A NEW LEAF, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

A NEW LEAF, INC. AND SUBSIDIARIES
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019

CliftonLarsonAllen LLP
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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, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of A New Leaf, Inc. and Subsidiaries as of June 30, 2019, 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.

Emphasis of Matter

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2019 consolidated financial statements as a whole. The 2019 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 28, 2020, 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

CliftonLarsonAllen LLP

Phoenix, Arizona
March 28, 2020

A NEW LEAF, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS	
Cash and Cash Equivalents	$ 1,371,622
Cash - Funded Reserves	240,320
Cash - Designated for Direct Loan Fund	115,948
Cash - Individual Development Accounts (IDA) Restricted	1,118,939
Accounts Receivable, Net	3,378,534
Related Party Receivables	608,998
Promises to Give, Net	739,937
In-Kind Rent Receivable, Net	184,539
Prepaid Expenses and Other Assets	419,459
Notes Receivable, Related Parties, Net	1,000,766
Loans Receivable	341,601
Allowance for Loan Loss Reserve - Loans Receivable	(84,578)
Investments	60,236
Investments Held for Deferred Compensation	337,763
Investment in Affiliate	1,401,981
Assets Held in Trust	248,334
Property and Equipment, Net	13,935,674
Endowment:	
Cash	882,530
Investments	537,732
Promises to Give, Net	55,168
Total Assets	$ 26,895,503
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts Payable	$ 969,836
Accrued Expenses and Other Liabilities	1,278,529
Deferred Compensation Liability	337,763
Deferred Revenue	1,410,682
Capital Lease Obligations	107,816
Guaranteed Loan Obligation	36,907
Lines of Credit	1,092,287
Notes Payable and Other Liabilities - Equity Equivalent Investments	4,379,527
Total Liabilities	9,613,347
NET ASSETS	
Without Donor Restriction	9,426,953
With Donor Restriction	7,855,203
Total Net Assets	17,282,156
Total Liabilities and Net Assets	$ 26,895,503

See accompanying Notes to Consolidated Financial Statements.

A NEW LEAF, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT AND GAINS			
Contract Revenue	$ 14,684,881	$ -	$ 14,684,881
Behavioral Health Revenue	8,788,669	-	8,788,669
Contributions	6,442,568	1,992,327	8,434,895
United Way Contributions	817,285	-	817,285
Client Fees	523,630	-	523,630
Rental Income	260,938	-	260,938
Gross Bingo Revenue	1,181,813	-	1,181,813
Less Cost of Goods Sold	(742,687)	-	(742,687)
Net Bingo Revenue	439,126	-	439,126
Interest and Other Income	638,024	30,872	668,896
Net Investment Return (Loss)	15,151	-	15,151
Excess of Assets Acquired Over Liabilities Assumed of Subsidiaries	2,727,300	-	2,727,300
Net Assets Released from Restrictions	2,850,285	(2,850,285)	-
Total Revenues, Support and Gains	38,187,857	(827,086)	37,360,771
EXPENSES AND LOSSES			
Program Services	29,446,998	-	29,446,998
Supporting Services:			
Management and General	5,749,518	-	5,749,518
Bingo Games	282,592		282,592
Fundraising and Development	2,283,185	-	2,283,185
Total Supporting Services	8,315,295	-	8,315,295
Total Expenses	37,762,293	-	37,762,293
CHANGE IN NET ASSETS	425,564	(827,086)	(401,522)
Net Assets - Beginning of Year	9,308,315	8,375,363	17,683,678
NET ASSETS - END OF YEAR	$ 9,733,879	$ 7,548,277	$ 17,282,156

See accompanying Notes to Consolidated Financial Statements.

