Consolidated Financial Statements
June 30, 2017 and 2016 (as restated)

The PRE-HAB Foundation dba A New Leaf Foundation and Subsidiaries

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The PRE-HAB Foundation dba A New Leaf Foundation and Subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditor's 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 Foundation'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 Foundation'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 Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Correction of an Error
As discussed in Note 14 to the consolidated financial statements, certain errors resulting in an overstatement of permanently restricted net assets and an understatement of amounts due to related party as of June 30, 2016, were discovered by management of the Foundation during the current year. Accordingly, net assets and liabilities have been restated as of June 30, 2016 to correct the error. Our opinion is not modified with respect to that matter.

Eide Bailly LLP

Phoenix, Arizona
February 16, 2018

The PRE-HAB Foundation dba A New Leaf Foundation and Subsidiaries

Consolidated Statements of Financial Position

June 30, 2017 and 2016 (as restated)

	2017	2016 (as restated)
Assets		
Cash and cash equivalents	$ 1,371,405	$ 1,229,128
Due from related party	71,492	637,677
Promises to give, restricted for endowment, net	53,193	81,534
Prepaid expenses and other assets	3,740	15,200
Investments	3,026,666	1,755,125
Property and equipment, net	7,503,972	8,334,797
Notes receivable	562,963	578,054
Guaranteed loan asset	96,830	145,013
Derivative financial instrument - interest rate swap	3,590	-
Total assets	$ 12,693,851	$ 12,776,528
Liabilities and Net Assets		
Due to related party	$ 1,687,362	$ 1,256,924
Accounts payable and accruals	16,835	43,964
Derivative financial instrument - interest rate swap	-	49,613
Guaranteed loan obligations	66,300	-
Notes payable	1,686,229	2,179,274
Total liabilities	3,456,726	3,529,775
Net Assets		
Unrestricted		
Undesignated	5,623,123	5,568,463
Board designated endowment	-	200,695
Non-controlling interest in Partnership	1,402,058	1,402,058
	7,025,181	7,171,216
Temporarily restricted	800,334	661,359
Permanently restricted	1,411,610	1,414,178
Total net assets	9,237,125	9,246,753
Total liabilities and net assets	$ 12,693,851	$ 12,776,528

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Gains				
Contributions	$ 1,367	$ -	$ 3,501	$ 4,868
Gross special events revenue	-	-	-	-
Less cost of direct benefits to donors	-	-	-	-
Net special events revenue	-	-	-	-
Riverboat activities	291,467	-	-	291,467
Bingo revenue	1,234,245	-	-	1,234,245
Less cost of goods sold	(761,796)	-	-	(761,796)
Net bingo revenue	472,449	-	-	472,449
Rental income	801,915	-	-	801,915
Change in value of derivative financial instrument	53,203	-	-	53,203
Net investment return	63,263	138,975	233	202,471
Other revenue	5,139	-	-	5,139
Net assets released from restrictions	-	-	-	-
Total revenue, support, and gains	1,688,803	138,975	3,734	1,831,512
Expenses and Losses				
Program services expense				
Property expenses	760,783	-	-	760,783
Other	294,019	-	-	294,019
Total program expenses	1,054,802	-	-	1,054,802
Supporting services expense				
Bingo games	223,010	-	-	223,010
Riverboat operations	264,541	-	-	264,541
Management and general	260,958	-	-	260,958
Fundraising and development	31,527	-	6,302	37,829
Total supporting services expenses	780,036	-	6,302	786,338
Total expenses and losses	1,834,838	-	6,302	1,841,140
Transferred Non-Controlling Net Assets from Partnership	-	-	-	-
Change in Net Assets	(146,035)	138,975	(2,568)	(9,628)
Net Assets, Beginning of Year, as previously reported	-	-	-	-
Correction of an Error	-	-	-	-
Net Assets, Beginning of Year, as restated	7,171,216	661,359	1,414,178	9,246,753
Net Assets, End of Year	$ 7,025,181	$ 800,334	$ 1,411,610	$ 9,237,125

