

**UMOM New Day Centers, Inc. and Subsidiaries
Consolidated Financial Statements,
Supplementary Information
and Single Audit Reports**

**June 30, 2011
(With comparative totals for 2010)**

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Independent Auditors' Report

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

We have audited the accompanying consolidated statement of financial position of UMOM New Day Centers, Inc. and Subsidiaries (UMOM, a nonprofit corporation), as of June 30, 2011, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of UMOM's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from UMOM's 2010 financial statements and, in our report dated February 1, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011, on our consideration of UMOM's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements of UMOM taken as a whole. The accompanying consolidating statement of financial position and the consolidating statement of activities are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the consolidated financial statements. Such 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 financial statements themselves, and other additional procedures in accordance with U.S generally accepted auditing standards and *Government Auditing Standards*. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Fester & Chapman P.C.". The signature is written in black ink and is positioned above the date.

December 21, 2011

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011
(with comparative financial information as of June 30,2010)

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 1,112,282	\$ 1,281,906
Receivables:		
Contracts	768,195	1,010,349
Note	515,000	515,000
Pledges, less allowances for doubtful accounts and discounts	1,366,062	1,930,384
Other	38,468	31,337
Tenant security deposits held in trust	36,605	44,853
Prepaid expenses	78,704	100,295
Mortgage escrow and other deposits	48,178	78,079
Reserve for replacements and rehabilitation	309,347	436,126
Cash restricted by donors	170,479	334,486
Land, buildings and equipment, net	26,228,722	28,884,422
Deferred loan fees, net	87,463	123,681
Bond issuance costs, net	135,130	149,936
Contributed real property, held for sale	25,000	25,000
Other assets	<u>40,589</u>	<u>14,691</u>
Total assets	<u>\$ 30,960,224</u>	<u>\$ 34,960,545</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Revolving line of credit	\$ -	\$ 98,873
Accounts payable	195,891	84,301
Accrued interest payable	117,094	102,195
Accrued expenses	340,844	326,656
Refundable advances and deferred income	36,604	125,187
Tenant security deposits held in trust	29,069	29,373
Capital lease obligations	-	3,933
Notes payable	5,389,879	6,963,358
Mortgage notes payable	2,744,027	3,959,070
Obligations to be forgiven	<u>1,759,000</u>	<u>1,759,000</u>
Total liabilities	<u>10,612,408</u>	<u>13,451,946</u>
NET ASSETS		
Unrestricted:		
Undesignated	18,841,775	19,567,467
Board of Directors designated reserve	<u>30,999</u>	<u>-</u>
	<u>18,872,774</u>	<u>19,567,467</u>
Temporarily restricted:		
Programs	123,790	160,763
Property acquisition and rehabilitation	<u>1,303,941</u>	<u>1,742,308</u>
	<u>1,427,731</u>	<u>1,903,071</u>
Permanently restricted	<u>47,311</u>	<u>38,061</u>
Total net assets	<u>20,347,816</u>	<u>21,508,599</u>
Total liabilities and net assets	<u>\$ 30,960,224</u>	<u>\$ 34,960,545</u>

The accompanying notes are an integral part of these statements.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011
(with comparative financial information for the year ended June 30,2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2010 Totals</u>
SUPPORT AND REVENUES					
Contributions:					
Property acquisition and rehabilitation	\$ -	\$ 594,104	\$ -	\$ 594,104	\$ 1,329,891
Other contributions	1,479,168	620,230	9,250	2,108,648	2,227,123
Contributed services and assets	<u>428,782</u>	<u>-</u>	<u>-</u>	<u>428,782</u>	<u>589,169</u>
Total contributions	<u>1,907,950</u>	<u>1,214,334</u>	<u>9,250</u>	<u>3,131,534</u>	<u>4,146,183</u>
Client paid programs:					
Service fees	71,032	-	-	71,032	91,463
Clothing bank	3,085	-	-	3,085	11,332
Rental income, net of vacancies	<u>1,471,191</u>	<u>-</u>	<u>-</u>	<u>1,471,191</u>	<u>1,240,453</u>
Total client paid programs	<u>1,545,308</u>	<u>-</u>	<u>-</u>	<u>1,545,308</u>	<u>1,343,248</u>
Special events	665,975	-	-	665,975	521,772
Less: cost of direct benefits to donors	<u>(192,419)</u>	<u>-</u>	<u>-</u>	<u>(192,419)</u>	<u>(26,454)</u>
Total special events	<u>473,556</u>	<u>-</u>	<u>-</u>	<u>473,556</u>	<u>495,318</u>
Government and other agency grants:					
Operating grants	4,834,925	-	-	4,834,925	4,736,650
Capital grants	<u>146,531</u>	<u>-</u>	<u>-</u>	<u>146,531</u>	<u>861,895</u>
Total government and other agency grants	<u>4,981,456</u>	<u>-</u>	<u>-</u>	<u>4,981,456</u>	<u>5,598,545</u>
Other revenue:					
Interest and dividends	3,845	-	-	3,845	5,893
Catering	86,283	-	-	86,283	58,821
Gain on disposal of assets	-	-	-	-	33,253
Other income	<u>44,646</u>	<u>-</u>	<u>-</u>	<u>44,646</u>	<u>340,724</u>
Total other revenue	<u>134,774</u>	<u>-</u>	<u>-</u>	<u>134,774</u>	<u>438,691</u>
Net assets released from restrictions:					
Satisfaction of program restrictions	705,334	(705,334)	-	-	-
Satisfaction of UMOM reconstruction and renewal campaign	<u>984,340</u>	<u>(984,340)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets released from restrictions	<u>1,689,674</u>	<u>(1,689,674)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>10,732,718</u>	<u>(475,340)</u>	<u>9,250</u>	<u>10,266,628</u>	<u>12,021,985</u>
EXPENSES					
Expenses, excluding depreciation and amortization:					
Program services	8,047,768			8,047,768	7,730,673
Supporting services:					
Fund development	712,234			712,234	633,133
General and administrative	<u>749,433</u>			<u>749,433</u>	<u>729,173</u>
Total expenses, excluding depreciation and amortization	<u>9,509,435</u>			<u>9,509,435</u>	<u>9,092,979</u>
CHANGE IN NET ASSETS BEFORE DEPRECIATION AND AMORTIZATION	<u>1,223,283</u>	<u>(475,340)</u>	<u>9,250</u>	<u>757,193</u>	<u>2,929,006</u>
Depreciation and amortization					
Program services	1,167,590			1,167,590	860,822
Supporting activities	<u>6,079</u>			<u>6,079</u>	<u>45,321</u>
Total depreciation and amortization	<u>1,173,669</u>			<u>1,173,669</u>	<u>906,143</u>
CHANGE IN NET ASSETS, BEFORE ACQUISITION OF SUBSIDIARIES AND PROPERTY TRANSFER	49,614	(475,340)	9,250	(416,476)	2,022,863
ACQUISITION OF HELPING HANDS HOUSING SERVICES, INC. AND SUBSIDIARIES	-	-	-	-	3,472,201
LOSS ON TRANSFER OF CASA DE PAZ II APARTMENTS, LLC (CDP II) TO OTHER ENTITY	<u>(744,307)</u>	<u>-</u>	<u>-</u>	<u>(744,307)</u>	<u>-</u>
CHANGE IN NET ASSETS	(694,693)	(475,340)	9,250	(1,160,783)	5,495,064
NET ASSETS, beginning of year	<u>19,567,467</u>	<u>1,903,071</u>	<u>38,061</u>	<u>21,508,599</u>	<u>16,013,535</u>
NET ASSETS, end of year	<u>\$ 18,872,774</u>	<u>\$ 1,427,731</u>	<u>\$ 47,311</u>	<u>\$ 20,347,816</u>	<u>\$ 21,508,599</u>

