A New Leaf, Inc. and Affiliates

Consolidated Financial Statements and
Supplementary Information

June 30, 2023 and 2022

Independent Auditors' Report

To the Board of Directors of
A New Leaf, Inc. and Affiliates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of A New Leaf, Inc. and Affiliates (the Organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its 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 (GAAS) 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 Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 1 to the consolidated financial statements, on July 1, 2022, the Organization adopted Accounting Standards Codification Topic 842 as required by Accounting Standards Update No. 2016-02, *Leases (Topic 842)* and its related amendments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 GAAS 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 resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks 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 the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule 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.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 40 to 44 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it 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 consolidating 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 consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Tempe, Arizona
March 21, 2024

A New Leaf, Inc. and Affiliates

Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022*
Assets		
Current Assets		
Cash and cash equivalents	$ 2,715,948	$ 1,881,933
Restricted cash, deposits and funded reserves	598,463	718,773
Restricted cash, designated for direct loan fund	24,688	127,284
Restricted cash, Individual Development Accounts (IDA)	-	539,183
Certificate of deposit	150,000	-
Accounts receivable, net of allowance for uncollectible accounts of $495,892 and $634,352	3,619,587	3,933,077
Employee Retention Tax Credit receivable	-	5,587,989
Promises to give, current portion, net	1,829,330	356,778
Prepaid expenses	352,690	268,030
Due from affiliates	354,675	407,579
Total current assets	9,645,381	13,820,626
Noncurrent Assets		
Promises to give, net of current portion	622,526	125,000
Loans receivable	26	1,953
Notes receivable, related parties, net	1,032,668	1,019,128
Deposits	646,730	385,591
Investments	3,295,640	3,196,230
Investments held for deferred compensation plan	266,810	211,972
Investment in affiliate	1,401,892	1,401,892
Operating lease right-of-use assets	245,807	-
Finance lease right-of-use assets, net	25,435	33,261
Property and equipment, net	10,119,676	10,002,694
Beneficial interest in perpetual trust	186,472	191,950
Assets restricted for long-term purposes, Endowment:		
Cash	37,728	37,728
Investments	1,658,587	1,600,124
Total noncurrent assets	19,539,997	18,207,523
Total assets	$ 29,185,378	$ 32,028,149

See notes to consolidated financial statements

A New Leaf, Inc. and Affiliates

Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022*
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 688,461	$ 945,286
Accrued expenses	1,821,388	1,842,665
Due to affiliates	966	58,016
Deferred revenue	973,474	1,812,571
Lines of credit	24,374	1,324,907
Operating lease liabilities, current portion	83,674	-
Notes payable, current portion	159,295	308,962
Finance leases, current portion	13,598	11,820
Total current liabilities	3,765,230	6,304,227
Noncurrent Liabilities		
Tenant security deposits	3,940	3,940
Accrued deferred compensation	266,810	211,972
Operating lease liabilities, net of current portion	162,413	-
Notes payable, net of current portion	2,271,585	2,094,047
Finance leases, net of current portion	9,171	10,949
Total noncurrent liabilities	2,713,919	2,320,908
Total liabilities	6,479,149	8,625,135
Net Assets		
Without donor restrictions:		
Undesignated	10,669,208	13,482,336
Board designated	4,672,189	4,988,130
	15,341,397	18,470,466
With donor restrictions	7,364,832	4,932,548
Total net assets	22,706,229	23,403,014
Total liabilities and net assets	$ 29,185,378	$ 32,028,149

* Reclassified to conform to current year presentation

A New Leaf, Inc. and Affiliates

Consolidated Statements of Activities
Years Ended June 30, 2023 and 2022

	2023			2022*		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Contract revenue	$ 27,988,689	$ -	$ 27,988,689	$ 20,405,444	$ -	$ 20,405,444
Behavioral health revenue	5,273,350	-	5,273,350	6,513,843	-	6,513,843
Employee Retention Tax Credit	-	-	-	1,804,915	-	1,804,915
Contributions	3,795,339	4,790,188	8,585,527	3,897,279	2,588,967	6,486,246
In-kind contributions and rent	2,011,746	639,485	2,651,231	1,712,697	-	1,712,697
Client fees	415,779	-	415,779	377,180	-	377,180
Rental income	451,396	-	451,396	446,967	-	446,967
Investment return	239,738	58,463	298,201	(369,071)	(97,791)	(466,862)
Change in fair value of perpetual trust	-	4,649	4,649	-	(22,811)	(22,811)
Other income and loan forgiveness	227,169	-	227,169	592,789	-	592,789
Release from purpose restrictions	1,245,216	(1,245,216)	-	2,114,285	(2,114,285)	-
Release from time restrictions	10,127	(10,127)	-	11,336	(11,336)	-
Release from time and purpose restrictions	1,805,158	(1,805,158)	-	166,434	(166,434)	-
	43,463,707	2,432,284	45,895,991	37,674,098	176,310	37,850,408
Bingo revenue	1,385,889	-	1,385,889	1,363,994	-	1,363,994
Cost of goods sold	(803,632)	-	(803,632)	(796,103)	-	(796,103)
	582,257	-	582,257	567,891	-	567,891
Special events income	116,694	-	116,694	124,510	-	124,510
Direct benefit to donors	(107,172)	-	(107,172)	(170,627)	-	(170,627)
	9,522	-	9,522	(46,117)	-	(46,117)
Total revenue and support	44,055,486	2,432,284	46,487,770	38,195,872	176,310	38,372,182
Expenses						
Program services	38,943,184	-	38,943,184	31,080,747	-	31,080,747
Bingo games	289,634	-	289,634	274,170	-	274,170
Management and general	6,047,772	-	6,047,772	5,737,642	-	5,737,642
Fundraising	1,903,965	-	1,903,965	1,878,883	-	1,878,883
Total expenses	47,184,555	-	47,184,555	38,971,442	-	38,971,442
Other Income (Expense)						
Excess of assets acquired over liabilities assumed of affiliate	-	-	-	758,212	-	758,212
Total other income (expense)	-	-	-	758,212	-	758,212
Change in net assets	(3,129,069)	2,432,284	(696,785)	(17,358)	176,310	158,952
Net Assets, Beginning	18,470,466	4,932,548	23,403,014	18,487,824	4,756,238	23,244,062
Net Assets, Ending	$ 15,341,397	$ 7,364,832	$ 22,706,229	$ 18,470,466	$ 4,932,548	$ 23,403,014

