
TOTAL LONG-TERM MORTGAGE DEBT	<u>\$ 843,158</u>	<u>\$ 1,561,344</u>

NOTE 3 - INVESTMENTS IN COMMON STOCK

Investments in common stock for 2015 and 2014 have been recorded at fair value.

NOTE 4 - RELATED PARTIES

The Organization receives loans from its Board Members, President and others. These are mainly non-interest loans with no set maturity dates. The loans have been generally classified as current liabilities except for amounts due the President, Directors and others.

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>2015</u>	<u>2014</u>
Education	\$ 36,062	\$ 36,062
Exterior and interior renovations	50,000	50,000
Building purchase	300,208	343,897
Ending homelessness	24,365	24,365
Youth	30,000	30,000
Other	54,888	54,888
	<u>\$ 495,523</u>	<u>\$ 539,212</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 of \$155,837 capitalized as building improvements for 2015 and \$162,456 for 2014.

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 - SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 2, 2016, the date the financial statements were available to be issued.

NOTE 11 – 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 Association continues to qualify and to operate as designated.

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 Association'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 Association is no longer subject to U.S. federal and state examinations by tax authorities for years before 2012. As of and for the year ended August 31, 2015, management has determined that there are no uncertain tax positions.

NOTE 12 - 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 former President of Good News Partners, 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 the deferred profits of \$126,501 realized ratably by the Organization as Fargo repays the balance due of approximately \$342,000 until it is paid off in full on October 1, 2029. For the year ended August 31, 2014, the Organization realized \$73,946 on the sale of the building. The Organization retains title to the Fargo Building until the loans are paid in full.

The Organization additionally owes \$218,184 on a mortgage on the Fargo Building and the Organization is obligated to pay all on this liability until it is paid in full. Fargo is obligated to pay of its own operating expenses including real estate taxes.

NOTE 13 – 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.