The accompanying notes are an integral part of these statements.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	Program Services						
	UMOM New Day Center						
	Family Services			Operations and Facilities	Housing	Wellness Center	Domestic Violence Shelter
	Emergency Shelter	Transitional Shelter	Children's Programs				
Salaries, employee benefits and payroll taxes	\$ 617,489	\$ 348,894	\$ 550,223	\$ 1,154,273	\$ 424,980	\$ 165	\$ 412,228
Professional services	745	-	-	67,654	11,244	116,112	-
Management fees	-	-	-	-	-	-	-
Neighborhood network	-	-	-	-	-	-	-
Travel and transportation	3,639	-	897	82,338	8,313	-	220
Bus tickets	6,525	3,773	-	-	686	-	2,594
Rent and storage	-	-	-	16,218	1,752	-	-
Rent free units	-	-	-	-	-	-	-
Utilities	-	-	-	328,130	277	-	-
Facility repairs and maintenance	-	-	-	116,917	136	-	178
Equipment rental and maintenance	2,322	1,855	1,341	38,985	3,511	-	643
Food and kitchen supplies	4,986	284	4,075	166,645	3,152	37	937
Program, office and other supplies	18,407	2,827	11,676	32,957	624	18,308	1,219
Printing and postage	167	116	128	5,510	459	-	153
Hygiene supplies	292	-	1,899	6,997	-	24	170
Cleaning supplies	-	-	3,798	6,574	-	-	750
Laundry supplies	362	-	-	3,625	-	-	-
Minor equipment, software and furnishings	-	3,688	2,648	40,858	5,129	2,177	189
Telephone	324	142	314	9,745	7,714	-	2,512
Employee screening, recruitment and training	4,911	2,303	4,001	8,296	3,566	313	3,985
Licenses, dues, fees and subscriptions	270	188	1,883	6,178	1,235	-	1,000
Interest	-	-	976	108,772	20,888	-	-
Lab fees	12,734	2,205	-	-	-	-	425
Employee and volunteer incentives	-	-	-	91	-	-	-
Client incentives	11,236	576	20	265	6,500	862	1,612
Client housing assistance	-	-	-	-	233,360	-	-
Insurance	-	-	-	90,437	-	-	-
Events	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-
Bad debt	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
Payments to subrecipient	-	-	-	-	174,112	-	-
Contributed goods and services	1,565	-	21	134,863	956	108,955	-
Total expenses before depreciation, allocable pool and eliminations	685,974	366,851	583,900	2,426,328	908,594	246,953	428,815
Depreciation and amortization	1,080	185	1,797	888,738	12,656	3,395	-
Allocation of shelter operations and facilities expenses	1,558,321	813,447	364,861	(3,315,066)	78,808	26,197	342,228
Consolidating eliminations	-	-	-	-	-	-	-
Total expenses	<u>\$ 2,245,375</u>	<u>\$ 1,180,483</u>	<u>\$ 950,558</u>	<u>\$ -</u>	<u>\$ 1,000,058</u>	<u>\$ 276,545</u>	<u>\$ 771,043</u>

	Program Services			Total Program Services
	UMOM		HH Housing Services, Inc.	
	Lamplighter Singles Housing	Watkins Emergency Shelter	Property Management	
Salaries, employee benefits and payroll taxes	\$ 94,641	\$ 778,621	\$ 181,794	\$ 4,563,308
Professional services	-	2,869	43,131	241,755
Management fees	-	-	97,516	97,516
Neighborhood network	-	-	35,000	35,000
Travel and transportation	2,364	54,788	484	153,043
Bus tickets	-	-	-	13,578
Rent and storage	-	-	-	17,970
Rent free units	-	-	38,668	38,668
Utilities	21,821	-	213,103	563,331
Facility repairs and maintenance	21,456	18	282,109	420,814
Equipment rental and maintenance	1,556	1,235	-	51,448
Food and kitchen supplies	2,050	53,870	-	236,036
Program, office and other supplies	351	3,299	32,958	122,626
Printing and postage	-	-	-	6,533
Hygiene supplies	-	15,143	-	24,525
Cleaning supplies	179	9,968	-	21,269
Laundry supplies	-	3,462	-	7,449
Minor equipment, software and furnishings	239	1,233	-	56,161
Telephone	3,302	2,063	-	26,116
Employee screening, recruitment and training	358	7,396	479	35,608
Licenses, dues, fees and subscriptions	773	234	-	11,761
Interest	-	-	341,995	472,631
Lab fees	425	-	-	15,789
Employee and volunteer incentives	-	-	-	91
Client incentives	40	444	-	21,555
Client housing assistance	-	-	-	233,360
Insurance	4,739	3,472	37,124	135,772
Events	-	-	-	-
Advertising	-	-	2,878	2,878
Bad debt	-	-	18,303	18,303
Other expenses	-	-	-	-
Payments to subrecipient	-	-	66,865	240,977
Contributed goods and services	-	140,032	-	386,392
Total expenses before depreciation, allocable pool and eliminations	154,294	1,078,147	1,392,407	8,272,263
Depreciation and amortization	16,851	12,723	230,165	1,167,590
Allocation of shelter operations and facilities expenses	-	-	-	(131,204)
Consolidating eliminations	-	-	(93,291)	(93,291)
Total expenses	<u>\$ 171,145</u>	<u>\$ 1,090,870</u>	<u>\$ 1,529,281</u>	<u>\$ 9,215,358</u>

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

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED
YEAR ENDED JUNE 30, 2011

	<u>Supporting Activities</u>			Total Supporting and Program Expenses
	Fund Development	General and Administrative	Total Supporting Activities	
Salaries, employee benefits and payroll taxes	\$ 288,875	\$ 490,197	\$ 779,072	\$ 5,342,380
Professional services	213,872	63,199	277,071	518,826
Management fees	-	-	-	97,516
Neighborhood network	-	-	-	35,000
Travel and transportation	2,172	7,582	9,754	162,797
Bus tickets	-	-	-	13,578
Rent and storage	-	-	-	17,970
Rent free units	-	-	-	38,668
Utilities	-	1,345	1,345	564,676
Facility repairs and maintenance	656	1,169	1,825	422,639
Equipment rental and maintenance	7,640	6,676	14,316	65,764
Food and kitchen supplies	744	2,788	3,532	239,568
Program, office and other supplies	2,343	4,724	7,067	129,693
Printing and postage	88,259	5,677	93,936	100,469
Hygiene supplies	-	-	-	24,525
Cleaning supplies	-	-	-	21,269
Laundry supplies	-	-	-	7,449
Minor equipment, software and furnishings	802	3,542	4,344	60,505
Telephone	7,123	7,533	14,656	40,772
Employee screening, recruitment and training	2,852	8,739	11,591	47,199
Licenses, dues, fees and subscriptions	17,525	19,759	37,284	49,045
Interest	-	-	-	472,631
Lab fees	-	-	-	15,789
Employee and volunteer incentives	3,672	3,372	7,044	7,135
Client incentives	-	-	-	21,555
Client housing assistance	-	-	-	233,360
Insurance	-	10,655	10,655	146,427
Events	36,262	-	36,262	36,262
Advertising	-	-	-	2,878
Bad debt	-	-	-	18,303
Other expenses	33	20,276	20,309	20,309
Payments to subrecipient	-	-	-	240,977
Contributed goods and services	-	400	400	386,792
Total expenses before depreciation, allocable pool and eliminations	<u>672,830</u>	<u>657,633</u>	<u>1,330,463</u>	<u>9,602,726</u>
Depreciation and amortization	6,079	-	6,079	1,173,669
Allocation of shelter operations and facilities expenses	39,404	91,800	131,204	-
Consolidating eliminations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(93,291)</u>
Total expenses	<u>\$ 718,313</u>	<u>\$ 749,433</u>	<u>\$ 1,467,746</u>	<u>\$ 10,683,104</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, 2010

	Program Services						Domestic Violence Shelter
	UMOM New Day Center						
	Family Services			Operations and Facilities	Housing	Wellness Center	
Emergency Shelter	Transitional Shelter	Children's Programs					
Salaries, employee benefits and payroll taxes	\$ 562,952	\$ 302,489	\$ 587,081	\$ 1,122,113	\$ 149,717	\$ -	\$ 444,150
Professional services	3,000	-	-	109,695	1,275	78,283	900
Management fees	-	-	-	-	-	-	-
Neighborhood network	-	-	-	-	-	-	-
Travel and transportation	2,803	288	613	46,965	623	-	8,258
Bus tickets	4,565	1,656	-	-	175	-	1,584
Rent and storage	-	-	-	9,469	-	-	70,378
Rent free units	-	-	-	-	-	-	-
Rent subsidies	-	-	-	-	-	-	-
Utilities	-	-	-	308,654	-	-	19,576
Facility repairs and maintenance	-	-	-	170,679	-	-	25,535
Equipment rental and maintenance	893	744	287	29,812	416	-	533
Food and kitchen supplies	2,850	298	3,879	286,907	679	850	6,763
Program, office and other supplies	53,950	3,659	8,318	30,683	443	1,961	3,725
Printing and postage	188	129	-	9,094	73	-	146
Hygiene supplies	215	-	2,535	4,419	-	53	2,599
Cleaning supplies	-	-	5,392	8,151	-	-	1,431
Laundry supplies	4,070	604	-	307	-	-	447
Minor equipment, software and furnishings	1,587	1,106	3,507	40,824	81	572	8,295
Telephone	659	310	179	9,345	1,427	-	4,613
Employee screening, recruitment and training	3,655	1,800	3,366	11,178	2,154	-	4,204
Licenses, dues, fees and subscriptions	779	40	180	8,185	8,126	-	1,592
Interest	-	-	323	96,403	-	-	-
Lab fees	11,967	3,353	-	-	-	-	125
Employee and volunteer incentives	-	-	-	-	-	-	10
Client incentives, assistance and job training	20,251	626	-	8,059	39,306	790	2,581
Resident activities	-	-	-	-	-	-	-
Insurance	-	-	-	23,744	-	-	3,525
Events	-	-	-	-	26	-	-
Advertising	-	-	-	-	-	-	-
Bad debt	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
Contributed goods and services	81,741	22,450	79,358	110,589	16,294	41,142	5,034
Total expenses before depreciation, allocable pool and eliminations	756,125	339,552	695,018	2,445,275	220,815	123,651	616,004
Depreciation and amortization	284,119	186,690	64,886	-	24,374	8,102	60,868
Allocation of shelter operations and facilities expenses	1,308,090	658,481	227,272	(2,445,275)	41,091	13,304	134,999
Consolidating eliminations	-	-	-	-	-	-	-
Total expenses	<u>\$2,348,334</u>	<u>\$ 1,184,723</u>	<u>\$ 987,176</u>	<u>\$ -</u>	<u>\$ 286,280</u>	<u>\$145,057</u>	<u>\$ 811,871</u>