* Reclassified to conform to current year presentation

Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services								
	Shelter Services	Youth Services	Behavioral Health	Community Services and Education	Other Programs	Community Action Program	MesaCAN Weatherization and Other Programs	CAAFA Domestic Abuse Relief	Total Program Services
Salaries and wages	$ 4,536,599	$ 5,122,482	$ 4,060,683	$ 1,494,384	$ 120,075	$ 397,784	$ 199,889	$ 139,285	$ 16,071,181
Payroll taxes	374,573	421,207	330,486	123,017	10,404	31,751	16,438	12,118	1,319,994
Employee benefits	523,840	482,070	420,344	127,290	9,472	57,955	27,093	17,936	1,666,000
	5,435,012	6,025,759	4,811,513	1,744,691	139,951	487,490	243,420	169,339	19,057,175
Professional services	710,530	1,252,921	733,032	164,766	64,894	65,035	136,747	572,986	3,700,911
Advertising, marketing and printing	5,856	30	789	-	(565)	3,460	1,103	352	11,025
Supplies and postage	128,699	100,829	60,275	43,567	114,324	14,980	2,622	8,058	473,354
Telephone	145,150	70,310	84,025	30,868	13,354	18,274	5,429	32,320	399,730
Occupancy	1,086,800	514,005	271,428	181,022	62,404	155,113	17,040	70,639	2,358,451
Travel and vehicle	88,832	368,502	29,533	52,700	3,267	11,392	16,843	21,372	592,441
Interest expense	1,098	12,110	5,051	1,966	11,933	118	35	3,134	35,445
Conferences	18,733	3,185	3,576	5,946	207	11,813	6,184	1,894	51,538
Depreciation	194,416	20,937	37,317	20,883	81,292	-	-	28,376	383,221
Insurance	189,199	187,377	127,983	45,532	5,688	12,163	8,545	25,570	602,057
Equipment lease, repair and maintenance	174,905	82,297	77,696	41,827	28,653	17,170	14,589	31,709	468,846
Client expenses	5,190,426	722,017	14,233	301,422	4,189	1,480,709	1,316,547	84,003	9,113,546
Bad debt	-	8,287	38,359	-	1,624	-	-	12,745	61,015
Bingo cost of goods sold	-	-	-	-	-	-	-	-	-
Bingo taxes	-	-	-	-	-	-	-	-	-
Special event expenses	52	-	-	-	-	-	-	-	52
Miscellaneous expense	9,085	38,408	6,235	5,786	1,506,285	7,204	4,401	1,973	1,579,377
Contribution expense	-	-	-	-	55,000	-	-	-	55,000
Total expenses	13,378,793	9,406,974	6,301,045	2,640,976	2,092,500	2,284,921	1,773,505	1,064,470	38,943,184
Amounts not included in expenses on consolidated statement of activities:									
Special event venue and food	-	-	-	-	-	-	-	-	-
Bingo cost of goods sold	-	-	-	-	-	-	-	-	-
	$ 13,378,793	$ 9,406,974	$ 6,301,045	$ 2,640,976	$ 2,092,500	$ 2,284,921	$ 1,773,505	$ 1,064,470	$ 38,943,184

See notes to consolidated financial statements

A New Leaf, Inc. and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Bingo Games	Management and General	Fundraising	Total
Salaries and wages	$ 97,647	$ 3,964,244	$ 1,038,383	$ 21,171,455
Payroll taxes	8,142	352,537	77,847	1,758,520
Employee benefits	2,145	587,498	117,009	2,372,652
	107,934	4,904,279	1,233,239	25,302,627
Professional services	-	93,058	62,074	3,856,043
Advertising, marketing and printing	2,550	7,366	226,819	247,760
Supplies and postage	634	41,013	50,496	565,497
Telephone	879	139,264	11,240	551,113
Occupancy	97,307	385,978	15,716	2,857,452
Travel and vehicle	-	61,814	14,438	668,693
Interest expense	31,475	139,901	38,373	245,194
Conferences	-	19,673	16,929	88,140
Depreciation	-	24,297	1,071	408,589
Insurance	-	104,614	21,488	728,159
Equipment lease, repair and maintenance	22,458	74,683	10,203	576,190
Client expenses	-	446	16,052	9,130,044
Bad debt	-	-	-	61,015
Bingo cost of goods sold	803,632	-	-	803,632
Bingo taxes	25,591	-	-	25,591
Special event expenses	-	168	275,466	275,686
Miscellaneous expense	806	51,218	17,533	1,648,934
Contribution expense	-	-	-	55,000
Total expenses	1,093,266	6,047,772	2,011,137	48,095,359
Amounts not included in expenses on consolidated statement of activities:				
Special event venue and food	-	-	(107,172)	(107,172)
Bingo cost of goods sold	(803,632)	-	-	(803,632)
	$ 289,634	$ 6,047,772	$ 1,903,965	$ 47,184,555

