

UMOM New Day Centers, Inc. and Subsidiaries

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

June 30, 2021 and 2020

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS:	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities.....	4 - 5
Consolidated Statements of Functional Expenses.....	6 - 7
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements.....	9 - 24
SUPPLEMENTARY INFORMATION:	
Consolidating Statement of Financial Position.....	25 - 26
Consolidating Statement of Activities.....	27 - 28
SUPPLEMENTARY INFORMATION - FEDERAL AWARDS:	
Schedule of Expenditures of Federal Awards.....	29 - 30
Notes to Schedule of Expenditures of Federal Awards.....	31
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 <i>Government Auditing Standards</i>	32 - 33
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	34 - 35
Schedule of Findings and Questioned Costs.....	36



Independent Auditors' Report

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, 2021 and 2020, 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, 2021 and 2020, 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.

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 6, 2021, 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 6, 2021

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

	2021	2020
ASSETS		
Current assets:		
Cash	\$ 2,405,932	\$ 7,096,792
Investments	7,576,729	3,273,997
Receivables:		
Contracts, net	1,742,701	1,642,411
Pledges, net	1,170,485	181,050
Related party	36,219	12,406
Other	12,630	6,593
Notes receivable - related party, current portion	19,868	19,475
Prepaid expenses	<u>292,783</u>	<u>91,072</u>
Total current assets	13,257,347	12,323,796
Pledges receivable, noncurrent portion, net	1,098,211	380,501
Interest receivable - related party	347,985	297,910
Developer fees receivable, net	252,878	252,878
Tenant security deposits held in trust	76,269	66,923
Mortgage escrow and other deposits	89,531	59,439
Reserve for replacements and rehabilitation	348,075	296,882
Other assets	71,505	77,411
Notes receivable - related party, noncurrent portion	2,306,195	2,326,095
Land, buildings and equipment, net	<u>22,484,153</u>	<u>23,707,681</u>
Total assets	<u><u>\$ 40,332,149</u></u>	<u><u>\$ 39,789,516</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 431,044	\$ 479,674
Accrued payroll and related expenses	693,898	743,495
Refundable advances and deferred income	4,720	868,499
Notes payable, current portion	<u>56,802</u>	<u>53,661</u>
Total current liabilities	1,186,464	2,145,329
Tenant security deposits held in trust	36,485	33,575
Notes payable, noncurrent portion	3,561,558	3,640,041
Accrued interest payable	195,195	166,342
Obligations to be forgiven	<u>3,209,000</u>	<u>3,209,000</u>
Total liabilities	<u>8,188,702</u>	<u>9,194,287</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	27,509,713	28,807,319
Board of Directors' designated reserve	<u>1,863,598</u>	<u>722,711</u>
Total net assets without donor restrictions	29,373,311	29,530,030
With donor restrictions	<u>2,770,136</u>	<u>1,065,199</u>
Total net assets	<u>32,143,447</u>	<u>30,595,229</u>
Total liabilities and net assets	<u><u>\$ 40,332,149</u></u>	<u><u>\$ 39,789,516</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions:			
Contributions - individuals and foundations	\$ 5,585,308	\$ 3,388,935	\$ 8,974,243
Contributions in-kind	<u>1,345,962</u>	<u>-</u>	<u>1,345,962</u>
Total contributions	<u>6,931,270</u>	<u>3,388,935</u>	<u>10,320,205</u>
Rental income, net of vacancies	1,407,730	-	1,407,730
Special events	441,269	-	441,269
Less: cost of direct benefits to donors	<u>(85,683)</u>	<u>-</u>	<u>(85,683)</u>
Total special events, net	<u>355,586</u>	<u>-</u>	<u>355,586</u>
Government and agency grants	13,506,410	-	13,506,410
Paycheck Protection Program	<u>866,559</u>	<u>-</u>	<u>866,559</u>
Total government and agency grants	<u>14,372,969</u>	<u>-</u>	<u>14,372,969</u>
Other revenue:			
Interest and dividends	287,128	-	287,128
Social enterprise	152,270	-	152,270
Developer fees	2,030,252	-	2,030,252
Other income	<u>207,033</u>	<u>-</u>	<u>207,033</u>
Total other revenue	<u>2,676,683</u>	<u>-</u>	<u>2,676,683</u>
Net assets released from donor restrictions:			
Satisfaction of program and/or time restrictions	<u>1,683,998</u>	<u>(1,683,998)</u>	<u>-</u>
Total support and revenue	<u>27,428,236</u>	<u>1,704,937</u>	<u>29,133,173</u>
EXPENSES			
Expenses, excluding depreciation and amortization:			
Program services	20,801,670	-	20,801,670
Supporting activities:			
Fund development	2,186,682	-	2,186,682
General and administrative	<u>3,155,803</u>	<u>-</u>	<u>3,155,803</u>
Total expenses, excluding depreciation and amortization	<u>26,144,155</u>	<u>-</u>	<u>26,144,155</u>
CHANGE IN NET ASSETS, BEFORE DEPRECIATION AND AMORTIZATION			
	<u>1,284,081</u>	<u>1,704,937</u>	<u>2,989,018</u>
Depreciation and amortization:			
Program services	1,305,899	-	1,305,899
Supporting activities	<u>134,901</u>	<u>-</u>	<u>134,901</u>
Total depreciation and amortization	<u>1,440,800</u>	<u>-</u>	<u>1,440,800</u>
CHANGE IN NET ASSETS	(156,719)	1,704,937	1,548,218
NET ASSETS, beginning of year	<u>29,530,030</u>	<u>1,065,199</u>	<u>30,595,229</u>
NET ASSETS, end of year	<u>\$ 29,373,311</u>	<u>\$ 2,770,136</u>	<u>\$ 32,143,447</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, 2020

