

NEW BEGINNINGS

FINANCIAL REPORT

DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Beginnings
Seattle, Washington

We have audited the accompanying financial statements of New Beginnings, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, 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; 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 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 audits 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 an 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 New Beginnings as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2016, on our consideration of New Beginnings' 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 New Beginnings' internal control over financial reporting and compliance.

Peterson Sullivan LLP

April 25, 2016

NEW BEGINNINGS

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
Current Assets		
Cash	\$ 226,559	\$ 515,872
Restricted cash	20,000	20,000
Investments	483,775	488,498
Pledges and other receivables	28,012	47,257
Contracts receivable	216,565	251,744
Prepaid expenses	66,655	62,193
Total current assets	<u>1,041,566</u>	<u>1,385,564</u>
Restricted Cash, net of current portion	247,938	280,378
Pledges Receivable, net of current portion		8,537
Property and Equipment, net	<u>2,108,971</u>	<u>2,181,055</u>
Total assets	<u><u>\$ 3,398,475</u></u>	<u><u>\$ 3,855,534</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 201,169	\$ 222,403
Deferred revenue	21,401	19,511
Current portion of long-term debt	<u>43,396</u>	<u>43,396</u>
Total current liabilities	265,966	285,310
Accrued Interest	187,218	173,585
Long-Term Debt, less current portion	<u>1,725,250</u>	<u>1,768,645</u>
Total liabilities	2,178,434	2,227,540
Net Assets		
Unrestricted	1,194,560	1,569,278
Temporarily restricted	<u>25,481</u>	<u>58,716</u>
Total net assets	<u>1,220,041</u>	<u>1,627,994</u>
Total liabilities and net assets	<u><u>\$ 3,398,475</u></u>	<u><u>\$ 3,855,534</u></u>

See Notes to Financial Statements

NEW BEGINNINGS

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Public support						
Contributions	\$ 578,434	\$ 63,040	\$ 641,474	\$ 491,680	\$ 109,555	\$ 601,235
United Way	72,500		72,500	72,500		72,500
Grants from government agencies	1,563,851		1,563,851	1,483,707		1,483,707
Special events net of expenses of \$72,043 in 2015 and \$73,869 in 2014	219,099		219,099	177,213		177,213
Total public support	2,433,884	63,040	2,496,924	2,225,100	109,555	2,334,655
Revenue						
Program fees	25,751		25,751	25,045		25,045
Dividends and interest	14,507		14,507	14,294		14,294
Gain (loss) on investments	(19,181)		(19,181)	8,439		8,439
Miscellaneous income	263		263	475		475
Total revenue	21,340		21,340	48,253		48,253
Net assets released from restrictions						
Satisfaction of program restrictions	96,275	(96,275)		209,249	(209,249)	
Total support and revenue	2,551,499	(33,235)	2,518,264	2,482,602	(99,694)	2,382,908
Expenses						
Program services						
Shelter	736,303		736,303	673,500		673,500
Community advocacy	732,586		732,586	632,311		632,311
Social change	187,357		187,357	173,393		173,393
Transitional housing	665,409		665,409	623,624		623,624
Total program services	2,321,655		2,321,655	2,102,828		2,102,828
Supporting services						
Management and general	200,859		200,859	181,013		181,013
Fundraising	403,703		403,703	328,320		328,320
Total supporting services	604,562		604,562	509,333		509,333
Total expenses	2,926,217		2,926,217	2,612,161		2,612,161
Change in net assets	(374,718)	(33,235)	(407,953)	(129,559)	(99,694)	(229,253)
Net assets, beginning of year	1,569,278	58,716	1,627,994	1,698,837	158,410	1,857,247
Net assets, end of year	<u>\$ 1,194,560</u>	<u>\$ 25,481</u>	<u>\$ 1,220,041</u>	<u>\$ 1,569,278</u>	<u>\$ 58,716</u>	<u>\$ 1,627,994</u>

