

The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries

Consolidated Financial Statements

June 30, 2025 and 2024

The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries

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Independent Auditors' Report

To the Board of Directors of
The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries

Opinion

We have audited the consolidated financial statements of The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries (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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 GAAP, 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 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, 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.

Baker Tilly US, LLP

Tempe, Arizona
March 9, 2026

The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries

Consolidated Statements of Financial Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 163,455	\$ 290,265
Due from related affiliates	93,692	-
Prepaid expenses and other assets	2,625	-
Total current assets	<u>259,772</u>	<u>290,265</u>
Other Assets		
Investments	91,427	83,461
Property and equipment, net	-	4,668,993
Total other assets	<u>91,427</u>	<u>4,752,454</u>
Assets Held for Long-Term Purposes, Endowments		
Cash	302,852	238,149
Investments	4,001,656	3,595,322
Total assets held for long-term purposes, endowments	<u>4,304,508</u>	<u>3,833,471</u>
Total assets	<u>\$ 4,655,707</u>	<u>\$ 8,876,190</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 6,868	\$ 3,614
Accrued expenses	25,720	18,045
Due to related affiliates	417,575	127,741
Total current liabilities	<u>450,163</u>	<u>149,400</u>
Net Assets (Deficit) Without Donor Restrictions		
Without donor restrictions, undesignated	(98,964)	3,491,571
Without donor restrictions, board-designated endowment fund	167,846	120,000
Without donor restrictions, noncontrolling interest in partnership	-	1,401,748
Total net assets without donor restrictions	68,882	5,013,319
Net Assets With Donor Restrictions	<u>4,136,662</u>	<u>3,713,471</u>
Total net assets	<u>4,205,544</u>	<u>8,726,790</u>
Total liabilities and net assets	<u>\$ 4,655,707</u>	<u>\$ 8,876,190</u>

See notes to consolidated financial statements

The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries

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						
Contributions	\$ -	\$ 16,857	\$ 16,857	\$ 15,249	\$ -	\$ 15,249
Rental income	122,880	-	122,880	107,073	-	107,073
Investment income	10,283	406,334	416,617	19,732	420,134	439,866
In-kind rent income	536,996	-	536,996	1,083,244	-	1,083,244
Miscellaneous income	428	-	428	2,491	-	2,491
Release from restrictions	-	-	-	-	-	-
	<u>670,587</u>	<u>423,191</u>	<u>1,093,778</u>	<u>1,227,789</u>	<u>420,134</u>	<u>1,647,923</u>
Bingo revenue	1,562,942	-	1,562,942	1,468,076	-	1,468,076
Cost of goods sold	(860,560)	-	(860,560)	(843,700)	-	(843,700)
	<u>702,382</u>	<u>-</u>	<u>702,382</u>	<u>624,376</u>	<u>-</u>	<u>624,376</u>
Riverboat revenue	204,183	-	204,183	198,553	-	198,553
Cost of goods sold	(110,943)	-	(110,943)	(98,758)	-	(98,758)
	<u>93,240</u>	<u>-</u>	<u>93,240</u>	<u>99,795</u>	<u>-</u>	<u>99,795</u>
Total revenue and support	<u>1,466,209</u>	<u>423,191</u>	<u>1,889,400</u>	<u>1,951,960</u>	<u>420,134</u>	<u>2,372,094</u>
Expenses						
Program services	3,804,240	-	3,804,240	1,618,949	-	1,618,949
Supporting services:						
Bingo games	707,258	-	707,258	624,375	-	624,375
Riverboat operations	394,911	-	394,911	390,700	-	390,700
Management and general	102,489	-	102,489	102,686	-	102,686
Total expenses	<u>5,008,898</u>	<u>-</u>	<u>5,008,898</u>	<u>2,736,710</u>	<u>-</u>	<u>2,736,710</u>
Other Income (Expense)						
Transfer of noncontrolling interest in partnership	(1,401,748)	-	(1,401,748)	-	-	-
Total other income (expense)	<u>(1,401,748)</u>	<u>-</u>	<u>(1,401,748)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(4,944,437)	423,191	(4,521,246)	(784,750)	420,134	(364,616)
Net Assets, Beginning	<u>5,013,319</u>	<u>3,713,471</u>	<u>8,726,790</u>	<u>5,798,069</u>	<u>3,293,337</u>	<u>9,091,406</u>
Net Assets, Ending	<u>\$ 68,882</u>	<u>\$ 4,136,662</u>	<u>\$ 4,205,544</u>	<u>\$ 5,013,319</u>	<u>\$ 3,713,471</u>	<u>\$ 8,726,790</u>

