

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2018**



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**A NEW LEAF, INC. AND SUBSIDIARIES  
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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of A New Leaf, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2018, 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 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 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 A New Leaf, Inc. and Subsidiaries as of June 30, 2018, and their changes in net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the 2018 consolidated financial statements as a whole. The 2018 accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2019, on our consideration of the A New Leaf, Inc. and Subsidiaries' 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 result of that testing, and not to provide an opinion on the effectiveness of the A New Leaf, Inc. and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering A New Leaf, Inc. and Subsidiaries' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
March 20, 2019

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**

**ASSETS**

Cash and Cash Equivalents	\$ 1,753,164
Cash - Designated for Direct Loan Fund	39,598
Cash - Individual Development Accounts (IDA) Restricted	1,211,684
Accounts Receivable, Net	1,420,289
Related Party Receivables	1,855,827
Promises to Give, Net	989,294
United Way Receivable	270,368
In-Kind Rent Receivable, Net	239,097
Prepaid Expenses and Other Assets	219,070
Notes Receivable, Related Parties, Net	987,768
Loans Receivable	318,813
Allowance for Loan Loss Reserve - Loans Receivable	(103,534)
Investments	46,421
Investments Held for Deferred Compensation	290,698
Investment in Affiliate	1,402,006
Property and Equipment, Net	8,706,374
Endowment:	
Cash	833,842
Investments	506,860
Promises to Give, Net	87,663
Total Assets	<u>\$ 21,075,302</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable	\$ 564,305
Accrued Expenses and Other Liabilities	948,683
Deferred Compensation Liability	290,698
Deferred Revenue	368,791
Capital Lease Obligations	144,350
Guaranteed Loan Obligation	62,905
Lines of Credit	73,186
Notes Payable and Other Liabilities - Equity Equivalent Investments	938,706
Total Liabilities	<u>3,391,624</u>

**NET ASSETS**

Unrestricted	9,308,315
Temporarily Restricted	6,953,858
Permanently Restricted	1,421,505
Total Net Assets	<u>17,683,678</u>

Total Liabilities and Net Assets	<u>\$ 21,075,302</u>
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See accompanying Notes to Consolidated Financial Statements.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, SUPPORT AND GAINS</b>				
Contract Revenue	\$ 11,069,942	\$ -	\$ -	\$ 11,069,942
Behavioral Health Revenue	8,943,096	-	-	8,943,096
Contributions	5,215,102	1,354,983	-	6,570,085
United Way Contributions	1,568,891	-	-	1,568,891
Client Fees	48,328	-	-	48,328
Rental Income	204,333	-	-	204,333
Gross Bingo Revenue	1,126,016	-	-	1,126,016
Less Cost of Goods Sold	<u>(744,277)</u>	<u>-</u>	<u>-</u>	<u>(744,277)</u>
Net Bingo Revenue	381,739	-	-	381,739
Interest and Other Income	4,431	-	-	4,431
Net Investment Return (Loss)	(571)	6,860	-	6,289
Net Assets Released from Restrictions	<u>3,874,457</u>	<u>(2,292,922)</u>	<u>(1,581,535)</u>	<u>-</u>
Total Revenues, Support and Gains	<u>31,309,748</u>	<u>(931,079)</u>	<u>(1,581,535)</u>	<u>28,797,134</u>
<b>EXPENSES AND LOSSES</b>				
Program Services	23,859,267	-	-	23,859,267
Supporting Services:				
Management and General	4,131,839	-	-	4,131,839
Bingo Games	283,841	-	-	283,841
Fundraising and Development	<u>1,651,958</u>	<u>-</u>	<u>-</u>	<u>1,651,958</u>
Total Supporting Services	<u>6,067,638</u>	<u>-</u>	<u>-</u>	<u>6,067,638</u>
Total Expenses	29,926,905	-	-	29,926,905
Loss from Investment in Affiliate	51	-	-	51
Loss on Disposal of Fixed Assets	<u>11,246</u>	<u>-</u>	<u>-</u>	<u>11,246</u>
Total Expenses and Losses	<u>29,938,202</u>	<u>-</u>	<u>-</u>	<u>29,938,202</u>
<b>CHANGE IN NET ASSETS</b>	1,371,546	(931,079)	(1,581,535)	(1,141,068)
<b>TRANSFERRED NET ASSETS FROM SUBSIDIARIES</b>	481,126	223,573	-	704,699
Net Assets - Beginning of Year	<u>7,455,643</u>	<u>7,661,364</u>	<u>3,003,040</u>	<u>18,120,047</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 9,308,315</u>	<u>\$ 6,953,858</u>	<u>\$ 1,421,505</u>	<u>\$ 17,683,678</u>

See accompanying Notes to Consolidated Financial Statements.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	Program Services									
	Shelter Services	Youth Services	Behavioral Health	Community Action	Weatherization	Individual Development Accounts	Community Services And Education	Community Development Financial Institution	Real Estate and Other Programs	Total Program Services
Salaries	\$ 2,939,199	\$ 2,740,034	4,691,848	\$ 404,595	\$ 13,884	\$ 78,366	\$ 1,072,844	\$ 122,151	\$ 84,766	\$ 12,147,687
Payroll Taxes	256,736	238,948	396,712	34,427	957	6,885	96,799	9,915	7,418	1,048,797
Benefits and Other	426,310	439,189	498,947	44,567	3,456	5,411	118,530	3,781	4,466	1,544,657
Professional Services	285,704	49,022	268,676	43,295	2,423	26,354	248,739	30,278	14,968	969,459
Advertising, Marketing, and Printing	6,132	10	4,480	1,436	19	314	46,308	13,121	36	71,856
Supplies and Postage	50,346	26,806	16,956	6,109	221	573	59,524	2,592	878	164,005
Telephone	109,242	74,736	113,811	15,819	529	1,815	33,463	6,582	1,467	357,464
Occupancy	664,413	217,279	591,876	19,245	10,056	14,072	90,499	2,575	89,804	1,699,819
Travel and Vehicles	60,863	233,891	118,127	8,588	1,109	1,977	13,859	2,663	900	441,977
Interest Expense and Bank Charges	-	-	-	-	-	-	11,914	9,131	7,874	28,919
Conferences	12,973	5,024	25,386	2,504	2,720	(35)	5,825	1,488	7	55,892
Depreciation	311,704	37,478	41,034	-	-	-	44,819	70	4,383	439,488
Insurance	106,757	69,901	103,971	8,387	6,292	2,677	14,988	1,595	4,689	319,257
Equipment Lease, Repair and Maintenance	78,598	44,114	104,280	11,381	-	-	65,701	11,884	517	316,475
Client Expenses	220,705	25,935	37,794	1,063,329	332,877	114,263	25,521	-	-	1,820,424
Program Expenses	990,814	460,504	497,304	4,178	-	87	70,164	10,586	5	2,033,642
Housing Development	1,217	-	7,040	-	-	-	-	-	-	8,257
Bingo Expense	-	-	-	-	-	-	-	-	-	-
Bad Debt (Recovery)	-	-	8,691	-	-	-	-	(31,469)	-	(22,778)
Event Expenses	11,521	-	-	-	-	-	68,662	-	-	80,183
Contribution	-	-	-	-	-	-	-	-	233,196	233,196
Miscellaneous Expense	44,694	9,970	15,906	3,632	2,432	76	15,729	2,844	5,307	100,590
Totals	6,577,928	4,672,841	7,542,839	1,671,492	376,975	252,835	2,103,889	199,787	460,681	23,859,267
Less Expenses Included with Revenues on the Consolidated Statement of Activities										
Bingo Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities	<u>\$ 6,577,928</u>	<u>\$ 4,672,841</u>	<u>\$ 7,542,839</u>	<u>\$ 1,671,492</u>	<u>\$ 376,975</u>	<u>\$ 252,835</u>	<u>\$ 2,103,889</u>	<u>\$ 199,787</u>	<u>\$ 460,681</u>	<u>\$ 23,859,267</u>