See Notes to Financial Statements

NEW BEGINNINGS

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Grand Total
	Shelter	Community Advocacy	Social Change	Transitional Housing		Management and General	Fundraising		
Salaries and wages	\$ 440,270	\$ 451,512	\$ 115,078	\$ 312,969	\$ 1,319,829	\$ 99,480	\$ 199,571	\$ 299,051	\$ 1,618,880
Employee benefits	65,737	58,627	16,905	48,472	189,741	12,862	30,721	43,583	233,324
Payroll taxes	42,901	42,598	10,715	29,183	125,397	8,265	17,708	25,973	151,370
Total salaries and benefits	548,908	552,737	142,698	390,624	1,634,967	120,607	248,000	368,607	2,003,574
Occupancy	53,548	83,546	20,977	87,659	245,730	17,904	32,021	49,925	295,655
Professional fees	24,590	25,641	6,027	17,133	73,391	41,887	48,069	89,956	163,347
Event costs							72,043	72,043	72,043
Special assistance to individuals	24,106	17,409		13,483	54,998				54,998
Supplies	29,732	2,816	7,827	8,953	49,328	1,070	1,906	2,976	52,304
Communications	10,384	6,876	1,593	14,743	33,596	4,081	4,404	8,485	42,081
Printing	1,463	1,516	1,071	1,335	5,385	491	29,344	29,835	35,220
Equipment, repairs, and maintenance	5,822	4,981	629	10,314	21,746	1,354	1,315	2,669	24,415
Liability insurance	5,533	4,960	1,145	3,434	15,072	2,289	1,717	4,006	19,078
Staff education/training	1,823	2,869	1,421	1,221	7,334	1,163	6,518	7,681	15,015
Interpreters	4,562	7,887		1,183	13,632				13,632
Local transportation	2,940	3,138	989	2,946	10,013	750	1,887	2,637	12,650
Taxes, permits, licenses, and service charges	536	93	64	819	1,512	955	9,520	10,475	11,987
Postage/shipping	407	361	237	350	1,355	836	8,097	8,933	10,288
Meeting expenses	1,830	1,857	369	1,272	5,328	2,589	1,612	4,201	9,529
Agency dues	2,438	2,210	456	1,507	6,611	1,118	453	1,571	8,182
Major donor cultivation							4,844	4,844	4,844
Board development						1,961		1,961	1,961
Employment ads	288	59	25	158	530		120	120	650
Advertising/marketing			110		110		520	520	630
Miscellaneous		23		511	534	997		997	1,531
	170,002	166,242	42,940	167,021	546,205	79,445	224,390	303,835	850,040
Total expenses before depreciation	718,910	718,979	185,638	557,645	2,181,172	200,052	472,390	672,442	2,853,614
Depreciation	17,393	13,607	1,719	107,764	140,483	807	3,356	4,163	144,646
Total expenses	736,303	732,586	187,357	665,409	2,321,655	200,859	475,746	676,605	2,998,260
Less: special event costs							(72,043)	(72,043)	(72,043)
Total expenses, less special event costs	\$ 736,303	\$ 732,586	\$ 187,357	\$ 665,409	\$ 2,321,655	\$ 200,859	\$ 403,703	\$ 604,562	\$ 2,926,217

See Notes to Financial Statements

NEW BEGINNINGS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

	Program Services				Supporting Services			Grand Total	
	Shelter	Community Advocacy	Social Change	Transitional Housing	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and wages	\$ 402,678	\$ 374,310	\$ 108,928	\$ 276,514	\$ 1,162,430	\$ 88,337	\$ 182,087	\$ 270,424	\$ 1,432,854
Employee benefits	58,172	62,453	15,138	46,425	182,188	12,232	24,717	36,949	219,137
Payroll taxes	39,013	34,570	9,754	25,280	108,617	7,538	15,981	23,519	132,136
Total salaries and benefits	499,863	471,333	133,820	348,219	1,453,235	108,107	222,785	330,892	1,784,127
Occupancy	47,904	84,948	21,010	99,023	252,885	17,354	31,247	48,601	301,486
Professional fees	17,399	25,506	4,770	16,828	64,503	41,244	23,304	64,548	129,051
Event costs							73,869	73,869	73,869
Special assistance to individuals	10,065	3,950		12,278	26,293				26,293
Supplies	30,773	3,629	5,191	8,949	48,542	724	1,956	2,680	51,222
Communications	10,836	8,040	1,599	12,939	33,414	2,752	3,796	6,548	39,962
Printing	282	532	671	263	1,748	195	17,292	17,487	19,235
Equipment, repairs, and maintenance	13,700	2,774	388	9,801	26,663	1,054	1,721	2,775	29,438
Liability insurance	5,214	4,644	981	3,479	14,318	2,143	1,726	3,869	18,187
Staff education/training	2,463	1,308	1,501	1,744	7,016	1,052	2,694	3,746	10,762
Interpreters	3,763	4,559		1,437	9,759				9,759
Local transportation	3,461	1,875	1,436	2,685	9,457	849	1,622	2,471	11,928
Taxes, permits, licenses, and service charges	501	78	14	759	1,352	1,172	6,975	8,147	9,499
Postage/shipping	644	573	202	517	1,936	604	3,958	4,562	6,498
Meeting expenses	1,783	2,015	235	994	5,027	1,623	1,260	2,883	7,910
Agency dues	1,917	1,608	342	1,204	5,071	747	1,011	1,758	6,829
Major donor cultivation							4,553	4,553	4,553
Employment ads	46	410		75	531		149	149	680
Miscellaneous	41	34	8	1,832	1,915	311	58	369	2,284
	150,792	146,483	38,348	174,807	510,430	71,824	177,191	249,015	759,445
Total expenses before depreciation	650,655	617,816	172,168	523,026	1,963,665	179,931	399,976	579,907	2,543,572
Depreciation	22,845	14,495	1,225	100,598	139,163	1,082	2,213	3,295	142,458
Total expenses	673,500	632,311	173,393	623,624	2,102,828	181,013	402,189	583,202	2,686,030
Less: special event costs							(73,869)	(73,869)	(73,869)
Total expenses, less special event costs	\$ 673,500	\$ 632,311	\$ 173,393	\$ 623,624	\$ 2,102,828	\$ 181,013	\$ 328,320	\$ 509,333	\$ 2,612,161

