

UMOM New Day Centers, Inc. and Subsidiaries

**Consolidated Financial Statements,
Supplementary Information
and Single Audit Reports**

June 30, 2019 and 2018

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To the Board of Directors of
UMOM New Day Centers, Inc. and Subsidiaries
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of UMOM New Day Centers, Inc. and Subsidiaries (UMOM, a nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of UMOM New Day Centers, Inc. and Subsidiaries as of June 30, 2019 and 2018, and the changes in their assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in the year ended June 30, 2019, UMOM New Day Centers, Inc. adopted new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires various presentation changes to not-for-profit financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and the consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2019, on our consideration of UMOM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UMOM's internal control over financial reporting and compliance.

Fester & Chapman, PLLC

December 11, 2019

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2019	2018
ASSETS		
Current assets:		
Cash	\$ 5,120,288	\$ 2,125,159
Investments	3,191,114	330,600
Receivables:		
Contracts	1,911,649	2,281,205
Pledges, net	1,096,720	200,300
Related party	-	30,689
Other	14,571	17,732
Notes receivable - related party, current portion	19,089	18,712
Prepaid expenses	<u>239,595</u>	<u>195,339</u>
Total current assets	11,593,026	5,199,736
Pledges receivable, noncurrent portion, net	3,965	76,651
Interest receivable - related party	222,865	172,842
Developer fees receivable, net	252,878	252,878
Tenant security deposits held in trust	34,314	33,870
Mortgage escrow and other deposits	56,643	47,200
Reserve for replacements and rehabilitation	307,131	263,852
Other assets	86,401	90,637
Notes receivable - related party, noncurrent portion	2,345,552	2,364,638
Land, buildings and equipment, net	<u>24,886,444</u>	<u>26,347,589</u>
Total assets	<u><u>\$ 39,789,219</u></u>	<u><u>\$ 34,849,893</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 726,267	\$ 468,556
Accrued expenses	534,289	638,806
Notes payable, current portion	<u>32,510</u>	<u>30,770</u>
Total current liabilities	1,293,066	1,138,132
Tenant security deposits held in trust	30,900	28,800
Notes payable, noncurrent portion	3,737,076	3,830,227
Accrued interest payable	87,345	225,318
Obligations to be forgiven	<u>3,209,000</u>	<u>3,209,000</u>
Total liabilities	<u>8,357,387</u>	<u>8,431,477</u>
 NET ASSETS		
Without donor restrictions:		
Undesignated	28,959,852	24,198,352
Board of Directors' designated reserve	<u>811,967</u>	<u>919,428</u>
Total net assets without donor restrictions	29,771,819	25,117,780
With donor restrictions	<u>1,660,013</u>	<u>1,300,636</u>
Total net assets	<u>31,431,832</u>	<u>26,418,416</u>
Total liabilities and net assets	<u><u>\$ 39,789,219</u></u>	<u><u>\$ 34,849,893</u></u>

The accompanying notes are an integral part of these financial statements.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND GAINS			
Contributions:			
Contributions - individuals and foundations	\$ 7,917,922	\$ 2,768,663	\$ 10,686,585
Contributions in-kind	965,922	-	965,922
Total contributions	8,883,844	2,768,663	11,652,507
Rental income, net of vacancies	1,345,932	-	1,345,932
Special events	922,279	-	922,279
Less: cost of direct benefits to donors	(244,331)	-	(244,331)
Total special events, net	677,948	-	677,948
Government and agency grants	13,339,485	-	13,339,485
Other revenue:			
Interest and dividends	145,885	-	145,885
Social enterprise	271,708	-	271,708
Developer fees	858,633	-	858,633
Other income	707,885	-	707,885
Total other revenue	1,984,111	-	1,984,111
Net assets released from donor restrictions:			
Satisfaction of program and/or time restrictions	2,409,286	(2,409,286)	-
Total support revenue and gains	28,640,606	359,377	28,999,983
EXPENSES			
Expenses, excluding depreciation and amortization:			
Program services	19,020,513	-	19,020,513
Supporting activities:			
Fund development	1,451,205	-	1,451,205
General and administrative	1,886,904	-	1,886,904
Total expenses, excluding depreciation and amortization	22,358,622	-	22,358,622
CHANGE IN NET ASSETS, BEFORE DEPRECIATION AND AMORTIZATION			
	6,281,984	359,377	6,641,361
Depreciation and amortization:			
Program services	1,478,591	-	1,478,591
Supporting activities	149,354	-	149,354
Total depreciation and amortization	1,627,945	-	1,627,945
CHANGE IN NET ASSETS	4,654,039	359,377	5,013,416
NET ASSETS, beginning of year	25,117,780	1,300,636	26,418,416
NET ASSETS, end of year	\$ 29,771,819	\$ 1,660,013	\$ 31,431,832

The accompanying notes are an integral part of these financial statements.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions:			
Contributions - individuals and foundations	\$ 3,366,677	\$ 1,099,171	\$ 4,465,848
Contributions in-kind	<u>1,053,588</u>	<u>-</u>	<u>1,053,588</u>
Total contributions	<u>4,420,265</u>	<u>1,099,171</u>	<u>5,519,436</u>
Rental income, net of vacancies	1,277,010	-	1,277,010
Special events	694,716	-	694,716
Less: cost of direct benefits to donors	<u>(215,456)</u>	<u>-</u>	<u>(215,456)</u>
Total special events, net	<u>479,260</u>	<u>-</u>	<u>479,260</u>
Government and agency operating grants	13,032,465	-	13,032,465
Other revenue:			
Proceeds from Tumbleweed contracts	1,145,108	-	1,145,108
Interest and dividends	57,460	-	57,460
Social enterprise	313,150	-	313,150
Developer fees	547,827	-	547,827
Other income	<u>394,261</u>	<u>-</u>	<u>394,261</u>
Total other revenue	<u>2,457,806</u>	<u>-</u>	<u>2,457,806</u>
Net assets released from donor restrictions:			
Satisfaction of program restrictions	<u>1,227,031</u>	<u>(1,227,031)</u>	<u>-</u>
Total support and revenue	<u>22,893,837</u>	<u>(127,860)</u>	<u>22,765,977</u>
EXPENSES			
Expenses, excluding depreciation and amortization:			
Program services	21,373,045	-	21,373,045
Supporting activities:			
Fund development	1,363,116	-	1,363,116
General and administrative	<u>440,326</u>	<u>-</u>	<u>440,326</u>
Total expenses, excluding depreciation and amortization	<u>23,176,487</u>	<u>-</u>	<u>23,176,487</u>
CHANGE IN NET ASSETS BEFORE, DEPRECIATION AND AMORTIZATION			
	<u>(282,650)</u>	<u>(127,860)</u>	<u>(410,510)</u>
Depreciation and amortization:			
Program services	1,494,972	-	1,494,972
Supporting activities	<u>146,481</u>	<u>-</u>	<u>146,481</u>
Total depreciation and amortization	<u>1,641,453</u>	<u>-</u>	<u>1,641,453</u>
CHANGE IN NET ASSETS			
	(1,924,103)	(127,860)	(2,051,963)
NET ASSETS, beginning of year	<u>27,041,883</u>	<u>1,428,496</u>	<u>28,470,379</u>
NET ASSETS, end of year	<u><u>\$ 25,117,780</u></u>	<u><u>\$ 1,300,636</u></u>	<u><u>\$ 26,418,416</u></u>