	Program Services					
	UMOM		Helping Hands Housing Services, Inc.			Total Program Services
	Lamplighter Singles Housing	Watkins Emergency Shelter	Property Management	Family Rental Assistance	Youth/ Family Services	
Salaries, employee benefits and payroll taxes	\$ 79,747	\$ 800,827	\$ 137,817	\$ -	\$ 180,148	\$ 4,367,041
Professional services	-	5,500	41,072	-	-	239,725
Management fees	-	-	79,548	-	-	79,548
Neighborhood network	-	-	29,167	-	-	29,167
Travel and transportation	1,054	54,956	(341)	-	669	115,888
Bus tickets	-	-	-	-	-	7,980
Rent and storage	-	-	-	-	3,426	83,273
Rent free units	-	-	41,306	-	-	41,306
Rent subsidies	-	-	-	67,151	-	67,151
Utilities	19,926	-	158,173	-	453	506,782
Facility repairs and maintenance	12,292	20	320,016	-	-	528,542
Equipment rental and maintenance	819	1,377	-	-	-	34,881
Food and kitchen supplies	2,284	32,413	-	-	-	336,923
Program, office and other supplies	104	5,040	29,763	-	683	138,329
Printing and postage	-	81	-	-	1,224	10,935
Hygiene supplies	-	18,094	-	-	-	27,915
Cleaning supplies	318	7,917	-	-	-	23,209
Laundry supplies	-	3,252	-	-	-	8,680
Minor equipment, software and furnishings	2,633	1,277	-	-	-	59,882
Telephone	3,793	2,541	-	-	-	22,867
Employee screening, recruitment and training	535	8,086	401	-	-	35,379
Licenses, dues, fees and subscriptions	18	466	-	-	-	19,386
Interest	-	-	244,047	-	18,402	359,175
Lab fees	200	25	-	-	-	15,670
Employee and volunteer incentives	-	-	-	-	-	10
Client incentives, assistance and job training	246	40	-	-	-	71,899
Resident activities	-	-	236	-	11,564	11,800
Insurance	3,129	3,619	35,539	-	122	69,678
Events	-	-	-	-	858	884
Advertising	-	-	2,367	-	96	2,463
Bad debt	-	-	12,613	-	-	12,613
Other expenses	-	-	24,375	-	-	24,375
Contributed goods and services	-	208,714	-	-	-	565,322
Total expenses before depreciation, allocable pool and eliminations	127,098	1,154,245	1,156,099	67,151	217,645	7,918,678
Depreciation and amortization	16,851	5,889	201,386	-	7,657	860,822
Allocation of shelter operations and facilities expenses	-	-	-	-	-	(62,038)
Consolidating eliminations	-	-	(58,816)	(67,151)	-	(125,967)
Total expenses	\$ 143,949	\$ 1,160,134	\$ 1,298,669	\$ -	\$ 225,302	\$ 8,591,495

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

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED
YEAR ENDED JUNE 30, 2010

	Supporting Activities			Total Supporting and Program Expenses
	Fund Development	General and Administrative	Total Supporting Activities	
Salaries, employee benefits and payroll taxes	\$ 238,649	\$ 518,661	\$ 757,310	\$ 5,124,351
Professional services	203,030	60,551	263,581	503,306
Management fees	-	-	-	79,548
Neighborhood network	-	-	-	29,167
Travel and transportation	2,676	15,546	18,222	134,110
Bus tickets	-	-	-	7,980
Rent and storage	1,370	2,055	3,425	86,698
Rent free units	-	-	-	41,306
Rent subsidies	-	-	-	67,151
Utilities	182	273	455	507,237
Facility repairs and maintenance	-	-	-	528,542
Equipment rental and maintenance	5,712	5,237	10,949	45,830
Food and kitchen supplies	2,652	3,571	6,223	343,146
Program, office and other supplies	2,716	11,593	14,309	152,638
Printing and postage	71,238	13,416	84,654	95,589
Hygiene supplies	-	-	-	27,915
Cleaning supplies	-	-	-	23,209
Laundry supplies	-	-	-	8,680
Minor equipment, software and furnishings	1,687	5,279	6,966	66,848
Telephone	5,386	9,108	14,494	37,361
Employee screening, recruitment and training	2,036	5,130	7,166	42,545
Licenses, dues, fees and subscriptions	12,714	21,625	34,339	53,725
Interest	2,232	5,449	7,681	366,856
Lab fees	-	-	-	15,670
Employee and volunteer incentives	3,368	3,008	6,376	6,386
Client incentives, assistance and job training	-	-	-	71,899
Resident activities	956	9,209	10,165	21,965
Insurance	-	10,986	10,986	80,664
Events	57,166	-	57,166	58,050
Advertising	520	46	566	3,029
Bad debt	-	-	-	12,613
Other expenses	-	(1,705)	(1,705)	22,670
Contributed goods and services	1,652	3,745	5,397	570,719
Total expenses before depreciation, allocable pool and eliminations	615,942	702,783	1,318,725	9,237,403
Depreciation and amortization	15,122	30,199	45,321	906,143
Allocation of shelter operations and facilities expenses	17,191	26,390	43,581	(18,457)
Consolidating eliminations	-	-	-	(125,967)
Total expenses	\$ 648,255	\$ 759,372	\$ 1,407,627	\$ 9,999,122

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

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011
(with comparative financial information for the year end June 30, 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets, before acquisition of subsidiaries and loss due to property transfer	\$ (416,476)	\$ 2,022,863
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,173,669	906,143
Contributed assets	(41,890)	(25,000)
Forgiveness of debt grant	-	(96,479)
Gain on disposal of assets	-	(33,253)
Contributions restricted for investment in land, building and equipment	(528,778)	(1,329,891)
Change in discount on pledges receivable	(88,119)	(88,757)
Change in provision for losses on pledges receivable	(4,509)	(2,788)
(Increase) decrease in:		
Contracts receivable	242,154	(136,603)
Pledges receivable	656,950	278,775
Other receivable	(7,131)	20,538
Tenant security deposits held in trust	8,248	(18)
Mortgage escrow and other deposits	29,901	7,542
Reserve for replacements and rehabilitation	31,262	25,872
Prepaid expenses	21,591	(9,042)
Other assets	(25,898)	(14,691)
(Increase) decrease in:		
Accounts payable	111,590	(1,249,025)
Accrued interest payable	14,899	933
Accrued expenses	14,188	59,617
Tenant security deposits held in trust	(304)	(6,542)
Refundable advances and deferred income	(88,583)	(181,362)
Total adjustments	<u>1,519,240</u>	<u>(1,874,031)</u>
Net cash provided by operating activities	<u>1,102,764</u>	<u>148,832</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, buildings and equipment	(454,828)	(2,503,251)
Cash proceeds from transfer of CDP II fixed assets to other entity	205,462	
Payment received on note receivable	-	720,000
Cash received in acquisition	<u>-</u>	<u>25,470</u>
Net cash used by investing activities	<u>(249,366)</u>	<u>(1,757,781)</u>

The accompanying notes are an integral part of these statements.

