THE PRE-HAB FOUNDATION, INC.
DBA: A NEW LEAF FOUNDATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**THE PRE-HAB FOUNDATION, INC.
DBA: A NEW LEAF FOUNDATION AND SUBSIDIARIES
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries, which comprises the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The PRE-HAB Foundation, Inc. as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, management adopted Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
March 19, 2020

THE PRE-HAB FOUNDATION, INC.
DBA: A NEW LEAF FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Cash and Cash Equivalents	$	505,334
Due from Related Party		13,390
Prepaid Expenses and Other Assets		4,444
Investments		1,155,175
Property and Equipment, Net		6,157,975
Guaranteed Loan Asset		36,908
Derivative Financial Instrument - Interest Rate Swap		173
Endowment Assets:		
Cash		225,522
Investments		2,236,949
Promises to Give, Restricted for Endowment, Net		10,195
Total Endowment Assets		2,472,666
Total Assets	$	10,346,065

LIABILITIES AND NET ASSETS

LIABILITIES		
Due to Related Party	$	432,287
Accounts Payable and Accruals		11,909
Notes Payable		1,015,746
Total Liabilities		1,459,942
NET ASSETS		
Net Assets Without Donor Restrictions:		
Undesignated		5,011,451
Noncontrolling Interest in Partnership		1,402,006
Total Net Assets Without Donor Restrictions		6,413,457
Net Assets With Donor Restrictions		2,472,666
Total Net Assets		8,886,123
Total Liabilities and Net Assets	$	10,346,065

See accompanying Notes to Consolidated Financial Statements.

THE PRE-HAB FOUNDATION, INC.
DBA: A NEW LEAF FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT, AND GAINS			
Contributions	$ 34,457	$ 59,606	$ 94,063
Bingo Revenue	1,251,280	-	1,251,280
Riverboat Activities	290,404	-	290,404
Less Cost of Goods Sold	(772,094)	-	(772,094)
Net Bingo Revenue	769,590	-	769,590
Rental Income	875,749	-	875,749
Contributed Rent	28,000		28,000
Net Investment Return	39,462	111,883	151,345
Other Revenue	96	-	96
Total Revenues, Support, and Gains	1,747,354	171,489	1,918,843
EXPENSES AND LOSSES			
Program Services:			
Property Expenses	482,192	-	482,192
Other	519,224	-	519,224
Total Program Services	1,001,416	-	1,001,416
Supporting Services:			
Bingo Games	211,536	-	211,536
Riverboat Operations	316,023	-	316,023
Management and General	163,482	-	163,482
Fundraising and Development	38,353	-	38,353
Total Supporting Services	729,394	- -	729,394
Total Expenses	1,730,810	-	1,730,810
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST	16,544	171,489	188,033
Noncontrolling Interest in Partnership Losses	-	-	-
CHANGE IN NET ASSETS	16,544	171,489	188,033
Net Assets - Beginning of Year	6,396,913	2,301,177	8,698,090
NET ASSETS - END OF YEAR	$ 6,413,457	$ 2,472,666	$ 8,886,123

See accompanying 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, 2019

	Program Services			Supporting Services				
	Property	Other	Total Program Services	Bingo Games	Riverboat Operations	Management and General	Fundraising and Development	Total
Salaries	$ -	$ -	$ -	$ 93,237	$ 153,370	$ 27,675	$ 18,855	$ 293,137
Payroll Taxes	-	-	-	7,804	13,288	2,103	1,518	24,713
Employee Benefits and Other	-	-	-	3,725	29,144	5,667	1,961	40,497
Professional Services	4,295	-	4,295	1,605	2,313	37,079	-	45,292
Advertising, Marketing, and Printing	-	-	-	14,628	280	225	-	15,133
Supplies and Postage	-	-	-	1,196	8,695	535	-	10,426
Telephone	-	-	-	3,738	1,543	1,061	(59)	6,283
Occupancy	12,882	-	12,882	20,145	3,705	4,470	-	41,202
Travel and Vehicles	-	-	-	-	1,837	550	-	2,387
Interest and Bank Charges	-	-	-	9,516	621	82,595	16,078	108,810
Conferences	-	-	-	-	-	306	-	306
Depreciation	413,042	-	413,042	-	-	245	-	413,287
Insurance	5,634	-	5,634	-	8,815	598	-	15,047
Equipment Lease - Repair and Maintenance	-	-	-	33,563	12,897	397	-	46,857
Bingo	-	-	-	799,547	-	-	-	799,547
Event	-	-	-	-	70,488	-	-	70,488
Miscellaneous Expense	18,339	-	18,339	(5,194)	9,183	(24)	-	22,304
Contribution Expense	28,000	519,224	547,224	120	(156)	-	-	547,188
Totals	482,192	519,224	1,001,416	983,630	316,023	163,482	38,353	2,502,904
Less Expenses Included with Revenue on the Condolidaed Statement of Activities								
Bingo Prizes	-	-	-	772,094	-	-	-	772,094
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities	$ 482,192	$ 519,224	$ 1,001,416	$ 211,536	$ 316,023	$ 163,482	$ 38,353	$ 1,730,810

