



## **New Beginnings**

### **Financial Statements**

Years Ended December 31, 2019 and 2018

# **New Beginnings**

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Financial Statements  
Years Ended December 31, 2019 and 2018

# New Beginnings

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## Independent Auditor's Report

To the Board of Directors  
New Beginnings  
Seattle, Washington

We have audited the accompanying financial statements of New Beginnings, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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.



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### **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, 2019, 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2020, 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.

### **Other Matter - Prior-Period Financial Statement**

The financial statements of New Beginnings as of and for the year ended December 31, 2018, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in their report dated April 22, 2019.

*BDO USA, LLP*

July 27, 2020

## Financial Statements

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**New Beginnings**  
**Statements of Financial Position**

<i>December 31,</i>	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 501,783	\$ 1,047,229
Restricted cash	10,000	10,000
Investments	1,736,289	1,512,352
Current portion of contributions receivable, net	147,443	451,418
Contracts receivable	376,578	212,972
Other receivables	1,001	9,528
Prepaid expenses	89,826	80,575
<b>Total Current Assets</b>	<b>2,862,920</b>	<b>3,324,074</b>
Restricted cash, net of current portion	221,665	221,457
Contributions receivable, net	-	134,089
Property and equipment, net	2,046,315	1,859,686
<b>Total Assets</b>	<b>\$ 5,130,900</b>	<b>\$ 5,539,306</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 187,026	\$ 277,910
Deferred revenue	1,960	1,960
Current portion of long-term debt	43,395	43,395
<b>Total Current Liabilities</b>	<b>232,381</b>	<b>323,265</b>
Accrued interest	241,753	228,119
Long-term debt, net of current portion	1,551,672	1,595,067
<b>Total Liabilities</b>	<b>2,025,806</b>	<b>2,146,451</b>
<b>Net Assets</b>		
Without donor restrictions	2,809,230	2,365,784
With donor restrictions	295,864	1,027,071
<b>Total Net Assets</b>	<b>3,105,094</b>	<b>3,392,855</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,130,900</b>	<b>\$ 5,539,306</b>

*See accompanying notes to financial statements*

## New Beginnings

### Statements of Activities

Years Ended December 31,	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>						
Public support:						
Contributions, net	\$ 699,271	\$ 115,208	\$ 814,479	\$ 644,869	\$ 905,666	\$ 1,550,535
United Way	32,500		32,500	65,000	-	65,000
Grants from government agencies	1,895,386	78,846	1,974,232	1,926,856	-	1,926,856
Special events	347,856	-	347,856	408,349	5,000	413,349
Special event expenses	(114,400)	-	(114,400)	(131,052)	-	(131,052)
<b>Total public support</b>	<b>2,860,613</b>	<b>194,054</b>	<b>3,054,667</b>	<b>2,914,022</b>	<b>910,666</b>	<b>3,824,688</b>
Revenue:						
Gain (loss) on sale of assets	-	-	-	(2,084)	-	(2,084)
Dividends and interest	49,396	-	49,396	64,198	-	64,198
Gain (loss) on investments	213,908	-	213,908	(141,225)	-	(141,225)
Miscellaneous income	5,095	-	5,095	3,928	-	3,928
<b>Total revenue</b>	<b>268,399</b>	<b>-</b>	<b>268,399</b>	<b>(75,183)</b>	<b>-</b>	<b>(75,183)</b>
Net assets released from restrictions						
Satisfaction of program restrictions	925,261	(925,261)	-	513,717	(513,717)	-
<b>Total Support and Revenue</b>	<b>4,054,273</b>	<b>(731,207)</b>	<b>3,323,066</b>	<b>3,352,556</b>	<b>396,949</b>	<b>3,749,505</b>
<b>Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Program services:						
King County Helpline	1,062	-	1,062	-	-	-
Community advocacy	1,176,403	-	1,176,403	1,170,669	-	1,170,669
Social change	161,689	-	161,689	168,590	-	168,590
HomeSafe	1,681,131	-	1,681,131	1,485,879	-	1,485,879
<b>Total program services</b>	<b>3,020,285</b>	<b>-</b>	<b>3,020,285</b>	<b>2,825,138</b>	<b>-</b>	<b>2,825,138</b>
Supporting services:						
Management and general	214,688	-	214,688	196,648	-	196,648
Fundraising	375,854	-	375,854	468,510	-	468,510
<b>Total supporting services</b>	<b>590,542</b>	<b>-</b>	<b>590,542</b>	<b>665,158</b>	<b>-</b>	<b>665,158</b>
<b>Total Expenses</b>	<b>3,610,827</b>	<b>-</b>	<b>3,610,827</b>	<b>3,490,296</b>	<b>-</b>	<b>3,490,296</b>
<b>Change in Net Assets</b>	<b>443,446</b>	<b>(731,207)</b>	<b>(287,761)</b>	<b>(137,740)</b>	<b>396,949</b>	<b>259,209</b>
<b>Net Assets, beginning of year</b>	<b>2,365,784</b>	<b>1,027,071</b>	<b>3,392,855</b>	<b>2,503,524</b>	<b>630,122</b>	<b>3,133,646</b>
<b>Net Assets, end of year</b>	<b>\$ 2,809,230</b>	<b>\$ 295,864</b>	<b>\$ 3,105,094</b>	<b>\$ 2,365,784</b>	<b>\$ 1,027,071</b>	<b>\$ 3,392,855</b>

