NEW BEGINNINGS

Financial Statements and Reports and Schedules in Accordance with
Government Auditing Standards and Required by the Uniform Guidance
December 31, 2022 and 2021

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GREENWOOD OHLUND

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Beginnings
Seattle, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of New Beginnings (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Beginnings as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Beginnings and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter Regarding Change in Accounting Principles

As discussed in Note 1 to the financial statements, New Beginnings adopted a provision of Financial Accounting Standards Board Accounting Standards Updates 2016-02, *Leases (Topic 842)*. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to that matter.

Prior Period Financial Statements

The financial statements of New Beginnings as of and for the year ended December 31, 2021, were audited by other auditors whose report dated June 10, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New Beginnings' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 New Beginnings' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Beginnings' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023, on our consideration of New Beginnings' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of New Beginnings' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Beginnings' internal control over financial reporting and compliance.

Greenwood Ohlund

Seattle, Washington
September 26, 2023

NEW BEGINNINGS

STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS		2022		2021
Current Assets				
Cash and cash equivalents	$	741,819	$	705,728
Restricted cash and cash equivalents		10,000		10,000
Investments		1,475,146		2,263,841
Government grants receivable		738,411		397,268
Contributions receivable		-		12,690
Prepaid expenses and other assets		106,514		101,163
Total current assets		3,071,890		3,490,690
Restricted Cash and Cash Equivalents, net of current portion		191,067		221,744
Property and Equipment, net		1,960,506		2,071,002
Right-of-Use Assets – Operating Leases		125,975		-
Total assets	$	5,349,438	$	5,783,436
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued expenses	$	414,523	$	387,287
Unearned government grant revenue		-		12,295
Current portion of operating lease liabilities		117,993		-
Current portion of forgivable notes payable		29,502		29,502
Line of credit		500,000		-
Total current liabilities		1,062,018		429,084
Operating Lease Liabilities, net of current portion		7,982		-
Accrued Interest		200,768		204,082
Forgivable Notes Payable, net of current portion		1,477,058		1,506,561
Total liabilities		2,747,826		2,139,727
Net Assets				
Without donor restrictions		2,561,612		3,609,115
With donor restrictions		40,000		34,594
Total net assets		2,601,612		3,643,709
Total liabilities and net assets	$	5,349,438	$	5,783,436

See accompanying notes to financial statements.

NEW BEGINNINGS

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Government grants	$ 3,750,277	$ -	$ 3,750,277	$ 3,511,405	$ -	$ 3,511,405
Contributions	1,096,826	185,100	1,281,926	1,053,802	130,000	1,183,802
Special events	94,073	-	94,073	113,540	-	113,540
Special events – direct benefit to donor	(30,813)	-	(30,813)	(37,042)	-	(37,042)
Investment return	(336,760)	-	(336,760)	310,172	-	310,172
Other income	16,841	-	16,841	10,313	-	10,313
Net assets released from restrictions	179,694	(179,694)	-	138,333	(138,333)	-
Total support and revenue	4,770,138	5,406	4,775,544	5,100,523	(8,333)	5,092,190
Expenses						
Program services	4,807,904	-	4,807,904	4,231,465	-	4,231,465
Management and general	543,623	-	543,623	205,192	-	205,192
Fundraising	466,114	-	466,114	458,809	-	458,809
Total expenses	5,817,641	-	5,817,641	4,895,466	-	4,895,466
Change in net assets	**(1,047,503)**	**5,406**	**(1,042,097)**	**205,057**	**(8,333)**	**196,724**
Net Assets, beginning of year	3,609,115	34,594	3,643,709	3,404,058	42,927	3,446,985
Net Assets, end of year	$ 2,561,612	$ 40,000	$ 2,601,612	$ 3,609,115	$ 34,594	$ 3,643,709

See accompanying notes to financial statements.