	<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	\$ 5,493,301	\$ 1,041,552	\$ 6,534,853
Contributions in-kind	<u>1,012,146</u>	<u>-</u>	<u>1,012,146</u>
Total contributions	<u>6,505,447</u>	<u>1,041,552</u>	<u>7,546,999</u>
Rental income, net of vacancies	1,378,956	-	1,378,956
Special events	904,390	-	904,390
Less: cost of direct benefits to donors	<u>(202,543)</u>	<u>-</u>	<u>(202,543)</u>
Total special events, net	<u>701,847</u>	<u>-</u>	<u>701,847</u>
Government and agency grants	11,888,778	-	11,888,778
Paycheck Protection Program	<u>1,600,541</u>	<u>-</u>	<u>1,600,541</u>
Total government and agency grants	<u>13,489,319</u>	<u>-</u>	<u>13,489,319</u>
Other revenue:			
Interest and dividends	171,770	-	171,770
Social enterprise	197,362	-	197,362
Developer fees	950,366	-	950,366
Other income	<u>68,149</u>	<u>-</u>	<u>68,149</u>
Total other revenue	<u>1,387,647</u>	<u>-</u>	<u>1,387,647</u>
Net assets released from donor restrictions:			
Satisfaction of program restrictions	<u>1,636,366</u>	<u>(1,636,366)</u>	<u>-</u>
Total support and revenue	<u>25,099,582</u>	<u>(594,814)</u>	<u>24,504,768</u>
EXPENSES			
Expenses, excluding depreciation and amortization:			
Program services	18,766,323	-	18,766,323
Supporting activities:			
Fund development	2,221,349	-	2,221,349
General and administrative	<u>2,819,125</u>	<u>-</u>	<u>2,819,125</u>
Total expenses, excluding depreciation and amortization	<u>23,806,797</u>	<u>-</u>	<u>23,806,797</u>
CHANGE IN NET ASSETS BEFORE, DEPRECIATION AND AMORTIZATION			
	<u>1,292,785</u>	<u>(594,814)</u>	<u>697,971</u>
Depreciation and amortization:			
Program services	1,393,449	-	1,393,449
Supporting activities	<u>141,125</u>	<u>-</u>	<u>141,125</u>
Total depreciation and amortization	<u>1,534,574</u>	<u>-</u>	<u>1,534,574</u>
CHANGE IN NET ASSETS			
	(241,789)	(594,814)	(836,603)
NET ASSETS, beginning of year	<u>29,771,819</u>	<u>1,660,013</u>	<u>31,431,832</u>
NET ASSETS, end of year	<u>\$ 29,530,030</u>	<u>\$ 1,065,199</u>	<u>\$ 30,595,229</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, 2021

	Program Services							Supporting Activities					
	UMOM New Day Center							HH Housing Services		Fund Development	General and Administrative	Total Supporting Activities	Total Supporting and Program Expenses
	Shelters	Youth Shelters	Operations and Facilities	Housing	Social Enterprise	Outreach and Engagement	Halle Women's Center	Property Management	Total Program Services				
Salaries and wages	\$ 1,952,129	\$1,362,704	\$ 799,536	\$2,460,779	\$ 83,246	\$ 624,416	\$ 1,246,667	\$ 215,331	\$ 8,744,808	\$ 784,934	\$ 2,095,440	\$ 2,880,374	\$ 11,625,182
Employee benefits and payroll taxes	390,523	309,263	155,246	499,939	19,922	136,557	284,786	61,850	1,858,086	141,363	459,415	600,778	2,458,864
Total payroll and related costs	2,342,652	1,671,967	954,782	2,960,718	103,168	760,973	1,531,453	277,181	10,602,894	926,297	2,554,855	3,481,152	14,084,046
Professional services	253,383	14,646	212,600	314,342	-	-	70	643,780	1,438,821	9,530	303,125	312,655	1,751,476
Travel and transportation	576	174	42,692	37,180	-	597	335	873	82,427	-	8,007	8,007	90,434
Rent and utilities	-	173,498	847,401	865	1,678	3,000	6	192,031	1,218,479	-	133,688	133,688	1,352,167
Maintenance and repairs	5,498	1,523	212,145	-	675	-	2,478	233,725	456,044	-	6,082	6,082	462,126
Equipment and furniture	15,606	1,264	42,840	-	999	-	2,784	86,068	149,561	27,153	317,215	344,368	493,929
Food and kitchen supplies	177,656	106,183	127,455	2,704	153,910	-	70,788	-	638,696	64	109	173	638,869
Office and program supplies	7,147	9,408	3,746	4,539	5,010	1,050	225	11,002	42,127	63,954	32,864	96,818	138,945
Communication	12,605	6,790	15,322	32,539	681	5,448	7,506	12,508	93,399	8,100	167,095	175,195	268,594
Employment expenses	5,576	5,010	377	7,905	865	1,868	1,655	-	23,256	3,846	145,114	148,960	172,216
Other operating expenses	21,697	3,977	3,719	2,181	1,693	6,863	954	137,145	178,229	65,144	166,448	231,592	409,821
Interest expense	-	-	-	-	-	-	-	147,524	147,524	-	-	-	147,524
Client support and activities	11,411	50,992	660	214,738	-	196	43	-	278,040	-	6,008	6,008	284,048
Client housing assistance	152,824	2,212	-	3,644,514	-	25,406	110,623	-	3,935,579	-	537	537	3,936,116
Grants to other agencies	-	-	-	567,882	-	-	-	-	567,882	-	-	-	567,882
Contributed goods and services	268,307	33,512	-	-	-	1,399	67,023	-	370,241	975,721	-	975,721	1,345,962
Total expenses before depreciation, amortization, allocations, and eliminations	3,274,938	2,081,156	2,463,739	7,790,107	268,679	806,800	1,795,943	1,741,837	20,223,199	2,079,809	3,841,147	5,920,956	26,144,155
Depreciation and amortization	846,195	12,264	12,264	61,318	49,055	-	110,373	214,430	1,305,899	61,318	73,583	134,901	1,440,800
Allocation of shelter operations and facilities expenses	1,607,091	406,506	(2,409,502)	408,536	62,861	118,479	384,500	-	578,471	106,873	(685,344)	(578,471)	-
Total expenses	\$ 5,728,224	\$2,499,926	\$ 66,501	\$8,259,961	\$ 380,595	\$ 925,279	\$ 2,290,816	\$ 1,956,267	\$ 22,107,569	\$2,248,000	\$ 3,229,386	\$ 5,477,386	\$27,584,955