See notes to consolidated financial statements

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	CAAFA 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	-	-	-	-	-	-	-	-	-
	$ 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

A New Leaf, Inc. and Affiliates

Consolidated Statement of Functional Expenses
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
	104,742	4,574,788	1,059,147	21,715,534
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	-	-	-	-
Total expenses	1,070,273	5,737,642	2,049,510	39,938,172
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)
	$ 274,170	$ 5,737,642	$ 1,878,883	$ 38,971,442

See notes to consolidated financial statements

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$ (696,785)	$ 158,952
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	408,589	465,219
Property and equipment assumed in acquisition	-	(443,688)
Contribution of donated stock	(111,561)	-
Bad debt provision for accounts receivable	191,155	106,153
Provision for uncollectible promises to give	(130,140)	-
Provision for uncollectible loans receivable	(4,993)	(4,712)
Amortization of discount on notes receivable	(13,540)	(13,399)
Change in donated facility lease receivable	(639,485)	-
Realized and unrealized (gain)/loss on investments	(62,540)	543,687
Amortization of operating lease right-of-use assets	101,971	-
Change in fair value of perpetual trust	(4,649)	22,811
Forgiveness of debt	-	(245,000)
(Increase) decrease in:		
Accounts receivable	122,335	(755,274)
Employee Retention Tax Credit receivable	5,587,989	(1,804,915)
Promises to give	(1,200,453)	(411,628)
Due from affiliates	52,904	132,247
Prepaid expenses	(84,660)	5,251
Deposits	(261,139)	39,962
Increase (decrease) in:		
Accounts payable	(256,825)	(56,062)
Accrued expenses	(21,277)	539,815
Due to affiliates	(57,050)	45,923
Deferred revenue	(839,097)	(91,664)
Tenant security deposits	-	(2,110)
Operating lease liabilities	(101,691)	-
Net cash flows provided by (used in) operating activities	1,979,058	(1,768,432)
Cash Flows From Investing Activities		
Purchases of property and equipment	(517,745)	(527,518)
Purchases of investments	(42,700)	(165,644)
Proceeds from sale of investments	58,928	438,567
Purchases of certificate of deposit	(150,000)	-
Proceeds from distribution from perpetual trust	10,127	11,336
Payments received on loans receivable	6,920	31,271
Payments received on notes receivable, related parties	-	21,426
Net cash flows used in investing activities	(634,470)	(190,562)
Cash Flows From Financing Activities		
Proceeds from long-term debt	100,000	179,800
Principal payments on long-term debt	(72,129)	(33,631)
Payments on finance leases	-	(47,684)
Proceeds from lines of credit	2,339,516	1,302,620
Payments on lines of credit	(3,640,049)	-
Net cash flows (used in) provided by financing activities	(1,272,662)	1,401,105
Net change in cash and cash equivalents	71,926	(557,889)
Cash and Cash Equivalents, Beginning	3,304,901	3,862,790
Cash and Cash Equivalents, Ending	$ 3,376,827	$ 3,304,901

See notes to consolidated financial statements

	2023	2022
Reconciliation to Consolidated Statements of Financial Position		
Cash and cash equivalents	$ 2,715,948	$ 1,881,933
Restricted cash, deposits and funded reserves	598,463	718,773
Restricted cash, designated for direct loan fund	24,688	127,284
Restricted cash, Individual Development Accounts (IDA)	-	539,183
Restricted cash, endowment	37,728	37,728
	$ 3,376,827	$ 3,304,901
Supplemental Cash Flow Disclosures		
Noncash investing and financing transactions:		
Investment return on deferred compensation investments	$ 27,238	$ (41,055)
Interest paid	$ 112,400	$ 34,983
CAAFA acquisition	$ -	$ 443,688

See notes to consolidated financial statements

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/respite.

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.

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 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. 19 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 operates as an affiliate of Leaf and is under the control of Leaf.

The consolidated financial statements include the accounts of Leaf, MesaCAN, NEDCO, Cottages, 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.

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 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.

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.

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.

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.

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.

Notes Receivable Due from Related Parties

The Organization has three notes receivable due from related parties. Notes receivable are noninterest 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).

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.

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 increasing 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 the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

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, the donor-restricted endowment fund may have a fair value less than the amount required to be maintained by the donor 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, 2023 and 2022, there were no underwater endowments.

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, 2023 and 2022, 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 or required to be held in perpetuity. 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.

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. 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.

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 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 the RBHA 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. The Organization is responsible for healthcare costs which exceed its budgeted/block purchase contracts. 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 the RBHA 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.

The beginning and ending contract balances were as follows:

	2023	2022	2021
Accounts receivable, net	$ 447,959	$ 482,532	$ 656,354
Contract liabilities	$ 109,157	$ 134,953	$ 1,459,553

Accounts receivable, net relate to behavioral health revenue 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.

The 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. As of June 30, 2023, these contracts included conditional promises to give in the amount of approximately $12,861,000, which represents unspent amounts included in these contract agreements and are expected to be spent during the next year.