See Notes to Financial Statements

NEW BEGINNINGS

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ (407,953)	\$ (229,253)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	144,646	142,458
Donated investments	(1,037)	(50,181)
Loan forgiveness	(43,395)	(43,394)
Unrealized and realized loss (gain) on investments	19,181	(8,439)
Changes in operating assets and liabilities		
Restricted cash	32,440	(5,823)
Pledges and other receivables	27,782	68,009
Contracts receivable	35,179	(16,279)
Prepaid expenses	(4,462)	(3,944)
Accounts payable and accrued expenses	(21,234)	10,960
Deferred revenue	1,889	10,000
Accrued interest	13,634	13,634
Net cash flows from operating activities	(203,330)	(112,252)
Cash Flows from Investing Activities		
Property and equipment acquisitions	(72,562)	(76,452)
Loss on disposals of property and equipment		649
Proceeds from sales of investments	75,146	50,148
Purchases of investments	(88,567)	(14,158)
Net cash flows from investing activities	(85,983)	(39,813)
Net change in cash	(289,313)	(152,065)
Cash, beginning of year	515,872	667,937
Cash, end of year	\$ 226,559	\$ 515,872

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Statement of Purpose and Summary of Significant Accounting Policies

Statement of Purpose

The mission of New Beginnings is to empower survivors and to mobilize community awareness and action to end domestic violence. New Beginnings provides support, advocacy, information, and referrals to domestic violence survivors and their support systems through a 24-hour Help Line. Survivors are also served through a non-residential Community Advocacy Program which provides individual and group support, legal advocacy, children's services, and mental health therapy.

New Beginnings' Emergency Shelter provides short-term housing and support services for survivors and their children fleeing abuse, and the Transitional Housing Program provides interim housing and support services to survivors and their children as a conduit to permanent housing.

New Beginnings also provides education about domestic violence to the public, specialized training on domestic violence to professionals in the health, legal, faith, educational, and human service professions, and healthy relationships and prevention education to youth. Based in Seattle, Washington, New Beginnings primarily serves community members from the Seattle metro area.

New Beginnings is a Washington not-for-profit corporation.

Financial Statement Presentation

New Beginnings reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. New Beginnings has no permanently restricted net assets, so this class of net assets is not shown on the financial statements. Contributions and certain grants that are received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of unexpended contributions restricted for particular purposes or time periods. Temporarily restricted net assets are transferred to unrestricted net assets as expenditures are incurred for the restricted purpose, or as time restrictions are met. Contributions that are received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets consist of the following at December 31:

	2015	2014
Housing first	\$ 11,250	\$ -
Time restricted	7,250	46,680
Owning up program	6,981	12,032
Program supplies		4
	<u>\$ 25,481</u>	<u>\$ 58,716</u>

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimated amounts.

Cash and Restricted Cash

Cash consists of checking and money market accounts. On occasion, New Beginnings has cash balances in excess of federally insured limits.

Restricted cash consists of amounts maintained in a separate bank account as required by loan documents from the City of Seattle. Under this agreement, New Beginnings must segregate project operating funds and establish Transitional Housing program operating reserves and Transitional Housing program replacement reserves for structural elements and other capital items.

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels which prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Property and Equipment

Property and equipment are recorded at cost when purchased and estimated fair value when donated. Expenditures in excess of \$1,500 that significantly increase the estimated useful life of assets are capitalized. Maintenance and repairs are expensed as incurred. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets.