NEW BEGINNINGS

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program Services							
	King County Helpline	Community Advocacy	Social Change	Home Safe	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 932,469	$ 750,290	$ 246,825	$ 795,801	$ 2,725,385	$ 147,822	$ 281,276	$ 3,154,483
Payroll taxes	94,888	76,099	25,006	79,759	275,752	6,680	27,828	310,260
Employee benefits	59,810	39,519	26,120	67,601	193,050	131,149	27,161	351,360
Total payroll expenses	1,087,167	865,908	297,951	943,161	3,194,187	285,651	336,265	3,816,103
Special assistance to individuals	150	342,682	-	322,809	665,641	-	-	665,641
Professional services	125,325	55,822	10,989	18,281	210,417	160,282	27,791	398,490
Occupancy	22,672	102,778	34,743	121,026	281,219	23,942	40,539	345,700
Communications	64,234	9,655	2,012	21,806	97,707	16,635	3,359	117,701
Equipment, repairs and maintenance	28,760	1,891	267	23,927	54,845	1,469	448	56,762
Printing	16	389	2,979	1,365	4,749	350	28,156	33,255
Insurance	3,043	5,488	1,568	9,694	19,793	11,305	1,791	32,889
Events	-	-	-	-	-	-	30,813	30,813
Miscellaneous	-	117	34	182	333	24,082	2,411	26,826
Supplies	201	875	10,834	10,010	21,920	1,990	839	24,749
Taxes, permits, licenses and service charges	279	324	68	1,915	2,586	1,122	13,874	17,582
Transportation	-	1,444	1,779	8,700	11,923	574	2,083	14,580
Staff education and training	959	1,759	74	6,199	8,991	3,080	1,577	13,648
Dues and memberships	2,729	2,640	1,101	2,559	9,029	1,771	965	11,765
Postage	235	211	71	240	757	1,065	5,993	7,815
Advertising and promotion	1,235	2,128	21	751	4,135	3,289	23	7,447
Total expenses before depreciation	1,337,005	1,394,111	364,491	1,492,625	4,588,232	536,607	496,927	5,621,766
Depreciation	62,457	-	-	157,215	219,672	7,016	-	226,688
Total expenses	1,399,462	1,394,111	364,491	1,649,840	4,807,904	543,623	496,927	5,848,454
Less: Special events – direct benefit to donor	-	-	-	-	-	-	(30,813)	(30,813)
	$ 1,399,462	$ 1,394,111	$ 364,491	$ 1,649,840	$ 4,807,904	$ 543,623	$ 466,114	$ 5,817,641

See accompanying notes to financial statements.

NEW BEGINNINGS

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services							
	King County Helpline	Community Advocacy	Social Change	Home Safe	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 575,144	$ 753,725	$ 182,031	$ 646,370	$ 2,157,270	$ 75,163	$ 263,865	$ 2,496,298
Payroll taxes	62,450	94,613	25,803	90,188	273,054	7,456	35,037	315,547
Employee benefits	54,789	71,999	17,391	60,672	204,851	6,556	24,770	236,177
Total payroll expenses	692,383	920,337	225,225	797,230	2,635,175	89,175	323,672	3,048,022
Special assistance to individuals	-	214,686	-	323,024	537,710	-	-	537,710
Professional services	218,574	78,756	10,101	39,674	347,105	77,543	27,407	452,055
Occupancy	11,161	110,725	29,575	133,347	284,808	23,089	38,495	346,392
Communications	35,904	18,726	2,476	28,744	85,850	2,911	5,543	94,304
Equipment, repairs and maintenance	6,966	14,632	2,198	24,820	48,616	774	3,164	52,554
Events	-	-	-	-	-	-	37,042	37,042
Staff education and training	29,733	1,734	1,660	1,763	34,890	572	1,058	36,520
Printing	-	207	865	207	1,279	659	28,965	30,903
Insurance	3,127	8,357	1,674	8,112	21,270	2,347	2,517	26,134
Taxes, permits, licenses and service charges	250	180	29	1,809	2,268	360	18,303	20,931
Supplies	130	2,193	6,105	6,830	15,258	479	744	16,481
Advertising and promotion	7,974	2,402	87	2,195	12,658	1,995	640	15,293
Miscellaneous	3,925	11,468	1,485	12,072	28,950	4,706	7,282	40,938
Total expenses before depreciation	1,010,127	1,384,403	281,480	1,379,827	4,055,837	204,610	494,832	4,755,279
Depreciation	16,261	4,174	1,367	153,826	175,628	582	1,019	177,229
Total expenses	1,026,388	1,388,577	282,847	1,533,653	4,231,465	205,192	495,851	4,932,508
Less: Special events – direct benefit to donor	-	-	-	-	-	-	(37,042)	(37,042)
	$ 1,026,388	$ 1,388,577	$ 282,847	$ 1,533,653	$ 4,231,465	$ 205,192	$ 458,809	$ 4,895,466

