



New Life Center and Subsidiary
Single Audit Reporting Package
for the Years Ended June 30, 2020 and 2019

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NEW LIFE CENTER AND SUBSIDIARY
YEARS ENDED JUNE 30, 2020 AND 2019
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
New Life Center and Subsidiary

Report on Financial Statements

We have audited the accompanying consolidated financial statements of New Life Center and Subsidiary which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 New Life Center and Subsidiary as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021, on our consideration of New Life Center and Subsidiary'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 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 Life Center and Subsidiary's 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 Life Center and Subsidiary's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
March 24, 2021

NEW LIFE CENTER AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

<u>Assets</u>	2020	2019
Cash and cash equivalents	\$ 1,545,409	\$ 2,723,046
Restricted cash and cash equivalents		100,000
Investments	1,861,744	537,112
Contributions receivable	30,751	17,352
Government contracts receivable	269,027	129,737
Contributions receivable - land lease	26,188	26,524
Thrift store inventory	47,757	58,054
Prepaid expenses and deposits	78,667	63,342
Other current assets		62
Property and equipment, net	<u>2,462,096</u>	<u>2,496,030</u>
Total assets	<u>\$ 6,321,639</u>	<u>\$ 6,151,259</u>
<u>Liabilities</u>		
Accounts payable	\$ 138,257	\$ 52,038
Accrued expenses and other liabilities	116,701	98,526
Refundable advance	374,595	
Forgivable loans, net of discount	<u>522,466</u>	<u>795,406</u>
Total liabilities	<u>1,152,019</u>	<u>945,970</u>
<u>Net assets</u>		
Without donor restrictions:		
Undesignated	4,801,566	4,815,947
With donor restrictions:		
Time restricted	282,368	313,611
Purpose restricted	<u>85,686</u>	<u>75,731</u>
Total net assets	<u>5,169,620</u>	<u>5,205,289</u>
Total liabilities and net assets	<u>\$ 6,321,639</u>	<u>\$ 6,151,259</u>

See accompanying notes to financial statements.

**NEW LIFE CENTER AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains:						
Contributions	\$ 616,848	\$ 163,327	\$ 780,175	\$ 749,158	\$ 214,024	\$ 963,182
Contributions - in kind	243,803		243,803	250,960		250,960
Government contracts and grants	1,740,168		1,740,168	1,463,935		1,463,935
Loan forgiveness	300,000		300,000			
Thrift store	328,355		328,355	505,047		505,047
Less: thrift store cost of goods sold	(352,764)		(352,764)	(398,936)		(398,936)
Special events	116,499		116,499			
Interest and dividends	42,445		42,445	27,633		27,633
Other income				5,731		5,731
Investment return, net	1,018		1,018	5,255		5,255
Net assets released from restrictions	184,615	(184,615)		337,292	(337,292)	
Total revenue, support, and gains	<u>3,220,987</u>	<u>(21,288)</u>	<u>3,199,699</u>	<u>2,946,075</u>	<u>(123,268)</u>	<u>2,822,807</u>
 Expenses and losses:						
Program services	<u>2,760,244</u>		<u>2,760,244</u>	<u>2,631,656</u>		<u>2,631,656</u>
Total program expenses	<u>2,760,244</u>		<u>2,760,244</u>	<u>2,631,656</u>		<u>2,631,656</u>
Supporting services						
Management and general	307,350		307,350	225,857		225,857
Fundraising	167,774		167,774	159,144		159,144
Total supporting services	<u>475,124</u>		<u>475,124</u>	<u>385,001</u>		<u>385,001</u>
 Total expenses and losses	3,235,368		3,235,368	3,016,657		3,016,657
 Change in net assets	(14,381)	(21,288)	(35,669)	(70,582)	(123,268)	(193,850)
 Net assets, beginning of year	<u>4,815,947</u>	<u>389,342</u>	<u>5,205,289</u>	<u>4,886,529</u>	<u>512,610</u>	<u>5,399,139</u>
 Net assets, end of year	<u>\$ 4,801,566</u>	<u>\$ 368,054</u>	<u>\$ 5,169,620</u>	<u>\$ 4,815,947</u>	<u>389,342</u>	<u>5,205,289</u>

See accompanying notes to financial statements.

