

GOOD NEWS PARTERS
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
AUGUST 31, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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
January 15, 2015

GOOD NEWS PARTNERS
Statements of Financial Position
August 31, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 140,321	\$ 136,052
Investments in common stock at fair value	39,421	6,031
Advances	1,686	1,175
Note receivable	2,044	
Pledges receivable	116,828	
Accounts receivable, net of allowance for doubtful accounts of \$84,373 for 2014 and \$41,738 for 2013	66,864	30,681
Utility deposits	<u>7,258</u>	<u>7,258</u>
Total Current Assets	<u>374,422</u>	<u>181,197</u>
PROPERTY AND EQUIPMENT		
Land	543,200	671,200
Buildings	2,724,630	2,996,630
Improvements	2,261,912	2,145,704
Equipment	<u>114,424</u>	<u>114,424</u>
	5,644,166	5,927,958
Less: Accumulated depreciation	<u>1,104,438</u>	<u>1,114,536</u>
Net Property and Equipment	<u>4,539,728</u>	<u>4,813,422</u>
OTHER ASSETS		
Other	70,090	70,090
Advances to Co-ops	720,956	684,743
Note receivable	<u>332,750</u>	
Total Other Assets	<u>1,123,796</u>	<u>754,833</u>
TOTAL ASSETS	<u>\$ 6,037,946</u>	<u>\$ 5,749,452</u>

See independent auditors' report and notes to financial statements.

GOOD NEWS PARTNERS
Statements of Financial Position (Continued)
August 31, 2014 and 2013

LIABILITIES AND NET ASSETS		
	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Accounts payable	\$ 7,879	\$ 13,776
Accrued expenses	48,494	55,159
Co-op accrued expenses	90,163	95,230
Tenant security deposits	34,812	36,906
Deferred revenue	126,501	
Notes payable, unsecured:		
Other	258,684	208,684
Current portion - long-term debt	<u>1,688,280</u>	<u>1,625,634</u>
Total Current Liabilities	<u>2,254,813</u>	<u>2,035,389</u>
NON-CURRENT LIABILITIES		
Mortgages payable	1,561,344	1,760,618
Notes payable, unsecured:		
Directors and others	204,380	164,380
Equity due Co-op occupants	<u>547,866</u>	<u>477,070</u>
Total Non-Current Liabilities	<u>2,313,590</u>	<u>2,402,068</u>
NET ASSETS		
Unrestricted	930,331	771,486
Restricted	<u>539,212</u>	<u>540,509</u>
Total Net Assets	<u>1,469,543</u>	<u>1,311,995</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$6,037,946</u>	<u>\$5,749,452</u>

See independent auditors' report and notes to financial statements.

GOOD NEWS PARTNERS
Statements of Activities and Changes in Net Assets
August 31, 2014 and 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	
			<u>2014</u>	<u>2013</u>
SUPPORT AND REVENUE				
Contributions:				
Individuals	\$ 339,874	\$ 57,346	\$ 397,220	\$ 322,573
Churches	98,352		98,352	123,082
Corporations and foundations	304,613		304,613	432,526
Government grants	201,461		201,461	156,330
Other	23,125		23,125	11,215
Program service revenue:				
Rental	554,638		554,638	550,851
Other	133,666		133,666	79,942
Investment income (loss)	1,650		1,650	155
Gain on sale	73,946		73,946	
Miscellaneous	55,290		55,290	3,801
Net assets released from restriction	58,643	(58,643)		
Total Support and Revenue	<u>1,845,258</u>	<u>(1,297)</u>	<u>1,843,961</u>	<u>1,680,475</u>
EXPENSES				
Program services	1,304,938		1,304,938	1,330,444
Supporting services:				
Management and general	240,966		240,966	208,408
Fundraising	140,509		140,509	134,458
Total Expenses	<u>1,686,413</u>		<u>1,686,413</u>	<u>1,673,310</u>
CHANGE IN NET ASSETS	158,845	(1,297)	157,548	7,165
NET ASSETS - BEGINNING OF YEAR	<u>771,486</u>	<u>540,509</u>	<u>1,311,995</u>	<u>1,304,830</u>
NET ASSETS - END OF YEAR	<u>\$ 930,331</u>	<u>\$ 539,212</u>	<u>\$ 1,469,543</u>	<u>\$ 1,311,995</u>

See independent auditors' report and notes to financial statements.

GOOD NEWS PARTNERS
Statements of Cash Flows
For the Years Ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of support and revenue over (expenses)	\$ 157,548	\$ 7,165
<i>Adjustment to reconcile excess of support and revenue over expenses to net cash provided by operating activities:</i>		
Depreciation	94,600	91,249
(Decrease) in value of investments	(33,390)	(117)
Gain on sale	(200,447)	
<i>Increase (decrease) in cash due to changes in:</i>		
Advances	(511)	(273)
Accounts receivable	(36,183)	24,872
Note receivable	(334,794)	
Advances to Co-ops	(36,213)	(26,514)
Pledges receivable	(116,828)	
Accounts payable and accrued expenses	(12,562)	(65,382)
Co-op accrued expenses	(5,067)	(3,692)
Deferred revenue	126,501	
Tenant security deposits and utility deposits	<u>(2,094)</u>	<u>(3,356)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(399,440)</u>	<u>23,952</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to building improvements	(162,456)	
Sale of land and building	<u>542,000</u>	
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>379,544</u>	
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Increase (decrease) in unsecured borrowing:</i>		
Notes payable	90,000	22,500
Increase in equity due co-op occupants	70,796	49,261
Payments on mortgages	<u>(136,631)</u>	<u>(148,069)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>24,165</u>	<u>(76,308)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,269	(52,356)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>136,052</u>	<u>188,408</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 140,321</u>	<u>\$ 136,052</u>

See independent auditors' report and notes to financial statements.