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, 2020

	Program Services								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
	Shelters	Youth Shelters	Chaplaincy	Operations and Facilities	Housing	Social Enterprise	Outreach and Engagement	Halle Women's Center	Property Management						
Salaries and wages	\$ 1,993,125	\$ 1,518,011	\$ 24,458	\$ 596,194	\$ 1,827,322	\$ 121,878	\$ 676,380	\$ 1,197,418	\$ 221,669	\$ 8,176,455	\$ 908,019	\$ 1,778,346	\$ 2,686,365	\$ 10,862,820	
Employee benefits and payroll taxes	370,777	311,028	2,417	150,716	370,949	27,340	129,236	243,476	61,941	1,667,880	145,780	275,931	421,711	2,089,591	
Total payroll and related costs	2,363,902	1,829,039	26,875	746,910	2,198,271	149,218	805,616	1,440,894	283,610	9,844,335	1,053,799	2,054,277	3,108,076	12,952,411	
Professional services	293,681	11,772	-	272,017	201,526	-	-	-	506,159	1,285,155	20,311	359,729	380,040	1,665,195	
Travel and transportation	2,858	5,179	-	71,042	52,709	3,677	3,437	375	276	139,553	2,919	9,581	12,500	152,053	
Rent and utilities		168,118	-	838,646	5,415	26,328	3,000	-	185,357	1,226,864	-	123,855	123,855	1,350,719	
Maintenance and repairs	1,091	148	-	281,897	-	1,947	-	970	184,509	470,562	41	556	597	471,159	
Equipment and furniture	5,403	-	-	78,075	2,007	656	570	5,230	54,416	146,357	35,617	264,207	299,824	446,181	
Food and kitchen supplies	239,730	94,459	-	73,499	476	95,419	-	74,163	-	577,746	-	-	-	577,746	
Office and program supplies	17,723	18,744	-	10,817	6,468	2,115	6,035	1,005	10,919	73,826	67,736	53,087	120,823	194,649	
Communication	1,071	4,862	-	3,885	5,562	2,852	2,450	1,818	13,812	36,312	8,327	193,164	201,491	237,803	
Employment expenses	3,777	1,365	-	4,162	5,340	651	913	1,799	30	18,037	2,783	145,674	148,457	166,494	
Other operating expenses	8,057	184	-	4,406	440	16,066	-	2,331	243,948	275,432	98,385	57,391	155,776	431,208	
Interest expense	-	-	-	-	-	-	-	-	101,044	101,044	-	-	-	101,044	
Client support and activities	14,764	46,014	-	10	151,155	-	1,082	1,186	-	214,211	-	1,075	1,075	215,286	
Client housing assistance	88,543	14,580	-	-	2,797,904	-	238,851	88,910	-	3,228,788	-	-	-	3,228,788	
Grants to other agencies	35,733	-	-	-	601,778	-	12,493	-	-	650,004	-	-	-	650,004	
Contributed goods and services	122,757	4,387	-	-	2,640	-	1,144	8,774	-	139,702	826,355	-	826,355	966,057	
Total expenses before depreciation, amortization, allocations, and eliminations	3,199,090	2,198,851	26,875	2,385,366	6,031,691	298,929	1,075,591	1,627,455	1,584,080	18,427,928	2,116,273	3,262,596	5,378,869	23,806,797	
Depreciation and amortization	885,233	12,829	-	12,829	64,147	51,318	-	115,467	251,626	1,393,449	64,145	76,980	141,125	1,534,574	
Allocation of shelter operations and facilities expenses	1,501,755	375,776	-	(2,315,177)	256,457	56,099	131,789	331,696	-	338,395	105,076	(443,471)	(338,395)	-	
Total expenses	\$ 5,586,078	\$ 2,587,456	\$ 26,875	\$ 83,018	\$ 6,352,295	\$ 406,346	\$ 1,207,380	\$ 2,074,618	\$ 1,835,706	\$ 20,159,772	\$ 2,285,494	\$ 2,896,105	\$ 5,181,599	\$ 25,341,371	

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,

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,548,218	\$ (836,603)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	1,440,800	1,534,574
Loss on disposal of assets	-	25,827
Donated property and equipment	-	(46,085)
Net gains on investments	(114,784)	(82,883)
Change in discount and allowance for doubtful accounts on pledges receivable	(23,325)	(12,464)
Transfer of noncontrolling interest in UMOM VI, LLC to unrelated party	-	144,914
Transfer of noncontrolling interest in UMOM VII, LLC to unrelated party	209,484	-
(Increase) decrease in:		
Contracts receivable, net	(100,290)	269,238
Pledges receivable, net	(1,683,820)	551,598
Related party receivables	(23,813)	(12,406)
Other receivables	(6,037)	7,978
Prepaid expenses	(201,711)	148,523
Interest receivable - related party	(50,575)	(75,045)
Tenant security deposits held in trust	(9,346)	(32,609)
Mortgage escrow and other deposits	(30,092)	(2,796)
Reserve for replacements and rehabilitation	(51,193)	10,249
Other assets	5,906	8,990
Increase (decrease) in:		
Accounts payable and accrued expenses	(48,630)	(246,593)
Accrued payroll and related expenses	(49,597)	209,206
Refundable advances and deferred income	(863,779)	868,499
Tenant security deposits held in trust	2,910	2,675
Accrued interest payable	28,853	78,997
Total adjustments	(1,569,039)	3,350,387
Net cash (used) provided by operating activities	(20,821)	2,513,784
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(7,653,366)	-
Proceeds from sales of investments	3,465,917	-
Purchases of land, buildings and equipment	(426,755)	(480,467)
Net cash used by investing activities	(4,614,204)	(480,467)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(75,342)	(75,884)
Receipts from notes receivable from related party	19,507	19,071
Net cash used by financing activities	(55,835)	(56,813)
NET CHANGE IN CASH	(4,690,860)	1,976,504
CASH, beginning of year	7,096,792	5,120,288
CASH, end of year	\$ 2,405,932	\$ 7,096,792
Supplemental disclosure of cash flow information:		
Cash paid for interest - expensed	\$ 118,673	\$ 180,041

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, 2021 AND 2020

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, housing, and supportive services for families, individuals, and youth who are experiencing homelessness in the greater metropolitan Phoenix, Arizona.