**NEW LIFE CENTER AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Services			Supporting Services				
	Emergency Shelter Program							
	Emergency Shelter Domestic Violence	Victims of Crime Assistance	Total Program Services	Management and General	Fund- raising	Total Functional Expenses	Thrift Store	Total
Salaries and wages	\$ 919,242	\$ 533,975	1,453,217	\$ 188,063	\$ 68,387	1,709,667	\$ 202,652	1,912,319
Employee related expenses	141,910	79,436	221,346	28,645	10,416	260,407	36,809	297,216
Total salaries and related expenses	<u>1,061,152</u>	<u>613,411</u>	<u>1,674,563</u>	<u>216,708</u>	<u>78,803</u>	<u>1,970,074</u>	<u>239,461</u>	<u>2,209,535</u>
Community relations	24,060		24,060			24,060		24,060
Depreciation and amortization	160,319		160,319	12,067		172,386	22,219	194,605
Equipment rental and maintenance	38,338	3,105	41,443	3,119		44,562		44,562
Food	72,009		72,009			72,009		72,009
In-kind contribution expense	250,223		250,223			250,223		250,223
Insurance	37,719		37,719	2,839		40,558	12,585	53,143
Bad debt expense	5,837		5,837			5,837		5,837
Miscellaneous	57,819	33,489	91,308	11,056	14,838	117,202	13,179	130,381
Occupancy	168,890		168,890	12,712		181,602	47,986	229,588
Professional fees	89,150		89,150	42,309	19,643	151,102		151,102
Relocation assistance	10,171	23,432	33,603			33,603		33,603
Special events					54,490	54,490		54,490
Staff training	20,203		20,203			20,203		20,203
Supplies	63,795	10,739	74,534	5,610		80,144	5,173	85,317
Telephone	12,359		12,359	930		13,289	6,140	19,429
Travel	1,616	2,408	4,024			4,024	6,021	10,045
Total expenses	<u>\$ 2,073,660</u>	<u>\$ 686,584</u>	<u>\$ 2,760,244</u>	<u>\$ 307,350</u>	<u>\$ 167,774</u>	<u>\$ 3,235,368</u>	<u>\$ 352,764</u>	<u>\$ 3,588,132</u>

See accompanying notes to financial statements.

**NEW LIFE CENTER AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services			Supporting Services				
	Emergency Shelter Program							
	Emergency Shelter Domestic Violence	Victims of Crime Assistance	Total Program Services	Management and General	Fund- raising	Total Functional Expenses	Thrift Store	Total
Salaries and wages	\$ 821,318	\$ 483,633	\$ 1,304,951	\$ 168,876	\$ 61,410	\$ 1,535,237	\$ 242,986	\$ 1,778,223
Employee related expenses	146,756	102,449	249,205	32,250	11,727	293,182	37,254	330,436
Total salaries and related expenses	968,074	586,082	1,554,156	201,126	73,137	1,828,419	280,240	2,108,659
Community relations	20,085		20,085			20,085		20,085
Depreciation and amortization	145,953		145,953	10,986		156,939	21,979	178,918
Equipment rental and maintenance	21,666	2,708	24,374	1,835		26,209	260	26,469
Food	75,074		75,074			75,074		75,074
In-kind contribution expense	250,960		250,960			250,960		250,960
Insurance	24,926		24,926	1,876		26,802	6,344	33,146
Bad debt expense	85,184		85,184			85,184		85,184
Miscellaneous	42,739	54,910	97,649	(26,984)	23,944	94,609	15,319	109,928
Occupancy	171,768		171,768	12,929		184,697	54,882	239,579
Professional fees	37,798		37,798	17,938	8,328	64,064		64,064
Relocation assistance	568	25,562	26,130			26,130		26,130
Special events					53,735	53,735		53,735
Staff training	13,784		13,784			13,784		13,784
Supplies	64,635	5,466	70,101	5,276		75,377	2,139	77,516
Telephone	11,621		11,621	875		12,496	4,545	17,041
Travel	17,404	4,689	22,093			22,093	13,228	35,321
Total expenses	\$ 1,952,239	\$ 679,417	\$ 2,631,656	\$ 225,857	\$ 159,144	\$ 3,016,657	\$ 398,936	\$ 3,415,593

See accompanying notes to financial statements.