See accompanying notes to financial statements.

NEW BEGINNINGS

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ (1,042,097)	$ 196,724
Adjustment to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	226,688	177,229
Amortization of right-of-use assets – operating leases	115,452	-
Accrued interest on forgivable notes payable	12,159	5,355
Forgiveness of accrued interest	(15,473)	(9,299)
Forgiveness of notes payable	(29,503)	(29,502)
Forgiveness of Paycheck Protection Program loan	-	(97,800)
Unrealized and realized losses (gains) on investments	358,380	(209,757)
Changes in operating assets and liabilities:		
Government grants receivable	(341,143)	209,205
Contributions receivable	12,690	(16,648)
Prepaid expenses and other assets	(5,351)	(20,112)
Accounts payable and accrued expenses	27,236	69,944
Unearned government grant revenue	(12,295)	(781,682)
Operating lease liabilities	(115,452)	-
Net cash flows from operating activities	(808,709)	(506,343)
Cash Flows from Investing Activities		
Proceeds from sales of investments	488,890	92,090
Purchases of investments	(58,575)	(171,920)
Purchase of property and equipment	(116,192)	(252,330)
Net cash flows from investing activities	314,123	(332,160)
Cash Flows from Financing Activity		
Proceeds from line of credit	500,000	-
Net change in cash and cash equivalents	**5,414**	**(838,503)**
Cash and Cash Equivalents, beginning of year	937,472	1,775,975
Cash and Cash Equivalents, end of year	$ 942,886	$ 937,472
Cash and Cash Equivalents as Presented on the Statements of Financial Position		
Cash and cash equivalents	$ 741,819	$ 705,728
Restricted cash and cash equivalents	10,000	10,000
Restricted cash and cash equivalents, net of current portion	191,067	221,744
	$ 942,886	$ 937,472

See accompanying notes to financial statements.

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

Statement of Purpose

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

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

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

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

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

Use of Estimates

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

Fair Value Measurements

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

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting and present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, the net assets of New Beginnings are reported in each of the following two classes: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are available without restriction for support of New Beginnings' operations. The Board of Directors have designated certain net assets without donor restrictions for the following purposes at December 31:

	2022	2021
Operating reserves	$ 1,908,395	$ 1,908,395
Transitional replacement reserve	150,827	169,965
Transitional operating reserve	50,239	67,227
Shelter replacement reserve	45,403	45,403
Technology replacement reserve	2,640	2,640
	$ 2,157,504	$ 2,193,630

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

Net assets with donor restrictions consist of the following at December 31:

	2022	2021
Direct assistance	$ 25,000	$ -
Survivor Leadership Council	15,000	-
Momentum (Home Safe)	-	34,399
Program supplies	-	195
	$ 40,000	$ 34,594

Cash and Cash Equivalents and Restricted Cash

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

Restricted cash and cash equivalents consists of amounts maintained in a separate bank account as required by loan documents from the City of Seattle. Under this agreement, New Beginnings must segregate project operating funds and establish TH/Home Safe program operating reserves and TH/Home Safe program replacement reserves for structural elements and other capital items. New Beginnings is permitted to spend $5,000 out of each of these reserve funds annually for the TH/Home Safe program without prior city approval of expenditures. These amounts are classified as current on the statements of financial position.

