



Northwest Compass, Inc.

Financial Statements Years Ended June 30, 2015 and 2014

Northwest Compass, Inc.

Financial Statements
Years Ended June 30, 2015 and 2014

Northwest Compass, Inc.

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AUDITEE'S CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplementary information of Northwest Compass, Inc. for the year ended June 30, 2015 and, to the best of my knowledge and belief, the same is complete and accurate.

NORTHWEST COMPASS, INC.

Federal I.D. #36-3382832

LeRoy Messenger, Executive Director

MANAGING AGENT'S CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplementary data of Northwest Compass, Inc. for the year ended June 30, 2015 and, to the best of my knowledge and belief, the same are complete and accurate.

NORTHWEST COMPASS, INC.

Federal I.D. #36-3382832

LeRoy Messenger, Executive Director



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Independent Auditor's Report

Board of Directors
Northwest Compass, Inc.
Mount Prospect, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Compass, Inc. (an Illinois not-for-profit corporation), IHDA Loan No. 30-1152-01, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year 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 audit. 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. 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 Northwest Compass, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The fiscal year 2014 financial statements of Northwest Compass, Inc. were audited by SS&G, Inc. whose directors and professional staff joined BDO USA, LLP as of January 1, 2015, and has subsequently ceased operations. SS&G, Inc.'s report dated October 28, 2014 expressed an unmodified opinion on those statements.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information commencing on page 34 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is 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 information is fairly stated, in all material respects, in relation to the 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 February 25, 2016, on our consideration of Northwest Compass, Inc.'s 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 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 Compass, Inc.'s internal control over financial reporting and compliance.

BDO USA, LLP

February 25, 2016

Financial Statements

Northwest Compass, Inc.

Statements of Financial Position

<i>June 30,</i>	2015	2014
Assets		
Current Assets		
Cash	\$ 28,484	\$ 47,163
Grants receivable	90,959	114,903
Pledges receivable	9,144	8,379
Rent and other receivables	1,963	1,806
Food pantry inventory	46,279	10,409
Prepaid expenses	23,922	23,238
Total Current Assets	200,751	205,898
Property and Equipment, net	1,927,079	1,969,381
Other Assets		
Insurance escrow deposit	18,918	19,204
Deposits - non tenant related	4,576	5,226
Deposits held in trust for participants	14,138	16,504
Long-term investments	700,578	867,180
Operating cash reserve	183,277	183,275
Replacement reserve	29,485	27,485
Total Other Assets	950,972	1,118,874
Total Assets	\$ 3,078,802	\$ 3,294,153

Northwest Compass, Inc.
Statements of Financial Position

<i>June 30,</i>	2015	2014
Liabilities and Net Assets		
Current Liabilities		
Current portion of mortgage notes payable	\$ 24,144	\$ 17,340
Line of credit	45,000	-
Accounts payable	19,313	14,211
Accrued liabilities	62,579	41,421
Total Current Liabilities	151,036	72,972
Long-term Liabilities		
Mortgage notes payable	719,998	662,758
Less current portion of mortgage notes payable	(24,144)	(17,340)
Security deposits	16,954	16,326
Total Long-term Liabilities	712,808	661,744
Total Liabilities	863,844	734,716
Net Assets		
Unrestricted:		
General	1,502,983	1,683,119
Board designated	700,578	867,180
	2,203,561	2,550,299
Temporarily restricted	11,397	9,138
Total Net Assets	2,214,958	2,559,437
Total Liabilities and Net Assets	\$ 3,078,802	\$ 3,294,153

*See accompanying independent auditor's report and notes
to financial statements.*

Northwest Compass, Inc.

Statement of Activities and Change in Net Assets

Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Public support:			
Contributions	\$ 45,855	\$ 2,495	\$ 48,350
Contributions in kind	17,278	-	17,278
Value of food donated (161,476 pounds)	350,404	-	350,404
Corporations and foundations	147,720	1,275	148,995
United Way	100,000	-	100,000
Total public support	661,257	3,770	665,027
Government Contracts:			
Federal grants	306,402	-	306,402
Townships, cities and villages	216,217	7,627	223,844
Total government contracts	522,619	7,627	530,246
Other Revenues:			
Miscellaneous	1,000	-	1,000
Rents	132,815	-	132,815
Fees and charges	7,861	-	7,861
Total other revenues	141,676	-	141,676
Investment Income:			
Investment income	17,872	-	17,872
Realized gain on investments	26,176	-	26,176
Unrealized loss on investments	(54,699)	-	(54,699)
Total investment income	(10,651)	-	(10,651)
Total Revenue Before Net Assets Released from Restrictions	1,314,901	11,397	1,326,298
Net assets released from restrictions	9,138	(9,138)	-
Total Revenues	1,324,039	2,259	1,326,298

Northwest Compass, Inc.