**NEW LIFE CENTER AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (35,669)	\$ (193,850)
Adjustments to reconcile change in net assets to net cash provided by/used for operating activities:		
Depreciation and amortization	194,605	178,918
Net (gain)/loss on investments	(1,018)	(5,255)
Bad debt expense	5,837	85,184
Long-term debt forgiven	(316,665)	(16,665)
Amortization of discount on loan	43,725	42,402
Change in discount on pledges receivable	(34,801)	7,946
Change in allowance for uncollectible pledges		(41,328)
Changes in assets and liabilities:		
Government contracts receivable	(139,290)	58,867
Contributions receivable	15,565	254,588
Thrift store inventory	10,297	10,111
Refundable advance	374,595	
Prepaid expenses and deposits	(15,325)	(60,908)
Contributions receivable - land lease	336	336
Accounts payable	86,219	27,925
Accrued expenses and other liabilities	18,175	48,197
Other current assets	62	(62)
	<u>206,648</u>	<u>396,406</u>
Net cash provided by/used for operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(160,671)	(91,494)
Disposal of property and equipment		(2,076)
Sale (purchases) of certificates of deposits		100,000
Sale (purchases) of investments	<u>(1,323,614)</u>	<u>(523,171)</u>
	<u>(1,484,285)</u>	<u>(516,741)</u>
Net cash provided by/used for investing activities		
Net increase/decrease in cash and cash equivalents	(1,277,637)	(120,335)
Cash and cash equivalents, beginning of year	<u>2,823,046</u>	<u>2,943,381</u>
Cash and cash equivalents, end of year	<u>\$ 1,545,409</u>	<u>\$ 2,823,046</u>

See accompanying notes to financial statements.

NEW LIFE CENTER AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

New Life Center (New Life or Center) was incorporated on November 26, 1989, as an Arizona nonprofit organization. New Life promotes self-sufficiency by providing safe shelter, advocacy, and other services to victims of domestic violence and their children, who are located in Maricopa County, Arizona. New Life also promotes community awareness of the need for domestic violence services and prevention programs. A significant portion of New Life's revenue and support is derived from state and federal funds provided by the Arizona Departments of Economic Security and Public Safety.

Hope's Closet, LLC was organized on January 29, 2009. Hope's Closet operates a retail store for the sale to the public of donated clothing and household items in conjunction with and in support of New Life's service to victims of domestic violence and their families.

The more significant accounting policies are described below.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of New Life Center and Hope's Closet, LLC. All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements of the Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The consolidated financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to not-for-profit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing not-for-profit accounting and financial reporting principles. The Center is required to report information regarding its financial position and activities according to two classes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Center and/or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

NEW LIFE CENTER AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Center considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Center reports investments at fair value. Net investment income return is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expense.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Center to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Center maintains its cash and cash equivalents in bank deposit accounts, which, for short periods of time, may exceed federally insured limits. At year end, the carrying amount of the Center's deposits was \$1,545,409 and the bank balance was \$1,476,039. At year end, \$1,078,488 of the Center's deposits were uninsured and uncollateralized. To minimize risk, cash accounts are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Center's investments do not represent significant concentrations of market risk inasmuch as the Center's investment portfolio is adequately diversified among issuers.

Contributions Receivable

Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in periods greater than one year are recorded at net present value of expected cash flows. The discounts on those amounts are computed using interest rates determined by management, applicable to the years in which the promises are received.

NEW LIFE CENTER AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accretion of the discounts is included in contribution support. The allowance for doubtful accounts is based on management's assessment of the collectability of specific donor accounts. If there is deterioration in a major donor's pledge, management's estimates of the recoverability of amounts promised could be adversely affected.

Contributions Receivable – Land Lease

The contribution receivable – land lease is based on the 99-year land lease with the City of Goodyear and represents the fair value use of the land.

Government Contracts Receivable

Government contracts receivable consists of amounts due from the federal government. Government contracts receivable are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary.

Revenue Recognition

Contributions. The Center recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Government contracts and grants. Revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenses in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenses are reported as refundable advances in the Statement of Financial Position. The Center was awarded cost-reimbursable grants of \$768,596 that have not been recognized at June 30, 2020 because qualifying expenses have not yet been incurred.

Special events revenue. The Center records special events revenue when the event takes place.

Donated Services and In-Kind Contributions

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Center reclassifies net assets with donor restrictions to net assets without restrictions at that time.

NEW LIFE CENTER AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Volunteers contribute significant amounts of time to the Center's program services, administration, and fundraising activities; however the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed in generally accepted accounting principles.

Inventories

Inventory consists of used clothing, household goods, and other items donated by the public for sale at the thrift store. The fair value or market value of contributed merchandise when received is defined as the excess of retail sales value over the cost of goods sold. Donated goods are believed to have little or no value until they are processed and made available for sale. The value of the inventory is computed based upon the estimated retail value.

