

UMOM New Day Centers, Inc. and Subsidiaries

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

June 30, 2016 and 2015

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Independent Auditors' Report

To the Board of Directors
UMOM New Day Centers, Inc.
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, 2016 and 2015, 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 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 audit 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, 2016 and 2015, 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 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 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 March 21, 2017, 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 P.C.

March 21, 2017

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

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 2,678,632	\$ 4,075,753
Receivables:		
Contracts	1,878,457	1,226,598
Pledges, net	1,421,318	1,128,018
Developer fees, net	252,878	252,878
Related party	567,267	520,926
Other	21,642	28,570
Interest receivable - related party	93,566	-
Tenant security deposits held in trust	31,783	31,773
Prepaid expenses	163,896	85,835
Mortgage escrow and other deposits	37,317	39,641
Reserve for replacements and rehabilitation	195,172	194,183
Cash restricted by grantor	60,374	56,084
Notes receivable - related party	2,651,322	2,651,322
Land, buildings and equipment, net	25,486,570	25,851,485
Deferred loan fees, net	89,923	93,214
Total assets	\$ 35,630,117	\$ 36,236,280
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 315,853	\$ 439,175
Accrued interest payable	184,508	145,569
Accrued expenses	463,210	574,947
Refundable advances and deferred income	65,092	21,547
Tenant security deposits held in trust	27,523	24,610
Notes payable	3,969,138	3,893,688
Obligations to be forgiven	2,409,000	2,409,000
Total liabilities	7,434,324	7,508,536
NET ASSETS		
Unrestricted:		
Undesignated	24,309,564	23,931,506
Board of Directors' designated reserve	380,935	381,342
Total unrestricted net assets	24,690,499	24,312,848
Temporarily restricted	3,505,294	4,414,896
Total net assets	28,195,793	28,727,744
Total liabilities and net assets	\$ 35,630,117	\$ 36,236,280

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, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions:			
Contributions - individuals and foundations	\$ 1,089,970	\$ 3,633,968	\$ 4,723,938
Contributions in-kind	<u>810,827</u>	<u>-</u>	<u>810,827</u>
Total contributions	<u>1,900,797</u>	<u>3,633,968</u>	<u>5,534,765</u>
Client paid programs:			
Service fees	31,903	-	31,903
Rental income, net of vacancies	<u>1,266,423</u>	<u>-</u>	<u>1,266,423</u>
Total client paid programs	<u>1,298,326</u>	<u>-</u>	<u>1,298,326</u>
Special events	1,009,886	-	1,009,886
Less: cost of direct benefits to donors	<u>(216,012)</u>	<u>-</u>	<u>(216,012)</u>
Total special events	<u>793,874</u>	<u>-</u>	<u>793,874</u>
Government and agency grants	9,385,515	-	9,385,515
Other revenue:			
Interest and dividends	93,566	-	93,566
Social enterprise	515,094	-	515,094
Other income	<u>103,032</u>	<u>-</u>	<u>103,032</u>
Total other revenue	<u>711,692</u>	<u>-</u>	<u>711,692</u>
Net assets released from restrictions:			
Satisfaction of program and/or time restrictions	<u>4,543,570</u>	<u>(4,543,570)</u>	<u>-</u>
Total support and revenues	<u>18,633,774</u>	<u>(909,602)</u>	<u>17,724,172</u>
EXPENSES			
Expenses, excluding depreciation and amortization:			
Program services	14,275,889	-	14,275,889
Supporting services:			
Fund development	936,144	-	936,144
General and administrative	<u>1,239,490</u>	<u>-</u>	<u>1,239,490</u>
Total expenses, excluding depreciation and amortization	<u>16,451,523</u>	<u>-</u>	<u>16,451,523</u>
CHANGE IN NET ASSETS, BEFORE DEPRECIATION, AMORTIZATION AND LOSS	<u>2,182,251</u>	<u>(909,602)</u>	<u>1,272,649</u>
Depreciation and amortization:			
Program services	1,256,261	-	1,256,261
Supporting activities	<u>113,976</u>	<u>-</u>	<u>113,976</u>
Total depreciation and amortization	<u>1,370,237</u>	<u>-</u>	<u>1,370,237</u>
CHANGE IN NET ASSETS, BEFORE LOSS ON DISPOSAL OF ASSETS	812,014	(909,602)	(97,588)
LOSS ON DISPOSAL OF ASSETS	<u>(434,363)</u>	<u>-</u>	<u>(434,363)</u>
CHANGE IN NET ASSETS	377,651	(909,602)	(531,951)
NET ASSETS, beginning of year	<u>24,312,848</u>	<u>4,414,896</u>	<u>28,727,744</u>
NET ASSETS, end of year	<u>\$ 24,690,499</u>	<u>\$ 3,505,294</u>	<u>\$ 28,195,793</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, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions:			
Property acquisition and rehabilitation	-	\$ 19,419	\$ 19,419
Contributions - individuals and foundations	\$ 2,227,172	7,042,164	9,269,336
Contributions in-kind	<u>956,998</u>	<u>-</u>	<u>956,998</u>
Total contributions	<u>3,184,170</u>	<u>7,061,583</u>	<u>10,245,753</u>
Client paid programs:			
Service fees	19,631	-	19,631
Rental income, net of vacancies	<u>1,246,901</u>	<u>-</u>	<u>1,246,901</u>
Total client paid programs	<u>1,266,532</u>	<u>-</u>	<u>1,266,532</u>
Special events	1,511,571	-	1,511,571
Less: cost of direct benefits to donors	<u>(201,960)</u>	<u>-</u>	<u>(201,960)</u>
Total special events	<u>1,309,611</u>	<u>-</u>	<u>1,309,611</u>
Government and agency operating grants	7,201,904	-	7,201,904
Other revenue:			
Social enterprise	392,635	-	392,635
Other income	<u>429,526</u>	<u>-</u>	<u>429,526</u>
Total other revenue	<u>822,161</u>	<u>-</u>	<u>822,161</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	1,463,363	(1,463,363)	-
Satisfaction of UMOM reconstruction and renewal campaign	<u>3,085,842</u>	<u>(3,085,842)</u>	<u>-</u>
Total net assets released from restrictions	<u>4,549,205</u>	<u>(4,549,205)</u>	<u>-</u>
Total support and revenues	<u>18,333,583</u>	<u>2,512,378</u>	<u>20,845,961</u>
EXPENSES			
Expenses, excluding depreciation and amortization:			
Program services	12,806,720	-	12,806,720
Supporting services:			
Fund development	971,061	-	971,061
General and administrative	<u>950,130</u>	<u>-</u>	<u>950,130</u>
Total expenses, excluding depreciation and amortization	<u>14,727,911</u>	<u>-</u>	<u>14,727,911</u>
CHANGE IN NET ASSETS BEFORE, DEPRECIATION, AMORTIZATION AND TRANSFER	<u>3,605,672</u>	<u>2,512,378</u>	<u>6,118,050</u>
Depreciation and amortization:			
Program services	1,237,774	-	1,237,774
Supporting activities	<u>24,593</u>	<u>-</u>	<u>24,593</u>
Total depreciation and amortization	<u>1,262,367</u>	<u>-</u>	<u>1,262,367</u>
CHANGE IN NET ASSETS, BEFORE TRANSFER	2,343,305	2,512,378	4,855,683
TRANSFER OF CONTROLLING INTEREST IN UMOM HOUSING III, LLC	<u>(17,596)</u>	<u>-</u>	<u>(17,596)</u>
CHANGE IN NET ASSETS	2,325,709	2,512,378	4,838,087
NET ASSETS, beginning of year	<u>21,987,139</u>	<u>1,902,518</u>	<u>23,889,657</u>
NET ASSETS, end of year	<u>\$ 24,312,848</u>	<u>\$ 4,414,896</u>	<u>\$ 28,727,744</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, 2016