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011
(with comparative totals for the year end June 30, 2010)

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on revolving line of credit	(98,873)	-
Payments on capital lease obligations	(3,933)	(31,632)
Payments on notes payable	(1,573,479)	(1,783,591)
Payments on mortgage notes payable	(39,522)	(44,343)
Proceeds from long-term debt	-	1,041,632
Contributions restricted and used for UMOM reconstruction and renewal campaign	528,778	1,329,891
Net cash (used) provided by investing activities	(1,187,029)	511,957
NET DECREASE IN CASH AND CASH EQUIVALENTS	(333,631)	(1,096,992)
CASH AND CASH EQUIVALENTS, beginning of year	1,616,392	2,713,384
CASH AND CASH EQUIVALENTS, end of year	\$ 1,282,761	\$ 1,616,392
Cash at June 30, consisted of the following		
Cash	\$ 1,112,282	\$ 1,281,906
Restricted cash	170,479	334,486
Total	\$ 1,282,761	\$ 1,616,392
Supplemental disclosure of non-cash transactions:		
Contributed services	\$ 386,892	\$ 564,169
Contributed assets	41,890	25,000
Assets sold for note receivable	-	515,000
Acquisition of Helping Hands Housing Services, Inc. and subsidiaries	-	3,472,201
Loss on transfer of Casa De Paz II Apartments, LLC to other entity	744,307	-
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amount capitalized	472,631	264,661

The accompanying notes are an integral part of these statements.

UMOM DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(with comparative financial information as of and for the year ended June 30, 2010)

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 provide homeless and low-income families with food, shelter, and tools to build a bridge to self-sufficiency. The Board of Directors is composed of people representing local civic, faith-based, and corporate communities.

UMOM contracts with various governmental agencies to provide services on three separate campuses. The New Day Center campus houses programs for homeless families in emergency shelter, which includes services for victims of domestic violence, transitional housing, permanent housing location, and follow-up services for families placed in permanent housing. The New Day Center also provides life-skills classes and employment assistance. In addition, the agency operates 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 Lamplighter Apartments provide permanent housing for low-income seriously mentally ill (SMI) and non-SMI persons; case management and planned activity services are provided. 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.

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 program, 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 DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(with comparative financial information as of and for the year ended June 30, 2010)

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

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.

Helping Hands Housing Services, Inc. provides residents with tutoring for students, pre-school learning sessions, after school programs, English as a second language classes, computer based GED classes, job development resources, gang and drug prevention classes, STD prevention classes, parenting classes, life skills training, emergency food resources, transportation assistance and referral services.

The property management program consists of the operations of four 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 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 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 II Apartments, LLC

Casa De Paz II Apartments, LLC was sold by Helping Hands Housing Services, Inc. to an unrelated party on March 30, 2011. Revenues earned and expenses incurred by this entity are included in these consolidated financial statements through the date it was sold, with inter-entity transactions eliminated. Casa De Paz II Apartments, LLC is an Arizona limited liability company formed September 2004 to own and operate a 56-unit apartment complex in Phoenix, Arizona. The project is financed through the assumption of mortgages, insured by the Federal Housing Administration (FHA) under Section 223(a)(7) of the National Housing Act, that were restructured using a Mark-to-Market restructuring program as established by the 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 III Apartments, LLC

Casa De Paz III Apartments, LLC is an Arizona limited liability company formed 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 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.

UMOM DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(with comparative financial information as of and for the year ended June 30, 2010)

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

Casa De Paz IV Apartments, LLC

Casa De Paz IV Apartments, LLC is an Arizona limited liability company formed 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.

Principles of Consolidation

These consolidated financial statements include the balances and financial activities of UMOM and its wholly owned subsidiaries, which include Day Center I, LLC, Day Center II, LLC, Helping Hands Housing Services, Inc. and four HUD housing projects. UMOM is the sole member of Day Center I, LLC, and Day Center II, LLC, and as such all accounts of Day Center I, LLC and Day Center II, LLC are included in UMOM's records. "The Consolidated Organization" is used throughout the financial statements notes to refer to the consolidated entity. Revenues and expenses of Helping Hands Housing Services, Inc. and the four HUD housing projects are consolidated for the period of September 1, 2009 through June 30, 2011, 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.

The HUD housing projects, Casa De Paz Apartments, LLC, Casa De Paz II 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 end of December 31, 2010 were issued by other accountants on March 23 through March 26, 2011, and contain unqualified opinions on those statements.

Accounting Framework

The Consolidated Organization follows standards of accounting and financial reporting for not-for-profit organizations. Accordingly, the financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

The Consolidated Organization reports information regarding its financial position and activities according to three classes of net assets as follows:

1. Unrestricted net assets – 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 – 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 – 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 DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(with comparative financial information as of and for the year ended June 30, 2010)

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

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.

Permanently Restricted Amounts

Permanently restricted amounts consist of endowment gifts that require the corpus to be invested in perpetuity. Only the income is available for program operations in accordance with donor restrictions.

The Consolidated Organization follows generally accepted accounting principles that provide guidance on the net asset classification and disclosures for donor-restricted endowment funds of a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Generally accepted accounting principles also designate required disclosures for endowments whether or not the organization is subject to UPMIFA.

The Consolidated Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Consolidated Organization classifies as permanently restricted net assets the original value of gifts on the date received, the original value of subsequent gifts on the date received, and accumulations to the permanent endowment, if any, made in accordance with the direction of the donor gift instrument at the time the accumulation is added to the endowment fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted until those amounts are used in a manner consistent with donor instructions and the standard of prudence prescribed under UPMIFA. In accordance with UPMIFA, the Consolidated Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the donor-restricted endowment funds; general economic conditions; the possible effect of inflation and deflation on endowment investments; the expected total return from income and appreciation of endowment investments; other financial recourses of the Consolidated Organization; and the investment policies of the Consolidated Organization.

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.

UMOM DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(with comparative financial information as of and for the year ended June 30, 2010)

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

Contracts and Pledges Receivable

Contracts and pledges 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.

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 receivable balances were considered collectable as of June 30, 2011 and 2010. An allowance for doubtful accounts of \$16,687 and \$21,196 at June 30, 2011 and 2010, respectively, 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.

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.

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 \$1,000 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 estimate useful lives of the assets as follows:

Buildings	25 years
Improvements	10 - 15 years
Equipment and fixtures	5 - 7 years
Vehicles	3 - 5 years

Bond Issuance Costs

Bond issuance costs are amortized using the straight-line method over the life of the related debt.

Deferred Loan Fees

Deferred loan fees of \$87,463 and \$123,681 at June 30, 2011 and 2010, respectively, on the HUD properties are amortized over the life of the mortgage debt, which is thirty-five years, using the straight-line method.

UMOM DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(with comparative financial information as of and for the year ended June 30, 2010)

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

Tenant 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. The reserve for replacement rehabilitation balance was \$309,347 and \$436,126 at June 30, 2011 and 2010, respectively.

Income Taxes

UMOM and its subsidiaries, Helping Hands Housing Services, Inc. and the HUD housing projects, are exempt from state and federal income taxes as an organization 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.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should only be read in conjunction with UMOM's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

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.

Donated Assets and Services

The Consolidated Organization 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 U.S. generally accepted accounting principles. This requires recognition of certain services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

UMOM DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(with comparative financial information as of and for the year ended June 30, 2010)

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

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

<u>Donated Assets and Services Reported</u>	<u>2011</u>	<u>2010</u>
Supplies for children in the shelter	\$ 21	\$ 79,358
Food and services for the New Day Center family shelter and the Watkins Overflow programs	140,032	386,546
Maintenance and repairs, supplies and services for New Day Center	134,963	39,520
Supplies and furnishings for affordable housing	956	7,747
Clothing for adults and children in the family shelter	1,565	2,459
Professional services provided to the Wellness Centers	108,955	41,143
Other services	<u>400</u>	<u>7,396</u>
Total contributed program services	386,892	564,169
Contributed assets	<u>41,890</u>	<u>25,000</u>
Total reported donated assets and services	<u>\$ 428,782</u>	<u>\$ 589,169</u>

In addition, a substantial amount of other services and supplies have been donated to support the Consolidated Organization's programs that do not meet the criteria for recognition in the financial statements. Management estimates the value of these donations at \$344,277 and \$104,925 for the years ended June 30, 2011 and 2010, respectively, related to the following programs:

<u>Donated Assets and Services Not Reported</u>	<u>2011</u>	<u>2010</u>
Unskilled services provided to New Day Center's programs and Watkins Overflow programs	\$ 221,766	\$ 54,143
Volunteer services provided to the Food Bank and New Day Center family and domestic violence shelters	50,963	16,037
Volunteer services provided for the Read-to-Me project for the homeless children	38,030	33,093
Other donated services	<u>33,518</u>	<u>1,652</u>
Total non-reported donated assets and services	<u>\$ 344,277</u>	<u>\$ 104,925</u>

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.