*See accompanying notes to financial statements*



## New Beginnings

### Statement of Functional Expenses

Year Ended December 31, 2019	Program Services					Supporting Services			Grand Total
	King County Helpline	Community Advocacy	Social Change	Home Safe	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 509	\$ 674,955	\$ 98,433	\$ 615,793	\$ 1,389,690	\$ 77,900	\$ 177,998	\$ 255,898	\$ 1,645,588
Employee benefits	-	88,115	10,559	91,166	189,840	9,669	16,193	25,862	215,702
Payroll taxes	43	65,276	9,534	58,698	133,551	7,135	16,743	23,878	157,429
<b>Total Salaries and Benefits</b>	<b>552</b>	<b>828,346</b>	<b>118,526</b>	<b>765,657</b>	<b>1,713,081</b>	<b>94,704</b>	<b>210,934</b>	<b>305,638</b>	<b>2,018,719</b>
Special assistance to individuals	-	118,408	-	280,108	398,516	-	-	-	398,516
Professional fees	510	35,926	8,468	254,841	299,745	89,703	54,136	143,839	443,584
Occupancy	-	126,862	20,049	141,044	287,955	16,468	38,621	55,089	343,044
Event costs	-	-	-	-	-	-	114,400	114,400	114,400
Communications	-	15,058	2,034	25,491	42,583	1,789	5,162	6,951	49,534
Equipment, repairs, and maintenance	-	7,479	720	34,181	42,380	1,315	1,864	3,179	45,559
Printing	-	1,074	492	1,193	2,759	148	23,162	23,310	26,069
Taxes, permits, licenses, and service charges	-	329	-	1,768	2,097	679	18,837	19,516	21,613
Local transportation	-	5,276	745	13,633	19,654	546	477	1,023	20,677
Supplies	-	4,020	5,334	8,022	17,376	745	2,024	2,769	20,145
Liability insurance	-	6,864	881	6,464	14,209	1,651	1,762	3,413	17,622
Staff education/training	-	3,105	1,398	4,710	9,213	449	4,561	5,010	14,223
Agency dues	-	4,087	495	4,190	8,772	1,477	653	2,130	10,902
Interpreters	-	6,530	-	3,198	9,728	-	-	-	9,728
Postage/shipping	-	355	710	310	1,375	373	5,829	6,202	7,577
Meeting expenses	-	978	108	862	1,948	2,874	351	3,225	5,173
Advertising/marketing	-	650	-	1,855	2,505	250	1,425	1,675	4,180
Major donor cultivation	-	-	-	-	-	-	2,783	2,783	2,783
Miscellaneous	-	87	5	128	220	492	28	520	740
	510	337,088	41,439	781,998	1,161,035	118,959	276,075	395,034	1,556,069
<b>Total Expenses Before Depreciation</b>	<b>1,062</b>	<b>1,165,434</b>	<b>159,965</b>	<b>1,547,655</b>	<b>2,874,116</b>	<b>213,663</b>	<b>487,009</b>	<b>700,672</b>	<b>3,574,788</b>
<b>Depreciation</b>	<b>-</b>	<b>10,969</b>	<b>1,724</b>	<b>133,476</b>	<b>146,169</b>	<b>1,025</b>	<b>3,245</b>	<b>4,270</b>	<b>150,439</b>
<b>Total Expenses</b>	<b>1,062</b>	<b>1,176,403</b>	<b>161,689</b>	<b>1,681,131</b>	<b>3,020,285</b>	<b>214,688</b>	<b>490,254</b>	<b>704,942</b>	<b>3,725,227</b>
Food and beverages	-	-	-	-	-	-	(18,150)	(18,150)	(18,150)
Rent and facility costs	-	-	-	-	-	-	(48,852)	(48,852)	(48,852)
Entertainment and prizes	-	-	-	-	-	-	(23,710)	(23,710)	(23,710)
Other direct expenses	-	-	-	-	-	-	(23,688)	(23,688)	(23,688)
<b>Total Special Event Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(114,400)</b>	<b>(114,400)</b>	<b>(114,400)</b>
<b>Total Expenses, less special event costs</b>	<b>\$ 1,062</b>	<b>\$ 1,176,403</b>	<b>\$ 161,689</b>	<b>\$ 1,681,131</b>	<b>\$ 3,020,285</b>	<b>\$ 214,688</b>	<b>\$ 375,854</b>	<b>\$ 590,542</b>	<b>\$ 3,610,827</b>