See notes to consolidated financial statements

The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended June 30, 2025

	Supporting Services				Total
	Program Services	Bingo Games	Riverboat Operations	Management and General	
Salaries and wages	\$ -	\$ 118,811	\$ 225,230	\$ 45,015	\$ 389,056
Payroll taxes	-	9,780	18,538	3,431	31,749
Employee benefits	-	2,858	32,237	6,115	41,210
	-	131,449	276,005	54,561	462,015
Professional services	-	9	8,311	37,193	45,513
Advertising, marketing, printing	-	18,295	-	31	18,326
Supplies and postage	-	6,311	10,192	296	16,799
Telephone	-	533	11,861	905	13,299
Occupancy	-	64,295	28,854	1,096	94,245
Travel and vehicle	-	-	386	644	1,030
Interest and bank charges	-	18,496	865	3,577	22,938
Conferences	-	171	-	173	344
Depreciation	68,674	-	-	28	68,702
Insurance	-	-	17,879	3,381	21,260
Equipment lease, repair and maintenance	-	25,932	10,184	604	36,720
Bingo, prizes and supplies	-	860,560	-	-	860,560
Riverboat, food expenses	-	-	110,943	-	110,943
Miscellaneous expense	-	10,288	30,374	-	40,662
Contribution expense	3,735,566	431,479	-	-	4,167,045
Total expenses	3,804,240	1,567,818	505,854	102,489	5,980,401
Less expenses included with revenue on the consolidated statement of activities:					
Cost of goods sold	-	(860,560)	(110,943)	-	(971,503)
	<u>\$ 3,804,240</u>	<u>\$ 707,258</u>	<u>\$ 394,911</u>	<u>\$ 102,489</u>	<u>\$ 5,008,898</u>

See notes to consolidated financial statements

The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

	Supporting Services				Total
	Program Services	Bingo Games	Riverboat Operations	Management and General	
Salaries and wages	\$ -	\$ 112,105	\$ 220,616	\$ 33,957	\$ 366,678
Payroll taxes	-	9,331	19,030	2,672	31,033
Employee benefits	-	4,427	30,314	5,048	39,789
	-	125,863	269,960	41,677	437,500
Professional services	-	-	8,204	46,116	54,320
Advertising, marketing, printing	-	2,338	-	75	2,413
Supplies and postage	-	3,693	19,356	373	23,422
Telephone	-	253	11,150	1,087	12,490
Occupancy	-	23,856	27,396	1,130	52,382
Travel and vehicle	-	-	558	539	1,097
Interest and bank charges	-	34,764	585	1,773	37,122
Conferences	-	244	-	352	596
Depreciation	154,052	-	-	-	154,052
Insurance	-	-	13,396	8,154	21,550
Equipment lease, repair and maintenance	-	30,301	17,941	739	48,981
Bingo, prizes and supplies	-	843,700	-	-	843,700
Riverboat, food expenses	-	-	98,758	-	98,758
Miscellaneous expense	-	19,542	22,154	671	42,367
Contribution expense	1,464,897	383,521	-	-	1,848,418
Total expenses	1,618,949	1,468,075	489,458	102,686	3,679,168
Less expenses included with revenue on the consolidated statement of activities:					
Cost of goods sold	-	(843,700)	(98,758)	-	(942,458)
	<u>\$ 1,618,949</u>	<u>\$ 624,375</u>	<u>\$ 390,700</u>	<u>\$ 102,686</u>	<u>\$ 2,736,710</u>