A NEW LEAF, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	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	$ 2,929,164	$ 5,601,910	$ 4,953,153	$ 356,977	$ 29,851	$ 92,859	$ 1,477,248	$ 139,920	$ 16,010	$ 15,597,092
Payroll Taxes	240,860	454,767	392,652	29,929	2,483	7,639	128,773	11,547	592	1,269,242
Benefits and Other	413,781	612,685	539,025	42,671	10,736	9,297	183,160	11,227	945	1,823,527
Professional Services	427,440	1,017,333	243,819	47,460	83	23,879	119,072	51,108	18,420	1,948,614
Advertising, Marketing, and Printing	6,789	8,532	8,085	348	-	-	18,108	1,497	-	43,359
Supplies and Postage	68,351	148,326	45,625	5,608	203	452	74,911	1,622	23	345,121
Telephone	122,711	115,783	116,351	14,821	730	2,926	45,376	5,032	699	424,429
Occupancy	672,450	484,182	638,283	22,396	9,028	21,185	216,928	4,451	31,041	2,099,944
Travel and Vehicles	78,071	271,695	93,658	6,291	2,153	2,415	31,578	3,346	-	489,207
Interest Expense and Bank Charges	1,257	35,841	6,205	47	-	-	3,524	11,042	9,799	67,715
Conferences	8,268	4,638	18,945	718	-	-	6,014	1,158	-	39,741
Depreciation	286,451	48,015	47,935	-	-	-	5,552	312	58,881	447,146
Insurance	107,961	142,670	112,724	9,717	7,080	2,312	38,239	2,795	5,733	429,231
Equipment Lease, Repair and Maintenance	65,139	92,141	157,453	8,055	99	245	46,515	330	1,082	371,059
Client Expenses	1,736,365	505,797	116,586	1,179,977	277,871	39,780	112,481	13,438	-	3,982,295
Housing Development	1,058	117	-	-	-	-	-	-	300	1,475
Bingo Expense	-	-	-	-	-	-	-	-	-	-
Bad Debt (Recovery)	-	-	-	-	-	-	16,162	(28,435)	-	(12,273)
Event Expenses	11,349	-	-	-	-	-	1,450	-	-	12,799
Contribution	-	-	-	-	-	-	-	-	-	-
Miscellaneous Expense	29,494	(1,676)	14,106	3,114	3,185	(805)	13,173	986	5,698	67,275
Totals	7,206,959	9,542,756	7,504,605	1,728,129	343,502	202,184	2,538,264	231,376	149,223	29,446,998
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	$ 7,206,959	$ 9,542,756	$ 7,504,605	$ 1,728,129	$ 343,502	$ 202,184	$ 2,538,264	$ 231,376	$ 149,223	$ 29,446,998

See accompanying Notes to Consolidated Financial Statements.

A NEW LEAF, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2019

	Support Services				
	Management and General	Bingo Games	Fundraising and Development	Total Support Services	Total
Salaries	$ 2,931,035	$ 88,479	$ 808,268	$ 3,827,782	$ 19,424,874
Payroll Taxes	213,937	9,386	62,591	285,914	1,555,156
Benefits and Other	505,172	3,063	82,251	590,486	2,414,013
Professional Services	870,743	1,722	102,129	974,594	2,923,208
Advertising, Marketing, and Printing	12,299	14,295	240,718	267,312	310,671
Supplies and Postage	61,617	1,285	15,464	78,366	423,487
Telephone	102,547	3,306	10,513	116,366	540,795
Occupancy	443,810	91,863	10,110	545,783	2,645,727
Travel and Vehicles	44,852	17	21,122	65,991	555,198
Interest Expense and Bank Charges	106,876	8,715	25,049	140,640	208,355
Conferences	25,530	-	12,371	37,901	77,642
Depreciation	159,602	-	1,526	161,128	608,274
Insurance	137,704	-	12,514	150,218	579,449
Equipment Lease, Repair and Maintenance	43,721	33,428	16,072	93,221	464,280
Client Expenses	50,760	-	544,260	595,020	4,577,315
Housing Development	256	-	321	577	2,052
Bingo Expense	-	768,617	-	768,617	768,617
Bad Debt (Recovery)	1,220	-	39,667	40,887	28,614
Event Expenses	551	-	263,573	264,124	276,923
Contribution	1,000	-	1,225	2,225	2,225
Miscellaneous Expense	36,286	1,103	13,441	50,830	118,105
Totals	5,749,518	1,025,279	2,283,185	9,057,982	38,504,980
Less Expenses Included with Revenues on the Consolidated Statement of Activities					
Bingo Cost of Goods Sold	-	(742,687)	-	(742,687)	(742,687)
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities	$ 5,749,518	$ 282,592	$ 2,283,185	$ 8,315,295	$ 37,762,293

See accompanying Notes to Consolidated Financial Statements.