In-Kind Contributions

Contributions of donated noncash tangible assets (in-kind contributions) are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial 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 $238,000 and $220,000 for the years ended June 30, 2023 and 2022, 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.

- 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, 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 private foundations 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, 2023 and 2022, 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, 2023 and 2022, 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.

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.

Reclassifications

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.

Adoption of New Accounting Standard

Effective July 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), and all related amendments using the modified retrospective approach. The Organization's 2022 consolidated financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the consolidated statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the noncancelable lease term. Lease expense for the Organization's finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Organization recorded operating lease right-of-use assets and lease liabilities of $216,086. At the date of adoption, the Organization recorded finance lease right-of-use assets of $35,628 and lease liabilities of $36,100.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Organization's right-of-use assets.

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and nonlease components for all asset classes.

- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.

- The Organization elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

- The Organization elected to account for its building and equipment leases using the portfolio approach; as such, leases that have similar commencement dates, length of terms, renewal options or other contract terms have been combined into a lease portfolio whereby the resulting accounting at the portfolio level does not differ materially from that at the individual lease level.

Additional required disclosures for Topic 842 are contained in Note 11.

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 21, 2024**Error! Unknown switch argument.**, the date the consolidated financial statements were available to be issued.

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:

	2023	2022
Cash and cash equivalents	$ 2,715,948	$ 1,881,933
Certificate of deposit	150,000	-
Accounts receivable, net	3,619,587	3,933,077
Employee Retention Tax Credit receivable	-	5,587,989
Promises to give, current portion, net	714,027	356,778
Due from affiliates	354,675	407,579
Investments	3,295,640	3,196,230
Financial assets available to meet cash needs for general expenditures within one year	$ 10,849,877	$ 15,363,586

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, 2023 includes amounts from three payer sources whose balances make up approximately 47% of net accounts receivable. The accounts receivable balance at June 30, 2022 includes amounts from two payer sources whose balances make up approximately 46% of net accounts receivable. 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 these payer sources.

As of June 30, 2023, promises to give includes amounts from three donors totaling 97% of net promises to give. As of June 30, 2022, promises to give includes amounts from four donors totaling 74% 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 69% and 63% of its contract revenue from four and three funding sources (all of which are Arizona government agencies) during the years ended June 30, 2023 and 2022, 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.

4. Promises to Give

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

	2023	2022
Due within one year:		
Real property	$ 1,068,344	$ 127,640
In-kind rent	116,394	-
Other	1,091,913	737,164
	2,276,651	864,804
Due in two to five years:		
In-kind rent	620,768	-
Other	30,000	125,000
Gross promises to give	2,927,419	989,804
Discount to present value	(97,677)	-
Allowance for uncollectible promises	(377,886)	(508,026)
Total net promises to give	$ 2,451,856	$ 481,778

5. 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.

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Unrestricted investments:				
Money market	$ 8,283	$ -	$ -	$ 8,283
Mutual funds	3,110,277	-	-	3,110,277
Equities	177,080	-	-	177,080
	$ 3,295,640	$ -	$ -	$ 3,295,640
Deferred compensation plan investments:				
Pooled separate funds	$ -	$ 266,810	$ -	$ 266,810
Beneficial interest in perpetual trust:				
Money market	$ -	$ -	$ 2,325	$ 2,325
Fixed income	-	-	125,006	125,006
Equities	-	-	59,141	59,141
	$ -	$ -	$ 186,472	$ 186,472
Endowment fund:				
Money market	$ 1,995	$ -	$ -	$ 1,995
Certificate of deposit	99,700	-	-	99,700
Mutual funds	1,556,892	-	-	1,556,892
	$ 1,658,587	$ -	$ -	$ 1,658,587

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

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

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

	2023	2022
Interest and dividends	$ 320,225	$ 76,825
Realized gain/(loss)	52,128	102,815
Unrealized gain/(loss)	10,412	(646,502)
Investment fees	(84,564)	-
Investment return	$ 298,201	$ (466,862)

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, 2023 and 2022:

	Beneficial Interest in Perpetual Trust
June 30, 2021	$ 226,097
Distribution	(11,336)
Change in value of perpetual trust	(22,811)
June 30, 2022	191,950
Distribution	(10,127)
Change in value of perpetual trust	4,649
June 30, 2023	$ 186,472

6. 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, 2023 and 2022:

	Prospect Park, LP
Investment value at June 30, 2021	$ 1,401,892
Net loss	-
Investment value at June 30, 2022	1,401,892
Net loss	-
Investment value at June 30, 2023	$ 1,401,892

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

	2023	2022
Statement of Financial Position:		
Total assets	$ 1,259,116	$ 1,259,116
Total liabilities	22,695	22,695
Net assets without donor restrictions	1,236,421	1,236,421
Total liabilities and net assets	$ 1,259,116	$ 1,259,116
Statement of Activities:		
Total revenue	$ -	$ -
Total expenses	-	-
Change in net assets	-	-
Net assets, beginning	1,236,421	1,236,421
Net assets, ending	$ 1,236,421	$ 1,236,421

7. Property and Equipment

Property and equipment consist of the following at June 30:

	2023	2022
Land	$ 2,121,048	$ 2,121,048
Buildings and improvements	11,569,210	11,066,228
Furniture, fixtures and equipment	942,197	930,865
Vehicles	435,111	435,111
Computer software	178,790	178,790
	15,246,356	14,732,042
Accumulated depreciation	(5,126,680)	(4,729,348)
	$ 10,119,676	$ 10,002,694

Depreciation expense was approximately $409,000 and $465,000 for the years ended June 30, 2023 and 2022, 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.