The accompanying notes are an integral part of these financial statements.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services							
	UMOM New Day Center							
	Family Services							
	Shelters	Children's Programs	Youth Shelters	Chaplaincy	Operations and Facilities	Housing	Wellness Center	Social Enterprise
Salaries and wages	\$ 842,092	\$ 432,477	\$ 1,490,949	\$ 38,815	\$ 1,629,421	\$ 1,478,727	\$ 30,322	\$ 157,104
Employee benefits and payroll taxes	182,406	95,025	341,476	3,666	365,611	303,699	9,809	33,027
Total payroll and related costs	1,024,498	527,502	1,832,425	42,481	1,995,032	1,782,426	40,131	190,131
Professional services	105,631	83,178	100	-	401,180	168,697	87,500	-
Travel and transportation	9,192	217	9,972	-	112,185	63,049	780	2,280
Rent and utilities	50	-	173,139	-	930,748	7,294	-	21,043
Maintenance and repairs	-	-	480	-	71,799	-	-	1,066
Equipment and furniture	3,792	827	5,060	-	202,754	3,337	-	2,056
Food and kitchen supplies	1,921	1,200	12,126	-	570,976	4,126	-	8,714
Office and program supplies	20,089	8,140	24,110	-	23,893	13,332	2,501	517
Communication	7,534	1,484	1,618	-	489	4,732	-	321
Employment expenses	1,611	537	896	-	1,532	2,283	1,399	456
Other operating expenses	47,361	4,500	1,482	-	7,838	35	-	115,173
Interest expense	-	-	-	-	-	-	-	-
Client support and activities	20,343	2,390	51,384	-	282	43,039	-	-
Client housing assistance	37,023	900	10,911	-	60	2,107,574	-	-
Grants to other agencies	128,486	-	-	-	-	974,682	-	-
Contributed goods and services	198,977	-	55,774	-	-	10,914	443,084	-
Total expenses before depreciation, amortization, allocations, and eliminations	1,606,508	630,875	2,179,477	42,481	4,318,768	5,185,520	575,395	341,757
Depreciation and amortization	801,074	95,043	13,578	-	13,578	67,888	40,733	54,310
Allocation of shelter operations and facilities expenses	2,142,163	184,107	527,079	-	(4,277,313)	361,327	62,433	60,258
Total expenses	<u>\$ 4,549,745</u>	<u>\$ 910,025</u>	<u>\$ 2,720,134</u>	<u>\$ 42,481</u>	<u>\$ 55,033</u>	<u>\$ 5,614,735</u>	<u>\$ 678,561</u>	<u>\$ 456,325</u>

	Program Services - Continued				Supporting Activities				
	UMOM New Day Center		HH Housing Services		Total Program Services	Fund Development	General and Administrative	Total Supporting Activities	Total Supporting and Program Expenses
	Outreach & Engagement	Halle Women's Center	Property Management						
Salaries and wages	\$ 525,427	\$ 836,081	\$ 207,925	\$ 7,669,340	\$ 865,982	\$ 1,425,489	\$ 2,291,471	\$ 9,960,811	
Employee benefits and payroll taxes	101,760	190,724	59,644	1,686,847	152,279	281,117	433,396	2,120,243	
Total payroll and related costs	627,187	1,026,805	267,569	9,356,187	1,018,261	1,706,606	2,724,867	12,081,054	
Professional services	-	2,439	368,282	1,217,007	56,018	293,501	349,519	1,566,526	
Travel and transportation	7,165	576	1,027	206,443	12,723	7,591	20,314	226,757	
Rent and utilities	3,750	377	156,926	1,293,327	1,741	73,700	75,441	1,368,768	
Maintenance and repairs	-	-	178,366	251,711	-	-	-	251,711	
Equipment and furniture	3,028	924	69,405	291,183	25,555	103,098	128,653	419,836	
Food and kitchen supplies	177	9,103	-	608,343	49,069	2,378	51,447	659,790	
Office and program supplies	12,035	6,108	12,700	123,425	7,972	34,110	42,082	165,507	
Communication	4,583	795	12,137	33,693	27,450	18,088	45,538	79,231	
Employment expenses	1,877	872	1,990	13,453	1,504	72,727	74,231	87,684	
Other operating expenses	4,739	612	433,500	615,240	54,912	27,921	82,833	698,073	
Interest expense	-	-	103,147	103,147	-	-	-	103,147	
Client support and activities	93	1,486	-	119,017	-	-	-	119,017	
Client housing assistance	155,553	17,960	-	2,329,981	-	-	-	2,329,981	
Grants to other agencies	157,338	-	-	1,260,506	-	-	-	1,260,506	
Contributed goods and services	-	163,589	-	872,338	29,637	39,059	68,696	941,034	
Total expenses before depreciation, amortization, allocations, and eliminations	977,525	1,231,646	1,605,049	18,695,001	1,284,842	2,378,779	3,663,621	22,358,622	
Depreciation and amortization	-	122,198	270,189	1,478,591	67,888	81,466	149,354	1,627,945	
Allocation of shelter operations and facilities expenses	126,784	1,134,617	-	321,455	170,420	(491,875)	(321,455)	-	
Total expenses	\$ 1,104,309	\$ 2,488,461	\$ 1,875,238	\$ 20,495,047	\$ 1,523,150	\$ 1,968,370	\$ 3,491,520	\$ 23,986,567	

The accompanying notes are an integral part of these financial statements.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

Program Services								
UMOM New Day Center								
Family Services								
	Shelters	Children's Programs	Youth Shelters	Chaplaincy	Operations and Facilities	Housing	Wellness Center	Social Enterprise
Salaries and wages	\$ 807,851	\$ 537,635	\$ 1,344,963	\$ 37,999	\$ 1,835,666	\$ 1,521,551	\$ 48,040	\$ 338,287
Employee benefits and payroll taxes	175,851	120,086	305,719	3,719	436,959	332,232	13,962	75,691
Total payroll and related costs	983,702	657,721	1,650,682	41,718	2,272,625	1,853,783	62,002	413,978
Professional services	65,239	-	91,270	-	340,661	208,552	137,500	2,050
Travel and transportation	8,277	262	14,509	-	166,437	54,955	1,478	5,792
Rent and utilities	-	-	175,375	-	826,234	44,293	-	33,124
Maintenance and repairs	-	-	484	-	149,552	1,493	-	272
Equipment and furniture	-	2,703	3,067	-	245,901	32,821	-	4,026
Food and kitchen supplies	666	2,931	109,031	-	400,979	10,748	-	115,226
Office and program supplies	10,922	14,280	17,387	-	15,710	20,895	5,036	3,199
Communication	9,036	895	8,662	-	5,046	15,710	406	648
Employment expenses	406	48	763	-	856	2,062	10	58
Other operating expenses	4,625	1,800	1,970	-	12,499	59,109	4	12,849
Interest expense	-	-	-	-	-	-	-	-
Client support and activities	20,170	4,451	33,502	-	80	112,798	17	2,060
Client housing assistance	81,040	155	16,050	-	-	2,656,921	-	2,216
Grants to other agencies	-	-	-	-	-	1,268,731	-	-
Contributed goods and services	132,787	12,665	7,479	-	123,859	12,498	437,867	1,797
Total expenses before depreciation, amortization, allocations, and eliminations	1,316,870	697,911	2,130,231	41,718	4,560,439	6,355,369	644,320	597,295
Depreciation and amortization	802,619	101,503	13,916	-	11,414	59,788	43,618	61,147
Allocation of shelter operations and facilities expenses	2,263,794	319,503	674,283	-	(4,391,807)	916,381	62,915	221,131
Total expenses	<u>\$ 4,383,283</u>	<u>\$ 1,118,917</u>	<u>\$ 2,818,430</u>	<u>\$ 41,718</u>	<u>\$ 180,046</u>	<u>\$ 7,331,538</u>	<u>\$ 750,853</u>	<u>\$ 879,573</u>

	Program Services - Continued				Supporting Activities			
	HH Housing			Total Program Services	Fund Development	General and Administrative	Total Supporting Activities	Total Supporting and Program Expenses
	UMOM New Day Center	Services						
	Outreach & Engagement	Halle Women's Center	Property Management					
Salaries and wages	\$ 523,005	\$ 739,278	\$ 216,921	\$ 7,951,196	\$ 716,680	\$ 1,234,280	\$ 1,950,960	\$ 9,902,156
Employee benefits and payroll taxes	98,538	148,923	64,052	1,775,732	129,707	220,702	350,409	2,126,141
Total payroll and related costs	621,543	888,201	280,973	9,726,928	846,387	1,454,982	2,301,369	12,028,297
Professional services	12,614	8,193	366,254	1,232,333	147,399	170,507	317,906	1,550,239
Travel and transportation	10,054	1,314	1,884	264,962	2,850	1,001	3,851	268,813
Rent and utilities	-	8,339	173,232	1,260,597	-	91,433	91,433	1,352,030
Maintenance and repairs	432	284	217,480	369,997	19	179,065	179,084	549,081
Equipment and furniture	1,639	3,019	75,446	368,622	22,576	4,494	27,070	395,692
Food and kitchen supplies	8,548	10,186	-	658,315	61,034	5,045	66,079	724,394
Office and program supplies	7,426	7,947	10,329	113,131	1,677	22,222	23,899	137,030
Communication	11,001	3,335	8,535	63,274	4,697	40,622	45,319	108,593
Employment expenses	20	899	1,888	7,010	495	116,956	117,451	124,461
Other operating expenses	11,138	976	98,382	203,352	44,807	242,695	287,502	490,854
Interest expense	-	-	104,746	104,746	-	-	-	104,746
Client support and activities	2,899	3,487	-	179,464	-	-	-	179,464
Client housing assistance	25,053	4,801	-	2,786,236	-	-	-	2,786,236
Grants to other agencies	148,487	-	-	1,417,218	-	-	-	1,417,218
Contributed goods and services	20,383	208,772	-	958,107	-	1,232	1,232	959,339
Total expenses before depreciation, amortization, allocations, and eliminations	881,237	1,149,753	1,339,149	19,714,292	1,131,941	2,330,254	3,462,195	23,176,487
Depreciation and amortization	-	118,329	282,638	1,494,972	61,147	85,334	146,481	1,641,453
Allocation of shelter operations and facilities expenses	263,985	1,328,568	-	1,658,753	231,175	(1,889,928)	(1,658,753)	-
Total expenses	\$1,145,222	\$ 2,596,650	\$ 1,621,787	\$ 22,868,017	\$1,424,263	\$ 525,660	\$ 1,949,923	\$24,817,940