Statement of Activities and Change in Net Assets

Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Expenses			
Program:			
Career Coaching	\$ 40,775	\$ -	\$ 40,775
Child Care	208,834	-	208,834
Compass Point	44,858	-	44,858
Energy	17,629	-	17,629
Food Connection	411,983	-	411,983
Health Insurance Enrollment	69,718	-	69,718
Helping Hands	21,723	-	21,723
Housing Counseling & Education	103,934	-	103,934
Transitional Living	519,176	-	519,176
Other Programs	18,231	-	18,231
Total program	1,456,861	-	1,456,861
Supporting Services:			
Management and general	212,966	-	212,966
Fundraising	950	-	950
Total Expenses	1,670,777	-	1,670,777
Change in Net Assets	(346,738)	2,259	(344,479)
Net Assets, beginning of year	2,550,299	9,138	2,559,437
Net Assets, end of year	\$ 2,203,561	\$ 11,397	\$ 2,214,958

See accompanying independent auditor's report and notes to financial statements.

Northwest Compass, Inc.

Statement of Activities and Change in Net Assets

Year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Public support:			
Contributions	\$ 70,020	\$ 1,488	\$ 71,508
Contributions in kind	21,554	-	21,554
Value of food donated (106,682 pounds)	276,308	-	276,308
Corporations and foundations	135,587	-	135,587
United Way	100,000	-	100,000
Total public support	603,469	1,488	604,957
Government Contracts:			
Federal grants	325,789	-	325,789
Townships, cities and villages	203,714	7,650	211,364
Total government contracts	529,503	7,650	537,153
Other Revenues:			
Miscellaneous	3,646	-	3,646
Rents	135,086	-	135,086
Fees and charges	6,380	-	6,380
Total other revenues	145,112	-	145,112
Investment Income:			
Investment income	23,790	-	23,790
Realized gain on investments	21,336	-	21,336
Unrealized gain on investments	69,922	-	69,922
Total investment income	115,048	-	115,048
Total Revenue Before Net Assets Released from Restrictions	1,393,132	9,138	1,402,270
Net assets released from restrictions	9,598	(9,598)	-
Total Revenues	1,402,730	(460)	1,402,270

Northwest Compass, Inc.

Statement of Activities and Change in Net Assets

Year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Expenses			
Program:			
Career Coaching	\$ 47,968	\$ -	\$ 47,968
Child Care	174,871	-	174,871
Compass Point	52,035	-	52,035
Food Connection	430,827	-	430,827
Health Insurance Enrollment	40,361	-	40,361
Helping Hands	16,603	-	16,603
Housing Counseling & Education	108,254	-	108,254
Transitional Living	526,762	-	526,762
Other Programs	26,134	-	26,134
Total program	1,423,815	-	1,423,815
Supporting Services:			
Management and general	162,790	-	162,790
Fundraising	-	-	-
Total Expenses	1,586,605	-	1,586,605
Change in Net Assets	(183,875)	(460)	(184,335)
Net Assets, beginning of year	2,734,174	9,598	2,743,772
Net Assets, end of year	\$ 2,550,299	\$ 9,138	\$ 2,559,437

*See accompanying independent auditor's report and notes
to financial statements.*

Northwest Compass, Inc.

Statement of Functional Expenses

For the year ended June 30, 2015

	PROGRAM										SUPPORT				
	Career Coaching	Child Care	Compass Point	Energy	Food Connection	Health Insurance Enrollment	Helping Hands	Housing Counseling & Education	Transitional Living	Other Programs	Total	Management and General	Fundraising	Total	Organization Total
Salaries and benefits	\$31,982	\$ 86,920	\$ 38,217	\$ 16,028	\$ 51,722	\$ 67,102	\$ 7,985	\$ 63,344	\$ 236,173	\$ 13,740	\$ 613,213	\$ 125,396	\$ -	\$125,396	\$ 738,609
Administration	2,588	2,293	1,258	-	8,455	1	3,201	9,205	26,629	138	53,768	39,028	1	39,029	92,797
Board of directors	-	-	-	-	-	-	-	-	-	-	-	193	-	193	193
Client support	-	-	-	-	2,448	-	-	-	-	3,653	6,101	195	-	195	6,296
Contracted services	-	-	-	-	-	-	-	-	-	-	-	8,300	-	8,300	8,300
Direct client assistance	-	117,427	-	294	120	-	6,225	21,926	734	700	147,426	-	-	-	147,426
Equipment	-	-	-	-	-	-	-	-	3,546	-	3,546	2,290	-	2,290	5,836
Food connection (144,170 lbs.)	-	-	-	-	325,579	-	-	-	-	-	325,579	-	-	-	325,579
Fundraising expenses	-	-	-	-	-	-	-	-	-	-	-	-	949	949	949
Interest expense	874	218	437	218	2,184	437	437	1,311	2,755	-	8,871	986	-	986	9,857
Miscellaneous	241	60	121	60	2,639	121	121	362	2,468	-	6,193	6,647	-	6,647	12,840
Occupancy	4,958	1,872	4,825	1,029	18,724	2,057	3,745	7,522	245,995	-	290,727	14,208	-	14,208	304,935
Office expense	132	44	-	-	112	-	9	264	226	-	787	9,007	-	9,007	9,794
Professional services	-	-	-	-	-	-	-	-	650	-	650	959	-	959	1,609
Volunteer activities	-	-	-	-	-	-	-	-	-	-	-	5,757	-	5,757	5,757
Total Functional Expenses	\$40,775	\$208,834	\$ 44,858	\$ 17,629	\$ 411,983	\$ 69,718	\$ 21,723	\$ 103,934	\$ 519,176	\$ 18,231	\$ 1,456,861	\$ 212,966	\$ 950	\$213,916	\$ 1,670,777