8. 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 (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 during the year ended June 30, 2022, 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 received in full during the year ended June 30, 2023. The ERTC receivable balance was $5,587,989 at June 30, 2022. 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.

9. Lines of Credit

Lines of credit consist of the following at June 30:

	2023	2022
$1,500,000 revolving line of credit that required 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 8.25% and matured November 30, 2023, and was not renewed. This line of credit was 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.	$ -	$ 1,000,000
Approved credit of $1,547,203 at June 30, 2023, 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.	-	301,433
Approved credit of $839,644 at June 30, 2023, 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.	-	-
$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 form this line of credit.	24,374	23,474
	$ 24,374	$ 1,324,907

10. Long-Term Debt

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

	2023	2022
Leaf:		
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.	$ 181,619	$ 192,930
Non-interest bearing predevelopment note payable that matures at the earlier of the receipt of financing for the development, the date of sale of the development property acquired, or on January 3, 2025, the maturity date.	100,000	-
NEDCO:		
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.	74,537	80,194
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
Cottages:		
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.	1,300,000	1,300,000
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.	159,025	159,025

	2023	2022
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.	325,000	325,000
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 of 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.	145,000	145,000
CAAFA:		
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.	120,699	175,860
	2,430,880	2,403,009
Current portion	(159,295)	(308,962)
Long-term portion	$ 2,271,585	$ 2,094,047

Future minimum principal payments required and future forgiveness amounts on all long-term debt as of June 30, 2023 are as follows:

Years ending June 30:	
2024	$ 159,295
2025	160,775
2026	42,549
2027	319,319
2028	15,917
Thereafter	1,733,025
Total	$ 2,430,880

11. Leasing Activities

The Organization leases equipment and space for a number of their program service locations under operating lease agreements that expire at various dates through January 2028. The Organization also leases computer equipment under a finance lease agreement that expires March 2025.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury note or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgements in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

- Determined whether contracts contain embedded leases;

- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases;

- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments;

The Organization leases office space for a number of their program service locations with related parties under short-term leases as described in Note 16.

The following table summarizes the lease right-of-use assets and lease liabilities as of June 30, 2023:

Right-of-use assets:		
Operating leases	$	245,807
Finance leases		25,435
Total right-of-use assets	$	271,242
Lease liabilities:		
Current operating lease liabilities	$	83,674
Current finance lease liabilities		13,598
Long-term operating lease liabilities		162,413
Long-term finance lease liabilities		9,171
Total lease liabilities	$	268,856

Below is a summary of expenses incurred pertaining to leases during the year ended June 30, 2023:

Finance lease expense:		
Amortization of lease assets included in depreciation and amortization expense	$	13,122
Interest on lease liabilities included in interest expense		846
Operating lease expense		109,715
Short-term lease expense		987,286
Total lease expense	$	1,110,969

The following table summarizes the weighted average remaining lease term and discount rate as of June 30, 2023:

Weighted average remaining lease term (years):	
Operating leases	3.37
Finance leases	1.72
Weighted average discount rate:	
Operating leases	3.50 %
Finance leases	2.85 %

The table below summarizes the Organization's scheduled future minimum lease payments for years ending after June 30, 2023:

	Operating Leases	Finance Leases
Years Ending June 30:		
2024	$ 89,946	$ 14,063
2025	71,311	9,376
2026	50,945	-
2027	45,307	-
2028	1,114	-
Total lease payments	258,623	23,439
Less present value discount	(12,536)	(670)
Total lease liabilities	246,087	22,769
Less current portion	(83,674)	(13,598)
Long-term lease liabilities	$ 162,413	$ 9,171

The following table includes supplemental cash flow and noncash information related to the leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 108,537
Operating cash flows from finance leases	$ 846
Financing cash flows from finance leases	$ 13,217
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	$ 104,775

The table below summaries the Organization's approximate future minimum operating lease payments for years ending after June 30, 2022:

Years ending June 30:	
2023	$ 38,000
2024	4,000
2025	4,000
2026	4,000
2027	1,000
Total	$ 51,000

12. 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:

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total Endowment Funds**
Original corpus	$ -	$ 1,410,792	$ 1,410,792
Accumulated investment earnings	-	285,523	285,523
	$ -	$ 1,696,315	$ 1,696,315

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total Endowment Funds**
Original corpus	$ -	$ 1,410,792	$ 1,410,792
Accumulated investment earnings	-	227,060	227,060
	$ -	$ 1,637,852	$ 1,637,852

Changes in the endowment fund for the years ended June 30 2023 and 2022, are as follows:

	Without Donor Restrictions	**With Donor Restrictions**	**Total Endowment Funds**
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 gain	-	35,469	35,469
Unrealized loss	-	(158,160)	(158,160)
Fees	-	-	-
Amounts appropriated for expenditure	-	-	-
Balance, June 30, 2022	-	1,637,852	1,637,852
Earnings on internal borrowings	-	15,947	15,947
Interest and dividend income	-	34,413	34,413
Realized gain	-	19,621	19,621
Unrealized gain	-	4,429	4,429
Fees	-	(15,947)	(15,947)
Amounts appropriated for expenditure	-	-	-
Balance, at June 30, 2023	$ -	$ 1,696,315	$ 1,696,315