See accompanying Notes to Consolidated Financial Statements.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**

	Support Services				Total
	Management and General	Bingo Games	Fundraising and Development	Total Support Services	
Salaries	\$ 2,254,323	\$ 85,603	\$ 576,109	\$ 2,916,035	\$ 15,063,722
Payroll Taxes	175,531	11,262	46,109	232,902	1,281,699
Benefits and Other	446,627	2,688	47,477	496,792	2,041,449
Professional Services	415,835	1,147	13,662	430,644	1,400,103
Advertising, Marketing, and Printing	10,065	19,850	168,472	198,387	270,243
Supplies and Postage	41,812	1,259	11,508	54,579	218,584
Telephone	92,109	2,499	6,559	101,167	458,631
Occupancy	418,818	95,275	15,207	529,300	2,229,119
Travel and Vehicles	45,511	-	19,383	64,894	506,871
Interest Expense and Bank Charges	63,967	7,745	14,678	86,390	115,309
Conferences	28,405	-	10,005	38,410	94,302
Depreciation	44,101	-	516	44,617	484,105
Insurance	42,197	-	8,441	50,638	369,895
Equipment Lease, Repair and Maintenance	7,317	33,111	8,329	48,757	365,232
Client Expenses	127	-	4,728	4,855	1,825,279
Program Expenses	7,451	-	467,793	475,244	2,508,886
Housing Development	259	-	325	584	8,841
Bingo Expense	-	767,063	-	767,063	767,063
Bad Debt (Recovery)	-	-	6,650	6,650	(16,128)
Event Expenses	2,058	-	213,137	215,195	295,378
Contribution	1,349	-	-	1,349	234,545
Miscellaneous Expense	33,977	616	12,870	47,463	148,053
Totals	4,131,839	1,028,118	1,651,958	6,811,915	30,671,182
Less Expenses Included with Revenues on the Consolidated Statement of Activities					
Bingo Cost of Goods Sold	-	(744,277)	-	(744,277)	(744,277)
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities	\$ 4,131,839	\$ 283,841	\$ 1,651,958	\$ 6,067,638	\$ 29,926,905

See accompanying Notes to Consolidated Financial Statements.



**A NEW LEAF, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (1,141,068)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	484,105
Amortization of Discount on Promises to Give, Notes Receivable and In-Kind Rent Receivable	232,021
Bad Debt Recovery	(16,128)
Realized and Unrealized Gains on Investments	(6,289)
Contribution of In-Kind Rent Receivable	(261,959)
Deferred Compensation Expense	49,641
Donation of Building from Related Party	(586,894)
Investment Return on Deferred Compensation Plan Assets	(15,435)
Net Loss from Investment in Affiliate	51
Loss on Disposal of Property and Equipment	11,246
Net Guaranteed Loan Obligations	(100,224)
(Increase) Decrease in Assets:	
Cash - Individual Development Accounts (IDA) Restricted	(74,308)
Accounts Receivable	947,310
Related Party Receivable	587,033
Promises to Give	150,447
United Way Receivable	(90,246)
Prepaid Expenses and Other Assets	21,277
Increase (Decrease) in Liabilities:	
Accounts Payable	(16,694)
Accrued Expenses and Other Liabilities	143,649
Due To Related Party	(53,370)
Deferred Revenue	(1,740,121)
Net Cash Used by Operating Activities	<u>(1,475,956)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Property and Equipment	(385,499)
Purchases of Deferred Compensation Plan Assets	(34,206)
Purchases of Investments	(606,563)
Proceeds from Sale of Investments	84,953
Collections on Notes Receivable	51,983
Loans Receivable Origination and Payments, Net	29,404
Net Cash Used by Investing Activities	<u>(859,928)</u>

See accompanying Notes to Consolidated Financial Statements.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**

**CASH FLOWS FROM FINANCING ACTIVITIES**

Collections of Contributions Restricted to Endowment	\$ 238,161
Change in Endowment Cash	561,581
Proceeds from Line of Credit	50,000
Payments on Line of Credit	(135,318)
Payments to City of Mesa on CDBG Loans	(136,082)
Cash Received on CDBG Loans Owed to the City of Mesa	2,244
Payments on Capital Lease Obligations	(23,260)
Payments on Long-Term Debt	(63,995)
Net Cash Provided by Financing Activities	<u>493,331</u>

**NET CHANGE IN CASH AND CASH EQUIVALENTS** (1,842,553)

Cash and Cash Equivalents - Beginning of Year	3,561,542
Transferred Cash from Subsidiaries	<u>73,773</u>

**CASH AND CASH EQUIVALENTS - END OF YEAR** \$ 1,792,762

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash Paid for Interest	<u>\$ 25,674</u>
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**SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES**

Property and Equipment Purchased Through a Capital Lease	<u>\$ 153,272</u>
Donation of Building from Related Party	<u>\$ 586,894</u>

*See accompanying Notes to Consolidated Financial Statements.*

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 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 discussed below:

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 behavior health programs for children 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.

Mesa Community Action Network, Incorporated (Mesa CAN) is a nonprofit organization established September 3, 1986 as the community action program for the City of Mesa, Arizona. It serves as the vehicle whereby both governmental and private funding are brought together to assist in meeting the human service needs in the City of Mesa and surrounding areas. Mesa CAN'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 – This program offers financial assistance to individuals and families who are in need of weatherization assistance for their homes. This includes replacement of air conditioning, heaters, heat pumps, weather stripping, lighting, inefficient appliances, and windows.

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

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Organization (Continued)**

Neighborhood Economic Development Corporation (NEDCO) is a Community Development Financial Institution which began its operations on August 1, 1997. 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.

Arizona Women's Education and Employment, Inc. (AWEE) is an Arizona nonprofit corporation organized in July 1981. AWEE's purpose is to help people achieve economic independence. AWEE provides pre-employment job readiness training, marketable skills, employment services, and support to individuals located primarily in the Phoenix metropolitan area. These services enable people to overcome barriers to employment. Program expenses of AWEE are listed under community services and education on the statement of functional expenses.

Phoenix Day was incorporated under the laws of the State of Arizona in June 1982 but has been in operation since 1915. Phoenix Day is a nonprofit corporation dedicated to ensuring healthy child and family development within the Phoenix Enterprise Community. Their mission is to support working families in the Valley by providing affordable high quality early childhood education and social services program, while ensuring healthy children development as well as outreach programs in the greater community. Phoenix Day's major programs are as follows:

Early Education Program – 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.

Health Links Program – This program provides 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.

Program expenses of Phoenix Day are listed under community services and education on the statement of functional expenses.