See accompanying independent auditor's report and notes to financial statements.

Northwest Compass, Inc.

Statement of Functional Expenses

For the year ended June 30, 2014

	PROGRAM										SUPPORT			
	Career Coaching	Child Care	Compass Point	Food Connection	Health Insurance Enrollment	Helping Hands	Housing Counseling & Education	Transitional Living	Other Programs	Total	Management and General	Fundraising	Total	Organization Total
Salaries and benefits	\$ 39,265	\$ 64,403	\$ 43,325	\$ 65,840	\$ 36,969	\$ 5,901	\$ 58,800	\$ 191,502	\$ 15,147	\$ 521,152	\$ 102,482	\$ -	\$102,482	\$ 623,634
Administration	3,274	3,117	3,682	9,140	826	3,682	8,561	31,622	669	64,573	18,211	-	18,211	82,784
Board of directors	-	-	-	-	-	-	-	-	-	-	195	-	195	195
Client support	-	-	-	-	-	-	-	9,956	-	9,956	-	-	-	9,956
Contracted services	701	2,870	745	5,476	861	217	1,983	8,727	318	21,898	-	-	-	21,898
Direct client assistance	-	101,423	-	-	-	2,520	31,451	-	9,963	145,357	3	-	3	145,360
Equipment	-	-	-	-	-	-	-	7,739	-	7,739	9,138	-	9,138	16,877
Food connection (135,025 lbs.)	-	-	-	326,385	-	-	-	-	-	326,385	-	-	-	326,385
Interest expense	277	277	553	2,767	-	553	443	2,214	-	7,084	3,985	-	3,985	11,069
Miscellaneous	181	90	90	3,673	90	90	271	6,359	-	10,844	5,393	-	5,393	16,237
Occupancy	4,106	2,527	3,476	17,382	1,578	3,476	6,254	267,856	-	306,655	16,159	-	16,159	322,814
Office expense	164	164	164	164	37	164	491	787	37	2,172	4,465	-	4,465	6,637
Professional services	-	-	-	-	-	-	-	-	-	-	2,759	-	2,759	2,759
Total Functional Expenses	\$ 47,968	\$ 174,871	\$ 52,035	\$ 430,827	\$ 40,361	\$ 16,603	\$ 108,254	\$ 526,762	\$ 26,134	\$1,423,815	\$ 162,790	\$ -	\$162,790	\$ 1,586,605

See accompanying independent auditor's report and notes to financial statements.

Northwest Compass, Inc.

Statements of Cash Flows

<i>Year ended June 30,</i>	2015	2014
Operating Activities		
Cash received from public support	\$ 296,848	\$ 284,941
Cash received from government contracts	554,190	483,249
Cash received from other revenue sources	141,251	176,419
Cash received (paid) for security deposits	3,644	(237)
Cash paid to suppliers and employees	(1,213,620)	(1,278,311)
Cash paid for interest	(9,857)	(11,069)
Interest and dividends received	17,872	23,790
Net cash for operating activities	(209,672)	(321,218)
Investing Activities		
Deposits to insurance escrow, net	286	(6,083)
Deposits to operating reserve, net	(2)	(3)
Releases from/deposits to replacement reserve, net	(2,000)	9,859
Purchase of property and equipment	(47,610)	(4,471)
Proceeds from sale of investments	208,661	297,719
Purchase of investments	(70,582)	(131,798)
Net cash from investing activities	88,753	165,223
Financing Activities		
Repayment of mortgage notes payable	(17,760)	(13,109)
Borrowings of mortgage notes payable	75,000	-
Repayment of line of credit	(296,500)	-
Borrowings of line of credit	341,500	-
Net cash from (for) financing activities	102,240	(13,109)
Net Decrease in Cash	(18,679)	(169,104)
Cash, beginning of year	47,163	216,267
Cash, end of year	\$ 28,484	\$ 47,163

Northwest Compass, Inc.