GOOD NEWS PARTNERS
Statements of Functional Expenses
For the Years Ended August 31, 2014 and 2013

	PROGRAM SERVICES					SUPPORTING SERVICES			TOTAL	
	New Life Jonquil Hotel	Interim Housing	Rental Housing	Education, Children and Youth	Builders and Apprentices	Ministry Total	Management and General	Fund Raising		
Depreciation	\$ 21,039	\$ 7,716	\$ 55,001	\$	\$ 2,507	\$ 1,506	\$ 6,831	\$	\$ 94,600	\$ 91,246
Eviction			2,100						2,100	2,517
Exterminator	521	762	625						1,908	3,274
Fees and memberships	70	751	2,765		1,113	299	16,593	1,314	22,905	23,555
Food		7,079				5,505	475	623	13,682	12,631
Fund raising events						7,915		75	7,990	9,109
Housing and travel			1,375			1,375		15,125	16,500	16,500
Insurance	13,819	2,336	24,313	7,283	24,940	8,596	58,436	2,005	141,728	157,816
Interest	25,235		102,706			4,287	2,660		134,888	124,176
Material and supplies	16,539	12,030	17,388	4,354	23,579	3,485	3,784	2,668	83,827	69,042
Miscellaneous	159	45	1,056			5	7,869	402	9,536	11,208
Office		602				27	4,589	10,583	15,801	3,054
Payroll taxes	3,092	10,804	5,269	2,627	11,907	2,953	5,696	7,086	49,434	46,597
Postage and mailing		4				28	942	1,746	2,720	4,005
Programs		40				657	51	1,100	7,483	16,175
Provision for bad debts	9,513	(4)	31,906		5,635	(5,481)	35,025		37,223	56,232
Real estate taxes	1,151		40,088		(33,736)				41,239	41,599
Rent	1,200	18,000	(6,600)				2,400	540	15,540	6,000
Repairs and maintenance	275	1,482	474		612		362		3,205	7,102
Rubbish	5,907		4,769						10,676	11,720
Salaries and wages	135,934	141,229	102,416	36,690	165,792	55,549	90,557	96,438	824,605	832,543
Telephone	2,918	4,320	1,836		1,050	300	4,426	500	15,350	14,508
Training								90	90	1,938
Transportation	40	3,090	1,535			5,190	30	214	10,099	10,020
Utilities	49,320	13,128	56,918			3,678	240		123,284	100,743
	<u>\$ 286,732</u>	<u>\$ 223,414</u>	<u>\$ 445,940</u>	<u>\$ 50,954</u>	<u>\$ 203,399</u>	<u>\$ 94,499</u>	<u>\$ 240,966</u>	<u>\$ 140,509</u>	<u>\$ 1,686,413</u>	<u>\$ 1,673,310</u>

See independent auditors' report and notes to financial statements.

GOOD NEWS PARTNERS
Notes to Financial Statements
August 31, 2014 and 2013

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>2014</u>	<u>2013</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	\$ 394,485	\$ 425,407
Mortgage payable at 7%, principal and interest in monthly installments on Phoenix Co-op, until 2015, secured by land, building and rents	163,656	167,000
Mortgage payable at 6.00%, principal and interest in monthly installments on BOS Co-op, until 2018, secured by land, building and rents	257,834	269,356
Mortgage payable at 7.0%, principal and interest in monthly installments on Phoenix Co-op, until 2019, secured by land, building and rents	<u>302,053</u>	<u>308,601</u>
Total Balance	1,118,028	1,170,364
Less: Portion payable in one year	<u>591,295</u>	<u>461,709</u>
Total Long-Term Portion	<u>526,733</u>	<u>708,655</u>

See independent auditors' report.

NOTE 2 - LONG-TERM MORTGAGE DEBT (Continued)

	<u>2014</u>	<u>2013</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	\$ 223,789	\$ 231,551
Less: Portion payable in one year	<u>223,789</u>	<u>231,551</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 Jonquill Hotel, until 2014, secured by land, building and rents	346,403	359,345
Mortgage payable at 4.875%, principal and interest in monthly installments on Lloyd Apartments, until 2014, secured by land, building and rents	483,348	505,169
Mortgage payable at 5.50%, principal and interest in monthly installments on New Life, secured by land and building until 2017	248,339	261,669
Mortgage payable at 3.12%, principal and interest in monthly installments on ministry building, until 2023, secured by land and building	130,305	143,370
Mortgage payable at 6.00%, principal and interest in monthly installments on Jan-Crowe-Pierce building, until 2016, secured by land and building	<u>699,412</u>	<u>714,784</u>
Total Balance	1,907,807	1,984,337
Less: Portion payable in one year	<u>873,196</u>	<u>932,374</u>
Total Long-Term Portion	<u>1,034,611</u>	<u>1,051,963</u>
TOTAL LONG-TERM MORTGAGE DEBT	<u>\$ 1,561,344</u>	<u>\$ 1,760,618</u>

NOTE 3 - INVESTMENTS IN COMMON STOCK

Investments in common stock for 2014 and 2013 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.

See independent auditors' report.

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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>2014</u>	<u>2013</u>
Education	\$ 36,062	\$ 35,604
Exterior and interior renovations	50,000	50,000
Building purchase	343,897	366,994
Ending homelessness	24,365	52,911
Youth	30,000	30,000
Other	54,888	5,000
	<u>\$ 539,212</u>	<u>\$ 540,509</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 \$162,456 capitalized as building improvements for 2014 and \$-0- for 2013.

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.

See independent auditors' report.

NOTE 10 - SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 15, 2015, 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 2011. As of and for the year ended August 31, 2014, 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 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 \$223,789 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.