See notes to consolidated financial statements

The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The PRE-HAB Foundation, Inc. (the Foundation) is a nonprofit organization established to (a) provide facilities to nonprofit organizations at or below market value to operate their programs and (b) to raise funds to assist programs of A New Leaf, Inc. (Leaf). To accomplish its mission, the Foundation owns real property it rents to Leaf and Mesa Community Action Network, Inc. (Mesa CAN), an affiliate of Leaf, and also provides contributions to Leaf. The Foundation's major programs are as follows:

Riverboat Operations - This fundraising arm leases RV rental spaces to residents of the Sun City area, facility space for special events such as weddings and other celebrations and operates the café on site at the riverboat which services the patrons of the bingo games.

Bingo Games - This is a charitable bingo operation with net proceeds going to the children, adolescent, and shelter programs of Leaf.

Property - This program maintains the property and equipment which is owned by the Foundation and leased to other nonprofit organizations. The Foundation transferred all of the real property, improvements, and equipment to Leaf effective December 31, 2024, and the program was discontinued.

Basis of Presentation

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Principles of Consolidation

Until the dissolution of Prospect Park LLC in April 2025, the Foundation was the sole member of Prospect Park LLC. Prospect Park LLC was the limited partner in Prospect Park I Limited Partnership with a 99.9% interest. The consolidated financial statements include the accounts of the Foundation, Prospect Park LLC, and Prospect Park I Limited Partnership (together, the Organization) because the Foundation had both control and an economic interest in Prospect Park LLC and Prospect Park I Limited Partnership. All significant intercompany accounts and transactions have been eliminated in consolidation. The remaining .1% interest in Prospect Park I Limited Partnership was held by Leaf. All real property held by Prospect Park LLC was transferred to Leaf in December 2024.

Prospect Park I Limited Partnership (the Partnership) was formed November 20, 1997, as a limited partnership under the laws of the state of Arizona for the purpose of owning and operating a 20-unit housing project in Glendale, Arizona, for victims of domestic violence. Substantially all of the Partnership's income is derived from the rental of its apartment units and commercial space. On June 30, 2016, the limited partner interest was donated to Prospect Park LLC. The value of the donated net assets was \$980,367. During the year ended June 30, 2025, the Partnership was dissolved.

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Foundation considers all highly liquid financial instruments purchased with an original maturity of three months or less at date of acquisition to be cash equivalents. Cash and highly liquid financial instruments restricted to endowments are excluded from cash.

The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Due From and Due to Related Affiliates

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

Fair Value Measurements

Accounting Standards establish a framework for measuring fair value which 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 Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

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

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

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement and usually reflect the Foundation'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 measured at fair value in the consolidated statements of financial position as determined by quoted prices in active markets or other valuation inputs. Investment income or loss (including realized and unrealized gains and losses, net of investment expenses) is included in the change in net assets without donor restrictions in the accompanying consolidated statements of activities, unless the income or loss is restricted by donor or law.

Risks and Uncertainty

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

The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Property and Equipment

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

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

Impairment of Long-Lived Assets

Long-lived assets are reviewed 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.

Endowment Funds

The Foundation's endowment fund consists of funds established by donors to provide long-term sustainability for the Foundation's operations and one fund designated by the Board of Directors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation 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 Foundation 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 Foundation 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 Foundation in a manner consistent with the standard of prudence prescribed by MCFA.

In accordance with MCFA, the Foundation 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 Foundation's other resources, and (7) the Foundation's investment policies.

The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Investment Return Objectives, Risk Parameters and Strategies

The Foundation 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 Foundation'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 Foundation over time. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation and current yield.

