

A New Leaf, Inc. and Affiliates

Consolidated Financial Statements and
Supplementary Information

June 30, 2025 and 2024

A New Leaf, Inc. and Affiliates

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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, 2025 and 2024, 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, 2025 and 2024, 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 (*Government Auditing Standards*). 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.

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 consolidating information on pages 39 to 41 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 27, 2026 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 27, 2026

A New Leaf, Inc. and Affiliates

Consolidated Statements of Financial Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,532,996	\$ 2,817,389
Restricted cash, deposits and funded reserves	305,178	770,500
Restricted cash, designated for direct loan fund	-	24,724
Certificate of deposit	164,994	157,777
Accounts receivable, net of allowance for credit losses of \$0 and \$223,400, respectively	488,571	265,662
Contracts and other receivables, net of allowance for doubtful accounts of \$140,036 and \$68,781, respectively	2,692,843	4,704,046
Promises to give, current portion, net of allowance	553,015	2,029,079
Prepaid expenses	461,530	595,416
Due from affiliates	684,115	346,161
Investments	93,637	1,020,124
	<u>7,976,879</u>	<u>12,730,878</u>
Total current assets		
Noncurrent Assets		
Promises to give, net of current portion and unamortized discount	409,706	478,373
Notes receivable, related parties, net	1,060,196	1,046,356
Deposits	411,976	729,933
Investments held for deferred compensation plan	381,486	338,151
Investment in Prospect Park, LP	-	1,401,892
Operating lease right-of-use assets	92,248	172,480
Finance lease right-of-use assets, net	-	11,334
Property and equipment, net	43,270,716	24,743,708
Beneficial interest in perpetual trust	185,117	184,774
Assets restricted for long-term purposes, Endowment:		
Cash	37,728	37,728
Investments	2,086,360	1,864,307
	<u>47,935,533</u>	<u>31,009,036</u>
Total noncurrent assets		
	<u>\$ 55,912,412</u>	<u>\$ 43,739,914</u>
Total assets		

See notes to consolidated financial statements

A New Leaf, Inc. and Affiliates

Consolidated Statements of Financial Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 914,193	\$ 1,614,632
Accrued expenses	2,302,408	2,308,114
Due to affiliates	93,893	201
Deferred revenue	1,124,497	719,892
Lines of credit	3,030,185	24,374
Operating lease liabilities, current portion	46,478	70,726
Notes payable, current portion	82,727	256,278
Finance leases, current portion	-	9,285
	<u>7,594,381</u>	<u>5,003,502</u>
Noncurrent Liabilities		
Tenant security deposits	1,513	3,940
Accrued deferred compensation	381,486	338,151
Operating lease liabilities, net of current portion	45,770	102,025
Notes payable, net of current portion	2,966,167	2,910,246
	<u>3,394,936</u>	<u>3,354,362</u>
Total liabilities	<u>10,989,317</u>	<u>8,357,864</u>
Net Assets		
Without donor restrictions:		
Undesignated	35,651,606	22,460,499
Board designated	2,705,330	2,862,542
	<u>38,356,936</u>	<u>25,323,041</u>
With donor restrictions	<u>6,566,159</u>	<u>10,059,009</u>
Total net assets	<u>44,923,095</u>	<u>35,382,050</u>
Total liabilities and net assets	<u>\$ 55,912,412</u>	<u>\$ 43,739,914</u>

See notes to consolidated financial statements

A New Leaf, Inc. and Affiliates

 Consolidated Statements of Activities
 Years Ended June 30, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Contract revenue, conditional contributions	\$ 27,401,535	\$ 131,869	\$ 27,533,404	\$ 27,996,236	\$ -	\$ 27,996,236
Contract revenue, fee for service	5,806,342	-	5,806,342	3,014,346	-	3,014,346
Behavioral health revenue	1,483,964	-	1,483,964	4,617,117	-	4,617,117
Contributions	1,551,605	5,463,508	7,015,113	1,854,444	8,158,138	10,012,582
In-kind contributions and rent	20,139,943	384,267	20,524,210	2,670,189	-	2,670,189
Client fees	696,368	-	696,368	408,515	-	408,515
Rental income	574,186	-	574,186	481,630	-	481,630
Investment return	75,327	222,053	297,380	232,527	205,720	438,247
Change in fair value of perpetual trust	-	9,812	9,812	-	7,889	7,889
Other income	350,800	-	350,800	411,195	-	411,195
Release from purpose restrictions	4,632,893	(4,632,893)	-	4,689,520	(4,689,520)	-
Release from time restrictions	125,863	(125,863)	-	97,739	(97,739)	-
Release from time and purpose restrictions	4,945,603	(4,945,603)	-	1,506,945	(1,506,945)	-
	<u>67,784,429</u>	<u>(3,492,850)</u>	<u>64,291,579</u>	<u>47,980,403</u>	<u>2,077,543</u>	<u>50,057,946</u>
Bingo revenue	1,413,985	-	1,413,985	1,341,814	-	1,341,814
Cost of goods sold	(814,953)	-	(814,953)	(807,205)	-	(807,205)
	<u>599,032</u>	<u>-</u>	<u>599,032</u>	<u>534,609</u>	<u>-</u>	<u>534,609</u>
Special events income	235,451	-	235,451	183,213	-	183,213
Direct benefit to donors	(241,091)	-	(241,091)	(177,327)	-	(177,327)
	<u>(5,640)</u>	<u>-</u>	<u>(5,640)</u>	<u>5,886</u>	<u>-</u>	<u>5,886</u>
Total revenue and support	<u>68,377,821</u>	<u>(3,492,850)</u>	<u>64,884,971</u>	<u>48,520,898</u>	<u>2,077,543</u>	<u>50,598,441</u>
Expenses						
Program services	42,582,700	-	42,582,700	41,766,912	-	41,766,912
Bingo games	246,068	-	246,068	290,242	-	290,242
Management and general	8,950,413	-	8,950,413	7,709,027	-	7,709,027
Fundraising	3,564,745	-	3,564,745	1,772,725	-	1,772,725
Total expenses	<u>55,343,926</u>	<u>-</u>	<u>55,343,926</u>	<u>51,538,906</u>	<u>-</u>	<u>51,538,906</u>
Other Income (Expense)						
Excess of assets acquired over liabilities assumed of affiliate	-	-	-	12,999,652	616,634	13,616,286
Total other income (expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,999,652</u>	<u>616,634</u>	<u>13,616,286</u>
Change in net assets	13,033,895	(3,492,850)	9,541,045	9,981,644	2,694,177	12,675,821
Net Assets, Beginning	<u>25,323,041</u>	<u>10,059,009</u>	<u>35,382,050</u>	<u>15,341,397</u>	<u>7,364,832</u>	<u>22,706,229</u>
Net Assets, Ending	<u>\$ 38,356,936</u>	<u>\$ 6,566,159</u>	<u>\$ 44,923,095</u>	<u>\$ 25,323,041</u>	<u>\$ 10,059,009</u>	<u>\$ 35,382,050</u>