Support and Revenue

Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period the contribution commitment is received. Grant revenue is recognized when earned based on the grant terms. Deferred revenue represents grant revenue received in advance of being earned.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

New Beginnings is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Reclassifications

Certain reclassifications have been made to the 2014 financial statements in order to conform to the current year.

Subsequent Events

New Beginnings has evaluated subsequent events through the date these financial statements were available to be issued, which was April 25, 2016.

Note 2. Investments

Investments consist of mutual funds. Investments are stated at fair value, based on quoted prices in active markets, such as the New York Stock Exchange. This valuation basis is considered "Level 1" within the accounting fair value hierarchy. Sales of investments are based on the specific identification method. Investments at December 31 consist of:

	<u>2015</u>	<u>2014</u>
Government intermediate term bond funds	\$ 117,009	\$ 83,142
Large blend equity funds	92,903	138,188
Government short term bond funds	84,890	44,345
Large growth funds	43,789	41,502
Foreign large value funds	41,384	43,662
Small blend equity funds	32,844	44,354
Small value equity funds	31,530	43,658
Diversified emerging markets	23,879	28,386
Foreign small/mid value funds	15,547	14,951
Foreign large blend funds		6,310
Total investments	<u>\$ 483,775</u>	<u>\$ 488,498</u>

Note 3. Receivables

Contracts receivable consist of amounts due within one year from governmental agencies. Contracts receivable from three and two governmental agencies represent 88% and 84% of contracts receivable at December 31, 2015 and 2014, respectively. No allowance was determined necessary for contracts receivable as of December 31, 2015 and 2014.

As of December 31, 2015, pledges and other receivables consist of \$28,012 due within one year. New Beginnings maintains an allowance for potential losses based upon management's periodic review of New Beginnings' experience related to pledges and other collections. Receivables written off are charged against the allowance. At December 31, 2015 and 2014, management determined the allowance for potential losses was \$1,155 and \$3,155, respectively.

Note 4. Property and Equipment

Property and equipment consists of the following as of December 31:

	2015			
	Shelter	Transitional Housing	Greenwood	Total
Land	\$ 45,000	\$ 247,983	\$ -	\$ 292,983
Buildings and improvements	667,082	2,915,144	31,717	3,613,943
Furniture and equipment	113,699	122,920	330,223	566,842
Vehicles	29,324	36,100		65,424
	<u>855,105</u>	<u>3,322,147</u>	<u>361,940</u>	<u>4,539,192</u>
Less: accumulated depreciation	<u>(745,335)</u>	<u>(1,432,462)</u>	<u>(252,424)</u>	<u>(2,430,221)</u>
Net property and equipment	<u>\$ 109,770</u>	<u>\$ 1,889,685</u>	<u>\$ 109,516</u>	<u>\$ 2,108,971</u>
	2014			
	Shelter	Transitional Housing	Greenwood	Total
Land	\$ 45,000	\$ 247,983	\$ -	\$ 292,983
Buildings and improvements	667,082	2,883,633	31,717	3,582,432
Furniture and equipment	111,790	122,920	300,236	534,946
Vehicles	29,324	36,100		65,424
	<u>853,196</u>	<u>3,290,636</u>	<u>331,953</u>	<u>4,475,785</u>
Less: accumulated depreciation	<u>(734,982)</u>	<u>(1,334,105)</u>	<u>(225,643)</u>	<u>(2,294,730)</u>
Net property and equipment	<u>\$ 118,214</u>	<u>\$ 1,956,531</u>	<u>\$ 106,310</u>	<u>\$ 2,181,055</u>

During 2015, New Beginnings disposed of property and equipment that had a combined original cost of \$9,155, all of which was fully depreciated.

Note 5. Long-Term Debt

Notes payable at December 31 consist of the following:

	<u>2015</u>	<u>2014</u>
1. Note payable to the City of Seattle, 1% interest, due March 2037. Interest is accrued the first 20 years and forgiven during the last 20 years, with the entire principal forgiven at maturity if the Transitional Housing ("TH") program continues. The note is secured by the TH land and building.	\$ 438,649	\$ 459,346
2. Note payable to the City of Seattle, 1% interest, due September 2059. Interest is accrued the first 25 years and forgiven during the last 25 years – New Beginnings also has the option between 30-60 days of the maturity date to extend the loan 25 years during which 4% of the loan and interest is forgiven each year. The note is secured by the TH land and building.	535,537	535,537
3. Note payable to the State of Washington Department of Community, Trade, and Economic Development, without interest, due June 2050. Entire principal balance is forgiven at maturity if the TH program continues. The note is secured by the TH land and building.	<u>794,460</u>	<u>817,158</u>
	1,768,646	1,812,041
Less: current portion	<u>(43,396)</u>	<u>(43,396)</u>
	<u>\$ 1,725,250</u>	<u>\$ 1,768,645</u>

Interest expense for both years ended December 31, 2015 and 2014, was \$13,634.