**Principles of Consolidation**

A New Leaf, Inc. 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 the La Mesita Apartments, LP with a 0.01% share. La Mesita Apartments Phase 3, LLC, is the general partner with a 0.01% in the 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 and has not been included in the attached audited consolidated financial statements due to immateriality.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Principles of Consolidation (Continued)**

In October 2006, the board of directors of Mesa CAN amended its articles of incorporation to evidence Leaf as the sole member of Mesa CAN. Mesa CAN retained its legal status as a separate 501(c)(3) organization. In October 2016, the board of directors of Neighborhood Economic Development Corporation amended its articles of incorporation to evidence Leaf as the sole member of NEDCO effective January 1, 2017. Effective September 3, 2017, the board of directors of AWEE voted to begin operating as a subsidiary of Leaf. During 2019, the board of AWEE intends to merge the organization and become a division of Leaf, at which time the board of AWEE would be dissolved. Effective January 1, 2018, the board of directors of Phoenix Day voted to begin operating as a subsidiary of Leaf. Leaf obtained control over Phoenix Day at that time. During 2019, the board of Phoenix Day intends to merge the organization and become a division of Leaf, at which time the board of Phoenix Day would be dissolved.

The consolidated financial statements include the accounts of Leaf, Mesa CAN, NEDCO, AWEE, and Phoenix Day because Leaf has both control and an economic interest in these entities. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as “the Organization.”

**Community Development Financial Institution (CDFI)**

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.

**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. Certain cash is restricted to use for IDAs and is required to be held in a separate account.

**Cash Designated for Lending and Cash Held for Loan Loss Reserves**

NEDCO receives loans and grant funds from various sources to be used for loans receivable to new or existing small businesses or as cash reserves for loan losses. These loans are included in notes payable in the accompanying consolidated statements of financial position. These funds are maintained in separate bank accounts. At June 30, 2018, NEDCO had \$39,598 in these accounts as cash designated for lending that are to be used to fund additional loans.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Receivables and Credit Policies**

Accounts receivable consist primarily of noninterest-bearing amounts due from contracts and grants. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

The Organization has three related party note receivables as described more fully in Note 16. Notes receivables represent amounts due under extended payments terms exceeding one year. The notes are noninterest bearing. The Organization evaluates the collectability of the balances based upon historical experience and the specific circumstances of individual notes, with an allowance for uncollectible amounts being provided, if necessary.

**Loans Receivable**

Loans are reported at their outstanding unpaid principal balance adjusted for the allowance for loan losses.

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

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

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

**Allowance for Loan Losses**

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to expense. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allowance for Loan Losses (Continued)**

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

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

A loan is considered impaired when, based on current information and events, it is probable that NEDCO will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for business loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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/(loss) is reported in the consolidated statement of activities and consists of realized and unrealized capital gains and losses.

**Investments in Affiliated Entities**

The equity method of accounting is used when the Organization has a 20% to 50% interest in other entities. Under the equity method, original investments are recorded at cost and adjusted for the Organization's share of undistributed earnings or losses of these entities. Nonmarketable investments in which the Organization has less than a 20% interest and in which it does not have the ability to exercise significant influence over the investee are initially recorded at cost, and periodically reviewed for impairment.

**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 35 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 currently expensed.

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, 2018.



**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity Equivalent Investment**

Equity Equivalent Investment (EQ2): 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 entities to invest in CDFIs, such as NEDCO. This financial tool permits a CDFI to strengthen its capital structures and leverage additional debt capital thereby, increase lending and investing in its economically disadvantaged communities.

An EQ2 is a long-term, low-interest loan that is typically structured with a rolling maturity and an automatic annual extension of the loan, as long as the borrower carries out its community development purposes. The equity equivalent investment is carried on the investor's financial statements as an investment and on the CDFI's financial statements as debt. EQ2 is secured by any of the CDFI's assets and is fully subordinate to the CDFI's other creditors.

**Net Assets**

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

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organization and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Organization's board of directors.

The Organization reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues in unrestricted net assets.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. The restrictions stipulate that resources be maintained permanently but permit the Organization to expend the income generated in accordance with the provisions of the agreements.

**Revenue and Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 generally accepted accounting principles. 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 (Note 14).

**Advertising Costs**

Advertising costs are expensed as incurred and equaled \$270,244 for the year ended June 30, 2018.

**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.

**Income Taxes**

Leaf, MesaCAN, NEDCO, AWEE and Phoenix Day are organized as Arizona nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3) and have been determined not to be private foundations under Section 509(a)(1). Accordingly, contributions to them qualify for the charitable contribution deduction under Section 170(b)(1)(A). Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are generally subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Leaf, NEDCO, AWEE and Phoenix Day has determined they are not subject to unrelated business income tax (UBIT) and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. Mesa CAN has determined it is subject to the unrelated business income tax and files a Form 990-T, and the related state return. However, because the amount of Mesa CAN UBIT is immaterial, tax expense is recorded as paid rather than as incurred.

Management believes that it has appropriate support for any income tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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.

**Loss Contingencies**

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

**NOTE 2 ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following sources as of June 30, 2018:

Contracts and Grants	\$ 1,376,549
Private	149,874
Miscellaneous	24,620
Total	<u>1,551,043</u>
Less Allowance for Doubtful Accounts	<u>(130,754)</u>
Accounts Receivable, Net	<u><u>\$ 1,420,289</u></u>

At June 30, 2018, one grantor accounted for 41% of gross accounts receivable.

**NOTE 3 PROMISES TO GIVE AND IN-KIND RECEIVABLE**

Unconditional promises to give and in-kind receivables are estimated to be collected as of June 30, 2018 as follows:

	<u>Promises</u>	<u>In-Kind</u>
Within One Year	\$ 943,708	\$ 63,864
Endowment - Within One Year	35,403	-
In One to Five Years	188,888	198,094
Endowment - In One to Five Years	66,937	-
Total	<u>1,234,936</u>	<u>261,958</u>
Less Discount to Net Present Value (at Rates Averaging 4%)	(23,785)	(22,861)
Less Allowance for Doubtful Accounts	<u>(134,194)</u>	<u>-</u>
Net Amounts	<u><u>\$ 1,076,957</u></u>	<u><u>\$ 239,097</u></u>

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 PROMISES TO GIVE AND IN-KIND RECEIVABLE (CONTINUED)**

At June 30, 2018, four donors accounted for 83% of gross promises to give. Promises to give, net of allowance and discount, were restricted to permanent endowment in the amount of \$87,663 as of June 30, 2018.

**NOTE 4 FAIR VALUE MEASUREMENTS AND DISCLOSURES**

Certain assets are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset 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, 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 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 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 that the Organization can access at the measurement date.

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

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

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 4 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)**

In some cases, the inputs used to measure the fair value of an asset 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. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk or liquidity profile of the asset.

A portion of the Organization's investment assets are classified within Level 2 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. Corporate equities are classified within Level 1 because the equities have readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis at June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Corporate Equities	\$ 4,602	\$ -	\$ -	\$ 4,602
Mutual Funds	497,638	-	-	497,638
Endowment Investment Cash	-	-	-	9,222
Cash	-	-	-	41,819
	<u>\$ 502,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 553,281</u>
Deferred Compensation Assets				
Pooled Separate Funds	<u>\$ -</u>	<u>\$ 290,698</u>	<u>\$ -</u>	<u>\$ 290,698</u>

The following table presents the fair value hierarchy for the balances of financial assets measured at fair value on a nonrecurring basis as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Impaired Loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,457</u>	<u>\$ 88,457</u>

The fair value of impaired loans is estimated based on either the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent or the discounted cash flows of future payments. Each method contains significant unobservable inputs and thus is classified as Level 3 fair value measurement. Valuation techniques and unobservable input disclosures are not included herein, as impaired loans are 100% reserved for based on facts and circumstances.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 LOANS RECEIVABLE**

A summary of loans receivable by major category follows as of June 30, 2018:

Business Loans	\$ 318,813
Allowance for Loan Losses	<u>(103,534)</u>
Total Loans Receivable, Net Allowance	<u><u>\$ 215,279</u></u>