13. Net Assets With Donor Restrictions

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

	2023	2022
Purpose restricted:		
La Mesita program services	$ 215,787	$ 87,684
Shelter services	28,387	69,133
Autumn house	346,118	214,014
Community services	150	27,086
Domestic violence services/stop	559,206	196,120
Faith house	490,326	296,241
Time and purpose restricted:		
East valley men's shelter	497,000	922,730
Phoenix Day programs	219,933	29,197
IDA program	673,282	807,508
Promises to give, net	1,812,371	453,033
La Mesita endowment earnings	285,523	227,060
Time restricted:		
La Mesita endowment	1,410,792	1,410,792
Beneficial interest in perpetual trust	186,472	191,950
Promise to give, net	639,485	-
Total net with donor restrictions	$ 7,364,832	$ 4,932,548

14. In-Kind Contributions and Rent

The Organization received the following contributions of nonfinancial assets for the year ended June 30, 2023:

	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	$ 551,814	$ -	$ -	$ -	$ -	$ 234,552	$ -	$ -	$ -	$ 786,366
Professional fees	7,310	1,181	-	-	179,716	27,818	-	-	2,543	218,568
Clothing and household goods	64,332	3,107	220	26,538	280	-	-	-	695,743	790,220
Food	397,022	-	258	-	-	-	-	-	67,462	464,742
Supplies	23,196	21,101	38,066	17,076	-	-	-	-	66,961	166,400
Client assistance	29,684	-	40	560	-	-	174,513	7,053	13,085	224,935
Total	$ 1,073,358	$ 25,389	$ 38,584	$ 44,174	$ 179,996	$ 262,370	$ 174,513	$ 7,053	$ 845,794	$ 2,651,231

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'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.

15. 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 four years of employment. The Organization made employer contributions of approximately $620,000 and $543,000 during the years ended June 30, 2023 and 2022, 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 $266,810 and $211,972 as of June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, the Organization made employer contributions to the deferred compensation plan of approximately $24,000 and $21,000, respectively.

16. 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, 2023 and 2022. 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 years ended June 30, 2023 and 2022.

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:

	2023	2022
Rent paid to the Foundation	$ 747,619	$ 776,270
Reimbursement for management and support service costs paid to Leaf	$ 510,531	$ 504,988
Donations paid to Leaf from bingo operations	$ 478,250	$ 359,675

Amounts owed to Leaf from the Foundation are presented as amounts due from affiliates in the accompanying consolidated statements of financial position in the amounts of $179,682 and $238,190 for the years ended June 30, 2023 and 2022, respectively. There were no amounts owed from Leaf to the Foundation that are presented as amounts due to affiliates in the accompanying consolidated statements of financial position for the year ended June 30, 2023. 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 for the year ended June 30, 2022.

La Mesita Apartments Phase 3 LP owes Leaf for advances of construction development and operating expenses in the amounts of $171,701 and $126,343 as of June 30, 2023 and 2022, respectively. There were no amounts owed from La Mesita Apartments LP to Leaf for operating expenses as of June 30, 2023. La Mesita Apartments LP owes Leaf for operating expenses in the amount $43,046 as of June 30, 2022. 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, 2023 and 2022. These notes are included as notes receivable, related parties on the accompanying consolidated statements of financial position.

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

	2023	2022
Note receivable, La Mesita Apartments, LP due December 2043	$ 778,574	$ 778,574
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	300,000	300,000
Total	1,382,533	1,382,533
Less discount to net present value (at rates of 1.75% to 3.27%)	(349,865)	(363,405)
Notes receivable, related parties, net	$ 1,032,668	$ 1,019,128

Certain members of the board of directors of the Organization have pledged or contributed donations in the amounts of approximately $34,000 and $5,000 during the years ended June 30, 2023 and 2022, respectively. Promises to give from members of the board was $41,827 and $54,327 as of June 30, 2023 and 2022, respectively.

MesaCAN leases a facility from the Foundation, an organization related through common management. Total rent paid to the Foundation was approximately $83,000 and $72,000 for the years ended June 30, 2023 and 2022, respectively.

17. 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.

18. Subsequent Events

Subsequent to year-end, the Organization obtained a working capital line of credit in the amount of $3,500,000.

Subsequent to year-end, the Organization entered into negotiations to acquire Homeward Bound, a tax-exempt organization located in Phoenix, Arizona. Homeward Bound’s program activities include the provision of transitional housing, case management, and support services for low-income families, and operates a five-acre campus that includes 68 apartments, an early childhood learning center, and education and employment center, a teen center, library, laundry facilities, administrative offices, a fitness trail, playgrounds, and a basketball court.