From time to time, certain donor-restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation 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 Foundation's Board of Directors has established a policy that there will be no appropriations of expenditures from the donor-restricted endowment fund until such time as the total endowment fund balance, including investment return, reaches \$5,000,000. At the discretion of the Board of Directors, an appropriation was made in the amount of approximately \$168,000 during the year ended June 30, 2023, with the intent to reimburse the amount to the endowment fund. During the years ended June 30, 2025 and 2024, approximately \$48,000 and \$120,000, respectively, was reimbursed to the endowment fund.

Net Assets

The Foundation 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 an endowment fund which is included in net assets without donor restrictions.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-imposed restrictions may be either temporary or permanent in nature. 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 Foundation's revenue arrangements consist of a single performance obligation to transfer promised services.

Rental fees are set by the Foundation, and the performance obligation is delivery of these services on a monthly basis. Rental revenue is recognized in the month in which the service relates, and payment is due on a monthly basis. Rental revenue also includes rental of the riverboat facility where payment is due and recognized in the period in which the event the rental relates to occurred.

The Foundation operates a café at the riverboat. The performance obligation is the delivery of the goods to the customer and the transaction prices are established by the Foundation. As each item is individually priced, no allocation of the transaction price is necessary. The Foundation recognizes revenue as the customer pays and takes possession of the goods.

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Notes to Consolidated Financial Statements

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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 Foundation. The Foundation recognizes revenue as the customer pays and participates in the activity. Amounts are due on the same day the bingo game occurs.

Contributions

Contributions 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.

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 Foundation utilized the services of numerous volunteers who support the programs and activities of the Foundation'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.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. Those costs which are necessary to overall operation of the Foundation and that benefit several services or programs are allocated according to the cost allocation plan of Leaf. Allocable costs can be distributed to benefited programs based on acceptable allocation methods which include actual number of employees' worked hours, square footage/usage, rooms/beds or number of participants. The allocation method selected is determined by cost type. Allocations based on number of employees are recorded after the end of each month. Allocations by any other methods are reviewed and updated as necessary at least quarterly.

Some of the allocable expense methodologies used on the accompanying consolidated statements of functional expenses include the following:

- Information technology related expenses benefiting programs directly such as software, telephone and network connectivity, and unemployment and general liability insurance expenses are allocated using the actual number of employees' worked hours.
- Expenses allocated on a square footage basis based on space utilized include occupancy and property insurance.
- Quality management related expenses are allocated to all Leaf programs and Leaf Affiliates as they benefit the activities of all related affiliates. These expenses are allocated based on the number of employees' worked hours.

The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Advertising

Advertising costs are expensed to operations as incurred. Advertising expense was approximately \$2,600 and \$2,400 for the years ended June 30, 2025 and 2024, respectively.

Income Tax Status

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been classified as an organization that is not a private foundation under Section 509(a)(1) and qualifies 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.

Prospect Park LLC is treated as a disregarded entity for income tax reporting purposes. All transactions and account balances of Prospect Park LLC are reported for income tax purposes by the Foundation as the sole member. The Partnership is an Arizona limited partnership, so its taxable income or loss is allocated to the partners in accordance with the partnership agreement. No income or loss was allocated to Prospect Park LLC. Therefore, no provision for income taxes has been included in the consolidated financial statements related to the Partnership's activities. During the year ended June 30, 2025, Prospect Park LLC and the Partnership were dissolved.

The Foundation 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 Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

The Foundation recognizes interest and penalties associated with income tax in operating expenses. During the years ended June 30, 2025 and 2024, the Foundation 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 Foundation has evaluated events and transactions for potential recognition or disclosure through March 9, 2026, the date the consolidated financial statements were available to be issued.

The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

2. Liquidity and Availability

The Foundation 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 Foundation considers all expenditures related to its ongoing activities to be general expenditures.

Financial assets available to meet general expenditures within the next year are calculated as follows as of June 30:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 163,455	\$ 290,265
Due from related affiliates	93,692	-
Investments	<u>91,427</u>	<u>83,461</u>
Available for financial obligations	<u>\$ 348,574</u>	<u>\$ 373,726</u>

While the Foundation's investments are classified as long-term on the consolidated statements of financial position based on management's intent, the investments could be readily liquidated without significant penalty to fund operating cash flow needs and is therefore included in the calculation above.