Statements of Cash Flows

<i>Year ended June 30,</i>	2015	2014
Changes in net assets	\$ (344,479)	\$ (184,335)
Adjustments to reconcile changes in net assets to net cash for operating activities:		
Depreciation	89,912	89,533
Bad debt	950	5,057
Donation of stock	-	(21,180)
Unrealized loss (gain) on investments	54,699	(69,922)
Realized gain on investments	(26,176)	(21,336)
Change in contributed food pantry inventory	(35,870)	48,237
Changes in operating assets and liabilities:		
Grant receivables	23,944	(53,904)
Other receivables	(1,872)	25,276
Prepaid expenses	(684)	(2,630)
Deposits	3,016	(5,521)
Accounts payable	5,102	(32,275)
Accrued liabilities	21,158	(103,502)
Security deposits	628	5,284
Net cash for operating activities	\$ (209,672)	\$ (321,218)
 Non-Cash Financing Transactions		
Transfer of long-term debt to another financial institution	\$ -	\$ 193,559

See accompanying independent auditor's report and notes to financial statements.

Northwest Compass, Inc.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities

Northwest Compass, Inc. (the Organization) provides assistance to individuals and families ranging from information and referrals to financial assistance and housing shelter, all of which are considered to be safety net programs.

During the year ended June 30, 2014, the Organization changed the relationship with related party, Community and Economic Development Association (CEDA) of Cook County, Inc. (See Note 14). As a result, the Organization changed its name from CEDA Northwest Self-Help Center, Inc. to Northwest Compass, Inc.

The program and supporting services provided by the Organization are as follows:

Program Services:

Career Coaching: Prepares the unemployed, the underemployed, or the displaced worker to become job ready in the current working environment. Assists clients in finding and maintaining employment.

Child Care: Provides financial assistance for working parents to enable them to obtain, or maintain, employment. Also allows access to a safe and stable environment for children while parents are at work.

Emergency Assistance: Includes programs for Housing Assistance and Education, Hardship Intervention and Referral, Food Connection, and Helping Hands. These individual programs are designed to respond to emergency situations which leave families and individuals without the basic essentials for survival. In addition to housing, utility, and food assistance, through the use of solution focused case management and motivational interviewing techniques, these programs assist families to become stable and self-reliant. Included in these programs are numerous training experiences for life skills, such as money management, communication, and stress management.

Temporary Shelters: Assists working homeless families by providing affordable housing. Provides safe housing, guidance, and helps clients to gain control of their finances, learn new life and money management skills, and set goals to achieve greater self-determination and independence. Rents for the 11-units in the Wright House, in Arlington Heights, Illinois, are below market rates, and the term of occupancy is without restrictions. Rents for the 8-units in Jefferson House, Des Plaines, Illinois, and the 8-units of apartments located throughout the northwest suburbs of Chicago, are tied to the family's level of income; occupancy is limited to a maximum of two years (See Note 11).

See accompanying independent auditor's report.

Northwest Compass, Inc.

Notes to Financial Statements

Supporting Services:

Management and General: Includes the functions necessary to support program services and maintain the operations of the Organization. Management and general expenses also cover the administrative functioning of the Organization and its Board of Directors, and the managing of the financial, budgetary, and compliance responsibilities of the Organization.

Fundraising: Provides the structure necessary to encourage and secure private financial support from individuals, corporations, and foundations.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as recommended in the American Institute of Certified Public Accountants' Audit and Accounting Guide for Not-for-Profit Organizations.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments in marketable equity and fixed income securities are reported at fair value based upon market quotations. Investments in money market accounts are reported at cost, which approximates fair value. Donated investments are recorded at the fair value as of the date of contribution. Money market accounts held by the broker are considered investments. Realized and unrealized gains and losses are included in the accompanying statements of activities and changes in net assets.

Grants Receivable

Grants receivable consists of awards from local municipalities and HUD for program use which are recognized as revenues when they are received.

Allowance for Doubtful Accounts

The Organization recognizes an allowance for losses on grants, pledges, rent, and other receivables in an amount equal to the estimated probable losses, net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at-risk or uncollectible. The expense associated with the allowance for doubtful accounts is recognized as a management and general expense. In the opinion of management, no allowance was necessary at June 30, 2015 or 2014. Bad debt expense related to rent and other receivables

See accompanying independent auditor's report.

Northwest Compass, Inc.

Notes to Financial Statements

was \$950 and \$5,057 for the years ended June 30, 2015 and 2014, respectively, and is included in miscellaneous expense on the accompanying statements of activities and changes in net assets.

Inventory

Contributed inventories represent inventory items donated to the food connection program for distribution. In accordance with Benefit of Agency Membership Statement, which was provided by the Greater Chicago Food Depository, the average wholesale value of contributed items was \$2.17 and \$2.59 per pound at June 30, 2015 and 2014, respectively. The Organization values items by product category rather than the aggregate and are distributed on a first-in, first-out (FIFO) basis.