*See accompanying notes to financial statements*

## New Beginnings

### Statement of Functional Expenses

Year Ended December 31, 2018	Program Services				Supporting Services			Grand Total
	Community Advocacy	Social Change	Home Safe	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 694,441	\$ 101,830	\$ 564,471	\$ 1,360,742	\$ 78,733	\$ 263,532	\$ 342,265	\$ 1,703,007
Employee benefits	95,399	12,021	83,480	190,900	8,306	33,210	41,516	232,416
Payroll taxes	64,737	9,381	51,468	125,586	6,759	22,947	29,706	155,292
<b>Total Salaries and Benefits</b>	<b>854,577</b>	<b>123,232</b>	<b>699,419</b>	<b>1,677,228</b>	<b>93,798</b>	<b>319,689</b>	<b>413,487</b>	<b>2,090,715</b>
Special assistance to individuals	100,255	-	305,193	405,448	-	-	-	405,448
Occupancy	113,171	19,093	124,100	256,364	16,129	38,691	54,820	311,184
Professional fees	26,571	6,554	151,672	184,797	69,166	24,122	93,288	278,085
Event costs	-	-	-	-	-	131,052	131,052	131,052
Communications	15,184	1,991	24,817	41,992	1,777	5,584	7,361	49,353
Equipment, repairs, and maintenance	5,666	1,143	24,346	31,155	831	1,795	2,626	33,781
Printing	243	1,263	252	1,758	-	27,324	27,324	29,082
Taxes, permits, licenses, and service charges	9	-	1,034	1,043	317	24,953	25,270	26,313
Supplies	3,531	7,904	9,553	20,988	797	2,895	3,692	24,680
Local transportation	8,975	894	12,168	22,037	736	1,554	2,290	24,327
Liability insurance	6,843	921	5,837	13,601	1,556	1,845	3,401	17,002
Interpreters	10,604	-	3,971	14,575	-	-	-	14,575
Agency dues	3,953	484	4,044	8,481	1,421	935	2,356	10,837
Staff education/training	3,007	415	4,883	8,305	897	1,433	2,330	10,635
Postage/shipping	181	555	172	908	346	8,238	8,584	9,492
Bad debt	-	-	-	-	5,000	-	5,000	5,000
Meeting expenses	1,147	92	693	1,932	1,886	336	2,222	4,154
Advertising/marketing	-	1,441	-	1,441	-	1,674	1,674	3,115
Major donor cultivation	-	-	-	-	-	1,803	1,803	1,803
Miscellaneous	210	-	723	933	436	713	1,149	2,082
	299,550	42,750	673,458	1,015,758	101,295	274,947	376,242	1,392,000
<b>Total Expenses Before Depreciation</b>	<b>1,154,127</b>	<b>165,982</b>	<b>1,372,877</b>	<b>2,692,986</b>	<b>195,093</b>	<b>594,636</b>	<b>789,729</b>	<b>3,482,715</b>
<b>Depreciation</b>	<b>16,542</b>	<b>2,608</b>	<b>113,002</b>	<b>132,152</b>	<b>1,555</b>	<b>4,926</b>	<b>6,481</b>	<b>138,633</b>
<b>Total Expenses</b>	<b>1,170,669</b>	<b>168,590</b>	<b>1,485,879</b>	<b>2,825,138</b>	<b>196,648</b>	<b>599,562</b>	<b>796,210</b>	<b>3,621,348</b>
Food and beverages	-	-	-	-	-	(20,724)	(20,724)	(20,724)
Rent and facility costs	-	-	-	-	-	(45,394)	(45,394)	(45,394)
Entertainment and prizes	-	-	-	-	-	(33,639)	(33,639)	(33,639)
Other direct expenses	-	-	-	-	-	(31,295)	(31,295)	(31,295)
<b>Total Special Event Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(131,052)</b>	<b>(131,052)</b>	<b>(131,052)</b>
<b>Total Expenses, less special event costs</b>	<b>\$ 1,170,669</b>	<b>\$ 168,590</b>	<b>\$ 1,485,879</b>	<b>\$ 2,825,138</b>	<b>\$ 196,648</b>	<b>\$ 468,510</b>	<b>\$ 665,158</b>	<b>\$ 3,490,296</b>