UMOM has 56 years of experience serving the homeless population in the Phoenix Metropolitan area including 29 years of experience operating a full-service Emergency Shelter. As the largest provider of homeless services for families in Arizona, UMOM effectively leverages its programs spanning coordinated entry, shelter, housing, and supportive services to holistically serve the most vulnerable individuals and families in a coordinated and efficient manner. This is accomplished by the provision of a continuum of services including emergency shelter, case management, crisis counseling, nutritional meals, transportation assistance, 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 restore hope, rebuild lives, and end homelessness. 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, rapid rehousing, permanent supportive housing, and supportive services. 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, 2021, 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, 2021 AND 2020

**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 these entities' fiscal year ends of December 31, 2019 and 2020 were issued by other accountants in March 2020 and March 2021, respectively, and contain unmodified opinions on those statements.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

**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; Day Center VII, LLC; Day Center 8, LLC; UMOM Housing IV, LLC; UMOM Housing V, LLC; UMOM Housing VI, LLC; UMOM Housing VII, LLC and UMOM Housing 8, 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 company (investor member).

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 company (investor member).

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 had a 99.99% ownership interest and Day Center VI had a .01% ownership interest in UMOM Housing VI until April 2020, when Helping Hands' ownership interest was transferred to an unrelated company (investor member).

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

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

Other Related Entities - Continued

Day Center VII, LLC is an Arizona limited liability company formed in January 2020 to own and operate an apartment complex in Phoenix, Arizona. Helping Hands Housing Services, Inc. is the sole member of Day Center VII, LLC (Day Center VII), an organization formed to be one of two general partners in a separate organization, UMOM Housing VII, LLC (UMOM Housing VII). 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 VII had a .01% ownership interest in UMOM Housing VII until December 2020, when Helping Hands' ownership interest was transferred to an unrelated company (investor member).

Day Center 8, LLC is an Arizona limited liability company formed in December 2020 to own and operate an apartment complex in Phoenix, Arizona. Helping Hands Housing Services, Inc. is the sole member of Day Center 8, LLC (Day Center 8), an organization formed to be one of two general partners in a separate organization, UMOM Housing 8, LLC (UMOM Housing 8). 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 8 has a .01% ownership interest in UMOM Housing 8.

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.

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.

Contributions

The Consolidated Organization follows the FASB ASC subtopic of *Revenue Recognition for Not-for-Profit Entities*. Contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a donor restriction expires, that is, when a 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 consolidated statement of activities as net assets released from 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 consolidated statement of activities as net assets released from donor restrictions.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

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

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. Developer fees receivable were considered fully collectable as of June 30, 2021 and 2020. An allowance for doubtful accounts of \$82,657 at June 30, 2021 and 2020 is recorded for pledges receivable to allow for future uncollected pledges. An allowance for doubtful accounts of \$82,657 at June 30, 2021 is recorded for contracts receivable for amounts that are unpaid after 180 or more days outstanding. 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.

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.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

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

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 Helping Hands are exempt from state and federal income taxes as organizations described under Section 501(c)(3) of the Internal Revenue Code. Wholly-owned LLCs (CDP I, III, and IV, and all Day Center LLCs) are considered disregarded entities for income tax purposes. Other related organizations are taxed as partnerships. 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.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

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:

	2021	2020
Total financial assets included in current assets		
Cash	\$ 2,405,932	\$ 7,096,792
Investments	7,576,729	3,273,997
Receivables:		
Contracts, net	1,742,701	1,642,411
Pledges, net	1,170,485	181,050
Related party	36,219	12,406
Other	12,630	6,593
Notes receivable - related party, current portion	19,868	19,475
Total financial assets	12,964,564	12,232,724
Less amounts unavailable for general expenditure within one year:		
Board of Directors' designated reserve	1,863,598	722,711
Net assets with donor restrictions	2,770,136	1,065,199
Financial assets available to meet cash needs for general expenditures within one year	\$ 8,330,830	\$ 10,444,814

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 did not have any financial instruments it valued based on Level 2 inputs at June 30, 2021 and 2020.

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 did not have any financial instruments it valued based on Level 3 inputs at June 30, 2021 and 2020.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT - Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Money market funds / Equities / Fixed income securities: Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

Corporate bonds: Determined by the closing bid price on the last business day of the fiscal year.

The fair value of Level 1 assets measured on a recurring basis at June 30, was as follows:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ -	\$ 1,500,594
Corporate bonds	1,508,404	-
Equities	2,897,097	70,303
Fixed income securities:	<u>3,171,228</u>	<u>1,703,100</u>
Total investments	<u>\$ 7,576,729</u>	<u>\$ 3,273,997</u>

NOTE 4 - CONTRACTS RECEIVABLE, NET

Contracts receivable were due as follows as of June 30:

	<u>2021</u>	<u>2020</u>
U.S. Department of Housing and Urban Development	\$ 203,053	\$ 189,377
Arizona Department of Economic Security	145,970	337,562
Arizona Department of Child Safety	475,693	428,406
City of Phoenix	773,813	593,874
U.S. VETS	132,459	-
Arizona Department of Public Safety	-	37,761
Others	<u>94,370</u>	<u>55,431</u>
	1,825,358	1,642,411
Allowance for uncollectible contracts receivable	<u>(82,657)</u>	<u></u>
Total contracts receivable, net	<u>\$ 1,742,701</u>	<u>\$ 1,642,411</u>

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 - PLEDGES RECEIVABLE, NET

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

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 1,170,485	\$ 181,050
Due within two to five years	<u>1,137,000</u>	<u>395,965</u>
	2,307,485	577,015
Allowance for uncollectible pledges	(3,000)	(3,000)
Discount to adjust to present value (3.25%)	<u>(35,789)</u>	<u>(12,464)</u>
Net pledges receivable	<u>\$ 2,268,696</u>	<u>\$ 561,551</u>

Approximately 88% and 45% of pledges receivable were due from a private foundation at June 30, 2021 and 2020, respectively.

