

Northwest Ministry Network Executive Summary and Financial Statements For the Year Ended December 31, 2016

Paul writes to the church in Corinth, “And God is able to bless you abundantly, so that in all things at all times, having all that you need, you will abound in every good work.” (2 Corinthians 9:8)

As we reflect on the past year, we are grateful for the Lord’s blessings and for the faithful stewardship of Network ministers and churches. This report provides an overview of the Network’s financial picture for 2016, with various snapshots to illustrate the Network’s overall fiscal health. The Northwest Ministry Network values living within our means, which means we plan our budgets carefully, track income trends, and manage our spending according to budgets on an ongoing basis. This includes accounting for various scenarios, such as revenue generated in one year and spent in a later year, sold assets that produce an infusion of cash, or grants provided that result in large one-time expenses. In recent years, we’ve developed systems to slice through these anomalies and bring clarity to determine how well we lived within our means on an operational basis. Taking these factors into consideration, the Network ended 2016 with a net operational gain of \$201,036, and a positive change in net assets of \$413,726. The balance sheet, or Statement of Financial Position shows the Network’s combined liabilities and net assets as \$13,890,661.

Accountability

The Network is highly committed to accountability in its financial management. Along with the oversight of the Network Presbytery, Finance Team, Investment Team, and Evangelical Council for Financial Accountability (ECFA), the Network also annually engages an outside firm to perform a full audit on its financial systems and records. *Freeman & Bonnema, PLLC*, a firm from Minneapolis, Minnesota, that specializes in non-profit accounting, performed the audit and the Network was given a “clean bill of financial health” for years ended December 31, 2016 and 2015. The State of Financial Position, Statement of Activities, and Statement of Cash Flows are attached to this Executive Summary.



