

A New Leaf, Inc. and Affiliates

Consolidated Financial Statements

June 30, 2022 and 2021

A NEW LEAF, INC. AND AFFILIATES
TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	6
Consolidated Statement of Functional Expenses	
Year Ended June 30, 2022	7
Consolidated Statement of Functional Expenses	
Year Ended June 30, 2021	9
Consolidated Statements of Cash Flows	11
Notes to Consolidated Financial Statements	13
SUPPLEMENTARY SCHEDULES	
Consolidating Statement of Financial Position	56
Consolidating Statement of Activities	58
Consolidating Statement of Cash Flows	59

INDEPENDENT AUDITORS' REPORT

The Board of Directors
A New Leaf, Inc. and Affiliates
Mesa, Arizona

Opinion

We have audited the accompanying consolidated financial statements of A New Leaf, Inc. (a nonprofit organization) and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of A New Leaf, Inc. and Affiliates as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of A New Leaf, Inc. and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the consolidated 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 consolidated 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 A New Leaf, Inc. and Affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about A New Leaf, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedules of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated , on our consideration of A New Leaf, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of A New Leaf, Inc. and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering A New Leaf, Inc. and Affiliates' internal control over financial reporting and compliance.

Baker Tilly US, LLP

Tempe, Arizona
March 27, 2023

A NEW LEAF, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,881,933	\$ 2,491,946
Restricted cash - deposits and funded reserves	718,773	349,819
Restricted cash - designated for direct loan fund	127,284	121,935
Restricted cash - Individual Development Accounts (IDA)	539,183	861,363
Accounts receivable, net of allowance for uncollectible accounts of \$634,352 and \$613,777	3,933,077	3,283,957
Employee Retention Tax Credit receivable	5,587,989	3,783,074
Promises to give, current portion, net	356,778	70,149
Prepaid expenses	268,030	273,281
Due from affiliates	407,579	539,826
	<u>13,820,626</u>	<u>11,775,350</u>
TOTAL CURRENT ASSETS		
NON-CURRENT ASSETS		
Promises to give, net of current portion	125,000	-
Loans receivable	1,953	28,512
Notes receivable, related parties, net	1,019,128	1,027,155
Deposits	385,591	425,553
Investments	3,196,230	3,915,048
Investments held for deferred compensation plan	211,972	222,582
Investment in affiliate	1,401,892	1,401,892
Property and equipment, net	10,035,955	9,529,968
Beneficial interest in perpetual trust	191,950	226,097
Assets restricted for long-term purposes - Endowment:		
Cash	37,728	37,727
Investments	1,600,124	1,697,916
	<u>18,207,523</u>	<u>18,512,450</u>
TOTAL NON-CURRENT ASSETS		
TOTAL ASSETS	<u>\$ 32,028,149</u>	<u>\$ 30,287,800</u>

See accompanying notes.

A NEW LEAF, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 945,173	\$ 1,001,235
Accrued expenses	1,842,778	1,302,963
Due to affiliates	58,016	12,093
Deferred revenue	1,812,571	1,904,235
Lines of credit	1,324,907	22,287
Notes payable, current portion	308,962	257,526
Capital leases, current portion	11,820	41,498
	<u>6,304,227</u>	<u>4,541,837</u>
TOTAL CURRENT LIABILITIES		
NON-CURRENT LIABILITIES		
Tenant security deposits	3,940	6,050
Accrued deferred compensation	211,972	222,582
Notes payable, net of current portion	2,094,047	2,244,314
Capital leases, net of current portion	10,949	28,955
	<u>2,320,908</u>	<u>2,501,901</u>
TOTAL NON-CURRENT LIABILITIES		
	<u>8,625,135</u>	<u>7,043,738</u>
TOTAL LIABILITIES		
NET ASSETS		
Without donor restrictions:		
Undesignated	13,482,336	18,487,824
Board designated	4,988,130	-
	<u>18,470,466</u>	<u>18,487,824</u>
With donor restrictions	4,932,548	4,756,238
	<u>23,403,014</u>	<u>23,244,062</u>
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 32,028,149</u>	<u>\$ 30,287,800</u>

See accompanying notes.

A NEW LEAF, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

	2022			2021*		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contract revenue	\$ 20,369,014	\$ -	\$ 20,369,014	\$ 20,589,189	\$ -	\$ 20,589,189
Behavioral health revenue	6,550,273	-	6,550,273	6,411,653	-	6,411,653
Employee Retention Tax Credit	1,804,915	-	1,804,915	3,783,074	-	3,783,074
Paycheck Protection Program government grant	-	-	-	2,493,256	-	2,493,256
Contributions	3,897,279	2,588,967	6,486,246	3,152,448	2,205,947	5,358,395
In-kind contributions and rent	1,712,697	-	1,712,697	1,435,041	-	1,435,041
Client fees	377,180	-	377,180	387,684	-	387,684
Rental income	446,967	-	446,967	574,218	-	574,218
Investment return	(369,071)	(97,791)	(466,862)	265,989	184,638	450,627
Change in fair value of perpetual trust	-	(22,811)	(22,811)	-	10,617	10,617
Other income and loan forgiveness	592,789	-	592,789	224,503	-	224,503
Release from purpose restrictions	2,114,285	(2,114,285)	-	2,435,928	(2,435,928)	-
Release from time restrictions	11,336	(11,336)	-	41,994	(41,994)	-
Release from time and purpose restrictions	166,434	(166,434)	-	2,528,726	(2,528,726)	-
	<u>37,674,098</u>	<u>176,310</u>	<u>37,850,408</u>	<u>44,323,703</u>	<u>(2,605,446)</u>	<u>41,718,257</u>
Bingo revenue	1,363,994	-	1,363,994	1,030,377	-	1,030,377
Cost of goods sold	(796,103)	-	(796,103)	(619,000)	-	(619,000)
	<u>567,891</u>	<u>-</u>	<u>567,891</u>	<u>411,377</u>	<u>-</u>	<u>411,377</u>
Special events income	124,510	-	124,510	9,215	-	9,215
Direct benefit to donors	(170,627)	-	(170,627)	(31,617)	-	(31,617)
	<u>(46,117)</u>	<u>-</u>	<u>(46,117)</u>	<u>(22,402)</u>	<u>-</u>	<u>(22,402)</u>
TOTAL REVENUE AND SUPPORT	<u>38,195,872</u>	<u>176,310</u>	<u>38,372,182</u>	<u>44,712,678</u>	<u>(2,605,446)</u>	<u>42,107,232</u>
EXPENSES						
Program services	31,080,747	-	31,080,747	30,183,348	-	30,183,348
Bingo games	274,170	-	274,170	242,824	-	242,824
Management and general	5,737,642	-	5,737,642	5,527,765	-	5,527,765
Fundraising	1,878,883	-	1,878,883	1,299,640	-	1,299,640
TOTAL EXPENSES	<u>38,971,442</u>	<u>-</u>	<u>38,971,442</u>	<u>37,253,577</u>	<u>-</u>	<u>37,253,577</u>
OTHER INCOME (EXPENSE)						
Gain (loss) on sale of property	-	-	-	1,383,796	-	1,383,796
Excess of assets acquired over liabilities assumed of affiliate	758,212	-	758,212	-	-	-
TOTAL OTHER INCOME (EXPENSE)	<u>758,212</u>	<u>-</u>	<u>758,212</u>	<u>1,383,796</u>	<u>-</u>	<u>1,383,796</u>
CHANGE IN NET ASSETS	<u>(17,358)</u>	<u>176,310</u>	<u>158,952</u>	<u>8,842,897</u>	<u>(2,605,446)</u>	<u>6,237,451</u>
NET ASSETS AT BEGINNING OF YEAR	<u>18,487,824</u>	<u>4,756,238</u>	<u>23,244,062</u>	<u>9,644,927</u>	<u>7,361,684</u>	<u>17,006,611</u>
NET ASSETS AT END OF YEAR	<u>\$ 18,470,466</u>	<u>\$ 4,932,548</u>	<u>\$ 23,403,014</u>	<u>\$ 18,487,824</u>	<u>\$ 4,756,238</u>	<u>\$ 23,244,062</u>

* Reclassified to conform to current year presentation

See accompanying notes.

A NEW LEAF, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program Services								
	Shelter Services	Youth Services	Behavioral Health	Community Services and Education	Other Programs	Community Action Program	MesaCAN Weatherization and Other Programs	CAAFAs Domestic Abuse Relief	Total Program Services
Salaries and wages	\$ 3,199,230	\$ 4,116,617	\$ 3,620,728	\$ 1,323,962	\$ 133,363	\$ 466,724	\$ 221,138	\$ 104,787	\$ 13,186,549
Payroll taxes	275,238	352,518	302,407	113,969	11,853	38,108	17,617	9,338	1,121,048
Employee benefits	461,567	464,798	505,596	139,639	470	65,996	19,291	11,903	1,669,260
	3,936,035	4,933,933	4,428,731	1,577,570	145,686	570,828	258,046	126,028	15,976,857
Professional services	606,159	1,037,550	643,988	140,783	45,769	27,709	130,630	541,257	3,173,845
Advertising, marketing, and printing	13,185	582	618	4,340	-	2,058	457	6,925	28,165
Supplies and postage	56,194	39,130	21,958	49,117	3,420	15,061	11,583	14,533	210,996
Telephone	135,591	91,421	95,721	32,773	7,760	13,399	9,774	33,952	420,391
Occupancy	859,939	467,621	346,315	182,538	116,714	162,687	29,939	120,425	2,286,178
Travel and vehicle	52,162	212,282	22,028	27,017	948	7,891	9,417	6,501	338,246
Interest expense	156	3,730	10,656	268	20,333	-	(25)	2,459	37,577
Conferences	7,703	1,506	8,117	2,429	529	4,339	647	801	26,071
Depreciation	232,351	27,548	38,502	21,644	80,132	-	-	29,980	430,157
Insurance	163,272	150,501	116,214	42,565	4,100	13,223	15,264	20,092	525,231
Equipment lease, repair, and maintenance	108,743	69,678	52,399	42,668	15,023	17,952	6,121	29,963	342,547
Client expenses	2,610,095	521,809	33,449	342,072	100	2,461,789	960,464	89,847	7,019,625
Bad debt	-	10,518	83,307	-	(9,385)	21,713	-	-	106,153
Bingo cost of goods sold	-	-	-	-	-	-	-	-	-
Bingo taxes	-	-	-	-	-	-	-	-	-
Special event expenses	1,020	-	-	8,457	-	-	-	-	9,477
Miscellaneous expense	5,720	21,124	7,002	6,770	90,933	3,817	11,636	2,229	149,231
Contribution expense	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	8,788,325	7,588,933	5,909,005	2,481,011	522,062	3,322,466	1,443,953	1,024,992	31,080,747
Amounts not included in expenses on consolidated statement of activities:									
Special event venue and food	-	-	-	-	-	-	-	-	-
Bingo cost of goods sold	-	-	-	-	-	-	-	-	-
	<u>\$ 8,788,325</u>	<u>\$ 7,588,933</u>	<u>\$ 5,909,005</u>	<u>\$ 2,481,011</u>	<u>\$ 522,062</u>	<u>\$ 3,322,466</u>	<u>\$ 1,443,953</u>	<u>\$ 1,024,992</u>	<u>\$ 31,080,747</u>

See accompanying notes.