Reclassifications

Certain items in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

UMOM DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(with comparative financial information as of and for the year ended June 30, 2010)

NOTE 2 - CAPITAL BUILDING CAMPAIGN

The capital building campaign began during the year ended June 30, 2006. The goal of the campaign, to raise \$18 million for the purchase and renovation of the previous Days Inn and Super 8 motels to serve as the UMOM New Day Campus, was reached during the year ending June 30, 2010. The Days Inn and Super 8 motels were purchased June 16, 2007 for \$8.7 and \$3.2 million, respectively. This campaign consisted of three targeted funding segments: governmental grants, the United Methodist churches, and other public support.

Of the \$18 million raised during the capital campaign, UMOM has received multi-year pledges of approximately \$8.7 million, of which approximately \$7.2 million has been collected as of June 30, 2011. The pledges receivable are payable over the next five years.

Net pledges receivable are summarized as follows at June 30:

	2011	2010
Due within one year	\$ 682,340	\$ 944,535
Due within two to five years	<u>780,292</u>	<u>1,175,047</u>
	1,462,632	2,119,582
Allowance for uncollectible pledges	(16,687)	(21,196)
Discount to adjust to present value	<u>(79,883)</u>	<u>(168,002)</u>
Net pledges receivable	<u>\$ 1,366,062</u>	<u>\$ 1,930,384</u>

Pledges receivable are discounted at 3.0% for the years ended June 30, 2011 and 2010. The allowance for uncollectible pledges was estimated to be approximately 1% of total pledges.

NOTE 3 - EQUITY INVESTMENT IN UMOM FAMILY HOUSING II, LLLP

UMOM is the sole member of Day Center I, LLC, an organization formed to be the general partner in a separate organization, UMOM Family Housing II, LLLP. Day Center I, LLC has a .005% ownership and receives a .005% allocation of profits and losses in UMOM Family Housing II, LLLP. UMOM will receive developer fees as the project progresses towards completion. During the year ended June 30, 2010, UMOM received \$200,000 in developer fees from UMOM Family Housing II, LLLP. No developer fees were received by UMOM during the year ended June 30, 2011.

UMOM Family Housing II, LLLP purchased the prior UMOM facility for development of a low income residential rental housing project. UMOM Family Housing II, LLLP is a for-profit limited liability partnership formed to construct and manage the low income residential rental housing project and to attract investors to the project through the federal Low Income Housing Tax Credit program under the IRS code. UMOM has a 15 year right of first refusal on sale of the property owned by UMOM Family Housing, LLLP and UMOM Family Housing II, LLLP. Day Center I, LLC's investment in UMOM Family Housing II, LLLP is not material at June 30, 2010.

At June 30, 2011 and 2010, \$515,000 was due to UMOM from UMOM Family Housing II, LLLP, which UMOM received in July 2011.

UMOM DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(with comparative financial information as of and for the year ended June 30, 2010)

NOTE 4 - LAND, BUILDINGS AND EQUIPMENT

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

	<u>2011</u>	<u>2010</u>
Land	\$ 4,830,460	\$ 5,580,460
Buildings and improvements	22,710,659	23,977,486
Furniture and equipment	1,544,111	1,352,000
Vehicles	191,978	187,083
Website	<u>14,425</u>	<u>14,425</u>
	29,291,633	31,111,454
Accumulated depreciation and amortization	<u>(3,062,911)</u>	<u>(2,227,032)</u>
	<u>\$ 26,228,722</u>	<u>\$ 28,884,422</u>

Substantially all land, buildings and improvements are pledged as collateral on the notes payable and the obligations to be forgiven (See Notes 6 and 8). Depreciation expense was \$1,173,669 and \$887,506 for the years ended June 30, 2011 and 2010, respectively.

NOTE 5 - OPERATING LEASE COMMITMENTS

UMOM leases equipment under operating leases requiring monthly payments of \$1,076, through March 2014. Rent expense incurred under these leases for the year ended June 30, 2011 was \$12,912.

Future minimum lease payments are as follows at June 30, 2011:

2012	\$	12,912
2013		12,912
2014		<u>9,684</u>
		<u>\$ 35,508</u>

NOTE 6 - NOTES AND MORTGAGES PAYABLE

UMOM

In September 2007, UMOM issued \$10,000,000 Series 2007 Industrial Development Revenue Bonds through the Industrial Development Authority of the City of San Luis, Arizona (Series 2007 Bonds). The proceeds of the Series 2007 Bonds were used for refinancing a bridge loan; the construction, acquisitions, and development of two properties to be used as shelters and related equipment; and to pay the cost of bond issuance. Under the terms of the Series 2007 Bonds, one financial institution purchased all of the bonds. Interest-only payments were due on the outstanding balance through July 2008, with annual principal payments of \$1,000,000 due beginning in August 2008. In May 2011, the terms of repayment were amended by UMOM and the financial institution as follows: beginning in June 2011, quarterly principal payments are due ranging from \$150,000 to \$400,000, plus interest at the BBA LIBOR Monthly Floating Rate, plus 2.00%. The loan matures on December 31, 2012, which will automatically be extended until December 31, 2013, if UMOM is in compliance with a debt service coverage ratio of not less than 1.10 to 1.00 on a consolidated basis, and if outstanding pledges receivable total an amount not less than 66% of the outstanding loan balance on December 31, 2012. The interest rate on the Series 2007 Bonds was 2.19% at June 30, 2011. The outstanding balance on June 30, 2011 was \$5,300,000.

UMOM DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(with comparative financial information as of and for the year ended June 30, 2010)

NOTE 6 - NOTES AND MORTGAGES PAYABLE - CONTINUED

UMOM

In September 2007, UMOM entered into an interest rate swap that hedges an initial notional amount of \$1,700,000 at a fixed rate of 3.03% against 60.417% of the one-month USD-LIBOR-BBA plus zero percent. The interest rate swap agreement expired on September 30, 2010. The net effect of the interest rate swap was to increase the cost of borrowing during the year ended June 30, 2010 by approximately \$20,540, of which, \$8,337 was capitalized as part of constructed fixed assets.

Interest expense on this debt for the years ended June 30, 2011 and 2010 was \$108,772 and \$133,142, respectively. Of these amounts, \$49,020 was capitalized as part of constructed fixed assets for the year ended June 30, 2010.

Maturities on the UMOM note payable at June 30, 2011 are as follows:

Year ending June 30,	
2012	\$ 995,000
2013	<u>4,305,000</u>
	<u>\$ 5,300,000</u>

Helping Hands Housing Services, Inc.

Notes payable consist of the following at June 30:

	2011	2010
Note payable to Bank USA, monthly principal and interest payments of \$3,515, interest at 7.5%, secured by personal guarantees of four Board members, due October 2013.	\$ 89,879	\$ 123,816
Note payable to Harris Bank, principal and interest payments of \$1.452, interest at 9.5%, unsecured, repaid during the year ended June 30, 2011.	-	89,542
	<u>\$ 89,879</u>	<u>\$ 213,358</u>

Interest expense on these debts for the year ended June 30, 2011 and the period September 1, 2010 to June 30, 2011 was \$20,888 and \$26,289, respectively.

Maturities on the Helping Hands Housing Services, Inc. note payable at June 30, 2011 are as follows:

Year ending June 30,	
2012	\$ 36,692
2013	39,540
2014	<u>13,647</u>
	<u>\$ 89,879</u>

UMOM DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(with comparative financial information as of and for the year ended June 30, 2010)

NOTE 6 - NOTES AND MORTGAGES PAYABLE - CONTINUED

HUD Properties Mortgage Notes Payable

Mortgage notes payable consist of the following at June 30,

	<u>2011</u>	<u>2010</u>
Midland Bank, interest rates ranging from 5.85% - 5.95%, payable in monthly installments ranging from \$1,812 to \$8,191 totaling approximately \$11,905 for all HUD properties, including principal and interest, secured by real property with maturity dates ranging from September 2035 to June 2040. Balances owed by each HUD property at June 30, are as follows:		
Casa De Paz Apartments, LLC	\$ 1,356,485	\$ 1,373,509
Casa De Paz II Apartments, LLC	-	1,185,686
Casa De Paz III Apartments, LLC	295,847	301,193
Casa De Paz IV Apartments, LLC	<u>281,368</u>	<u>286,486</u>
	<u>1,933,700</u>	<u>3,146,874</u>

City of Phoenix, 4%, payable in semi-annual payments of \$6,493 to \$9,730, totaling approximately \$23,800 for three HUD properties, 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 by each HUD property 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	<u>265,045</u>	<u>266,914</u>
	<u>810,327</u>	<u>812,196</u>
	<u>\$ 2,744,027</u>	<u>\$ 3,959,070</u>

On March 30, 2011, Casa De Paz II Apartments, LLC was transferred to another entity, and the mortgage note payable due to Midland Bank was assumed by the other entity, and written off on the accounting records of Helping Hands Housing Services, Inc.