The accompanying notes are an integral part of these financial statements.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,013,416	\$ (2,051,963)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,627,945	1,641,453
Bad debt expense	39,067	157,782
Gain on disposal of assets	(76,609)	(22,241)
Donated property and equipment	(24,888)	(121,696)
Net gains on investments	(87,676)	(9,107)
Change in discount on pledges receivable	(2,589)	944
Transfer of noncontrolling interest in UMOM IV, LLC to unrelated party	-	474,697
Transfer of noncontrolling interest in UMOM V, LLC to unrelated party	110,064	-
(Increase) decrease in:		
Contracts receivable	369,556	(288,653)
Pledges receivable, net	(860,212)	42,518
Related party receivables	30,689	473,965
Other receivables	3,161	(2,953)
Prepaid expenses	(44,256)	(89,896)
Interest receivable - related party	(115,747)	(25,296)
Tenant security deposits held in trust	(444)	(577)
Mortgage escrow and other deposits	(9,443)	28,341
Reserve for replacements and rehabilitation	(43,279)	(7,856)
Other assets	4,236	2,057
Increase (decrease) in:		
Accounts payable	257,711	45,738
Accrued expenses	(104,517)	63,460
Tenant security deposits held in trust	2,100	1,533
Accrued interest payable	(72,249)	12,230
Total adjustments	1,002,620	2,376,443
Net cash provided by operating activities	6,016,036	324,480
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,772,838)	-
Purchases of land, buildings and equipment	(518,255)	(527,652)
Proceeds from sale of land, buildings and equipment	342,888	19,300
Net cash used by investing activities	(2,948,205)	(508,352)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(91,411)	(49,819)
Receipts from notes receivable from related party	18,709	18,342
Net cash used by financing activities	(72,702)	(31,477)
NET INCREASE (DECREASE) IN CASH	2,995,129	(215,349)
CASH, beginning of year	2,125,159	2,340,508
CASH, end of year	\$ 5,120,288	\$ 2,125,159
Supplemental disclosure of non-cash transactions:		
Contributed services	\$ 965,922	\$ 931,892
Transfer of noncontrolling interest in UMOM IV, LLC to unrelated party	-	474,697
Transfer of noncontrolling interest in UMOM V, LLC to unrelated party	110,064	-
Supplemental disclosure of cash flow information:		
Cash paid for interest - expensed	\$ 241,120	\$ 92,516

The accompanying notes are an integral part of these financial statements.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of the Consolidated Organization

UMOM New Day Centers, Inc.

UMOM New Day Centers, Inc. (UMOM) was incorporated in August 1985 in the State of Arizona as a private, nonprofit 501(c)(3) organization. UMOM's purpose is to provide shelter, assistance, and programs to homeless and low-income children and adults in greater metropolitan Phoenix, Arizona. This is accomplished by the provision of a continuum of services including emergency shelter, transitional housing, case management, crisis counseling, nutritional meals, transportation assistance, childcare, education programs, employment assistance, and permanent housing location and assistance.

The organizational vision is to be a leader in breaking the cycle of homelessness. UMOM's mission statement is to prevent and end homelessness with innovative strategies and housing solutions that meet the unique needs of each family and individual. The Board of Directors is composed of people representing local civic, faith-based, and corporate communities.

UMOM contracts with various governmental agencies to provide programs for homeless families in emergency shelter, transitional housing, rapid re-housing and permanent supportive housing. The New Day Center, UMOM's primary campus, provides life-skills classes, employment assistance and a childcare center for the families in the shelter and housing programs. The childcare center is licensed for infants through school age children to 12 years old. The center's programs include evaluation of developmental and behavioral issues and provide an after school program for school age children. Services are also provided to teens (age 13 through 18) with a program that is case managed. It includes activities and incentive programs that provide the teens with goals and rewards for accomplishments. The Halle Women's Center provides emergency, low-demand shelter services for single women and families. Federal, State, and City governments establish certain guidelines for the types and levels of services provided in their contracts. The government funding sources do not cover all of the costs of the services, which make the programs dependent upon comprehensive fund development efforts for individual and community donor support. In addition, most of UMOM's programs provide services that exceed the government agency requirements in order to give the people serviced the greatest opportunity for success in the community after leaving UMOM's programs.

Principles of Consolidation

These consolidated financial statements include the balances and financial activities of UMOM and its wholly owned subsidiaries. "The Consolidated Organization" is used throughout the notes to the financial statements to refer to the consolidated entity. Revenues and expenses of Helping Hands Housing Services, Inc. and the Casa De Paz properties are consolidated for the period of September 1, 2009 through June 30, 2019, the period during which UMOM has been the sole member of Helping Hands Housing Services, Inc. All inter-entity balances and transactions have been eliminated.

Helping Hands Housing Services, Inc.

On September 1, 2009, UMOM became the sole member of Helping Hands Housing Services, Inc. The book value of Helping Hands Housing Services, Inc. and subsidiaries at September 1, 2009 was \$3,472,201. Helping Hands Housing Services, Inc. was incorporated in 1995 in the State of Arizona as a nonprofit 501(c)(3) organization. Helping Hands Housing Services, Inc.'s mission is to provide affordable housing and free support services for low-income individuals and families and to improve the quality of life for its residents. Helping Hands Housing Services, Inc.'s programs include the operation of multi-family properties, family rental assistance programs, and other youth and family programs for its residents to aid in breaking the cycle of poverty. Helping Hands Housing Services, Inc. is primarily supported through donor contributions and rental revenue.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

Helping Hands Housing Services, Inc. and UMOM provide residents with strategic support services. Programs include family rental assistance to provide affordable housing through rent subsidies to very low-income tenants; property management to provide housing to the homeless and low-income communities; and youth and family services to enhance the quality of lives for residents in its housing projects.

The property management program consists of the operations of three apartment buildings. The projects are financed through mortgages insured by the Federal Housing Administration (FHA) and are required to comply with specific regulatory agreements. Helping Hands Housing Services, Inc. is the sole member of each project and a brief description of each property follows:

Casa De Paz Apartments, LLC

Casa De Paz Apartments, LLC is an Arizona limited liability company formed in June 2004 to own and operate a 40-unit apartment complex in Phoenix, Arizona. The project is financed under Section 207, pursuant to section 223(f), of the National Housing Act, as amended, and is administered by the U.S. Department of Housing and Urban Development (HUD). Housing is provided to low-income families, and is subject to the rules and regulations of HUD as to rental charges and operating methods. The project targets low-income residents and offers reduced rental charges to tenants through rent subsidies provided by Helping Hands Housing Services, Inc.

Casa De Paz III Apartments, LLC

Casa De Paz III Apartments, LLC is an Arizona limited liability company formed in September 2004 to own and operate a 32-unit apartment complex in Phoenix, Arizona. The project is financed through the assumption of mortgages, insured by the FHA under Section 223(a)(7) of the National Housing Act, that were restructured using a Mark-to-Market restructuring program as established by Office of Multinational Housing Assistance Restructuring (OMHAR), and is subject to the rules and regulations of OMHAR and HUD. Housing is provided to low-income individuals subject to the rules and regulations of HUD as to rental charges and operating methods. Lower rental charges to tenants are recovered through Section 8 rent subsidies provided by HUD. The Housing Assistance Program is a 20 year contract beginning September 2005 and subject to annual renewal.