See accompanying Notes to Consolidated Financial Statements.

THE PRE-HAB FOUNDATION, INC.
DBA: A NEW LEAF FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 188,033
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	413,287
Re-Invested Investment Earnings	(68,427)
Realized and Unrealized Gain on Investments	(389,835)
Change in Discount on Promises to Give	(1,747)
Contributions Restricted to Endowment	(1,728)
Change in Guaranteed Loan Asset	25,997
(Increase) Decrease in Assets:	
Due from Related Party	4,440
Promises to Give	16,389
Prepaid Expenses and Other Assets	(285)
Increase (Decrease) in Liabilities:	
Due to Related Party	(1,286,320)
Accounts Payable and Accruals	(39,832)
Net Cash Used by Operating Activities	(1,140,028)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Investments	900,000
Purchases of Property and Equipment	(27,239)
Net Cash Provided by Investing Activities	872,761
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal Payments on Notes Payable	(334,814)
Change in Cash Held for Endowment	(73,450)
Net Cash Used by Financing Activities	(408,264)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(675,531)
Cash and Cash Equivalents - Beginning of Year	1,180,865
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 505,334
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash Paid for Interest	$ 53,385
Income Taxes Paid	$ (4,578)
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES	
Receipt of Investments through Due from Related Party	$ 150,078

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The PRE-HAB Foundation, Inc., dba: A New Leaf Foundation (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 A New Leaf, Inc. and Mesa Community Action Network, Inc. (Mesa CAN). The Foundation's significant services are listed below:

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 service 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 A New Leaf, Inc.

Property – This program maintains the property, plant, and equipment which is owned by the Foundation and leased to other nonprofit organizations.

Principles of Consolidation

The PRE-HAB Foundation dba: A New Leaf Foundation is the sole member of Prospect Park LLC. Prospect Park LLC is the limited partner in the Prospect Park I Limited Partnership with a 99.9% share. The consolidated financial statements include the accounts of the Foundation, Prospect Park LLC, and Prospect Park I Limited Partnership because the Foundation has 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. Unless otherwise noted, these consolidated entities are hereinafter referred to as "the Organization."

Prospect Park I Limited Partnership (Partnership) was formed November 20, 1997, as a limited partnership under the laws of the state of Arizona and shall continue until December 31, 2038, unless dissolved or terminated at an earlier date. It was formed 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. The project began operations in December 1999. At June 30, 2016, the limited partner interest was donated to Prospect Park LLC. The value of the donated net assets was $980,367.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

The project has qualified and been allocated low-income housing tax credits pursuant to the Internal Revenue Code Section 42, which regulates the use of the complex as to occupant eligibility and unit gross rent, among other requirements, which expired subsequent to year end on July 31, 2019. The project must meet the provisions of these regulations during each of fifteen consecutive years in order to continue to qualify to receive the tax credits. Failure to comply with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of the previously taken low-income housing tax credits plus interest. Such potential noncompliance may require an adjustment to the contributed capital by the limited partners. All units within this project are subject to the rent restrictions and qualified tenant restrictions as required by the Low Income Housing Tax Credit Program, until May 1, 2020.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2019, all promises to give are considered collectible and no allowance has been recorded.