Activity in contributed inventory for June 30 was as follows:

	2015	2014
Beginning Inventory	\$ 10,409	\$ 58,646
Receipts	350,404	276,308
Distribution	(314,534)	(324,545)
Ending Inventory	\$ 46,279	\$ 10,409

Property and Equipment

Property and equipment are carried at cost if purchased or fair value at the date of donation. The Organization follows the practice of capitalizing property and equipment purchases over \$1,000. Depreciation is computed using the straight-line method over 40 years for buildings, 10 to 40 years for building improvements, 3 to 10 years for equipment, 10 years for appliances, and 5 years for vehicles. When property and equipment are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited or charged to operations. Maintenance and repairs are expensed as incurred.

Net Assets

The net assets of the Organization are classified as follows:

Unrestricted, which represents the portion of expendable net assets that are available for operations and those net assets designated for a specific purpose by the Board of Directors. By action of the Board of Directors of the Organization, certain long-term investments held by the Organization have been set aside to generate income to support the Organization's programs.

Temporarily restricted, which represents contributions subject to donor-imposed stipulations that will be met by the actions of the Organization and/or the passage of time.

Permanently restricted net assets represent contributions which are subject to the restriction of the donors that the historic dollar value of the gift be preserved in perpetuity. The Organization has no permanently restricted net assets.

See accompanying independent auditor's report.

Northwest Compass, Inc.

Notes to Financial Statements

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for net income derived from unrelated business activities. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under IRC Section 509(a).

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2012 through the current year. In evaluating the Organization's activities, management believes its position of tax-exempt status is based on current facts and circumstances and there have been no uncertain positions taken related to recording income taxes. In the opinion of management there are no activities unrelated to the purpose of the Organization and therefore no tax is to be recognized.

It is the policy of the Organization to include in management and general expenses penalties and interest assessed by income taxing authorities. There are no penalties or interest from taxing authorities included in management and general expenses for the years ended June 30, 2015 and 2014.

Functional Allocation of Expenses

In the statements of functional expenses, expenses are first charged to program, management and general, and fundraising on the basis of actual expense. Certain other expenses are allocated to each program based on the type of support provided and the staff time involved.

Subsequent Events

Subsequent events were evaluated through February 25, 2016, which is the date the financial statements were available to be issued. Subsequent to year end, certain loans were refinanced by the Organization. See Note 9.

See accompanying independent auditor's report.

Northwest Compass, Inc.

Notes to Financial Statements

2. Fair Value Measurements

The Organization uses the framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are no changes in valuation methodologies used at June 30, 2015 and 2014.

Fair values for equities and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Corporate bonds are priced at the amortized cost. Fair values for corporate bonds are determined by the closing price reported on the active market on which the individual bonds are traded.

See accompanying independent auditor's report.

Northwest Compass, Inc.

Notes to Financial Statements

Fair values of assets measured on a recurring basis were as follows:

Fair Value Measurements at June 30, 2015				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 16,544	\$ -	\$ -	\$ 16,544
Fixed income securities:				
Corporate bonds	101,789	-	-	101,789
Exchange traded funds	87,030	-	-	87,030
Mutual funds	72,236	-	-	72,236
Total fixed income securities	261,055	-	-	261,055
Equities:				
US Common Stocks				
Basic materials	52,220	-	-	52,220
Consumer goods	99,232	-	-	99,232
Industrial goods	16,739	-	-	16,739
Financial	30,342	-	-	30,342
Services	150,391	-	-	150,391
Technology	74,055	-	-	74,055
Total equities	422,979	-	-	422,979
	\$ 700,578	\$ -	\$ -	\$ 700,578

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See accompanying independent auditor's report.

Northwest Compass, Inc.

Notes to Financial Statements

Fair Value Measurements at June 30, 2014

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 5,354	\$ -	\$ -	\$ 5,354
Fixed income securities:				
Corporate bonds	128,693	-	-	128,693
Mutual funds	127,090	-	-	127,090
Total fixed income securities	255,783	-	-	255,783
Equities:				
US Common Stocks				
Basic materials	86,458	-	-	86,458
Consumer goods	84,426	-	-	84,426
Industrial goods	40,043	-	-	40,043
Financial	125,733	-	-	125,733
Services	194,000	-	-	194,000
Technology	75,383	-	-	75,383
Total equities	606,043	-	-	606,043
	\$ 867,180	\$ -	\$ -	\$ 867,180

3. Concentration of Credit Risk

The Organization maintains the majority of its cash at multiple financial institutions. All deposit accounts at Federal Deposit Insurance Corporation (FDIC) insured institutions are insured up to \$250,000. At times during the year, the Organization's bank balances may have exceeded the federally insured limits; however, it has not experienced any losses with respect to its bank balances in excess of government provided insurance.