A NEW LEAF, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (Continued)
Year Ended June 30, 2022

	Bingo Games	Management and General	Fundraising	Total
Salaries and wages	\$ 94,963	\$ 3,730,319	\$ 883,681	\$ 17,895,512
Payroll taxes	7,941	292,886	69,356	1,491,231
Employee benefits	1,838	551,583	106,110	2,328,791
	<u>104,742</u>	<u>4,574,788</u>	<u>1,059,147</u>	<u>21,715,534</u>
Professional services	-	67,234	196,511	3,437,590
Advertising, marketing, and printing	2,445	2,858	227,110	260,578
Supplies and postage	-	49,871	79,491	340,358
Telephone	693	158,733	13,052	592,869
Occupancy	93,938	516,331	12,595	2,909,042
Travel and vehicle	-	64,534	12,340	415,120
Interest expense	10,394	67,585	13,394	128,950
Conferences	-	14,109	8,394	48,574
Depreciation	-	32,863	2,199	465,219
Insurance	-	123,317	18,539	667,087
Equipment lease, repair, and maintenance	30,640	39,890	16,867	429,944
Client expenses	-	1,224	95,794	7,116,643
Bad debt	-	-	-	106,153
Bingo cost of goods sold	796,103	-	-	796,103
Bingo taxes	29,827	-	-	29,827
Special event expenses	-	356	282,347	292,180
Miscellaneous expense	1,491	23,949	11,730	186,401
Contribution expense	-	-	-	-
	<u>1,070,273</u>	<u>5,737,642</u>	<u>2,049,510</u>	<u>39,938,172</u>
Amounts not included in expenses on consolidated statement of activities:				
Special event venue and food	-	-	(170,627)	(170,627)
Bingo cost of goods sold	(796,103)	-	-	(796,103)
	<u>\$ 274,170</u>	<u>\$ 5,737,642</u>	<u>\$ 1,878,883</u>	<u>\$ 38,971,442</u>

See accompanying notes.

A NEW LEAF, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services										
	Shelter Services	Youth Services	Behavioral Health	Community Services and Education	Real Estate and Other Programs	Community Development Financial Institution	Community Action Program	Weatherization	Individual Development Accounts	Community Action Program - COVID	Total Program Services
Salaries and wages	\$ 3,053,824	\$ 3,976,445	\$ 4,063,660	\$ 1,230,863	\$ 78,280	\$ 10,741	\$ 191,088	\$ 2,854	\$ 75,408	\$ 406,813	\$ 13,089,976
Payroll taxes	278,637	373,356	358,524	112,974	6,552	1,179	17,075	768	7,463	34,875	1,191,403
Employee benefits	465,595	538,071	570,982	161,763	1,928	393	29,358	745	1,584	52,735	1,823,154
	3,798,056	4,887,872	4,993,166	1,505,600	86,760	12,313	237,521	4,367	84,455	494,423	16,104,533
Professional services	398,788	751,173	547,438	476,183	92,943	1,135	17,553	432	54,206	411,512	2,751,363
Advertising, marketing, and printing	11,262	10,000	10,127	3,464	888	18	186	3	186	1,245	37,379
Supplies and postage	56,798	47,317	26,412	37,509	2,496	938	4,553	135	610	12,242	189,010
Telephone	143,603	115,185	117,108	32,512	15,512	28	10,676	112	1,436	9,159	445,331
Occupancy	736,825	436,773	373,755	73,947	121,102	(3,121)	12,714	(3,988)	(165)	80,610	1,828,452
Travel and vehicle	41,756	220,661	17,118	11,038	6,681	7	1,653	25	199	596	299,734
Interest expense	12,444	44,746	19,440	9,502	13,024	11,763	2,852	-	-	-	113,771
Conferences	3,870	149	3,465	743	35	-	781	3,002	201	91	12,337
Depreciation	245,205	50,180	40,220	21,099	79,963	15	1,856	13	121	370	439,042
Insurance	157,355	176,324	129,668	43,153	3,964	324	5,476	6,587	2,825	13,410	539,086
Equipment lease, repair, and maintenance	94,808	81,552	90,043	40,926	5,737	27	3,328	191	1,101	3,595	321,308
Client expenses	2,276,320	214,920	89,734	85,202	157,357	-	1,096,246	311,800	123,025	2,517,330	6,871,934
Bad debt	-	10,480	(1,071)	-	-	(802)	140,177	-	-	-	148,784
Bingo cost of goods sold	-	-	-	-	-	-	-	-	-	-	-
Bingo taxes	-	-	-	-	-	-	-	-	-	-	-
Special event expenses	231	-	-	-	-	-	-	-	-	-	231
Miscellaneous expense	3,324	36,296	10,942	3,094	9,274	5	9,150	1,503	999	6,466	81,053
Contribution expense	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	7,980,645	7,083,628	6,467,565	2,343,972	595,736	22,650	1,544,722	324,182	269,199	3,551,049	30,183,348
Amounts not included in expenses on consolidated statement of activities:											
Special event venue and food	-	-	-	-	-	-	-	-	-	-	-
Bingo cost of goods sold	-	-	-	-	-	-	-	-	-	-	-
	\$ 7,980,645	\$ 7,083,628	\$ 6,467,565	\$ 2,343,972	\$ 595,736	\$ 22,650	\$ 1,544,722	\$ 324,182	\$ 269,199	\$ 3,551,049	\$ 30,183,348

See accompanying notes.

A NEW LEAF, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (Continued)
Year Ended June 30, 2021

	Bingo Games	Management and General	Fundraising	Total
Salaries and wages	\$ 77,140	\$ 3,406,188	\$ 728,296	\$ 17,301,600
Payroll taxes	6,765	261,640	59,281	1,519,089
Employee benefits	1,964	476,824	86,956	2,388,898
	<u>85,869</u>	<u>4,144,652</u>	<u>874,533</u>	<u>21,209,587</u>
Professional services	-	(133,757)	54,610	2,672,216
Advertising, marketing, and printing	886	8,392	149,894	196,551
Supplies and postage	158	50,372	19,582	259,122
Telephone	4,689	175,280	9,152	634,452
Occupancy	98,215	531,841	9,377	2,467,885
Travel and vehicle	-	43,182	3,113	346,029
Interest expense	7,728	24,794	12,204	158,497
Conferences	-	9,109	410	21,856
Depreciation	-	35,478	1,922	476,442
Insurance	-	87,577	15,253	641,916
Equipment lease, repair, and maintenance	25,500	30,009	18,828	395,645
Client expenses	-	2,783	56,079	6,930,796
Bad debt	-	475,043	-	623,827
Bingo cost of goods sold	619,000	-	-	619,000
Bingo taxes	19,836	-	-	19,836
Special event expenses	-	13	100,686	100,930
Miscellaneous expense	(57)	42,997	5,614	129,607
Contribution expense	-	-	-	-
	<u>861,824</u>	<u>5,527,765</u>	<u>1,331,257</u>	<u>37,904,194</u>
Amounts not included in expenses on consolidated statement of activities:				
Special event venue and food	-	-	(31,617)	(31,617)
Bingo cost of goods sold	(619,000)	-	-	(619,000)
	<u>\$ 242,824</u>	<u>\$ 5,527,765</u>	<u>\$ 1,299,640</u>	<u>\$ 37,253,577</u>

See accompanying notes.

A NEW LEAF, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021*
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 158,952	\$ 6,237,451
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	465,219	476,442
Property and equipment assumed in acquisition	(443,688)	-
Bad debt provision for accounts receivable	106,153	180,784
Provision for uncollectible promises to give	-	443,043
Provision for uncollectible loans receivable	(4,712)	2,687
Amortization of discount on notes receivable	(13,399)	(13,261)
Realized and unrealized (gain)/loss on investments	543,687	(392,013)
Change in fair value of perpetual trust	22,811	(10,617)
Net loss on investment in affiliate	-	44
(Gain) on sale of property	-	(1,383,796)
Net change in guaranteed loan obligation	-	(17,348)
Forgiveness of debt	(245,000)	-
(Increase) decrease in:		
Accounts receivable	(755,274)	(762,315)
Employee Retention Tax Credit receivable	(1,804,915)	(3,783,074)
Promises to give	(411,628)	36,658
Due from affiliates	132,247	41,151
Prepaid expenses	5,251	(32,945)
Deposits	39,962	(76,906)
Increase (decrease) in:		
Accounts payable	(56,062)	515,434
Accrued expenses	539,815	51,982
Due to affiliates	45,923	12,093
Deferred revenue	(91,664)	(116,918)
Deferred conditional contribution (PPP)	-	(2,493,256)
Tenant security deposits	(2,110)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,768,432)	(1,084,680)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(527,518)	(101,729)
Proceeds from sale of property	-	5,252,768
Purchases of investments	(165,644)	(3,601,755)
Proceeds from sale of investments	438,567	-
Proceeds from distribution in perpetual trust	11,336	12,457
Payments received on loans receivable	31,271	132,090
Payments received on notes receivable, related parties	21,426	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(190,562)	1,693,831
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	179,800	-
Principal payments on long-term debt	(33,631)	(2,550,769)
Payments on capital leases	(47,684)	(56,500)
Proceeds from lines of credit	1,302,620	-
Payments on lines of credit	-	(969,070)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,401,105	(3,576,339)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(557,889)	(2,967,188)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,862,790	6,829,978
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,304,901	\$ 3,862,790

See accompanying notes.

A NEW LEAF, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021*</u>
RECONCILIATION TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 1,881,933	\$ 2,491,946
Restricted cash - deposits and funded reserves	718,773	349,819
Restricted cash - designated for direct loan fund	127,284	121,935
Restricted cash - Individual Development Accounts (IDA)	539,183	861,363
Restricted cash - Endowment	<u>37,728</u>	<u>37,727</u>
	<u>\$ 3,304,901</u>	<u>\$ 3,862,790</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Noncash investing and financing transactions:		
Investment return on deferred compensation investments	<u>\$ (41,055)</u>	<u>\$ 56,802</u>
Employee withdrawal on deferred compensation investments	<u>\$ -</u>	<u>\$ 102,523</u>
Interest paid	<u>\$ 34,983</u>	<u>\$ 101,344</u>
CAAFAs acquisition	<u>\$ 443,688</u>	<u>\$ -</u>

* Reclassified to conform to current year presentation

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

Organization

A New Leaf, Inc. (Leaf) is an Arizona nonprofit corporation providing health and welfare services within Maricopa County. Leaf's mission is Helping Families and Changing Lives by providing emergency services and shelter to the homeless and victims of domestic violence; by providing community behavioral health services and programs; and by providing youth residential treatment centers and services. The vision at Leaf is to provide hope, new beginnings, growth, and change for individuals and families who aspire to turn over a new leaf. Leaf's major programs are as follows:

Shelter Services – This program provides emergency shelter, basic needs, case management, childcare, and education classes for homeless individuals and families and for victims of domestic violence and their children. Ancillary services include a temporary overflow program utilized when domestic violence shelters are full, a court advocate program, family advocacy services, and crisis hotlines.