3. Concentrations of Credit Risk

Financial instruments that subject the Foundation to potential concentrations of credit risk consist principally of cash and cash equivalents and investments. The Foundation maintains its cash in bank accounts with financial institutions, which at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances. The Foundation also maintains cash and investments in an investment account. The balance in this account is insured up to \$500,000 (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation (SIPC).

4. 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).

The following is a summary of investments measured at fair value on a recurring basis at June 30, 2025 and 2024:

	<u>June 30, 2025</u>				
	<u>Endowments Level 1</u>	<u>Unrestricted Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:					
Cash equivalents	\$ 124,589	\$ 5,278	\$ -	\$ -	\$ 129,867
Equity securities	2,414,922	41,976	-	-	2,456,898
Fixed income	1,268,167	39,274	-	-	1,307,441
Real estate	98,396	1,891	-	-	100,287
Commodities	<u>95,582</u>	<u>3,008</u>	<u>-</u>	<u>-</u>	<u>98,590</u>
Total	<u>\$ 4,001,656</u>	<u>\$ 91,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,093,083</u>

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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

	June 30, 2024				
	Endowments Level 1	Unrestricted Level 1	Level 2	Level 3	Total
Investments:					
Cash equivalents	\$ 42,262	\$ 3,125	\$ -	\$ -	\$ 45,387
Equity securities	2,125,959	36,983	-	-	2,162,942
Fixed income	1,242,989	38,676	-	-	1,281,665
Real estate	88,458	1,666	-	-	90,124
Commodities	95,654	3,011	-	-	98,665
Total	\$ 3,595,322	\$ 83,461	\$ -	\$ -	\$ 3,678,783

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

	2025	2024
Interest and dividend income	\$ 118,136	\$ 114,631
Realized gain (loss)	2,136	(30,276)
Unrealized gain (loss)	327,869	383,863
Investment fees	(31,524)	(28,352)
Total	\$ 416,617	\$ 439,866

5. Property and Equipment

Property and equipment consisted of the following at June 30:

	2025	2024
Land	\$ -	\$ 2,474,675
Buildings	-	4,596,363
Building improvements	-	4,436,183
Equipment	-	214,241
Vehicles	-	169,534
	-	11,890,996
Accumulated depreciation	-	(7,222,003)
Property and equipment, net	\$ -	\$ 4,668,993

Depreciation expense was approximately \$69,000 and \$154,000 for the years ended June 30, 2025 and 2024, respectively. During the year ended June 30, 2025, the Foundation transferred all of the property and equipment to Leaf.

6. Guaranteed Loan Obligation

The Foundation guarantees Leaf's \$3,500,000 revolving line of credit, which bears interest 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 a rate of 6.75% as of June 30, 2025 and matures May 26, 2026. The line of credit is secured by all inventory, chattel paper, accounts, equipment and general intangibles of Leaf. As of June 30, 2025, the line of credit has an outstanding balance of \$3,005,811. As of June 30, 2024, the line of credit had no outstanding balance.

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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The Foundation also signed an agreement to guarantee one of Leaf's loan obligations with a balance at June 30, 2025 and 2024 of approximately \$152,000 and \$169,000, respectively. This loan requires monthly payments of principal and interest in the amount of \$1,694 and matures in January 2034.

7. Endowments and Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the Foundation's endowment funds which include funds restricted in perpetuity by the donors, one board-designated endowment fund, and associated accumulated earnings that have not yet been appropriated for expenditure.

