The New Beginnings Center

Financial Statements
For the Year Ended June 30, 2023

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For the Year Ended June 30, 2023

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BLANKENSHIP

Independent Auditor's Report

Board of Directors
The New Beginnings Center

Opinion

We have audited the financial statements of The New Beginnings Center (the Organization), which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
November 16, 2023

The New Beginnings Center
Statement of Financial Position
June 30, 2023

Assets	
Cash	$ 320,878
Prepaid expenses	2,000
Operating lease right-of-use assets	580,376
Security deposit	7,000
Property and equipment, net	24,544
Total assets	**$ 934,798**
Liabilities and Net Assets	
Liabilities	
Accrued payroll	$ 10,409
Note payable	18,900
Operating lease liabilities	607,552
Total liabilities	636,861
Net assets	
Without donor restrictions	290,437
With donor restrictions	7,500
Total net assets	297,937
Total liabilities and net assets	**$ 934,798**

The New Beginnings Center
Statement of Activities
For the Year Ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets			
Corporate and individual	$ 112,871	$ -	$ 112,871
Grants and foundations	105,061	33,000	138,061
Special fundraising events (net of direct benefit to donors of $13,500)	245,867	-	245,867
Contributions of nonfinancial assets	14,649		14,649
Fees and facility reimbursements	114,320	-	114,320
Interest income	1,707	-	1,707
Loss on disposal of property and equipment	(356)	-	(356)
Net assets released from restrictions	25,500	(25,500)	-
Total support and revenues	619,619	7,500	627,119
Expenses			
Program services	478,905	-	478,905
Management and general	47,569	-	47,569
Fundraising	66,933	-	66,933
Total expenses	593,407	-	593,407
Change in net assets	26,212	7,500	33,712
Net assets, beginning of year	264,225	-	264,225
Net assets, end of year	**$ 290,437**	**$ 7,500**	**$ 297,937**

The New Beginnings Center
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program services	Management and general	Fundraising	Total
Payroll and benefits	$ 240,091	$ 11,066	$ 42,622	$ 293,779
Bank fees	-	6,197	-	6,197
Depreciation	8,971	-	-	8,971
Dues and subscriptions	4,948	1,237	-	6,185
Training supplies	9,911	-	-	9,911
Utilities	19,510	1,734	434	21,678
Occupancy	121,812	10,828	2,707	135,347
Special fundraising event costs	-	-	30,190	30,190
Insurance	8,790	781	195	9,766
Interest	-	597	-	597
IT support	13,184	1,172	293	14,649
Office supplies	7,577	199	2,193	9,969
Printing and video	7,309	238	238	7,785
Professional fees	14,489	10,192	1,364	26,045
Program equipment	6,846	-	-	6,846
Property tax	8,876	789	197	9,862
Subscriptions and licensing	6,591	-	-	6,591
Travel and entertainment	-	1,223	-	1,223
Other	-	1,316	-	1,316
Total expenses before direct benefits to donors	478,905	47,569	80,433	606,907
Less direct benefit to donors	-	-	(13,500)	(13,500)
	$ 478,905	**$ 47,569**	**$ 66,933**	**$ 593,407**

The New Beginnings Center

Statement of Cash Flows

For the Year Ended June 30, 2023

Cash, beginning of year	$ 262,673
Cash flows from operating activities	
Change in net assets	33,712
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Loss on disposal of property and equipment	356
Depreciation	8,971
Noncash lease expense	27,176
Change in:	
Prepaid expenses	(2,000)
Accrued payroll	3,699
Net cash provided (used) by operating activities	71,914
Cash flows from investing activities	
Payments for the purchase of property and equipment	(11,140)
Proceeds from sale of property and equipment	1,334
Net cash provided (used) by investing activities	(9,806)
Cash flows from financing activities	
Payments on note payable	(3,903)
Net change in cash	58,205
Cash, end of year	**$ 320,878**
Supplemental disclosures of cash flow information	
Cash paid for interest	$ 597

Note 1. **Summary of Significant Accounting Policies**

Nature of Activities

The New Beginnings Center (the Organization) was incorporated in 2011 as a Tennessee nonprofit organization. The Organization's mission is to empower women and teenage girls to discover their strength, both inside and out, and achieve optimal health through world-class coaching in fitness, nutrition, and behavior modification. The Organization is a women's only gym and nonprofit that offers an innovative approach to wellness through a scholarship-based program, which ensures that all women, regardless of income, have access to our life-changing services. By participating in the Organization's program, women not only experience remarkable physical transformations but also gain a deeper sense of self-worth, connection, and a supportive community that lasts far beyond the program.

The Organization's funding is made possible primarily through grants, individual and corporate contributions, and reimbursements for facility usage.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Furniture and Equipment

Furniture and equipment purchases in excess of $500 are capitalized and stated at acquisition cost or at estimated fair value at the time of the gift, if donated. Depreciation of property and equipment, other than land, is calculated by the double-declining method over an estimated useful life of seven years.

Note 1. **Summary of Significant Accounting Policies**

Leases (New Accounting Standard Adopted in 2023)

In February 2016, the Financial Accounting Standards Board issued Accounting Standard Codification (ASC) Topic 842, *Leases*, to increase transparency and comparability among entities related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities and functional expenses. The Organization adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Adoption of the Topics 842 resulted in the recording of ROU assets and lease liabilities related to the Organization's operating lease of $679,648 at July 1, 2022. The adoption of the lease standard did not materially impact the change in net assets or the cash flows.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the tax laws of the state of Tennessee.