Program Services

	UMOM New Day Center						
	Family Services			Chaplaincy	Operations and Facilities	Housing	Wellness Center
	Emergency Shelter	Transitional Shelter	Children's Programs				
Salaries and wages	\$ 832,125	\$ 438,200	\$ 793,801	\$ 36,942	\$ 726,723	\$ 1,213,938	\$ -
Employee benefits and payroll taxes	176,722	79,657	186,256	3,992	208,207	305,932	-
Total payroll and related costs	1,008,847	517,857	980,057	40,934	934,930	1,519,870	-
Professional services	102,346	22,930	-	-	95,730	250,322	196,305
Travel and transportation	16,003	6,531	8,008	-	107,031	71,486	-
Rent and utilities	-	-	-	-	427,332	4,045	-
Maintenance and repairs	-	-	-	-	175,453	-	-
Equipment and furniture	1,919	1,101	-	-	82,695	24,688	-
Food and kitchen supplies	-	-	-	-	368,614	-	-
Office and program supplies	8,266	4,232	22,176	-	59,432	20,673	2,317
Communication	345	-	-	-	51,124	12,566	-
Employment expenses	16,149	6,059	29,879	-	15,597	27,711	100
Other operating expenses	12,892	6,419	1,686	-	97,585	52,854	-
Interest expense	-	-	-	-	-	-	-
Client support and activities	8,488	11,069	16,331	-	-	27,445	179
Client housing assistance	-	-	-	-	-	1,672,555	-
Payments to subrecipients	-	-	-	-	-	750,833	-
Contributed goods and services	72,028	43,713	15,066	-	27,185	79,672	487,506
Total expenses before depreciation, amortization, allocations, and eliminations	1,247,283	619,911	1,073,203	40,934	2,442,708	4,514,720	686,407
Depreciation and amortization	329,795	275,637	80,460	-	9,079	48,116	34,579
Allocation of shelter operations and facilities expenses	962,418	479,188	235,127	-	(2,451,787)	204,032	47,733
Consolidating eliminations	-	-	-	-	-	-	-
Total expenses	<u>\$ 2,539,496</u>	<u>\$ 1,374,736</u>	<u>\$ 1,388,790</u>	<u>\$ 40,934</u>	<u>-</u>	<u>\$ 4,766,868</u>	<u>\$ 768,719</u>

Program Services				Supporting Activities				
UMOM New Day Center			Helping Hands Housing Services, Inc.	Total Program Services	Fund Development	General and Administrative	Total Supporting Activities	Total Supporting and Program Expenses
Domestic Violence Shelter	Watkins Overflow Shelter	Social Enterprise	Property Management					
\$ 352,419	\$ 885,255	\$ 471,821	\$ 175,244	\$ 5,926,468	\$ 628,107	\$ 678,912	\$ 1,307,019	\$ 7,233,487
82,795	191,401	135,754	50,004	1,420,720	140,072	148,594	288,666	1,709,386
435,214	1,076,656	607,575	225,248	7,347,188	768,179	827,506	1,595,685	8,942,873
31,775	77,340	12,483	123,050	912,281	8,298.00	87,618.00	95,916.00	1,008,197
7,032	26,963	4,273	3,062	250,389	6,080.00	1,956.00	8,036.00	258,425
-	-	-	164,280	595,657	-	-	-	595,657
-	-	-	143,578	319,031	-	-	-	319,031
13,305	-	2,964	68,900	195,572	4,983.00	-	4,983.00	200,555
-	88,467	148,305	-	605,386	-	-	-	605,386
3,246	23,528	4,168	8,600	156,638	2,763.00	18,807.00	21,570.00	178,208
500	-	114	9,067	73,716	34,229.00	-	34,229.00	107,945
6,685	5,290	7,844	3,142	118,456	10,502.00	102,932.00	113,434.00	231,890
-	23,163	26,292	132,615	353,506	40,009.00	133,743.00	173,752.00	527,258
-	-	-	180,015	180,015	-	-	-	180,015
17,121	850	2,575	-	84,058	175.00	-	175.00	84,233
69,289	-	-	-	1,741,844	-	-	-	1,741,844
-	-	-	-	750,833	-	-	-	750,833
14,601	60,413	-	-	800,184	2,455	6,815	9,270	809,454
598,768	1,382,670	816,593	1,061,557	14,484,754	877,673	1,179,377	2,057,050	16,541,804
116,554	19,019	48,709	294,313	1,256,261	45,907	68,069	113,976	1,370,237
228,879	32,360	143,466	-	(118,584)	58,471	60,113	118,584	-
-	-	-	(90,281)	(90,281)	-	-	-	(90,281)
\$ 944,201	\$ 1,434,049	\$ 1,008,768	\$ 1,265,589	15,532,150	\$ 982,051	\$ 1,307,559	\$ 2,289,610	\$ 17,821,760

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, 2015

Program Services

UMOM New Day Center

	Family Services						Wellness Center
	Emergency Shelter	Transitional Shelter	Children's Programs	Chaplaincy	Operations and Facilities	Housing	
Salaries and wages	\$ 814,537	\$ 454,105	\$ 553,401	\$ 35,740	\$ 823,755	\$ 833,550	\$ -
Employee benefits and payroll taxes	181,639	101,731	138,993	3,656	227,017	203,690	-
Total payroll and related costs	<u>996,176</u>	<u>555,836</u>	<u>692,394</u>	<u>39,396</u>	<u>1,050,772</u>	<u>1,037,240</u>	<u>-</u>
Professional services	36,553	17,683	-	-	34,308	58,067	181,433
Travel and transportation	2,406	878	758	-	81,461	24,844	-
Rent and utilities	8,678	-	-	-	411,380	54,297	-
Maintenance and repairs	25,332	7,380	13,143	-	200,552	4,347	-
Equipment and furniture	1,275	725	-	-	49,514	-	-
Food and kitchen supplies	329	-	-	-	340,020	10,000	50
Office and program supplies	10,144	3,354	19,409	-	51,581	9,963	4,110
Communication	2,225	1,208	974	-	14,654	21,427	-
Employment expenses	7,877	4,536	6,364	-	11,859	8,497	-
Other operating expenses	3,670	1,435	2,182	-	285,353	20,083	-
Interest expense	-	-	-	-	-	-	-
Client support and activities	44,044	16,154	5,977	-	951	46,072	1,869
Client housing assistance	-	-	-	-	-	1,014,431	-
Payments to subrecipients	-	-	-	-	-	823,933	-
Contributed goods and services	93,878	56,951	2,745	-	54,894	1,220	544,532
Total expenses before depreciation, amortization, allocations, and eliminations	<u>1,232,587</u>	<u>666,140</u>	<u>743,946</u>	<u>39,396</u>	<u>2,587,299</u>	<u>3,134,421</u>	<u>731,994</u>
Depreciation and amortization	3,210	2,218	-	-	960,680	8,003	11,798
Allocation of shelter operations and facilities expenses	1,383,094	753,680	300,321	-	(3,547,979)	174,897	66,222
Consolidating eliminations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 2,618,891</u>	<u>\$ 1,422,038</u>	<u>\$ 1,044,267</u>	<u>\$ 39,396</u>	<u>\$ -</u>	<u>\$ 3,317,321</u>	<u>\$ 810,014</u>