The Organization maintains the majority of its investments at a single financial institution with a Securities Investors Protection Corporation (SIPC) member broker. Securities, including mutual funds, are not insured against loss in value. The value of investments can go up or down depending on the demand for them in the market. The SIPC replaces missing stocks and other securities in customer accounts held by its members up to \$500,000, including up to \$100,000 in cash, if a member brokerage or bank brokerage subsidiary fails. The broker provides supplemental protection on assets over \$500,000 through certain underwriters at XL Insurance, subject to an aggregate loss limit of \$24.5 billion (for securities only) subject to a \$200 million aggregate cap to claims from the broker. There is a per-client limit for cash of \$1,900,000.

Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the Statements of Activities. The Organization has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk. The Organization places its investments in various types of financial instruments as outlined in Note 2.

See accompanying independent auditor's report.

Northwest Compass, Inc.

Notes to Financial Statements

As of June 30, 2015 and 2014, the Organization received 40% and 38%, respectively, of its total revenue from government contracts. As of June 30, 2015, one source of funding comprised 69% of grants receivable and as of June 30, 2014, two sources of funding comprised 78% of grants receivable.

4. Tenants' Accounts Receivable

Tenants' accounts receivable for the Jefferson House which are included in rent and other receivables on the accompanying statements of financial position as of June 30, consisted of the following:

	2015		2014	
	Number of Tenants	Amount Past Due	Number of Tenants	Amount Past Due
Delinquent 30 days or less	2	\$ 678	3	\$ 254
Delinquent 31 to 60 days	2	305	-	-
Delinquent 61 to 90 days	-	-	-	-
Delinquent over 90 days	-	-	-	-
Total		\$ 983		\$ 254

As of June 30, 2015, two tenants made up the balance for tenants' accounts receivable. As of June 30, 2014, three tenants made up the balance for tenants' accounts receivable.

5. Pledges Receivable

The Organization has received a letter of intent from a Foundation for the market value of a lease for one of the Organization's tenants. This amount is classified as deferred revenue, and included in accrued liabilities, until received in accordance with the lease. The total amount of these pledges receivable as of June 30, 2015 and 2014 was \$9,144 and \$8,379, respectively.

See accompanying independent auditor's report.

Northwest Compass, Inc.

Notes to Financial Statements

6. Property and Equipment

The costs of the Organization's property and equipment as of June 30, were as follows:

	2015	2014
Land	\$ 189,885	\$ 189,885
Building and improvements	3,032,015	2,984,406
Appliances	18,036	18,036
Equipment	34,871	34,871
Vehicles	19,995	19,995
	3,294,802	3,247,193
Less accumulated depreciation	(1,367,723)	(1,277,812)
	\$ 1,927,079	\$ 1,969,381

Depreciation expense for the years ended June 30, 2015 and 2014 was \$89,912 and \$89,533, respectively.

7. Restricted Deposits and Funded Reserves

Under the Jefferson House regulatory agreement, the Organization is required to set aside amounts for the replacement of property and other project expenditures approved by the Illinois Housing Development Authority (IHDA). IHDA-restricted deposits are held in separate accounts and generally are not available for operating purposes.

	Insurance Escrow	Replacement Reserve	Operating Cash Reserve
Balance July 1, 2014	\$ 19,204	\$ 27,485	\$ 183,275
Deposits	-	2,000	-
Interest income	-	-	2
Disbursements	(286)	-	-
Balance June 30, 2015	\$ 18,918	\$ 29,485	\$ 183,277

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See accompanying independent auditor's report.

Northwest Compass, Inc.

Notes to Financial Statements

	Insurance Escrow	Replacement Reserve	Operating Cash Reserve
Balance July 1, 2013	\$ 13,121	\$ 37,344	\$ 183,272
Deposits	6,083	2,000	-
Interest income	-	1	3
Disbursements	-	(11,860)	-
Balance June 30, 2014	\$ 19,204	\$ 27,485	\$ 183,275

8. Line of Credit

As of June 30, 2015, the Organization had \$45,000 outstanding on a revolving line of credit with the People's Bank of Arlington Heights. The agreement allows for a maximum borrowing of \$50,000. Interest on the outstanding balance is due monthly payable at the prime rate, which was 3.25% as of June 30, 2015 and 2014. All borrowings are secured by accounts, deposits, and a lien on certain real properties. The agreement expires on July 8, 2016. There were no outstanding borrowings as of June 30, 2014.