Note 1. **Summary of Significant Accounting Policies**

Contributions of Cash and Other Financial Assets
Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions of Nonfinancial Assets
Donated assets, materials, facilities, and services are recorded at estimated fair value in the period the contribution is received. Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, was performed by the donor who possesses such skills, and would have been purchased by the Organization if not provided by the donor. Such services are recognized at fair value as support and expense in the period the services are performed.

Functional Allocation of Expenses
The following program and supporting services classifications are included in the accompanying financial statements:

Program services consist of activities relating to providing fitness and nutritional training for program participants.

Management and general relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include oversight, business management, budgeting, recordkeeping, financing, and other administrative activities.

Fundraising includes costs of activities directed toward appeals for financial support including fundraising events. Other activities include the cost of solicitation and creation and distribution of fundraising materials.

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or subjective methods determined by management.

The costs of providing program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

	Method of allocation
Payroll and benefits	Time and effort
Utilities, facility lease and improvements, insurance, property tax	Square footage of space use
IT support, office supplies, print and video, professional fees	Estimated usage

Note 2. **Liquidity and Availability**

The Organization's cash balance represents the financial assets available to meet general expenditures planned within one year. As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization receives year-round donations from individuals and the Organization makes specific appeals at strategic times of the year for specific projects. Cash flow is tracked through regular budget to actual comparisons which are monitored by management, the Finance Committee, and the Board of Directors.

Note 3. **Property and Equipment**

Property and equipment consist of the following:

Furniture and equipment	$	147,702
Less: accumulated depreciation		(123,158)
	$	**24,544**

Note 4. **Leases**

The Organization leases facility space under an operating lease with an original agreement date from May 2013 through August 2018 which included options to extend the lease through August 31, 2023. In August 2021, an extension was signed to extend the lease through August 31, 2028. Operating lease cost is recognized on a straight-line basis over the lease term. The total cost recognized under the lease agreement was $135,097 for 2023 which includes direct lease costs of $125,676 and common area maintenance costs of $9,421, respectively.

Supplemental statement of financial position information related to leases is as follows:

Operating leases		
Operating lease right-of-use assets	$	580,376
Operating lease liabilities	$	607,552
Weighted-average remaining lease term		5.2 years
Weighted-average discount rate		4.13%

Supplemental cash flow information related to leases as follows:

Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows – payments on operating leases	$	98,500

Note 4. **Leases**

Future undiscounted cash flows for the remaining years and a reconciliation to the operating lease liabilities recognized on the statement of financial position are as follows:

Years ending June 30,		
2024	$	116,500
2025		125,000
2026		131,000
2027		137,000
2028		143,000
Thereafter		24,000
Total lease payments		676,500
Less imputed interest		(68,948)
Total present value of lease liabilities	**$**	**607,552**

Note 5. **Line of Credit**

The Organization has a $50,000 line of credit with a local bank with no outstanding balance as of June 30, 2023. The line calls for an interest rate at the bank's index rate plus 1.00 with a floor of 4.00% (total rate 9.25% at June 30, 2023). The line is secured by the Organization's business assets and expires June 6, 2024.

Note 6. **Note Payable**

The Organization holds a US Small Business Administration Economic Injury Disaster Loan with a balance of $18,900 at June 30, 2023. The loan calls for monthly payments of principal and interest of $107 at an interest rate of 2.75% with final payment scheduled for April 2042.

Annual principal maturities of notes payable are as follows:

Years ending June 30,		
2024	$	774
2025		796
2026		818
2027		840
2028		864
Thereafter		14,808
	$	**18,900**

Note 7. **Net Assets**

Net assets with donor restrictions consists of contributions made for the Organization's programming for which the funds were not expended until the next fiscal year.

Note 8. **Related Party Transactions**

The Organization's President and CEO is also the owner of TNB Fitness, LLC which engages in for-profit activity at the facilities leased by the Organization. In exchange for the use of the facilities, TNB Fitness, LLC remits to the Organization 20% of all fees paid by the market-rate clients. During the year ended June 30, 2023, this amounted to $103,864 which is recorded as fees and facility reimbursements on the statement of activities.

Note 9. **Concentrations**

The Organization has cash balances in banks in excess of amounts federally insured. The uninsured balances totaled approximately $83,000 as of June 30, 2023. The Organization maintains its cash with high quality financial institutions which the Organization believes limits these risks.

Of the Organization's total revenues for the year ended June 30, 2023, approximately 30% represents funds received from two sources which includes an individual donor and a related party (see note 8).

Note 10. **Contributions of Nonfinancial Assets**

Contributions of nonfinancial assets consists of information technology services provided by a vendor free of charge. These services are recorded based on the value reported by the contributing vendor. These services assist with the information technology aspects of the Organization's programming, overall management activities, and its fundraising efforts.

Note 11. **Retirement Plan**

The Organization maintains a 401(k) retirement plan for its employees which allows the Organization to make discretionary, matching contributions on behalf of the participating employees. Matching contributions of $5,790 were made in June 30, 2023.

Note 12. **Subsequent Events**

Management has evaluated subsequent events through November 16, 2023, the date on which the financial statements were available for issuance.