Program Services				Supporting Activities				
UMOM New Day Center			Helping Hands Housing Services, Inc.	Total Program Services	Fund Development	General and Administrative	Total Supporting Activities	Total Supporting and Program Expenses
Domestic Violence Shelter	Watkins Overflow Shelter	Social Enterprise	Property Management					
\$ 467,859	\$ 715,416	\$ 276,807	\$ 167,882	\$ 5,143,052	\$ 561,184	\$ 548,319	\$ 1,109,503	\$ 6,252,555
135,670	146,172	69,975	37,654	1,246,197	121,885	128,788	250,673	1,496,870
603,529	861,588	346,782	205,536	6,389,249	683,069	677,107	1,360,176	7,749,425
68,692	73,920	24,571	317,845	813,072	39,635	76,096	115,731	928,803
3,653	34,358	3,663	5,533	157,554	4,307	10,891	15,198	172,752
-	-	-	312,706	787,061	-	-	-	787,061
5,844	603	11,140	167,869	436,210	5,383	5,214	10,597	446,807
1,418	1,346	-	14,177	68,455	15,358	2,566	17,924	86,379
561	75,168	121,018	-	547,146	-	-	-	547,146
2,490	27,759	2,291	8,540	139,641	2,835	9,264	12,099	151,740
7,231	4,298	11,094	13,238	76,349	67,235	8,743	75,978	152,327
14,090	4,339	5,430	2,873	65,865	2,502	10,414	12,916	78,781
3,346	33,503	15,266	143,367	508,205	53,668	51,199	104,867	613,072
-	-	-	170,915	170,915	-	-	-	170,915
16,091	2,213	6,161	-	139,532	22	-	22	139,554
93,562	-	-	-	1,107,993	-	-	-	1,107,993
-	-	-	-	823,933	-	-	-	823,933
17,111	86,963	-	-	858,294	12,175	530	12,705	870,999
837,618	1,206,058	547,416	1,362,599	13,089,474	886,189	852,024	1,738,213	14,827,687
-	-	7,715	244,150	1,237,774	-	24,593	24,593	1,262,367
463,549	37,299	185,939	-	(182,978)	84,872	98,106	182,978	-
-	-	-	(99,776)	(99,776)	-	-	-	(99,776)
<u>\$ 1,301,167</u>	<u>\$ 1,243,357</u>	<u>\$ 741,070</u>	<u>\$ 1,506,973</u>	<u>14,044,494</u>	<u>\$ 971,061</u>	<u>\$ 974,723</u>	<u>\$ 1,945,784</u>	<u>\$ 15,990,278</u>

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,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (531,951)	\$ 4,838,087
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	1,370,237	1,262,367
Loss on disposal of assets	434,363	-
Donated vehicles	-	(85,999)
Contributions restricted for investment in land, building and equipment	-	(19,419)
Change in discount on pledges receivable and developer fees	(1,000)	(4,600)
(Increase) decrease in:		
Contracts receivable	(651,859)	70,081
Pledges receivable	(294,300)	(825,390)
Developer fees receivable	-	80,000
Related party receivables	(46,341)	(348,678)
Other receivable	6,928	20,865
Interest receivable - related party	(93,566)	-
Tenant security deposits held in trust	(10)	8,889
Prepaid expenses	(78,061)	(816)
Mortgage escrow and other deposits	2,324	(705)
Reserve for replacements and rehabilitation	(989)	(15,603)
Other assets	-	60,926
Increase (decrease) in:		
Accounts payable	(123,322)	166,992
Accrued interest payable	38,939	6,873
Accrued expenses	(111,737)	99,653
Refundable advances and deferred income	43,545	4,861
Tenant security deposits held in trust	2,913	(978)
Total adjustments	498,064	479,319
Net cash (used) provided by operating activities	(33,887)	5,317,406
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, buildings and equipment	(1,411,994)	(1,668,215)
Proceeds from sale of land, buildings and equipment	-	110,000
Payments to UMOM Housing III, LLC in exchange for notes receivable	-	(2,651,322)
Net cash used by investing activities	(1,411,994)	(4,209,537)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(56,381)	(42,159)
Proceeds from notes payable	109,431	1,305,117
Contributions restricted and used for UMOM reconstruction and renewal campaign	-	19,419
Net cash provided by financing activities	53,050	1,282,377
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,392,831)	2,390,246
CASH AND CASH EQUIVALENTS, beginning of year	4,131,837	1,741,591
CASH AND CASH EQUIVALENTS, end of year	\$ 2,739,006	\$ 4,131,837

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,

	2016	2015
Cash at June 30, consisted of the following		
Cash and cash equivalents	\$ 2,678,632	\$ 4,075,753
Cash restricted by donors	60,374	56,084
Total	\$ 2,739,006	\$ 4,131,837
Supplemental disclosure of non-cash transactions:		
Contributed services	\$ 810,827	\$ 956,998
Retirement of note payable and related accrued interest for UMOM Housing III, LLC prior to transfer of controlling interest	-	582,913
Supplemental disclosure of cash flow information:		
Cash paid for interest - expensed	\$ 141,076	\$ 170,915

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, 2016 and 2015

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of the Consolidated Organization

UMOM New Day Centers, Inc.

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

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

UMOM contracts with various governmental agencies to provide programs for homeless families in emergency shelter, transitional housing, rapid re-housing and permanent supportive housing. The New Day Center, UMOM's primary campus, provides life-skills classes, employment assistance and a childcare center for the families in the shelter and housing programs. The childcare center is licensed for infants through school age children to 12 years old. The center's programs include evaluation of developmental and behavioral issues and provide an after school program for school age children. Services are also provided to teens (age 13 through 18) with a program that is case managed. It includes activities and incentive programs that provide the teens with goals and rewards for accomplishments. The Watkins Overflow Shelter provides emergency, low-demand shelter services for single women and families. This facility is owned by the City of Phoenix; UMOM works in partnership with the City in providing this service. 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, 2016, 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, 2016 and 2015

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

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

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

Casa De Paz Apartments, LLC

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

Casa De Paz III Apartments, LLC

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

Casa De Paz IV Apartments, LLC

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

Casa De Paz Apartments, LLC, Casa De Paz III Apartments, LLC, and Casa De Paz IV Apartments, LLC, participate in HUD programs and are required to have separate audits performed under the *Consolidated Audit Guide for Audits of HUD Programs*. The audited financial statements for the housing projects' calendar year ends of December 31, 2014 and 2015 were issued by other accountants in March 2015 and February 2016, respectively, and contain unmodified opinions on those statements.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 and 2015

**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 and Day Center III, 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 4 to the financial statements.