See notes to consolidated financial statements

A New Leaf, Inc. and Affiliates

 Consolidated Statement of Functional Expenses
 Year Ended June 30, 2025

	Program Services												
	Shelter Services	Youth Services	Behavioral Health	Community Services and Education	Other Programs	Community Action Program	MesaCAN Weatherization and Other Programs	CAAFAs Domestic Abuse Relief	Total Program Services	Bingo Games	Management and General	Fundraising	Total
Salaries and wages	\$ 6,876,788	\$ 6,982,285	\$ 1,478,879	\$ 1,674,007	\$ 1,086,626	\$ 443,562	\$ 335,668	\$ 50,295	\$ 18,928,110	\$ 102,873	\$ 5,201,107	\$ 1,278,114	\$ 25,510,204
Payroll taxes	553,800	561,897	125,503	134,404	67,416	42,952	26,368	3,377	1,515,717	8,429	405,761	98,228	2,028,135
Employee benefits	725,277	738,547	135,945	187,644	128,215	64,957	28,144	-	2,008,729	3,042	687,222	145,936	2,844,929
	8,155,865	8,282,729	1,740,327	1,996,055	1,282,257	551,471	390,180	53,672	22,452,556	114,344	6,294,090	1,522,278	30,383,268
Professional services	448,938	223,141	328,923	54,523	269,933	24,293	529,329	527,837	2,406,917	-	894,396	75,056	3,376,369
Advertising, marketing and printing	3,523	-	490	545	57	5,031	486	-	10,132	3,720	422,857	259,113	695,822
Supplies and postage	70,998	20,982	7,374	6,696	29,913	8,463	13,519	62	158,007	1,011	30,599	160,793	350,410
Telephone	146,701	109,575	22,843	21,961	16,400	8,317	6,988	14,567	347,352	-	123,589	10,553	481,494
Occupancy	1,224,359	392,029	61,623	129,384	458,713	125,509	26,528	36,656	2,454,801	61,512	428,676	18,398	2,963,387
Travel and vehicle	154,724	620,858	17,205	38,823	4,676	4,937	25,165	5,479	871,867	-	62,041	19,486	953,394
Interest expense	-	5,000	3,947	-	11,011	-	315	1,124	21,397	9,729	170,071	55,685	256,882
Conferences	14,467	8,340	1,138	696	2,711	6,707	12,419	768	47,246	-	19,780	9,243	76,269
Depreciation	144,661	37,153	55,064	9,712	719,319	-	-	20,539	986,448	-	113,206	17,382	1,117,036
Insurance	350,403	298,575	41,543	65,099	112,569	25,728	19,305	29,624	942,846	-	186,224	33,324	1,162,394
Equipment lease, repair and maintenance	164,357	110,722	27,240	25,335	138,113	9,435	9,510	6,743	491,455	26,235	19,642	13,660	550,992
Client expenses and supplies	6,436,256	1,613,545	64,270	240,610	116,001	832,021	1,599,775	14,954	10,917,432	-	251	888,097	11,805,780
Bad debt	-	42,987	238,072	-	5,822	-	-	-	286,881	-	28,845	154,286	470,012
Bingo cost of goods sold	-	-	-	-	-	-	-	-	-	814,953	-	-	814,953
Bingo taxes	-	-	-	-	-	-	-	-	-	28,170	-	-	28,170
Special event expenses	-	210	-	3,988	130	-	-	-	4,328	-	-	519,631	523,959
Miscellaneous expense	5,177	47,628	10	54,228	71,633	1,338	3,021	-	183,035	1,347	156,146	48,851	389,379
Contribution expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	17,320,429	11,813,474	2,610,069	2,647,655	3,239,258	1,603,250	2,636,540	712,025	42,582,700	1,061,021	8,950,413	3,805,836	56,399,970
Amounts included with revenue on the consolidated statement of activities:													
Special event venue and food	-	-	-	-	-	-	-	-	-	-	-	(241,091)	(241,091)
Bingo cost of goods sold	-	-	-	-	-	-	-	-	-	(814,953)	-	-	(814,953)
	\$ 17,320,429	\$ 11,813,474	\$ 2,610,069	\$ 2,647,655	\$ 3,239,258	\$ 1,603,250	\$ 2,636,540	\$ 712,025	\$ 42,582,700	\$ 246,068	\$ 8,950,413	\$ 3,564,745	\$ 55,343,926

See notes to consolidated financial statements

A New Leaf, Inc. and Affiliates

 Consolidated Statement of Functional Expenses
 Year Ended June 30, 2024

	Program Services												
	Shelter Services	Youth Services	Behavioral Health	Community Services and Education	Other Programs	Community Action Program	MesaCAN Weatherization and Other Programs	CAAFAs Domestic Abuse Relief	Total Program Services	Bingo Games	Management and General	Fundraising	Total
Salaries and wages	\$ 5,990,137	\$ 6,130,106	\$ 3,722,982	\$ 1,752,197	\$ 286,887	\$ 478,488	\$ 194,152	\$ (1,180)	\$ 18,553,769	\$ 104,507	\$ 4,787,146	\$ 1,029,270	\$ 24,474,692
Payroll taxes	517,517	520,524	313,569	150,036	25,044	39,780	15,911	4,699	1,587,080	8,681	316,886	80,274	1,992,921
Employee benefits	601,208	601,358	368,623	175,680	36,402	56,734	31,233	(1,043)	1,870,195	3,064	591,308	123,031	2,587,598
	7,108,862	7,251,988	4,405,174	2,077,913	348,333	575,002	241,296	2,476	22,011,044	116,252	5,695,340	1,232,575	29,055,211
Professional services	352,887	198,028	452,040	58,098	47,902	39,987	130,007	511,516	1,790,465	-	912,979	26,270	2,729,714
Advertising, marketing and printing	27,041	-	304	1,295	754	360	2,816	574	33,144	2,338	70,929	211,972	318,383
Supplies and postage	102,412	18,068	9,024	8,337	24,380	11,040	3,391	3,712	180,364	1,542	35,530	10,209	227,645
Telephone	146,339	83,609	65,402	25,272	4,907	11,750	3,984	16,351	357,614	473	133,390	9,433	500,910
Occupancy	1,664,472	514,691	236,484	169,940	120,072	130,048	15,277	47,298	2,898,282	100,884	438,121	12,938	3,450,225
Travel and vehicle	122,451	490,886	72,942	38,626	956	4,007	16,593	6,024	752,485	-	53,622	21,178	827,285
Interest expense	-	5,045	3,555	14	13,058	1	70	949	22,692	9,989	58,834	56,927	148,442
Conferences	15,916	8,554	394	2,056	452	4,550	8,242	1,340	41,504	-	39,032	13,174	93,710
Depreciation	191,529	27,048	30,881	12,536	93,100	-	-	25,594	380,688	-	126,297	1,531	508,516
Insurance	286,746	242,556	121,611	61,038	12,936	24,391	9,373	26,280	784,931	-	123,789	24,465	933,185
Equipment lease, repair, and maintenance	203,318	156,202	107,692	47,414	72,567	18,526	5,523	10,448	621,690	30,783	12,232	20,692	685,397
Client expenses and supplies	6,598,095	1,795,589	122,832	247,898	95,728	623,940	2,250,233	14,621	11,748,936	-	7,393	7,076	11,763,405
Bad debt	-	2,627	33,780	-	(4,438)	-	-	-	31,969	-	-	-	31,969
Bingo cost of goods sold	-	-	-	-	-	-	-	-	-	807,205	-	-	807,205
Bingo taxes	-	-	-	-	-	-	-	-	-	27,788	-	-	27,788
Special event expenses	-	-	-	5,660	-	-	-	-	5,660	-	108	301,612	307,380
Miscellaneous expense	6,950	76,044	2,511	4,280	10,758	2,140	2,324	437	105,444	193	1,431	-	107,068
Contribution expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	16,827,018	10,870,935	5,664,626	2,760,377	841,465	1,445,742	2,689,129	667,620	41,766,912	1,097,447	7,709,027	1,950,052	52,523,438
Amounts included with revenue on the consolidated statement of activities:													
Special event venue and food	-	-	-	-	-	-	-	-	-	-	-	(177,327)	(177,327)
Bingo cost of goods sold	-	-	-	-	-	-	-	-	-	(807,205)	-	-	(807,205)
Total	\$ 16,827,018	\$ 10,870,935	\$ 5,664,626	\$ 2,760,377	\$ 841,465	\$ 1,445,742	\$ 2,689,129	\$ 667,620	\$ 41,766,912	\$ 290,242	\$ 7,709,027	\$ 1,772,725	\$ 51,538,906

