GOOD NEWS PARTNERS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

AUGUST 31, 2018 AND 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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
July 10, 2019

GOOD NEWS PARTNERS
Statements of Financial Position
August 31, 2018 and 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 246,081	$ 276,169
Investments in common stock at fair value	799	
Advances	3,138	3,138
Note receivable	27,675	11,839
Accounts receivable, net of allowance for doubtful accounts of $292,466 for 2018 and $220,042 for 2017	62,927	141,830
Utility deposits	3,842	17,240
Real estate escrow	6,065	20,465
Prepaid expenses	17,419	17,392
Total Current Assets	367,946	488,073
PROPERTY AND EQUIPMENT		
Land	513,200	533,300
Buildings	2,564,629	2,946,529
Improvements	2,273,308	2,273,308
Equipment	114,424	114,424
Construction in process	107,809	
	5,573,370	5,867,561
Less: Accumulated depreciation	1,446,129	1,360,766
Net Property and Equipment	4,127,241	4,506,795
OTHER ASSETS		
Other	70,090	70,090
Advances to Co-ops	526,854	620,427
Note receivable (net of current portion)	260,464	299,150
Total Other Assets	857,408	989,667
TOTAL ASSETS	$ 5,352,595	$ 5,984,535

GOOD NEWS PARTNERS
Statements of Financial Position (Continued)
August 31, 2018 and 2017

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable	$ 122,993	$ 151,052
Accrued expenses	149,839	222,747
Co-op accrued expenses	24,219	24,219
Tenant security deposits	29,167	45,787
Deferred gain	106,562	115,013
Current maturities of mortgages payable	60,122	209,500
Current portion of unsecured notes payable due to related parties	146,880	154,380
Total Current Liabilities	639,782	922,698
NON-CURRENT LIABILITIES		
Mortgages payable (net of current maturities)	2,820,893	2,883,389
Unsecured notes payable due to related parties (net of current portion)	361,497	381,497
Equity due Co-op occupants	595,214	569,391
Total Non-Current Liabilities	3,777,604	3,834,277
NET ASSETS		
Unrestricted	582,084	807,480
Temporarily restricted	353,125	420,080
Total Net Assets	935,209	1,227,560
TOTAL LIABILITIES AND NET ASSETS	$ 5,352,595	$ 5,984,535

GOOD NEWS PARTNERS
Statements of Activities and Changes in Net Assets
For the Years Ended August 31, 2018 and 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL 2018	TOTAL 2017
SUPPORT AND REVENUE				
Contributions:				
Individuals	$ 188,793	$	$ 188,793	$ 209,435
Churches	144,209	1,905	146,114	91,119
Corporations and foundations	53,448		53,448	47,000
Government grants	201,751		201,751	195,531
Other	10,375		10,375	79,600
Program service revenue:				
Rental	554,596		554,596	585,734
Other	28,008		28,008	49,040
Investment income	21,962		21,962	17,302
Gain (loss) on sale of property	(31,863)		(31,863)	95,842
Miscellaneous	13,085		13,085	52,774
Net assets released from restriction	68,860	(68,860)		
Total Support and Revenue	1,253,224	(66,955)	1,186,269	1,423,377
EXPENSES				
Program services	1,148,977		1,148,977	1,261,374
Supporting services:				
Management and general	229,720		229,720	210,633
Fundraising	99,923		99,923	76,677
Total Expenses	1,478,620		1,478,620	1,548,684
CHANGE IN NET ASSETS	(225,396)	(66,955)	(292,351)	(125,307)
NET ASSETS - BEGINNING OF YEAR	807,480	420,080	1,227,560	1,352,867
NET ASSETS - END OF YEAR	$ 582,084	$ 353,125	$ 935,209	$ 1,227,560

See independent auditors' report and notes to financial statements.

GOOD NEWS PARTNERS
Statements of Cash Flows
For the Years Ended August 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (292,351)	$ (125,307)
Adjustments to change in net assets to net cash (used) by operating activities:		
Depreciation	85,363	84,735
Amortization of debt issuance costs to interest expense	12,813	9,910
(Gain) loss on sale of property	31,863	(95,842)
Increase (decrease) in cash due to changes in:		
Note receivable	22,850	10,481
Accounts receivable	78,903	(60,551)
Utility deposits	13,398	(2,610)
Real estate escrow	14,400	(12,631)
Prepaid expenses	(27)	(17,392)
Advances to Co-ops	93,573	312,839
Accounts payable and accrued expenses	(100,967)	(45,488)
Co-op accrued expenses		(69,026)
Tenant security deposits	(16,620)	5,490
Deferred gain	(8,451)	(6,659)
NET CASH (USED) BY OPERATING ACTIVITIES	(65,253)	(12,051)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property - net	370,137	504,444
Proceeds from sale of investments		6,456
(Purchases) of investments	(799)	
(Purchases) of property and equipment	(107,809)	
NET CASH PROVIDED BY INVESTING ACTIVITIES	261,529	510,900
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) in unsecured notes payable	(27,500)	(49,153)
(Decrease) increase in equity due co-op occupants	25,823	(57,038)
(Payments) on mortgages	(224,687)	(325,852)
Borrowings on mortgages		150,000
NET CASH (USED) BY FINANCING ACTIVITIES	(226,364)	(282,043)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(30,088)	216,806
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	276,169	59,363
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 246,081	$ 276,169

See independent auditors' report and notes to financial statements.