Investments

New Beginnings records its investments at fair value in the statements of financial position. The fair value measurement of the investments was determined using Level 1 observable market inputs within the fair value hierarchy consisting of quoted prices in active markets, such as national exchanges, for identical assets. Investments consist of the following at December 31:

	2022	2021
World large stock funds	$ 297,573	$ 375,342
Large blend equity funds	279,336	340,085
High yield municipal bond funds	231,640	260,182
Large growth equity funds	210,302	400,903
Large value equity funds	174,394	-
Municipal national intermediate bond funds	135,964	139,671
Municipal national short bond funds	86,122	89,818
World small/mid stock funds	59,815	15,432
Foreign large growth funds	-	182,018
Small value equity funds	-	118,665
Large blend equity funds	-	115,783
Government intermediate-term bond funds	-	74,100
Government short-term bond funds	-	52,595
Small blend equity funds	-	37,642
Foreign large blend funds	-	36,293
Diversified emerging markets funds	-	24,812
Corporate stocks	-	500
	$ 1,475,146	$ 2,263,841

Investment return consists of interest and dividends and realized and unrealized gains and losses, net of investment fees.

Government Grants Receivable

Government grants receivable consist of grants and contracts administered by various local, state, and federal governmental agencies awarded and earned but not yet received. All grants receivable are expected to be collected in one year and are recorded at net realizable value. Management periodically reviews government grants receivable, estimates the amount of uncollectible accounts, and records a reserve for doubtful accounts (if required). Uncollectible accounts are written off against the reserve. An allowance for doubtful accounts was not considered necessary at December 31, 2022 or 2021.

At December 31, 2022 and 2021, 84% and 87%, respectively, of government grants receivable was due from two agencies.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Management reviews the collectability of contributions receivable on a periodic basis and establishes a reserve for the amount estimated to be uncollectible. New Beginnings charges off contributions receivable against the allowance when management determines that a receivable is not collectible. No allowance for contributions receivable was considered necessary at December 31, 2022 or 2021.

Property and Equipment

Property and equipment are recorded at cost when purchased and at estimated fair value when donated. Purchases and contributions of assets in excess of $1,500 with a useful life of more than one year are capitalized. All improvements and replacements of TH/Home Safe building components, flooring, and major appliances are capitalized, regardless of cost. Maintenance and repairs are expensed as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets.

Property and equipment consisted of the following at December 31, 2022:

	Transitional Housing	Greenwood	Total
Building and improvements	$ 3,609,540	$ 31,717	$ 3,641,257
Furniture and equipment	75,282	594,025	669,307
Vehicles	36,100	29,324	65,424
	3,720,922	655,066	4,375,988
Less: Accumulated depreciation	(2,248,370)	(415,095)	(2,663,465)
	1,472,552	239,971	1,712,523
Land	247,983	-	247,983
	$ 1,720,535	$ 239,971	$ 1,960,506

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Property and equipment consisted of the following at December 31, 2021:

	Transitional Housing	Greenwood	Total
Building and improvements	$ 3,508,911	$ 31,717	$ 3,540,628
Furniture and equipment	74,592	487,354	561,946
Vehicles	36,100	29,324	65,424
	3,619,603	548,395	4,167,998
Less: Accumulated depreciation	(2,120,478)	(316,297)	(2,436,775)
	1,499,125	232,098	1,731,223
Land	247,983	-	247,983
DV Hopeline - Work in progress	-	91,796	91,796
	$ 1,747,108	$ 323,894	$ 2,071,002

Revenue Recognition

Revenue from government grants is recorded when the service is provided or when the conditions are met (generally when the related qualified expenditures are incurred). Government grants received before conditions are met are recognized as unearned revenue. Revenue from government agencies is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended December 31, 2022 and 2021, no such adjustments were made.

For the years ended December 31, 2022 and 2021, 72% and 58%, respectively, of New Beginnings' support and revenue was earned from three agencies.

Contributions (including those from special events) are recorded when unconditionally pledged as increases in net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional contributions are recognized as revenue when the related conditions are met.