*See accompanying notes to financial statements*

**New Beginnings**  
**Statements of Cash Flows**

<i>Years Ended December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Cash Flows for (from) Operating Activities</b>		
Change in net assets	\$ (287,761)	\$ 259,209
Adjustments to reconcile change in net assets to net cash flows for operating activities:		
Loss on disposal of property and equipment	-	2,084
Depreciation	150,439	138,633
Loan forgiveness	(43,395)	(43,395)
Accrued interest on forgivable loans	13,634	13,634
Unrealized and realized loss (gain) on investments	(213,908)	141,225
Changes in operating assets and liabilities:		
Contributions and other receivables	446,591	(322,531)
Contracts receivable	(163,606)	(5,899)
Prepaid expenses	(9,251)	(5,127)
Accounts payable and accrued expenses	(90,884)	60,516
Deferred revenue	-	(4,383)
<b>Net Cash Flows for (from) Operating Activities</b>	<b>(198,141)</b>	<b>233,966</b>
<b>Cash Flows for Investing Activities</b>		
Property and equipment acquisitions	(337,068)	(182,892)
Proceeds from sales of investments	44,988	38,854
Purchases of investments	(55,017)	(98,492)
<b>Net Cash Flows for Investing Activities</b>	<b>(347,097)</b>	<b>(242,530)</b>
<b>Net Change in Cash and Restricted Cash</b>	<b>(545,238)</b>	<b>(8,564)</b>
<b>Cash and Restricted Cash, beginning of year</b>	<b>1,278,686</b>	<b>1,287,250</b>
<b>Cash and Restricted Cash, end of year</b>	<b>\$ 733,448</b>	<b>\$ 1,278,686</b>

*See accompanying notes to financial statements*

# New Beginnings

## Notes to Financial Statements

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

#### *Statement of Purpose*

The mission of New Beginnings is to empower survivors and mobilize community awareness and action to end domestic violence. New Beginnings provides crisis support, safety planning, advocacy, information, and referrals to domestic violence survivors and their support systems through a 24-hour Help Line.

Survivors seeking in person support are served by mobile advocates who can meet them in the community or at New Beginnings' office to provide support, legal advocacy, and children's services. Financial assistance is provided to survivors facing homelessness and to support them in overcoming a variety of barriers to independence and self-determination. Support groups, short-term mental health counseling, and therapy referrals are also available to New Beginnings' participants as part of its Community Advocacy Program.

Formerly known as the Transitional Housing ("TH") program, the Home Safe Program provides interim housing for survivors and their children who are fleeing domestic violence for stays of up to six months in fully furnished apartments. As part of this program, survivors receive the same array of services provided to Community Advocacy Program participants, plus housing placement support, financial planning services, and rental assistance. Services are designed to enable survivors to obtain safe, stable housing as quickly as possible, with supportive services continuing as needed once participants have moved to their new homes.

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 two classes of net assets: without donor restrictions and with donor restrictions. Contributions and certain grants that are received are recorded depending on the existence and/or nature of any donor restrictions.