Property and Equipment

All acquisitions of property and equipment with a cost in excess of \$1,000 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from 5 to 30 years. Depreciation expense was \$194,605 and \$178,918 during the years ended June 30, 2020 and 2019, respectively.

The Center reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

Compensated Absences

Employees are entitled to personal time off (PTO), depending on job classification, length of service, and other factors. It is the Center's policy to recognize the cost of compensated absence when leave is earned by employees.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

**NEW LIFE CENTER AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Professional fees	Full time equivalent
Occupancy	Square footage
Depreciation	Square footage

Advertising

The Center uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the current fiscal year, advertising costs totaled \$4,047.

Income Tax Status

New Life Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar State of Arizona tax provisions. In addition, the Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Center's Form 990, *Return of Organization Exempt from Income Taxes*, is generally subject to examination by the Internal Revenue Service for three years after the date filed.

Hope's Closet, LLC is a limited liability company incorporated in the state of Arizona, which is a pass-through entity. All income or loss of this entity is reported at New Life's level.

New Accounting Pronouncement

During the fiscal year, New Life Center adopted Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The update clarifies and improves the scope and accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

Analysis of the provisions of this standard resulted in no significant changes in the way the Center recognizes revenue, and therefore no changes to the previously issued audited statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Date of Management's Review

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through March 24, 2021, which is the date the financial statements were available to be issued.

NEW LIFE CENTER AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following represents the Center’s financial assets at fiscal year end:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,545,409
Investments	1,861,744
Contributions receivable	30,751
Government contracts receivable	<u>269,027</u>
Total financial assets	<u>3,706,931</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	114,332
Less: Net assets with time and purpose restrictions to be met in less than a year	<u>(93,911)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,686,510</u>

The Center regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined as the price that the Center would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounting standards establish a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques. Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Observable inputs are those that reflect the assumptions that market participants would use in pricing the asset and are based on market data obtained from independent sources. Unobservable inputs reflect the Center’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1: Quoted prices in active markets for identical investments.
- Level 2: Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

NEW LIFE CENTER AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The level of fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at year end are as follows:

	Hierarchy Level	Fair Value
Investments		
Equity securities	Level 1	\$ 1,039,969
Fixed income investments	Level 1	711,507
Real estate	Level 1	52,390
Commodities	Level 1	57,878
Total assets		<u>\$ 1,861,744</u>

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value.

Investments – Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Contributions receivable before unamortized discount	\$ 38,394	\$ 53,959
Less: Unamortized discount	<u>(1,523)</u>	<u>(30,487)</u>
Total	36,871	23,472
Less: Allowance for uncollectibles	<u>(6,120)</u>	<u>(6,120)</u>
Net contributions receivable	<u>30,751</u>	<u>17,352</u>
Amounts due in:		
Less than one year	8,225	7,644
More than one year	<u>22,526</u>	<u>9,708</u>
Total	<u>\$ 30,751</u>	<u>\$ 17,352</u>

The discount rate used to determine the present value of contributions receivable is commensurate with the risks involved and ranged from 2.78 percent to 2.22 percent.

NEW LIFE CENTER AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following.

	<u>2020</u>	<u>2019</u>
Land	\$ 72,000	\$ 72,000
Buildings	3,984,028	3,984,028
Furniture and equipment	383,710	377,137
Building improvements	<u>727,958</u>	<u>573,860</u>
Total property and equipment	5,167,696	5,007,025
Less: Accumulated depreciation and amortization	<u>(2,705,600)</u>	<u>(2,510,995)</u>
Net property and equipment	<u>\$ 2,462,096</u>	<u>\$ 2,496,030</u>

NOTE 6 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

The Center received approval for a Payroll Protection Program (PPP) loan under the CARES Act on April 15, 2020. The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities within 24 weeks of loan approval (at least 60% of the forgiven amount must be used for payroll). Loan payments will also be deferred for ten months, however interest will continue to accrue. Neither the government nor lenders will charge any fees for the loans. Forgiveness is based on the Center maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. Recipients must also comply with certain Small Business Administration (SBA) requirements and make certain certifications. PPP loans have a maturity of two years, an interest rate of 1% if not forgiven, and no prepayment penalty.

The Center intends to seek forgiveness of the PPP loan, therefore the loan is considered a conditional grant from the Federal government for which revenue is recognized when all conditions have been met. The Center recognized a refundable advance for the entire loan amount as not all conditions have been met.