Casa De Paz IV Apartments, LLC

Casa De Paz IV Apartments, LLC is an Arizona limited liability company formed in September 2004 to own and operate an 80-unit apartment complex in Phoenix, Arizona. The project is financed through the assumption of mortgages, insured by the FHA under Section 223(a)(7) of the National Housing Act, that were restructured using a Mark-to-Market restructuring program as established by OMHAR, and is subject to the rules and regulations of OMHAR and HUD. Housing is provided to low-income individuals subject to the rules and regulations of HUD as to rental charges and operating methods. Lower rental charges to tenants are recovered through Section 8 rent subsidies provided by HUD. The Housing Assistance Program is a 20 year contract beginning August 2005 and subject to annual renewal.

Casa De Paz Apartments, LLC, Casa De Paz III Apartments, LLC, and Casa De Paz IV Apartments, LLC, participate in HUD programs and are required to have separate audits performed under the *Consolidated Audit Guide for Audits of HUD Programs*. The audited financial statements for the housing projects' calendar year ends of December 31, 2017 and 2018 were issued by other accountants in March 2018 and March 2019, respectively, and contain unmodified opinions on those statements.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

Other Related Entities

UMOM is the sole member of the following other related entities: Day Center I, LLC; Day Center II, LLC; Day Center III, LLC; Day Center IV, LLC; Day Center V, LLC; Day Center VI, LLC; UMOM Housing IV, LLC; UMOM Housing V, LLC; and UMOM Housing VI, LLC. Day Center I, LLC, formed in March 2008, and Day Center II, LLC, formed in January 2011, were created for the purposes of being partners in low-income housing developments, including the Legacy Crossing property (UMOM's former campus). Additional information on these entities is provided in Note 6 to the financial statements.

Day Center III, LLC is an Arizona limited liability company formed in October 2011 to own and operate Parson's Village, a 48-unit apartment complex in Phoenix, Arizona. Helping Hands Housing Services, Inc. is the sole member of Day Center III, LLC (Day Center III), an organization formed to be one of two general partners in a separate organization, UMOM Housing III, LLC (UMOM Housing III). This entity was created in order to attract investors to fund a housing project through the federal Low Income Housing Tax Credit program under the IRS code. UMOM had a 99.99% ownership interest and Day Center III had a .01% ownership interest in UMOM Housing III until January 2015, when UMOM's ownership interest was transferred to an unrelated nonprofit organization.

Day Center IV, LLC is an Arizona limited liability company formed in December 2016 to own and operate 19 North, a 54-unit apartment complex in Phoenix, Arizona. Helping Hands Housing Services, Inc. is the sole member of Day Center IV, LLC (Day Center IV), an organization formed to be one of two general partners in a separate organization, UMOM Housing IV, LLC (UMOM Housing IV). This entity was created in order to attract investors to fund a housing project through the federal Low Income Housing Tax Credit program under the IRS code. Helping Hands had a 99.99% ownership interest and Day Center IV had a .01% ownership interest in UMOM Housing IV until September 2017, when Helping Hands' ownership interest was transferred to an unrelated nonprofit organization.

Day Center V, LLC is an Arizona limited liability company formed in January 2017 to own and operate an apartment complex in Phoenix, Arizona. Helping Hands Housing Services, Inc. is the sole member of Day Center V, LLC (Day Center V), an organization formed to be one of two general partners in a separate organization, UMOM Housing V, LLC (UMOM Housing V). This entity was created in order to attract investors to fund a housing project through the federal Low Income Housing Tax Credit program under the IRS code. Helping Hands had a 99.99% ownership interest and Day Center V had a .01% ownership interest in UMOM Housing V until December 2018, when Helping Hands' ownership interest was transferred to an unrelated nonprofit organization.

Day Center VI, LLC is an Arizona limited liability company formed in January 2019 to own and operate an apartment complex in Phoenix, Arizona. Helping Hands Housing Services, Inc. is the sole member of Day Center VI, LLC (Day Center VI), an organization formed to be one of two general partners in a separate organization, UMOM Housing VI, LLC (UMOM Housing VI). This entity was created in order to attract investors to fund a housing project through the federal Low Income Housing Tax Credit program under the IRS code. Helping Hands has a 99.99% ownership interest and Day Center VI has a .01% ownership interest in UMOM Housing VI.

Accounting Framework

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*, requiring the UMOM to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Amounts With Donor Restrictions

Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

The Consolidated Organization reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Consolidated Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contracts, Pledges and Developer Fees Receivable

Contracts, pledges and developer fees receivable are stated at the net amount management expects to collect from outstanding balances. The Consolidated Organization recognizes contracts receivable as support when eligible costs are incurred or services are provided, but reimbursement has not been received. Pledges receivable are recognized as revenue when an unconditional promise to give is received, and are stated at net present value of expected cash flows, less an estimated allowance for doubtful accounts. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Developer fees are earned when when certain HUD-defined eligibility requirements are met on low income housing developments, and are stated at net present value of expected cash flows.

The Consolidated Organization provides for losses on accounts receivable using the allowance method. Receivables are considered impaired if payments are not received in accordance with the contractual terms. The Consolidated Organization's policy is to charge off uncollectible balances when management determines the receivable will not be collected. All contracts and developer fees receivable balances were considered collectable as of June 30, 2019 and 2018. An allowance for doubtful accounts of \$3,000 at June 30, 2019 and 2018 is recorded for pledges receivable to allow for future uncollected pledges. The allowance is management's estimate, based on experience, creditworthiness, and other circumstances which may affect the collectability of the amounts due.

Tenant Security Deposits Held in Trust

The HUD projects are required by the terms of the regulatory agreements to maintain separate bank accounts into which all tenant security deposits are deposited and held in trust for the tenants until they vacate the property.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

Reserve for Replacement and Rehabilitation

Under the regulatory agreements, the HUD properties are required to set aside amounts for the replacement of property and other project expenditures approved by HUD. The HUD-restricted deposits are held in separate accounts generally not available for operating purposes. The projects are required to make monthly deposits, as defined by regulation, to the replacement reserve account, which is held on deposit with the mortgage.

Land, Buildings and Equipment

Land, buildings and equipment are stated at historical costs if purchased. Contributed capital assets are measured at estimated fair value at the date of donation. The cost of maintenance and repairs is expensed as incurred. Significant acquisitions and improvements with a cost greater than \$3,000 and a useful life in excess of one year are capitalized. Depreciation of buildings and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	25 years
Improvements	10 - 15 years
Furniture, fixtures and equipment	5 - 7 years
Vehicles	3 - 5 years
Website / software	3 - 7 years

Income Taxes

UMOM and its subsidiaries are exempt from state and federal income taxes as organizations described under Section 501(c)(3) of the Internal Revenue Code. Wholly-owned LLCs are considered disregarded entities for income tax purposes. Contributions to UMOM and Helping Hands Housing Services, Inc. are tax deductible within the limitations described by the Internal Revenue Code.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the programs and supporting services benefited based on management's estimate of employee hours and facility usage devoted to each function.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 2).

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - LIQUIDITY AND AVAILABILITY

UMOM monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. UMOM has the following financial assets that could readily be made available within one year of each fiscal year end to fund expenses without limitations:

	<u>2019</u>	<u>2018</u>
Total financial assets included in current assets		
Cash	\$ 5,120,288	\$ 2,125,159
Investments	3,191,114	330,600
Receivables:		
Contracts	1,911,649	2,281,205
Pledges, net	1,096,720	200,300
Related party	-	30,689
Other	14,571	17,732
Notes receivable - related party, current portion	<u>19,089</u>	<u>18,712</u>
Total financial assets	11,353,431	5,004,397
Less amounts unavailable for general expenditure within one year:		
Board of Directors' designated reserve	811,967	919,428
Net assets with donor restrictions	<u>1,660,013</u>	<u>1,300,636</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 8,881,451</u></u>	<u><u>\$ 2,784,333</u></u>

In addition to financial assets available to meet general expenditures over the year, UMOM operates with a balanced budget and anticipates covering its general expenditures by collecting contributions, grants, and other revenues; and by utilizing donor-restricted resources from current and prior years gifts.