See notes to consolidated financial statements

A New Leaf, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 9,541,045	\$ 12,675,821
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,117,036	508,516
Excess of assets acquired over liabilities assumed of affiliate	-	(13,383,319)
Contribution of donated stock	-	(66,587)
Contribution of property and equipment	(18,641,942)	-
Bad debt provision for accounts receivable	716,928	31,969
Provision for uncollectible promises to give	(246,916)	-
Provision for uncollectible loans receivable	-	(4,438)
Amortization of discount on notes receivable	(13,840)	(13,688)
Change in donated facility lease receivable	92,960	88,152
Realized and unrealized (gain) loss on investments	(196,199)	(340,205)
Realized and unrealized (gain) loss on certificate of deposit	(7,217)	(4,430)
Amortization of operating lease right-of-use assets	80,232	73,327
Amortization of finance lease right-of-use assets	11,334	14,101
Change in fair value of perpetual trust	(9,812)	(7,889)
(Increase) decrease in:		
Accounts receivable	(939,837)	150,328
Contracts and other receivables	2,011,203	(1,357,674)
Promises to give	1,698,687	(143,748)
Due from affiliates	(337,954)	8,514
Prepaid expenses	133,886	(232,041)
Deposits	317,957	(83,203)
Increase (decrease) in:		
Accounts payable	(700,439)	893,571
Accrued expenses	(5,706)	315,443
Due to affiliates	93,692	(765)
Deferred revenue	404,605	(253,582)
Tenant security deposits	(2,427)	-
Operating lease liabilities	(80,503)	(73,336)
Net cash flows from operating activities	<u>(4,963,227)</u>	<u>(1,205,163)</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(1,002,102)	(1,515,395)
Purchases of investments	(101,181)	(77,889)
Proceeds from sale of investments	1,001,814	3,139,097
Purchases of certificate of deposit	-	(153,347)
Proceeds from redemption of certificate of deposit	-	150,000
Proceeds from distribution from perpetual trust	9,469	9,587
Payments received on loans receivable	-	4,464
Net cash flows from investing activities	<u>(92,000)</u>	<u>1,556,517</u>
Cash Flows From Financing Activities		
Principal payments on long-term debt	(117,630)	(64,356)
Payments on finance leases	(9,285)	(13,484)
Proceeds from lines of credit	4,524,224	-
Payments on lines of credit	(1,518,413)	-
Return of capital due to dissolution of Prospect Park, LP	1,401,892	-
Net cash flows from financing activities	<u>4,280,788</u>	<u>(77,840)</u>
Net change in cash and cash equivalents	(774,439)	273,514
Cash and Cash Equivalents, Beginning	<u>3,650,341</u>	<u>3,376,827</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,875,902</u>	<u>\$ 3,650,341</u>

See notes to consolidated financial statements

A New Leaf, Inc. and AffiliatesConsolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation to Consolidated Statements of Financial Position		
Cash and cash equivalents	\$ 2,532,996	\$ 2,817,389
Restricted cash, deposits and funded reserves	305,178	770,500
Restricted cash, designated for direct loan fund	-	24,724
Restricted cash, endowment	<u>37,728</u>	<u>37,728</u>
	<u>\$ 2,875,902</u>	<u>\$ 3,650,341</u>
Supplemental Cash Flow Disclosures		
Noncash investing and financing transactions:		
Investment return on deferred compensation investments	<u>\$ 32,829</u>	<u>\$ 43,202</u>
Interest paid	<u>\$ 68,634</u>	<u>\$ 10,565</u>

See notes to consolidated financial statements

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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. This program was discontinued during the year ended June 30, 2025.

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.

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Mesa Community Action Network, Inc. (MesaCAN) is a nonprofit organization established in 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.

Assets to Opportunity (ATO) 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 ATO 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 organization incorporated in 1996, which provides housing needs to individuals and families in need. Cottages is the developer of Desert Leaf Apartments. Desert Leaf Apartments is 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 (CAFA) is a nonprofit organization established in 1998 and provides domestic abuse relief services in Northern Pinal County. CAFA 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.

Homeward Bound is a nonprofit organization established in 1990 and provides emergency and transitional housing and community outreach services. Homeward Bound constructed the Thunderbirds Family Village, a 5-acre campus that includes 68 apartments comprised of 60 two-bedroom housing units and 8 four-bedroom housing units where families facing homelessness are placed while they work with the housing navigation team to secure permanent housing in the community. Emergency shelter clients reside on campus for up to six months while transitional clients stay up to one year.

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, CAFA, and Homeward Bound. Cottages operates as an affiliate of Leaf and is under the control of Leaf.

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The consolidated financial statements include the accounts of Leaf, MesaCAN, NEDCO, Cottages, CAAFA, and Homeward Bound 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 (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. As of June 30, 2025 and 2024, there were no cash equivalents.

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 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 and Contracts Receivable

Accounts and contracts receivable consist 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 and contracts receivable are carried at the outstanding balances less an allowance for credit losses, if applicable. Accounts and contracts receivable are stated at the amount management expects to collect. Account balances are written off through a charge to the valuation allowance and credit to accounts receivable when they are determined to be uncollectible.

Allowance for Credit Losses

The Organization recognizes an allowance for credit losses for receivables arising from reciprocal transactions to present the net amount expected to be collected. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events. The Organization pools these receivables based on similar risk characteristics in estimating expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Organization measures those receivables individually. Receivables are written off when the Organization determines that such receivables are deemed uncollectible.

The Organization utilizes the loss rate method in determining its lifetime expected credit losses on accounts receivable. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables.

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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 to give are charged off against the allowance when they are deemed to be uncollectible.

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.

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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.

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:

<u>Asset Class</u>	<u>Years</u>
Buildings and improvements	2 - 35
Furniture, fixtures and equipment	3 - 15
Vehicles	5
Computer software	3

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.

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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.

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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, 2025 and 2024, 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, 2025 and 2024, 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.

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 released from restriction 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, fee-for-service contract revenue, 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. These types of revenue are recognized at a point in time, in the period the services are provided. Client fees, fee-for-service contract revenue, and insurance revenue are principally for patients covered by third-party insurance companies or state agencies. This revenue is recognized in the amount to which the Organization expects to be entitled, based on contracted rates with funding sources.

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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. Block payments received in advance of services being provided are 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.

Rental fees are set by the Organization according to lease terms 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 which occurs on a single day for each bingo event.

The beginning and ending contract balances were as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Accounts receivable, net	\$ 488,571	\$ 265,662	\$ 447,959
Contract liabilities	\$ -	\$ 109,157	\$ 109,157

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.

Government contract revenue is included in contract revenue, conditional contributions on the consolidated statements of activities and includes amounts recognized from cost reimbursement arrangements. Cost reimbursement contracts and grants are conditional contributions where the conditions are met, and income is recorded, 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, 2025 and 2024, these contracts included conditional promises to give in the amount of approximately \$19,645,000 and \$22,840,000, respectively, which represents unspent amounts available in these contract agreements that are expected to be spent during the next year.