Conditional promises to give — that is, those with a measurable performance barrier or other measurable barrier and a right of return — are not recognized until the conditions on which they depend have been met. As of December 31, 2022, New Beginnings had approximately $745,000 of unearned conditional government grants and contributions outstanding. These promises were conditional upon New Beginnings achieving certain goals related to specific programs run by New Beginnings. Given the uncertainty of meeting the conditions, revenue was not recognized for these government grants and contributions during the year ended December 31, 2022.

Recently Adopted Accounting Standards

FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. This new standard increases transparency and comparability among organizations. The most prominent change required by the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

On January 1, 2022, New Beginnings adopted the lease accounting standard and has elected to apply the provisions of this standard to the beginning of the period of adoption using a modified retrospective method of application to all leases existing on January 1, 2022. The adoption of this standard did not result in an adjustment to beginning net assets.

New Beginnings has elected to adopt the package of practical expedients available in the year of adoption.

Leases

New Beginnings determines if an arrangement is a lease at inception. Operating leases are included in ROU assets and lease liabilities in the statements of financial position.

ROU assets represent New Beginnings' right to use an underlying asset for the lease term, and lease liabilities represent New Beginnings' obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that New Beginnings will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

New Beginnings has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as right of use assets or lease obligations on the statements of financial position. Management has determined that any discount rate used for computing the present value of lease liabilities would be immaterial and as such is not included in these financial statements.

New Beginnings has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. The direct allocation method has been used whenever possible. Certain costs have been indirectly allocated among the programs and supporting services benefited.

Salaries and wages, benefits, and payroll taxes were directly allocated according to timesheets; exceptions to this method were related to the Executive Director, Administrative Director, Accounting Director, and Technology Specialist, which were allocated based on estimated time and effort to various programs and activities. Certain office expenses, including information technology and professional liability insurance, were allocated according to the agency personnel full-time equivalent spread. Occupancy expenses, property insurance, and depreciation were allocated according to each physical site's personnel full-time equivalent spread.

Federal Income Taxes

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

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation.

Subsequent Events

New Beginnings has evaluated subsequent events through the date these financial statements were available to be issued, which was September 26, 2023.

Note 2 – Liquidity and Availability of Resources

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

The following table reflects New Beginnings' financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

	2022	2021
Financial assets		
Cash and cash equivalents	$ 942,886	$ 937,472
Investments	1,475,146	2,263,841
Government grants receivable	738,411	397,268
Contributions receivable	-	12,690
	3,156,443	3,611,271
Less: Amounts not available for general use within one year		
Restricted cash and cash equivalents	(201,067)	(231,744)
Net assets with donor restrictions	(40,000)	(34,594)
Net assets with board designations	(2,157,504)	(2,193,630)
	$ 757,872	$ 1,151,303

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

New Beginnings plans to cover program and general operating expenses for 2023 through monthly cost reimbursements from government agencies, collections of cash receipts for pledged contributions, and ongoing fundraising efforts.

Note 3 – Forgivable Notes Payable

All notes payable are forgivable as long as certain conditions are met.

Notes payable consist of the following at December 31:

	2022	2021
Note payable to the City of Seattle, 1% interest, due in March 2037, with an option to extend an additional 35 years. Interest is accrued the first 20 years and forgiven during the last 20 years. If the extension is taken, the entire principal will be forgiven at maturity if the TH/Home Safe program continues.	$ 335,455	$ 342,259
Note payable to the City of Seattle, 1% interest, due in September 2059, with an option to extend an additional 25 years. Interest is accrued until 2059. If the extension is taken, the entire principal and interest will be forgiven at maturity if the TH/Home Safe program continues.	535,537	535,537
Note payable to the State of Washington Department of Community, Trade, and Economic Development, without interest, due in June 2050. Entire principal balance is forgiven at maturity if the TH/Home Safe program continues.	635,568	658,267
	1,506,560	1,536,063
Less: Current portion	(29,502)	(29,502)
	$ 1,477,058	$ 1,506,561

All notes are secured by the related Transitional Housing land and building with a net carrying value of $1,701,112 and $1,745,206 as of December 31, 2022 and 2021, respectively.

Interest expense for years ended December 31, 2022 and 2021, was $5,355 and $5,596, respectively. There was no interest paid in cash during 2022 or 2021.