UMOM also has an unsecured \$500,000 line of credit, which it could draw upon in the event of an anticipated liquidity need (See Note 9).

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 inputs generally are available indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active. UMOM currently does not have any financial instruments it values based on Level 2 inputs.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT - CONTINUED

Level 3 inputs are the most subjective, and are generally based on the entity's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances. UMOM currently does not have any financial instruments it values based on Level 3 inputs.

Fair value of level one assets measured on a recurring basis at June 30, was as follows:

	<u>2019</u>	<u>2018</u>
Cash equivalents	\$ 45,809	\$ 21,322
Equity securities	62,265	63,025
Fixed income securities:		
Mutual funds	17,026	206,488
Certificates of deposits and share certificates	1,012,537	-
Corporate bonds and notes	2,021,128	-
Closed end funds and exchange traded products	<u>32,349</u>	<u>39,765</u>
Total fixed income securities	<u>3,083,040</u>	<u>246,253</u>
Total investments	<u>\$ 3,191,114</u>	<u>\$ 330,600</u>

NOTE 4 - CONTRACTS RECEIVABLE

Contracts receivable were due as follows as of June 30:

	<u>2019</u>	<u>2018</u>
U.S. Department of Housing and Urban Development	\$ 235,152	\$ 287,339
Arizona Department of Economic Security	508,226	228,741
Arizona Department of Child Safety	331,059	331,518
City of Phoenix	437,321	915,789
Valley of the Sun United Way	94,000	124,750
Arizona Department of Public Safety	112,959	56,713
Others	<u>192,932</u>	<u>336,355</u>
Total contracts receivable	<u>\$ 1,911,649</u>	<u>\$ 2,281,205</u>

NOTE 5 - PLEDGES RECEIVABLE, NET

UMOM's net pledges receivable consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 1,096,720	\$ 200,300
Due within two to five years	<u>6,965</u>	<u>82,240</u>
	1,103,685	282,540
Allowance for uncollectible pledges	(3,000)	(3,000)
Discount to adjust to present value (3.25%)	<u>-</u>	<u>(2,589)</u>
Net pledges receivable	<u>\$ 1,100,685</u>	<u>\$ 276,951</u>

Approximately 99% of pledges receivable were due from two donors at June 30, 2019, and 71% of pledges receivable were due from two donors at June 30, 2018.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - DEVELOPER FEES, NET

UMOM has earned developer fees from the following related parties:

UMOM Family Housing, LLLP

UMOM is the sole member of Day Center I, LLC (Day Center I), an organization formed to be the general partner in a separate organization, UMOM Family Housing, LLLP (UMOM Family Housing). In 2009, UMOM Family Housing purchased a property with approximately eighty individual housing units formerly used by UMOM as its operating facilities, for development of a low income residential rental housing project referred to as "The Legacy Crossing Properties". UMOM Family Housing is a for-profit limited liability partnership formed to construct and manage The Legacy Crossing Properties and to attract investors to the project through the federal Low Income Housing Tax Credit program under the IRS code.

Day Center I has a .005% ownership interest in UMOM Family Housing and receives a .005% allocation of its profits and losses. Day Center I's investment in UMOM Family Housing was not material to the consolidated financial statements at June 30, 2019 and 2018, and is not recognized in the Consolidated Organization's financial statements. In addition, UMOM has a 15 year right of first refusal on the sale of the property owned by UMOM Family Housing.

UMOM Family Housing owed UMOM \$271,000 in developer fees at June 30, 2019 and 2018. Future receipts of these developer fees depend on available cash flows as defined by HUD. Developer fees, net includes a discount to net present value of \$18,122 at at June 30, 2019 and 2018.

Developer Fees from Other Related Parties

Helping Hands earned developer fees totaling \$494,019 from UMOM Housing V, LLC and \$364,614 from UMOM Housing VI, LLC during the year ended June 30, 2019.

UMOM earned developer fees totaling \$28,336, and Helping Hands earned developer fees totaling \$519,491 from UMOM Housing III, LLC during the year ended June 30, 2018.

NOTE 7 - DUE FROM RELATED PARTIES

UMOM had no related party receivable as of June 30, 2019. UMOM's related party receivable of \$30,689 was due from UMOM Housing IV, LLC at June 30, 2018.

UMOM also has two notes receivable due from UMOM Housing III, LLC totaling \$2,364,641 and \$2,383,350 at June 30, 2019 and 2018, respectively. The first note for \$695,462 and \$714,171 and June 30, 2019 and 2018, respectively, bears interest at 2% with monthly principal and interest payments due of \$2,735 until the note matures in 2047. The second note for \$1,669,179 at June 30, 2019 and 2018 bears interest at 3% with monthly interest only payments due from available cash flows (as defined by an operating agreement), with all unpaid principal and interest due in 2047. At June 30, 2019 and 2018, UMOM Housing III, LLC owed UMOM \$222,865 and \$172,842, respectively, for accrued interest on the second note.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 8 - LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings and equipment, net consist of the following at June 30:

	2019	2018
Land	\$ 5,643,707	\$ 5,707,319
Buildings and improvements	28,619,966	28,448,311
Furniture, fixtures and equipment	2,333,389	2,361,299
Vehicles	584,073	600,662
Website / software	143,991	180,529
Construction-in-progress	151,609	169,424
	37,476,735	37,467,544
Accumulated depreciation and amortization	(12,590,291)	(11,119,955)
	\$ 24,886,444	\$ 26,347,589

Land, buildings and improvements costing approximately \$7 million are pledged as collateral on certain notes payable and obligations to be forgiven (See Notes 10 and 12). Depreciation and amortization expense was \$1,627,945 and \$1,641,453 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 - LINE OF CREDIT

UMOM has a \$500,000 revolving line of credit arrangement with a financial institution available through April 2020. The interest rate on the line of credit is equal to the Prime Rate plus 0.5%, which was 6.0% and 5.5% at June 30, 2019 and 2018, respectively, and the principal amount due on the line of credit was \$0.

NOTE 10 - NOTES PAYABLE

Notes payable consist of the following at June 30:

	2019	2018
Midland Bank, interest rates ranging from 5.85% - 5.95%, payable in monthly installments ranging from \$1,812 to \$8,191 totaling approximately \$12,000 for the properties listed below, including principal and interest, secured by real property with maturity dates ranging from September 2035 to June 2040. Balances owed at June 30, are as follows:		
Casa De Paz Apartments, LLC	\$ 1,176,937	\$ 1,204,308
Casa De Paz III Apartments, LLC	239,740	248,266
Casa De Paz IV Apartments, LLC	227,664	235,829
	1,644,341	1,688,403

City of Phoenix, 4% interest, payable in semi-annual payments of \$6,493 to \$9,730, totaling approximately \$23,800 for the properties listed below, including principal and interest, due August 2035 to June 2040. Payments of principal and interest are subject to HUD-defined surplus cash, and secured property is subject to HUD regulations. Any semi-annual interest payments not made because of HUD restrictions are recorded as accrued interest when due. Balances owed at June 30, are as follows:

Casa De Paz Apartments, LLC	241,278	241,278
Casa De Paz III Apartments, LLC	304,004	304,004
Casa De Paz IV Apartments, LLC	204,754	213,375
	750,036	758,657

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 10 - NOTES PAYABLE - CONTINUED

	<u>2019</u>	<u>2018</u>
Two \$706,969 notes payable to the City of Phoenix by Casa De Paz III Apartments, LLC, guaranteed by Helping Hands Housing Services, Inc., and secured by real property. Annual principal and 2% simple interest payments of approximately \$18,000 were due beginning July 1, 2017 on the first note. Annual principal and 4% simple interest payments were due beginning on July 1, 2017 on the second note. Interest began to accrue on June 1, 2017 for outstanding principal balances. Both notes mature on July 1, 2055 and are subject to ongoing compliance requirements for HUD's Home Investment Partnership Program.	<u>1,375,209</u>	<u>1,413,937</u>
	3,769,586	3,860,997
Less: current portion	<u>32,510</u>	<u>30,770</u>
	<u>\$ 3,737,076</u>	<u>\$ 3,830,227</u>

Interest expense on the notes payable for the years ended June 30, 2019 and 2018 was \$92,601 and \$94,773, respectively.