Youth Services – Leaf's youth services include contractual residential and outpatient treatment centers and foster care.

Behavioral Health – Leaf's community behavioral health programs for children and adults provide support for mental and behavioral health issues as supported by contractual agreements. Services include but are not limited to, medical/psychiatric, case management, family support, therapy, social rehabilitation, facility-based after school and summer care, and youth intervention/respice.

Community Services and Education – This program services children from six weeks to five years of age to provide developmentally appropriate early childhood education in a safe and nurturing environment.

Other Programs – These programs provide access to free or low-cost child and adult health insurance, community outreach, coordination of wellness programs, and on-site support services and referral to community services.

The New Foundation (TNF) was a nonprofit corporation which maintained a residential psychiatric treatment facility for adolescents in Scottsdale, Arizona. Various governmental agencies and pass-through entities contracted with TNF for these services, generally on an annual basis. The activities of TNF ceased during the fiscal year ended June 30, 2020. The remaining asset, which was the building TNF operated from, was sold during the year ended June 30, 2021, and TNF was dissolved during the year ended June 30, 2022.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Organization (Continued)

Neighborhood Economic Development Corporation (NEDCO) is a Community Development Financial Institution (CDFI) which began its operations on August 1, 1997. A CDFI is a specialized financial institution generally working in local markets that are underserved by traditional financial institutions. A CDFI focuses on community development activities that rebuild disinvested communities through a variety of lending, investment, social support, and educational activities.

NEDCO's mission is to finance economic development initiatives in low/moderate income neighborhoods in Arizona. NEDCO's primary focus is community development lending to businesses for expansion and to other community development projects. Building upon its unique relationship to financial institutions, NEDCO also provides technical assistance to businesses as well as neighborhood groups on community development projects. Program expenses of NEDCO are listed under other programs on the consolidated statements of functional expenses. NEDCO ceased operations in the spring of 2020.

Mesa Community Action Network, Inc. (MesaCAN) is a nonprofit organization established September 3, 1986, as the community action program for the city of Mesa, Arizona. It serves as the vehicle whereby both governmental and private funding are brought together to assist in meeting the human service needs in the city of Mesa and surrounding areas. MesaCAN's major programs are as follows:

Community Action Program – This program offers financial and case management services to individuals and families who are facing an immediate crisis which impacts their housing, utilities, health, and safety. City of Mesa residents apply and are qualified based on poverty guidelines, household size, and state regulations.

Weatherization and Other Programs – This program offers financial assistance to individuals and families who are in need of weatherization assistance for their homes. This includes replacement of air conditioning, heaters, heat pumps, weather stripping, lighting, inefficient appliances, and windows.

Individual Development Accounts (IDA) are savings accounts held by individuals at designated local banks and credit unions to help working individuals and families save for home ownership and educational expenses. MesaCAN does not have access to the individual accounts as they are owned exclusively by the participants. Upon meeting the criteria of the IDA program, matching funds are disbursed to appropriate parties for asset purchases or payment of tuition and similar fees.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Organization (Continued)

A New Leaf Cottages, Inc. (Cottages) is an Arizona nonprofit corporation incorporated in 1996, which provides housing needs to individuals and families in need. Cottages is the developer of Desert Leaf Apartments (the Apartments). The Apartments are a 20-unit apartment complex, which includes onsite supportive services. Nineteen of the units are leased and one unit is used for community services and delivery space. Cottages also owns a home, Contessa, which is available for single-family living.

Community Alliance Against Family Abuse (CAAFa) is a nonprofit organization established April 27, 1998, and provides domestic abuse relief services in Northern Pinal County. CAAFA operates under numerous contracts with governmental agencies to empower individuals and families in the community to be free from abuse through collaboration, prevention, and awareness.

Principles of Consolidation

Leaf is the sole member of La Mesita Apartments, LLC, and La Mesita Apartments Phase 3, LLC. La Mesita Apartments, LLC, is the general partner in La Mesita Apartments, LP with a 0.01% share. La Mesita Apartments Phase 3, LLC, is the general partner with a 0.01% share in La Mesita Apartments Phase 3, LP. The total investment held by La Mesita Apartments, LLC and La Mesita Apartments, Phase 3, LLC amounted to less than \$100.

Leaf is the sole member of MesaCAN, NEDCO, and CAAFA. Cottages and TNF operate as affiliates of Leaf and under the control of Leaf.

The consolidated financial statements include the accounts of Leaf, MesaCAN, NEDCO, Cottages, TNF, and CAAFA because Leaf has both control and economic interest in these organizations. All significant inter-organization transactions and accounts have been eliminated in the consolidation. Unless otherwise noted, these consolidated organizations are hereinafter referred to as “the Organization”.

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and accordingly reflect all significant receivables, payables, and other liabilities.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Organization considers all highly liquid financial instruments purchased with an original maturity of three months or less at date of acquisition to be cash equivalents. IDA-restricted cash can only be used for certain home ownership and educational expenses, including tuition, books, and other fees.

Restricted Cash Designated for Direct Loan Fund

NEDCO receives loans and grant funds from various sources to be used for loans receivable to new or existing small businesses or as cash reserves for loan losses. These loans are included in notes payable in the accompanying consolidated statements of financial position. These funds are maintained in separate bank accounts and are designated to be used to fund additional loans.

Restricted Deposits and Funded Reserves

As required by loan and rental agreements, the Organization has established funded operating reserves, replacement reserves and a tenant security deposit fund.

Accounts Receivable

Accounts receivable consists primarily of amounts due under contracts with federal, state and city agencies as well as private insurance companies, patients, and funding sources under fee-for-service contracts. Accounts receivable are carried at the outstanding balances less an allowance for doubtful accounts, if applicable. Accounts receivable are stated at the amount management expects to collect. Management determines the allowance for uncollectible accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Account balances are written off through a charge to the valuation allowance and credit to accounts receivable when they are determined to be uncollectible.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates as determined by management applicable to the years in which the promises are received. Amortization of the discounts is included in contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Promises to Give (Continued)

In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, the Organization records a specific reserve to reduce the amounts recorded to what it believes will be collected. Management determines the allowance for uncollectible amounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises are charged off against the allowance when they are deemed to be uncollectible.

Loans Receivable

Loans are reported at their outstanding unpaid principal balance adjusted for the allowance for loan losses. Interest income is accrued on the unpaid principal balance. The accrual of interest on loans is discontinued at the time the loan is 120 days delinquent unless the credit is well secured and in process of collection. Past due status is based on contractual terms of the loan. Loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual status or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The Organization has determined that the accounting for nonrefundable fees and costs associated with originating or acquiring loans does not have a material effect on its consolidated financial statements. As such, these fees and costs have been recognized during the period they are collected and incurred, respectively.

Allowance for Loan Loss Reserve

The allowance for loan loss reserve is established as losses are estimated to have occurred through a provision for loan losses charged to expense. Loan losses are charged against the allowance when management confirms the uncollectible loan balance. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature, and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Allowance for Loan Loss Reserve (Continued)

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonimpaired loans and is based on historical loss rates for each portfolio segment, adjusted for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio segment's historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions; changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the value of the underlying collateral for collateral-dependent loans; and concentrations of credit and the effect of other external factors such as competition and legal and regulatory requirements.

A loan is considered impaired when, based on current information and events, it is probable that NEDCO will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due.

Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for business loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent.

Due From and Due To Affiliates

Due from and due to affiliates are transactions that arise primarily in the normal course of business and include advances to and from affiliates for operational purposes. These balances are carried at the outstanding balances, are unsecured with no interest due, and have no specific repayment terms.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Notes Receivable Due From Related Parties

The Organization has three notes receivable due from related parties. Notes receivable are non-interest bearing and represent amounts due under extended payment terms exceeding one year. The Organization evaluates the collectability of the balances based on historical experience and the specific circumstances of individual notes. An allowance for uncollectible notes is recorded, if necessary.

Fair Value Measurements

A framework for measuring fair value has been established by the Accounting Standards Codification and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified term (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect the Organization's own assumptions about the assumptions that market participants would use in pricing the assets (i.e. real estate valuations, broker quotes).

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Fair Value Measurements (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

Investments are recorded at fair value in the consolidated statements of financial position. Investment return or loss is included in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Risk and Uncertainty

The Organization invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes, could materially affect the amount reported in the consolidated statements of financial position.

Investments in Affiliated Entities

The equity method of accounting is used when the Organization has a 20% to 50% interest in other entities. Under the equity method, original investments are recorded at cost and adjusted for the Organization's share of undistributed earnings or losses of these entities.

Beneficial Interest in Perpetual Trust

The Organization has been named in a trust held in perpetuity for which the Organization is the sole beneficiary to the income received from the trust's assets. The trust is held by an unrelated third-party trustee and the Organization is entitled to an annual income distribution. The beneficial interest in the trust is recorded at the fair value of the underlying assets held in the trust which is determined to be Level 3 in the fair value hierarchy because even though that measurement is based on the unadjusted fair values of the trust assets, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Property and Equipment

Acquisitions of property and equipment in excess of \$10,000 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of buildings and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets.

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

Impairment of Long-Lived Assets

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

Equity Equivalent Investments

An Equity Equivalent Investment (EQ2) is a bank capital product supported by The Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation used to encourage banks and certain other organizations to invest in CDFIs, such as NEDCO. This financial tool permits a CDFI to strengthen its capital structures and leverage additional debt capital thereby increase lending and investing in its economically disadvantaged communities.

An EQ2 is a long-term, low-interest loan that is typically structured with a rolling maturity and an automatic annual extension of the loan, as long as the borrower carries out its community development purposes. The equity equivalent investment is carried on the investor's financial statements as an investment and on the CDFI's financial statements as debt. EQ2 is not secured by any of the CDFI's assets and is fully subordinate to the CDFI's other creditors.