A NEW LEAF, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ (401,522)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	608,274
Amortization of Discount on Promises to Give, Notes Receivable and In-Kind Rent Receivable	(49,112)
Bad Debt Provision	28,614
Realized and Unrealized Gains on Investments	(15,151)
Contribution of In-Kind Rent Receivable	63,866
Deferred Compensation Expense	47,065
Investment Return on Deferred Compensation Plan Assets	(13,762)
Net Loss from Investment in Affiliate	25
Forgiveness of Debt	(899)
Net Guaranteed Loan Obligations	(25,998)
Excess of Assets Acquired Over Liabilities Assumed of Subsidiaries	(2,727,300)
(Increase) Decrease in Assets:	
Accounts Receivable	(1,335,670)
Related Party Receivable	1,246,829
Promises to Give	236,438
Prepaid Expenses and Other Assets	(197,475)
Increase (Decrease) in Liabilities:	
Accounts Payable	174,935
Accrued Expenses and Other Liabilities	172,895
Deferred Revenue	610,398
Net Cash Used by Operating Activities	(1,577,550)
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash Balance From the Acquisition of Subsidiaries	833,960
Purchases of Property and Equipment	(194,040)
Purchases of Deferred Compensation Plan Assets	(33,303)
Purchases of Investments	(128,203)
Proceeds from Sale of Investments	107,105
Loans Receivable Origination and Payments, Net	(41,744)
Net Cash Provided by Investing Activities	543,775

See accompanying Notes to Consolidated Financial Statements.

A NEW LEAF, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of Contributions Restricted to Endowment	$ 43,606
Change in Endowment Cash	(48,688)
Proceeds from Line of Credit	1,020,000
Payments on Capital Lease Obligations	(36,534)
Payments on Long-Term Debt	(102,226)
Net Cash Provided by Financing Activities	876,158
NET CHANGE IN CASH AND CASH EQUIVALENTS	(157,617)
Cash and Cash Equivalents - Beginning of Year	3,004,446
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,846,829
Cash and Cash Equivalents Consist of the Following:	
Cash and Cash Equivalents	$ 1,371,622
Cash - Funded Reserves	240,320
Cash - Designated for Direct Loan Fund	115,948
Cash - Individual Development Accounts (IDA) Restricted	1,118,939
Total Cash and Cash Equivalents	$ 2,846,829
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash Paid for Interest	$ 101,801

See accompanying Notes to Consolidated Financial Statements.

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. Mesa CAN 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.

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:

> <u>Early Education Program</u> – 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.
>
> <u>Health Links Program</u> – 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.

A New Leaf Cottages, Inc. (Cottages) is an Arizona nonprofit corporation. Cottages' mission is to provide housing needs to individuals and families in need. Cottages is the developer of Desert Leaf Apartments (the Apartments). The Apartments are a 20-unit apartment complex, which includes onsite supportive services. Nineteen of the units will be leased and one unit will be used for community services and delivery space. Cottages also owns a home, Contessa, which is available for single-family living.

The New Foundation (TNF) is a nonprofit corporation which maintains a residential psychiatric treatment facility for adolescents in Scottsdale, Arizona. Various governmental agencies and pass-through entities contract with the Organization for these services, generally on an annual basis.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The board of AWEE merged, transferred operations, and become a division of Leaf. 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 2020, 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.

In March 2019, the board of directors of Cottages voted to have A New Leaf (Leaf) take over board responsibilities and monitoring. A New Leaf Cottages, Inc. maintained its own 501(c)(3) status and operates as an affiliate of Leaf and is reported as a consolidated affiliate in Leafs consolidated financial statements.

Effective October 1, 2018, The New Foundation was acquired by Leaf. The New Foundation maintained its own 501(c)(3) status and operates as an affiliate of Leaf and is reported as a consolidated affiliate in Leafs consolidated financial statements.

The consolidated financial statements include the accounts of Leaf, Mesa CAN, NEDCO, AWEE, Phoenix Day, Cottages and TNF 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019, NEDCO had $115,948 in these accounts as cash designated for lending that are to be used to fund additional loans.

Cash – Funded Reserves

As required by loan agreements, the Organization has established funded operating and replacement reserves with a balance of $234,183 at June 30, 2019. For the year ended June 30, 2019, the Organization held a separate cash account to fund tenant security deposits with a balance of $6,137. The balance of the security deposit cash account has been included in the funded reserves total in the consolidated statement of financial position.

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 18. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable (Continued)

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 Loss Reserve

The allowance for loan loss reserve 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Loss Reserve (Continued)

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.

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.

Beneficial Interests in Assets Held in Trusts

The Organization receives contributions of investment assets in which the Organization retains an interest. The assets are invested and administered by an unrelated trustee, and distributions are made to the Organization. These funds are primarily invested in debt and equity securities, and the Organization records its interest at the fair value of the assets which are actively traded on exchanges. Initial recognition and subsequent adjustments to the assets' carrying value are recognized as bequests and trust contributions and change in the value of beneficial interest in assets held in trust, respectively. The beneficial interest trusts are classified as net assets with or without restrictions, depending on donor-imposed restrictions, if any.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019.

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 not secured by any of the CDFI's assets and is fully subordinate to the CDFI's other creditors.