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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.

Leasing Activities

The Organization recognizes the assets and liabilities arising from leases on the consolidated statements 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 leases with similar commencement dates, length of terms, renewal options, or other contract terms are accounted for using the portfolio approach whereby the resulting accounting at the portfolio level does not materially differ from that at the individual lease level. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the noncancelable lease term. The Organization does not separate lease and nonlease components for all asset classes when determining the measurement of the right-of-use assets and lease liabilities. When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization uses a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes. In addition, the Organization does not apply the recognition requirements to any 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 are recorded on a straight-line basis over the lease 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.

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 \$696,000 and \$318,000 for the years ended June 30, 2025 and 2024, respectively.

Functional Expenses

The consolidated statements of functional expenses present 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.

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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, CAAFA, and Homeward Bound 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, 2025 and 2024, 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, 2025 and 2024, the Organization did not have any income tax related interest and penalty expense.

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.

Date of Management's Review

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 27, 2026, the date the consolidated financial statements were available to be issued.

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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 (including amounts restricted for ongoing program activity purposes) to be general expenditures. As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments, CD's, and money market funds.

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

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 2,532,996	\$ 2,817,389
Certificate of deposit	164,994	157,777
Accounts receivable, net	488,571	265,662
Contracts and other receivables, net	2,692,843	4,704,046
Promises to give, current portion, net of discount and in-kind	455,248	867,775
Due from affiliates	684,115	346,161
Investments	<u>93,637</u>	<u>1,020,124</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,112,404</u>	<u>\$ 10,178,934</u>

The Organization also has lines of credit available to meet short-term needs. See Note 8 for information about these arrangements.

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, investments, contracts receivables, and promises to give. The Organization maintains its cash in bank accounts with financial institutions, which at times may exceed federally insured limits. 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 Organization also maintains an investment account with an investment company where investment balances are insured by the Securities Investor Protection Corporation (SIPC).

The contracts receivable balance at June 30, 2025 includes amounts from five payer sources whose balances make up approximately 67% of net contracts receivable. The contracts receivable balance at June 30, 2024 includes amounts from three payer sources whose balances make up approximately 39% of net contracts receivable. Concentrations of credit risk with respect to contracts 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, 2025, promises to give includes amounts from three donors totaling 84% of net promises to give. As of June 30, 2024, promises to give includes amounts from four donors totaling 93% 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 40% of its contract revenue from two funding sources (both Arizona government agencies) during the year ended June 30, 2025. The Organization received approximately 59% of its contract revenue from four funding sources (all of which are Arizona government agencies) during the year ended June 30, 2024. 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.

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

4. Promises to Give

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

	<u>2025</u>	<u>2024</u>
Due within one year:		
Real property	\$ 127,640	\$ 1,068,344
In-kind rent	116,394	116,394
Other	458,578	1,245,661
	<u>702,612</u>	<u>2,430,399</u>
Due in two to five years:		
In-kind rent	387,980	504,374
Other	49,100	20,000
	<u>437,080</u>	<u>524,374</u>
Gross promises to give	1,139,692	2,954,773
Discount to present value	(46,001)	(69,435)
Allowance for uncollectible promises	<u>(130,970)</u>	<u>(377,886)</u>
Total net promises to give	<u>\$ 962,721</u>	<u>\$ 2,507,452</u>

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. Private company preferred stock is measured using the measurement alternative and is therefore not required to be included in the fair value hierarchy.

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Unrestricted investments:				
Money market	\$ 7,797	\$ -	\$ -	\$ 7,797
Equities	85,840	-	-	85,840
	<u>\$ 93,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,637</u>
Deferred compensation plan investments:				
Pooled separate funds	\$ -	\$ 381,486	\$ -	\$ 381,486
Beneficial interest in perpetual trust:				
Money market	\$ -	\$ -	\$ 1,869	\$ 1,869
Fixed income	-	-	125,703	125,703
Equities	-	-	57,545	57,545
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,117</u>	<u>\$ 185,117</u>
Endowment fund:				
Money market	\$ 116,879	-	-	116,879
Mutual funds	1,969,481	-	-	1,969,481
	<u>\$ 2,086,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,086,360</u>

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June 30, 2025 and 2024

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Unrestricted investments:				
Money market	\$ 278,700	\$ -	\$ -	\$ 278,700
Mutual funds	650,273	-	-	650,273
Equities	76,151	-	-	76,151
Total investments measured at fair value	<u>\$ 1,005,124</u>	<u>\$ -</u>	<u>\$ -</u>	1,005,124
Private company preferred stock measured using measurement alternative				<u>15,000</u>
Total investments				<u>\$ 1,020,124</u>
Deferred compensation plan investments:				
Pooled separate funds	<u>\$ -</u>	<u>\$ 338,151</u>	<u>\$ -</u>	<u>\$ 338,151</u>
Beneficial interest in perpetual trust:				
Money market	\$ -	\$ -	\$ 2,844	\$ 2,844
Fixed income	-	-	126,552	126,552
Equities	-	-	55,378	55,378
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,774</u>	<u>\$ 184,774</u>
Endowment fund:				
Money market	\$ 110,480	\$ -	\$ -	\$ 110,480
Mutual funds	1,753,827	-	-	1,753,827
	<u>\$ 1,864,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,864,307</u>

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, 2025 and 2024:

	<u>Beneficial Interest in Perpetual Trust</u>
Level 3 assets at June 30, 2023	\$ 186,472
Distribution	(9,587)
Change in value of perpetual trust	<u>7,889</u>
Level 3 assets at June 30, 2024	184,774
Distribution	(9,469)
Change in value of perpetual trust	<u>9,812</u>
Level 3 assets at June 30, 2025	<u>\$ 185,117</u>

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements
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Investment return is summarized as follows for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 101,181	\$ 141,711
Realized gain/(loss)	78,807	(35,472)
Unrealized gain	117,392	375,677
Investment fees	-	(43,669)
	<u> </u>	<u> </u>
Investment return	<u>\$ 297,380</u>	<u>\$ 438,247</u>

6. Investment in Prospect Park, LP

The Organization had an investment in an affiliate that was accounted for using the equity method of accounting. In April 2025, Leaf and the Pre-HAB Foundation (the Foundation) determined it was in the best interests of the partners to dissolve Prospect Park, LP (the Partnership). The following is a reconciliation of beginning and ending balances of the equity method investment during the years ended June 30, 2025 and 2024:

	<u>Prospect Park, LP</u>
Investment value at June 30, 2023	\$ 1,401,892
Net income (loss)	<u> -</u>
Investment value at June 30, 2024	1,401,892
Return of capital in dissolution of partnership	(1,401,892)
Net income (loss)	<u> -</u>
Investment value at June 30, 2025	<u>\$ -</u>

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

	<u>2025</u>	<u>2024</u>
Statements of Financial Position:		
Total assets	<u>\$ -</u>	<u>\$ 1,093,312</u>
Total liabilities	-	-
Net assets without donor restrictions	<u>\$ -</u>	<u>\$ 1,093,312</u>
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 1,093,312</u>
Statements of Activities:		
Total expenses	\$ -	\$ (57,668)
Return of capital in dissolution of partnership, the Foundation	308,580	-
Return of capital in dissolution of partnership, Leaf	<u>(1,401,892)</u>	<u> -</u>
Change in net assets	(1,093,312)	(57,668)
Net assets, beginning	<u>1,093,312</u>	<u>1,150,980</u>
Net assets, ending	<u>\$ -</u>	<u>\$ 1,093,312</u>

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

7. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Land	\$ 9,635,932	\$ 2,534,198
Buildings and improvements	45,880,306	33,854,471
Furniture, fixtures and equipment	2,907,978	2,616,334
Vehicles	745,636	576,102
Computer software	178,790	178,790
	<u>59,348,642</u>	<u>39,759,895</u>
Construction in process	1,145,906	696,250
Accumulated depreciation	<u>(17,223,832)</u>	<u>(15,712,437)</u>
	<u>\$ 43,270,716</u>	<u>\$ 24,743,708</u>

Depreciation expense was approximately \$1,117,000 and \$509,000 for the years ended June 30, 2025 and 2024, 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 as net assets with donor restrictions until the restrictions are met.