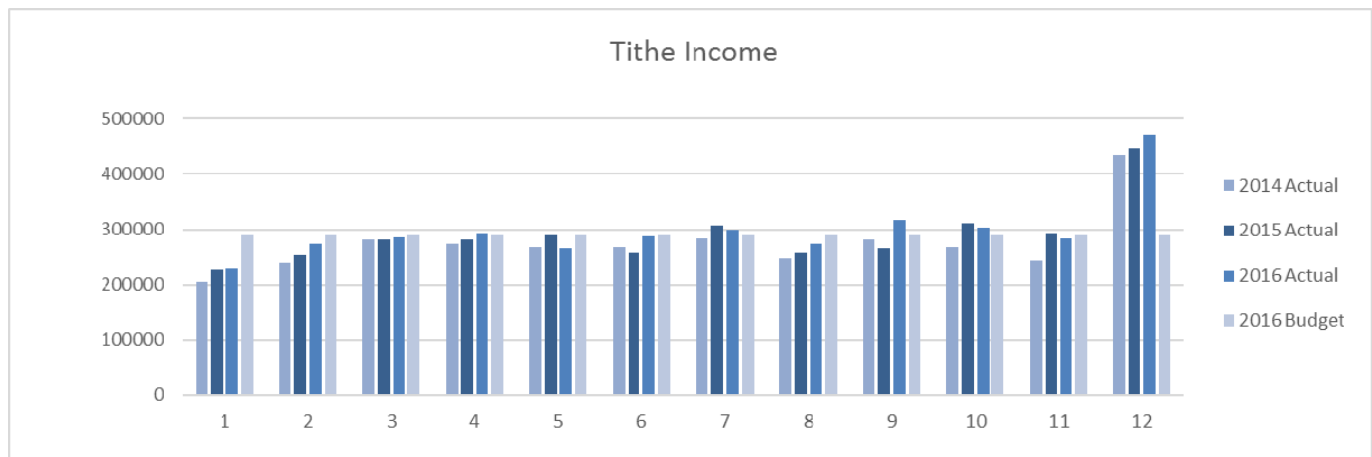
Enhancing Trust

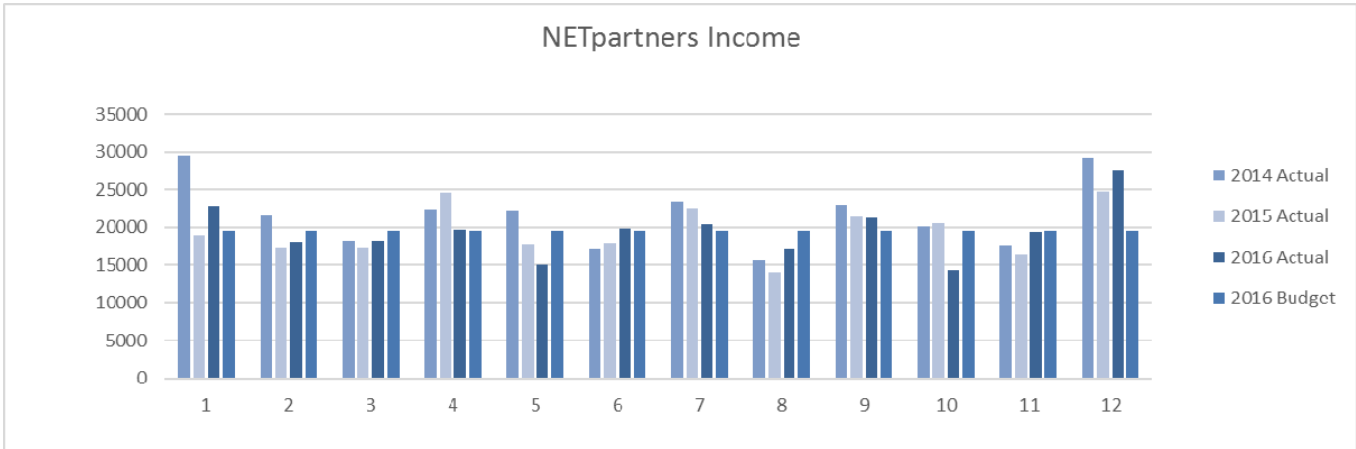
Investments

The Network’s investment portfolio posted a gain of \$315,229 through December 2016. Investment gains are predominantly for restricted purposes such as foreign and local missions and do not fund operations. In addition, our reserves are carefully managed by our Investment Team.

Giving Trends

The Network’s two primary income streams, tithe and NETpartners, through December 2016 were 3% (or \$110,090) above and 1% (or \$222) above 2015 and budgeted expectations, respectively. Combined these two income streams are 3% (or \$110,312) above 2015.