Day Center III, LLC is an Arizona limited liability company formed 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 an unrelated nonprofit organization.

Accounting Framework

The Consolidated Organization follows standards of accounting and financial reporting for nonprofit organizations. Accordingly, the financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Consolidated Organization reports information regarding its financial position and activities according to three classes of net assets as follows:

1. Unrestricted net assets are net assets not subject to donor-imposed stipulations. These may include net assets designated by the Board of Directors for specific purposes or reserves.
 2. Temporarily restricted net assets are net assets subject to donor-imposed stipulations that can be fulfilled by actions of UMOM pursuant to those stipulations or that expire by the passage of time.
 3. Permanently restricted net assets are net assets subject to donor-imposed stipulations that the assets be maintained permanently by UMOM with the income earned on the assets to be used in operations.
- UMOM had no permanently restricted net assets at June 30, 2016 and 2015.

Temporarily Restricted Amounts

Gifts of cash and other assets are reported as restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Consolidated Organization reports gifts of land, buildings, and equipment as unrestricted support 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.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Consolidated Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. At June 30, 2016 and 2015, the Consolidated Organization's cash and cash equivalents included amounts deposited in checking, savings and money market accounts.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 and 2015

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

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 certain HUD-defined eligibility requirements are met on low income housing developments, and are stated at net present value of expected cash flows.

The Consolidated Organization provides for losses on accounts receivable using the allowance method. Receivables are considered impaired if payments are not received in accordance with the contractual terms. The Consolidated Organization's policy is to charge off uncollectible balances when management determines the receivable will not be collected. All contracts and developer fees receivable balances were considered collectable as of June 30, 2016 and 2015. An allowance for doubtful accounts of \$3,000 at June 30, 2016 and 2015 is recorded for pledges receivable to allow for future uncollected pledges. The allowance is management's estimate, based on experience, creditworthiness, and other circumstances which may affect the collectability of the amounts due.

Tenant Security Deposits Held in Trust

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

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 mortgagee.

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

Deferred Loan Fees

Deferred loan fees are amortized over the life of the related mortgage debt using the straight-line method.

Refundable Advances and Deferred Income

Grant monies received but not yet expended are reported as refundable advances. Rental income received in advance of the due date is recorded as deferred income until the rent is due.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 and 2015

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

Income Taxes

UMOM and its subsidiaries are exempt from state and federal income taxes as organizations described under Section 501(c)(3) of the Internal Revenue Code. 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.

NOTE 2 - CONTRACTS RECEIVABLE

Contracts receivable are due as follows as of June 30:

	<u>2016</u>	<u>2015</u>
U.S. Department of Housing and Urban Development	\$ 364,229	\$ 146,661
Arizona Department of Economic Security	299,682	190,681
U.S. Department of Veterans Services	98,259	105,217
City of Phoenix	399,913	468,002
Valley of the Sun United Way	311,503	89,490
U.S. Department of Justice	132,471	15,701
Arizona Office of the Attorney General	175,000	96,648
Other	97,400	114,198
	<u>\$ 1,878,457</u>	<u>\$ 1,226,598</u>

NOTE 3 - PLEDGES RECEIVABLE, NET

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

	<u>2016</u>	<u>2015</u>
Due within one year	\$ 975,150	\$ 973,770
Due within two to five years	456,920	164,000
	1,432,070	1,137,770
Allowance for uncollectible pledges	(3,000)	(3,000)
Discount to adjust to present value	(7,752)	(6,752)
Net pledges receivable	<u>\$ 1,421,318</u>	<u>\$ 1,128,018</u>

Pledges receivable due in more than one year are discounted using rates published by the IRS in the year that each pledge was made and range from 1.2% to 6%. Approximately 75% of outstanding pledges receivable were due from two donors at June 30, 2015, and 53% of outstanding pledges receivable were due from one donor at June 30, 2016.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 and 2015

NOTE 3 - PLEDGES RECEIVABLE, NET - CONTINUED

During the year ended June 30, 2015, UMOM received contributions totaling \$5.1 million from The Bob & Renee Parsons Foundation for funding specific projects and to support operations. This contribution comprised 25% of the Consolidated Organization's revenue for the year then ended.

NOTE 4 - DEVELOPER FEES, NET

UMOM has earned developer fees from the following two 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 approximately eighty properties formerly used by UMOM as its operating facilities, for development of a low income residential rental housing project referred to as "The Legacy Crossing Properties". UMOM Family Housing is a for-profit limited liability partnership formed to construct and manage The Legacy Crossing Properties and to attract investors to the project through the federal Low Income Housing Tax Credit program under the IRS code.

Day Center I has a .005% ownership interest in UMOM Family Housing and receives a .005% allocation of its profits and losses. Day Center I's investment in UMOM Family Housing was not material to the consolidated financial statements at June 30, 2016 and 2015, 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, 2016 and 2015.

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 properties 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.

Day Center II has a .005% ownership interest in UMOM Family Housing II and receives a .005% 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, 2016 and 2015 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.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 and 2015

NOTE 4 - DEVELOPER FEES, NET - Continued

UMOM did not earn developer fees and there were no developer fees due to UMOM from UMOM Family Housing II as of and for the years ended June 30, 2016 and 2015.

Developer fees receivable consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Due within one year	\$ 75,000	\$ 75,000
Due within two to five years	<u>196,000</u>	<u>196,000</u>
	271,000	271,000
Discount to adjust to present value	<u>(18,122)</u>	<u>(18,122)</u>
Net developer fees receivable	<u>\$ 252,878</u>	<u>\$ 252,878</u>

NOTE 5 - DUE FROM RELATED PARTIES

UMOM's related party receivable of \$567,267 and \$520,926 at June 30, 2016 and 2015, respectively, consists of amounts that UMOM expects to collect from UMOM Housing III, LLC in 2017, or upon the successful completion of certain occupancy milestones at Parson's Village as part of a HUD-approved Low-Income Housing Tax Credit (LIHTC) project.

UMOM also has two notes receivable due from UMOM Housing III, LLC totaling \$2,651,322 at June 30, 2016 and 2015. The first note for \$450,000 bears interest at 2% with monthly principal and interest payments due of \$1,588, beginning after certain occupancy milestones are met at Parson's Village, until the note matures 32 years after payments commence. The second note for \$2,201,322 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, 2016 and 2015, UMOM Housing III, LLC owed UMOM \$93,566 and \$0, respectively, for accrued interest on the second note.