9. Mortgage Notes Payable

The Organization had a mortgage with JPMorgan Chase in the original amount of \$328,415. The mortgage was dated June 30, 2008 and was transferred to The People's Bank of Arlington Heights on July 8, 2013 in the amount of \$194,542. Principal and interest are payable in monthly installments of \$2,071. Interest is payable at 5% per annum. The loan is secured by the building at 1300 West Northwest Highway, Mount Prospect. As of June 30, 2015 and 2014, the Organization had an outstanding principal balance of \$164,393 and \$180,467, respectively.

The Organization has a mortgage with IHDA in the original amount of \$499,991. The mortgage is dated September 30, 1999 and matures October 1, 2024. Principal is payable in monthly installments of \$100. There is no interest payable associated with this loan. The loan is secured by the rental property at 1380 Jefferson, Des Plaines. As of June 30, 2015 and 2014, the Organization had an outstanding principal balance of \$481,091 and \$482,291, respectively.

Under the agreements with IHDA, the Organization is required to make monthly escrow deposits for insurance and replacement of project assets, and is subject to restrictions as to operating policies, rental charges, and operating expenditures (See Note 7).

The Organization has a mortgage with The People's Bank of Arlington Heights in the original amount of \$75,000. The mortgage is dated May 5, 2015 and matures July 5, 2018. Principal and interest are payable in monthly installments of \$798. Interest is payable at 5% per annum. The loan is secured by the building at 930 Shady Way Lane, Arlington Heights. As of June 30, 2015, the Organization had an outstanding principal balance of \$74,514. Subsequent to fiscal year 2015, the Organization refinanced this loan with a new loan from People's Bank of Arlington Heights in the original amount of \$250,000. The mortgage is dated November 27, 2015 and matures November 27, 2020. Principal and interest are payable in monthly installments of \$1,472. Interest is payable at 5% per annum.

See accompanying independent auditor's report.

Northwest Compass, Inc.

Notes to Financial Statements

Maturities of long-term debt are as follows:

Years ended June 30,

2016	\$	24,144
2017		25,332
2018		26,572
2019		167,659
2020		1,200
2021 & Thereafter		475,091
	\$	719,998

10. Temporarily Restricted Assets

The following items were temporarily restricted as of June 30, due to either use or time restrictions:

	2015	2014
Day Care	\$ 2,583	\$ 2,000
Emergency Assistance	4,814	2,638
Head Start	3,000	4,500
Food Connection	1,000	-
	\$ 11,397	\$ 9,138

The following items were released from time and/or donor restrictions during the years ended June 30, 2015 and 2014 by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donors as follows:

	2015	2014
Day Care	\$ 2,000	\$ 1,500
Emergency Assistance	2,638	4,072
Head Start	4,500	3,375
Management & General	-	651
	\$ 9,138	\$ 9,598

11. Rental Income

The Organization receives rental income from its Temporary Shelters program. All leases between the Organization and the tenants of the property are operating leases. The Organization rents out its Jefferson House building and the Scattered Sites locations to the tenants in increments of six

See accompanying independent auditor's report.

Northwest Compass, Inc.

Notes to Financial Statements

months, not to exceed a total of twenty-four months, with monthly rent equal to ten percent of the tenant's gross income or thirty percent of adjusted gross income. The Organization is prohibited from increasing the Jefferson House rent without IHDA approval. The cost of the Jefferson House building as of June 30, 2015 and 2014 was \$930,805. The corresponding accumulated depreciation on the building as of June 30, 2015 and 2014 was \$357,039 and \$335,279, respectively.

The monthly rent for the tenants at the Wright House varies depending on the type of unit being rented. The Organization rents out the building to the tenants for twelve months. The cost of the Wright House building as of June 30, 2015 and 2014 was \$1,135,858 and \$1,094,299, respectively. The corresponding accumulated depreciation on the building as of June 30, 2015 and 2014 was \$461,898 and \$428,302, respectively.

12. Contributions In Kind

Donations for use of facilities are recorded at their fair market value. Such donations are reported as unrestricted support. During the years ended June 30, 2015 and 2014, the Organization received donated facilities valued at \$17,278 and \$16,687, respectively.

Donations of property and equipment are recorded as financial support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Conditional transfer of assets is recognized when the conditions on which they depend are substantially met. During the years ended June 30, 2015 and 2014, the Organization received donated property and equipment valued at \$0 and \$4,114, respectively.

Donations of services are recorded if they create or enhance a non-financial asset or are specialized skills that would be purchased if they were not donated. During the years ended June 30, 2015 and 2014, the Organization received donated services valued at \$0 and \$753, respectively.

The Organization receives donated food and grocery items from the general public for distribution to client families. During the years ended June 30, 2015 and 2014, management estimated the retail value of such donations at a value of \$2.17 and \$2.59 per pound, respectively, with a total value of \$350,404 and \$276,308, respectively. Revenue and expenses are recognized based on pounds received and distributed and net to \$35,870 and \$(48,237) for the years ended June 30, 2015 and 2014, respectively.