The following table presents the activity in the allowance for loan losses by portfolio segment for the year ended June 30, 2018 and the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment based on impairment method as of June 30, 2018:

	<u>Business Loans</u>	<u>Total</u>
Allowance for Credit Losses:		
Balance at Beginning of Period	\$ 164,762	\$ 164,762
Charge-Offs	(57,355)	(57,355)
Recoveries	-	-
Provisions	<u>(3,873)</u>	<u>(3,873)</u>
Balance at End of Period	<u><u>\$ 103,534</u></u>	<u><u>\$ 103,534</u></u>
Individually Evaluated for Impairment	\$ 88,457	\$ 88,457
Collectively Evaluated for Impairment	<u>15,077</u>	<u>15,077</u>
Balance at End of Period	<u><u>\$ 103,534</u></u>	<u><u>\$ 103,534</u></u>
Loans and Financing Receivables:		
Individually Evaluated for Impairment	\$ 88,457	\$ 88,457
Collectively Evaluated for Impairment	<u>230,356</u>	<u>230,356</u>
Balance at End of Period	<u><u>\$ 318,813</u></u>	<u><u>\$ 318,813</u></u>

**Credit Quality Indicators**

NEDCO categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, collateral adequacy, credit documentation, public information, and current economic trends, among other factors. NEDCO analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes business loans. This analysis is performed on an ongoing basis as new information is obtained. NEDCO uses the following definitions for risk ratings:

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

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 LOANS RECEIVABLE (CONTINUED)**

**Credit Quality Indicators (Continued)**

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

Based on the most recent analysis performed, the risk category of loans by class of loans as of June 30, 2018 was as follows:

	<u>Pass</u>	<u>Non Pass</u>
Business Loans	<u>\$ 230,356</u>	<u>\$ 88,457</u>

NEDCO's loan portfolio is managed on a pool basis due to its' homogeneous nature. Loans that are delinquent 120 days or more or are not accruing interest are considered nonperforming. The following table presents the recorded investments in NEDCO's loan portfolio by class based on payment activity as of June 30, 2018:

	<u>Still Accruing</u>		
	<u>30-89 Days Past Due</u>	<u>Over 90 Days Past Due</u>	<u>Nonaccrual Balance</u>
Business Loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,991</u>

The following tables summarize individually impaired loans by class of loans as of June 30, 2018:

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
With a Specific Allowance Recorded: Business Loans	<u>\$ 88,457</u>	<u>\$ 88,457</u>	<u>\$ 88,457</u>	<u>\$ -</u>

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 LOANS RECEIVABLE (CONTINUED)**

**Credit Quality Indicators (Continued)**

Impaired loans also include loans modified in a troubled debt restructuring (TDR) where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collections.

	Extended Maturity	Payment Reduction	Interest Rate Reduction at Below Market Rate	Total
Business Loans	<u>\$ 76,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,939</u>

**NOTE 6 INVESTMENT IN AFFILIATE**

The Organization's investment in a business venture is being recorded on the equity method. The Organization has not received distributions from this investment.

Summary information on the equity method investment is as follows:

	Prospect Park, LP
Investment Value at June 30, 2017	<u>\$ 1,402,057</u>
Net Loss	<u>(51)</u>
Investment Value at June 30, 2018	<u>\$ 1,402,006</u>

Summarized financial statement information of the affiliate as of and for the year ended June 30, 2018 is as follows:

Statement of Financial Position:

Total Assets	<u>\$ 1,421,923</u>
Total Liabilities	\$ 51,252
Unrestricted Net Assets	<u>1,370,671</u>
Total Liabilities and Unrestricted Net Assets	<u>\$ 1,421,923</u>

Statement of Activities:

Revenue	\$ 22,444
Expenses	<u>80,090</u>
Change in Unrestricted Net Assets	<u>\$ (57,646)</u>



**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30, 2018:

Land	\$ 1,580,781
Buildings	4,955,745
Building Improvements	4,682,993
Leasehold Improvements	254,400
Computer Software	178,790
Leased Equipment	153,272
Vehicles	261,622
Furniture and Fixtures	<u>714,503</u>
Total	12,782,106
Less Accumulated Depreciation and Amortization	<u>(4,075,732)</u>
Property and Equipment, Net	<u>\$ 8,706,374</u>

The Organization has several deed restrictions a certain properties constructed with government funding. The deed restrictions have different expirations ranging from 2019 to 2027. In addition, these restrictions are recorded under temporarily restricted net assets until the restrictions are met.

**NOTE 8 LINES OF CREDIT**

The Organization had a \$1,000,000, unsecured, revolving line of credit, bearing interest at an adjustable rate equal to the bank's Prime Rate, 4.25%, plus 0.5%. The line of credit originally expired April 30, 2017 and was extended through July 30, 2018. As of June 30, 2018, there was no unpaid balance on this line of credit.

On September 27, 2018 and then subsequently updated on November 15, 2018, The Organization renewed the \$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 Organization and is also guaranteed by The PRE-HAB Foundation (the Foundation), an Arizona nonprofit corporation related through common management. The line of credit has certain covenants that apply to both the Organization and the Foundation. The line of credit expires on November 30, 2019.

NEDCO has entered into two revolving lines of credit dated April 2009 and July 2010. The lines of credit were used to provide loans to micro-enterprises through a CDBG funded Downtown Mesa Business Development Loan Program. The amount of financial assistance was not to exceed \$225,000 and \$177,379, respectively. Currently, NEDCO is not allowed to draw more funds from these lines of credit. As of June 30, 2018, the outstanding balance on the lines of credit was \$23,186.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 LINES OF CREDIT (CONTINUED)**

NEDCO has a \$50,000, unsecured, revolving line of credit, bearing interest at an adjustable rate equal to the bank's Prime Rate, 5.0%. The line of credit expired February 2, 2019 and was extended through February 2, 2020. As of June 30, 2018, there was a balance of \$50,000 on this line of credit.

**NOTE 9 GUARANTEED LOAN OBLIGATION**

Leaf has guaranteed certain debt obligations totaling \$1,287,852 as of June 30, 2018, for the PRE-HAB Foundation (the Foundation), an Arizona nonprofit corporation related through common management, and La Mesita Apartments Phase 3, LP (La Mesita). The first obligation bears an adjustable rate interest equal to the sum of the five year Treasury Constant Maturity Index (2.73% as of June 30, 2018) plus 2.5% and is payable in monthly installments by the Foundation through October 2020. The second obligation bears an adjustable rate interest equal to the LIBOR (2.09% as of June 30, 2018) plus 2.05% and is payable in monthly installments by the Foundation through April 2022. The third obligation is for La Mesita and bears an adjustable rate interest equal to the LIBOR (2.09% as of June 30, 2018) plus 275 basis points. This third obligation was paid off on January 2, 2018. Leaf does not anticipate default by the Foundation. Leaf's liability for these guarantees is presented as guaranteed loan obligations in the accompanying consolidated statement of financial position. Reduction of the liability due to repayment of the debts by the Foundation is recognized as contribution revenue in the accompanying consolidated statement of activities and totaled \$98,977 for the year ended June 30, 2018.

