

NEW BEGINNINGS

FINANCIAL REPORT

DECEMBER 31, 2016

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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, 2016 and 2015, 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, 2016 and 2015, 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 24, 2017, 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 24, 2017

NEW BEGINNINGS

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Current Assets		
Cash	\$ 344,013	\$ 226,559
Restricted cash	20,000	20,000
Investments	426,416	483,775
Pledges and other receivables, net of allowance	13,677	28,012
Contracts receivable	179,615	216,565
Prepaid expenses	<u>64,587</u>	<u>66,655</u>
Total current assets	1,048,308	1,041,566
Restricted Cash, net of current portion	253,851	247,938
Property and Equipment, net	<u>1,988,257</u>	<u>2,108,971</u>
Total assets	<u><u>\$ 3,290,416</u></u>	<u><u>\$ 3,398,475</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 157,558	\$ 201,170
Deferred revenue	15,978	21,401
Current portion of long-term debt	<u>43,395</u>	<u>43,395</u>
Total current liabilities	216,931	265,966
Accrued Interest		
Long-Term Debt, less current portion	<u>1,882,709</u>	<u>1,912,468</u>
Total liabilities	2,099,640	2,178,434
Net Assets		
Unrestricted	1,116,411	1,194,560
Temporarily restricted	<u>74,365</u>	<u>25,481</u>
Total net assets	<u>1,190,776</u>	<u>1,220,041</u>
Total liabilities and net assets	<u><u>\$ 3,290,416</u></u>	<u><u>\$ 3,398,475</u></u>

See Notes to Financial Statements

NEW BEGINNINGS

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Public support						
Contributions	\$ 745,771	\$ 75,500	\$ 821,271	\$ 578,434	\$ 63,040	\$ 641,474
United Way	72,500		72,500	72,500		72,500
Grants from government agencies	1,602,714		1,602,714	1,563,851		1,563,851
Special events	380,863	7,500	388,363	291,142		291,142
Special event expenses	(105,872)		(105,872)	(72,043)		(72,043)
Total public support	2,695,976	83,000	2,778,976	2,433,884	63,040	2,496,924
Revenue						
Program fees	24,842		24,842	25,751		25,751
Dividends and interest	12,607		12,607	14,507		14,507
Gain (loss) on investments	30,590		30,590	(19,181)		(19,181)
Miscellaneous income	236		236	263		263
Total revenue	68,275		68,275	21,340		21,340
Net assets released from restrictions						
Satisfaction of program restrictions	34,116	(34,116)		96,275	(96,275)	
Total support and revenue	2,798,367	48,884	2,847,251	2,551,499	(33,235)	2,518,264
Expenses						
Program services						
Shelter	680,568		680,568	736,303		736,303
Community advocacy	738,268		738,268	732,586		732,586
Social change	187,081		187,081	187,357		187,357
Transitional housing	658,332		658,332			
HomeSafe	6,171		6,171	665,409		665,409
Total program services	2,270,420		2,270,420	2,321,655		2,321,655
Supporting services						
Management and general	183,485		183,485	200,859		200,859
Fundraising	422,611		422,611	403,703		403,703
Total supporting services	606,096		606,096	604,562		604,562
Total expenses	2,876,516		2,876,516	2,926,217		2,926,217
Change in net assets	(78,149)	48,884	(29,265)	(374,718)	(33,235)	(407,953)
Net Assets, beginning of year	1,194,560	25,481	1,220,041	1,569,278	58,716	1,627,994
Net Assets, end of year	<u>\$ 1,116,411</u>	<u>\$ 74,365</u>	<u>\$ 1,190,776</u>	<u>\$ 1,194,560</u>	<u>\$ 25,481</u>	<u>\$ 1,220,041</u>