The loans were received for New Beginnings' transitional housing project that was completed in 1997 with additional amounts received in 2009 and 2010 for a remodel. New Beginnings will not have to pay back these loans provided New Beginnings complies with the terms of use of the project. For loans 1 and 3, New Beginnings is currently recording revenue from loan forgiveness on a straight-line basis based on its continuing compliance with the loan terms each year until the loans are completely forgiven. During both 2015 and 2014, loan forgiveness was recorded into grant revenue in the amount of approximately \$43,395. The cumulative amount of grant revenue that has been recorded under these loan agreements since 1997 through December 31, 2015, is \$699,988. Forgiveness on loan 2 will begin in 2034, therefore no revenue has been recorded related to this loan in the current year.

Note 6. Leases

New Beginnings has three operating leases: one for its business office, one for its conference/meeting location, and one for its community advocacy office. The business office and conference/meeting room leases expire December 31, 2017, and January 31, 2018, respectively, and both require New Beginnings to pay its share of property taxes and other operating expenses. The community advocacy office lease expires December 31, 2018.

Future minimum payments required for all leases for the years ending December 31 are:

2016	\$	131,502
2017		133,827
2018		56,557
		<hr/>
	\$	321,886
		<hr/> <hr/>

Total rent expense, including allocated property taxes and other operating expenses, for the years ended December 31, 2015 and 2014, was \$172,909 and \$170,942, respectively.

Note 7. Unrestricted Net Assets

Unrestricted net assets consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Board Designated		
Operational Reserve	\$ 679,332	\$ 969,263
Transitional Replacement Reserve	202,379	233,922
Shelter Replacement Reserve	90,518	90,518
Transitional Operational Reserve	66,584	66,456
Technology Replacement Reserve	2,640	2,640
	<hr/>	<hr/>
Total board designated	1,041,453	1,362,799
Undesignated	153,107	206,479
	<hr/>	<hr/>
	\$ 1,194,560	\$ 1,569,278
	<hr/> <hr/>	<hr/> <hr/>

Note 8. Revenue Concentrations

Grants from two governmental agencies (City of Seattle DHHS and State of Washington DSHS) represented 80% of grants from government agencies in both 2015 and 2014, respectively. The City of Seattle DHHS funds the following services: emergency shelter (funded through City general funds and the Federal Emergency Shelter Grant Program), and community advocacy (funded through City general funds). In addition, the City, on behalf of the regional Continuum of Care, contracts for transitional housing (acting as pass-through for Federal HUD Supportive Housing Program funds). The State of Washington DSHS contracts for shelter services through a combination of State and Federal funds.

Cash contributions from one individual represented 10% and from two individuals represented 22% of total cash contributions for 2015 and 2014, respectively.

New Beginnings received contributions of \$66,880 from the members of New Beginnings' Board of Directors during the year ended December 31, 2015 (\$43,474 was received in 2014).

Note 9. Donated Assets and Services

Donated assets are reflected as contributions in the accompanying statements of activities at their estimated values at date of receipt. Donated services are only recorded in the financial statements when appropriate accounting criteria for recognition is met. The following items were included in expenses for the years ended December 31:

	2015	2014
Supplies	\$ 12,589	\$ 6,131
Professional fees	250	100
	<u>\$ 12,839</u>	<u>\$ 6,231</u>

Note 10. Pension Plan

New Beginnings has a SEP-IRA plan. Contributions made for eligible employees were 4% of eligible gross wages for a total of \$55,981 and \$48,610 in 2015 and 2014, respectively.

Note 11. Notes Payable – Line of Credit

New Beginnings has a \$100,000 unsecured line of credit from a bank. Interest on outstanding balances accrue at 6.5% as of December 31, 2015. The maturity date of the line of credit is September 1, 2016. There was no balance on the line of credit on December 31, 2015 and 2014.

S U P P L E M E N T A R Y R E P O R T
I N A C C O R D A N C E W I T H
G O V E R N M E N T A U D I T I N G S T A N D A R D S

**INDEPENDENT AUDITORS' 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
New Beginnings
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States 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 New Beginnings, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, 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 April 25, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Beginnings' 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 New Beginnings' internal control. Accordingly, we do not express an opinion on the effectiveness of New Beginnings' 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 New Beginnings' 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 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 New Beginnings' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Beginnings' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Peterson Sullivan LLP". The signature is written in a cursive, flowing style.

April 25, 2016