The loans were received for New Beginnings' TH/Home Safe project, which was completed in 1997, with additional amounts received in 2009 and 2010 for a remodel. New Beginnings will not have to pay back these loans provided that New Beginnings complies with the terms of use of the project, which requires programs to continue through the life of the loans. For the loans with the City of Seattle, New Beginnings is currently recording revenue from loan forgiveness on a straight-line basis based on its continuing compliance with the loan terms each year until the loans are completely forgiven. Loan forgiveness was recognized as grant revenue in the amount of $29,502 for each of the years ended December 31, 2022 and 2021. Cumulative forgiveness of $962,703 has been recognized as revenue under these loan agreements from inception in 1997 through December 31, 2022.

Note 4 – Line of Credit

In 2022, New Beginnings opened a line of credit with a bank with a maximum borrowing capacity of $500,000. The line of credit is callable on demand, is secured by New Beginnings' investments account, and accrues interest at a variable rate determined as the one-month CME Group Secure Overnight Financing Rate plus 2.60%. New Beginnings had an outstanding balance of $500,000 on the line of credit at December 31, 2022. Interest expense incurred on the line of credit totaled $4,751 during the year ended December 31, 2022.

Note 5 – Operating Leases

New Beginnings leases office and conference room space under two noncancellable leases with terms through December 2023 and January 2024, respectively. Both leases require New Beginnings to pay its share of property taxes and other operating expenses.

During the year ended December 31, 2022, New Beginnings terminated an operating lease for additional office space. As the remaining term of this lease was less than 12 months, it is not included in ROU assets or operating lease liabilities in the statement of financial position.

Operating lease costs totaled $115,452 and $223,487 for the years ended December 31, 2022 and 2021, respectively, and are included within occupancy in the statements of functional expenses. Net operating cash flows for operating leases totaled $115,452 for the year ended December 31, 2022.

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

2023	$ 117,993
2024	7,982
	$ 125,975

Operating lease liabilities are presented in the statement of financial position as of December 31, 2022, as follows:

Current portion of operating lease liabilities	$	117,993
Operating lease liabilities, net of current portion		7,982
	$	125,975

SUPPLEMENTAL REPORTS AND SCHEDULES IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND REQUIRED BY THE UNIFORM GUIDANCE

Amanda O'Rourke, CPA
Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA
Andrew Van Ness, CPA

GREENWOOD OHLUND

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
New Beginnings

Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of New Beginnings (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Beginnings' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Beginnings' internal control. Accordingly, we do not express an opinion on the effectiveness of New Beginnings' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Beginnings' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Amanda O'Rourke, CPA
Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA
Andrew Van Ness, CPA

Purpose of this Report

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

Greenwood Ohlund

Seattle, Washington
September 26, 2023

Amanda O'Rourke, CPA
Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA
Andrew Van Ness, CPA

GREENWOOD OHLUND

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
New Beginnings

Seattle, Washington

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited New Beginnings' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of New Beginnings' major federal programs for the year ended December 31, 2022. New Beginnings' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, New Beginnings 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 December 31, 2022.

Basis for Opinion on Each Major Federal Program

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; and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of New Beginnings and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of New Beginnings' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to New Beginnings' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on New Beginnings' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

Amanda O'Rourke, CPA
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GREENWOOD OHLUND

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about New Beginnings' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding New Beginnings' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of New Beginnings' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 New Beginnings' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. we did not identify any deficiencies internal control that we consider to be material weaknesses, as defined above.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Amanda O'Rourke, CPA
Matt Smith, CPA
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GREENWOOD OHLUND

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on New Beginnings' response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. New Beginnings' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Greenwood Ohlund