See Notes to Financial Statements

NEW BEGINNINGS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Services					Total Program Services	Supporting Services			Grand Total
	Shelter	Community Advocacy	Social Change	Transitional Housing	HomeSafe		Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 417,574	\$ 455,203	\$ 120,329	\$ 309,605	\$ 473	\$ 1,303,184	\$ 90,334	\$ 234,584	\$ 324,918	\$ 1,628,102
Employee benefits	55,757	43,510	10,844	36,111		146,222	8,606	19,677	28,283	174,505
Payroll taxes	40,008	42,554	11,109	28,187	43	121,901	7,661	20,483	28,144	150,045
Total salaries and benefits	513,339	541,267	142,282	373,903	516	1,571,307	106,601	274,744	381,345	1,952,652
Occupancy	45,733	93,547	19,505	90,520		249,305	17,454	34,771	52,225	301,530
Professional fees	20,545	28,253	6,122	19,621	5,644	80,185	43,982	28,945	72,927	153,112
Event costs								105,872	105,872	105,872
Special assistance to individuals	22,367	27,067		13,979		63,413				63,413
Supplies	28,578	2,438	7,947	12,268		51,231	796	4,477	5,273	56,504
Communications	10,065	7,570	1,573	17,567		36,775	1,676	4,776	6,452	43,227
Printing	755	901	391	853		2,900	206	29,659	29,865	32,765
Equipment, repairs, and maintenance	13,254	3,364	540	10,448		27,606	1,483	2,610	4,093	31,699
Liability insurance	5,630	5,213	1,031	3,647		15,521	2,240	2,061	4,301	19,822
Staff education/training	1,935	1,643	2,044	1,204		6,826	548	6,283	6,831	13,657
Interpreters	3,189	5,604		45		8,838				8,838
Local transportation	2,916	2,292	1,319	1,845	11	8,383	595	1,823	2,418	10,801
Taxes, permits, licenses, and service charges	515	11	184	1,157		1,867	1,589	10,852	12,441	14,308
Postage/shipping	267	285	162	232		946	544	5,700	6,244	7,190
Meeting expenses	681	601	151	493		1,926	1,767	610	2,377	4,303
Agency dues	2,492	2,246	427	1,544		6,709	1,565	683	2,248	8,957
Major donor cultivation								5,915	5,915	5,915
Board development										
Employment ads	174	659	7	160		1,000	15	404	419	1,419
Advertising/marketing								2,603	2,603	2,603
Uncollectible THP program fees				1,032		1,032				1,032
Miscellaneous	39	29	1	2		71	161	37	198	269
Total expenses before depreciation	672,474	722,990	183,686	550,520	6,171	2,135,841	181,222	522,825	704,047	2,839,888
Depreciation	8,094	15,278	3,395	107,812		134,579	2,263	5,658	7,921	142,500
Total expenses	680,568	738,268	187,081	658,332	6,171	2,270,420	183,485	528,483	711,968	2,982,388
Less: special event costs								(105,872)	(105,872)	(105,872)
Total expenses, less special event costs	\$ 680,568	\$ 738,268	\$ 187,081	\$ 658,332	\$ 6,171	\$ 2,270,420	\$ 183,485	\$ 422,611	\$ 606,096	\$ 2,876,516

See Notes to Financial Statements

NEW BEGINNINGS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	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	\$ 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
Total expenses before depreciation	170,002	166,242	42,940	167,021	546,205	79,445	224,390	303,835	850,040
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

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ (29,265)	\$ (407,953)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	142,500	144,646
Donated investments	(28,015)	(1,037)
Loan forgiveness	(29,759)	(43,395)
Unrealized and realized loss (gain) on investments	(30,590)	19,181
Changes in operating assets and liabilities		
Restricted cash	(5,913)	32,440
Pledges and other receivables	14,335	27,782
Contracts receivable	36,950	35,179
Prepaid expenses	2,068	(4,462)
Accounts payable and accrued expenses	(43,612)	(21,234)
Deferred revenue	(5,423)	1,889
Accrued interest		13,634
	23,276	(203,330)
Net cash flows from operating activities		
Cash Flows from Investing Activities		
Property and equipment acquisitions	(23,574)	(72,562)
Loss on disposals of property and equipment	1,788	
Proceeds from sales of investments	128,772	75,146
Purchases of investments	(12,808)	(88,567)
	94,178	(85,983)
Net cash flows from investing activities		
Net change in cash	117,454	(289,313)
Cash, beginning of year	226,559	515,872
Cash, end of year	\$ 344,013	\$ 226,559

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 that 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 ("TH") 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:

	2016	2015
Direct assistance	\$ 43,740	\$ -
Housing first	10,125	11,250
Teen prevention education	8,000	
Time restricted	7,500	7,250
Owning Up program		6,981
Program supplies	5,000	
	<u>\$ 74,365</u>	<u>\$ 25,481</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 TH program operating reserves and TH 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 that 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. All improvements and replacements of THP or Shelter building components, flooring, and major appliances are capitalized, regardless of cost. 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. Program fee revenue is recognized when earned as training sessions and workshops are completed. Special event revenue is recognized at the time of the event.

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 amounts from the prior year have been reclassified to conform to the current year presentation. These reclassifications have no impact to the previously reported change in net assets.

Subsequent Events

New Beginnings has evaluated subsequent events through the date these financial statements were available to be issued, which was April 24, 2017.

In 2017, New Beginnings will evolve and strengthen its housing program. This will involve shifting away from the longstanding congregate shelter and two-year transitional housing program to a new HomeSafe Program. New Beginnings is making these changes to provide a more private, healing environment for survivors in crisis, while emphasizing a flexible, resource-intensive approach to assist survivors in accessing permanent housing more quickly, or avoid homelessness altogether.

The new HomeSafe Program will include:

- Bridge housing for survivors and their children who are fleeing domestic violence, for stays of up to approximately six months in apartments.
- Rapid re-housing services, which will provide robust staff and financial support to help survivors access and retain their own housing.
- Homelessness prevention, focused on providing financial assistance to enable survivors to retain their current safe housing.

This program enhancement will involve a restructuring of New Beginnings staff; the sale of the shelter property; remodeling of the office space, meeting room, and children's play area in the apartment building; and the adoption of a new rapid re-housing program.