Outstanding balances of guaranteed loans presented in the consolidated statement of financial position are as follows for:

Loan Guarantee on Behalf of PRE-HAB Foundation, Matures October 2022	\$ 62,665
Loan Guarantee on Behalf of PRE-HAB Foundation, Matures April 2020	240
Total	<u><u>\$ 62,905</u></u>

The following is a schedule of expected repayment and corresponding reduction of the guaranteed loan obligations for:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 25,757
2020	19,318
2021	12,879
2022	4,951
Total	<u><u>\$ 62,905</u></u>

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 10 NOTES PAYABLE AND OTHER LIABILITIES – EQUITY EQUIVALENT INVESTMENTS (EQ2)**

Notes payable and other liabilities – equity equivalent investments consist of the following for year ending June 30, 2018:

Description

Unsecured note payable to Wells Fargo; equity equivalent investment agreement maturing on May 5, 2019, due in 8 quarterly installment payments of interest and principal in the amount of \$31,250 with a final balloon payment of the principal balance, plus accrued interest, at maturity. Interest of 2.0% per annum.	\$ 250,000
Unsecured note payable to Arizona Community Foundation. Recoverable grant maturing on January 1, 2020 with 0.0% interest with a final balloon payment due on earlier of maturity date or date project is sold.	41,000
EQ2 unsecured note payable with National Bank of Arizona, interest due quarterly at 2.0%. Principal and outstanding interest originally due on July 23, 2011 and was extended through July 23, 2021.	50,000
EQ2 unsecured note payable with National Bank of Arizona, interest due quarterly at 2.0%. Principal and outstanding interest originally due on December 31, 2014 and was extended through December 23, 2024.	50,000
EQ2 unsecured note payable with National Bank of Arizona, interest due quarterly at 3.0%. Principal and outstanding interest matures December 31, 2027.	50,000
EQ2 unsecured note payable with Johnson Bank with interest rate of 3%, principal and accumulated interest due March 1, 2023.	25,000
EQ2 unsecured note payable with Comerica Bank originating September 18, 2008 and maturing December 31, 2018 with interest rate of 3.0%. Interest payments waived from inception. Principal due in full on scheduled date of maturity. To be used to finance economic development and other community development projects. In the process of being extended.	50,000

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 10 NOTES PAYABLE AND OTHER LIABILITIES – EQUITY EQUIVALENT INVESTMENTS (EQ2) (CONTINUED)**

Description

EQ2 unsecured note payable with Comerica Bank originating November 5, 2009 and maturing November 30, 2019 with interest rate of 3.0%. Interest waived from inception. Principal due in full on scheduled date of maturity. To be used to finance economic development and other community development projects.	\$ 45,000
Note payable with RAZA Development originally for \$300,000. Modified October 22, 2015 to a \$150,000 commitment. Quarterly interest at 0.78% and matures December 21, 2019.	150,000
Mortgage payable to Wells Fargo; maturing on July 1, 2019 due in monthly installment payments of \$1,756 with a final balloon payment of the principal balance, plus accrued interest, at maturity. Interest of 4.0% per annum. Secured by the property.	227,706
	\$ 938,706

Future maturities of notes payable and other liabilities – equity equivalent investments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 312,181
2020	451,525
2021	-
2022	50,000
2023	25,000
Thereafter	100,000
Total	\$ 938,706

The Organization is subject to restrictive covenants as part of the loan agreements.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 LEASING ACTIVITY**

The Organization leases office and program space under various operating leases and equipment under various capital leases expiring at various dates through 2023.

Total rent expense for the year ended June 30, 2018 totaled \$1,320,763, which includes \$459,865 of donated rent. Included in total rent expense is \$802,463 (\$315,369 of donated rent) consists of rents with related parties for the year then ended.

Future minimum lease payments under capital and operating leases have remaining terms in excess of one year are as follows:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2019	\$ 41,323	\$ 1,018,601
2020	41,323	492,158
2021	41,323	116,107
2022	30,993	63,886
2023	-	22,573
Total Minimum Lease Payments	<u>154,962</u>	<u>\$ 1,713,325</u>
Less Amount Representing Interest	<u>(10,612)</u>	
Capital Lease Obligation	<u>\$ 144,350</u>	

Leased property under capital leases as of June 30, 2018 includes:

Leased Equipment	\$ 153,272
Less Accumulated Depreciation	<u>(12,773)</u>
Leased Equipment, Net	<u>\$ 140,499</u>

The Organization is the lessor of office space under operating lease agreements expiring through 2056. Future income under these leases is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 62,333
2020	37,580
2021	37,580
2022	37,580
2023	37,580
Thereafter	<u>1,078,488</u>
Total	<u>\$ 1,291,141</u>

Property held for lease includes the following as of June 30, 2018:

Buildings	\$ 637,208
Less Accumulated Depreciation	<u>(177,508)</u>
Total	459,700
Land	<u>400,000</u>
Total Property Held for Lease	<u>\$ 859,700</u>

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 ENDOWMENT**

The Endowment consists of a 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. There were no unrestricted net assets designated for Endowment by the board of directors. The board of directors has interpreted the Arizona Uniform Prudent Management of Institutional Funds Act (UPMIFA) as 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, 2018, there were no such donor stipulations. As a result of this interpretation, the Organization classified as permanently restricted net assets (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 board of directors in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- The duration and preservation of the fund
- The purpose of the Organization 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 Organization
- The investment policies of the Organization

**Investment and Spending Policies**

The Organization will not utilize earnings on any donor-restricted endowments until the basis of such endowment reaches \$1,000,000. After the minimum basis is reached, the board of directors may release up to 3.0% of earnings from the previous calendar year for uses designated by them within guidelines of any restrictions.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 ENDOWMENT (CONTINUED)**

**Investment and Spending Policies (Continued)**

Changes in Endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets -				
Beginning of Year	\$ -	\$ -	\$ 3,003,040	\$ 3,003,040
Contributions	-	-	-	-
Investment Earnings	-	6,860	-	6,860
Discount Amortization	-	-	8,767	8,767
Change in Endowment				
Pledge Allowance	-	-	55,351	55,351
Release of Restrictions by Donor	-	-	<u>(1,645,653)</u>	<u>(1,645,653)</u>
Endowment Assets -				
End of Year	<u>\$ -</u>	<u>\$ 6,860</u>	<u>\$ 1,421,505</u>	<u>\$ 1,428,365</u>

During the year ended June 30, 2018, two donors released their endowment restrictions.

**NOTE 13 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are as follows as of June 30, 2018:

Restricted by Donors for:

After School Program	\$ 1,000
Arizona Womens Education and Employment Programs	24,991
East Valley Men's Shelter	827,000
IDA Program	992,010
La Mesita Phase 2	2,205,000
La Mesita Program Services	1,674,207
Phoenix Day Programs	193,294
Shelter Services	16,544
Strategic Partnership Merger	235,975
VITA Program	28,545
West Valley Community Behavioral Health Center	
Physical Improvements Program	<u>200,000</u>
Purpose Restrictions	<u>6,398,566</u>

Restricted for Time:

Pledges, Net	309,335
In-kind Receivables, Net	239,097
Endowment Earnings	<u>6,860</u>
Time Restrictions	<u>555,292</u>
Total Temporarily Restricted Net Assets	<u>\$ 6,953,858</u>

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 13 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

Net assets released from restrictions were as follows for the year ended June 30, 2018:

Satisfaction of Purpose Restrictions:	
East Valley Men's Shelter	\$ 891,364
Faith House	82,550
IDA Program	79,447
La Mesita Program Services	1,122,808
Phoenix Day Programs	10,170
Shelter Services	11,003
Strategic Partnership Merger	64,025
Satisfaction of Time Restrictions	31,555
Total Net Assets Released from Restrictions	<u>\$ 2,292,922</u>