Construction in process includes amounts incurred for building improvements. Also, during the year ended June 30, 2025, the Foundation, a related organization, made a noncash donation of all of its property and equipment to Leaf effective December 31, 2025, resulting in an increase in property and equipment in the amount of approximately \$17,700,000. This noncash donation is included in in-kind contribution income on the accompanying statement of activities.

8. Lines of Credit

Lines of credit consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
\$3,500,000 revolving line of credit requiring 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 8.50% and matures May 26, 2026. This line of credit is secured by all inventory, chattel paper, accounts, equipment and general intangibles of Leaf. The line of credit is guaranteed by the Foundation, an Arizona nonprofit corporation related through common management.	\$ 3,005,811	\$ -
Approved credit of \$1,025,166 at June 30, 2025, 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 from this line of credit.	<u>24,374</u>	<u>24,374</u>
	<u>\$ 3,030,185</u>	<u>\$ 24,374</u>

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

9. Long-Term Debt

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

	<u>2025</u>	<u>2024</u>
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 Foundation.	\$ 151,838	\$ 168,579
Noninterest 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 5, 2027, the maturity date.	100,000	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.	67,531	70,503
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
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 which is expected January 2042. 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 which is expected May 2027. 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.	159,025	159,025

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	<u>2025</u>	<u>2024</u>
<p>Loan payable to Magellan Health funded in November 2012. The loan bears interest at 0.00% per annum for a term of 25 years so long as housing remains available for the purpose of providing support to chronic homeless with special needs. Upon completion of the 25-year term, the entire balance of the loan will be forgiven upon compliance with the terms and conditions of the loan which is expected November 2037.</p>	\$ 325,000	\$ 325,000
<p>Loan payable to the City of Mesa funded on January 18, 2008. The loan bears interest at 0.00% per annum for a term of 15 years so long as housing remains available for low-income housing. Upon completion of the 15-year term, beginning when the asset was placed in service, the entire balance of the loan will be forgiven upon compliance with the terms and conditions of the loan which is expected May 2027. If compliance terms are not met, at the option of the City of Mesa, an interest rate of 5.00% per annum may be charged on the outstanding loan balance.</p>	145,000	145,000
<p>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.</p>	500	73,417
<p>Homeward Bound: Interest free note payable to the Arizona Department of Commerce. The funds received are required to be repaid only if Homeward Bounds sells the Thunderbirds Family Village (TFV) property within the period of affordability remaining on the TFV property or fails to comply with the covenants, conditions and restrictions as defined in the agreement. The period of affordability is satisfied, and the note matures in full in June 2029.</p>	<u>800,000</u>	<u>800,000</u>
	3,048,894	3,166,524
Current portion	<u>(82,727)</u>	<u>(256,278)</u>
Long-term portion	<u>\$ 2,966,167</u>	<u>\$ 2,910,246</u>

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Notes to Consolidated Financial Statements
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Future minimum principal payments required and future forgiveness amounts on all long-term debt as of June 30, 2025 are as follows:

Years ending June 30:	
2026	\$ 82,727
2027	419,319
2028	15,917
2029	816,566
2030	17,241
Thereafter	<u>1,697,124</u>
Total	<u>\$ 3,048,894</u>

10. 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 expired in 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.

The Organization made significant assumptions and judgements in applying the requirements of lease accounting. 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 15.

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

	<u>2025</u>	<u>2024</u>
Operating lease right-of-use assets	\$ 92,248	\$ 172,480
Finance lease right-of-use assets	-	11,334
	<u>\$ 92,248</u>	<u>\$ 183,814</u>
Lease liabilities:		
Current operating lease liabilities	\$ 46,478	\$ 70,726
Current finance lease liabilities	-	9,285
Long-term operating lease liabilities	45,770	102,025
Long-term finance lease liabilities	-	-
Total operating lease liabilities	<u>\$ 92,248</u>	<u>\$ 182,036</u>

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

	<u>2025</u>	<u>2024</u>
Finance lease expense:		
Amortization of lease assets included in depreciation and amortization	\$ 9,383	\$ 13,122
Interest on lease liabilities included in interest expense	92	465
Operating lease expense	63,847	125,635
Short-term lease expense	147,808	238,615
Total lease expense	<u>\$ 221,130</u>	<u>\$ 377,837</u>

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

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term (years):		
Operating leases	1.60	2.60
Finance leases	0.00	0.72
Weighted-average discount rate:		
Operating leases	3.11 %	3.11 %
Finance leases	0.00 %	2.85 %

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The table below summarizes the Organization's scheduled future minimum lease payments for years ending after June 30, 2025:

	<u>Operating Leases</u>
Years ending June 30:	
2026	\$ 48,457
2027	45,307
2028	<u>1,114</u>
Total lease payments	94,878
Less present value discount	<u>(2,630)</u>
Total lease liabilities	92,248
Less current portion	<u>(46,478)</u>
Long-term lease liabilities	<u>\$ 45,770</u>

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

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 63,847	\$ 125,635
Operating cash flows for finance leases	92	465
Financing cash flows for finance leases	9,376	13,598

11. Endowment Fund

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

	<u>2025</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Funds</u>
Original corpus	\$ -	\$ 1,410,792	\$ 1,410,792
Accumulated investment earnings	-	<u>713,296</u>	<u>713,296</u>
	<u>\$ -</u>	<u>\$ 2,124,088</u>	<u>\$ 2,124,088</u>

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	2024		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Funds
Original corpus	\$ -	\$ 1,410,792	\$ 1,410,792
Accumulated investment earnings	-	491,243	491,243
	<u>\$ -</u>	<u>\$ 1,902,035</u>	<u>\$ 1,902,035</u>

Changes in the endowment fund for the years ended June 30 2025 and 2024, are as follows:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Funds
Balance, June 30, 2023	\$ -	\$ 1,696,315	\$ 1,696,315
Earnings on internal borrowings	-	2,476	2,476
Interest and dividend income	-	56,003	56,003
Realized gain	-	26,724	26,724
Unrealized gain	-	124,029	124,029
Fees	-	(3,512)	(3,512)
Amounts appropriated for expenditure	-	-	-
Balance, June 30, 2024	-	1,902,035	1,902,035
Interest and dividend income	-	56,016	56,016
Realized gain	-	71,719	71,719
Unrealized gain	-	94,318	94,318
Amounts appropriated for expenditure	-	-	-
Balance, June 30, 2025	<u>\$ -</u>	<u>\$ 2,124,088</u>	<u>\$ 2,124,088</u>

12. Net Assets With Donor Restrictions

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

	2025	2024
Purpose restricted:		
Shelter services	\$ 950,429	\$ 829,976
Rapid rehousing	-	425,732
Autumn house	-	249,800
Community services	21,576	148,038
Domestic violence services/stop	504,692	742,460
Faith house	271,217	547,232
Piper trust capacity building – phase 1	269,773	578,274
Piper trust capacity building – phase 2	178,637	642,600
Kelly Ramos fund	4,992	6,594
Building maintenance and remodel	-	100,000
Client services	-	230,075
Prevention and workforce development	-	25,000
Strong foundation	-	79,705
Youth programs	135,670	177,156
Other	4,698	4,698