Accounts Payable

Accounts payable consists of amounts due to vendors for services rendered prior to June 30. Accounts payable also includes amounts due back to government agencies for overpayments.

Accrued Compensation Absences

Compensated absences are accrued when earned. Amounts included are for compensated employee absences for vacation time. In the event of termination, an employee is entitled to payment for vacation benefits earned but not taken. Employees who are involuntarily terminated are not entitled to payment for unused vacation time.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

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

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

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

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. Rent income from tenants and tenant assistance payments are recognized in the month in which it is earned rather than received. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

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 16).

Advertising Costs

Advertising costs are expensed as incurred and equaled $310,671 for the year ended June 30, 2019.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Those costs which are necessary to overall operation of the Organization and that benefit several services or programs are allocated according to the Leaf cost allocation plan. Allocable costs can be distributed to benefited programs based on acceptable allocation methods which include actual number of employees' worked hours, square footage/usage, rooms/beds or number of participants. Allocation method selected is determined by cost type.

Allocations based on number of employees are after the end of every month. Allocations by any other method are reviewed and updated as necessary at least quarterly.

- Information Technology related expenditures benefiting programs directly such as software, telephone and network connectivity are allocated using the actual number of employees' worked hours. Other expenditures using this method include unemployment and general liability insurance.
- Expenditures allocated by square footage include occupancy, property insurance and depreciation.
- All costs related to the Quality Management are allocated to all Leaf Programs and Leaf Subsidiaries as they benefit all and the allocation is based on number of employees' worked hours.

Income Taxes

Leaf, MesaCAN, NEDCO, AWEE, Phoenix Day, Cottages and TNF 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 (IRC) 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 Phoenix Day, Cottages and TNF have 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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 consolidated 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.

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.

Change in Accounting Principle

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

NOTE 2 LIQUIDITY AND AVAILABILITY

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

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

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

Financial Assets at Year-End:	
Cash and Cash Equivalents	$ 2,846,829
Accounts Receivable	3,378,534
Related Party Receivable	608,998
Promises to Give Due Within One Year	804,739
Investments	60,236
Total Financial Assets	7,699,336
Less Amounts not Available to be Used For Within One Year	
Cash - Funded Reserves	(240,320)
Cash - Designated for Direct Loan Fund	(115,948)
Net Assets With Donor Restrictions	(1,834,148)
Total Financial Assets not Available to be Used Within One Year	(2,190,416)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 5,865,188

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

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, 2019 as follows:

	Promises	In-Kind
Within One Year	$ 804,739	$ 61,155
Endowment - Within One Year	29,308	-
In One to Five Years	12,975	136,938
Endowment - In One to Five Years	26,826	-
Total	873,848	198,093
Less Discount to Net Present Value (at Rates Averaging 4%)	(2,892)	(13,554)
Less Allowance for Doubtful Accounts	(75,851)	-
Net Amounts	$ 795,105	$ 184,539

At June 30, 2019, three donors accounted for 76% of gross promises to give. Promises to give, net of allowance and discount, were restricted to the endowment in the amount of $49,255 as of June 30, 2019.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following sources as of June 30, 2019:

Contracts and Grants	$ 3,431,654
United Way	189,215
Miscellaneous	43,956
Total	3,664,825
Less Allowance for Doubtful Accounts	(286,291)
Accounts Receivable, Net	$ 3,378,534

NOTE 5 LOANS RECEIVABLE, NET

A summary of loans receivable by major category follows as of June 30, 2019:

Business Loans	$ 341,601
Allowance for Loan Loss Reserves	(84,578)
Total Loans Receivable, Net Allowance	$ 257,023

The following table presents the activity in the allowance for loan losses by portfolio segment for the year ended June 30, 2019 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, 2019:

	Business Loans	Total
Allowance for Credit Losses:		
Balance at Beginning of Period	$ 103,534	$ 103,534
Charge-Offs	-	-
Recoveries	(33,166)	(33,166)
Provisions	14,210	14,210
Balance at End of Period	$ 84,578	$ 84,578
Individually Evaluated for Impairment	$ 41,482	$ 41,482
Collectively Evaluated for Impairment	43,096	43,096
Balance at End of Period	$ 84,578	$ 84,578
Loans Receivable:		
Individually Evaluated for Impairment	$ 64,583	$ 64,583
Collectively Evaluated for Impairment	277,018	277,018
Balance at End of Period	$ 341,601	$ 341,601

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.

NOTE 5 LOANS RECEIVABLE, NET (CONTINUED)

Credit Quality Indicators (Continued)

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.