**NOTE 14 DONATED PROFESSIONAL SERVICES AND MATERIALS**

The Organization received donated professional services and materials as follows during the year ended June 30, 2018:

	Program Services						Fundraising	Total
	Shelter Services	Youth Services	Behavioral Health	Community Services and Education	Management and General	and General		
Rent	\$ 319,709	\$ -	\$ 85,960	\$ 31,554	\$ 22,642	\$ -	\$ 459,865	
Shelter Client Assistance	7,265	340	-	-	-	4,688	12,293	
Supplies	10,859	-	-	13,904	-	85,681	110,444	
Food	277,054	124	-	105	-	49,853	327,136	
Clothing and Household Goods	412,158	890	-	8,066	-	-	421,114	
Entrance Fees	38,225	-	-	-	-	5,008	43,233	
Other Professional Services	190,468	676	-	225	2,850	1,808	196,027	
Total	<u>\$ 1,255,738</u>	<u>\$ 2,030</u>	<u>\$ 85,960</u>	<u>\$ 53,854</u>	<u>\$ 25,492</u>	<u>\$ 147,038</u>	<u>\$ 1,570,112</u>	

In addition, during June 30, 2018, the Organization received a donation of a building from a related party that was valued at \$586,894, which was capitalized. During June 30, 2018, the Organization recorded a long-term in-kind rent agreement with an unrelated party that ends on November 30, 2022. The fair value of the space was valued at \$270,651 net of discount of 4%. The receivable is recorded as in-kind rent receivable on the consolidated statement of financial position.



**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 15 EMPLOYEE BENEFITS**

**Defined Contribution Plan**

The Organization sponsors a defined contribution plan (the Plan) qualified under Section 401(k) of the Internal Revenue Code covering substantially all full-time employees. The Plan provides that employees who have attained the age of 21 and completed one year of service can voluntarily contribute a percentage of their salary to the Plan, up to the maximum contribution allowed by the IRS. As of January 1, 2014, the Organization implemented a Safe Harbor Provision into their Plan. Employees qualifying for the Plan and working a minimum of one thousand hours are eligible for the Safe Harbor Provision. Employer contributions to the Plan are discretionary and require board approval.

The Organization matches employee contributions up to 50% of the first 4% of deferrals, and vest at a graduated rate over 4 years of employment. During the year ended June 30, 2018, the Organization matched employee voluntary contributions up to 50% of the first 4% of deferrals, resulting in contributions to the Plan of \$123,011.

**Deferred Compensation Agreement**

The Organization sponsors a tax-deferred annuity plan qualified under Section 457(e)(1)(B) of the Internal Revenue Code covering certain highly compensated employees. Contributions are designated by the board of directors or chief executive officer of the Organization and withheld from the employees' wages.

**NOTE 16 RELATED PARTY TRANSACTIONS**

A New Leaf Cottages, Inc. (the Cottages), is a 501(c)(3) that shares common management with the Organization. Additionally, as of June 2010, the Organization assumed some program functions on behalf of the Cottages. The Organization advances funds to the Cottages for operating costs. Total amount outstanding totaled \$201 as of June 30, 2018.

The Organization owns a limited partnership investment in Prospect Park 1, LP (the Park), an affordable housing establishment. Investment in affiliate totaled \$1,402,008 as of June 30, 2018. During the year ended June 30, 2014, the Organization also provided the Park with \$100,000 for repayment of debt to third parties. Further, the Organization has funded certain other operating expenses of the Park. Amounts owed to the Organization are presented as related party receivables in the accompanying consolidated statement of financial position is \$49,695 for the year ended June 30, 2018. In addition, the Organization leases space from the Park. In lieu of making monthly rent payments, the Organization reduces related party receivable by the monthly commercial rent expense due. Rent expense totaled \$18,938 as of June 30, 2018.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 16 RELATED PARTY TRANSACTIONS (CONTINUED)**

The Organization has several transactions with the Foundation. The Organization guarantees debt for the Foundation and reimburses for management and support service costs. The Foundation receives rent from the Organization that reflects fair market rent rates, holds stock that is attributable to Leaf and pays donations to the Organization. Effective July 1, 2015, the Foundation authorized an unrestricted contribution to the Organization in the amount of \$1,000,000. The contribution is to be paid over a period of time not to exceed three years; however there was a remaining balance at the end of the year. During the year ended June 30, 2018, the Foundation donated a building to the Organization.

The following are the transactions with the Foundation for the year ended June 30, 2018:

Donations Received from Bingo Operations	\$ 206,630
Donation of Building	586,894
Donation for Start up for Integrated Care Program	138,520
Donations, Other	3,112
Reimbursement for Management and Support	
Service Costs Paid to the Organization	334,005
Rent Paid by the Organization	802,463

Amounts due from and to the Foundation are as follows at June 30, 2018:

Related Party Receivables - La Mesita Capital Campaign	\$ 100,000
Related Party Receivables - Stock and Dividends	
Payable Attributable to Leaf	1,491,596
Related Party Receivables - Unrestricted Contribution	6,872
Total Included in Related Party Receivables	<u>\$ 1,598,468</u>
Guaranteed Debt Obligation (See Note 9)	<u>\$ 62,905</u>

Resulting from its ownership interest in La Mesita Apartments LP and La Mesita Apartments Phase 3 LP, the Organization has funded certain development, construction, and operating costs associated with these inter-related entities.

La Mesita Apartments LP owes the Organization \$166,198 for construction costs as of June 30, 2018. La Mesita Apartments LP owes the Organization \$40,868 for development fees as of June 30, 2018. These amounts are included as related party receivables on the accompanying consolidated statement of financial position.

La Mesita Apartments Phase 3 LP owes the Organization for advances of construction, development, and operating expenses in the amount of \$397 as of June 30, 2018. This amount is included as related party receivables on the accompanying consolidated statement of financial position.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 16 RELATED PARTY TRANSACTIONS (CONTINUED)**

In addition, La Mesita Apartments LP has one outstanding noninterest bearing loan receivable and La Mesita Apartments Phase 3 LP has two outstanding noninterest bearing loan receivables as of June 30, 2018. These loan receivables are included as notes receivables, related parties on the accompanying consolidated statement of financial position.

Notes receivable, related parties are as follows as of June 30, 2018:

Notes Receivable - La Mesita Apartments LP	
Due December 2043	\$ 800,000
Note Receivable - La Mesita Apartment Phase 3, LP for Construction Costs Due December 2047	303,959
Note Receivable - La Mesita Apartment Phase 3, LP Due April 2047	<u>300,000</u>
Total	1,403,959
Less Discount to Net Present Value (at Rates of 1.75% to 3.27%)	<u>(416,191)</u>
Net Amounts	<u><u>\$ 987,768</u></u>

Certain members of the board of directors of the Organization have pledged or contributed donations in the amount of \$44,846 during the year ended June 30, 2018. Amount uncollected for prior and current year pledged donations totals, \$17,041 as of June 30, 2018 and are included in accounts receivable, net, on the consolidated statement of financial position. The donations are expected to be collected over a five-year period.

**NOTE 17 CONTINGENCIES**

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

**NOTE 18 REVENUE CONCENTRATION**

The Organization received 24% of its contract revenue from one federal contract and 52% of its contract revenue was from contracts with various State of Arizona agencies during the year ended June 30, 2018. In addition, 96% of total behavioral health revenue came from one provider for the year ended June 30, 2018.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 19 SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through March 20, 2019, the date the consolidated financial statements were available to be issued.