See Notes to Consolidated Financial Statements

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 1,219,329	$ -	$ 1,075	$ 1,220,404
125,385	-	-	125,385
(68,812)	-	-	(68,812)
56,573	-	-	56,573
262,046	-	-	262,046
1,193,468	-	-	1,193,468
(738,734)	-	-	(738,734)
454,734	-	-	454,734
840,043	-	-	840,043
(49,613)	-	-	(49,613)
59,716	15,051	14,537	89,304
6,139	-	-	6,139
802,502	(802,502)	-	-
3,651,469	(787,451)	15,612	2,879,630
1,483,418	-	-	1,483,418
188,000	-	-	188,000
1,671,418	-	-	1,671,418
262,603	-	-	262,603
261,691	-	-	261,691
1,309,924	-	-	1,309,924
678,180	-	-	678,180
2,512,398	-	-	2,512,398
4,183,816	-	-	4,183,816
1,402,058	-	-	1,402,058
869,711	(787,451)	15,612	97,872
6,301,505	1,448,810	1,417,751	9,168,066
-	-	(19,185)	(19,185)
6,301,505	1,448,810	1,398,566	9,148,881
$ 7,171,216	$ 661,359	$ 1,414,178	$ 9,246,753

The PRE-HAB Foundation dba A New Leaf Foundation and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended June 30, 2017

	Program Services			Supporting Services				
	Property	Other	Total	Bingo Games	Riverboat Operations	Management and General	Fundraising and Development	Total
Salaries	$ -	$ -	$ -	$ 78,389	$ 129,415	$ 39,093	$ 13,875	$ 260,772
Payroll taxes	-	-	-	8,756	10,900	4,214	1,352	25,222
Employee benefits and other	-	-	-	2,587	22,905	8,484	2,015	35,991
Professional services	6,269	-	6,269	1,560	243	61,465	40	69,577
Advertising, marketing, and printing	-	-	-	23,315	-	213	(139)	23,389
Supplies and postage	-	-	-	2,260	7,542	745	-	10,547
Telephone	-	-	-	673	3,109	2,167	31	5,980
Occupancy	(197)	-	(197)	24,656	11,454	9,029	-	44,942
Travel and vehicles	-	-	-	431	1,713	730	-	2,874
Interest	-	-	-	9,244	605	120,802	12,470	143,121
Conferences	-	-	-	-	-	-	-	-
Depreciation	498,649	-	498,649	-	119	433	433	499,634
Insurance	2,847	-	2,847	-	8,040	950	1,387	13,224
Equipment, lease, repair, and maintenance	-	-	-	34,289	7,384	805	63	42,541
Bad debt	-	-	-	-	-	-	6,302	6,302
Bingo	-	-	-	784,760	-	-	-	784,760
Event	-	-	-	17	60,439	52	-	60,508
Miscellaneous	20,446	-	20,446	13,869	673	11,776	-	46,764
Contribution	232,769	294,019	526,788	-	-	-	-	526,788
	760,783	294,019	1,054,802	984,806	264,541	260,958	37,829	2,602,936
Less expenses included with revenues on the statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	-	-	-
Bingo prizes	-	-	-	(761,796)	-	-	-	(761,796)
Total expenses included in the expense section on the statement of activities	$ 760,783	$ 294,019	$ 1,054,802	$ 223,010	$ 264,541	$ 260,958	$ 37,829	$ 1,841,140