The Center must complete and submit a loan forgiveness application to the lender in order to receive loan forgiveness. Upon receipt of the loan forgiveness application the lender will determine if the Center is entitled to forgiveness of some or all of the loan amount. The lender has 60 days from the receipt of the application to issue a decision to the SBA. As of the March 24, 2021 the Center has not submitted the loan forgiveness application to the lender.

The Center must retain all records relating the PPP loan, including documentation necessary to support the loan forgiveness application and documentation supporting material compliance with program requirements. The Center must retain all documentation for six years after the loan is forgiven. The loan forgiveness is subject to audit and adjustment by the SBA. Any ineligible loan amounts may result in the SBA requiring the Organization repay the loan forgiven in part, or in whole.

NEW LIFE CENTER AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 – NET ASSETS

Net assets with donor restrictions were as follows:

	<u>2020</u>	<u>2019</u>
Specific Purpose		
Women’s programs	\$ 78,977	\$ 64,966
Children’s programs	6,709	10,765
Passage of Time		
Pledges receivable	282,368	313,611
Total	<u>\$ 368,054</u>	<u>\$ 389,342</u>

Net assets released from donor restrictions are as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Women’s programs	\$ 122,316	\$ 50,868
Children’s programs	25,056	15,931
Satisfaction of time restrictions		
Pledges receivable	37,243	270,493
Total	<u>\$ 184,615</u>	<u>\$ 337,292</u>

NOTE 8 – OPERATING LEASE COMMITMENTS

New Life Center leases land from the City of Goodyear for one dollar per year and has recorded the fair value of the use of the land. New Life leases equipment under noncancelable operating leases with expiration dates ranging through June 2022. Monthly rent for the equipment ranges from \$73 to \$477.

Total rent expense was \$11,509 and \$11,125 during the years ended June 30, 2020 and 2019, respectively.

The following is a schedule by years of future minimum rental payments under the leases at year end:

Year End:		
	2021	\$ 9,120
	2022	8,280
Total		<u>\$ 17,400</u>

NEW LIFE CENTER AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 – DEBT

Debt outstanding consisted of the following:

Description	<u>2020</u>	<u>2019</u>
Note payable to City of Phoenix dated August 31, 2000, for the construction of emergency and transitional housing units; original amount of \$333,300; principal to be forgiven at 5% per year over 20 years beginning with the first year provided the housing is used exclusively for the operation of an emergency and transitional housing program; interest free; secured by a deed of trust on real property.	\$	\$ 16,665
Note payable to State of Arizona, Department of Commerce dated February 18, 2000, for the construction of emergency and transitional housing units; original amount of \$300,000; principal to be forgiven on the 20th anniversary of the effective date of the contract (February 18, 2020) provided the housing is used exclusively for the operation of an emergency and transitional housing program; interest free; secured by a deed of trust on real property.		300,000
Note payable to State of Arizona, Department of Housing dated September 28, 2007, for the construction of emergency and transitional housing units; total amount to equal \$750,000; principal to be forgiven on the maturity date of January 31, 2028, provided the housing is used exclusively for the operation of an emergency and transitional housing program; interest free; secured by a deed of trust on real property.	<u>750,000</u>	<u>750,000</u>
Total long-term debt	750,000	1,066,665
Less: Present value discount for interest expense contribution	<u>(227,534)</u>	<u>(271,259)</u>
Net long-term debt	<u>\$ 522,466</u>	<u>\$ 795,406</u>

The present value discount was calculated at interest rates of 6.23 percent and 4.91.

As of June 30, 2020, the future scheduled maturity for long-term debt is in fiscal year 2028 for \$750,000.

NEW LIFE CENTER AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 – DONATED SERVICES

Donated property and equipment, materials and services with an estimated fair value of \$243,803 and \$250,960, were recognized as contributions during the years ended June 30, 2020 and 2019, respectively. Estimated volunteers hours of 13,645 and 11,780 were contributed throughout various programs during fiscal years 2020 and 2019, respectively. Such services have not been recorded as revenue or expense in the accompanying consolidated financial statements as a program expense.

NOTE 11 – CONCENTRATIONS

The Center received approximately 54 and 50 percent of its unrestricted revenue from federal and state grants and contracts during the years ended June 30, 2020 and 2019, respectively. If the Center were to lose its government grants and contracts, it would have a severe near term impact upon the Center and its operations.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Center is subject to certain loss contingencies, such as litigation, arising in the normal conduct of its activities. In the opinion of management, the liability, if any, for such contingencies will not have a material effect on the Center's financial position.