Endowment Fund

The Organization's endowment fund consists of one fund established by donors to provide annual funding for specific activities and general operations of La Mesita Apartments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Endowment Fund (Continued)

The Organization follows Arizona's Management of Charitable Funds Act (MCFA) and its own governing documents. MCFA requires the preservation of endowment funds. When a donor's intent is not expressed, MCFA directs the Organization to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors and the donor's intent that the fund continues in perpetuity.

The Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowment fund also includes accumulated earnings in the fund that are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by MCFA.

In accordance with MCFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) the Organization's other resources, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation. The Organization's primary objective is to obtain the best possible return on investments with the appropriate degree of risk and to meet the priorities of the Organization over time. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation and current yield.

From time to time, certain donor-restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted MCFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2022 and 2021, there were no underwater endowments.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Endowment Fund (Continued)

Spending Policy. The Organization's Board of Directors has established a policy that there will be no appropriations of expenditures from the endowment until such time as the total endowment fund balance, including investment return, reaches \$1,000,000. After the minimum basis is reached, the board of directors may release up to 3.00% of earnings from the previous calendar year for uses designated by them within guidelines of any restrictions. As of June 30, 2022 and 2021, no earnings were released.

Net Assets

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

- Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, a board designated fund for future growth and recovery from the COVID-19 pandemic.
- Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

All of the Organization's revenue arrangements consist of a single performance obligation to transfer promised services.

Client fees and insurance revenue included in behavioral health revenue on the consolidated statements of activities are recognized in the period in which the Organization satisfies the performance obligations under contracts by transferring services to its patients. The majority of patient services revenue is recognized at a point in time, in the period the services are provided. Client fees and insurance revenue is principally for patients covered by third-party insurance companies. This revenue is recognized in the amount to which the Organization expects to be entitled, based on contracted rates with funding sources.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Revenue Recognition (Continued)

Revenue from contracts with the Regional Behavioral Health Authority (the RBHA) is included in behavioral health revenue on the consolidated statements of activities and is recognized in the period in which the Organization satisfies performance obligations under contracts by transferring services to its patients. The Organization has a contract with Mercy Care (the RBHA) to provide services to all eligible Medicaid ("Title XIX") enrollees and certain non-Title outpatient services. Under this agreement, the Organization receives monthly budgeted/block purchase contract payments from Mercy Care and is required to encounter claims for services provided to patients in an amount at least equal to total block payments received over the contract term. This revenue is recognized in the period the services are provided, which is the period in which the claims are submitted for adjudication by the RBHA. The Organization is also responsible for healthcare costs which exceed its budgeted/block purchase contracts. Block payments received in advance of services being provided is recorded as a contract liability (deferred revenue). In addition, the Organization has contracted with Mercy Care and other insurance providers to perform services on a fee-for-service basis based upon established rate schedules. Revenue for fee-for-service activities is recognized as the Organization satisfies the performance obligation by transferring services to its patients.

Government contract revenue includes amounts recognized from cost reimbursement arrangements. These arrangements are recorded as conditional contributions, where the income is recognized when the conditions are met, which is when the allowable costs are incurred. Government contract revenue received in advance of services being provided is recorded as a contract liability (deferred revenue).

Rental fees are set by the Organization and the performance obligation is delivery of these services on a monthly basis. Rental revenue is recognized in the month in which the facility space is used and payment is due on a monthly basis.

Bingo game revenues are derived from hosting bingo games that customers pay to participate in. The performance obligation is the delivery of the activity to the customer and the transaction prices for the games are established by the Organization. The Organization recognizes revenue as the customer pays and participates in the activity.

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
 POLICIES (Continued)

Revenue Recognition (Continued)

The beginning and ending contract balances were as follows:

	2022	June 30, 2021	2020
Contract assets, net	<u>\$ 482,532</u>	<u>\$ 656,354</u>	<u>\$ 1,038,395</u>
Contract liabilities	<u>\$ 134,953</u>	<u>\$ 1,459,553</u>	<u>\$ 1,594,705</u>

Contract assets related to behavioral health revenue are included in accounts receivable, net of allowance for uncollectible accounts on the consolidated statements of financial position. Contract liabilities related to behavioral health revenue and government contracts are included in deferred revenue on the consolidated statements of financial position.

Contributions

Contributions and grants received are recorded as either support with donor restrictions or as support without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. 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 consolidated statements of activities as net assets released from restrictions.

Majority of contract revenue is derived by services provided by the Organization and is paid on a cost reimbursement basis. Cost reimbursement contracts and grants are conditional contributions where the conditions are met upon incurring the expenses to be reimbursed. Cost reimbursement contract or grant amounts received in advance of the expenditures being incurred are recorded as deferred revenue.

In-Kind Contributions and Change in Accounting Principle

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU was issued to increase the transparency of contributed nonfinancial (non-cash) assets for not-for-profit entities through enhancements to presentation and disclosure. The change in accounting principle was adopted on a retrospective basis as of July 1, 2020. There was no adjustment to the beginning net assets balance as a result of the adoption of this standard.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

In-Kind Contributions and Change in Accounting Principle (Continued)

Contributions of donated non-cash tangible assets (in-kind contributions) are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donated services, are recorded at their fair market values in the period received. The Organization utilized the services of numerous nonprofessional volunteers who support the programs and activities of the Organization's program services, administration, and fundraising and development activities. This support has not been recorded in the accompanying consolidated financial statements as it does not meet the recognition criteria.

Advertising

The Organization uses advertising to promote its programs to the community. Advertising costs are charged to operations as incurred. Advertising expense charged to operations was approximately \$220,000 and \$166,000 for the years ended June 30, 2022 and 2021, respectively.

Functional Expenses

The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program services and supporting services.

Those costs which are necessary to the overall operation of the Organization and that benefit several services or programs are allocated according to the Leaf cost allocation plan. Allocable costs can be distributed to benefited programs based on acceptable allocation methods which include actual number of employees' worked hours, square footage/usage, rooms/beds or number of participants. The allocation method selected is determined by cost type.

Allocations based on the number of employees are calculated after the end of every month. Allocations by any other method are reviewed and updated as necessary at least quarterly.

- Information technology related expenditures benefiting programs directly such as software, telephone and network connectivity are allocated using the actual number of employees' worked hours. Other expenditures using this method include unemployment and general liability insurance.
- Expenditures allocated by square footage include occupancy, property insurance and depreciation.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Functional Expenses (Continued)

- All costs related to Quality Management are allocated to all Leaf programs and Leaf Affiliates as they benefit all and the allocation is based on the number of employees' worked hours.

Income Tax Status

Leaf, TNF, NEDCO, MesaCAN, Cottages, and CAAFA qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and have been classified as organizations that are not a private foundation under Section 509(a)(1). In addition, these organizations qualify for the charitable contribution deduction under Section 170 of the code. Income determined to be unrelated business taxable income (UBTI) would be subject to income tax. MesaCAN has UBTI related to the sale of bingo merchandise. The amount of the tax is minimal and is expensed at the time of payment.

The Organization recognizes uncertain tax positions in the consolidated financial statements when it is more-likely-than-not that the positions will not be sustained upon examination by the tax authorities. As of June 30, 2022 and 2021, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

The Organization recognizes interest and penalties associated with income tax in operating expenses. During the years ended June 30, 2022 and 2021, the Organization did not have any income tax related interest and penalty expense.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the consolidated financial statements.

Management's Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
 POLICIES (Continued)

Reclassification

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

Date of Management's Review

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 27, 2023, the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments, CD's, and money market funds.

Financial assets that could readily be made available to meet general expenditures within the next year is calculated as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,881,933	\$ 2,491,946
Accounts receivable, net	3,933,077	3,283,957
Employee Retention Tax Credit receivable	5,587,989	3,783,074
Promises to give, current portion, net	356,778	70,149
Due from affiliates	407,579	539,826
Investments	<u>3,196,230</u>	<u>3,915,048</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 15,363,586</u>	<u>\$ 14,084,000</u>

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 3 CONCENTRATIONS OF CREDIT RISK AND REVENUE DEPENDENCY

Financial instruments that subject the Organization to potential concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, and promises to give. The Organization maintains its cash in bank accounts with financial institutions, which at times may exceed federally insured limits, and with stock brokerage firms. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

The accounts receivable balance at June 30, 2022 and 2021 includes amounts from two payer sources whose balances make up approximately 46% and 33% of net accounts receivable, respectively. Concentrations of credit risk with respect to accounts receivable are limited due to the nature of the receivables and the collection history of these types of accounts and with this payer source.

As of June 30, 2022, promises to give includes amounts from four donors totaling 74% of net promises to give. As of June 30, 2021, promises to give include amounts from one donor totaling 71% of net promises to give. Concentrations of credit risk with respect to promises to give is limited due to the Organization's relationship and history with these donors.

The Organization received approximately 63% and 50% of its contract revenue from three funding sources (all of which are Arizona government agencies) during the years ended June 30, 2022 and 2021, respectively. If the governmental agencies affect significant budget cuts in the future this source of funding could decrease. If this were to occur, it is management's opinion that the Organization could continue activities at a reduced level of service and continue to seek other sources of funding to support the activities.

NOTE 4 PROMISES TO GIVE

Unconditional promises to give consist of the following at June 30:

	2022	2021
Due within one year:		
Real property	\$ 127,640	\$ 127,640
Other	737,164	450,536
	864,804	578,176
Due in two to five years:		
Other	125,000	-
	989,804	578,176
Gross promises to give	989,804	578,176
Allowance for uncollectible promises	(508,026)	(508,027)
	841,778	70,149
Total net promises to give	\$ 481,778	\$ 70,149

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 5 LOANS RECEIVABLE

The following is a summary of loans receivable by major category as of June 30:

	<u>2022</u>	<u>2021</u>
Business loans	\$ 16,258	\$ 81,954
Allowance for loan loss reserves	<u>(14,305)</u>	<u>(53,442)</u>
Loans receivable, net allowance	<u>\$ 1,953</u>	<u>\$ 28,512</u>

The following is a summary of the activity in the allowance for loan losses for the years ended June 30, 2022 and 2021, and the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment based on the impairment method as of June 30, 2022 and 2021. The only portfolio segment is business loans.

	<u>2022</u>	<u>2021</u>
Allowance for credit losses:		
Balance at beginning of year	\$ 53,442	\$ 50,755
Charge-offs	(34,425)	-
Recoveries	-	-
Provisions	<u>(4,712)</u>	<u>2,687</u>
Balance at end of year	<u>\$ 14,305</u>	<u>\$ 53,442</u>
Individually evaluated for impairment	\$ 14,305	\$ 53,442
Collectively evaluated for impairment	<u>-</u>	<u>-</u>
Balance at end of year	<u>\$ 14,305</u>	<u>\$ 53,442</u>
Loans receivable:		
Individually evaluated for impairment	\$ 2,819	\$ 25,407
Collectively evaluated for impairment	<u>13,439</u>	<u>56,547</u>
Balance at end of year	<u>\$ 16,258</u>	<u>\$ 81,954</u>

Credit Quality Indicators

NEDCO categorizes loans in risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, collateral adequacy, credit documentation, public information, and current economic trends, among other factors.