NOTE 6 - LAND, BUILDINGS AND EQUIPMENT, NET

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

	<u>2016</u>	<u>2015</u>
Land	\$ 5,585,544	\$ 5,454,940
Buildings and improvements	25,383,640	25,532,744
Furniture, fixtures and equipment	2,095,375	1,704,279
Vehicles	520,896	369,379
Website / software	<u>162,529</u>	<u>106,649</u>
	33,747,984	33,167,991
Accumulated depreciation and amortization	<u>(8,261,414)</u>	<u>(7,316,506)</u>
	<u>\$ 25,486,570</u>	<u>\$ 25,851,485</u>

Land, buildings and improvements costing approximately \$6 million are pledged as collateral on certain notes payable and obligations to be forgiven (See Notes 7 and 9). Depreciation and amortization expense was \$1,370,237 and \$1,262,367 for the years ended June 30, 2016 and 2015, respectively.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 and 2015

NOTE 7 - NOTES PAYABLE

Notes payable consist of the following at June 30:

	2016	2015
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	\$ 1,254,410	\$ 1,277,317
Casa De Paz III Apartments, LLC	263,896	271,053
Casa De Paz IV Apartments, LLC	250,786	257,637
	1,769,092	1,806,007
City of Phoenix, 4% interest, payable in semi-annual payments of \$6,493 to \$9,730, totaling approximately \$23,800 for the properties listed below, including principal and interest, due August 2035 to June 2040. Payments of principal and interest are subject to HUD-defined surplus cash, and secured property is subject to HUD regulations. Any semi-annual interest payments not made because of HUD restrictions are recorded as accrued interest when due. Balances owed at June 30, are as follows:		
Casa De Paz Apartments, LLC	241,278	241,278
Casa De Paz III Apartments, LLC	304,004	304,004
Casa De Paz IV Apartments, LLC	240,827	237,282
	786,109	782,564
Two \$750,000 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, 2015 on the first \$750,000 note. Annual principal and 4% simple interest payments are due beginning on July 1, 2016 on the second \$750,000 note. Interest begins to accrue on June 1, 2016 for outstanding principal balances. Both notes mature on July 1, 2055 and are subject to ongoing compliance requirements for HUD's Home Investment Partnership Program.		
	1,413,937	1,305,117
	\$ 3,969,138	\$ 3,893,688

Interest expense on the notes payable for the years ended June 30, 2016 and 2015 was \$99,967 and \$103,058, respectively.

Maturities of the notes payable at June 30, 2016 are as follows:

Year ending June 30,	
2017	\$ 27,571
2018	29,123
2019	30,767
2020	32,510
2021	34,356
Thereafter	3,814,811
	\$ 3,969,138

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 and 2015

NOTE 8 - 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, 2016.

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:

	2016	2015
Mortgage restructuring notes	\$ 2,000,573	\$ 2,061,538
Contingent repayment notes	1,017,889	1,017,889
	\$ 3,018,462	\$ 3,079,427

NOTE 9 - 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:

	2016	2015
Interest free note of \$759,000 to the City of Phoenix to fund the acquisition and construction of new shelter facilities, secured by a deed of trust. The principal balance of the note is to be forgiven in July 2050, or 40 years from the date of recording the Certificate of Completion, provided terms of the note are met. The note is subject to ongoing compliance requirements for HUD's Home Investment Partnership Program.	\$ 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
	\$ 2,409,000	\$ 2,409,000

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 and 2015

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
UMOM Programs:		
Childcare programs	\$ 12,441	\$ 30,211
Children and family programs	1,016,115	2,549,377
Family Housing program	101,231	96,594
Watkins	874,817	460,421
Domestic violence program	11,527	43,250
Other	<u>67,845</u>	<u>107,025</u>
	2,083,976	3,286,878
Timing restrictions, not included in purpose restrictions above	<u>1,421,318</u>	<u>1,128,018</u>
Total temporarily restricted net assets	<u><u>\$ 3,505,294</u></u>	<u><u>\$ 4,414,896</u></u>

NOTE 11 - RELEASED FROM RESTRICTIONS

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

	<u>2016</u>	<u>2015</u>
UMOM Programs:		
Childcare programs	\$ 89,568	\$ 128,734
Wellness Center	34,436	304,308
Children and family programs	1,668,181	484,558
Housing	419,991	168,127
Domestic violence program	32,224	132,819
Other	320,402	244,817
Halle Women's Center	1,088,468	-
Pledge receipts, if not allocated to programs above	890,300	85,842
Parson's Village (formerly North Mountain Lodge Apartments)	<u>-</u>	<u>3,000,000</u>
Total temporarily restricted net assets released from restrictions	<u><u>\$ 4,543,570</u></u>	<u><u>\$ 3,085,842</u></u>

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 and 2015

NOTE 12 - GOVERNMENT AND AGENCY GRANTS

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

	<u>2016</u>	<u>2015</u>
U.S. Department of Housing and Urban Development	\$ 2,156,390	\$ 1,263,706
U.S. Department of Homeland Security		166,043
Arizona Department of Economic Security:		
Division of Aging and Adult Services	2,129,106	2,089,375
Child Care Administration	174,000	170,328
Arizona Department of Education	209,833	229,292
Arizona Office of the Attorney General	522,488	252,512
U.S. Department of Veterans Services	701,808	712,992
City of Phoenix - Human Services Department	1,368,176	1,243,844
Valley of the Sun United Way	1,030,864	449,396
Maricopa County Industrial Development Authority	200,000	-
Other	892,850	624,416
Total government and agency grants	<u>\$ 9,385,515</u>	<u>\$ 7,201,904</u>

NOTE 13 - 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>2016</u>	<u>2015</u>
Food and services for the New Day Center family shelter and the Watkins Overflow programs	\$ 70,847	\$ 86,963
Maintenance and repairs, supplies and services for New Day Center	13,733	54,894
Supplies and furnishings for affordable housing	79,600	130,852
Clothing for adults and children in the family shelter	46,738	21,452
Professional services provided to the Wellness Center	487,506	544,532
Other	112,403	118,305
Total reported donated assets and services	<u>\$ 810,827</u>	<u>\$ 956,998</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>2016</u>	<u>2015</u>
<u>Donated Services Not Reported:</u>		
Unskilled services provided to New Day Center's programs and Watkins Overflow programs	\$ 297,598	\$ 237,748
Volunteer services provided for the Read-to-Me project for the homeless children	56,695	52,773
Total non-reported donated assets and services	<u>\$ 354,293</u>	<u>\$ 290,521</u>

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 and 2015

NOTE 14 - PENSION PLAN

UMOM sponsors a 401(k) plan (the Plan) effective June 1, 2011 (previously a 403(b) pension plan). The Plan 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 \$125,241 and \$116,940 for the years ended June 30, 2016 and 2015, respectively.

NOTE 15 - CONCENTRATION OF 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). The Consolidated Organization has not and does not expect to incur losses related to uninsured balances.

NOTE 16 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 21, 2017, which was the date the Consolidated Organization's financial statements were issued.