Subsequent to June 30, 2018, the Organization entered into an agreement to acquire The New Foundation (TNF), an Arizona nonprofit corporation. TNF maintains a residential psychiatric treatment facility for adolescents in Scottsdale, Arizona. During January 2019 the Phoenix Day property was transferred to Leaf and the existing mortgage was refinanced. In addition, the Organization was awarded a new contract with a federal funder in the amount of \$4,049,165.

On October 1, 2018, most Arizona Health Care Costs Containment System (AHCCCS) members moved to an integrated AHCCCS Complete Care (ACC) health plan and receive all behavioral health services through their chosen ACC plan instead of from a Regional Behavioral Health Authority (RBHA). This change impacts the Organization's behavioral health program. The Organization must now contract directly with each of the seven health plans to bill for services provided in their behavioral health program. The block-funding model for the RBHA (a portion of the Organization's clients) will continue to serve foster children enrolled in the Comprehensive Medical and Dental Program.

As of March 2019, the balance of the line of credit is \$1,000,000.

**NOTE 20 NEW ACCOUNTING PRONOUNCEMENTS**

In August 2016, the FASB issued Accounting Standards Update 2016-14, *Not-For-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which is expected to impact the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The guidance is required to be applied by the Organization for the fiscal year ending June 30, 2019.

The FASB issued Accounting Standards Update (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 Organization for the year ending June 30, 2020; however, early application is permitted.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 20 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 Organization for the year ending June 30, 2021; however, early application is permitted.

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	A New Leaf, Inc.	MesaCAN	NEDCO	AWEE	Phoenix Day	Eliminations	Consolidated
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 1,331,768	\$ 146,555	\$ 192,437	\$ 24,461	\$ 57,943	\$ -	\$ 1,753,164
Cash - Designated for Direct Loan Fund	-	-	39,598	-	-	-	39,598
Cash - IDA Restricted	-	1,211,684	-	-	-	-	1,211,684
Accounts Receivable, Net	1,307,105	507,476	100,891	75,898	49,031	(620,112)	1,420,289
Related Party Receivables	2,463,751	-	-	-	-	(607,924)	1,855,827
Promises to Give, Net	799,503	-	5,000	184,791	-	-	989,294
United Way Receivable	244,368	-	-	-	26,000	-	270,368
In-Kind Rent Receivable, Net	239,097	-	-	-	-	-	239,097
Prepaid Expenses and Other Assets	210,394	8,135	-	541	-	-	219,070
Notes Receivable - Related Parties, Net	987,768	-	-	-	-	-	987,768
Loans Receivable	-	-	318,813	-	-	-	318,813
Allowance for Loan Loss Reserve - Loans Receivable	-	-	(103,534)	-	-	-	(103,534)
Investments	46,421	-	-	-	-	-	46,421
Investments Held for Deferred Compensation	290,698	-	-	-	-	-	290,698
Investment in Affiliate	1,402,006	-	-	-	-	-	1,402,006
Property and Equipment, Net	7,739,301	-	-	-	967,073	-	8,706,374
Endowment:							
Cash	833,842	-	-	-	-	-	833,842
Investments	506,860	-	-	-	-	-	506,860
Promises to Give, Net	87,663	-	-	-	-	-	87,663
Total Assets	<u>\$ 18,490,545</u>	<u>\$ 1,873,850</u>	<u>\$ 553,205</u>	<u>\$ 285,691</u>	<u>\$ 1,100,047</u>	<u>\$ (1,228,036)</u>	<u>\$ 21,075,302</u>
<b>LIABILITIES AND NET ASSETS</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 398,953	\$ 155,266	\$ 16,867	\$ 9,299	\$ 715	\$ (16,795)	\$ 564,305
Accrued Expenses and Other Liabilities	851,962	-	20,334	25,052	51,335	-	948,683
Due to Related party	-	256,586	-	620,112	334,543	(1,211,241)	-
Deferred Compensation Liability	290,698	-	-	-	-	-	290,698
Deferred Revenue	67,584	301,207	-	-	-	-	368,791
Capital Lease Obligations	144,350	-	-	-	-	-	144,350
Guaranteed Loan Obligation	62,905	-	-	-	-	-	62,905
Line of Credit	-	-	73,186	-	-	-	73,186
Notes Payable and Other Liabilities - Equity Equivalent Investments	291,000	-	420,000	-	227,706	-	938,706
Total Liabilities	<u>2,107,452</u>	<u>713,059</u>	<u>530,387</u>	<u>654,463</u>	<u>614,299</u>	<u>(1,228,036)</u>	<u>3,391,624</u>
<b>NET ASSETS (DEFICIT)</b>							
Unrestricted	9,218,025	168,781	22,818	(393,763)	292,454	-	9,308,315
Temporarily Restricted	5,743,563	992,010	-	24,991	193,294	-	6,953,858
Permanently Restricted	1,421,505	-	-	-	-	-	1,421,505
Total Net Assets (Deficit)	<u>16,383,093</u>	<u>1,160,791</u>	<u>22,818</u>	<u>(368,772)</u>	<u>485,748</u>	<u>-</u>	<u>17,683,678</u>
Total Liabilities and Net Assets	<u>\$ 18,490,545</u>	<u>\$ 1,873,850</u>	<u>\$ 553,205</u>	<u>\$ 285,691</u>	<u>\$ 1,100,047</u>	<u>\$ (1,228,036)</u>	<u>\$ 21,075,302</u>

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	A New Leaf, Inc.				MesaCAN				NEDCO			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, SUPPORT AND GAINS</b>												
Contract Revenue	\$ 7,801,667	\$ -	\$ -	\$ 7,801,667	\$ 2,357,373	\$ -	\$ -	\$ 2,357,373	\$ 131,339	\$ -	\$ -	\$ 131,339
Behavioral Health Revenue	8,893,415	-	-	8,893,415	-	-	-	-	-	-	-	-
Contributions	4,659,053	1,326,533	-	5,985,586	11,948	23,568	-	35,516	54,506	-	-	54,506
United Way Contributions	1,279,526	-	-	1,279,526	-	-	-	-	-	-	-	-
Client Fees	48,328	-	-	48,328	-	-	-	-	-	-	-	-
Rental Income	304,285	-	-	304,285	-	-	-	-	-	-	-	-
Gross Bingo Revenue	-	-	-	-	1,126,016	-	-	1,126,016	-	-	-	-
Less Cost of Goods Sold	-	-	-	-	(744,277)	-	-	(744,277)	-	-	-	-
Net Bingo Revenue	-	-	-	-	381,739	-	-	381,739	-	-	-	-
Interest and Other Income (Loss)	(45,373)	-	-	(45,373)	33,888	-	-	33,888	15,875	-	-	15,875
Net Investment Return (Loss)	(571)	6,860	-	6,289	-	-	-	-	-	-	-	-
Net Assets Released from Restrictions	3,784,840	(2,203,305)	(1,581,535)	-	79,447	(79,447)	-	-	-	-	-	-
Total Revenues, Support and Gains	26,725,170	(869,912)	(1,581,535)	24,273,723	2,864,395	(55,879)	-	2,808,516	201,720	-	-	201,720
<b>EXPENSES AND LOSSES</b>												
Program Services	19,931,641	-	-	19,931,641	2,465,161	-	-	2,465,161	202,477	-	-	202,477
Supporting Services:												
Management and General	3,262,790	-	-	3,262,790	121,565	-	-	121,565	56,560	-	-	56,560
Bingo Games	-	-	-	-	283,841	-	-	283,841	-	-	-	-
Fundraising and Development	1,492,596	-	-	1,492,596	9,376	-	-	9,376	-	-	-	-
Total Supporting Services	4,755,386	-	-	4,755,386	414,782	-	-	414,782	56,560	-	-	56,560
Total Expenses	24,687,027	-	-	24,687,027	2,879,943	-	-	2,879,943	259,037	-	-	259,037
Loss from Investment in Affiliate	51	-	-	51	-	-	-	-	-	-	-	-
Loss on Disposal of Property and Equipment	11,246	-	-	11,246	-	-	-	-	-	-	-	-
Total Expenses and Losses	24,698,324	-	-	24,698,324	2,879,943	-	-	2,879,943	259,037	-	-	259,037
<b>CHANGE IN NET ASSETS</b>	2,026,846	(869,912)	(1,581,535)	(424,601)	(15,548)	(55,879)	-	(71,427)	(57,317)	-	-	(57,317)
<b>TRANSFERRED NET ASSETS FROM SUBSIDIARIES</b>	-	-	-	-	-	-	-	-	-	-	-	-
Net Assets - Beginning of Year	7,191,179	6,613,475	3,003,040	16,807,694	184,329	1,047,889	-	1,232,218	80,135	-	-	80,135
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 9,218,025</u>	<u>\$ 5,743,563</u>	<u>\$ 1,421,505</u>	<u>\$ 16,383,093</u>	<u>\$ 168,781</u>	<u>\$ 992,010</u>	<u>\$ -</u>	<u>\$ 1,160,791</u>	<u>\$ 22,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,818</u>