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 5 LOANS RECEIVABLE (Continued)

Credit Quality Indicators (Continued)

NEDCO analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on an ongoing basis as new information is obtained. NEDCO uses the following definitions for risk ratings:

Pass – Loans classified as pass represent loans that are evaluated and are performing under the stated terms. Pass rated assets are analyzed by the paying capacity, the current net worth, and the value of the loan collateral of the obligor.

Non-Pass – Loans classified as non-pass possess weaknesses that require management attention, such as being inadequately protected by the current net worth, paying capacity of the obligor, or by the collateral pledged. Non-pass loans must have a well-defined weakness or weaknesses that jeopardize the repayment of the debt as originally contracted. They are characterized by the distinct possibility that NEDCO may sustain a loss if the deficiencies are not corrected. Loans in this category are allocated a specific reserve based on the estimated discounted cash flows from the loan (or collateral value less cost to sell for collateral dependent loans) or are charged off if deemed uncollectible.

Based on the most recent analysis performed, the risk category of loans by class of loans as of June 30 is as follows:

	2022	
	Pass	Non-Pass
Business loans	\$ 13,439	\$ 2,819
	2021	
	Pass	Non-Pass
Business loans	\$ 56,547	\$ 25,407

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 5 LOANS RECEIVABLE (Continued)

Credit Quality Indicators (Continued)

NEDCO's loan portfolio is managed on a pool basis due to its homogeneous nature. Loans that are delinquent 120 days or more or are not accruing interest are considered nonperforming. The following table presents the recorded investments in NEDCO's loan portfolio by class based on payment activity as of June 30:

	2022				Total
	Still Accruing			Nonaccrual Balance	
	Current	30-89 Days Past Due	Over 90 Days Past Due		
Business loans	<u>\$ 13,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,819</u>	<u>\$ 16,258</u>
	2021				
	Still Accruing			Nonaccrual Balance	Total
	Current	30-89 Days Past Due	Over 90 Days Past Due		
Business loans	<u>\$ 56,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,407</u>	<u>\$ 81,954</u>

The following table summarizes individually impaired loans by class of loans as of June 30:

	2022			
	Recorded Investment	Unpaid Principal Balance	Average Recorded Investment	Interest Income Recognized
With a specific allowance recorded: Business loans	<u>\$ 2,819</u>	<u>\$ 842</u>	<u>\$ 2,819</u>	<u>\$ -</u>
	2021			
	Recorded Investment	Unpaid Principal Balance	Average Recorded Investment	Interest Income Recognized
With a specific allowance recorded: Business loans	<u>\$ 25,407</u>	<u>\$ 23,452</u>	<u>\$ 25,407</u>	<u>\$ -</u>

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 5 LOANS RECEIVABLE (Continued)

Credit Quality Indicators (Continued)

Impaired loans also include loans modified in a troubled debt restructuring (TDR) where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in interest rate on the loan, payment extensions, forgiveness of principle, forbearance or other actions intended to maximize collections. There were no balances of loans with modifications during the years ended June 30, 2022 and 2021.

NOTE 6 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments with readily determinable fair values are measured at fair value in the consolidated statements of financial position as determined by quoted market prices in active markets (Level 1). Deferred compensation plan investments are measured at fair value within Level 2 of the fair value hierarchy because they are comprised of debt investments valued using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions. The Organization's beneficial interest in the perpetual trust is measured at Level 3 within the fair value hierarchy.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 6 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Unrestricted investments:				
Money market	\$ 46,433	\$ -	\$ -	\$ 46,433
Mutual funds	3,101,348	-	-	3,101,348
Equities	48,449	-	-	48,449
	<u>\$ 3,196,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,196,230</u>
Deferred compensation plan investments:				
Pooled separate funds	<u>\$ -</u>	<u>\$ 211,972</u>	<u>\$ -</u>	<u>\$ 211,972</u>
Beneficial interest in perpetual trust:				
Money market	\$ -	\$ -	\$ 13,323	\$ 13,323
Fixed income	-	-	127,184	127,184
Equities	-	-	51,443	51,443
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,950</u>	<u>\$ 191,950</u>
Endowment fund:				
Money market	\$ 729	\$ -	\$ -	\$ 729
Mutual funds	1,599,395	-	-	1,599,395
	<u>\$ 1,600,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,600,124</u>

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 6 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Unrestricted investments:				
Money market	\$ 433,341	\$ -	\$ -	\$ 433,341
Mutual funds	3,464,955	-	-	3,464,955
Equities	16,752	-	-	16,752
	<u>\$ 3,915,048</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,915,048</u>
Deferred compensation plan investments:				
Pooled separate funds	<u>\$ -</u>	<u>\$ 222,582</u>	<u>\$ -</u>	<u>\$ 222,582</u>
Beneficial interest in perpetual trust:				
Money market	\$ -	\$ -	\$ 14,020	\$ 14,020
Fixed income	-	-	146,864	146,864
Equities	-	-	65,213	65,213
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,097</u>	<u>\$ 226,097</u>
Endowment fund:				
Money market	\$ 729	\$ -	\$ -	\$ 729
Mutual funds	1,697,187	-	-	1,697,187
	<u>\$ 1,697,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,697,916</u>

Investment return is summarized as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 76,825	\$ 61,514
Realized gain/(loss)	102,815	69,372
Unrealized gain/(loss)	(646,502)	322,641
Investment fees	-	(2,900)
Investment return	<u>\$ (466,862)</u>	<u>\$ 450,627</u>

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 6 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30, 2022 and 2021:

	<u>Beneficial Interest in Perpetual Trust</u>
June 30, 2020	\$ 227,937
Distribution	(12,457)
Change in value of perpetual trust	<u>10,617</u>
June 30, 2021	226,097
Distribution	(11,336)
Change in value of perpetual trust	<u>(22,811)</u>
June 30, 2022	<u><u>\$ 191,950</u></u>

NOTE 7 INVESTMENT IN AFFILIATE

The Organization has an investment in an affiliate that is accounted for using the equity method of accounting. The following is a reconciliation of beginning and ending balances of the equity method investment during the years ended June 30, 2022 and 2021:

	<u>Prospect Park, LP</u>
Investment value at June 30, 2020	\$ 1,401,936
Net loss	<u>(44)</u>
Investment value at June 30, 2021	1,401,892
Net loss	<u>-</u>
Investment value at June 30, 2022	<u><u>\$ 1,401,892</u></u>

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 7 INVESTMENT IN AFFILIATE (Continued)

The following is summarized financial statement information for Prospect Park, LP as of and for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Statement of Financial Position:		
Total assets	<u>\$ 1,259,116</u>	<u>\$ 1,259,116</u>
Total liabilities	22,695	22,695
Net assets without donor restrictions	<u>1,236,421</u>	<u>1,236,421</u>
Total liabilities and net assets	<u>\$ 1,259,116</u>	<u>\$ 1,259,116</u>
Statement of Activities:		
Total revenue	\$ -	\$ 23,110
Total expenses	<u>-</u>	<u>66,947</u>
Change in net assets	-	(43,837)
Net assets at beginning of year	<u>1,236,421</u>	<u>1,280,258</u>
Net assets at end of year	<u>\$ 1,236,421</u>	<u>\$ 1,236,421</u>

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 2,121,048	\$ 1,959,368
Buildings and improvements	11,066,228	10,179,957
Furniture, fixtures, and equipment	930,865	748,851
Vehicles	435,111	295,338
Computer software	178,790	178,790
Leased equipment	<u>211,967</u>	<u>211,967</u>
	14,944,009	13,574,271
Construction in progress	-	65,688
Accumulated depreciation	<u>(4,908,054)</u>	<u>(4,109,991)</u>
	<u>\$ 10,035,955</u>	<u>\$ 9,529,968</u>

Depreciation expense was approximately \$465,000 and \$476,000 for the years ended June 30, 2022 and 2021, respectively. The Organization has several deed restrictions on certain properties constructed with government funding. The deed restrictions have different expirations ranging through 2027. In addition, these restrictions are recorded under net assets with donor restrictions until the restrictions are met.

NOTE 9 EMPLOYEE RETENTION TAX CREDIT

During the years ended June 30, 2022 and 2021, the Organization applied for the Employee Retention Tax Credit (ERTC), which is a refundable credit to be applied against certain employment taxes for qualified wages. The ERTC was part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) enacted by the U.S. Congress in response to the COVID-19 pandemic. The ERTC is available for organizations that fully or partially suspend operations during any calendar quarter in 2020 and 2021 due to orders from an appropriate authority limiting commerce due to COVID-19 or experience a significant decline in gross receipts during the calendar quarter. As a result, the Organization received a wage credit of \$1,804,915 and \$3,783,074 during the years ended June 30, 2022 and 2021, respectively, which is recorded as contribution income on the consolidated statements of activities. This income is a conditional contribution where the income is recognized when the conditions are substantially met. The ERTC receivable balance was \$5,587,989 and \$3,783,074 at June 30, 2022 and 2021, respectively. The Organization is subject to possible audit or investigation by the IRS to determine whether the tax credit amounts were used for allowable purposes and whether the Organization met the eligibility requirements related to decreased revenue.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 10 PAYCHECK PROTECTION PROGRAM GOVERNMENT GRANT

During the year ended June 30, 2020, Leaf received funding in the amount of \$4,707,800 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides for funding to qualifying businesses for amount up to 2.5 times the average monthly payroll costs incurred during the year prior to the funding date of the qualifying business. The funded amount and accrued interest are forgivable after 24 weeks as long as Leaf uses the proceeds for eligible purposes, including payroll costs, interest on mortgage obligation, rent and utilities. Leaf has determined that the PPP funding represents a conditional contribution and they received full forgiveness of the amount received subsequent to year-end. Conditions to be met for recognition of this contribution include the incurring of eligible expenses as well as maintaining the full-time equivalent employee count. As of June 30, 2021, Leaf had met the remaining conditions for incurring eligible expenses, received full forgiveness of the amount received, and recorded contribution income relating to the PPP funding in the amount of \$2,493,256. The Organization is subject to possible audit or investigation by the Small Business Administration to determine whether award funds were used for eligible and allowable purposes.