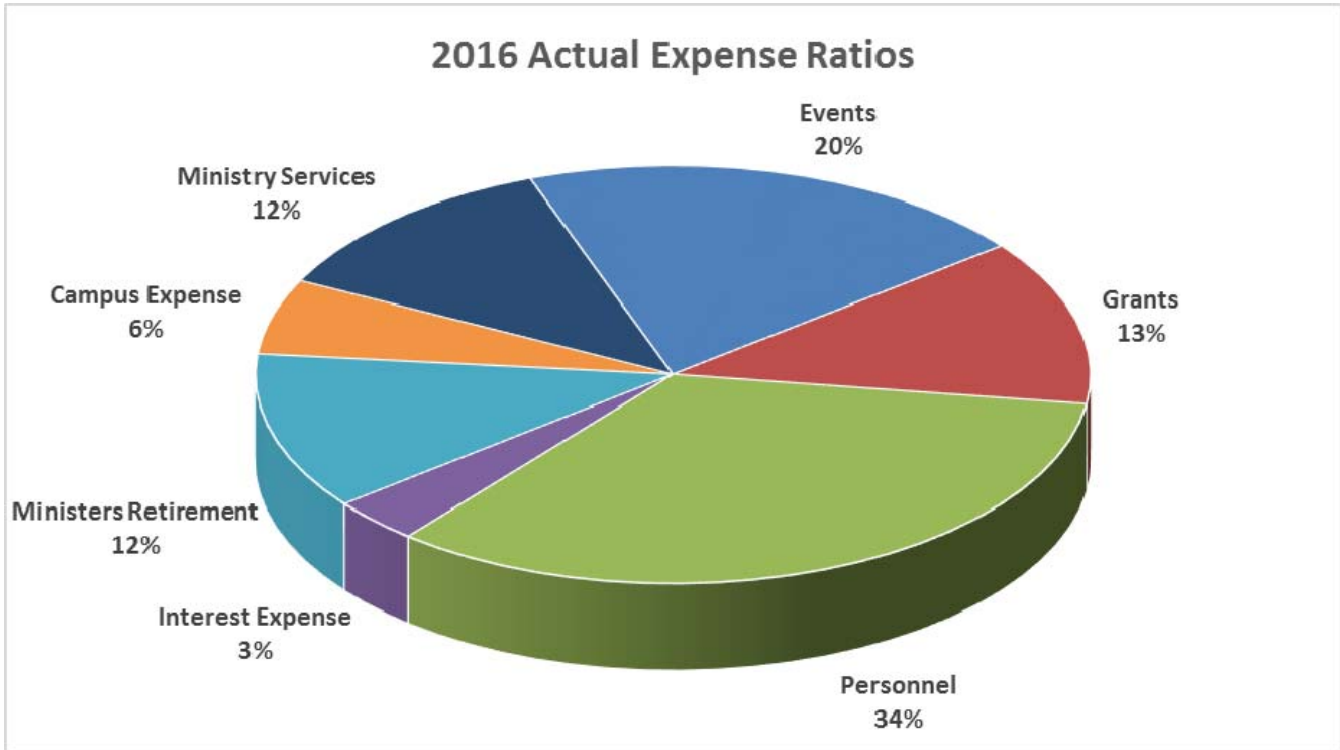




The average number of giving units for tithe through December 2016 was 765 and NETpartners giving units averaged 96. The total number of unique giving units for tithe through December 2016 was 1,111 and NETpartners unique giving units numbered 132. The average gift size for tithe through December 2016 was \$390 and the average NETpartners gift size was \$203. Revenue was 3% above budgeted expectations through December 2016.

Allocation of Expenses

The Network carefully allocates the funds entrusted to its care to align with the organization’s values and mission. Funds are carefully managed against the annual budget as well as comparative benchmarks of similar organizations. Careful analysis is given to manage the unique activities of a given year and to ensure that funds are working hard to strengthen and develop empowered leaders and churches while collectively bringing the hope of Jesus to our communities. Expenses were 1% above budgeted expectations through December 2016. The graph below illustrates how Network finances were allocated in 2016.



Northwest Ministry Network of the Assemblies of God
Statements of Financial Position
December 31, 2016 and 2015