Maturities of the notes payable at June 30, 2019 are as follows:

Year ending June 30,	
2020	\$ 32,510
2021	34,356
2022	36,312
2023	38,695
2024	40,498
Thereafter	<u>3,587,215</u>
	<u>\$ 3,769,586</u>

NOTE 11 - OTHER RELATED PARTY NOTES RECEIVABLE / PAYABLE

Upon the close of escrow for the Casa De Paz properties financed using the Mark-to-Market program, the second mortgages (mortgage restructuring notes) and the third mortgages (contingent repayment notes) were assigned to Helping Hands Housing Services, Inc. This type of debt relief is available to qualified nonprofit organizations that meet specific eligibility requirements, including the acceptance of a 50 year use agreement and a 10 year sale restriction. The stated interest rate for the mortgages is 1% and they are payable over 35 years. Annual payments are due from the properties' restricted surplus cash, which is calculated at December 31st each year. Restricted surplus cash is defined as 75% of surplus cash available. No maturity schedule has been presented, as the mortgages are subject to HUD-defined surplus cash, which cannot be determined for future years as of June 30, 2019.

These related party transactions have been eliminated in the consolidation of the financial statements. The mortgages receivable/payable consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Mortgage restructuring notes	\$ 1,526,091	\$ 1,810,274
Contingent repayment notes	<u>1,017,889</u>	<u>1,017,889</u>
	<u>\$ 2,543,980</u>	<u>\$ 2,828,163</u>

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 12 - OBLIGATIONS TO BE FORGIVEN

UMOM has debt funding under agreements that forgive the obligations over time. Obligations to be forgiven consist of the following at June 30:

	2019	2018
Interest free note of \$759,000 to the City of Phoenix to fund the acquisition and construction of new shelter facilities, secured by a deed of trust. The principal balance of the note is to be forgiven in July 2050, or 40 years from the date of recording the Certificate of Completion, provided terms of the note are met. The note is subject to ongoing compliance requirements for HUD's Home Investment Partnership Program (HOME).	\$ 759,000	\$ 759,000
Interest free note of \$1,000,000 to Desert Schools Federal Credit Union to fund the acquisition and construction of new shelter facilities, secured by a deed of trust. The loan was obtained through Desert Schools Federal Credit Union under the Federal Home Loan Bank Affordable Housing Program. The principal balance of the note is to be forgiven in March 2024, or 15 years from the date of recording the Certificate of Completion, provided terms of the note are met.	1,000,000	1,000,000
Interest free note of \$650,000 to Arizona Department of Housing to finance building renovations at Casa De Paz Apartments, LLC. The principal balance of the note is to be forgiven in 2029, or 15 years from the date of recording the Certificate of Completion, provided terms of the note are met.	650,000	650,000
Interest free note of \$800,000 to City of Phoenix to fund a 12-unit transitional supportive housing complex. The loan is to be forgiven in 2042, or 40 years from the date of Completion, provided terms of the note are met.	800,000	800,000
	\$ 3,209,000	\$ 3,209,000

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at June 30:

	2019	2018
UMOM Programs:		
Halle Women's Center	\$ 268,766	\$ 603,766
Children's programs	43,278	37,000
Other purposes	247,287	382,919
Timing restrictions	1,100,685	276,951
Total net assets with donor restrictions	\$ 1,660,016	\$ 1,300,636

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 14 - RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by using the restricted funds for the following donor-intended purposes for the years ended June 30:

	<u>2019</u>	<u>2018</u>
UMOM Programs:		
Halle Women's Center	\$ 385,000	\$ 442,419
Children's programs	20,176	34,672
Other purposes	155,004	549,640
Timing restrictions released	<u>1,849,106</u>	<u>200,300</u>
Total net assets with donor restrictions released from donor restrictions	<u>\$ 2,409,286</u>	<u>\$ 1,227,031</u>

NOTE 15 - GOVERNMENT AND AGENCY GRANTS

UMOM government and agency grants are as follows for the years ending June 30:

	<u>2019</u>	<u>2018</u>
U.S. Department of Housing and Urban Development	\$ 2,055,485	\$ 3,517,108
U.S. Department of Health and Human Services	735,891	437,984
U.S. Department of Veterans Services	781,676	687,286
Arizona Department of Economic Security	2,903,924	1,996,792
Arizona Department of Child Services	2,404,432	1,763,004
Arizona Department of Housing	751,217	622,171
Arizona Department of Public Safety	332,101	273,681
City of Phoenix - Human Services Department	1,296,722	1,479,724
Valley of the Sun United Way	376,000	499,000
Maricopa County Industrial Development Authority	710,644	340,899
Other	<u>991,393</u>	<u>1,414,816</u>
Total government and agency grants	<u>\$ 13,339,485</u>	<u>\$ 13,032,465</u>

NOTE 16 - IN-KIND CONTRIBUTIONS

UMOM records various types of in-kind support, including the skilled labor of numerous volunteers and supplies for use by the homeless families and children in the shelter. Contributed in-kind support is recognized in accordance with accounting principles generally accepted in the United States of America. This requires recognition of certain services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 16 - IN-KIND CONTRIBUTIONS - CONTINUED

In-kind support is summarized as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Food and services for the New Day Center family shelter and women's programs	\$ 128,841	\$ 227,025
Maintenance and repairs, supplies and services for New Day Center	262,175	226,259
Supplies and furnishings for affordable housing	11,223	11,176
Professional services provided to the Wellness Center	443,084	417,273
Donated assets	24,888	121,696
Other	95,711	50,159
Total reported donated assets and services	<u>\$ 965,922</u>	<u>\$ 1,053,588</u>

In addition, the following summarizes the estimated value of other services that have been donated to support the Consolidated Organization's programs that do not meet the criteria for recognition in the financial statements for the years ended June 30:

	<u>2019</u>	<u>2018</u>
<u>Donated Services Not Reported:</u>		
Unskilled services provided to New Day Center's programs and women's programs	\$ 453,580	\$ 391,507
Other	124,220	153,822
Total non-reported donated assets and services	<u>\$ 577,800</u>	<u>\$ 545,329</u>

NOTE 17 - PENSION PLAN

UMOM sponsors a 401(k) plan (the Plan) effective June 1, 2011 that covers all employees of UMOM who have completed one year's service with at least 1,000 hours of service. Employees are eligible to receive employer matching contributions provided they are contributing under the 401(k) feature of the Plan. UMOM's matching contributions, subject to annual approval by the Board of Directors, were \$127,776 and \$126,586 for the years ended June 30, 2019 and 2018, respectively.

NOTE 18 - CONCENTRATION OF CREDIT RISK

Credit Risk:

The Consolidated Organization maintains deposits in bank accounts at multiple financial institutions. Balances may at times exceed the limits insured by the Federal Deposit Insurance Corporation (FDIC) or covered under Securities Investor Protection Corporation (SIPC). The Consolidated Organization has not, and does not expect to incur losses related to uninsured balances.

Revenue Concentration:

UMOM received a contribution of approximately \$5 million from a private foundation during the year ended June 30, 2019, which comprised 17% of total support and revenue on the Consolidated Statement of Activities.