Interest expense on the HUD properties mortgage notes payable for the year ended June 30, 2011 and the consolidated period September 1, 2009 to June 30, 2010 was \$283,704 and \$94,705, respectively.

UMOM DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(with comparative financial information as of and for the year ended June 30, 2010)

NOTE 6 - NOTES AND MORTGAGES PAYABLE - CONTINUED

HUD Properties Mortgage Notes Payable - Continued

Maturities on the HUD properties mortgage notes payable at June 30, 2011 are as follows:

Year ending June 30,	
2012	\$ 29,157
2013	30,928
2014	32,807
2015	34,800
2016	36,915
Thereafter	<u>2,579,420</u>
	<u>\$ 2,744,027</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

Notes Receivable/Payable

Under the Mark-to-Market loan restructuring program for the HUD properties, Helping Hands Housing Services, Inc. was required to advance funds to each of the HUD projects to close escrow (includes all HUD projects except for Casa de Paz Apartments III, LLC). As a result, these capital recovery payments have been recorded by Helping Hands Housing Services, Inc. as notes receivable and as notes payable by each of the HUD projects financed under the Mark-to-Market program. The notes vary in interest rates from 6.8% to 8% with terms of seven years to ten years. Payments are due annually from each HUD property from available surplus cash. Surplus cash is calculated at December 31st and June 30th each year by the HUD properties and is defined as available cash remaining after (1) all expenses of the project have been paid or funds have been set aside for such payments, and (2) all reserve requirements have been met. Unpaid accrued interest is included in the notes receivable/payable balance until paid.

On March 30, 2011, Casa De Paz II Apartments, LLC was transferred to another entity, and the capital recovery note receivable/payable was written off on the accounting records of Helping Hands Housing Services, Inc. as part of the sale.

These related party transactions have been eliminated in the consolidation of the financial statements.

The notes receivable/payable was as follows at June 30:

	2011	2010
Capital recovery payable	<u>\$ 17,268</u>	<u>\$ 38,011</u>

UMOM DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(with comparative financial information as of and for the year ended June 30, 2010)

NOTE 7 - RELATED PARTY TRANSACTIONS - CONTINUED

Mortgage Receivable/Payable

Upon the close of escrow for the HUD 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 not-for-profit organizations, which 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 HUD properties from 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, 2011.

On March 30, 2011, Casa De Paz II Apartments, LLC was sold and the second mortgage note receivable/payable of \$1,327,702 was written off on the accounting records of Helping Hands Housing Services, Inc.

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:

	2011	2010
Mortgage restructuring notes	\$ 2,311,275	\$ 3,652,402
Contingent repayment notes	1,017,890	1,080,189
	\$ 3,329,165	\$ 4,732,591

NOTE 8 - OBLIGATIONS TO BE FORGIVEN

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

	2011	2010
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.	\$ 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
	\$ 1,759,000	\$ 1,759,000

UMOM recorded forgiven debt of \$96,479 during the year ended June 30, 2010.

UMOM DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(with comparative financial information as of and for the year ended June 30, 2010)

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS

Endowment funds of \$47,311 and \$38,061 were restricted to investment in perpetuity to support general operations at June 30, 2011 and 2010, respectively. All earnings from the endowment funds are available to be used annually for general operations.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
UMOM Programs:		
Childcare programs	\$ 13,492	\$ 4,071
Wellness Center	54,498	101,763
Rental assistance	-	1,992
Kitchen equipment and culinary school	2,097	3,941
Children and family programs	14,314	38,763
Housing	7,867	-
Miscellaneous projects	<u>31,522</u>	<u>633</u>
	123,790	151,163
 UMOM reconstruction and renewal and implied time restrictions on capital campaign pledges receivable	 1,303,941	 1,742,308
 Helping Hands Housing Services, Inc. Programs Youth and family services programs	 <u>-</u>	 <u>9,600</u>
 Total temporarily restricted net assets	 <u>\$ 1,427,731</u>	 <u>\$ 1,903,071</u>

UMOM DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(with comparative financial information as of and for the year ended June 30, 2010)

NOTE 11 - RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by using the restricted funds for the purpose intended for the years ended June 30:

	<u>2011</u>	<u>2010</u>
UMOM Programs		
Childcare programs	\$ 194,032	\$ 465,003
Wellness Centers	236,368	183,737
Rental assistance	1,992	-
Domestic violence	-	1,833
Kitchen equipment and culinary school	48,458	62,542
Children and family programs	154,747	396,749
Housing	59,770	-
Miscellaneous projects	<u>367</u>	<u>22,449</u>
	695,734	1,132,313
UMOM reconstruction and renewal and capital campaign pledge receipts	<u>984,340</u>	<u>2,852,349</u>
	<u>1,680,074</u>	<u>3,984,662</u>
Helping Hands Housing Services, Inc. Programs		
Youth and family services programs	<u>9,600</u>	<u>68,486</u>
Total temporarily restricted net assets released	<u>\$ 1,689,674</u>	<u>\$ 4,053,148</u>

UMOM DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(with comparative financial information as of and for the year ended June 30, 2010)

NOTE 12 - GOVERNMENT AND AGENCY GRANTS

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

	<u>2011</u>	<u>2010</u>
<u>Operating Grants:</u>		
U.S. Department of Housing and Urban Development	\$ 903,182	\$ 528,257
Department of Homeland Security	108,312	377,101
Arizona Department of Economic Security:		
Division of Aging and Adult Services	1,785,817	1,766,594
Child Care Administration	377,912	319,297
Arizona Department of Education	100,299	89,937
Arizona Department of Housing	-	114,500
Arizona Department of Safety	51,599	46,325
Arizona Department of Veterans Services	3,688	-
City of Phoenix:		
Human Services Department	992,187	937,410
Energy rebate	5,243	-
United Way	476,645	516,962
Other	<u>30,041</u>	<u>3,781</u>
Total operating grants	<u>4,834,925</u>	<u>4,700,164</u>
 <u>Capital grants:</u>		
City of Phoenix		
Capital rehabilitation/development	-	410,679
Forgiveness of debt agreement	-	96,479
Arizona Department of Housing	-	333,012
Arizona Department of Commerce	50,000	-
Arizona Department of Veterans Services	45,845	-
City of Tempe - Community Development Block Grant	31,000	31,000
City of Chandler - Community Development Block Grant	<u>19,686</u>	<u>27,211</u>
Total capital grants	<u>146,531</u>	<u>898,381</u>
	 <u>\$ 4,981,456</u>	 <u>\$ 5,598,545</u>

NOTE 13 - PENSION PLAN

The Consolidated Organization 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. The Consolidated Organization may make a discretionary matching contribution subject to approval by the Board of Directors. Employees are eligible to receive employer matching contributions provided they are contributing under the 401(k) feature of the Plan. The Consolidated Organization's matching contribution was approximately \$94,000 and \$96,800, respectively, for the years ended June 30, 2011 and 2010.

UMOM DAY CENTERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(with comparative financial information as of and for the year ended June 30, 2010)

NOTE 14 - CONTINGENCIES – LAMPLIGHTER FACILITY

In July 1992, UMOM entered into an agreement with the City of Phoenix to borrow \$187,400 for the purchase of the Lamplighter facility. The contract includes a promissory note, which requires repayment of the \$187,000 upon occurrence of any of the following events:

- (1) The failure of UMOM to maintain the facility as a location for housing seriously mentally ill homeless persons or to use the facility in accordance with service disposition options set forth in the contract during the 20 years following the purchase of the property.
- (2) The failure of UMOM to comply with the terms of the contract within 30 days of receiving written notification of default.
- (3) The sale of the facility.
- (4) The exercise by UMOM of its defined disposition option under the agreement to repay the loan to the City.

If items (1) or (3) occur, UMOM must pay the City 76% of the market value of the facility. If item (2) occurs, UMOM must pay the City the greater of the amounts advanced to UMOM under the contract (\$187,400) or 76% of the market value of the facility. If item (4) occurs, UMOM must pay the City the face value of the loan without penalty or interest. The \$187,400 was recorded as revenue at the time of receipt. As of June 30, 2011, UMOM was in compliance with all the contract terms and no repayment of the funds was necessary.