The PRE-HAB Foundation dba A New Leaf Foundation and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services			Supporting Services				
	Property	Other	Total	Bingo Games	Riverboat Operations	Management and General	Fundraising and Development	Total
Salaries	$ -	$ -	$ -	$ 73,424	$ 150,163	$ 52,797	$ 107,046	$ 383,430
Payroll taxes	-	-	-	5,523	12,617	4,325	7,648	30,113
Employee benefits and other	-	-	-	2,040	16,361	10,587	6,720	35,708
Professional services	-	-	-	1,489	-	66,635	11,631	79,755
Advertising, marketing, and printing	-	-	-	16,998	400	438	83,748	101,584
Supplies and postage	-	-	-	3,680	2,152	977	17,414	24,223
Telephone	-	-	-	2,990	817	1,606	2,451	7,864
Occupancy	-	-	-	31,547	4,209	19,469	6,638	61,863
Travel and vehicles	-	-	-	1,901	185	1,142	11,980	15,208
Interest	-	-	-	4,856	584	141,670	13,890	161,000
Conferences	-	-	-	-	-	588	6,282	6,870
Depreciation	476,026	-	476,026	-	-	381	-	476,407
Insurance	-	-	-	94	3,623	1,204	9,230	14,151
Equipment, lease, repair, and maintenance	-	-	-	38,163	-	1,759	11,861	51,783
Bad debt	-	-	-	-	-	-	-	-
Bingo	-	-	-	792,308	-	-	-	792,308
Event	-	-	-	761	68,200	-	73,183	142,144
Miscellaneous	7,392	-	7,392	25,563	2,380	21,346	16,770	73,451
Contribution	1,000,000	188,000	1,188,000	-	-	985,000	360,500	2,533,500
	1,483,418	188,000	1,671,418	1,001,337	261,691	1,309,924	746,992	4,991,362
Less expenses included with revenues on the statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	-	(68,812)	(68,812)
Bingo prizes	-	-	-	(738,734)	-	-	-	(738,734)
Total expenses included in the expense section on the statement of activities	$ 1,483,418	$ 188,000	$ 1,671,418	$ 262,603	$ 261,691	$ 1,309,924	$ 678,180	$ 4,183,816

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ (9,628)	$ 97,872
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	499,634	476,407
Realized and unrealized (gain) loss on investments	(110,623)	15,903
Change in value on derivative financial instruments	(53,203)	49,613
Bad debt expense on uncollectible promises to give	6,302	201
Change in discount on promises to give	(2,676)	-
Contributions restricted to endowment	3,501	1,075
Debt forgiveness of related party note receivable	-	985,000
Transferred net assets from non controlling interest in partnership	-	(1,402,058)
Donated property and equipment	-	(980,367)
Donation of land to related party	232,769	-
Change in guaranteed loan asset	48,183	48,238
Change in guaranteed loan obligation	66,300	-
Changes in operating assets and liabilities		
Due from related party	566,185	163,956
Accounts receivable	-	683
Promises to give	24,715	22,107
Prepaid expenses and other assets	11,460	(11,177)
Due to related party	(730,480)	566,175
Accounts payable and accruals	(27,129)	122,837
Net Cash from Operating Activities	525,310	156,465
Cash Flows from Investing Activities		
Purchases of investments	-	(240,019)
Purchases of property and equipment	(8,809)	(46,655)
Net Cash from (used for) Investing Activities	(8,809)	(286,674)
Cash Flows used for Financing Activities		
Repayments of notes receivable	15,091	46,493
Collections of contributions restricted to endowment	(3,501)	(1,075)
Principal payments on notes payable	(385,814)	(371,956)
Net Cash used for Financing Activities	(374,224)	(326,538)
Net Change in Cash and Cash Equivalents	142,277	(456,747)
Cash and Cash Equivalents, Beginning of Year	1,229,128	1,668,962
Transferred Cash from Subsidiary	-	16,913
Cash and Cash Equivalents, End of Year	$ 1,371,405	$ 1,229,128
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest expense	$ 143,121	$ 161,000
Non-Cash Financing Transactions		
Donation of land to satisfy debt obligation	$ 107,231	$ -
Receipt of investments through due from related party	$ 1,160,918	$ -

Note 1 - Principal Activity and Significant Accounting Policies

PREHAB Foundation, dba A New Leaf Foundation (the "Foundation") is a nonprofit organization established to (a) provide facilities to non-profit 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. ("MesaCAN"). 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 non-profit 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. As of June 30, 2016, the limited partner interest was donated to Prospect Park LLC. The value of the donated net assets was $980,367.

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. 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.

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, 2017 and 2016, 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.

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 years ended June 30, 2017 and 2016.

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.

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. Unrestricted board-designated net assets consist of net assets designated by the board of directors for operating reserve and quasi-endowment.

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.

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. 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 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.

Advertising Costs

Advertising costs are expensed as incurred and approximated at $23,000 and $101,000 for the years ended June 30, 2017 and 2016, respectively.

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 present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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, 2017 and 2016, the unrecognized tax benefit accrued was zero. 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 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.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members and long-time donors supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by management and the board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the board of directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets. The reclassifications include an item in the amount of $100,000 moved from accounts payable and accruals to due to related party. This reclassification was necessary in order to properly reflect the amount due to related parties as of June 30, 2016. The reclassifications also include an item in the amount of $61,146 moved from notes payable to due to related party. This reclassification was necessary because the amount due to the related party was not properly classified as notes payable.