#### *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.

# New Beginnings

## Notes to Financial Statements

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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/Home Safe program operating reserves and TH/Home Safe program replacement reserves for structural elements and other capital items. New Beginnings is permitted to spend \$5,000 out of these reserve funds annually for the TH/Home Safe program without prior city approval of expenditures. These amounts are classified as current on the statements of financial position.

### *Estimates*

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

### *Net Assets With Donor Restrictions*

Net assets with donor restrictions consist of unexpended contributions restricted for particular purposes or time periods. Net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted purpose or as time restrictions are met. Contributions that are received are recorded depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions consist of the following at December 31:

	2019	2018
Gates Foundation - Family Advocate and Michigan State University research	\$ 166,110	\$ 521,345
Momentum (Home Safe)	36,046	320,437
Time-restricted	520	163,800
Direct assistance	77,873	10,636
Teen prevention education	13,611	9,353
Program supplies	1,704	1,500
	<b>\$ 295,864</b>	<b>\$ 1,027,071</b>

### *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.

# New Beginnings

## Notes to Financial Statements

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### ***Property and Equipment***

Property and equipment are recorded at cost when purchased and at estimated fair value when donated. Expenditures in excess of \$1,500 that significantly increase the estimated useful lives of assets are capitalized. All improvements and replacements of TH/Home Safe 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. Government grant revenue is treated as conditional contributions, and revenue is recognized when amounts are allowed to be billed for reimbursement according to the terms of the grant. There was \$1,960 of conditional grant revenue outstanding and not recognized as of December 31, 2019 and 2018, respectively. 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. The direct allocation method has been used whenever possible. Certain costs have been indirectly allocated among the programs and supporting services benefited. Salaries and wages, benefits, and payroll taxes have been directly allocated according to timesheets; exceptions to this method were related to the Executive Director, Administrative Director, Accounting Director, and Technology Specialist, which were allocated based on estimated time and effort to various programs and activities. Certain office expenses, including information technology and professional liability insurance, were allocated according to the agency personnel full-time equivalent spread. Occupancy expenses, property insurance, and depreciation were allocated according to each physical site's personnel full-time equivalent spread.

### ***Income Taxes***

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

### ***Recent Accounting Pronouncement Adopted***

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" ("ASU 2016-18"). The standard requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The standard is effective for private companies with fiscal years beginning after December 15, 2018. New Beginnings adopted ASU 2016-18 during 2019, and the ASU has been applied retrospectively to all periods presented.

In January 2019, New Beginnings also adopted ASU No. 2014-09, Revenue from Contracts with Customers and other related ASUs (FASB ASC Topic 606) using the modified retrospective approach applied to those contracts in effect as of January 1, 2019. Under this transition method, results for

# New Beginnings

## Notes to Financial Statements

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reporting periods beginning after January 1, 2019, are presented under the new standard, while prior-period amounts are not adjusted and continue to be reported in accordance with the Company's historical accounting policies under FASB ASC Topic 605, Revenue Recognition. The adoption of this ASU did not have a material impact on the results of New Beginnings' operations or its financial position, nor any changes to net assets reported in prior periods, which would have been recognized in the opening net assets balance as of December 31, 2018.

### 2. Liquidity and Availability of Resources

New Beginnings regularly monitors liquidity required to meet its operating needs and other contractual commitments. Financial assets in excess of daily cash requirements are invested in a money market account and other short-term investments.

The following table reflects New Beginnings' financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include a board-designated operating reserve fund, requiring New Beginnings to maintain a liquid asset reserve of approximately four to six months of its annual operating expenses, and other board-designated reserve funds. The Executive Director is permitted to draw up to \$50,000 from the board-designated operating reserve for short-term (30 days or less) cash flow needs. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions for purposes that are not directly associated with day to day operations and/or programs operated by New Beginnings.

	2019	2018
<b>Financial Assets at Year-End</b>		
Cash	\$ 733,448	\$ 1,278,686
Investments	1,736,289	1,512,352
Receivables	525,022	808,007
<b>Total Financial Assets</b>	<b>2,994,759</b>	<b>3,599,045</b>
Cash restricted by building loan agreement	(231,265)	(231,457)
Donor-restricted for time or purpose	(295,864)	(1,005,581)
Board-designated operating reserve fund	(1,908,395)	(1,908,395)
Other board-designated reserve funds (see Note 8)	(48,042)	(285,720)
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b>\$ 511,193</b>	<b>\$ 167,892</b>

New Beginnings plans to cover program and general operating expenses for 2020 through monthly cost reimbursements from government agencies, collections of cash receipts for pledged contributions, and ongoing fundraising efforts.