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 11 LINES OF CREDIT

Lines of credit consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
<p>\$2,000,000 revolving line of credit that requires monthly interest payments on the outstanding balance at a variable rate based on changes in an independent index which is the Wall Street Journal Prime Rate (the "index"). The line of credit bears interest at an initial rate of 4.00% and matures May 31, 2023. This line of credit is secured by all inventory, chattel paper, rental income, equipment, and general intangibles of Leaf. The line of credit was guaranteed by The PRE-HAB Foundation (the Foundation), an Arizona nonprofit corporation related through common management.</p>	\$ 1,000,000	\$ -
<p>Approved credit of \$1,557,018 at June 24, 2022, with a brokerage firm based on the value of Leaf's investment account which could change daily. This is secured by the investments held by this brokerage firm.</p>	301,433	-
<p>Approved credit of \$792,528 at June 24, 2022, with a brokerage firm based on the value of Leaf's investment account which could change daily. This is secured by the investments held by this brokerage firm.</p>	-	-
<p>\$225,000 and \$177,379 revolving lines of credit. The lines of credit were used to provide loans to micro-enterprises through a CDBG funded Downtown Mesa business Development Loan Program. Currently, NEDCO is not allowed to draw more funds from this line of credit.</p>	<u>23,474</u>	<u>22,287</u>
	<u>\$ 1,324,907</u>	<u>\$ 22,287</u>

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 12 LONG-TERM DEBT

Long-term debt consist of the following at June 30:

	2022	2021
<u>Leaf:</u>		
Mortgage payable to Wells Fargo; maturing on January 10, 2034 due in monthly installment payments of principal and interest in the amount of \$1,694 with final payment and accrued interest due at maturity. Interest of 4.00% per annum. The note is secured by the property and is guaranteed by the PRE-HAB Foundation.	\$ 192,930	\$ 202,815
<u>NEDCO:</u>		
EQ2 note payable with RAZA Development originally for \$300,000. Modified December 30, 2020 to a \$100,000 commitment. Quarterly interest at 0.78% and matured October 28, 2021. The note is in negotiations for extension.	80,194	100,000
EQ2 unsecured note payable with Comerica Bank originating November 5, 2009 and maturing November 30, 2021 with interest rate of 3.00%. Interest waived from inception. All unpaid principal is due in full on the scheduled date of maturity. To be used to finance economic development and other community development projects. During the year ended June 30, 2022, the entire principal and interest balance was forgiven.	-	45,000
EQ2 unsecured note payable with Comerica Bank originating September 18, 2008 and maturing December 31, 2021 with interest of 3.00%. Interest waived from inception. All unpaid principal is due in full on the scheduled date of maturity. To be used to finance economic development and other community development projects. During the year ended June 30, 2022, the entire principal and interest balance was forgiven.	-	50,000

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 12 LONG-TERM DEBT (Continued)

	<u>2022</u>	<u>2021</u>
EQ2 unsecured note payable with Johnson Bank with interest rate of 3.00%, principal and accumulated interest due March 1, 2023. To be used to provide direct loans, subordinated loans, and lines of credit to new and existing companies primarily located in targeted redevelopment areas.	25,000	25,000
EQ2 unsecured note payable with National Bank of Arizona, interest due quarterly at 2.00%. All unpaid principal and interest is due in full on July 23, 2021. During the year ended June 30, 2022, the entire principal and interest balance was forgiven.	-	50,000
EQ2 unsecured note payable with National Bank of Arizona, interest due quarterly at 2.00%. All unpaid principal and interest is due in full on December 31, 2024. During the year ended June 30, 2022, the entire principal and interest balance was forgiven.	-	50,000
EQ2 unsecured note payable with National Bank of Arizona, interest due quarterly at 3.00%. All unpaid principal and interest is due in full on December 31, 2027. During the year ended June 30, 2022, the entire principal and interest balance was forgiven.	-	50,000

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 12 LONG-TERM DEBT (Continued)

	2022	2021
<u>Cottages:</u>		
<p>Loan payable to the City of Phoenix funded on January 23, 2012. The loan bears interest at 0.00% per annum for a term of 30 years so long as housing remains available for the purpose of providing support to chronic homeless with special needs. Upon completion of the 30-year term, the entire balance of the loan will be forgiven upon compliance with the terms and conditions of the loan. If compliance terms are not met, at the option of the City of Phoenix, an interest rate of 8.00% per annum may be charged on the outstanding loan balance.</p>	1,300,000	1,300,000
<p>Loan payable to the City of Mesa funded on May 9, 2012. The loan bears interest at 0.00% per annum for a term of 15 years so long as housing remains available for the purpose of providing support to chronic homeless with special needs. Upon completion of the 15-year term, the entire balance of the loan will be forgiven upon compliance with the terms and conditions of the loan. If compliance terms are not met, at the option of the City of Mesa, an interest rate of 5% per annum may be charged on the outstanding loan balance.</p>	159,025	159,025
<p>Loan payable to Magellan Health funded in November 2012. The loan bears interest at 0.00% per annum for a term of 25 years so long as housing remains available for the purpose of providing support to chronic homeless with special needs. Upon completion of the 25-year term, the entire balance of the loan will be forgiven upon compliance with the terms and conditions of the loan.</p>	325,000	325,000

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 12 LONG-TERM DEBT (Continued)

	<u>2022</u>	<u>2021</u>
<p>Loan payable to the City of Mesa funded on January 18, 2008. The loan bears interest at 0.00% per annum for a term of 15 years so long as housing remains available for low-income housing. Upon completion of the 15-year term, the entire balance of the loan will be forgiven upon compliance with the terms and conditions of the loan. If compliance terms are not met, at the option of the City of Mesa, an interest rate of 5.00% per annum may be charged on the outstanding loan balance.</p>	145,000	145,000
<u>CAAFA:</u>		
<p>Paycheck Protection Program loan authorized under section 7(a) of the Small Business Act as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides loans to qualifying businesses for amounts 2.5 times the average monthly payroll costs. Monthly principal and interest payments of \$3,940 are due beginning May 2022 at an interest rate of 1.00% until the maturity date of March 1, 2026. This loan is not expected to be forgiven.</p>	<u>175,860</u>	<u>-</u>
Current portion	2,403,009 <u>(308,962)</u>	2,501,840 <u>(257,526)</u>
Long-term portion	<u>\$ 2,094,047</u>	<u>\$ 2,244,314</u>

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 12 LONG-TERM DEBT (Continued)

Future minimum principal payments required and future forgiveness amounts on all long-term debt as of June 30, 2022 are as follows:

<u>Years Ending June 30,</u>	
2023	\$ 308,962
2024	59,759
2025	60,775
2026	51,978
2027	174,319
Thereafter	<u>1,747,216</u>
	<u>\$ 2,403,009</u>

NOTE 13 LEASES

Capital Leases:

The Organization leases equipment under various capital leases expiring at dates through March 2025. Future minimum payments are as follows:

<u>Years Ending June 30,</u>	
2023	\$ 14,064
2024	<u>12,294</u>
Total minimum lease payments	26,358
Less amounts representing interest	<u>(3,589)</u>
	22,769
Current portion	<u>(11,820)</u>
Long-term portion	<u>\$ 10,949</u>

Equipment leased under these capital lease agreements had a total cost of approximately \$59,000 and \$212,000 and total accumulated depreciation of approximately \$25,000 and \$141,000 as of June 30, 2022 and 2021, respectively.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 13 LEASES (Continued)

Operating Leases:

The Organization has entered into various operating leases for office space with affiliated and unaffiliated organizations that expire at various times through September 2026. Approximate minimum future rental payments under these operating leases are as follows:

<u>Years Ending June 30,</u>	
2023	\$ 38,000
2024	4,000
2025	4,000
2026	4,000
2027	<u>1,000</u>
	<u>\$ 51,000</u>

Rent expense was approximately \$1,476,000 and \$1,354,000 for the years ended June 30, 2022 and 2021, respectively, which includes in-kind rent of approximately \$462,000 and \$390,000.

The Organization leases a portion of their office space and property to affiliated and unaffiliated organizations that expire at various times through June 2056.

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 14 ENDOWMENT FUND

The endowment fund consists of donations restricted in perpetuity by the donors which are included in net assets with donor restrictions on the accompanying consolidated statements of financial position. Endowment net asset composition as of June 30 is as follows:

	<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Funds</u>
Original corpus	\$ -	\$ 1,410,792	\$ 1,410,792
Accumulated investment earnings	-	227,060	227,060
	<u>\$ -</u>	<u>\$ 1,637,852</u>	<u>\$ 1,637,852</u>
	<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Funds</u>
Original corpus	\$ -	\$ 1,410,792	\$ 1,410,792
Accumulated investment earnings	-	324,851	324,851
	<u>\$ -</u>	<u>\$ 1,735,643</u>	<u>\$ 1,735,643</u>

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 14 ENDOWMENT FUND (Continued)

Changes in the endowment fund for the years ended June 30, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Funds
Balance, June 30, 2020	\$ -	\$ 1,580,535	\$ 1,580,535
Promise to give allowance adjustment	-	3,282	3,282
Promise to give write-off	-	(32,819)	(32,819)
Earnings on internal borrowings	-	28,572	28,572
Interest and dividend income	-	27,377	27,377
Realized gains	-	29,726	29,726
Unrealized gains	-	98,970	98,970
Fees	-	-	-
Amounts appropriated for expenditure	-	-	-
Balance, June 30, 2021	-	1,735,643	1,735,643
Earnings on internal borrowings	-	1	1
Interest and dividend income	-	24,899	24,899
Realized gains	-	35,469	35,469
Unrealized loss	-	(158,160)	(158,160)
Fees	-	-	-
Amounts appropriated for expenditure	-	-	-
Balance, June 30, 2022	<u>\$ -</u>	<u>\$ 1,637,852</u>	<u>\$ 1,637,852</u>

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 15 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Purpose restricted:		
La Mesita program services	\$ 87,684	\$ 342,266
Shelter services	69,133	21,656
VITA program	-	21,754
Autumn house	214,014	135,546
Community services	27,086	217,912
Domestic violence services/stop	196,120	176,030
Faith house	296,241	-
Time and purpose restricted:		
East valley men's shelter	922,730	761,557
Phoenix Day programs	29,197	238,305
IDA program	807,508	809,323
Promises to give, net	453,033	70,149
La Mesita endowment earnings	227,060	324,851
Time restricted:		
La Mesita endowment	1,410,792	1,410,792
Beneficial interest in perpetual trust	191,950	226,097
Total net assets with donor restrictions	<u>\$ 4,932,548</u>	<u>\$ 4,756,238</u>

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 16 IN-KIND CONTRIBUTIONS AND RENT

The Organization received the following contributions of nonfinancial assets for the year ended June 30, 2022:

	Shelter Services	Youth Services	Behavioral Health	Community Services and Education	Other Programs	Community Action Programs	MesaCAN Weatherization and Other Programs	CAAFA Domestic Abuse Relief	Support Services	Total
Rent	\$ 349,848	\$ -	\$ -	\$ -	\$ -	\$ 63,250	\$ -	\$ -	\$ 42,583	\$ 455,681
Professional fees	162	140	-	-	2,842	5,203	218,520	-	160,556	387,423
Clothing and household goods	57,728	1,863	222	1,204	-	-	-	-	361,734	422,751
Food	225,284	-	8,703	500	-	-	-	-	40,339	274,826
Supplies	300	143	21,900	-	413	-	-	1,722	133,798	158,276
Client assistance	6,995	300	-	2,000	-	-	-	-	4,445	13,740
Total	\$ 640,317	\$ 2,446	\$ 30,825	\$ 3,704	\$ 3,255	\$ 68,453	\$ 218,520	\$ 1,722	\$ 743,455	\$ 1,712,697

The Organization received the following contributions of nonfinancial assets for the year ended June 30, 2021:

	Shelter Services	Youth Services	Behavioral Health	Community Services and Education	Other Programs	Community Action Programs	MesaCAN Weatherization and Other Programs	CAAFA Domestic Abuse Relief	Support Services	Total
Rent	\$ 325,318	\$ -	\$ 11,963	\$ -	\$ 328	\$ -	\$ -	\$ -	\$ 52,720	\$ 390,329
Professional fees	1,994	-	-	-	-	30	162,862	-	450	165,336
Clothing and household goods	57,494	4,394	-	13,753	4,927	-	-	-	352,392	432,960
Food	262,353	85	32,431	10,056	-	-	-	-	54,579	359,504
Supplies	5,093	-	-	-	2,783	-	-	-	41,185	49,061
Client assistance	37,821	-	-	-	30	-	-	-	-	37,851
Total	\$ 690,073	\$ 4,479	\$ 44,394	\$ 23,809	\$ 8,068	\$ 30	\$ 162,862	\$ -	\$ 501,326	\$ 1,435,041

The Organization's policy is to utilize all in-kind contributions that are received to carry out the mission of the Organization. All donated services and items were utilized by the Organization's programs and supporting services. In-kind rent is based on the contracted rate with the lessor. Donated professional services are valued at the standard hourly rates charged for those services. Donated food is valued based on the weight of food received. Donated clothing, household goods, supplies, and client assistance are valued based on the cost and selling price of the item or comparable sales price.

A NEW LEAF, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

NOTE 17 RETIREMENT PLANS

The Organization sponsors a 401(k) retirement plan (the Plan) for the benefit of its eligible employees. Under the terms of the Plan, employees who have attained the age of 21 and completed one year of service can make voluntarily contributions, subject to Internal Revenue Service limitations. As of January 1, 2014, the Organization implemented a Safe Harbor Provision into their Plan. Employees qualifying for the Plan and working a minimum of one thousand hours are eligible for the Safe Harbor Provision. Employer contributions to the Plan are discretionary and require board approval. The Organization matches employee contributions up to 50% of the first 4% of deferrals, and vest at a graduated rate over 4 years of employment. The Organization made employer contributions of approximately \$543,000 and \$575,000 during the years ended June 30, 2022 and 2021, respectively.

The Organization also has a deferred compensation plan for the benefit of certain eligible employees, which qualifies under Section 457(B) of the Internal Revenue Code. The Organization holds investments for the sole purpose of funding deferred compensation liabilities. According to the terms of the deferred compensation agreement, all earnings or losses on the deferred compensation amounts to be invested will be allocated directly to the participants in the plan and are recorded to the deferred compensation liability. The deferred compensation plan assets balance was \$211,972 and \$222,582 as of June 30, 2022 and 2021, respectively. During the years ended June 30, 2022 and 2021, the Organization made employer contributions to the deferred compensation plan of approximately \$21,000 and \$12,000, respectively.

NOTE 18 TRANSACTIONS WITH AFFILIATES

Leaf owns a limited partnership investment in Prospect Park 1, LP (Park), an affordable housing establishment. Investment in affiliate was \$1,401,892 as of both June 30, 2022 and 2021. There were no amounts due from Leaf to Park or due to Leaf from Park that are presented as amounts due to affiliates or due from affiliates in the accompanying consolidated statements of financial position for the year ended June 30, 2022. Amounts due from Leaf to Park are presented as amounts due to affiliates in the accompanying consolidated statements of financial position in the amount of \$8,764 for the year ended June 30, 2021. In addition, Leaf leases space from Park. In lieu of making monthly rent payments, Leaf reduces the due from affiliate balance by the monthly commercial rent expense due. Rent expense to Park was approximately \$20,100 for each of the years ended June 30, 2022 and 2021.

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 18 TRANSACTIONS WITH AFFILIATES (Continued)

Leaf has several transactions with the Foundation. The Foundation receives rent from Leaf that reflects fair market rent rates, reimburses Leaf for management and support service costs, and pays donations to Leaf. The following are the transactions with the Foundation for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Rent paid to the Foundation	\$ 776,270	\$ 809,858
Reimbursement for management and support service costs paid to Leaf	\$ 504,988	\$ 357,511
Donations paid to Leaf from bingo operations	\$ 359,675	\$ 241,585

Amounts owed to Leaf from the Foundation are presented as amounts due from affiliates in the accompanying consolidated statements of financial position in the amount of \$238,190 and \$291,322 for the years ended June 30, 2022 and 2021, respectively. Amounts owed from Leaf to the Foundation are presented as amounts due to affiliate in the accompanying consolidated statements of financial position in the amount of \$56,156 and \$306 for the years ended June 30, 2022 and 2021, respectively.

La Mesita Apartments Phase 3 LP owes Leaf for advances of construction development and operating expenses in the amount of \$126,343 and \$82,306 as of June 30, 2022 and 2021, respectively. La Mesita Apartments LP owes Leaf for operating expenses in the amount of \$43,046 and \$166,198 as of June 30, 2022 and 2021, respectively. These amounts are included as due from affiliates on the accompanying consolidated statements of financial position.

In addition, La Mesita Apartments LP has one outstanding noninterest bearing note payable and La Mesita Apartments Phase 3 LP has two outstanding noninterest bearing notes payable due to Leaf as of June 30, 2022 and 2021. These notes are included as notes receivable, related parties on the accompanying consolidated statements of financial position.

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 18 TRANSACTIONS WITH AFFILIATES (Continued)

Notes receivable, related parties are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Note receivable - La Mesita Apartments, LP due December 2043	\$ 778,574	\$ 800,000
Note receivable - La Mesita Apartments Phase 3, LP for construction costs due December 2047	303,959	303,959
Note receivable - La Mesita Apartments Phase 3, LP due April 2047	<u>300,000</u>	<u>300,000</u>
Total	1,382,533	1,403,959
Less discount to net present value (at rates of 1.75% to 3.27%)	<u>(363,405)</u>	<u>(376,804)</u>
Notes receivable, related parties, net	<u><u>\$ 1,019,128</u></u>	<u><u>\$ 1,027,155</u></u>

Certain members of the board of directors of the Organization have pledged or contributed donations in the amounts of \$5,000 and \$50,000 during the years ended June 30, 2022 and 2021, respectively. Promises to give from members of the board was \$54,327 and \$50,000 as of June 30, 2022 and 2021, respectively.

MesaCAN leases a facility from the Foundation, an organization related through common management. Total rent paid to the Foundation was approximately \$72,000 for each of the years ended June 30, 2022 and 2021.

NOTE 19 CONTINGENCIES

The Organization participates in a number of federal and state-assisted grant and contract programs which are subject to financial and compliance audits. Accordingly, the Organization's compliance with applicable grant or contract requirements may be determined at some future date. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies cannot be determined at this time, although the Organization's management expects such amounts, if any, to be minimal.

The Organization is involved in legal disputes that may arise from time to time under the normal course of business. In the opinion of management, the resolution of such matter will not have a material adverse impact on the Organization's financial position, change in net assets or cash flows.

A NEW LEAF, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

NOTE 20 ACQUISITION

On July 1, 2021, Leaf became the sole member of Community Alliance Against Family Abuse (CAAFA). CAAFA provides domestic abuse relief services in Northern Pinal County which is similar to the program activities of Leaf. There was no consideration transferred in the acquisition transaction.

The following table summarizes the fair value of the amounts of assets acquired and liabilities assumed at the acquisition date:

Cash and cash equivalents	\$ 448,338
Accounts receivable	102,927
Property and equipment, net	<u>443,688</u>
Total assets acquired	<u>\$ 994,953</u>
Accounts payable	\$ 10,668
Accrued expenses	23,997
Deferred revenue	22,276
Paycheck Protection Program loan	<u>179,800</u>
Total liabilities assumed	<u>\$ 236,741</u>
Excess of assets acquired over liabilities assumed	<u>\$ 758,212</u>

NOTE 21 SUBSEQUENT EVENTS

Subsequent to year-end, the Organization drew \$981,129 on the line of credit and \$1,219,377 on the approved credit related to the Organization's investment accounts for operations.

NOTE 22 NEW ACCOUNTING PRONOUNCEMENTS

The FASB has issued ASU No. 2016-02, *Leases*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2021. The standard's core principle is the recognition of lease assets and lease liabilities by lessees for substantially all leases, including those currently classified as operating leases. Under the ASU, a lessee will be required to recognize assets and liabilities for operating and finance leases with terms of more than 12 months. Management is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

A NEW LEAF, INC. AND AFFILIATES
SUPPLEMENTARY SCHEDULES

A NEW LEAF, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2022

	A New Leaf, Inc.	NEDCO	MesaCAN	A New Leaf Cottages	Community Alliance Against Family Abuse	Eliminations	Total
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 572,796	\$ 26,105	\$ 581,200	\$ 125,544	\$ 576,288	\$ -	\$ 1,881,933
Restricted cash - deposits and funded reserves	294,231	-	-	424,542	-	-	718,773
Restricted cash - designated for direct loan fund	-	127,284	-	-	-	-	127,284
Restricted cash - Individual Development Accounts (IDA)	-	-	539,183	-	-	-	539,183
Accounts receivable, net of allowance for uncollectible accounts of \$634,352	2,834,500	-	1,002,402	5	96,170	-	3,933,077
Employee Retention Tax Credit receivable	5,587,989	-	-	-	-	-	5,587,989
Promises to give, current portion, net	328,033	-	16,000	-	12,745	-	356,778
Prepaid expenses	261,514	-	5,768	748	-	-	268,030
Due from affiliates	1,437,764	-	-	-	-	(1,030,185)	407,579
TOTAL CURRENT ASSETS	11,316,827	153,389	2,144,553	550,839	685,203	(1,030,185)	13,820,626
NON-CURRENT ASSETS							
Promises to give, net of current portion	125,000	-	-	-	-	-	125,000
Loans receivable	-	1,953	-	-	-	-	1,953
Notes receivable, related parties, net	1,019,128	-	-	-	-	-	1,019,128
Deposits	382,042	-	-	3,549	-	-	385,591
Investments	3,196,230	-	-	-	-	-	3,196,230
Investments held for deferred compensation plan	211,972	-	-	-	-	-	211,972
Investment in affiliate	1,401,892	-	-	-	-	-	1,401,892
Investment in subsidiaries	712,252	-	-	-	-	(712,252)	-
Property and equipment, net	8,192,776	-	-	1,428,717	414,462	-	10,035,955
Beneficial interest in perpetual trust	191,950	-	-	-	-	-	191,950
Assets restricted for long-term purposes - endowment:							
Cash	37,728	-	-	-	-	-	37,728
Investments	1,600,124	-	-	-	-	-	1,600,124
TOTAL NON-CURRENT ASSETS	17,071,094	1,953	-	1,432,266	414,462	(712,252)	18,207,523
TOTAL ASSETS	\$ 28,387,921	\$ 155,342	\$ 2,144,553	\$ 1,983,105	\$ 1,099,665	\$ (1,742,437)	\$ 32,028,149