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Arizona Womens Education and Employment				Phoenix Day				Total Before Eliminations	Eliminations	Consolidated
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total			
<b>REVENUES, SUPPORT AND GAINS</b>											
Contract Revenue	\$ 563,025	\$ -	\$ -	\$ 563,025	\$ 216,538	\$ -	\$ -	\$ 216,538	\$ 11,069,942	\$ -	\$ 11,069,942
Behavioral Health Revenue	-	-	-	-	49,681	-	-	49,681	8,943,096	-	8,943,096
Contributions	574,386	4,882	-	579,268	87,000	-	-	87,000	6,741,876	(171,791)	6,570,085
United Way Contributions	-	-	-	-	289,365	-	-	289,365	1,568,891	-	1,568,891
Client Fees	-	-	-	-	-	-	-	-	48,328	-	48,328
Rental Income	-	-	-	-	-	-	-	-	304,285	(99,952)	204,333
Bingo Revenue, Net	-	-	-	-	-	-	-	-	1,126,016	-	1,126,016
Less Cost of Goods Sold	-	-	-	-	-	-	-	-	(744,277)	-	(744,277)
Net Bingo Revenue	-	-	-	-	-	-	-	-	381,739	-	381,739
Interest and Other Income (Loss)	-	-	-	-	41	-	-	41	4,431	-	4,431
Net Investment Return	-	-	-	-	-	-	-	-	6,289	-	6,289
Net Assets Released from Restrictions	-	-	-	-	10,170	(10,170)	-	-	-	-	-
Total Revenues, Support and Gains	1,137,411	4,882	-	1,142,293	652,795	(10,170)	-	642,625	29,068,877	(271,743)	28,797,134
<b>EXPENSES AND LOSSES</b>											
Program Services	859,931	-	-	859,931	629,540	-	-	629,540	24,088,750	(229,483)	23,859,267
Supporting Services:											
Management and General	442,308	-	-	442,308	290,414	-	-	290,414	4,173,637	(41,798)	4,131,839
Bingo Games	-	-	-	-	-	-	-	-	283,841	-	283,841
Fundraising and Development	137,639	-	-	137,639	12,809	-	-	12,809	1,652,420	(462)	1,651,958
Total Supporting Services	579,947	-	-	579,947	303,223	-	-	303,223	6,109,898	(42,260)	6,067,638
Total Expenses	1,439,878	-	-	1,439,878	932,763	-	-	932,763	30,198,648	(271,743)	29,926,905
Loss from Investment in Affiliate	-	-	-	-	-	-	-	-	51	-	51
Loss on Disposal of Property and Equipment	-	-	-	-	-	-	-	-	11,246	-	11,246
Total Expenses and Losses	1,439,878	-	-	1,439,878	932,763	-	-	932,763	30,209,945	(271,743)	29,938,202
<b>CHANGE IN NET ASSETS</b>	(302,467)	4,882	-	(297,585)	(279,968)	(10,170)	-	(290,138)	(1,141,068)	-	(1,141,068)
<b>TRANSFERRED NET ASSETS FROM SUBSIDIARIES</b>	(91,296)	20,109	-	(71,187)	572,422	203,464	-	775,886	704,699	-	704,699
Net Assets - Beginning of Year	-	-	-	-	-	-	-	-	18,120,047	-	18,120,047
<b>NET ASSETS - END OF YEAR</b>	<u>\$ (393,763)</u>	<u>\$ 24,991</u>	<u>\$ -</u>	<u>\$ (368,772)</u>	<u>\$ 292,454</u>	<u>\$ 193,294</u>	<u>\$ -</u>	<u>\$ 485,748</u>	<u>\$ 17,683,678</u>	<u>\$ -</u>	<u>\$ 17,683,678</u>



**A NEW LEAF, INC. AND SUBSIDIARIES**  
**A NEW LEAF, INC. CASH FLOW STATEMENT**  
**YEAR ENDED JUNE 30, 2018**  
(SEE INDEPENDENT AUDITORS' REPORT)

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (424,601)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	440,324
Amortization of Discount on Promises to Give and Notes Receivable	232,021
Bad Debt	15,341
Realized and Unrealized Gains on Investments	(6,289)
Contribution of In-Kind Rent Receivable	(261,959)
Deferred Compensation Expense	49,641
Loss on Disposal of Property and Equipment	11,246
Donation of Building from Related Party	(586,894)
Net Investment Return on Deferred Compensation Plan Assets	(15,435)
Net Loss from Investment in Affiliate	51
Net Guaranteed Loan Obligations	(100,224)
(Increase) Decrease in Assets:	
Accounts Receivable	281,932
Related Party Receivable	89,513
Promises to Give	181,025
United Way receivable	(64,246)
Prepaid Expenses and Other Assets	9,571
Increase (Decrease) in Liabilities:	
Accounts Payable	99,658
Accrued Expenses and Other Liabilities	205,443
Due To Related Party	(76,970)
Deferred Revenue	(1,644,846)
Net Cash Used by Operating Activities	<u>(1,565,698)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Property and Equipment	(420,448)
Purchase of Deferred Compensation Plan Assets	(34,206)
Purchase of Investments	(606,563)
Proceeds from Sale of Investments	84,953
Collections on Notes Receivable	51,983
Net Cash Used by Investing Activities	<u>(924,281)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Collections of Contributions Restricted to Endowment	\$ 237,761
Change in Endowment Cash	561,581
Payments on Capital Lease Obligations	(23,260)
Payments on Long-Term Debt	(58,026)
Net Cash Provided by Financing Activities	<u>718,056</u>

**NET CHANGE IN CASH AND CASH EQUIVALENTS**

(1,771,923)

Cash and Cash Equivalents - Beginning of Year

3,103,691

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 1,331,768

**A NEW LEAF, INC. AND SUBSIDIARIES**  
**A NEW LEAF, INC. CASH FLOW STATEMENT (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash Paid for Interest

\$ 13,026

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING  
AND FINANCING ACTIVITIES**

Property and Equipment Purchased Through a Capital Lease

\$ 153,272

Donation of Building Received from Related Party

\$ 586,894