A New Leaf, Inc. and Affiliates

Consolidating Statement of Financial Position
June 30, 2023

	A New Leaf, Inc.	NEDCO	MesaCAN	A New Leaf Cottages	Community Alliance Against Family Abuse	Eliminations	Total
Assets							
Current Assets							
Cash and cash equivalents	$ 1,620,145	$ 26,905	$ 779,525	$ 153,857	$ 135,516	$ -	$ 2,715,948
Restricted cash, deposits and funded reserves	160,876	-	-	437,587	-	-	598,463
Restricted cash, designated for direct loan fund	-	24,688	-	-	-	-	24,688
Certificate of deposit	150,000	-	-	-	-	-	150,000
Accounts receivable, net of allowance for uncollectible accounts of $495,892	3,181,816	-	347,956	333	89,482	-	3,619,587
Promises to give, current portion, net	1,829,330	-	-	-	-	-	1,829,330
Prepaid expenses	342,556	-	9,352	782	-	-	352,690
Due from affiliates	1,006,129	-	-	-	-	(651,454)	354,675
Total current assets	8,290,852	51,593	1,136,833	592,559	224,998	(651,454)	9,645,381
Noncurrent Assets							
Promises to give, net of current portion and unamortized discount	622,526	-	-	-	-	-	622,526
Loans receivable	-	26	-	-	-	-	26
Notes receivable, related parties, net	1,032,668	-	-	-	-	-	1,032,668
Deposits	641,181	-	-	5,549	-	-	646,730
Investments	3,295,640	-	-	-	-	-	3,295,640
Investments held for deferred compensation plan	266,810	-	-	-	-	-	266,810
Investment in affiliate	1,401,892	-	-	-	-	-	1,401,892
Investment in subsidiaries	440,696	-	-	-	-	(440,696)	-
Operating lease right-of-use assets	225,972	-	-	-	19,835	-	245,807
Finance lease right-of-use assets, net	25,435	-	-	-	-	-	25,435
Property and equipment, net	8,328,437	-	-	1,375,013	416,226	-	10,119,676
Beneficial interest in perpetual trust	186,472	-	-	-	-	-	186,472
Assets restricted for long-term purposes, endowment:							
Cash	37,728	-	-	-	-	-	37,728
Investments	1,658,587	-	-	-	-	-	1,658,587
Total noncurrent assets	18,164,044	26	-	1,380,562	436,061	(440,696)	19,539,997
Total assets	$ 26,454,896	$ 51,619	$ 1,136,833	$ 1,973,121	$ 661,059	$ (1,092,150)	$ 29,185,378

A New Leaf, Inc. and Affiliates

Consolidating Statement of Financial Position
June 30, 2023

	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	$ 610,446	$ 19,483	$ 55,954	$ -	$ 2,578	$ -	$ 688,461
Accrued expenses	1,731,423	7,750	45,674	10,822	25,719	-	1,821,388
Due to affiliates	765	-	567,129	201	84,325	(651,454)	966
Deferred revenue	894,201	-	79,273	-	-	-	973,474
Lines of credit	-	24,374	-	-	-	-	24,374
Operating lease liabilities, current portion	73,336	-	-	-	10,338	-	83,674
Notes payable, current portion	13,567	99,537	-	-	46,191	-	159,295
Finance leases, current portion	13,598	-	-	-	-	-	13,598
Total current liabilities	3,337,336	151,144	748,030	11,023	169,151	(651,454)	3,765,230
Noncurrent Liabilities							
Tenant security deposits	3,940	-	-	-	-	-	3,940
Accrued deferred compensation	266,810	-	-	-	-	-	266,810
Operating lease liabilities, net of current portion	152,636	-	-	-	9,777	-	162,413
Notes payable, net of current portion	268,052	-	-	1,929,025	74,508	-	2,271,585
Finance leases, net of current portion	9,171	-	-	-	-	-	9,171
Total noncurrent liabilities	700,609	-	-	1,929,025	84,285	-	2,713,919
Total liabilities	4,037,945	151,144	748,030	1,940,048	253,436	(651,454)	6,479,149
Net Assets							
Without donor restrictions:							
Undesignated	11,053,212	(99,525)	(284,479)	33,073	407,623	(440,696)	10,669,208
Board designated	4,672,189	-	-	-	-	-	4,672,189
	15,725,401	(99,525)	(284,479)	33,073	407,623	(440,696)	15,341,397
With donor restrictions	6,691,550	-	673,282	-	-	-	7,364,832
Total net assets	22,416,951	(99,525)	388,803	33,073	407,623	(440,696)	22,706,229
Total liabilities and net assets	$ 26,454,896	$ 51,619	$ 1,136,833	$ 1,973,121	$ 661,059	$ (1,092,150)	$ 29,185,378

A New Leaf, Inc. and Affiliates

Consolidating Statement of Activities
Year Ended June 30, 2023

	A New Leaf, Inc.	NEDCO	MesaCAN	A New Leaf Cottages	Community Alliance Against Family Abuse	Eliminations	Total
Revenue and Support							
Contract revenue	$ 23,535,533	$ -	$ 3,542,009	$ -	$ 911,147	$ -	$ 27,988,689
Behavioral health revenue	5,273,350	-	-	-	-	-	5,273,350
Contributions	8,570,076	-	235,369	-	73,732	(293,650)	8,585,527
In-kind contributions and rent	2,429,488	-	288,290	-	7,053	(73,600)	2,651,231
Client fees	415,779	-	-	-	-	-	415,779
Rental income	228,287	-	-	223,109	-	-	451,396
Investment return	293,752	775	257	3,417	-	-	298,201
Change in fair value of perpetual trust	4,649	-	-	-	-	-	4,649
Other income and loan forgiveness	218,996	-	3	5,948	2,222	-	227,169
	40,969,910	775	4,065,928	232,474	994,154	(367,250)	45,895,991
Bingo revenue	-	-	1,385,889	-	-	-	1,385,889
Cost of goods sold	-	-	(803,632)	-	-	-	(803,632)
	-	-	582,257	-	-	-	582,257
Special events income	116,694	-	-	-	-	-	116,694
Direct benefit to donors	(107,172)	-	-	-	-	-	(107,172)
	9,522	-	-	-	-	-	9,522
Total revenue and support	40,979,432	775	4,648,185	232,474	994,154	(367,250)	46,487,770
Expenses							
Program services	33,548,014	57,387	4,058,426	214,887	1,064,470	-	38,943,184
Bingo games	-	-	583,284	-	-	(293,650)	289,634
Management and general	5,668,157	-	234,388	18,300	200,527	(73,600)	6,047,772
Fundraising	1,903,965	-	-	-	-	-	1,903,965
Total expenses	41,120,136	57,387	4,876,098	233,187	1,264,997	(367,250)	47,184,555
Other Income (Expense)							
(Loss) gain on investment in subsidiaries	(271,556)	-	-	-	-	271,556	-
Total other (expense) income	(271,556)	-	-	-	-	271,556	-
Change in net assets	(412,260)	(56,612)	(227,913)	(713)	(270,843)	271,556	(696,785)
Net Assets, Beginning	22,829,211	(42,913)	616,716	33,786	678,466	(712,252)	23,403,014
Net Assets, Ending	$ 22,416,951	$ (99,525)	$ 388,803	$ 33,073	$ 407,623	$ (440,696)	$ 22,706,229