NOTE 6 - DEVELOPER FEES, NET

UMOM 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 .01% ownership interest in UMOM Family Housing and receives a .01% 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, 2021 and 2020, 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, 2021 and 2020. 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, 2021 and 2020.

UMOM Family Housing II, LLLP

UMOM is the sole member of Day Center II, LLC (Day Center II), an organization formed to be the general partner in a separate organization, UMOM Family Housing II, LLLP (UMOM Family Housing II). In 2011, UMOM Family Housing II purchased approximately sixty 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 II". The Legacy Crossing Properties II completed the second and final phase involving the purchase and rehabilitation of the facilities formerly used by UMOM. UMOM Family Housing II is a for-profit limited liability partnership formed to construct and manage The Legacy Crossing Properties II and to attract investors to the project through the federal Low Income Housing Tax Credit program under the IRS code.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - DEVELOPER FEES, NET - Continued

Day Center II has a .01% ownership interest in UMOM Family Housing II and receives a .01% allocation of its profits and losses. Day Center II's investment in UMOM Family Housing II is not material to the consolidated financial statements at June 30, 2021 and 2020 and therefore is not recognized in the Consolidated Organization's financial statements. UMOM has a 15 year right of first refusal on the sale of the property owned by UMOM Family Housing.

Developer Fees from Other Related Parties

During the year ended June 30, 2021, Helping Hands earned developer fees totaling \$2,030,252, which was comprised of \$128,557 from UMOM Housing IV, LLC, \$1,317,866 from UMOM Housing V, LLC, and \$583,829 from UMOM Housing VII, LLC.

During the year ended June 30, 2020, Helping Hands earned developer fees totaling \$950,366, which was comprised of \$432,668 from UMOM Housing IV, LLC and \$517,698 from UMOM Housing VII, LLC.

NOTE 7 - DUE FROM RELATED PARTIES

At June 30, 2021, UMOM's related party receivable of \$36,219 was comprised of \$8,517 and \$27,702 due from UMOM Housing VI, LLC and UMOM Housing VII, LLC, respectively. At June 30, 2020, \$12,406 was due from UMOM Housing V, LLC.

UMOM also has two notes receivable due from UMOM Housing III, LLC totaling \$2,326,063 and \$2,345,570 at June 30, 2021 and 2020, respectively. The first note for \$656,884 and \$676,390 at June 30, 2021 and 2020, 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, 2021 and 2020 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, 2021 and 2020, UMOM Housing III, LLC owed UMOM \$347,985 and \$297,910, respectively, for accrued interest on the second note.

NOTE 8 - LAND, BUILDINGS AND EQUIPMENT, NET

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

	<u>2021</u>	<u>2020</u>
Land	\$ 5,626,458	\$ 5,653,422
Buildings and improvements	28,836,110	28,707,418
Furniture, fixtures and equipment	1,053,040	2,510,002
Vehicles	524,483	570,971
Website / software	32,425	32,425
Construction-in-progress	<u>204,668</u>	<u>263,438</u>
	36,277,184	37,737,676
Accumulated depreciation and amortization	<u>(13,793,031)</u>	<u>(14,029,995)</u>
	<u>\$ 22,484,153</u>	<u>\$ 23,707,681</u>

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 \$1,440,800 and \$1,534,574 for the years ended June 30, 2021 and 2020, respectively.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9 - LINE OF CREDIT

UMOM has a \$500,000 revolving line of credit arrangement with a financial institution available through August 2022. The interest rate on the line of credit is equal to the Prime Rate plus 0.5%, which was 3.75% at June 30, 2021 and 2020, and the principal amount due on the line of credit was \$0 at June 30, 2021 and 2020.

NOTE 10 - NOTES PAYABLE

Notes payable consist of the following at June 30:

	2021	2020
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	\$ 1,117,070	\$ 1,147,891
Casa De Paz III Apartments, LLC	221,120	230,702
Casa De Paz IV Apartments, LLC	209,841	219,013
	1,548,031	1,597,606
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	299,947	304,004
Casa De Paz IV Apartments, LLC	186,453	195,785
	727,678	741,067
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 Partnerships Program (HOME).		
	1,342,651	1,355,029
	3,618,360	3,693,702
	56,802	53,661
Less: current portion	\$ 3,561,558	\$ 3,640,041

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 - NOTES PAYABLE - Continued

Interest expense on the notes payable for the years ended June 30, 2021 and 2020 was \$88,858 and \$90,911, respectively. Maturities of the notes payable at June 30, 2021 are as follows:

Year ending June 30,	
2022	\$ 56,802
2023	60,417
2024	62,839
2025	67,326
2026	71,261
Thereafter	<u>3,299,715</u>
	<u>\$ 3,618,360</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, 2021.

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>2021</u>	<u>2020</u>
Mortgage restructuring notes	\$ 1,369,783	\$ 1,494,800
Contingent repayment notes	<u>1,017,889</u>	<u>1,017,889</u>
	<u>\$ 2,387,672</u>	<u>\$ 2,512,689</u>

UMOM is a guarantor on a \$1.5 million HOME loan provided by the City of Phoenix to UMOM Housing IV, LLC (UMOM Housing IV), a related party (See Note 1). The balances and transactions of UMOM Housing IV are excluded from these consolidated financial statements as they are not considered to be material.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

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:

	2021	2020
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 Partnerships 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:

	2021	2020
UMOM Programs:		
Family assistance	\$ 11,952	\$ 37,800
Children's programs	25,943	42,285
Repairs and renovations	367,501	412,362
Other purposes	96,044	11,201
Timing restrictions	2,268,696	561,551
Total net assets with donor restrictions	\$ 2,770,136	\$ 1,065,199