Note 2 - Promises to Give

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

	2017	2016
Within one year	$ 21,373	$ 27,157
In one to five years	33,567	58,800
	54,940	85,957
Less discount to net present value [4%]	(1,747)	(4,423)
	$ 53,193	$ 81,534

At June 30, 2017 and 2016, two donors accounted for 84% and 76% of total promises to give, respectively.

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, 2017 and 2016, gross unconditional pledges receivable from these members total $46,103 and $65,332, respectively. During the years ended June 30, 2017 and 2016, the Foundation recognized contribution revenue from these donors of $0 and $14,715, respectively.

All promises to give are restricted to the Foundation's endowment account, and as such, are included in permanently restricted net assets.

Note 3 - Property and Equipment

Property and equipment consists of the following at June 30:

	2017	2016
Land	$ 3,031,311	$ 2,812,385
Buildings	5,281,073	5,746,425
Building improvements	4,207,673	4,291,198
Equipment	214,241	214,241
Vehicles	169,534	169,534
	12,903,832	13,233,783
Less accumulated depreciation	(5,399,860)	(4,898,986)
	$ 7,503,972	$ 8,334,797

Note 4 - Notes Receivable

Notes receivable consists of the following at June 30:

	2017	2016
Note receivable, due in monthly installments of $4,345, plus interest at 6.5%, with a maturity in March 2018. The loan is secured by real property.	$ 562,963	$ 578,054

Future maturities of notes receivable are as follows:

2018	$ 562,963

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.

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 basis for year ending June 30, 2017:

	Fair Value Measurements at Report Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds				
U.S. equities	$ 854,719	$ -	$ -	$ 854,719
Fixed income	934,864	-	-	934,864
Real estate	52,595	-	-	52,595
Commodities	23,570	-	-	23,570
Private stock	-	-	1,160,918	1,160,918
Interest rate swap asset (Note 9)	-	-	3,590	3,590
	$ 1,865,748	$ -	$ 1,164,508	$ 3,030,256

The following table presents assets measured at fair value on a recurring basis for year ending June 30, 2016:

	Fair Value Measurements at Report Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds				
U.S. equities	$ 724,396	$ -	$ -	$ 724,396
Fixed income	958,865	-	-	958,865
Real estate	53,287	-	-	53,287
Commodities	18,577	-	-	18,577
Interest rate swap liability (Note 9)	-	-	49,613	49,613
	$ 1,755,125	$ -	$ 49,613	$ 1,804,738

Net investment return consisted of the following at June 30:

	2017	2016
Interest and dividends	$ 91,848	$ 105,207
Net realized and unrealized loss	110,623	(15,903)
	$ 202,471	$ 89,304

Note 6 - Guaranteed Loan Obligation

The Foundation has guaranteed certain debt obligations totaling $3,314,988 during the year ended June 30, 2017 for La Mesita Apartments Phase 3, LP (La Mesita). The debt obligation is expected to be amortized in full at June 30, 2018 and the Foundation does not anticipate default by La Mesita. The Foundation's liability for this guarantee presented as guaranteed loan obligations in the accompanying consolidated statement of financial position totals $66,300 and $0 for the years ended June 30, 2017 and 2016, respectively.

Note 7 - Notes Payable

Notes payable consist of the following for June 30:

	2017	2016
Note payable, due in monthly installments of $6,365 including interest at the floating 5-year Treasury Constant Maturity Index plus 2.50% (4.27% at June 30, 2017) adjusted every five years, with a maturity in October 2020. The loan is secured by property and is guaranteed by Leaf.	$ 12,675	$ 86,903
Note payable, due in monthly installments of $25,808, plus interest at LIBOR plus 2.05% (2.20% at June 30, 2017), with a maturity in April 2022, secured by property and equipment and is additionally guaranteed by Leaf.	1,673,554	1,985,140
Note payable to a New Leaf Inc., with no set payment terms and 0% interest, with a maturity in February 2042, secured by a deed of trust on the project and an assignment of rents.	-	107,231
	$ 1,686,229	$ 2,179,274

Future maturities of notes payable are as follows:

2018	$ 335,669
2019	334,814
2020	347,068
2021	359,770
2022	308,908
	$ 1,686,229

There is a lien on one of the Foundation's buildings related to funding received by Leaf in the amount of $200,000. If Leaf fails to meet the restrictions placed on the funds received, the funder could ask Foundation for their money back.