In August 2016, UMOM signed an agreement with a general contractor for approximately \$1.2 million for building improvements to the Diane and Bruce Halle Foundation Women's Center (the Center), which is scheduled to open in April 2017. The Center will replace the Watkins Emergency Shelter and was funded by private contributions.

As of the date these financial statements were issued, UMOM was in discussions with another nonprofit organization, Tumbleweed Center for Youth Development (Tumbleweed), about assuming most of their programs after Tumbleweed filed for Chapter 11 bankruptcy. In January 2017, UMOM extended Tumbleweed a \$325,000 debtor-in-possession line-of-credit in order to assist Tumbleweed with its short-term cash needs until a final bankruptcy settlement has been determined.

SUPPLEMENTARY INFORMATION

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

	Helping Hands Housing Services, Inc - Subsidiaries					
	UMOM	Casa de Paz I Apartments (CDP I)	Ca de Paz III Apartments (CDP III)	Casa de Paz IV Apartments (CDP IV)	Consolidating Eliminations	Total
ASSETS						
Cash and cash equivalents	\$ 2,287,082	\$ 24,260	\$ 234,259	\$ 133,031	\$ -	\$ 2,678,632
Receivables:						
Contracts	1,878,457	-	-	-	-	1,878,457
Pledges, net	1,421,318	-	-	-	-	1,421,318
Developer fees, net	252,878	-	-	-	-	252,878
Related parties	680,477	-	-	-	(113,210)	567,267
Other	7,319	7,512	3,002	3,809	-	21,642
Interest receivable - related parties	182,723	-	-	-	(89,157)	93,566
Tenant security deposits held in trust	-	6,186	6,577	19,020	-	31,783
Prepaid expenses	163,019	-	562	315	-	163,896
Mortgage escrow and other deposits	-	14,717	9,794	12,806	-	37,317
Reserve for replacements and rehabilitation	-	47,749	55,400	92,023	-	195,172
Cash restricted by grantor	50,741	9,633	-	-	-	60,374
Notes receivable - related parties	5,669,784	-	-	-	(3,018,462)	2,651,322
Land, buildings and equipment, net	20,047,500	1,588,804	1,908,599	1,941,667	-	25,486,570
Deferred loan fees, net	-	40,026	34,471	15,426	-	89,923
Investment - Helping Hands Housing Services, Inc. and Subsidiaries	3,472,201	-	-	-	(3,472,201)	-
Total assets	\$ 36,113,499	\$ 1,738,887	\$ 2,252,664	\$ 2,218,097	\$ (6,693,030)	\$ 35,630,117

See the independent auditors' report accompanying this statement.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED
JUNE 30, 2016

	Helping Hands Housing Services, Inc. - Subsidiaries				Consolidating Eliminations	Total
	UMOM	CDP I	CDP III	CDP IV		
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable	\$ 244,097	\$ 15,439	\$ 16,689	\$ 39,628	\$ -	\$ 315,853
Due to related party	-	-	113,210	-	(113,210)	-
Accrued interest payable	-	96,492	80,625	96,548	(89,157)	184,508
Accrued expenses	461,600	-	-	1,610	-	463,210
Refundable advances and deferred income	61,020	1,853	2,219	-	-	65,092
Tenant security deposits held in trust	-	4,800	5,009	17,714	-	27,523
Notes payable	-	1,495,688	1,981,837	491,613	-	3,969,138
Notes payable - related parties	-	-	1,075,809	1,942,653	(3,018,462)	-
Obligations to be forgiven	1,759,000	650,000	-	-	-	2,409,000
	<u>2,525,717</u>	<u>2,264,272</u>	<u>3,275,398</u>	<u>2,589,766</u>	<u>(3,220,829)</u>	<u>7,434,324</u>
Total liabilities						
	<u>2,525,717</u>	<u>2,264,272</u>	<u>3,275,398</u>	<u>2,589,766</u>	<u>(3,220,829)</u>	<u>7,434,324</u>
NET ASSETS						
Unrestricted	30,082,488	(525,385)	(1,022,734)	(371,669)	(3,472,201)	24,690,499
Temporarily restricted	3,505,294	-	-	-	-	3,505,294
Total net assets	<u>33,587,782</u>	<u>(525,385)</u>	<u>(1,022,734)</u>	<u>(371,669)</u>	<u>(3,472,201)</u>	<u>28,195,793</u>
	<u>33,587,782</u>	<u>(525,385)</u>	<u>(1,022,734)</u>	<u>(371,669)</u>	<u>(3,472,201)</u>	<u>28,195,793</u>
Total liabilities and net assets	<u>\$ 36,113,499</u>	<u>\$ 1,738,887</u>	<u>\$ 2,252,664</u>	<u>\$ 2,218,097</u>	<u>\$ (6,693,030)</u>	<u>\$ 35,630,117</u>
	<u>\$ 36,113,499</u>	<u>\$ 1,738,887</u>	<u>\$ 2,252,664</u>	<u>\$ 2,218,097</u>	<u>\$ (6,693,030)</u>	<u>\$ 35,630,117</u>

See the independent auditors' report accompanying this statement.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted				Temporarily Restricted	Consolidating Eliminations	Total
	Helping Hands Housing Services, Inc. - Subsidiaries				UMOM		
	UMOM	CDP I	CDP III	CDP IV			
SUPPORT AND REVENUES							
Contributions:							
Contributions - individuals and foundations	\$ 1,115,900	\$ -	\$ 9,070	\$ -	\$ 3,633,968	\$ (35,000)	\$ 4,723,938
Contributions in-kind	<u>810,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>810,827</u>
Total contributions	<u>1,926,727</u>	<u>-</u>	<u>9,070</u>	<u>-</u>	<u>3,633,968</u>	<u>(35,000)</u>	<u>5,534,765</u>
Client paid programs:							
Service fees	31,903	-	-	-	-	-	31,903
Rental income, net of vacancies	<u>-</u>	<u>278,922</u>	<u>404,940</u>	<u>582,561</u>	<u>-</u>	<u>-</u>	<u>1,266,423</u>
Total client paid programs	<u>31,903</u>	<u>278,922</u>	<u>404,940</u>	<u>582,561</u>	<u>-</u>	<u>-</u>	<u>1,298,326</u>
Special events	1,009,886	-	-	-	-	-	1,009,886
Less: cost of direct benefits to donors	<u>(216,012)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(216,012)</u>
Total special events	<u>793,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>793,874</u>
Government and agency grants	9,385,515	-	-	-	-	-	9,385,515
Other revenue:							
Interest and dividends	104,609	2	19	42	-	(11,106)	93,566
Social enterprise	515,094	-	-	-	-	-	515,094
Other income	<u>126,505</u>	<u>14,124</u>	<u>3,144</u>	<u>5,954</u>	<u>-</u>	<u>(46,695)</u>	<u>103,032</u>
Total other revenue	<u>746,208</u>	<u>14,126</u>	<u>3,163</u>	<u>5,996</u>	<u>-</u>	<u>(57,801)</u>	<u>711,692</u>
Net assets released from restrictions:							
Satisfaction of program and/or time restrictions							
Total net assets released from restrictions	<u>4,543,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,543,570)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>\$ 17,427,797</u>	<u>\$ 293,048</u>	<u>\$ 417,173</u>	<u>\$ 588,557</u>	<u>\$ (909,602)</u>	<u>\$ (92,801)</u>	<u>\$ 17,724,172</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, 2016