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 14 - RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
UMOM Programs:		
Halle Women's Center	\$ -	\$ 268,766
Family assistance	36,677	8,375
Children's programs	36,333	1,287
Repairs and renovations	282,714	
Other purposes	25,419	13,804
Timing restrictions released	<u>1,302,855</u>	<u>1,344,134</u>
Total net assets with donor restrictions released from donor restrictions	<u>\$ 1,683,998</u>	<u>\$ 1,636,366</u>

NOTE 15 - GOVERNMENT AND AGENCY GRANTS

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

	<u>2021</u>	<u>2020</u>
U.S. Department of Housing and Urban Development	\$ 2,218,455	\$ 2,462,619
U.S. Department of Health and Human Services	691,239	455,745
U.S. VETS / U.S. Department of Veterans Services	863,910	779,676
Arizona Department of Economic Security	2,163,538	2,902,529
Arizona Department of Child Services	1,871,344	2,235,589
Arizona Department of Housing	566,362	530,886
Arizona Department of Public Safety	99,422	245,740
City of Phoenix - Human Services Department	3,592,557	1,284,303
Valley of the Sun United Way	292,500	219,375
Maricopa County	335,339	373,209
World Hunger Ecumenical Arizona Task-Force (WHEAT)	702,569	125,255
Other	<u>109,175</u>	<u>273,852</u>
Total government and agency grants	<u>\$ 13,506,410</u>	<u>\$ 11,888,778</u>

NOTE 16 - PAYCHECK PROTECTION PROGRAM

On April 14, 2020, UMOM was approved for a \$2,467,100 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan accrued interest at 1% and was to mature in 2 years, but payments were not required to begin for the earlier of 10 months after the end of UMOM's loan forgiveness covered period (either 8 or 24 weeks after the loan was funded) or when UMOM applied for loan forgiveness. The loan was uncollateralized and was fully guaranteed by the Federal government. The SBA forgave 100% of UMOM's PPP loan on May 25, 2021.

UMOM accounted for the PPP loan as a conditional contribution in accordance with FASB ASC Subtopic 958-605. During the years ended June 30, 2021 and 2020, UMOM expended \$866,559 and \$1,600,541, respectively, of the loan proceeds for qualified payroll costs, and therefore recognized those amounts as revenue in the Consolidated Statement of Activities.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 17 - 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.

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

	<u>2021</u>	<u>2020</u>
Food and services for the New Day Center family shelter and women's programs	\$ 18,805	\$ 97,023
Maintenance and repairs, supplies and services for New Day Center	558,113	365,920
Supplies and furnishings for affordable housing	20,565	34,331
Professional services provided to the Wellness Center	382,567	377,586
Residential in-kind food distribution	335,115	
Donated assets		46,085
Other	30,797	91,201
Total reported donated assets and services	<u>\$ 1,345,962</u>	<u>\$ 1,012,146</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>2021</u>	<u>2020</u>
<u>Donated Services Not Reported:</u>		
Unskilled services provided to New Day Center's programs and women's programs	\$ 34,206	\$ 453,580

NOTE 18 - 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 \$156,179 and \$133,595 for the years ended June 30, 2021 and 2020, respectively.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 19 - CONDITIONAL CONTRIBUTIONS

UMOM received conditional contributions and grants during the fiscal years ended June 30, 2021 and 2020. Conditional contributions and grants are recorded when the donor-imposed conditions are substantially met.

Certain conditions are required to be met by UMOM in order to earn and receive these amounts. As of June 30, 2021 and 2020, amounts awarded but not yet received or earned totaled \$3,944,817 and \$7,300,440, respectively. While management believes that UMOM will meet these conditions, they had not been met as of the years ended June 30, 2021 and 2020. Accordingly, no amounts have been recorded for these conditional contributions and grants in these financial statements for the year ended June 30, 2021. Conditional contributions and grants for the prior fiscal year were recorded as revenue when earned during the subsequent fiscal year.

At June 30, 2021 and 2020, UMOM had conditional promises to give to other agencies totaling \$382,246 and \$333,943, respectively.

NOTE 20 - 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 \$3 million from a private foundation during the year ended June 30, 2021, which comprised approximately 10% of total support and revenue on the Consolidated Statement of Activities.

NOTE 21 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 6, 2021, the date which the consolidated financial statements were available to be issued.

In July 2021, UMOM sold a building and vehicles for \$1,009,531 to another nonprofit organization in order to facilitate the transfer of its youth shelters program to that organization. UMOM expects that this transfer will reduce its revenue and expenses by approximately \$2.5 million during the year ending June 30, 2022. Assets with a net book value of approximately \$550,000, and liabilities totaling \$800,000 were included in the transfer. In addition, 30 of UMOM's employees became employees of the other nonprofit organization.

SUPPLEMENTARY INFORMATION

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	UMOM	Helping Hands Housing Services, Inc. (HHHS)	UMOM Housing 8, LLC (UMOM 8)	Casa de Paz I Apartments (CDP I)	Casa de Paz III Apartments (CDP III)	Casa de Paz IV Apartments (CDP IV)	Consolidating Eliminations	Total
ASSETS								
Current assets:								
Cash	\$ 1,550,534	\$ 713,503	\$ -	\$ 49,738	\$ 13,768	\$ 78,389	\$ -	\$ 2,405,932
Investments	7,576,729	-	-	-	-	-	-	7,576,729
Receivables:								
Contracts, net	1,742,701	-	-	-	-	-	-	1,742,701
Pledges, net	1,170,485	-	-	-	-	-	-	1,170,485
Related party	-	262,719	-	-	-	-	(226,500)	36,219
Other	-	-	-	3,044	8,907	679	-	12,630
Notes receivable - related party, current portion	19,868	-	-	-	-	-	-	19,868
Prepaid expenses	<u>288,765</u>	<u>-</u>	<u>-</u>	<u>3,367</u>	<u>386</u>	<u>265</u>	<u>-</u>	<u>292,783</u>
Total current assets	12,349,082	976,222	-	56,149	23,061	79,333	(226,500)	13,257,347
Pledges receivable, noncurrent								
portion, net	1,098,211	-	-	-	-	-	-	1,098,211
Interest receivable - related party	347,985	161,665	-	-	-	-	(161,665)	347,985
Developer fees receivable, net	252,878	-	-	-	-	-	-	252,878
Tenant security deposits held in trust	-	32,442	-	10,195	10,587	23,045	-	76,269
Mortgage escrow and other deposits	-	-	-	25,619	25,270	38,642	-	89,531
Reserve for replacements and rehabilitation	-	-	-	79,836	119,025	149,214	-	348,075
Other assets	1,500	-	-	31,658	26,963	11,384	-	71,505
Notes receivable - related party, noncurrent portion	2,306,195	2,387,672	-	-	-	-	(2,387,672)	2,306,195
Land, buildings and equipment, net	17,917,785	-	204,668	1,372,298	1,311,113	1,678,289	-	22,484,153
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>\$ 37,745,837</u>	<u>\$ 3,558,001</u>	<u>\$ 204,668</u>	<u>\$ 1,575,755</u>	<u>\$ 1,516,019</u>	<u>\$ 1,979,907</u>	<u>\$ (6,248,038)</u>	<u>\$ 40,332,149</u>