| ASSETS | 2016 | 2015 |
|--|-------------------|-------------------|
| <u>CURRENT ASSETS</u> | | |
| Cash and Cash Equivalents | \$ 1,466,564 | \$ 1,512,398 |
| Investments | 4,637,327 | 4,288,733 |
| Accounts Receivables - Net of Allowance for Bad Debt | 172,809 | 227,035 |
| Investments Held for Deferred Compensation | 125,333 | 133,041 |
| Prepaid Expenses | 37,387 | 61,845 |
| Current Assets | <u>6,439,420</u> | <u>6,223,052</u> |
| <u>LAND, BUILDINGS AND EQUIPMENT</u> | | |
| Land | 1,809,136 | 1,809,136 |
| Buildings and Building Improvements | 5,022,507 | 4,876,938 |
| Furniture and Equipment | 255,698 | 237,101 |
| Total Cost | <u>7,087,341</u> | <u>6,923,175</u> |
| Less: Accumulated Depreciation | (1,565,636) | (1,449,283) |
| Net | <u>5,521,705</u> | <u>5,473,892</u> |
| <u>OTHER ASSETS</u> | | |
| Agency Funds Held - ICM | 998,209 | 575,296 |
| Properties Held in Trust | 437,303 | 437,303 |
| Properties Held for Sale | 186,006 | 231,006 |
| Permanently Restricted Investments | 156,018 | 155,148 |
| Deferred Tax Asset | 152,000 | 180,000 |
| Total Other Assets | <u>1,929,536</u> | <u>1,578,753</u> |
| Total Assets | <u>13,890,661</u> | <u>13,275,697</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts Payable | 163,227 | 177,185 |
| Current Portion of Long Term Debt | 136,000 | 127,442 |
| Death Benefit Fund | 38,000 | 40,912 |
| Deferred Compensation | 125,333 | 133,041 |
| Deferred Revenue | 21,553 | 4,275 |
| Accrued Interest Expense | 10,498 | 11,138 |
| Total Current Liabilities | <u>494,611</u> | <u>493,993</u> |
| <u>LONG-TERM LIABILITIES</u> | | |
| Mortgage Note Payable-First Citizens Bank | 3,114,733 | 3,337,026 |
| Total Long-Term Liabilities | <u>3,114,733</u> | <u>3,337,026</u> |
| <u>OTHER LONG-TERM LIABILITIES</u> | | |
| Agency Funds - ICM | 998,209 | 575,296 |
| Properties Held in Trust | 437,303 | 437,303 |
| Total Other Long-Term Liabilities | <u>1,435,512</u> | <u>1,012,599</u> |
| Total Liabilities | <u>5,044,856</u> | <u>4,843,618</u> |
| <u>NET ASSETS</u> | | |
| Restricted: | | |
| Permanently | 156,018 | 155,148 |
| Temporary | 318,097 | 342,395 |
| Total Restricted Net Assets | <u>474,115</u> | <u>497,543</u> |
| Unrestricted: | | |
| Board Designated | 1,517,354 | 1,709,698 |
| Net Equity in Building and Equipment | 2,260,474 | 1,998,286 |
| Non-designated | 4,593,862 | 4,226,552 |
| Total Unrestricted Net Assets | <u>8,371,690</u> | <u>7,934,536</u> |
| Total Net Assets | <u>8,845,805</u> | <u>8,432,079</u> |
| Total Liabilities and Net Assets | <u>13,890,661</u> | <u>13,275,697</u> |

Northwest Ministry Network
Statement of Activities and Changes in Net Assets
For the Years Ended December 31, 2016 and 2015