	Unrestricted				Temporarily	Consolidating	Total
	Helping Hands Housing Services, Inc. -				Restricted		
	Subsidiaries						
	UMOM	CDP I	CDP III	CDP IV	UMOM	Eliminations	
EXPENSES							
Expenses, excluding depreciation and amortization:							
Program services	\$ 13,307,133	\$ 267,459	\$ 276,568	\$ 517,530	\$ -	\$ (92,801)	\$ 14,275,889
Supporting activities:							
Fund development	936,144	-	-	-	-	-	936,144
General and administrative	1,239,490	-	-	-	-	-	1,239,490
Total expenses, excluding depreciation and amortization	<u>15,482,767</u>	<u>267,459</u>	<u>276,568</u>	<u>517,530</u>	<u>-</u>	<u>(92,801)</u>	<u>16,451,523</u>
CHANGE IN NET ASSETS BEFORE DEPRECIATION AND AMORTIZATION	<u>1,945,030</u>	<u>25,589</u>	<u>140,605</u>	<u>71,027</u>	<u>(909,602)</u>	<u>-</u>	<u>1,272,649</u>
Depreciation and amortization:							
Program services	961,948	77,058	118,585	98,670	-	-	1,256,261
Supporting activities	113,976	-	-	-	-	-	113,976
Total depreciation and amortization	<u>1,075,924</u>	<u>77,058</u>	<u>118,585</u>	<u>98,670</u>	<u>-</u>	<u>-</u>	<u>1,370,237</u>
CHANGE IN NET ASSETS, BEFORE LOSS	869,106	(51,469)	22,020	(27,643)	(909,602)	-	(97,588)
LOSS ON DISPOSAL OF ASSETS	<u>(5,534)</u>	<u>-</u>	<u>(428,829)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(434,363)</u>
CHANGE IN NET ASSETS	863,572	(51,469)	(406,809)	(27,643)	(909,602)	-	(531,951)
NET ASSETS, beginning of year	<u>29,218,916</u>	<u>(473,916)</u>	<u>(615,925)</u>	<u>(344,026)</u>	<u>4,414,896</u>	<u>(3,472,201)</u>	<u>28,727,744</u>
NET ASSETS, end of year	<u>\$ 30,082,488</u>	<u>\$ (525,385)</u>	<u>\$ (1,022,734)</u>	<u>\$ (371,669)</u>	<u>\$ 3,505,294</u>	<u>\$ (3,472,201)</u>	<u>\$ 28,195,793</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, 2016

Federal Agency / CFDA Number	Federal Program Name	Cluster Title	Pass-Through Grantor	Pass-Through Grantor's Number	Program Expenditures	Amount Provided to Subrecipient
U.S. Department of Agriculture:						
10.558	Child and Adult Care Food Program		Arizona Department of Education	07-2431	\$ 209,833	
10.596	Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP		Arizona Department of Economic Security	ADES16-116768	<u>131,996</u>	
	Total U.S. Department of Agriculture				<u>341,829</u>	
U.S. Department of Housing and Urban Development:						
14.218	Community Development Block Grants / Entitlement Grants	CDBG - Entitlement Grants Cluster	City of Phoenix, Tempe Community Council	141547-0, FY15-16	54,020	
14.228	Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii		City of Phoenix	136306-0, 136160-0	514,725	
14.231	Emergency Solutions Grant Program		City of Phoenix, City of Glendale, Arizona Department of Economic Security, Maricopa County	136306-0, C-10439 DES13-050412, 14072-RFP	877,635	
14.239	Home Investment Partnerships Program		City of Phoenix	121470	2,172,937	
14.267	Continuum of Care Program		None	N/A	<u>2,102,622</u>	<u>\$ 238,261</u>
	Total U.S. Department of Housing and Urban Development				<u>5,721,939</u>	<u>238,261</u>
U.S. Department of Justice:						
16.575	Crime Victim Assistance		Arizona Department of Public Safety	2014-VA-GX, 0018, 2015-287	39,009	
16.736	Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault		None	N/A	<u>132,471</u>	
	Total U.S. Department of Justice				<u>171,480</u>	
U.S. Department of Transportation						
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	Transit Service Program Cluster	City of Phoenix	None	<u>103,692</u>	
	Total U.S. Department of Transportation				<u>103,692</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, 2016

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 Veterans Affairs						
64.024	VA Homeless Providers Grant and Per Diem Program		Arizona Department of Veteran Services	ADVS15-075066	33,298	
64.033	VA Supportive Services for Veteran Families Program		None	N/A	<u>701,747</u>	<u>208,723</u>
	Total U.S. Department of Veterans Affairs				<u>735,045</u>	<u>208,723</u>
U.S. Department of Health and Human Services						
93.558	Temporary Assistance for Needy Families	TANF Cluster	Arizona Department of Economic Security	DES13-050412, DES12-025521	882,931	141,346
<i>CCDF Cluster</i>						
93.575	Child Care and Development Block Grant	CCDF Cluster	Arizona Department of Economic Security	ADES16-099078, P0001287101	236,776	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	CCDF Cluster	Arizona Department of Economic Security	P0001287101	<u>111,914</u>	
	<i>CCDF Cluster Total</i>				<u>348,690</u>	
93.600	Head Start		Southwest Human Development	EHSCCP-12715	177,785	
93.667	Social Services Block Grant		Arizona Department of Economic Security	DES12-025521, P0001287101	<u>47,692</u>	
	Total U.S. Department of Health and Human Services				<u>1,457,098</u>	<u>141,346</u>
	Total Expenditures of Federal Awards				<u>\$ 8,531,083</u>	<u>\$ 588,330</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, 2016

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, except for amounts passed through to subrecipients, which are presented on the cash 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 2016 *Catalog of Federal Domestic Assistance Update*.

NOTE 3 - SUBRECIPIENTS

UMOM passed through the following federal funds to subrecipients during the fiscal year ended June 30, 2016:

Save the Family Foundation of Arizona	\$ 238,261	CFDA 14.267
	\$ 208,723	CFDA 64.033
	\$ 71,177	CFDA 93.558
Tumbleweed Center for Youth Development	\$ 70,169	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 totaling \$2,172,937 at June 30, 2016 under CFDA 14.239, including \$1,413,937 due from Casa De Paz III Apartments, LLC, a subsidiary of Helping Hands Housing Services, LLC, and \$759,000 due from UMOM. Both notes are payable to the City of Phoenix. The outstanding balances for the loans are included on the schedule of expenditures of federal awards because the Home Investment Partnership Program has 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.
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 financial statements of UMOM New Day Centers, Inc. (UMOM), which comprise the consolidated statements of financial position as of June 30, 2016, 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 March 21, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 that we consider to be material weaknesses.

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*.