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	<u>2025</u>	<u>2024</u>
Time and purpose restricted:		
East Valley Men's Shelter	\$ 497,000	\$ 497,000
Phoenix Day programs	30,589	30,589
ATO program	424,960	524,819
Promises to give, net	504,348	1,581,119
La Mesita endowment earnings	713,296	491,243
Time restricted:		
La Mesita endowment	1,410,792	1,410,792
Beneficial interest in perpetual trust	185,117	184,774
Promise to give in-kind rent, net	458,373	551,333
Total net with donor restrictions	<u>\$ 6,566,159</u>	<u>\$ 10,059,009</u>

13. In-Kind Contributions and Rent

The Organization received the following contributions of nonfinancial assets for the year ended June 30, 2025:

	<u>Shelter Services</u>	<u>Youth Services</u>	<u>Behavioral Health</u>	<u>Community Services and Education</u>	<u>Other Programs</u>	<u>Community Action Programs</u>	<u>Support Services</u>	<u>Total</u>
Rent	\$ 167,087	\$ 169,830	\$ 3,570	\$ 8,357	\$ -	\$ 115,348	\$ 149,810	\$ 614,002
Property and equipment	2,645,115	5,956,890	1,123,360	-	-	840,196	7,135,677	17,701,238
Professional fees	17,317	11,875	-	-	-	-	19,543	48,735
Clothing and household goods	26,655	486	-	1,552	4,244	-	685,170	718,107
Food	515,924	302	-	-	951	-	75,071	592,248
Supplies	101,266	13,965	-	1,233	6,163	-	337,097	459,724
Client assistance	1,630	1,200	-	-	380,829	-	6,497	390,156
Total	<u>\$ 3,474,994</u>	<u>\$ 6,154,548</u>	<u>\$ 1,126,930</u>	<u>\$ 11,142</u>	<u>\$ 392,187</u>	<u>\$ 955,544</u>	<u>\$ 8,408,865</u>	<u>\$ 20,524,210</u>

The Organization received the following contributions of nonfinancial assets for the year ended June 30, 2024:

	<u>Shelter Services</u>	<u>Youth Services</u>	<u>Behavioral Health</u>	<u>Community Services and Education</u>	<u>Other Programs</u>	<u>Community Action Programs</u>	<u>CAAFAs Domestic Abuse Relief</u>	<u>Support Services</u>	<u>Total</u>
Rent	\$ 328,290	\$ 297,818	\$ 123,920	\$ 13,133	\$ 2,323	\$ 73,600	\$ -	\$ 228,172	\$ 1,067,256
Professional fees	11,320	3,960	-	-	22,760	18	-	-	38,058
Clothing and household goods	872,366	6,624	-	3,616	-	2	2,439	-	885,047
Food	176,861	-	-	-	-	-	454	-	177,315
Supplies	121,079	3,331	-	8,697	1	360	40	6,600	140,108
Client assistance	29,039	7,873	104	-	325,389	-	-	-	362,405
Total	<u>\$ 1,538,955</u>	<u>\$ 319,606</u>	<u>\$ 124,024</u>	<u>\$ 25,446</u>	<u>\$ 350,473</u>	<u>\$ 73,980</u>	<u>\$ 2,933</u>	<u>\$ 234,772</u>	<u>\$ 2,670,189</u>

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 property and equipment is valued at fair market value based off of real estate brokers' opinions. 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.

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14. 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 \$723,000 and \$690,000 during the years ended June 30, 2025 and 2024, 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 \$381,486 and \$338,151 as of June 30, 2025 and 2024, respectively. The Organization made employer contributions to the deferred compensation plan of approximately \$25,000 and \$24,000 during the years ended June 30, 2025 and 2024, respectively.

15. Transactions With Affiliates

In February of 2025, the Leaf and Foundation boards approved a resolution to dissolve the limited partnership investment in Prospect Park 1, LP (Park), an affordable housing establishment, and the partnership was dissolved in April 2025. Leaf received a return of capital in the amount of \$1,401,748 during the year ended June 30, 2025. The investment in affiliate was \$1,401,892 as of June 30, 2024.

Leaf has several transactions with the Foundation. Leaf pays rent to the Foundation in amounts that reflect fair market rent rates. The Foundation also reimburses Leaf for management and support service costs and pays donations to Leaf. The following are the transactions with the Foundation for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Rent paid/in-kind rent to the Foundation	\$ 369,360	\$ 738,719
Reimbursement for management and support service costs paid to Leaf	556,212	561,209
Donations paid to Leaf from bingo operations	431,479	383,521
Rent paid/in-kind rent from the Foundation	537,023	-

During the year ended June 30, 2025, the Foundation transferred all of its property and equipment to Leaf in the amount of approximately \$17,700,000, which is included in in-kind contributions and rent in the accompanying consolidated statements of activities. This noncash contribution of property was recorded at fair market value.

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 \$417,575 and \$127,741 for the years ended June 30, 2025 and 2024, respectively.

La Mesita Apartments Phase 3 LP owes Leaf for advances of construction development and operating expenses in the amounts of \$266,540 and \$218,420 as of June 30, 2025 and 2024, respectively. These amounts are included as due from affiliates on the accompanying consolidated statements of financial position.

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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, 2025 and 2024. These notes are included as notes receivable, related parties, net on the accompanying consolidated statements of financial position.

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

	<u>2025</u>	<u>2024</u>
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	<u>300,000</u>	<u>300,000</u>
Total	1,382,533	1,382,533
Less discount to net present value (at rates of 1.75% to 3.27%)	<u>(322,337)</u>	<u>(336,177)</u>
Notes receivable, related parties, net	<u>\$ 1,060,196</u>	<u>\$ 1,046,356</u>

Certain members of the board of directors of the Organization have pledged or contributed donations in the amounts of approximately \$196,000 and \$656,000 during the years ended June 30, 2025 and 2024, respectively. Promises to give from members of the board were \$20,000 and \$30,000 as of June 30, 2025 and 2024, respectively.

MesaCAN leases a facility from the Foundation. Total rent paid to the Foundation was approximately \$42,000 and \$83,000 for the years ended June 30, 2025 and 2024, respectively.

16. 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.

17. Acquisition

On May 31, 2024, Leaf became the sole member of Homeward Bound, an Arizona nonprofit corporation. Homeward Bound provides emergency and transitional housing and community outreach services which are similar to the program activities of Leaf. There was no consideration transferred in the acquisition transaction.

A New Leaf, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The amounts recognized at fair value at the time of acquisition for the assets acquired and liabilities assumed were as follows:

Cash and cash equivalents	\$	232,967
Grants receivable		174,744
Prepaid expenses		10,685
Investments		584,620
Property and equipment, net		<u>13,617,153</u>
Total assets acquired		<u>14,620,169</u>
Accounts payable		32,600
Accrued expenses		171,283
Note payable		<u>800,000</u>
Total liabilities assumed		<u>1,003,883</u>
Excess of assets acquired over liabilities assumed	\$	<u>13,616,286</u>

Conditional promises to give acquired in this transaction were approximately \$77,000.