A NEW LEAF, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (Continued)
June 30, 2022

	A New Leaf, Inc.	NEDCO	MesaCAN	A New Leaf Cottages	Community Alliance Against Family Abuse	Eliminations	Total
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable	\$ 635,363	\$ 15,786	\$ 287,286	\$ -	\$ 6,738	\$ -	\$ 945,173
Accrued expenses	1,594,451	7,260	191,176	20,093	29,798	-	1,842,778
Due to affiliates	51,140	46,541	781,516	201	208,803	(1,030,185)	58,016
Deferred revenue	1,544,712	-	267,859	-	-	-	1,812,571
Lines of credit	1,301,433	23,474	-	-	-	-	1,324,907
Notes payable, current portion	13,036	105,194	-	145,000	45,732	-	308,962
Capital leases, current portion	11,820	-	-	-	-	-	11,820
TOTAL CURRENT LIABILITIES	5,151,955	198,255	1,527,837	165,294	291,071	(1,030,185)	6,304,227
NON-CURRENT LIABILITIES							
Tenant security deposits	3,940	-	-	-	-	-	3,940
Accrued deferred compensation	211,972	-	-	-	-	-	211,972
Notes payable, net of current portion	179,894	-	-	1,784,025	130,128	-	2,094,047
Capital leases, net of current portion	10,949	-	-	-	-	-	10,949
TOTAL NON-CURRENT LIABILITIES	406,755	-	-	1,784,025	130,128	-	2,320,908
TOTAL LIABILITIES	5,558,710	198,255	1,527,837	1,949,319	421,199	(1,030,185)	8,625,135
NET ASSETS							
Without donor restrictions							
Undesignated	13,716,041	(42,913)	(190,792)	33,786	678,466	(712,252)	13,482,336
Board designated	4,988,130	-	-	-	-	-	4,988,130
	18,704,171	(42,913)	(190,792)	33,786	678,466	(712,252)	18,470,466
With donor restrictions	4,125,040	-	807,508	-	-	-	4,932,548
TOTAL NET ASSETS	22,829,211	(42,913)	616,716	33,786	678,466	(712,252)	23,403,014
TOTAL LIABILITIES AND NET ASSETS	\$ 28,387,921	\$ 155,342	\$ 2,144,553	\$ 1,983,105	\$ 1,099,665	\$ (1,742,437)	\$ 32,028,149

A NEW LEAF, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	A New Leaf, Inc.	NEDCO	MesaCAN	A New Leaf Cottages	Community Alliance Against Family Abuse	Eliminations	Total
REVENUE AND SUPPORT							
Contract revenue	\$ 15,167,430	\$ -	\$ 4,264,333	\$ -	\$ 937,251	\$ -	\$ 20,369,014
Behavioral health revenue	6,513,843	-	10,944	-	25,486	-	6,550,273
Employee Retention Tax Credit	1,804,915	-	-	-	-	-	1,804,915
Contributions	6,368,225	-	223,664	40	191,517	(297,200)	6,486,246
In-kind contributions and rent	1,484,410	2,842	286,973	-	1,722	(63,250)	1,712,697
Client fees	377,180	-	-	-	-	-	377,180
Rental income	236,132	-	-	210,835	-	-	446,967
Investment return	(469,879)	1,945	13	1,056	3	-	(466,862)
Change in fair value of perpetual trust	(22,811)	-	-	-	-	-	(22,811)
Other income and loan forgiveness	334,959	245,000	2,376	9,353	1,101	-	592,789
	<u>31,794,404</u>	<u>249,787</u>	<u>4,788,303</u>	<u>221,284</u>	<u>1,157,080</u>	<u>(360,450)</u>	<u>37,850,408</u>
Bingo revenue	-	-	1,363,994	-	-	-	1,363,994
Cost of goods sold	-	-	(796,103)	-	-	-	(796,103)
	-	-	<u>567,891</u>	-	-	-	<u>567,891</u>
Special events income	124,510	-	-	-	-	-	124,510
Direct benefit to donors	(170,627)	-	-	-	-	-	(170,627)
	<u>(46,117)</u>	-	-	-	-	-	<u>(46,117)</u>
TOTAL REVENUE AND SUPPORT	<u>31,748,287</u>	<u>249,787</u>	<u>5,356,194</u>	<u>221,284</u>	<u>1,157,080</u>	<u>(360,450)</u>	<u>38,372,182</u>
EXPENSES							
Program services	25,096,382	3,321	4,766,419	189,633	1,024,992	-	31,080,747
Bingo games	-	-	571,370	-	-	(297,200)	274,170
Management and general	5,279,216	-	291,992	17,850	211,834	(63,250)	5,737,642
Fundraising	1,878,883	-	-	-	-	-	1,878,883
TOTAL EXPENSES	<u>32,254,481</u>	<u>3,321</u>	<u>5,629,781</u>	<u>207,483</u>	<u>1,236,826</u>	<u>(360,450)</u>	<u>38,971,442</u>
OTHER INCOME (EXPENSE)							
Gain (loss) on investment in subsidiaries	(65,945)	-	-	-	-	65,945	-
Excess of assets acquired over liabilities assumed of affiliate	758,212	-	-	-	-	-	758,212
TOTAL OTHER INCOME (EXPENSE)	<u>692,267</u>	-	-	-	-	<u>65,945</u>	<u>758,212</u>
CHANGE IN NET ASSETS	186,073	246,466	(273,587)	13,801	(79,746)	65,945	158,952
NET ASSETS AT BEGINNING OF YEAR	<u>22,643,138</u>	<u>(289,379)</u>	<u>890,303</u>	<u>19,985</u>	<u>758,212</u>	<u>(778,197)</u>	<u>23,244,062</u>
NET ASSETS AT END OF YEAR	<u>\$ 22,829,211</u>	<u>\$ (42,913)</u>	<u>\$ 616,716</u>	<u>\$ 33,786</u>	<u>\$ 678,466</u>	<u>\$ (712,252)</u>	<u>\$ 23,403,014</u>

A NEW LEAF, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended June 30, 2022

	Leaf and Affiliates	MesaCAN	Cottages	Community Alliance Against Family Abuse	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ 498,484	\$ (273,587)	\$ 13,801	\$ (79,746)	\$ 158,952
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation	381,092	-	53,704	30,423	465,219
Property and equipment assumed in acquisition	(443,688)	-	-	-	(443,688)
Bad debt provision for accounts receivable	84,440	21,713	-	-	106,153
Provision for uncollectible loans receivable	(4,712)	-	-	-	(4,712)
Amortization of discount on notes receivable	(13,399)	-	-	-	(13,399)
Realized and unrealized (gain)/loss on investments	543,687	-	-	-	543,687
Change in fair value of perpetual trust	22,811	-	-	-	22,811
Forgiveness of debt	(245,000)	-	-	-	(245,000)
(Increase) decrease in:					
Accounts receivable	(356,885)	(405,509)	363	6,757	(755,274)
Employee Retention Tax Credit receivable	(1,804,915)	-	-	-	(1,804,915)
Promises to give	(382,883)	(16,000)	-	(12,745)	(411,628)
Due from affiliates	132,247	-	-	-	132,247
Prepaid expenses	5,766	233	(748)	-	5,251
Deposits	39,962	-	-	-	39,962
Increase (decrease) in:					
Accounts payable	(118,933)	57,947	8,741	(3,817)	(56,062)
Accrued expenses	386,184	149,300	(1,357)	5,688	539,815
Due to affiliates	(511,121)	348,241	-	208,803	45,923
Deferred revenue	(186,356)	116,968	-	(22,276)	(91,664)
Tenant security deposits	(2,110)	-	-	-	(2,110)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,975,329)	(694)	74,504	133,087	(1,768,432)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property and equipment	(526,321)	-	-	(1,197)	(527,518)
Purchases of investments	(165,644)	-	-	-	(165,644)
Proceeds from sale of investments	438,567	-	-	-	438,567
Proceeds from distribution in perpetual trust	11,336	-	-	-	11,336
Payments received on loans receivable	31,271	-	-	-	31,271
Payments received on notes receivable, related parties	21,426	-	-	-	21,426
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(189,365)	-	-	(1,197)	(190,562)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from long-term debt	179,800	-	-	-	179,800
Principal payments on long-term debt	(29,691)	-	-	(3,940)	(33,631)
Payments on capital leases	(47,684)	-	-	-	(47,684)
Proceeds from lines of credit	1,302,620	-	-	-	1,302,620
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,405,045	-	-	(3,940)	1,401,105
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(759,649)	(694)	74,504	127,950	(557,889)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,817,793	1,121,077	475,582	448,338	3,862,790
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,058,144	\$ 1,120,383	\$ 550,086	\$ 576,288	\$ 3,304,901

A NEW LEAF, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF CASH FLOWS (Continued)
Year Ended June 30, 2022

RECONCILIATION TO CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION

Cash and cash equivalents	\$ 598,901	\$ 581,200	\$ 125,544	\$ 576,288	\$ 1,881,933
Restricted cash - deposits and funded reserves	294,231	-	424,542	-	718,773
Restricted cash - designated for direct loan fund	127,284	-	-	-	127,284
Restricted cash - Individual Development Accounts (IDA)	-	539,183	-	-	539,183
Restricted cash - Endowment	37,728	-	-	-	37,728
	<u>\$ 1,058,144</u>	<u>\$ 1,120,383</u>	<u>\$ 550,086</u>	<u>\$ 576,288</u>	<u>\$ 3,304,901</u>

SUPPLEMENTAL CASH FLOW DISCLOSURES:

Noncash investing and financing transactions:

Investment return on deferred compensation investments	\$ (41,055)	\$ -	\$ -	\$ -	\$ (41,055)
Interest paid	\$ 31,545	\$ 605	\$ -	\$ 2,833	\$ 34,983
CAAFA acquisition	\$ 443,688	\$ -	\$ -	\$ -	\$ 443,688