During the year ended June 1995, the Arizona Department of Commerce forgave two \$100,000 non-interest bearing notes payable related to the Lamplighter facility. As a condition of the note forgiveness, the Department of Commerce has been named in the deed of trust of the New Day Center real property.

NOTE 15 - CONCENTRATION OF CREDIT RISK

The Consolidated Organization, in the normal course of business, maintains bank and investment accounts at multiple financial institutions. Balances are in excess of the limits insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investment Protection Corporation (SIPC). The Consolidated Organization has not and does not expect to incur losses related to uninsured balances. This risk is managed by maintaining deposits in high quality financial institutions.

NOTE 16 - SUBSEQUENT EVENTS

In October 2011, Day Center III, LLC was created with UMOM as the sole member. In November 2011, Day Center III, LLC purchased North Mountain Lodge Apartments in Phoenix, Arizona for approximately \$350,000, with proceeds of a loan obtained by Day Center III, LLC, which is guaranteed by UMOM. The loan agreement provides for borrowing up to \$500,000 through October 2014, at 6% annual interest accruing on the outstanding balance until maturity.

Subsequent events have been evaluated through December 21, 2011, which was the date the Consolidated Organization's financial statements were issued.

SUPPLEMENTARY INFORMATION

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

	<u>Helping Hands Housing Services, Inc - Subsidiaries</u>						Consolidating Eliminations	Total
	UMOM	Casa de Paz I Apartments (CDP I)	Case de Paz II Apartments (CDP II)	Ca de Paz III Apartments (CDP III)	Casa de Paz IV Apartments (CDP IV)			
ASSETS								
Cash and cash equivalents	\$ 939,459	\$ 30,139	\$ -	\$ 61,030	\$ 81,654	\$ -	\$ -	\$ 1,112,282
Receivables								
Contracts	768,195	-	-	-	-	-	-	768,195
Note	515,000	-	-	-	-	-	-	515,000
Pledges, less allowances for doubtful accounts and discount	1,366,062	-	-	-	-	-	-	1,366,062
Related parties	156,270	-	-	-	-	(156,270)	-	-
Other	26,163	9,385	-	787	2,133	-	-	38,468
Interest receivable - related parties	101,941	-	-	-	-	(101,941)	-	-
Tenant security deposits held in trust	-	7,072	-	5,864	23,669	-	-	36,605
Prepaid expenses	70,952	3,949	-	1,680	2,123	-	-	78,704
Mortgage escrow and other deposits	-	15,891	-	9,086	23,201	-	-	48,178
Reserve for replacements and rehabilitation	-	46,627	-	37,430	225,290	-	-	309,347
Notes receivable - related party	17,268	-	-	-	-	(17,268)	-	-
Mortgages receivable - related party	3,329,165	-	-	-	-	(3,329,165)	-	-
Cash restricted by donors	170,479	-	-	-	-	-	-	170,479
Land, buildings and equipment, net	21,315,008	1,307,594	-	1,387,592	2,218,528	-	-	26,228,722
Deferred loan fees, net	-	48,394	-	19,602	19,467	-	-	87,463
Bond issuance costs, net	135,130	-	-	-	-	-	-	135,130
Contributed real property, held for sale	25,000	-	-	-	-	-	-	25,000
Investment - Helping Hands Housing Services, Inc. and Subsidiaries	3,472,201	-	-	-	-	(3,472,201)	-	-
Other assets	40,589	-	-	-	-	-	-	40,589
	<u>\$ 32,448,882</u>	<u>\$ 1,469,051</u>	<u>\$ -</u>	<u>\$ 1,523,071</u>	<u>\$ 2,596,065</u>	<u>\$ (7,076,845)</u>	<u>\$ -</u>	<u>\$ 30,960,224</u>
Total assets								

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED
JUNE 30, 2011

	<u>Helping Hands Housing Services, Inc. - Subsidiaries</u>					Consolidating Eliminations	Total
	UMOM	CDP I	CDP II	CDP III	CDP IV		
LIABILITIES AND NET ASSETS							
LIABILITIES							
Accounts payable	\$ 164,901	\$ 9,388	\$ -	\$ 14,337	\$ 7,265	\$ -	\$ 195,891
Due to related party	-	8,060	-	148,210	-	(156,270)	-
Accrued interest payable	-	59,775	-	110,532	48,728	(101,941)	117,094
Accrued expenses	340,844	-	-	-	-	-	340,844
Refundable advances and deferred income	31,500	3,881	-	1,223	-	-	36,604
Tenant security deposits held in trust	-	5,400	-	3,885	19,784	-	29,069
Notes payable	5,389,879	-	-	8,765	8,503	(17,268)	5,389,879
Mortgage notes payable	-	1,597,762	-	1,687,393	2,788,037	(3,329,165)	2,744,027
Obligations to be forgiven	<u>1,759,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,759,000</u>
Total liabilities	<u>7,686,124</u>	<u>1,684,266</u>	<u>-</u>	<u>1,974,345</u>	<u>2,872,317</u>	<u>(3,604,644)</u>	<u>10,612,408</u>
NET ASSETS							
Unrestricted	<u>23,252,716</u>	<u>(215,215)</u>	<u>-</u>	<u>(451,274)</u>	<u>(276,252)</u>	<u>(3,437,201)</u>	<u>18,872,774</u>
Temporarily restricted							
Programs	123,790	-	-	-	-	-	123,790
Property acquisition and rehabilitation	<u>1,338,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>	<u>1,303,941</u>
	<u>1,462,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>	<u>1,427,731</u>
Permanently restricted	<u>47,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,311</u>
Total net assets	<u>24,762,758</u>	<u>(215,215)</u>	<u>-</u>	<u>(451,274)</u>	<u>(276,252)</u>	<u>(3,507,201)</u>	<u>20,347,816</u>
Total liabilities and net assets	<u>\$ 32,448,882</u>	<u>\$ 1,469,051</u>	<u>\$ -</u>	<u>\$ 1,523,071</u>	<u>\$ 2,596,065</u>	<u>\$ (7,111,845)</u>	<u>\$ 30,960,224</u>

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Unrestricted					Temporarily Restricted	Permanently Restricted		
	Helping Hands Housing Services, Inc. - Subsidiaries							Consolidating	
	UMOM	CDP I	CDP II	CDP III	CDP IV	UMOM	UMOM	Eliminations	Total
SUPPORT AND REVENUES									
Contributions:									
Individuals and corporations:									
Property acquisitions and rehabilitation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 629,104	\$ -	\$ (35,000)	\$ 594,104
Other contributions and grants	1,479,168	-	-	-	-	620,230	9,250	-	2,108,648
Contributed services and assets	<u>428,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>428,782</u>
Total contributions	<u>1,907,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,249,334</u>	<u>9,250</u>	<u>(35,000)</u>	<u>3,131,534</u>
Client paid programs:									
Service fees	71,032	-	-	-	-	-	-	-	71,032
Clothing bank	3,085	-	-	-	-	-	-	-	3,085
Rental income, net of vacancies	-	301,184	296,945	358,111	514,951	-	-	-	1,471,191
Total client paid programs	<u>74,117</u>	<u>301,184</u>	<u>296,945</u>	<u>358,111</u>	<u>514,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,545,308</u>
Special events	665,975	-	-	-	-	-	-	-	665,975
Less: cost of direct benefits to donors	<u>(192,419)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(192,419)</u>
Total special events	<u>473,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>473,556</u>
Government and other agency grants:									
Operating grants	4,834,925	-	-	-	-	-	-	-	4,834,925
Capital grants	<u>146,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,531</u>
Total government and other agency grants	<u>4,981,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,981,456</u>
Other revenue:									
Interest and dividends	2,296	195	331	165	858	-	-	-	3,845
Catering	86,283	-	-	-	-	-	-	-	86,283
Other income (expense)	<u>84,978</u>	<u>15,246</u>	<u>6,239</u>	<u>3,606</u>	<u>(7,132)</u>	<u>-</u>	<u>-</u>	<u>(58,291)</u>	<u>44,646</u>
Total other revenue	<u>173,557</u>	<u>15,441</u>	<u>6,570</u>	<u>3,771</u>	<u>(6,274)</u>	<u>-</u>	<u>-</u>	<u>(58,291)</u>	<u>134,774</u>
Net assets released from restrictions:									
Satisfaction of program restrictions	705,334	-	-	-	-	(705,334)	-	-	-
Satisfaction of UMOM reconstruction and renewal campaign	<u>984,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(984,340)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets released from restrictions	<u>1,689,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,689,674)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>\$ 9,300,310</u>	<u>\$ 316,625</u>	<u>\$ 303,515</u>	<u>\$ 361,882</u>	<u>\$ 508,677</u>	<u>\$ (440,340)</u>	<u>\$ 9,250</u>	<u>\$ (93,291)</u>	<u>\$ 10,266,628</u>