NOTE 13 – EMPLOYEE BENEFIT PLANS

Tax-deferred Annuity Plan

The Center sponsors a 401(k) profit sharing plan, established January 1, 2008, for the benefit of its employees. The Center, at their discretion, can make matching contributions of up to four percent of eligible pay. The Center made matching contributions of \$17,275 and \$16,601 for the years ended June 30, 2020 and 2019, respectively.

SINGLE AUDIT SECTION

**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***

Independent Auditor's Report

Board of Directors
New Life Center and Subsidiary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Life Center and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2020, 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 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Life Center and Subsidiary's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Life Center and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of New Life Center and Subsidiary'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Life Center and Subsidiary'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 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*.

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

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
March 24, 2021

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

Board of Directors
New Life Center and Subsidiary

Report on Compliance for Each Major Federal Program

We have audited New Life Center and Subsidiary'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 New Life Center and Subsidiary's major federal programs for the year ended June 30, 2020. New Life Center and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of New Life Center and Subsidiary'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 New Life Center and Subsidiary'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 New Life Center and Subsidiary's compliance.

Opinion on Each Major Federal Program

In our opinion, New Life Center and Subsidiary 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, 2020.

Report on Internal Control Over Compliance

Management of New Life Center and Subsidiary 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 New Life Center and Subsidiary'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 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 New Life Center and Subsidiary'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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of New Life Center and Subsidiary as of and for the year ended June 30, 2020, and have issued our report thereon dated March 24, 2021, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 taken as a whole.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
March 24, 2021

NEW LIFE CENTER AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2019 - 6/30/2020

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
DEPARTMENT OF AGRICULTURE							
<i>CHILD AND ADULT CARE FOOD PROGRAM</i>	10.558	ARIZONA DEPARTMENT OF EDUCATION	07-24-43-000	\$71,975	\$71,975	N/A	\$0
TOTAL DEPARTMENT OF AGRICULTURE				<u>\$71,975</u>			
DEPARTMENT OF JUSTICE							
SERVICES FOR TRAFFICKING VICTIMS	16.320			\$46,764	\$46,764	N/A	\$0
<i>CRIME VICTIM ASSISTANCE</i>	16.575	ARIZONA DEPARTMENT OF PUBLIC SAFETY	2018-311	\$674,955	\$674,955	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE				<u>\$721,719</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
<i>TEMPORARY ASSISTANCE FOR NEEDY FAMILIES</i>	93.558	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	12025-525	\$315,876	\$315,876	N/A	\$315,876
<i>SOCIAL SERVICES BLOCK GRANT</i>	93.667	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	12025-525	\$62,441	\$62,441	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>\$378,317</u>			
TOTAL EXPENDITURE OF FEDERAL AWARDS				<u><u>\$1,172,011</u></u>			

Please Note:

Italicized award lines indicate pass-through funding

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

NEW LIFE CENTER AND SUBSIDIARY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2019 - 6/30/2020

Significant Accounting Policies Used in Preparing the SEFA

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of New Life Center and Subsidiary under programs of the federal government for the year ended June 30, 2020. 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 the Center, it is not intended to and does not present the financial position, changes in net position or cash flows of the Center. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

10% De Minimis Cost Rate

The auditee used the de minimis cost rate.

Catalog of Federal Domestic Assistance Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or through beta.sam.gov. If the three-digit CFDA extension is unknown, there is a U followed by a two-digit number in the CFDA extension to identify one or more Federal award lines from that program. The first Federal program with an unknown three-digit extension is indicated with U01 for all award lines associated with that program, the second is U02, etc.

**NEW LIFE CENTER AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED JUNE 30, 2020**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
16.575	Crime Victim Assistance

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

Auditee qualified as low-risk auditee: Yes

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: No

Findings and Questioned Costs Related to Federal Awards: No

Summary Schedule of Prior Audit Findings required to be reported: Yes



March 24, 2021

To Whom It May Concern:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The status for each finding included in the prior year audit's Schedule of Findings and Questioned Costs has been provided.

Sincerely,

Myriah Mhoon
Chief Executive Officer

**NEW LIFE CENTER AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

**Status of Findings Related to Financial Statements Reported in Accordance with
*Government Auditing Standards***

Finding Number: FS-2019-001
Status: Fully corrected.

Status of Findings and Questioned Costs Related to Federal Awards

Finding Number: 2019-001
Program Name/CFDA Title: Crime Victim Assistance
CFDA Number: 16.575
Status: Fully corrected.