Property and Equipment

Property and equipment additions over $10,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the consolidated statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statement of financial position. Net investment gain is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees. The Foundation holds private stock for Leaf. The stock is valued on a nonrecurring basis. The Foundation uses a stock valuation called Economic Value Added, which refers to a financial performance methodology developed by Sterns, Stewart & Company and is utilized by a wide variety of public and private companies.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

Advertising Costs

Advertising costs are expensed as incurred and approximated at $15,133 for the year ended June 30, 2019.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those costs which are necessary to 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. Allocation method selected is determined by cost type. Allocations based on number of employees are 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 the Quality Management are allocated to all Leaf Programs and Leaf Subsidiaries as they benefit all and the allocation is based on number of employees' worked.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and has been determined not to be a private foundation under Section 509(a)(2). Accordingly, contributions to it qualify for the charitable contribution deduction under Section 170(b)(1)(A). The Foundation is annually required to file *a Return of Organization Exempt from Income Tax* (Form 990) with the IRS. In addition, the Foundation is generally subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined the Foundation has no material unrelated business taxable income.

As an Arizona limited partnership, the Partnership's taxable income or loss is allocated to 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.

Management evaluates its tax positions that have been taken, or are expected to be taken, on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of June 30, 2019, the unrecognized tax benefit accrued was $-0-. The consolidated entity will recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if incurred.

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 the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for- Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

Financial Assets at Year-End:	
Cash and Cash Equivalents	$ 505,334
Due From Related Party	13,390
Investments	1,155,175
Financial Assets Available to be Used Within One Year	$ 1,673,899

NOTE 3 PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as of June 30, 2019:

Within one Year	$ 10,195
In One to Five Years	-
Total	10,195
Less Discount to Net Present Value (4%)	-
Promises to Give, Net	$ 10,195

At June 30, 2019, one donor accounted for 98% of total promises to give.

Members of the Foundation’s board of directors have made contributions and pledges to the Foundation in the current and prior years. At June 30, 2019, gross unconditional pledges receivable from these members total $10,000. During the year ended June 30, 2019, the Foundation recognized contribution revenue from these donors of $-0-.

All promises to give are restricted to the Foundation’s endowment account.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2019:

Land	$ 3,031,311
Buildings	4,596,363
Building Improvements	4,321,014
Equipment	214,241
Vehicles	169,534
Total	12,332,463
Less Accumulated Depreciation	6,174,488
Property and Equipment, Net	$ 6,157,975

NOTE 5 FAIR VALUE MEASUREMENTS AND DISCLOSURES

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

NOTE 5 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

The Foundation's investment assets are classified within Level 1 because they are comprised of open-end mutual funds and money market funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring and nonrecurring basis for year ending June 30, 2019:

	Level 1	Level 2	Level 3	Total
Recurring:				
Mutual Funds:				
U.S. Equities	$ 1,232,792	$ -	$ -	$ 1,232,792
Fixed Income	1,081,410	-	-	1,081,410
Real Estate	64,979	-	-	64,979
Commodities	63,544	-	-	63,544
Cash Included in Endowment Investments	-	-	-	18,201
Interest Rate Swap Asset	-	-	173	173
Total Assets at Fair Value Value - Recurring	$ 2,442,725	$ -	$ 173	$ 2,461,099

Net investment return consisted of the following at June 30, 2019:

	Recurring	Nonrecurring	Total
Interest and Dividends	$ 97,424	$ -	$ 97,424
Net Realized and Unrealized Gains	53,921	335,914	389,835
Total	$ 151,345	$ 335,914	$ 487,259

NOTE 5 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the year ended June 30, 2019:

	Interest Rate Swap Asset	Private Stock
Beginning Balance	$ 173	$ 1,424,839
Distributions	-	(829,555)
Total Gains (Losses) (Realized/Unrealized) Included in Changes in Net Assets	-	335,914
Ending Balance	$ 173	$ 931,198

NOTE 6 GUARANTEED LOAN OBLIGATION

On September 27, 2018 and then subsequently updated on November 15, 2018, The Foundation guaranteed Leaf's $1,000,000, revolving line of credit, which bears interest at an adjustable rate equal to the bank's Prime Rate, 5.25% plus 0.5%. The line of credit is secured by all inventory, chattel paper, rental income, equipment, and general intangibles of the Leaf. The line of credit has certain covenants that apply to both the Leaf and the Foundation. The line of credit expires on November 30, 2019. Subsequent to year end the line of credit was extended to May 28, 2020.

As of June 30, 2019, the balance of the line of credit is $1,000,000.