UMOM NEW DAY CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES - CONTINUED
YEAR ENDED JUNE 30, 2011

	Unrestricted					Temporarily Restricted	Permanently Restricted	Consolidating Eliminations	Total
	Helping Hands Housing Services, Inc. - Subsidiaries					UMOM	UMOM		
	UMOM	CDP I	CDP II	CDP III	CDP IV				
EXPENSES									
Expenses, excluding depreciation and amortization:									
Program services	\$ 6,780,278	\$ 292,831	\$ 330,134	\$ 301,944	\$ 435,872	\$ -	\$ -	\$ (93,291)	\$ 8,047,768
Supporting activities:									
Fund development	712,234	-	-	-	-	-	-	-	712,234
General and administrative	749,433	-	-	-	-	-	-	-	749,433
Total expenses, excluding depreciation and amortization	<u>8,241,945</u>	<u>292,831</u>	<u>330,134</u>	<u>301,944</u>	<u>435,872</u>	<u>-</u>	<u>-</u>	<u>(93,291)</u>	<u>9,509,435</u>
CHANGE IN NET ASSETS BEFORE DEPRECIATION AND AMORTIZATION	<u>1,058,365</u>	<u>23,794</u>	<u>(26,619)</u>	<u>59,938</u>	<u>72,805</u>	<u>(440,340)</u>	<u>9,250</u>	<u>-</u>	<u>757,193</u>
Depreciation and amortization									
Program services	937,425	43,581	45,540	71,521	69,523	-	-	-	1,167,590
Supporting activities	6,079	-	-	-	-	-	-	-	6,079
	<u>943,504</u>	<u>43,581</u>	<u>45,540</u>	<u>71,521</u>	<u>69,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,173,669</u>
CHANGE IN NET ASSETS, BEFORE LOSS ON TRANSFER OF CASA DE PAZ II APARTMENTS, LLC	114,861	(19,787)	(72,159)	(11,583)	3,282	(440,340)	9,250	-	(416,476)
(LOSS) GAIN ON TRANSFER OF CASA DE PAZ II APARTMENTS, LLC	<u>(1,400,637)</u>	<u>-</u>	<u>656,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(744,307)</u>
CHANGE IN NET ASSETS	(1,285,776)	(19,787)	584,171	(11,583)	3,282	(440,340)	9,250	-	(1,160,783)
NET ASSETS, beginning of year	<u>24,538,492</u>	<u>(195,428)</u>	<u>(584,171)</u>	<u>(439,691)</u>	<u>(279,534)</u>	<u>1,903,071</u>	<u>38,061</u>	<u>(3,472,201)</u>	<u>21,508,599</u>
NET ASSETS, end of year	<u>\$ 23,252,716</u>	<u>\$ (215,215)</u>	<u>\$ -</u>	<u>\$ (451,274)</u>	<u>\$ (276,252)</u>	<u>\$ 1,462,731</u>	<u>\$ 47,311</u>	<u>\$ (3,472,201)</u>	<u>\$ 20,347,816</u>

SUPPLEMENTARY INFORMATION - FEDERAL AWARDS

UMOM NEW DAY CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditure
U.S. Department of Agriculture:			
Child and Adult Care Food Program, passed through Arizona Department of Education	10.558	07-24-31	\$ 100,300
U.S. Department of Housing and Urban Development:			
Community Development Block Grants (CDBG) - Entitlement Grants, passed through City of Chandler	14.218	129693	10,000
Community Development Block Grants - Entitlement Grants, passed through City of Phoenix Human Services Department	14.218	123662-001	<u>440,362</u>
Total CDBG - Entitlement Grants			<u>450,362</u>
Emergency Shelter Grants Program, passed through City of Phoenix Human Services Department	14.231	123758-004	386,071
Emergency Shelter Grants Program, passed through Arizona Department of Economic Security	14.231	(DES 070064-006/ DES 070066-004)	<u>220,982</u>
Total Emergency Shelter Grants Program			<u>607,053</u>
Supportive Housing Program	14.235	N/A	852,510
HOME Investment Partnerships Program, passed through City of Phoenix	14.239	121470	759,000
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	N/A	<u>9,686</u>
Total Department of Housing and Urban Development			<u>2,678,611</u>
U.S. Department of Justice:			
Victims of Crime Act (VOCA), passed through Arizona Department of Public Safety	16.575	2010-107	51,599
U.S. Department of Justice:			
VA Homeless Providers Grant and Per Diem Program, passed through Arizona Department of Veterans Services	64.024	10-780-AZ	19,600
U.S. Department of Energy:			
State Energy Program, passed through Arizona Department of Commerce	81.041	N/A	50,000
U.S. Department of Health and Human Services:			
Temporary Assistance for Needy Families, passed through Arizona Department of Economic Security	93.558	DES 070064-006	599,043
Temporary Assistance for Needy Families, passed through City of Phoenix	93.558	DES 070066-004	<u>47,269</u>
Total Temporary Assistance for Needy Families			<u>646,312</u>
<i>Child Care and Development Fund Cluster:</i>			
Child Care and Development Block Grant, passed through Arizona Department of Economic Security	93.575	12871A1	191,582
Child Care and Mandatory and Matching Funds of the Child Care Development Fund, passed through Arizona Department of Economic Security	93.596	1287101	<u>177,395</u>
Total Child Care and Development Fund Cluster			<u>368,977</u>
Social Services Block Grant, passed through Arizona Department of Economic Security	93.667	DES 070010-001	<u>186,498</u>
Total Department of Health and Human Services			<u>1,201,787</u>
Corporation for National and Community Service			
ARRA - AmeriCorps, passed through Arizona State University	94.006	(11-517/11-518)	9,000
U.S. Department of Homeland Security			
Emergency Food and Shelter National Board Program, passed through WHEAT	97.024	025600-012	<u>108,312</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,219,209</u>

See Notes to Schedule of Expenditures of Federal Awards

UMOM NEW DAY CENTERS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of UMOM New Day Centers, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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 2011 *Catalog of Federal Domestic Assistance Update*.

NOTE 3 - SUBRECIPIENTS

UMOM paid \$174,112 to Save the Family Foundation of Arizona in federal funds it received from U.S. Department of Housing and Urban Development (HUD) (CFDA 14.235) to provide services to Next Step Rapid Re-Housing program participants in Maricopa County, Arizona, during the fiscal year ended June 30, 2011.

NOTE 4 - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The City of Phoenix loaned funds to UMOM as a part of a HUD program to assist in the purchase, construction, and rehabilitation of emergency and transitional shelter facilities. The outstanding balance of the loan as of June 30, 2011 totaled \$759,000. (See Financial Statement Note 8).

SINGLE AUDIT REPORTS

Certified
Public
Accountants

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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 the financial statements of UMOM New Day Centers, Inc. (UMOM as of and for the year ended June 30, 2011, and have issued our report thereon dated December 21, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered UMOM's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UMOM's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of UMOM's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UMOM's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fester & Chapman P.C.

December 21, 2011

Independent Auditors' Report on Compliance with Requirements That Could Have a
Direct and Material Effect on Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of UMOM New Day Centers, Inc. (UMOM) with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of UMOM's major federal programs for the year ended June 30, 2011. UMOM's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of UMOM's management. Our responsibility is to express an opinion on UMOM's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of UMOM's compliance with those requirements.

In our opinion, UMOM complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

UMOM's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered UMOM's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fester & Chapman P.C.

December 21, 2011

UMOM NEW DAY CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified in internal control over financial reporting? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X no

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Programs or Cluster</u>
14.231	Emergency Shelter Grants Program
14.235	Supportive Housing Program
14.239	HOME Investment Partnerships Program
	<i>Child Care and Development Fund Cluster:</i>
93.575	Child Care and Development Block Grant
93.596	Child Care and Mandatory and Matching Funds of the Child Care Development Fund

UMOM NEW DAY CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditors' Results - Continued

Dollar threshold used to distinguish between type
A and type B programs: \$300,000

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

Other Matters:

Auditee's Summary Schedule of Prior Audit
Findings required to be reported in accordance
with Circular A-133 (section .315[b])? _____ yes X no

Section II - Findings - Financial Statements' Audit

None

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

None