This transaction was accounted for using the acquisition method. The inherent contribution represents the net assets of Homeward Bound. The carrying amounts of cash and cash equivalents, grants receivable, prepaid expenses, accounts payable, and accrued expenses approximated fair value as of the acquisition date due to the short-term nature of these amounts. The carrying amount of investments was deemed to approximate fair value as of the acquisition date as investments were carried at fair value on Homeward Bound's statement of financial position. The fair value of Homeward Bound's property and equipment as of the acquisition date was based on an independent third-party appraisal. The carrying amount of the note payable was also deemed to approximate fair value as the original terms of the note payable are comparable to current market terms as of the acquisition date. The terms of the note payable for Homeward Bound is more fully described in Note 9. The 2024 consolidated statements of activities, functional expenses and cash flows include the activities of Homeward Bound for the period from June 1, 2024 through June 30, 2024. The provisions of the affiliation were absent of any significant contingency payments, options, or commitments.

18. Subsequent Events

Subsequent to year-end, the Organization sold property located at 8581 North 61st Avenue, Glendale, Arizona in the amount of \$2,100,000 for a gain of approximately \$1,110,000.

A New Leaf, Inc. and Affiliates

Consolidating Statement of Financial Position

June 30, 2025

	A New Leaf, Inc.	NEDCO	MesaCAN	A New Leaf Cottages	Community Alliance Against Family Abuse	Homeward Bound	Eliminations	Total
Assets								
Current Assets								
Cash and cash equivalents	\$ 1,920,221	\$ 28,738	\$ 420,945	\$ 42,328	\$ 74,514	\$ 46,250	\$ -	\$ 2,532,996
Restricted cash, deposits and funded reserves	66,763	-	-	238,415	-	-	-	305,178
Certificate of deposit	164,994	-	-	-	-	-	-	164,994
Accounts receivable	488,571	-	-	-	-	-	-	488,571
Contracts and other receivables, net of allowance for doubtful accounts of \$140,036	2,018,725	-	561,043	13	47,040	66,022	-	2,692,843
Promises to give, current portion, net of allowance	553,015	-	-	-	-	-	-	553,015
Prepaid expenses	451,031	-	7,476	-	-	3,023	-	461,530
Due from affiliates	1,482,702	10,664	64,821	-	-	92,049	(966,121)	684,115
Investments	93,637	-	-	-	-	-	-	93,637
Total current assets	7,239,659	39,402	1,054,285	280,756	121,554	207,344	(966,121)	7,976,879
Noncurrent Assets								
Promises to give, net of current portion and unamortized discount	409,706	-	-	-	-	-	-	409,706
Notes receivable, related parties, net	1,060,196	-	-	-	-	-	-	1,060,196
Deposits	406,427	-	-	5,549	-	-	-	411,976
Investments held for deferred compensation plan	381,486	-	-	-	-	-	-	381,486
Investment in affiliates	239,586	-	-	-	-	-	(239,586)	-
Operating lease right-of-use assets	92,248	-	-	-	-	-	-	92,248
Property and equipment, net	40,792,030	-	-	1,267,604	370,372	840,710	-	43,270,716
Beneficial interest in perpetual trust	185,117	-	-	-	-	-	-	185,117
Assets restricted for long-term purposes, endowment:								
Cash	37,728	-	-	-	-	-	-	37,728
Investments	2,086,360	-	-	-	-	-	-	2,086,360
Total noncurrent assets	45,690,884	-	-	1,273,153	370,372	840,710	(239,586)	47,935,533
Total assets	\$ 52,930,543	\$ 39,402	\$ 1,054,285	\$ 1,553,909	\$ 491,926	\$ 1,048,054	\$ (1,205,707)	\$ 55,912,412

A New Leaf, Inc. and Affiliates

Consolidating Statement of Financial Position

June 30, 2025

	A New Leaf, Inc.	NEDCO	MesaCAN	A New Leaf Cottages	Community Alliance Against Family Abuse	Homeward Bound	Eliminations	Total
Liabilities and Net Assets								
Current Liabilities								
Accounts payable	\$ 714,438	\$ 15,054	\$ 184,701	\$ -	\$ -	\$ -	\$ -	\$ 914,193
Accrued expenses	2,206,931	8,938	44,738	22,713	6,481	12,607	-	2,302,408
Due to affiliates	261,226	-	261,728	201	536,859	-	(966,121)	93,893
Deferred revenue	1,092,060	-	32,437	-	-	-	-	1,124,497
Lines of credit	3,005,811	24,374	-	-	-	-	-	3,030,185
Operating lease liabilities, current portion	46,478	-	-	-	-	-	-	46,478
Notes payable, current portion	14,696	67,531	-	-	500	-	-	82,727
Total current liabilities	<u>7,341,640</u>	<u>115,897</u>	<u>523,604</u>	<u>22,914</u>	<u>543,840</u>	<u>12,607</u>	<u>(966,121)</u>	<u>7,594,381</u>
Noncurrent Liabilities								
Tenant security deposits	1,513	-	-	-	-	-	-	1,513
Accrued deferred compensation	381,486	-	-	-	-	-	-	381,486
Operating lease liabilities, net of current portion	45,770	-	-	-	-	-	-	45,770
Notes payable, net of current portion	237,142	-	-	1,929,025	-	800,000	-	2,966,167
Total noncurrent liabilities	<u>665,911</u>	<u>-</u>	<u>-</u>	<u>1,929,025</u>	<u>-</u>	<u>800,000</u>	<u>-</u>	<u>3,394,936</u>
Total liabilities	<u>8,007,551</u>	<u>115,897</u>	<u>523,604</u>	<u>1,951,939</u>	<u>543,840</u>	<u>812,607</u>	<u>(966,121)</u>	<u>10,989,317</u>
Net Assets								
Without donor restrictions:								
Undesignated	36,216,831	(76,495)	105,721	(398,030)	(51,914)	95,079	(239,586)	35,651,606
Board designated	2,705,330	-	-	-	-	-	-	2,705,330
	<u>38,922,161</u>	<u>(76,495)</u>	<u>105,721</u>	<u>(398,030)</u>	<u>(51,914)</u>	<u>95,079</u>	<u>(239,586)</u>	<u>38,356,936</u>
With donor restrictions								
	<u>6,000,831</u>	<u>-</u>	<u>424,960</u>	<u>-</u>	<u>-</u>	<u>140,368</u>	<u>-</u>	<u>6,566,159</u>
Total net assets	<u>44,922,992</u>	<u>(76,495)</u>	<u>530,681</u>	<u>(398,030)</u>	<u>(51,914)</u>	<u>235,447</u>	<u>(239,586)</u>	<u>44,923,095</u>
Total liabilities and net assets	<u>\$ 52,930,543</u>	<u>\$ 39,402</u>	<u>\$ 1,054,285</u>	<u>\$ 1,553,909</u>	<u>\$ 491,926</u>	<u>\$ 1,048,054</u>	<u>\$ (1,205,707)</u>	<u>\$ 55,912,412</u>