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 fair value hierarchy. Sales of investments are based on the specific identification method. Investments consist of the following at December 31:

	2016	2015
Government intermediate-term bond funds	\$ 96,086	\$ 117,009
Large blend equity funds	86,179	92,903
Government short-term bond funds	69,776	84,890
Large growth funds	33,301	43,789
Foreign large value funds	35,622	41,384
Small blend equity funds	33,184	32,844
Small value equity funds	32,543	31,530
Diversified emerging markets	23,257	23,879
Foreign small/mid value funds	16,468	15,547
Total investments	<u>\$ 426,416</u>	<u>\$ 483,775</u>

Note 3. Receivables

Contracts receivable consist of amounts due within one year from governmental agencies. Contracts receivable from three governmental agencies represent 86% and 88% of contracts receivable at December 31, 2016 and 2015, respectively. No allowance was determined necessary for contracts receivable as of December 31, 2016 or 2015.

As of December 31, 2016 and 2015, all pledges and other receivables are 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, 2016 and 2015, management determined that the allowance for potential losses was \$117 and \$1,155, respectively.

Note 4. Property and Equipment

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

	2016			
	Shelter	Transitional Housing	Greenwood	Total
Land	\$ 45,000	\$ 247,983	\$ -	\$ 292,983
Buildings and improvements	667,082	2,924,416	31,717	3,623,215
Furniture and equipment	110,106	132,680	330,673	573,459
Vehicles	29,324	36,100		65,424
	851,512	3,341,179	362,390	4,555,081
Less: accumulated depreciation	(747,915)	(1,538,193)	(280,716)	(2,566,824)
Net property and equipment	<u>\$ 103,597</u>	<u>\$ 1,802,986</u>	<u>\$ 81,674</u>	<u>\$ 1,988,257</u>
	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
	855,105	3,322,147	361,940	4,539,192
Less: accumulated depreciation	(745,335)	(1,432,462)	(252,424)	(2,430,221)
Net property and equipment	<u>\$ 109,770</u>	<u>\$ 1,889,685</u>	<u>\$ 109,516</u>	<u>\$ 2,108,971</u>

Note 5. Long-Term Debt

Notes payable consist of the following at December 31:

	<u>2016</u>	<u>2015</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 TH program continues. The note is secured by the TH land and building.	\$ 417,954	\$ 438,649
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>771,761</u>	<u>794,459</u>
	1,725,252	1,768,645
Less: current portion	<u>(43,395)</u>	<u>(43,395)</u>
	<u>\$ 1,681,857</u>	<u>\$ 1,725,250</u>

Interest expense for both years ended December 31, 2016 and 2015, was \$13,634.

The loans were received for New Beginnings' TH 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 that 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 2016 and 2015, loan forgiveness was recorded into grant revenue in the amount of \$43,395. The cumulative amount of grant revenue that has been recorded under these loan agreements since 1997 through December 31, 2016, is \$743,383. 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 on 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 on December 31, 2018.

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

2017	\$	133,827
2018		<u>56,557</u>
	\$	<u>190,384</u>

Total rent expense, including allocated property taxes and other operating expenses, for the years ended December 31, 2016 and 2015, was \$182,625 and \$172,909, respectively.

Note 7. Unrestricted Net Assets

Unrestricted net assets consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Board-designated		
Operational Reserve	\$ 679,332	\$ 679,332
Transitional Replacement Reserve	207,134	202,379
Shelter Replacement Reserve	80,303	90,518
Transitional Operational Reserve	66,717	66,584
Technology Replacement Reserve	<u>2,640</u>	<u>2,640</u>
Total board-designated	1,036,126	1,041,453
Undesignated	<u>80,285</u>	<u>153,107</u>
	<u>\$ 1,116,411</u>	<u>\$ 1,194,560</u>

Note 8. Revenue Concentrations

Grants from two governmental agencies (City of Seattle DHHS and State of Washington DSHS) represented 79% and 80% of grants from government agencies in 2016 and 2015, respectively. The City of Seattle DHHS funds the following services: emergency shelter (funded through the city's general funds and the Federal Emergency Shelter Grant Program), and community advocacy (funded through the city's general funds). In addition, the City of Seattle, 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% of total cash contributions for 2015. There were no contribution concentrations for 2016.

New Beginnings received contributions of \$55,817 and \$66,880 from the members of New Beginnings' Board of Directors during the years ended December 31, 2016 and 2015, respectively.

Note 9. Donated Assets and Services

Donated assets are reflected as contributions in the accompanying statements of activities at their estimated fair 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:

	2016	2015
Supplies	\$ 18,951	\$ 12,589
Technology	1,090	
Professional fees	2,001	250
	<u>\$ 22,042</u>	<u>\$ 12,839</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 \$55,981 in 2015. No contributions were made in 2016.

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, 2016. The maturity date of the line of credit is September 1, 2017. There was no balance on the line of credit at December 31, 2016 or 2015.

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, 2016, 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 24, 2017.

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.

Peterson Sullivan LLP

April 24, 2017