Seattle, Washington
September 26, 2023

NEW BEGINNINGS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

Federal Grantor/Program Titles	Federal Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Passed through King County Regional Homelessness Authority				
Continuum of Care	14.267	DA-202203-00425	$ 191,532	$ -
Continuum of Care	14.267	DA-150	23,484	-
Continuum of Care	14.267	DA-250	16,010	-
Total Continuum of Care and U.S. Department of Housing and Urban Development			231,026	-
U.S. Department of Justice				
Passed through Washington State Department of Social and Health Services				
Crime Victim Assistance	16.575	2112-21534	136,854	-
Crime Victim Assistance	16.575	2212-43331	132,513	-
Crime Victim Assistance	16.575	2013-87079	163,647	-
Total Crime Victim Assistance and U.S. Department of Justice			433,014	-
U.S Department of Health and Human Services				
Passed through Washington State Department of Social and Health Services				
Family Violence Prevention and Services	93.671	2112-21534	30,089	-
Family Violence Prevention and Services	93.671	2212-43331	29,134	-
Family Violence Prevention and Services	93.671	2112-31633	51,159	-
Family Violence Prevention and Services	93.671	2212-43480	27,054	-
Total Family Violence Prevention and Services and U.S. Department of Health and Human Services			137,436	-
Total Federal Expenditures			$ 801,476	$ -

The accompanying notes are an integral part of this schedule.

NEW BEGINNINGS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of New Beginnings under programs of the federal government for the year ended December 31, 2022. The information in the Schedule is presented 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). Because the Schedule presents only a selected portion of the operations of New Beginnings, it is not intended to and does not present the financial position, changes in net assets, or cash flows of New Beginnings.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

New Beginnings has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NEW BEGINNINGS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

A. Summary of Audit Results

Financial Statements

Type of Auditors' report issued:	Unmodified

Internal Control over Financial Reporting

Material weaknesses identified:	None reported
Significant deficiencies identified not considered to be material weaknesses:	None reported
Noncompliance material to financial statements noted:	None reported

Federal Awards:

Material weaknesses identified:	None reported
Significant deficiencies identified not considered to be material weaknesses:	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported:	Yes

Identification of Major Programs:

Program Title	Assistance Listing
Crime Victim Assistance	16.575
Dollar threshold used to distinguish between Type A and B programs:	$ 750,000
Auditee qualified as low-risk auditee:	No

B. Findings – Financial Statement Audit

None reported

NEW BEGINNINGS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

C. Findings and Questioned Costs – Major Federal Award Programs Audit

Finding 2022-001, Internal Control over Reporting Requirements
Federal Agency: U.S. Department of Justice
Federal Program Title: Crime Victim Assistance
Federal Assistance Listing Number: 16.575
Award Periods: 7/1/2021 – 6/30/2022; 7/1/2022 – 6/30/2023
Type of Finding: Significant deficiency in internal control over compliance

Criteria or Specific Requirement: As a recipient of federal award funds, management is responsible for the design, implementation, and maintenance of internal control over reporting requirements.

Condition: There was no documentation of internal controls surrounding the quarterly InfoNet Data submissions required by the grant agreements.

Questioned Costs: None

Cause: Management did not retain sufficient records to demonstrate that the report was reviewed and submitted on time.

Context: Due to the recent transition from previous leadership and shuffling of responsibilities among staff, certain records, email correspondence, and other documents from 2022 could not be located.

Effect: There were no indications of noncompliance in our audit; however, a lack of controls could lead to potential inaccurate reporting.

Recommendation: Management should retain copies of report submission confirmations and any related correspondence among program managers and staff regarding preparation and review of each report.

Views of Responsible Officials: There is no disagreement with the finding.

New Beginnings
Single Audit Corrective Action Plan
For the Year Ended December 31, 2022

U.S. Department of Justice
950 Pennsylvania Ave NW
Washington, DC 20530

AUDIT FINDING

Finding Reference Number: 2022-001 – Internal Control over Reporting Requirements

Description of Finding: There was no documentation of internal controls surrounding the quarterly InfoNet Data submissions required by the grant agreements.

Statement of Concurrence or Nonconcurrence: There is no disagreement with this finding.

Corrective Action: Beginning in 2023, management will establish regular communications with Program Directors to ensure data entry reports are reviewed and submitted on time. These communications will be documented and retained on file.

Projected Completion Date: December 31, 2023

Name of Contact Person:
Aja Osita, Executive Director
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