A New Leaf, Inc. and Affiliates

Consolidating Statement of Activities

Year Ended June 30, 2025

	A New Leaf, Inc.	NEDCO	MesaCAN	A New Leaf Cottages	Community Alliance Against Family Abuse	Homeward Bound	Eliminations	Total
Revenue and Support								
Contract revenue, conditional contributions	\$ 22,762,250	\$ -	\$ 3,621,843	\$ -	\$ 582,714	\$ 566,597	\$ -	\$ 27,533,404
Contract revenue, fee for service	5,806,342	-	-	-	-	-	-	5,806,342
Behavioral health revenue	1,483,964	-	-	-	-	-	-	1,483,964
Contributions	7,383,682	-	144,382	-	39,416	179,269	(731,636)	7,015,113
In-kind contributions and rent	20,076,021	-	500,501	-	6,734	14,554	(73,600)	20,524,210
Client fees	419,739	-	-	-	-	276,629	-	696,368
Rental income	371,146	-	-	232,805	-	11,983	(41,748)	574,186
Investment return	289,442	335	4,230	2,491	35	847	-	297,380
Change in fair value of perpetual trust	9,812	-	-	-	-	-	-	9,812
Other income	267,393	25,730	3,154	14,817	2,028	37,678	-	350,800
	<u>58,869,791</u>	<u>26,065</u>	<u>4,274,110</u>	<u>250,113</u>	<u>630,927</u>	<u>1,087,557</u>	<u>(846,984)</u>	<u>64,291,579</u>
Bingo revenue	-	-	1,413,985	-	-	-	-	1,413,985
Cost of goods sold	-	-	(814,953)	-	-	-	-	(814,953)
	-	-	<u>599,032</u>	-	-	-	-	<u>599,032</u>
Special events income	235,451	-	-	-	-	-	-	235,451
Direct benefit to donors	(241,091)	-	-	-	-	-	-	(241,091)
	<u>(5,640)</u>	-	-	-	-	-	-	<u>(5,640)</u>
Total revenue and support	<u>58,864,151</u>	<u>26,065</u>	<u>4,873,142</u>	<u>250,113</u>	<u>630,927</u>	<u>1,087,557</u>	<u>(846,984)</u>	<u>64,884,971</u>
Expenses								
Program services	35,568,608	154	4,239,790	287,104	712,025	1,848,619	(73,600)	42,582,700
Bingo games	-	-	619,452	-	-	-	(373,384)	246,068
Management and general	8,201,984	1,470	284,891	419,400	189,257	253,411	(400,000)	8,950,413
Fundraising	3,564,745	-	-	-	-	-	-	3,564,745
Total expenses	<u>47,335,337</u>	<u>1,624</u>	<u>5,144,133</u>	<u>706,504</u>	<u>901,282</u>	<u>2,102,030</u>	<u>(846,984)</u>	<u>55,343,926</u>
Other Income (Expense)								
Gain (loss) on investment in subsidiaries	(1,987,872)	-	-	-	-	-	1,987,872	-
Total other (expense) income	<u>(1,987,872)</u>	-	-	-	-	-	<u>1,987,872</u>	-
Change in net assets	9,540,942	24,441	(270,991)	(456,391)	(270,355)	(1,014,473)	1,987,872	9,541,045
Net Assets, Beginning	<u>35,382,050</u>	<u>(100,936)</u>	<u>801,672</u>	<u>58,361</u>	<u>218,441</u>	<u>1,249,920</u>	<u>(2,227,458)</u>	<u>35,382,050</u>
Net Assets, Ending	<u>\$ 44,922,992</u>	<u>\$ (76,495)</u>	<u>\$ 530,681</u>	<u>\$ (398,030)</u>	<u>\$ (51,914)</u>	<u>\$ 235,447</u>	<u>\$ (239,586)</u>	<u>\$ 44,923,095</u>

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of A New Leaf, Inc. and Affiliates (the Organization), which comprise the Organization's consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated .

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of finding and response as item 2025-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Tempe, Arizona
March 27, 2026

A New Leaf, Inc. and Affiliates

Financial Statement Findings Required to be Reported in Accordance With *Government Auditing Standards*
Year Ended June 30, 2025

Financial Statement Findings Required to be Reported in Accordance With *Government Auditing Standards*

Finding 2025-001: Improper Financial Reporting of Affiliate Entity - Material Weakness

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting to ensure financial statements are prepared in accordance with the applicable financial reporting framework (e.g., GAAP). This includes properly identifying and accounting for legally separate entities and ensuring that affiliates are recorded and presented appropriately in the consolidated financial statements. Affiliate entities should be accounted for and disclosed as separate reporting entities or consolidated entities as required by the applicable accounting standards.

Condition: During our review, we noted that a recently acquired legally separate affiliate entity was recorded within the accounting records as a program of the parent organization rather than being recognized and accounted for as a separate legal entity. As a result, the affiliate's financial activity was combined with program-level reporting rather than being properly identified and accounted for as a distinct entity.

Cause: Management did not have adequate controls in place to identify and evaluate the proper accounting treatment for newly acquired affiliate entities. Specifically, procedures were not established to ensure that legal entity structures were reviewed and appropriately reflected within the accounting and financial reporting process.

Effect or Potential Effect: Recording an affiliate as a program rather than as a separate entity may result in improper financial statement presentation and disclosures. This could lead to misclassification of assets, liabilities, revenues, and expenses and may result in consolidated financial statements that are not prepared in accordance with the applicable financial reporting framework. Additionally, this increases the risk that required consolidations, eliminations, or related-party disclosures may not be properly performed. We recorded an audit adjustment to net assets for A New Leaf in the amount of approximately \$1,200,000 to correct the balances for the affiliate. In addition, we recorded an audit adjustment to move approximately \$250,000 of management and general expenses from A New Leaf to Homeward Bound.

Recommendation: Management should establish and implement formal procedures to identify, evaluate, and document any new legal entities associated with the organization and determine the appropriate accounting and reporting treatment in accordance with applicable accounting standards. This process should include periodic reviews of the organization's legal structure, consultation with accounting professionals when new entities are created or acquired, and implementation of controls to ensure affiliates are properly recorded, consolidated, or disclosed in the financial statements.

A New Leaf, Inc. and Affiliates

Financial Statement Findings Required to be Reported in Accordance With *Government Auditing Standards*
Year Ended June 30, 2025

Corrective Action Plan

Finding 2025-001: Improper Financial Reporting of Affiliate Entity - Material Weakness

Condition: During our review, we noted that a recently acquired legally separate affiliate entity was recorded within the accounting records as a program of the parent organization rather than being recognized and accounted for as a separate legal entity. As a result, the affiliate's financial activity was combined with program-level reporting rather than being properly identified and accounted for as a distinct entity.

Effect or Potential Effect: Recording an affiliate as a program rather than as a separate entity may result in improper financial statement presentation and disclosures. This could lead to misclassification of assets, liabilities, revenues, and expenses and may result in consolidated financial statements that are not prepared in accordance with the applicable financial reporting framework. Additionally, this increases the risk that required consolidations, eliminations, or related-party disclosures may not be properly performed. We recorded an audit adjustment to net assets for A New Leaf in the amount of approximately \$1,200,000 to correct the balances for the affiliate. In addition, we recorded an audit adjustment to move approximately \$250,000 of management and general expenses from A New Leaf to Homeward Bound.

Corrective Action Plan: A New Leaf concurs with the recommendation noted. Homeward Bound is one of many nonprofit entities acquired by A New Leaf in recent years. Management had planned to terminate all funding contracts held by Homeward Bound and to transfer those funding contracts to A New Leaf. Due to a miscommunication about the timing of the contract transfers, Homeward Bound activity was recorded in A New Leaf's accounting records as a program prior to the contracts being formally transferred. The contracts had not been transferred as of June 30, 2025.

Management has strengthened internal procedures to enhance communication between the accounting team and other departments to ensure that information relevant to accurate financial reporting is shared in a timely manner. In addition, upon completion of future acquisitions or similar transactions, a management committee will review the financial reporting treatment to determine the appropriate approach for integration, including whether use of the subsidiary database or other transitional structures is warranted.

Name of Contact Person: Cassandra Irby, CFO

Phone Number: 480-969-4024

Anticipated Completion Date: Completed prior to the date of issuance of the audited consolidated financial statements