NOTE 19 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 11, 2019, the date which the consolidated financial statements were available to be issued, and has concluded that no events have occurred since the year ended June 30, 2019 that would require an adjustment to or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	UMOM	Helping Hands Housing Services, Inc. (HHHS)	UMOM Housing VI, LLC (UMOM VI)	Casa de Paz I Apartments (CDP I)	Ca de Paz III Apartments (CDP III)	Casa de Paz IV Apartments (CDP IV)	Consolidating Eliminations	Total
ASSETS								
Current assets:								
Cash	\$ 3,234,937	\$ 1,656,443	\$ -	\$ 27,801	\$ 100,221	\$ 100,886	\$ -	\$ 5,120,288
Investments	3,191,114	-	-	-	-	-	-	3,191,114
Receivables:								
Contracts	1,855,965	-	-	55,684	-	-	-	1,911,649
Pledges, net	1,096,720	-	-	-	-	-	-	1,096,720
Related party	121,890	172,615	-	-	-	-	(294,505)	-
Other	-	-	-	7,591	5,750	1,230	-	14,571
Notes receivable - related party, current portion	19,089	-	-	-	-	-	-	19,089
Prepaid expenses	<u>237,626</u>	<u>-</u>	<u>-</u>	<u>1,267</u>	<u>415</u>	<u>287</u>	<u>-</u>	<u>239,595</u>
Total current assets	9,757,341	1,829,058	-	92,343	106,386	102,403	(294,505)	11,593,026
Pledges receivable, noncurrent								
portion, net	3,965	-	-	-	-	-	-	3,965
Interest receivable - related party	222,865	215,073	-	-	-	-	(215,073)	222,865
Developer fees receivable, net	252,878	-	-	-	-	-	-	252,878
Tenant security deposits held in trust	-	-	-	7,192	7,084	20,038	-	34,314
Mortgage escrow and other deposits	-	-	-	18,337	18,139	20,167	-	56,643
Reserve for replacements and rehabilitation	-	-	-	73,113	96,746	137,272	-	307,131
Other assets	8,554	-	-	35,005	29,841	13,001	-	86,401
Notes receivable - related party, noncurrent portion	2,345,552	2,543,980	-	-	-	-	(2,543,980)	2,345,552
Land, buildings and equipment, net	19,979,293	-	144,914	1,510,286	1,521,305	1,730,646	-	24,886,444
Investment in HHHS	<u>3,472,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,472,201)</u>	<u>-</u>
Total assets	<u>\$ 36,042,649</u>	<u>\$ 4,588,111</u>	<u>\$ 144,914</u>	<u>\$ 1,736,276</u>	<u>\$ 1,779,501</u>	<u>\$ 2,023,527</u>	<u>\$ (6,525,759)</u>	<u>\$ 39,789,219</u>

See the independent auditors' report accompanying this statement.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED
JUNE 30, 2019

	<u>UMOM</u>	<u>HHHS</u>	<u>UMOM VI</u>	<u>CDP I</u>	<u>CDP III</u>	<u>CDP IV</u>	<u>Consolidating Eliminations</u>	<u>Total</u>
LIABILITIES AND NET ASSETS								
LIABILITIES								
Current liabilities:								
Accounts payable	\$ 451,987	\$ 123,720	\$ -	\$ 68,023	\$ 13,359	\$ 69,178	\$ -	\$ 726,267
Accrued expenses	513,788	-	-	3,601	1,403	15,497	-	534,289
Due to related party	-	-	144,914	26,011	123,580	-	(294,505)	-
Notes payable, current portion	-	-	-	29,045	3,465	-	-	32,510
Total current liabilities	<u>965,775</u>	<u>123,720</u>	<u>144,914</u>	<u>126,680</u>	<u>141,807</u>	<u>84,675</u>	<u>(294,505)</u>	<u>1,293,066</u>
Tenant security deposits held in trust	-	-	-	6,374	5,656	18,870	-	30,900
Notes payable, noncurrent portion	-	-	-	1,389,170	1,915,488	432,418	-	3,737,076
Accrued interest payable	-	-	-	114,941	64,808	122,669	(215,073)	87,345
Notes payable - related party	-	-	-	-	879,147	1,664,833	(2,543,980)	-
Obligations to be forgiven	<u>2,559,000</u>	<u>-</u>	<u>-</u>	<u>650,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,209,000</u>
Total liabilities	<u>3,524,775</u>	<u>123,720</u>	<u>144,914</u>	<u>2,287,165</u>	<u>3,006,906</u>	<u>2,323,465</u>	<u>(3,053,558)</u>	<u>8,357,387</u>
NET ASSETS (DEFICIT)								
Without donor restrictions	30,857,861	4,464,391	-	(550,889)	(1,227,405)	(299,938)	(3,472,201)	29,771,819
With donor restrictions	<u>1,660,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,660,013</u>
Total net assets (deficit)	<u>32,517,874</u>	<u>4,464,391</u>	<u>-</u>	<u>(550,889)</u>	<u>(1,227,405)</u>	<u>(299,938)</u>	<u>(3,472,201)</u>	<u>31,431,832</u>
Total liabilities and net assets (deficit)	<u>\$ 36,042,649</u>	<u>\$ 4,588,111</u>	<u>\$ 144,914</u>	<u>\$ 1,736,276</u>	<u>\$ 1,779,501</u>	<u>\$ 2,023,527</u>	<u>\$ (6,525,759)</u>	<u>\$ 39,789,219</u>

See the independent auditors' report accompanying this statement.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>						<u>With Donor</u>	<u>Consolidating</u>	<u>Total</u>
	<u>Helping Hands Housing Services, Inc. -</u>						<u>Restrictions</u>		
	<u>UMOM</u>	<u>HHHS</u>	<u>UMOM VI</u>	<u>CDP I</u>	<u>CDP III</u>	<u>CDP IV</u>	<u>UMOM</u>		
SUPPORT, REVENUES AND GAINS									
Contributions:									
Contributions - individuals and foundations	\$ 7,917,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,768,663	\$ -	\$ 10,686,585
Contributions in-kind	965,922	-	-	-	-	-	-	-	965,922
Total contributions	<u>8,883,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,768,663</u>	<u>-</u>	<u>11,652,507</u>
Rental income, net of vacancies	-	-	-	288,818	431,562	625,552	-	-	1,345,932
Special events	922,279	-	-	-	-	-	-	-	922,279
Less: cost of direct benefits to donors	<u>(244,331)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(244,331)</u>
Total special events, net	<u>677,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>677,948</u>
Government and agency grants	13,339,485	-	-	-	-	-	-	-	13,339,485
Other revenue:									
Interest and dividends	141,174	70,334	-	6	54	42	-	(65,725)	145,885
Social enterprise	271,708	-	-	-	-	-	-	-	271,708
Developer fees	-	858,633	-	-	-	-	-	-	858,633
Other income	442,281	97,644	-	156,838	5,832	5,290	-	-	707,885
Total other revenue	<u>855,163</u>	<u>1,026,611</u>	<u>-</u>	<u>156,844</u>	<u>5,886</u>	<u>5,332</u>	<u>-</u>	<u>(65,725)</u>	<u>1,984,111</u>
Net assets released from donor restrictions:									
Satisfaction of program and/or time restrictions	<u>2,409,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,409,286)</u>	<u>-</u>	<u>-</u>
Total support, revenues and gains	<u>\$ 26,165,726</u>	<u>\$ 1,026,611</u>	<u>\$ -</u>	<u>\$ 445,662</u>	<u>\$ 437,448</u>	<u>\$ 630,884</u>	<u>\$ 359,377</u>	<u>\$ (65,725)</u>	<u>\$ 28,999,983</u>

See the independent auditors' report accompanying this statement.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES - CONTINUED
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions						With Donor Restrictions		Total
	Helping Hands Housing Services, Inc. - Subsidiaries						UMOM	Consolidating Eliminations	
	UMOM	HHHS	UMOM VI	CDP I	CDP III	CDP IV			
EXPENSES									
Expenses, excluding depreciation and amortization:									
Program services	\$ 20,819,298	\$ 278,000	\$ -	\$ 329,894	\$ 461,589	\$ 535,566	\$ -	\$ (65,725)	\$ 22,358,622
Supporting activities:									
Fund development	-	-	-	-	-	-	-	-	-
General and administrative	-	-	-	-	-	-	-	-	-
Total expenses, excluding depreciation and amortization	<u>20,819,298</u>	<u>278,000</u>	<u>-</u>	<u>329,894</u>	<u>461,589</u>	<u>535,566</u>	<u>-</u>	<u>(65,725)</u>	<u>22,358,622</u>
CHANGE IN NET ASSETS, BEFORE DEPRECIATION AND AMORTIZATION	<u>5,346,428</u>	<u>748,611</u>	<u>-</u>	<u>115,768</u>	<u>(24,141)</u>	<u>95,318</u>	<u>359,377</u>	<u>-</u>	<u>6,641,361</u>
Depreciation and amortization:									
Program services	1,357,756	-	-	72,134	126,564	71,491	-	-	1,627,945
Supporting activities	-	-	-	-	-	-	-	-	-
Total depreciation and amortization	<u>1,357,756</u>	<u>-</u>	<u>-</u>	<u>72,134</u>	<u>126,564</u>	<u>71,491</u>	<u>-</u>	<u>-</u>	<u>1,627,945</u>
CHANGE IN NET ASSETS (DEFICIT)	3,988,672	748,611	-	43,634	(150,705)	23,827	359,377	-	5,013,416
NET ASSETS (DEFICIT), beginning of year	<u>26,869,189</u>	<u>3,715,780</u>	<u>-</u>	<u>(594,523)</u>	<u>(1,076,700)</u>	<u>(323,765)</u>	<u>1,300,636</u>	<u>(3,472,201)</u>	<u>26,418,416</u>
NET ASSETS (DEFICIT), end of year	<u>\$ 30,857,861</u>	<u>\$ 4,464,391</u>	<u>\$ -</u>	<u>\$ (550,889)</u>	<u>\$ (1,227,405)</u>	<u>\$ (299,938)</u>	<u>\$ 1,660,013</u>	<u>\$ (3,472,201)</u>	<u>\$ 31,431,832</u>

See the independent auditors' report accompanying this statement.