NOTE 7 NOTES PAYABLE

Notes payable consist of the following for June 30, 2019:

Description	
Note payable, due in monthly installments of $25,808, plus interest at LIBOR plus 2.05% (4.43% at June 30, 2019), with a maturity in April 2022, secured by property and equipment and is additionally guaranteed by Leaf.	$ 1,015,746
Total	$ 1,015,746

Future maturities of notes payable are as follows:

Year Ending June 30,	Amount
2020	$ 347,068
2021	358,570
2022	310,108
Total	$ 1,015,746

NOTE 7 NOTES PAYABLE (CONTINUED)

Leaf has guaranteed the debt obligations of the Foundation. Leaf does not anticipate default by the Foundation. The asset is presented as guaranteed loan asset in the amount of $36,908 as of June 30, 2019, in the accompanying consolidated statement of financial position. Reduction of the asset from repayment of the debts by the Foundation is recognized as contribution expense in the accompanying consolidated statement of activities.

NOTE 8 DERIVATIVE FINANCIAL INSTRUMENT: INTEREST RATE SWAP

In April 2012, the Foundation entered into an interest rate swap agreement that effectively converted approximately $2,000,000 of the Foundation's LIBOR-based variable-rate debt to a fixed rate. The counterparty to the swap agreement is the bank (a major U.S. financial institution) that holds the Foundation's LIBOR-based variable-rate debt. Under the swap agreement, the Organization pays interest on the notional value at a fixed rate of 1.57% and, in return, receives interest on the notional value at a variable rate based on one-month LIBOR rate (1.22% at June 30, 2019). The net effect of the swap is to fix the interest rate on $3,170,000 of the Foundation's LIBOR-based variable-rate debt payable at 1.57%.

The interest rate swap agreement qualifies as a cash flow hedge, and accordingly, the fair value of the interest rate swap agreement, which is adjusted regularly, is recorded in the Foundation’s consolidated statement of financial position as an asset or liability, as necessary, with a corresponding adjustment to other charges. The fair value of the Foundation's interest rate swap at June 30, 2019, was an asset totaling $173.

NOTE 9 ENDOWMENTS

The Foundation’s Endowment (the Endowment) consists of funds established by donors to provide long-term sustainability for the Foundation’s operations. Net assets associated with Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Arizona Management of Charitable Funds Act (AMCFA) is requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted Endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019, there were no such donor stipulations. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts, and (c) accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted Endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by Arizona Uniform Prudent Management of Institutional Funds Act (UPMIFA).

NOTE 9 ENDOWMENTS (CONTINUED)

The Foundation considers the following factors in making a determination to appropriate or accumulate donor- restricted Endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted Endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

As of June 30, 2019, the Foundation had the following Endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity by Donor	$ -	$ 1,473,872	$ 1,473,872
Accumulated Investment Gains	-	998,794	998,794
Total	$ -	$ 2,472,666	$ 2,472,666

Investment and Spending Policies

The Foundation has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the Endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. Actual returns in any given year may vary from this amount. 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 (realized and unrealized) and current yield (interest and dividends). As of June 30, 2019, a significant portion of the funds are invested to seek growth of principal over time.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2019 there were no underwater endowments.

NOTE 9 ENDOWMENTS (CONTINUED)

Investment and Spending Policies (Continued)

The Foundation uses an Endowment spending-rate formula to determine the amount to spend from the Endowment each year. The rate, determined and adjusted from time to time by the board of directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters at December 31 of each year to determine the spending amount for the upcoming year. In establishing this policy, the Foundation considered the long-term expected return on the Endowment, and set the rate with the objective of maintaining the purchasing power of the Endowment over time. During 2019, the spending rate was 0.00% because the board of directors has established a policy that there shall be no expenditures until such time as the Endowment's corpus, including investment return earned up until that point, reaches $5,000,000.

Changes in Endowment net assets for the year ending June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ -	$ 2,301,177	$ 2,301,177
Investment Income, Net of Fees	-	111,883	111,883
Contributions	-	59,606	59,606
Distributions:			
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	-	-	-
Endowment Net Assets - End of Year	$ -	$ 2,472,666	$ 2,472,666

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS AND NONCONTROLLING INTEREST IN PARTNERSHIP

Noncontrolling Interest in Partnership

The change in consolidated net assets without restriction attributed to noncontrolling interest in partnership consists of the following at June 30, 2019:

	Controlling Interest	Noncontrolling Interest	Total
Balance - July 1, 2018	$ 924,331	$ 1,402,006	$ 2,326,337
Partnership Losses	45,403	-	45,403
Balance - June 30, 2019	$ 969,734	$ 1,402,006	$ 2,371,740