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 $96,830 and $145,013 as of June 30, 2017 and 2016, respectively, in the accompanying consolidated statements 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 (0.47% at June 30, 2017). 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 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, 2017 was an asset totaling $3,590, and at June 30, 2016, it was a liability totaling $49,613. The unrealized holding gain on this interest rate swap is $53,203 for the period ended June 30, 2017, and the unrealized holding loss on the interest rate swap was $49,613 for the period ending June 30, 2016.

Note 9 - Endowments

The Foundation's Endowment (the Endowment) consists of one individual's funds established by donors to provide long-term sustainability for the Foundation's operations. The Endowment also includes certain unrestricted net assets designated for quasi-endowment by the board of directors. Net assets associated with Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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, 2017, there were no such donor stipulations. As a result of this interpretation, the Foundation classifies 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 Foundation in a manner consistent with the standard of prudence prescribed by Arizona Uniform Prudent Management of Institutional Funds Act (UPMIFA).

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, 2017, the Foundation had the following Endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated quasi-endowment	$ -	$ -	$ -	$ -
Donor-restricted for endowment	-	800,334	1,411,610	2,211,944
	$ -	$ 800,334	$ 1,411,610	$ 2,211,944

As of June 30, 2016, the Foundation had the following Endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated quasi-endowment	$ 200,695	$ -	$ -	$ 200,695
Donor-restricted for endowment	-	661,359	1,414,178	2,075,537
	$ 200,695	$ 661,359	$ 1,414,178	$ 2,276,232

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, 2017, a significant portion of the funds are invested to seek growth of principal over time.

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 2017, 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, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year includes correction of an error	$ 200,695	$ 661,359	$ 1,414,178	$ 2,276,232
Investment return				
Investment income, net of fees	14,302	138,975	233	153,510
	14,302	138,975	233	153,510
Contributions	-	-	825	825
Loss on uncollectible promises to give	-	-	(6,302)	(6,302)
Discount on promises to give	-	-	2,676	2,676
Distributions				
Appropriation of endowment assets pursuant to spending-rate policy	-	-	-	-
Undesignation of board-designated quasi-endowment assets	(214,997)	-	-	(214,997)
Endowment net assets, end of year	$ -	$ 800,334	$ 1,411,610	$ 2,211,944

Changes in Endowment net assets for the year ending June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 198,712	$ 646,308	$ 1,417,751	$ 2,262,771
Investment return				
Investment income, net of fees	1,983	15,051	14,537	31,571
Net realized and unrealized gain (loss)	-	-	-	-
	1,983	15,051	14,537	31,571
Contributions	-	-	1,075	1,075
Loss on uncollectible promises to give	-	-	-	-
Discount on promises to give	-	-	-	-
Distributions				
Appropriation of endowment assets pursuant to spending-rate policy	-	-	-	-
Undesignation of board-designated quasi-endowment assets	-	-	-	-
Correction of an error in recording dividend activity	-	-	(19,185)	(19,185)
Endowment net assets, end of year, as restated	$ 200,695	$ 661,359	$ 1,414,178	$ 2,276,232

Note 10 - Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets consist of the following at June 30:

	2017	2016
Restricted by donors for:		
Earnings on Endowment	$ 800,334	$ 661,359

Permanently Restricted

Permanently 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 unrestricted use of the Foundation, in accordance with the Foundation's spending policy.

Note 11 - Leasing Activity

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 MesaCAN, both of which are related parties. Property under operating leases were as follows at June 30:

	2017	2016
Buildings	$ 3,719,129	$ 1,840,286
Less accumulated amortization	(996,466)	(890,206)
	$ 2,722,663	$ 950,080

Future minimum receipts on cancelable leases are as follows for June 30, 2017:

	Operating Leases
2018	$ 893,699
2019	894,251
2020	875,313
2021	42,309
2022	22,917
Total minimum lease payments	$ 2,728,489

Total lease income for the years ended June 30, 2017 and 2016 totaled $801,915 and $840,043, respectively.