See the independent auditors' report accompanying this statement.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED
JUNE 30, 2021

	<u>UMOM</u>	<u>HHHS</u>	<u>UMOM 8</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 and accrued expenses	\$ 259,533	\$ 1,078	\$ 142,979	\$ 6,649	\$ 7,479	\$ 13,326	\$ -	\$ 431,044
Accrued payroll and related expenses	692,780	-	-	-	-	1,118	-	693,898
Due to related party	-	-	61,689	26,011	123,580	15,220	(226,500)	-
Refundable advances and deferred income	-	-	-	3,967	753	-	-	4,720
Notes payable, current portion	-	-	-	32,706	14,374	9,722	-	56,802
Total current liabilities	<u>952,313</u>	<u>1,078</u>	<u>204,668</u>	<u>69,333</u>	<u>146,186</u>	<u>39,386</u>	<u>(226,500)</u>	<u>1,186,464</u>
Tenant security deposits held in trust	-	-	-	7,861	8,094	20,530	-	36,485
Notes payable, noncurrent portion	-	-	-	1,325,642	1,849,344	386,572	-	3,561,558
Accrued interest payable	-	-	-	128,978	84,494	143,388	(161,665)	195,195
Notes payable - related party	-	-	-	-	849,851	1,537,821	(2,387,672)	-
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>3,511,313</u>	<u>1,078</u>	<u>204,668</u>	<u>2,181,814</u>	<u>2,937,969</u>	<u>2,127,697</u>	<u>(2,775,837)</u>	<u>8,188,702</u>
NET ASSETS (DEFICIT)								
Without donor restrictions	31,464,388	3,556,923	-	(606,059)	(1,421,950)	(147,790)	(3,472,201)	29,373,311
With donor restrictions	<u>2,770,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,770,136</u>
Total net assets (deficit)	<u>34,234,524</u>	<u>3,556,923</u>	<u>-</u>	<u>(606,059)</u>	<u>(1,421,950)</u>	<u>(147,790)</u>	<u>(3,472,201)</u>	<u>32,143,447</u>
Total liabilities and net assets (deficit)	<u>\$ 37,745,837</u>	<u>\$ 3,558,001</u>	<u>\$ 204,668</u>	<u>\$ 1,575,755</u>	<u>\$ 1,516,019</u>	<u>\$ 1,979,907</u>	<u>\$ (6,248,038)</u>	<u>\$ 40,332,149</u>

See the independent auditors' report accompanying this statement.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>						<u>With Donor Restrictions</u>	<u>Consolidating Eliminations</u>	<u>Total</u>
	<u>Helping Hands Housing Services, Inc. - Subsidiaries</u>						<u>UMOM</u>		
	<u>UMOM</u>	<u>HHHS</u>	<u>UMOM 8</u>	<u>CDP I</u>	<u>CDP III</u>	<u>CDP IV</u>			
SUPPORT, REVENUES AND GAINS									
Contributions:									
Contributions - individuals and foundations	\$ 5,585,308	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,388,935	\$ -	\$ 8,974,243
Contributions in-kind	1,345,962	-	-	-	-	-	-	-	1,345,962
Total contributions	<u>6,931,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,388,935</u>	<u>-</u>	<u>10,320,205</u>
Rental income, net of vacancies	-	-	-	306,254	449,860	651,616	-	-	1,407,730
Special events	441,269	-	-	-	-	-	-	-	441,269
Less: cost of direct benefits to donors	<u>(85,683)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(85,683)</u>
Total special events, net	<u>355,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>355,586</u>
Government and agency grants	13,506,410	-	-	-	-	-	-	-	13,506,410
Paycheck Protection Program	<u>866,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>866,559</u>
Total government and agency grants	<u>14,372,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,372,969</u>
Other revenue:									
Interest and dividends	269,687	56,635	-	2	43	28	-	(39,267)	287,128
Social enterprise	152,270	-	-	-	-	-	-	-	152,270
Developer fees	2,620,000	2,030,252	-	-	-	-	-	(2,620,000)	2,030,252
Other income	<u>153,466</u>	<u>73,778</u>	<u>-</u>	<u>10,584</u>	<u>7,245</u>	<u>(38,040)</u>	<u>-</u>	<u>-</u>	<u>207,033</u>
Total other revenue	<u>3,195,423</u>	<u>2,160,665</u>	<u>-</u>	<u>10,586</u>	<u>7,288</u>	<u>(38,012)</u>	<u>-</u>	<u>(2,659,267)</u>	<u>2,676,683</u>
Net assets released from donor restrictions:									
Satisfaction of program and/or time restrictions	<u>1,683,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,683,998)</u>	<u>-</u>	<u>-</u>
Total support, revenues and gains	<u>\$ 26,539,246</u>	<u>\$ 2,160,665</u>	<u>\$ -</u>	<u>\$ 316,840</u>	<u>\$ 457,148</u>	<u>\$ 613,604</u>	<u>\$ 1,704,937</u>	<u>\$ (2,659,267)</u>	<u>\$ 29,133,173</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, 2021