Net Assets With Donor Restrictions

Restricted net assets consist of Endowment funds restricted by donors for investment in perpetuity, and promises to give that once received are restricted by donors for investment in perpetuity. Distributions from perpetual trusts and earnings on Endowment funds are available for the purposes specified by the donors, or in certain cases, for the operating use of the Foundation, in accordance with the Foundation's spending policy.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS AND NONCONTROLLING INTEREST IN PARTNERSHIP (CONTINUED)

Net Assets With Donor Restrictions (Continued)

Net assets with donor restrictions consist of the following at June 30, 2019:

Restricted by Donors for:	
Earnings on Endowment	$ 998,791

NOTE 11 LEASING ACTIVITY

The Foundation leases bingo equipment under an operating lease that expires in June 30, 2019. The term of the lease is for a year. Total rent expense for the year ended June 30, 2019 totaled $33,150.

The Foundation is the lessor of office and storage space under various operating leases, the majority of which are on a month-to-month basis and are exclusively rented to Leaf and Mesa CAN, both of which are related parties. Property under operating leases was as follows at June 30, 2019:

Buildings	$ 4,596,363
Less Accumulated Amortization	(1,906,901)
Leasing Activity, Net	$ 2,689,462

Future minimum receipts on cancelable leases are as follows for June 30, 2019:

Year Ending June 30,	Amount
2020	$ 892,051
2021	42,309
2022	21,155
Total	$ 955,515

Total lease income for the year ended June 30, 2019 totaled $903,749.

NOTE 12 EMPLOYEE BENEFITS

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.

NOTE 13 RELATED PARTY TRANSACTIONS

Leaf provides management and support services for the Foundation for which the Foundation reimburses Leaf. As noted in Note 11, the Foundation leases most of its employees from Leaf. Total reimbursements for management and support services and payroll paid to Leaf during the year ended June 30, 2019 totaled $377,618 and are included in the accompanying consolidated statement of functional expenses. As of June 30, 2019, net amounts owed to Leaf were $388,713. 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, management and support services.

The Foundation donates to Leaf a portion of the proceeds from its bingo operations, which consisted of $274,500 during the year ended June 30, 2019. In addition, the Foundation contributed $244,724 as an unrestricted contribution during the year ended June 30, 2019.

The Foundation leases real property to Leaf. Rental income under these leases amounted to $832,901 for the year ended June 30, 2019.

Mesa CAN shares common management and staff with the Foundation. Additionally, Mesa CAN rents certain real property from the Foundation. Total rental income from Mesa CAN was $70,848 for the year ended June 30, 2019. As of June 30, 2019, Mesa CAN owed $-0- to the Foundation for rent and other intercompany balances.

In prior years, the Partnership received $100,000 from A New Leaf, Inc. The proceeds were used to repay a construction loan. In lieu of making monthly payments, the Partnership reduces the amount due to Leaf by the monthly commercial rent due. As of June 30, 2019, outstanding amounts due to Leaf were $30,184. These amounts are included in due to related party on the consolidated statement of financial position.

NOTE 14 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through March 19, 2020, the date the consolidated financial statements were available to be issued.

On September 6, 2019, the Foundation issued a $975,000 line of credit to Leaf, of which, Leaf borrowed $975,000 as of March 19, 2020.

In August 2019, the Foundation sold it private stock for approximately $930,000.

NOTE 14 SUBSEQUENT EVENTS (CONTINUED)

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results, including, but not limited to, additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

During the period from January 1, 2020, through March 19, 2020, both domestic and international equity markets have experienced large declines. These losses are not included in the consolidated financial statements as of and for the year ended June 30, 2019.

NOTE 15 NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Foundation for the year ending June 30, 2020; however, early application is permitted.

The FASB issued ASU No. 2018-08 on June 21, 2018. This update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. This ASU distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, *Not-for-Profit Entities–Revenue Recognition*, should be followed. For exchange transactions, Topic 606, *Revenue from Contracts with Customers,* should be followed. To determine which guidance should be followed, grant documents have to be carefully analyzed. The standard will be effective for the Foundation for the year ending June 30, 2020; however, early application is permitted.

NOTE 15 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity’s leasing activities. The guidance will initially be applied using a modified retrospective approach. The standard will be effective for the Foundation for the year ending June 30, 2022; however, early application is permitted.