A New Leaf, Inc. and Affiliates

Consolidating Statement of Cash Flows
Year Ended June 30, 2023

	Leaf and Affiliates	MesaCAN	Cottages	Community Alliance Against Family Abuse	Total
Cash Flows From Operating Activities					
Change in net assets	$ (197,316)	$ (227,913)	$ (713)	$ (270,843)	$ (696,785)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation	326,368	-	53,704	28,517	408,589
Contribution of donated stock	(111,561)	-	-	-	(111,561)
Bad debt provision for accounts receivable	178,410	-	-	12,745	191,155
Provision for uncollectible promises to give	(130,140)	-	-	-	(130,140)
Provision for uncollectible loans receivable	(4,993)	-	-	-	(4,993)
Amortization of discount on notes receivable	(13,540)	-	-	-	(13,540)
Change in donated facility lease receivable	(639,485)	-	-	-	(639,485)
Realized and unrealized (gain)/loss on investments	(62,540)	-	-	-	(62,540)
Amortization of operating lease right-of-use assets	56,483	-	-	45,488	101,971
Change in fair value of perpetual trust	(4,649)	-	-	-	(4,649)
(Increase) decrease in:					
Accounts receivable	(538,471)	654,446	(328)	6,688	122,335
Employee Retention Tax Credit receivable	5,587,989	-	-	-	5,587,989
Promises to give	(1,216,453)	16,000	-	-	(1,200,453)
Due from affiliates	52,904	-	-	-	52,904
Prepaid expenses	(79,042)	(3,584)	(2,034)	-	(84,660)
Deposits	(261,139)	-	-	-	(261,139)
Increase (decrease) in:					
Accounts payable	(15,721)	(231,332)	(5,499)	(4,273)	(256,825)
Accrued expenses	131,963	(145,502)	(3,772)	(3,966)	(21,277)
Due to affiliates	281,815	(214,387)	-	(124,478)	(57,050)
Deferred revenue	(650,511)	(188,586)	-	-	(839,097)
Operating lease liabilities	(56,483)	-	-	(45,208)	(101,691)
Net cash provided by (used in) operating activities	2,633,888	(340,858)	41,358	(355,330)	1,979,058
Cash Flows From Investing Activities					
Purchases of property and equipment	(487,464)	-	-	(30,281)	(517,745)
Purchases of investments	(42,700)	-	-	-	(42,700)
Proceeds from sale of investments	58,928	-	-	-	58,928
Purchases of certificate of deposit	(150,000)	-	-	-	(150,000)
Proceeds from distribution in perpetual trust	10,127	-	-	-	10,127
Payments received on loans receivable	6,920	-	-	-	6,920
Net cash used in investing activities	(604,189)	-	-	(30,281)	(634,470)
Cash Flows From Financing Activities					
Proceeds from long-term debt	100,000	-	-	-	100,000
Principal payments on long-term debt	(16,968)	-	-	(55,161)	(72,129)
Proceeds from lines of credit	2,339,516	-	-	-	2,339,516
	(3,640,049)	-	-	-	(3,640,049)
Net cash used in financing activities	(1,217,501)	-	-	(55,161)	(1,272,662)
Net increase (decrease) in cash and cash equivalents	812,198	(340,858)	41,358	(440,772)	71,926
Cash and Cash Equivalents, Beginning	1,058,144	1,120,383	550,086	576,288	3,304,901
Cash and Cash Equivalents, Ending	$ 1,870,342	$ 779,525	$ 591,444	$ 135,516	$ 3,376,827

A New Leaf, Inc. and Affiliates

Consolidating Statement of Cash Flows
Year Ended June 30, 2023

	Leaf and Affiliates	MesaCAN	Cottages	Community Alliance Against Family Abuse	Total
Reconciliation to Consolidated Statements of Financial Position					
Cash and cash equivalents	$ 1,647,050	$ 779,525	$ 153,857	$ 135,516	$ 2,715,948
Restricted cash, deposits and funded reserves	160,876	-	437,587	-	598,463
Restricted cash, designated for direct loan fund	24,688	-	-	-	24,688
Restricted cash, endowment	37,728	-	-	-	37,728
	$ 1,870,342	$ 779,525	$ 591,444	$ 135,516	$ 3,376,827
Supplemental Cash Flow Disclosures					
Noncash investing and financing transactions:					
Investment return on deferred compensation investments	$ 27,238	$ -	$ -	$ -	$ 27,238
Interest paid	$ 104,173	$ 3,224	$ -	$ 5,003	$ 112,400