SUPPLEMENTARY INFORMATION - FEDERAL AWARDS

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Agency / CFDA Number	Federal Program Name	Cluster Title	Pass-Through Grantor	Pass-Through Grantor's Number	Program Expenditures	Amount Provided to Subrecipient
U.S. Department of Agriculture:						
10.558	Child and Adult Care Food Program		Arizona Department of Education	07-2431	\$ 190,294	
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Economic Security	ADES18-184026	<u>859,600</u>	
	Total U.S. Department of Agriculture				<u>1,049,894</u>	
U.S. Department of Housing and Urban Development:						
14.218	Community Development Block Grants / Entitlement Grants	CDBG - Entitlement Grants Cluster	City of Phoenix, Native American Connections	147268, 145546, C-22-18-011-3-00	1,277,254	
14.231	Emergency Solutions Grant Program		Arizona Department of Economic Security, City of Phoenix, City of Glendale	AZDES18-206227, 145546, C-10439	1,180,555	
14.239	Home Investment Partnerships Program		City of Phoenix	121470	2,134,209	
14.267	Continuum of Care Program		None	N/A	<u>2,094,277</u>	\$ 536,729
	Total U.S. Department of Housing and Urban Development				<u>6,686,295</u>	<u>536,729</u>
U.S. Department of Justice:						
16.320	Services for Tracking Victims		None	N/A	174,462	
16.575	Crime Victim Assistance		Arizona Department of Public Safety	2018-349, 2018-350 2018-351	<u>332,101</u>	
	Total U.S. Department of Justice				<u>506,563</u>	
U.S. Department of Veterans Affairs:						
64.024	VA Homeless Providers Grant and Per Diem Program		Arizona Department of Veteran Services	AZDVS GPD-001-18, PO#C65056	76,103	
64.033	VA Supportive Services for Veteran Families Program		None	N/A	<u>791,912</u>	<u>252,953</u>
	Total U.S. Department of Veterans Affairs				<u>868,015</u>	<u>252,953</u>

See Notes to Schedule of Expenditures of Federal Awards.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019

Federal Agency / CFDA Number	Federal Program Name	Cluster Title	Pass-Through Grantor	Pass-Through Grantor's Number	Program Expenditures	Amount Provided to Subrecipient
U.S. Department of Health and Human Services:						
93.550	Transitional Living form Homeless Youth		Arizona Department of Economic Security	90CX6987-04-00	227,131	
93.558	Temporary Assistance for Needy Families	TANF Cluster	Arizona Department of Economic Security	AZDES17-178648, ADES18-206227	446,132	185,000
<i>CCDF Cluster</i>						
93.575	Child Care and Development Block Grant	CCDF Cluster	Arizona Department of Economic Security	ADES16-099078, P0001287101	302,274	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	CCDF Cluster	Arizona Department of Economic Security	P0001287101	<u>17,397</u>	
<i>Total CCDF Cluster</i>					<u>319,671</u>	
93.598	Services to Victims of a Severe Form of Trafficking		Arizona Department of Economic Security	90TV0019-01-00	307,188	
93.623	Basic Center Grant		Arizona Department of Economic Security	90CY6782-02-00	188,259	
93.667	Social Services Block Grant		Arizona Department of Economic Security	ADES16-099078	<u>167</u>	
Total U.S. Department of Health and Human Services					<u>1,488,548</u>	<u>185,000</u>
U.S. Department of Homeland Security:						
97.024	Emergency Food and Shelter National Board Program		WHEAT	Phase 34	<u>206,827</u>	
Total U.S. Department of Homeland Security					<u>206,827</u>	
Total Expenditures of Federal Awards					<u>\$ 10,806,142</u>	<u>\$ 974,682</u>

See Notes to Schedule of Expenditures of Federal Awards.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of UMOM New Day Centers, Inc. (UMOM), except as discussed in Note 5 below, and is presented on the accrual basis of accounting. The information in this schedule is in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantors or the 2019 *Catalog of Federal Domestic Assistance Update*.

NOTE 3 - SUBRECIPIENTS

UMOM passed through the following federal funds to subrecipients during the fiscal year ended June 30, 2019:

Save the Family Foundation of Arizona	\$ 353,739	CFDA 14.267
	\$ 252,953	CFDA 64.033
	\$ 185,000	CFDA 93.558
Human Service Campus	\$ 182,990	CFDA 14.267

NOTE 4 - INDIRECT COST RATE

UMOM did not elect to use the 10 percent de minimus indirect cost rate as covered in 2 CFR §200.414 because it has approved rates with federal agencies.

NOTE 5 - LOAN PROCEEDS

This schedule includes outstanding loan balances due to the City of Phoenix totaling \$2,134,209 at June 30, 2019 under CFDA 14.239, including \$1,375,209 due from Casa De Paz III Apartments, LLC, a subsidiary of Helping Hands Housing Services, LLC, \$759,000 due from UMOM; and \$800,000 under CFDA 14.218 due from UMOM. The outstanding balances for the loans are included on the schedule of expenditures of federal awards because these federal programs have continuing compliance requirements.

SINGLE AUDIT REPORTS



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 of
UMOM New Day Centers, Inc. and Subsidiaries
Phoenix, Arizona

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 consolidated financial statements of UMOM New Day Centers, Inc. and Subsidiaries (UMOM), (a nonprofit organization) which comprise the consolidated statements of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 11, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 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 UMOM's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UMOM's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UMOM's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fester & Chapman, PLLC

December 11, 2019



Independent Auditors' Report on Compliance For Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
UMOM New Day Centers, Inc. and Subsidiaries
Phoenix, Arizona

Report on Compliance for Each Major Federal Program

We have audited UMOM New Day Centers, Inc. and Subsidiaries (UMOM)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of UMOM's major federal programs for the year ended June 30, 2019. UMOM's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of UMOM's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UMOM's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of UMOM's compliance.

Opinion on Each Major Federal Program

In our opinion, UMOM complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of UMOM is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered UMOM's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UMOM's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Fester & Chapman, PLLC

December 11, 2019

UMOM NEW DAY CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	<u> X </u> no	
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no	

Federal Awards:

Internal control over major programs:			
Material weakness(es) identified?	_____ yes	<u> X </u> no	
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported	
Type of auditors' report on compliance for major programs:	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	<u> X </u> no	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Programs or Cluster</u>
10.561	SNAP Cluster:
	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
14.239	Home Investment Partnerships Program

Dollar threshold used to distinguish between type A and type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	<u> X </u> yes	_____ no

Other Matters:

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR 200.511(b)?	<u> X </u> yes	_____ no
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Section II - Financial Statements Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2019

Status of Federal Award Findings and Questioned Costs

CFDA No.: 64.033 - Supportive Services for Veteran Families Program

Finding No.: 2018-101 - Significant Deficiency in Internal Controls Over Payroll Charges

Status: Fully corrected

CFDA No.: 14.218 - Community Development Block Grants / Entitlement Grants

Finding No.: 2018-102 - Significant Deficiency in Internal Controls Over Payroll Charges

Status: Fully corrected

Chief Executive Officer

Darlene Newsom

Chief Financial Officer

Allan Alvarado

Chief Development Officer

Melissa Steimer

Chief Operating Officer

Steven Stivers

Board President

Karen Johnson

Vice President

Kristine Newman

Secretary

Jennifer Spina

Treasurer

Greg Gierwielaniec

Board Members

Debbie Badge

Matthew Benjamin

Susan Brims

Dave Burns

Matthew Chiarello

Tricia Chiodo

Andrea Claus

Nancy Cushman

Michael Fisher

Yvette Gonzales

George Heredia

Kathleen Heth

Debra Hill Fox

Beth Katz

Scott Maxwell

Jim McDowell

Kendis Muscheid

Craig Prichard

Corey Rivard

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Andrew Wyant

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