UMOM's Response to Findings

UMOM's responses to the findings identified in our audit are described in the accompanying corrective action plan. UMOM's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 P.C.

March 21, 2017

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.
Phoenix, Arizona

Report on Compliance for Each Major Federal Program

We have audited UMOM New Day Centers, Inc. (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, 2016. 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 the requirements of laws, regulations, contracts, and grants 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; 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). 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying schedule of findings and questioned costs as item 2016-101. Our opinion on each major federal program is not modified with respect to this matter.

UMOM's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. UMOM's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-101 that we consider to be a material weakness.

UMOM's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 P.C.

March 21, 2017

UMOM NEW DAY CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

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 in internal control over financial reporting?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards:

Internal control over major programs:		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> 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)?	<u> X </u> yes	<u> </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Programs or Cluster</u>
14.267	Continuum of Care Program

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

Other Matters:

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR 200.511(b)?	<u> </u> yes <u> X </u> no
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UMOM NEW DAY CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Section II - Financial Statements Findings

Finding No. 2016-001: Internal Controls Over Payroll Charges

See Finding No. 2016-101

Finding No. 2016-002: Revenue Recognition for Contributions Received

Criteria:	The Uniform Guidance requires the auditor to give an opinion on financial statements that are prepared in accordance with auditing principles generally accepted in the United States of America (GAAP).
Condition and context:	Management posted adjustments detected as a result of auditing procedures to fairly state UMOM's pledges receivable and contribution revenue in accordance with GAAP. A pledge that was recorded in the prior fiscal year totaling \$150,000 was recorded as revenue during the year ended June 30, 2016 when the cash was received, instead of as a reduction in the pledge receivable balance. Another pledge totaling approximately \$1.1 million was incorrectly recorded in the general ledger during the year ended June 30, 2016.
Effect:	Prior to management posting correcting journal entries, UMOM's pledges receivable and contributions revenue was overstated by approximately \$560,000.
Cause:	Unknown
Recommendation:	We recommend that UMOM develops procedures to reconcile its cash receipts to pledges receivable as part of its month-end and year-end financial closing procedures.

UMOM NEW DAY CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Section III - Federal Award Findings and Questioned Costs

Finding No. 2016-101: Internal Controls Over Payroll Charges

CFDA No. and Name: 14.267 Continuum of Care Program
Federal Agency: U.S. Department of Housing and Urban Development
Award No.: FR-6000-N-TC
Compliance Requirement: Allowable Costs
Questioned Costs: Unknown

Criteria: In accordance with 2 CFR, §225, Appendix B, 8(h)(1-4), UMOM should maintain records on an after-the-fact basis that employee compensation charged to federal programs represents a reasonable distribution of employees' actual time and effort worked on federal program activities.

Condition and context: Employee timesheets for 4 of 40 payroll transactions that we tested contained calculation errors, or incorrect amounts used to support federal grant allocations. For 3 of 4 of the errors, the allocation of hours charged to the federal program on the timesheet did not agree to the percentage of payroll expenditures charged to the program, and a total of \$529 was overcharged to the federal program related to these transactions. For 1 of the 4 errors, the calculation of paid-time-off compensation was not correct, resulting in an underpayment to the employee and charges to the federal grant of \$791.

Effect: Employees' compensation costs charged to the program may not have represented an accurate after-the-fact distribution of the actual time and effort spent on the program's activities, which could have resulted in unallowed costs being charged to the program. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding.

Cause: Unknown

Recommendation: To help ensure that UMOM complies with the program's requirements for allowable costs, management should develop and implement policies and procedures that help to ensure that employees' compensation charged to federal programs is allowable, properly allocated, and accurately reflects employees' actual work performed on federal programs.



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CORRECTIVE ACTION PLAN - Year Ended June 30, 2016

March 21, 2017

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

UMOM New Day Centers, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2016.

Name and address of independent public accounting firm:

Fester & Chapman P.C.
 9019 East Bahia Drive, Suite 100
 Scottsdale, Arizona 85260

Audit Period: July 1, 2015 through June 30, 2016.

The findings from the June 30, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Section II - Financial Statement Findings

2016-001: Internal Controls Over Payroll Charges

See Finding No. 2016-101

2016-002: Revenue Recognition for Contributions Received

Recommendation: We recommend that UMOM develops procedures to reconcile its cash receipts to pledges receivable as part of its month-end and year-end financial closing procedures.

Action taken: As a part of our month-end and year-end closing procedures, UMOM will reconcile revenue against pledges and accounts receivable, in collaboration with the Development department. A part of this reconciliation will involve a review of all outstanding pledges and accounts receivable to verify their validity.

Anticipated completion date: March 31, 2017

- Chief Executive Officer**
Darlene Newsom
- Chief Financial/Operating Officer**
Daniel Gottry
- Chief Program Officer**
Mattie Lord
- Chief Development Officer**
Karen Fletcher

- Board President**
James Kowalski
- Vice President**
Karen Johnson
- Secretary**
John Standing
- Treasurer**
Kristine Newman

- Board Members**
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Debbie Badge
Andrea Claus
Amy Davidson
Lisa Duran
Ethan Frey
Greg Gierwielanec
Susan Glawe
James Goergen
Yvette Gonzales
Michael Greer
Curtis Hansen
Anne Meyer
Connie Mitchell
Laura Mitchell
Kendis Muscheid
Suzanne Pearl
David Ridgeway
Kaye Rountree
Pam Shelton
Jennifer Spina
Lauren Stine
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Anthony Washington
Bridget Wolek
Cheryl Zittle

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Erik Olsson
W. Douglas Parker
William J. Post
Scott Rehorm
Tom Roskos
Mark Schiavoni
Bill Schubert
Don Tapia
Gary Tooker
Gregg Tryhus



Section III - Federal Award Findings and Questioned Costs - Major Federal Award Programs' Audit

2016-101: Internal Controls Over Payroll Charges

CFDA No. and Name: CFDA 14.267 Continuum of Care Program
Federal Agency: U.S. Department of Housing and Urban Development
Award No.: FR-6000-N-25-TC
Compliance Requirements: Allowable Costs

Recommendation: To help ensure that UMOM complies with the program's requirements for allowable costs, management should develop and implement policies and procedures that help to ensure that employees' compensation charged to federal programs is allowable, properly allocated, and accurately reflects employees' actual work performed on federal programs.

Action taken: Prior to September 2016, all payroll time and allocations were processed manually. In September, UMOM implemented an electronic time and attendance system, eliminating manual calculations and allowing employees time to be attributed and recorded daily. UMOM also hired an experienced payroll lead from outside the organization. Regular reviews of all payroll records are completed by the Senior Accountant. Furthermore, Grants Compliance Staff reconciles, on a per pay period basis, time sheets to the payroll system, making any required adjustments.

Anticipated completion date: October 31, 2016 (with a review and adjustments for the current fiscal year.)

If the Department of Housing and Urban Development has questions regarding this plan, please call Daniel Gottry at 602-889-0676.

Sincerely,



Daniel Gottry
Chief Financial Officer/Chief Operating Officer