# New Beginnings

## Notes to Financial Statements

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### 3. Investments

Investments consist primarily 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:

	2019	2018
Government intermediate-term bond funds	\$ 351,482	\$ 350,612
Large growth funds	285,250	222,064
Foreign large growth funds	242,884	198,921
Diversified emerging markets	129,516	103,561
Commodities broad basket	113,806	97,679
Large blend equity funds	112,329	92,089
Government short-term bond funds	88,789	85,056
World bond funds	99,849	73,463
Bank loan funds	67,182	61,715
Foreign large blend funds	69,829	57,136
Small value equity funds	65,265	43,135
World small/mid stock funds	43,114	33,678
High yield bond funds	26,833	30,366
Equity investments	501	30,039
Small blend equity funds	26,451	21,922
Foreign small/mid value funds	13,209	10,916
<b>Total Investments</b>	<b>\$ 1,736,289</b>	<b>\$ 1,512,352</b>

### 4. Receivables

Contracts receivable consist of amounts due within one year from governmental agencies. Contracts receivable from three and two governmental agencies represent 96% and 76% of contracts receivable at December 31, 2019 and 2018, respectively. No allowance was determined necessary for contracts receivable as of December 31, 2019 or 2018.

Contributions receivable include unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value, which is measured as the present value of the future cash flows. The discount on those amounts is computed using a risk-adjusted interest rate, which is applicable to the year in which the promise was received. New Beginnings maintains an allowance for potential losses based on management's periodic review of New Beginnings' experience related to pledges and other collections. Contributions receivable from one organization represents 24% and 56% of total receivables at December 31, 2019 and 2018, respectively.



## New Beginnings

### Notes to Financial Statements

Receivables written off are charged against the allowance. Pledges receivable are summarized as follows at December 31:

	2019	2018
<b>Amounts Due in:</b>		
Less than one year	\$ 148,568	\$ 465,343
One to five years	-	149,889
<b>Contributions Receivable, gross</b>	<b>148,568</b>	<b>615,232</b>
Allowance for uncollectible contributions	(1,125)	(29,725)
<b>Contributions Receivable, net</b>	<b>\$ 147,443</b>	<b>\$ 585,507</b>

These amounts are included in the statements of financial position as follows at December 31:

	2019	2018
Pledges receivable - current portion	\$ 147,443	\$ 451,418
Pledges receivable - long-term portion	-	134,089
	<b>\$ 147,443</b>	<b>\$ 585,507</b>

## 5. Property and Equipment

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

	2018		
	Transitional Housing	Greenwood	Total
Land	\$ 247,983	\$ -	\$ 247,983
Buildings and improvements	3,132,855	31,714	3,164,569
Furniture and equipment	149,847	302,988	452,835
Vehicles	36,100	29,324	65,424
	3,566,785	364,026	3,930,811
Less: Accumulated depreciation	(1,750,918)	(320,207)	(2,071,125)
<b>Net Property and Equipment</b>	<b>\$ 1,815,867</b>	<b>\$ 43,819</b>	<b>\$ 1,859,686</b>

## New Beginnings

### Notes to Financial Statements

	2019		
	Transitional Housing	Greenwood	Total
Land	\$ 247,983	\$ -	\$ 247,983
Buildings and improvements	3,442,721	-	3,442,721
Furniture and equipment	147,082	333,093	480,175
Vehicles	36,100	29,324	65,424
	3,873,886	362,417	4,236,303
Less: Accumulated depreciation	(1,856,843)	(333,145)	(2,189,988)
<b>Net Property and Equipment</b>	<b>\$ 2,017,043</b>	<b>\$ 29,272</b>	<b>\$ 2,046,315</b>

### 6. Long-Term Debt

Notes payable consist of the following at December 31:

	2019	2018
1. Note payable to the City of Seattle, 1% interest, due in 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/Home Safe program continues.	\$ 355,866	\$ 376,562
2. Note payable to the City of Seattle, 1% interest, due in September 2059. Interest is accrued during the first 25 years and forgiven during the last 25 years. New Beginnings also has the option from 30 to 60 days of the maturity date to extend the loan by 25 years during which 4% of the loan and interest is forgiven each year.	535,537	535,537
3. Note payable to the State of Washington Department of Community, Trade, and Economic Development, without interest, due in June 2050. Entire principal balance is forgiven at maturity if the TH/Home Safe program continues.	703,664	726,363
	1,595,067	1,638,462
Less: Current portion	(43,395)	(43,395)
	<b>\$ 1,551,672</b>	<b>\$ 1,595,067</b>

All notes are secured by the related Transitional Housing land and building, with a net carrying value of \$1,957,976 as of December 31, 2019.

# New Beginnings

## Notes to Financial Statements

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Interest expense for both years ended December 31, 2019 and 2018, was \$13,634. There was no interest paid in cash during 2019 or 2018.

The loans were received for New Beginnings' TH/Home Safe project, which 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, which requires programs to continue through the life of the loans. 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 2019 and 2018, 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, 2019, is \$873,567. Forgiveness on loan 2 will begin in 2034; therefore, no revenue has been recorded related to this loan to date.

### 7. 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, 2020, and January 31, 2021, 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, 2021.

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

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2020	\$	154,635
2021		70,227
	\$	224,862

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Total rent expense, including allocated property taxes and other operating expenses, for the years ended December 31, 2019 and 2018, was \$208,902 and \$194,627, respectively.

### 8. Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following at December 31:

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	2019	2018
<b>Board-Designated</b>		
Operational reserve	\$ 1,908,395	\$ 1,908,395
Transitional replacement reserve	164,093	164,631
Transitional operational reserve	67,171	66,825
Shelter replacement reserve	45,403	51,624
Technology replacement reserve	2,640	2,640
<b>Total Board-Designated</b>	<b>2,187,702</b>	<b>2,194,115</b>
<b>Undesignated</b>	<b>621,528</b>	<b>171,669</b>
	<b>\$ 2,809,230</b>	<b>\$ 2,365,784</b>

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# New Beginnings

## Notes to Financial Statements

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### 9. Revenue Concentrations

Contracts from three (City of Seattle HSD, State of Washington DSHS, and King County) governmental agencies represented 97% and 96% of revenue derived from contracts with government agencies in 2019 and 2018, respectively. The City of Seattle HSD funds Home Safe bridge housing and community advocacy services through the city's general funds. In addition, the City of Seattle, on behalf of the regional Continuum of Care, was contracted for Rapid Re-Housing from May 1, 2017, through April 30, 2019. In both cases, the City of Seattle acted as a pass-through for Federal HUD Supportive Housing Program funds.

Revenue from two organizations and one organization represented 56% and 43% of total grant and contribution revenue for 2019 and 2018, respectively.

### 10. Pension Plan

New Beginnings has two 403(b) plans. Employer contributions made for eligible employees totaled \$66,145 and \$67,442 in 2019 and 2018, respectively.

### 11. Subsequent Events

New Beginnings has evaluated subsequent events through the date these financial statements were available to be issued, which was July 27, 2020

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on New Beginnings' financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, New Beginnings is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. Subsequent to year-end, New Beginnings applied for and received a Paycheck Protection Program loan amounting to \$97,800. The application for these funds requires New Beginnings to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of New Beginnings.

# New Beginnings

## Notes to Financial Statements

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This certification further requires New Beginnings to take into account current operations and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on New Beginnings having initially qualified for the loan and qualifying for the forgiveness of such loan based on future adherence to the forgiveness criteria.

New Beginnings will continue to examine the impact that the CARES Act may have on its business. While New Beginnings has received temporary aid from the SBA Paycheck Protection Program to minimize the short-term impact of the COVID-19 outbreak on its business, at this time it is unable to determine the long-term impact that the CARES Act will have on its financial condition, results of operation, or liquidity.

**Supplemental Report in Accordance With  
*Government Auditing Standards***

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**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  
New Beginnings  
Seattle, Washington

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 New Beginnings, which comprise the statement of financial position as of December 31, 2019, 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 July 27, 2020.

***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.



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### ***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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BDO USA, LLP*  
July 27, 2020