Note 12 - Employee Benefits

All 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 12, the Foundation leases most of its employees from Leaf. Total reimbursements for management and support services and payroll paid to Leaf during the years ended June 30, 2017 and 2016 totaled $340,336 and $324,924, respectively, and are included in the accompanying consolidated statements of functional expenses. Foundation forgave $0 and $985,000 in notes receivable during the years ended June 30, 2017 and 2016, respectively. As of June 30, 2017, net amounts owed to Leaf were $42,671, and as of June 30, 2016, net amounts owed from Leaf were $217,474. 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 $223,400 and $188,000 during the years ended June 30, 2017 and 2016, respectively.

The Foundation leases real property to Leaf. Rental income under these leases amounted to $731,067 and $769,194 for the years ended June 30, 2017 and 2016, respectively.

Effective July 1, 2015, the Foundation authorized an unrestricted contribution to Leaf in the amount of $1,000,000. The contribution is to be paid over a period of time not to exceed three years. As of June 30, 2017 and 2016, Foundation owed Leaf $325,000 and $650,000, respectively, related to this contribution.

The Foundation holds stock that is attributable to Leaf. Management intends to transfer this stock to Leaf. The amount included in due to related party related to this stock totaled $1,202,565 and $0 for the years ended June 30, 2017 and 2016, respectively.

MesaCAN shares common management and staff with the Foundation. Additionally, MesaCAN rents certain real property from the Foundation. Total rental income from MesaCAN was $70,848 for the years ended June 30, 2017 and 2016. As of June 30, 2017 and 2016, MesaCAN owed $0 to the Foundation for rent and other intercompany balances.

The Foundation entered in to an agreement during the year ended June 30, 2016 to guaranty a loan obligation for La Mesita Apartments Phase 3, LP, a related party. There were no draws made on the loan during the prior year so the Foundation did not record a liability for the year ended June 30, 2016. However, the Foundation has a liability related to this guaranteed debt in the amount of $66,300 for the year ended June 30, 2017 (See Note 6).

In prior years, the Partnership received $100,000 from A New Leaf, Inc. (Note 8). 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, 2017 and 2016, outstanding amounts due to Leaf were $54,797 and $61,146, respectively. These amounts are included in due to related party on the consolidated statements of financial position.

The Partnership entered into a loan agreement with A New Leaf, Inc. (Note 8). During 2017, the Partnership donated land to Leaf valued at $340,000. A portion of the value of the land was used to satisfy the debt obligation due to Leaf which, at the time of donation had a balance of $107,231. The remaining amount, $232,769, was recorded as a contribution for the year ended June 30, 2017.

Note 14 - Correction of an Error

It was determined that there was a financial statement misstatement for the year ended June 30, 2016 as a result of an error in recording a certain transaction. The misstatement includes an overstatement of permanently restricted net assets and an understatement of the amount due to related party. The net effect of these misstatements has been corrected in the accompanying consolidated financial statements. A summary of the effects on each class of net assets is presented below:

	2016 (as previously reported)	Restatement Adjustment	2016 (as restated)
Consolidated Statement of Financial Position			
Liabilities			
Due to related party	$ 1,237,739	$ 19,185	$ 1,256,924
Total liabilities	3,510,590	19,185	3,529,775
Net Assets			
Unrestricted			
Undesignated	5,568,463	-	5,568,463
Board designated endowment	200,695	-	200,695
Non-controlling interest in Partnership	1,402,058	-	1,402,058
Temporarily restricted net assets	661,359	-	661,359
Permanently restricted net assets	1,433,363	(19,185)	1,414,178
Total Net Assets	9,265,938	(19,185)	9,246,753

Note 15 - Subsequent Events

The Organization has evaluated subsequent events through February 16, 2018, the date the consolidated financial statements were available to be issued.

Subsequent to June 30, 2017, the Foundation agreed to make a $250,000 donation to Leaf. The donation is to assist with costs related to adding a Physical Health Care component to the Counseling Program, known in the industry as “Integrated Care”.

Subsequent to June 30, 2017, the Foundation agreed to transfer the building, known as West Valley Counseling Building, and all furniture and equipment to Leaf. The carrying value of the building and the furniture and equipment totals $596,384.