| <u>CHANGE IN UNRESTRICTED NET ASSETS</u> | <u>2016</u> | <u>2015</u> |
|---|--------------------|--------------------|
| <u>SUPPORT AND REVENUE</u> | | |
| Ministerial Tithes | \$ 3,576,808 | \$ 3,466,716 |
| Events and Projects | 958,195 | 865,701 |
| Other Income | 115,208 | 32,797 |
| NET Partners | 233,983 | 233,762 |
| Rental Income | 441,644 | 439,021 |
| Contributions and Offerings | 69,360 | 81,736 |
| Released from Temporarily Restricted Net Assets | 412,269 | 364,129 |
| Total Support and Revenue | <u>5,807,467</u> | <u>5,483,862</u> |
| <u>OPERATING EXPENSES</u> | | |
| Personnel costs | 1,825,277 | 1,893,457 |
| Events | 1,336,568 | 1,228,291 |
| Grants | 585,241 | 492,177 |
| Ministers retirement | 715,361 | 693,343 |
| Ministry services | 637,076 | 648,077 |
| Campus expenses | 226,832 | 206,969 |
| Total Operating Expenses | <u>5,326,355</u> | <u>5,162,314</u> |
| Change in Net Assets Before Other Changes | <u>481,112</u> | <u>321,548</u> |
| <u>OTHER CHANGES</u> | | |
| Investment (Income) Loss | (315,229) | 34,109 |
| Loss on Sale of Assets | 78,760 | - |
| Depreciation and Amortization Expense | 116,354 | 109,564 |
| Interest Expense | 136,073 | 161,696 |
| Deferred Tax Expense | 28,000 | 30,000 |
| Bad Debt Expense | - | 8,273 |
| Total Other Changes | <u>43,958</u> | <u>343,642</u> |
| Change in Unrestricted Net Assets | <u>437,154</u> | <u>(22,094)</u> |
| <u>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</u> | | |
| Contributions | 387,971 | 374,193 |
| Released to Unrestricted Net Assets | (412,269) | (364,129) |
| Change in Temporarily Restricted Net Assets | <u>(24,298)</u> | <u>10,064</u> |
| <u>CHANGE IN PERMANENTLY RESTRICTED NET ASSETS</u> | | |
| Contributions | <u>870</u> | <u>925</u> |
| Change in Net Assets | 413,726 | (11,105) |
| Net Assets - Beginning of the Year Before Restatement | <u>8,432,079</u> | <u>8,233,184</u> |
| Prior Period Adjustment | - | 210,000 |
| Net Assets - Beginning of the Year - After Restatement | <u>8,432,079</u> | <u>8,443,184</u> |
| Net Assets - End of the Year | <u>8,845,805</u> | <u>8,432,079</u> |

**Northwest Ministry Network
Statement of Cash Flows
For the Years Ended December 31, 2016 and 2015**

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Change in Net Assets | \$ 413,726 | \$ (11,105) |
| Items That are not a Source or Use of Cash: | | |
| Depreciation and Amortization | 124,035 | 109,564 |
| Loss on Disposal of Property Held for Sale | 78,760 | - |
| Unrealized (Gain) Loss on Investments | (124,593) | 244,990 |
| Realized (Gain) Loss on Sale of Investments | (73,164) | (93,875) |
| Other Changes: | | |
| (Increase) Decrease in Accounts Receivable | 20,466 | (88,498) |
| (Increase) Decrease in Prepaid Expenses | 24,458 | (17,892) |
| Decrease in Deferred Tax Asset | 28,000 | 30,000 |
| (Decrease) in Accounts Payable | (13,958) | (108,497) |
| (Decrease) in Accrued Interest Expense | (640) | (2,793) |
| (Decrease) in Death Benefit Payable | (2,912) | (3,478) |
| Increase (Decrease) in Deferred Revenue | 17,278 | (16,981) |
| CASH FLOWS-OPERATING ACTIVITIES | <u>491,456</u> | <u>41,435</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Purchase of Investments | (151,707) | (519,513) |
| Capital Additions | (164,166) | (17,103) |
| CASH FLOWS-INVESTING ACTIVITIES | <u>(315,873)</u> | <u>(536,616)</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Finance Costs Incurred | - | (17,963) |
| Principal Payments on Notes Payable | (221,417) | (131,990) |
| CASH FLOWS-FINANCING ACTIVITIES | <u>(221,417)</u> | <u>(149,953)</u> |
| Change in Cash and Cash Equivalents | (45,834) | (645,134) |
| Cash and Cash Equivalents - Beginning of Year | <u>1,512,398</u> | <u>2,157,532</u> |
| Cash and Cash Equivalents - End of Year | <u>1,466,564</u> | <u>1,512,398</u> |
| Cash Paid for Interest | <u>\$ 136,713</u> | <u>\$ 164,489</u> |

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES

The Organization had a decrease in the asset and offsetting deferred Compensation (Rabbi Trust) liability in the amount of \$7,708 for the year ended December 31, 2016.

The Organization had an increase in the asset and offsetting deferred Compensation (Rabbi Trust) liability in the amount of \$4,931 for the year ended December 31, 2015.

Note: Rabbi trust is a retirement fund held by the NWMN on the behalf of a former executive officer.