13. Lease Obligation and Rental Expense

The Organization is obligated under rental leases for residential apartments occupied by participants of its programs. These leases are for one to two year lease terms. During the year ended June 30, 2015, rent was payable in monthly installments ranging from \$914 to \$1,019.

Rental expense on all leases for the years ended June 30, 2015 and 2014 was \$120,047 and \$121,634, respectively.

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Northwest Compass, Inc.

Notes to Financial Statements

The estimated future minimum rental and lease obligations for the year ended June 30, 2016 under non-cancelable operating leases in effect as of June 30, 2015 is \$43,429.

14. Related Party Transactions

As a result of the change in relationship in Note 1, the Organization has settled all payables and receivables with CEDA of Cook County, Inc. During the year ended June 30, 2014, the Organization had related party transactions with CEDA of Cook County, Inc. in relation to payroll and rent.

CEDA of Cook County, Inc. provided the use of its employees to the Organization for its programs. The Organization paid the portion of payroll for these employees attributable to the Organization's programs. During the year ended June 30, 2014, the Organization incurred salaries and benefits expense for its use of CEDA of Cook County, Inc. employees of \$332,112.

CEDA of Cook County, Inc. also paid into a 401(k) plan for the Organization. For each employee, 50% of the employee contribution up to 2% of gross salary was paid directly by CEDA of Cook County through fringe benefits for the 401(k). Management estimates the total portion of the 401(k) paid in by the Organization for the year ended June 30, 2014 was approximately \$5,800.

See accompanying independent auditor's report.



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
Northwest Compass, Inc.
Mount Prospect, Illinois

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 Compass, Inc., which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 25, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwest Compass, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwest Compass, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Northwest Compass, Inc.'s 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Compass, Inc.'s 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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Des Plaines, Illinois
February 25, 2016

Supplementary Information

Northwest Compass, Inc.

Schedules of Financial Position - Jefferson House IHDA Loan No. 30-1152-01

<i>June 30,</i>	2015	2014
Assets		
Current Assets		
Cash	\$ 1,138	\$ 22,404
Accounts receivable	1,336	518
Total Current Assets	2,474	22,922
Property and Equipment	573,766	595,526
Other Assets		
Insurance and tax escrow deposit	18,918	19,204
Deposits held in trust for participants	2,536	2,341
Operating and replacement cash reserve	212,762	210,760
Total Other Assets	234,216	232,305
Total Assets	\$ 810,456	\$ 850,753

Northwest Compass, Inc.

Schedules of Financial Position - Jefferson House IHDA Loan No. 30-1152-01

<i>June 30,</i>	2015	2014
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 264	\$ 7,225
Accrued expenses	2	417
Current portion of long-term debt	1,200	1,200
Due to/from other funds	(306,036)	(137,036)
Total Current Liabilities	(304,570)	(128,194)
Long-term Liabilities		
Mortgage payable	479,891	481,091
Deposit liabilities	3,146	2,251
Total Long-term Liabilities	483,037	483,342
Total Liabilities	178,467	355,148
Net Assets	631,989	495,605
Total Liabilities and Net Assets	\$ 810,456	\$ 850,753

Northwest Compass, Inc.

Schedules of Operations - Jefferson House
IHDA Loan No. 30-1152-01

<i>Years ended June 30,</i>	2015	2014
Occupancy data		
Program occupancy (%)	92.71%	93.75%
Total occupancy (%)	92.71%	93.75%
Income		
Rental income	\$ 28,713	\$ 26,566
Section 8 income	-	-
236 subsidy	-	-
Vacancy loss	(1,867)	(5,369)
SLF business income	180,180	155,053
Total other receipts	1,429	743
Effective gross income (EGI)	208,455	176,993
Expenses		
Management fees	-	-
Bad debt expense	1	1,477.00
Other admin expenses	11,122	12,019
Operating expenses	7,817	6,435
Maintenance expenses	8,977	11,436
Materials and supplies	-	68
Salaries and wages	159,064	129,817
Utilities	8,409	7,694
Real estate taxes	-	-
Property and liabilities	6,014	6,083
Other taxes and insurance	-	-
Replacement reserve funding	2,000	2,000
General operating reserve funding	-	-
MIP reserve funding	-	-
SLF and congregate expenses	-	-
Other expenses	-	-
Total expenses	203,404	177,029
Net operating income (NOI)	5,051	(36)
Debt service total	1,200	1,200
Debt coverage ratio (DCR)	23.76%	-3333%
Capital budget total	-	4,471
Partnership expenses total	-	-
Net cash provided/needed	3,851	(5,707)
Sources and other funds - (received)		
Partnership contribution total	-	-
Total other contributions	-	-
Replacement reserve withdrawals total	-	-
Other reserve withdrawal total	-	-
Total sources of other funds	-	-
Net cash after sources of other funds	\$ 3,851	\$ (5,707)