GOOD NEWS PARTNERS
Statements of Functional Expenses
For the Year Ended August 31, 2018
With Comparative Totals for the Year Ended August 31, 2017

	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	2018	2017
Depreciation	$ 17,547	$ 505	$ 57,815			$ 2,661	$ 78,528	$ 6,835		$ 85,363	$ 84,735
Eviction	1,212		5,349				6,561			6,561	15,768
Exterminator		767					767			767	3,850
Fees and memberships	1,949	3,400	303			500	6,152	21,966	(4,460)	23,658	57,132
Food		3,923					3,923		31	3,954	
Fund raising events								454	15,535	15,989	4,075
Housing and travel								265	16,533	16,798	15,125
Insurance	6,244	6,964	17,680	76	5,538	1,648	38,150	936	1,187	40,273	27,519
Interest	23,750	11,668	89,642			7,486	132,546	6,581		139,127	149,827
Material and supplies	4,175	5,636	3,178		12	2,385	15,386	(1,029)	424	14,781	27,433
Miscellaneous	617	449	7,204				8,270	419	10,605	19,294	9,410
Office	3,126	1,787					4,913	252	91	5,256	7,593
Payroll taxes	21,695	23,358	12,378	7,362	6,148		70,941	20,924	6,493	98,358	101,423
Postage and mailing								123	3,291	3,414	2,497
Programs		863		1,014			1,877	2,517		4,394	3,814
Provision for bad debts	10,311		35,761				46,072			46,072	48,731
Real estate taxes	1,448	82	43,126				44,656			44,656	38,276
Rent	1,200		4,800				6,000			6,000	7,660
Repairs and maintenance	2,601	3,870	5,539		682		12,692			12,692	24,819
Rubbish removal	5,977		5,677				11,654			11,654	12,074
Salaries and wages	167,020	179,829	95,297	56,676	47,328		546,150	161,095	49,989	757,234	780,868
Telephone	1,748	6,073			1,475	2,243	11,539	3,118	39	14,696	8,918
Training		467		2,338			2,805	4,705	165	7,675	2,739
Transportation		449					449			449	833
Utilities	48,753	9,838	37,464			2,891	98,946	559		99,505	113,565
TOTAL EXPENSES - 2018	$ 319,373	$ 259,928	$ 421,213	$ 67,466	$ 61,183	$ 19,814	$ 1,148,977	$ 229,720	$ 99,923	$ 1,478,620	
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

See independent auditors' report and notes to financial statements.

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.

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, 2018 and 2017, the amount amortized into interest expense amounted to $12,813 and $9,910, respectively.

Mortgages payable at August 31, consisted of the following:

	2018	2017
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	$ 413,795	$ 423,527
Mortgage payable at 5.05%, principal and interest in monthly installments on Phoenix Co-op, until 2023, secured by land, building and rents	475,683	486,864
Total Balance	889,478	910,391
Less: Portion payable in one year	21,243	21,243
Total Long-Term Portion	868,235	889,148

NOTE 2 – MORTGAGES PAYABLE (Continued)

		2018	2017
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		$ 256,829	$ 262,867
Less: Portion payable in one year		6,135	6,135
Total Long-Term Portion		250,694	256,732
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		1,759,734	1,801,118
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		18,318	24,670
Total Balance		1,778,052	1,975,788
Less: Portion payable in one year		42,032	192,032
Total Long-Term Portion		1,736,020	1,783,756
TOTAL LONG-TERM MORTGAGE DEBT		$ 2,854,949	$ 2,929,636

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

	MATURITIES	AMORTIZATION	TOTAL
2019	$ 69,410	$ (9,288)	$ 60,122
2020	72,766	(9,288)	63,478
2021	76,207	(9,288)	66,919
2022	79,830	(9,288)	70,542
2023	2,626,146	(6,192)	2,619,954
	$ 2,924,359	$ (43,344)	$ 2,881,015

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 $799 and $0 at August 31, 2018 and 2017, 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:

	2018	
	COST	MARKET VALUE
Common stock	$ 799	$ 799

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:

	2018	2017
Building purchase	$ 164,688	$ 233,540
Education	35,000	35,000
Exterior and interior renovations	50,000	50,000
Youth	30,000	30,000
Other	73,437	71,540
	$ 353,125	$ 420,080

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 $107,809 and $0 in 2018 and 2017, respectively, were capitalized as building improvements or construction in process.

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 2015. As of and for the year ended August 31, 2018, 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 $288,139 at August 31, 2018, until it is paid in full on October 1, 2029 or sooner. For the years ended August 31, 2018 and 2017, the Organization recognized $8,451 and $6,659, 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, 2018, the Organization additionally owed $256,829 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 recognized in the accompanying financial statements.

NOTE 13 - NEW ACCOUNTING STANDARDS UPDATE

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).

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The new guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. It also provides additional guidance on how to determine if a contribution is conditional. The new standard will be effective for transactions that occur during the Association's fiscal year ending December 31, 2019. Early adoption is permitted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which will supersede the current lease recording requirements in Topic 842. The ASU looks to increase transparency and comparability by conforming US GAAP with International Accounting Standards as it relates to leases. The new standard will require that all leases, including operating leases, be included on the balance sheet as a "right of use" asset with an offsetting liability for the payments remaining on the lease. The new guidance will be effective for the Association's year ending December 31, 2020, with early application permitted.

Management is evaluating the effects of these pronouncements on its financial statements.

NOTE 14 - SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 10, 2019, the date the financial statements were available to be issued.