Endowment net asset composition as of June 30, 2025 and 2024 is as follows:

	June 30, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Funds
Original corpus	\$ 167,846	\$ 2,041,059	\$ 2,208,905
Accumulated investment earnings	-	2,095,603	2,095,603
Total	<u>\$ 167,846</u>	<u>\$ 4,136,662</u>	<u>\$ 4,304,508</u>
	June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Funds
Original corpus	\$ 120,000	\$ 2,024,202	\$ 2,144,202
Accumulated investment earnings	-	1,689,269	1,689,269
Total	<u>\$ 120,000</u>	<u>\$ 3,713,471</u>	<u>\$ 3,833,471</u>

Changes in endowment funds for the years ended June 30 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Funds
Balance, June 30, 2023	\$ -	\$ 3,293,337	\$ 3,293,337
Contributions	-	-	-
Endowment fund repayment	120,000	-	120,000
Interest and dividend income	-	97,055	97,055
Realized gain (loss)	-	(35,634)	(35,634)
Unrealized gain (loss)	-	384,152	384,152
Fees	-	(25,439)	(25,439)
Balance, June 30, 2024	120,000	3,713,471	3,833,471
Contributions	-	16,857	16,857
Endowment fund repayment	47,846	-	47,846
Interest and dividend income	-	112,956	112,956
Realized gain (loss)	-	-	-
Unrealized gain (loss)	-	324,250	324,250
Fees	-	(30,872)	(30,872)
Balance, June 30, 2025	<u>\$ 167,846</u>	<u>\$ 4,136,662</u>	<u>\$ 4,304,508</u>

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Notes to Consolidated Financial Statements
June 30, 2025 and 2024

8. Noncontrolling Interest in Partnership

The change in the consolidated net assets without donor restrictions attributed to the interests in Prospect Park I Limited Partnership consists of the following at June 30, 2025 and 2024:

	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Balance, June 30, 2023	\$ (250,826)	\$ 1,401,806	\$ 1,150,980
Partnership gain (loss)	<u>(57,610)</u>	<u>(58)</u>	<u>(57,668)</u>
Balance, June 30, 2024	(308,436)	1,401,748	1,093,312
Dissolution of partnership	<u>308,436</u>	<u>(1,401,748)</u>	<u>(1,093,312)</u>
Balance, June 30, 2025	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

9. In-Kind Contributions

The Foundation received in-kind contributions of rent during the years ended June 30, 2025 and 2024, in the amounts of \$536,996 and \$1,083,244, respectively. The Foundation's policy is to utilize all in-kind contributions that are received to carry out the mission of the Foundation. In-kind rent is based on the fair market value contracted rate with the lessor. The Foundation utilized the in-kind rent as part of their program services.

10. Rental Income

The Foundation leases RV spaces at a fixed rate based on three category types, based on the sizes of the unit on a weekly, monthly, semi-annual, and annual basis. Rental income on cancelable leases for the years ended June 30, 2025 and 2024 was approximately \$123,000 and \$107,000, respectively. All property under these short-term leases was transferred to Leaf during the year ended June 30, 2025.

11. Transactions With Related Affiliates

Leaf provides management and support services for the Foundation for which the Foundation reimburses Leaf. Most of the Foundation's full-time employees are leased from Leaf, and as such, are covered by the benefits of Leaf. The Foundation reimburses Leaf for the costs of these employees, including all benefits and related expenses. Total reimbursements for management and support services and payroll paid to Leaf during the years ended June 30, 2025 and 2024 totaled approximately \$556,000 and \$561,000, respectively, and are included in the accompanying consolidated statements of functional expenses. As of June 30, 2025 and 2024, net amounts owed to Leaf were \$323,883 and \$127,741, respectively. These amounts include program donations approved by the Foundation's board of directors but not paid as of year-end, as well as lease payments and management and support services.

The Foundation donates to Leaf a portion of the proceeds from its bingo operations, which consisted of \$431,479 and \$383,521 during the years ended June 30, 2025 and 2024, respectively. In addition, the Foundation contributed \$3,735,566 and \$1,464,897 to Leaf as contributions without donor restrictions for the years ended June 30, 2025 and 2024, respectively. The contribution of \$3,735,566 to Leaf for the year ended June 30, 2025, includes property and equipment donations of \$3,198,543 and in-kind rent in the amount of \$537,023.