	Without Donor Restrictions						With Donor Restrictions	Consolidating Eliminations	Total
	Helping Hands Housing Services, Inc. - Subsidiaries						UMOM		
	UMOM	HHHS	UMOM 8	CDP I	CDP III	CDP IV			
EXPENSES									
Expenses, excluding depreciation and amortization:									
Program services	\$ 19,059,382	\$ 3,166,491	\$ -	\$ 276,356	\$ 457,018	\$ 501,690	\$ -	\$ (2,659,267)	\$ 20,801,670
Supporting activities:									
Fund development	2,186,682	-	-	-	-	-	-	-	2,186,682
General and administrative	3,155,803	-	-	-	-	-	-	-	3,155,803
Total expenses, excluding depreciation and amortization	<u>24,401,867</u>	<u>3,166,491</u>	<u>-</u>	<u>276,356</u>	<u>457,018</u>	<u>501,690</u>	<u>-</u>	<u>(2,659,267)</u>	<u>26,144,155</u>
CHANGE IN NET ASSETS, BEFORE DEPRECIATION AND AMORTIZATION	<u>2,137,379</u>	<u>(1,005,826)</u>	<u>-</u>	<u>40,484</u>	<u>130</u>	<u>111,914</u>	<u>1,704,937</u>	<u>-</u>	<u>2,989,018</u>
Depreciation and amortization:									
Program services	1,091,469	-	-	74,337	83,832	56,261	-	-	1,305,899
Supporting activities	134,901	-	-	-	-	-	-	-	134,901
Total depreciation and amortization	<u>1,226,370</u>	<u>-</u>	<u>-</u>	<u>74,337</u>	<u>83,832</u>	<u>56,261</u>	<u>-</u>	<u>-</u>	<u>1,440,800</u>
CHANGE IN NET ASSETS (DEFICIT)	911,009	(1,005,826)	-	(33,853)	(83,702)	55,653	1,704,937	-	1,548,218
NET ASSETS (DEFICIT), beginning of year	<u>30,553,379</u>	<u>4,562,749</u>	<u>-</u>	<u>(572,206)</u>	<u>(1,338,248)</u>	<u>(203,443)</u>	<u>1,065,199</u>	<u>(3,472,201)</u>	<u>30,595,229</u>
NET ASSETS (DEFICIT), end of year	<u>\$ 31,464,388</u>	<u>\$ 3,556,923</u>	<u>\$ -</u>	<u>\$ (606,059)</u>	<u>\$ (1,421,950)</u>	<u>\$ (147,790)</u>	<u>\$ 2,770,136</u>	<u>\$ (3,472,201)</u>	<u>\$ 32,143,447</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, 2021

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:						
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Economic Security	ADES18-184026	\$ 671,096	
	Total U.S. Department of Agriculture				<u>671,096</u>	
U.S. Department of Housing and Urban Development:						
14.218	Community Development Block Grants / Entitlement Grants	CDBG - Entitlement Grants Cluster	City of Phoenix	145546	394,000	
14.218	Community Development Block Grants / Entitlement Grants	CDBG - Entitlement Grants Cluster	None	N/A	<u>800,000</u>	
	Total CFDA 14.218				<u>1,194,000</u>	
14.231	Emergency Solutions Grant Program		City of Phoenix	1455546	680,964	
14.231	COVID-19: Emergency Solutions Grant Program		City of Phoenix	152138, 152159	2,334,642	
14.231	Emergency Solutions Grant Program		None	N/A	<u>429,973</u>	
	Total CFDA 14.231				<u>3,445,579</u>	
14.239	Home Investment Partnerships Program		City of Phoenix	121470	2,101,651	
14.267	Continuum of Care Program		None	N/A	<u>2,218,455</u>	\$ 385,509
	Total U.S. Department of Housing and Urban Development				<u>8,959,685</u>	<u>385,509</u>
U.S. Department of Justice:						
16.575	Crime Victim Assistance		Arizona Department of Public Safety	2019-351, 2019-350	<u>99,422</u>	
	Total U.S. Department of Justice				<u>99,422</u>	
U.S. Department of Veterans Affairs:						
64.033	VA Supportive Services for Veteran Families Program		None	N/A	586,856	
64.033	VA Supportive Services for Veteran Families Program		U.S. VETS	None	<u>277,054</u>	
	Total CFDA 64.003 / U.S. Department of Veterans Affairs				<u>863,910</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, 2021

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 for Homeless Youth		None	N/A	273,810	
93.557	Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth		None	N/A	139,258	
93.558	Temporary Assistance for Needy Families	TANF Cluster	Arizona Department of Economic Security	AZDES17-178648, ADES18-206227	623,796	182,373
93.623	Basic Center Grant		None	N/A	278,171	
	Total U.S. Department of Health and Human Services				<u>1,315,035</u>	
U.S. Department of Homeland Security:						
97.024	Emergency Food and Shelter National Board Program		WHEAT	Phase 37, Phase 38	571,369	
97.024	COVID-19: Emergency Food and Shelter National Board Program		WHEAT	Phase CARES	131,200	
	Total CFDA 97.024 / U.S. Department of Homeland Security				<u>702,569</u>	
	Total Expenditures of Federal Awards				<u>\$ 12,611,717</u>	<u>\$ 567,882</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, 2021

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 2021 *Catalog of Federal Domestic Assistance Update*.

NOTE 3 - SUBRECIPIENTS

UMOM passed through the following federal funds to a subrecipient during the fiscal year ended June 30, 2021:

Save the Family Foundation of Arizona	\$385,509	CFDA 14.267
	\$182,373	CFDA 93.558

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 \$2,101,651 at June 30, 2021 under CFDA 14.239, including \$1,342,651 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, 2021, 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 6, 2021.

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 6, 2021



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, 2021. 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, 2021.

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 6, 2021

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

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>
14.218	Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
64.033	VA Supportive Services for Veteran Families Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ no
 X yes

Other Matters:

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR 200.511(b)? _____ no
 X yes

Section II - Financial Statements Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.