Non Pass – Loans classified as nonpass 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, 2019 was as follows:

	Pass	Non Pass
Business Loans	$ 277,018	$ 64,583

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, 2019:

	Still Accruing				
	Current	30-89 Days Past Due	Over 90 Days Past Due	Nonaccrual Balance	Total
Business Loans	$ 291,106	$ -	$ -	$ 50,495	$ 341,601

The following tables summarize individually impaired loans by class of loans as of June 30, 2019:

	Recorded Investment	Unpaid Principal Balance	Average Recorded Investment	Interest Income Recognized
With a Specific Allowance Recorded:				
Business Loans	$ 64,583	$ 64,583	$ 64,583	$ -

NOTE 5 LOANS RECEIVABLE, NET (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	$ 41,482	$ -	$ -	$ 41,482

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, 2018	$ 1,402,008
Net Loss	(27)
Investment Value at June 30, 2019	$ 1,401,981

Summarized financial statement information of the affiliate as of and for the year ended June 30, 2019 is as follows:

Statement of Financial Position:	
Total Assets	$ 1,386,910
Total Liabilities	$ 61,643
Net Assets Without Donor Restrictions	1,325,267
Total Liabilities and Net Assets Without Donor Restrictions	$ 1,386,910
Statement of Activities:	
Revenue	$ 22,921
Expenses	68,324
Change in Net Assets Without Donor Restrictions	$ (45,403)

NOTE 7 ASSETS HELD IN TRUST

The Organization has been named in a trust held in perpetuity for which the Organization has an interest in the income received from the trust's assets. The trust is held by an unrelated third-party trustee and the Organization is entitled to its proportionate share of the annual income distribution.

The beneficial interest in the trust is recorded at the fair value of the assets expected to be received by the trusts as of June 30, 2019.

NOTE 8 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.

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.

NOTE 8 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

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 value of the beneficial interest agreements are recorded at the fair value of the investments which are held by third-party trustees. These trusts are classified as within the Level 1 of the valuation hierarchy.

The following table presents assets measured at fair value on a recurring basis at June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments:				
Corporate Equities	$ 13,255	$ -	$ -	$ 13,255
Mutual Funds	493,188	-	-	493,188
Money Market Funds	-	-	-	91,525
	$ 506,443	$ -	$ -	$ 597,968
Deferred Compensation Assets				
Pooled Separate Funds	$ -	$ 337,763	$ -	$ 337,763
Beneficial Interest in				
Assets Held in Trust	$ 248,334	$ -	$ -	$ 248,334

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, 2019:

	Level 1	Level 2	Level 3	Total
Impaired Loans	$ -	$ -	$ 41,482	$ 41,482

The fair value of impaired loans is estimated based on either the loan's obtainable market price of 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.

NOTE 9 PROPERTY AND EQUIPMENT

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

Land	$ 3,301,368
Buildings	8,706,823
Building Improvements	3,864,941
Leasehold Improvements	24,411
Computer Software	198,486
Leased Equipment	153,272
Vehicles	261,622
Furniture and Fixtures	646,324
Total	17,157,247
Less Accumulated Depreciation and Amortization	(3,221,573)
Property and Equipment, Net	$ 13,935,674

The Organization has several deed restrictions a certain properties constructed with government funding. The deed restrictions have different expirations ranging from 2020 to 2027. In addition, these restrictions are recorded under temporarily restricted net assets until the restrictions are met.

NOTE 10 LINES 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 originally expired on November 30, 2019 and was extended to May 31, 2020. As of June 30, 2019, there was $1,000,000 balance on this line of credit.

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, 2019, the outstanding balance on the lines of credit was $22,287.

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, 2019, there was a balance of $50,000 on this line of credit. Management is in negotiations to extend the line further.

NOTE 10 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, 3.0%. The line of credit expired October 19, 2019 and was extended through March 31, 2020. As of June 30, 2019, there was a balance of $20,000 on this line of credit.

NOTE 11 GUARANTEED LOAN OBLIGATION

Leaf has guaranteed certain debt obligations totaling $978,838 as of June 30, 2019, for the PRE-HAB Foundation (the Foundation), an Arizona nonprofit corporation related through common management. The obligation bears an adjustable rate interest equal to the LIBOR (4.12% as of June 30, 2019) plus 2.05% and is payable in monthly installments by the Foundation through April 2022. 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 for the year ended June 30, 2019.

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	$	36,667
Loan Guarantee on Behalf of PRE-HAB Foundation, Matures April 2020		240
Total	$	36,907

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

Year Ending June 30,		Amount
2020	$	19,318
2021		12,879
2022		4,710
Total	$	36,907

NOTE 12 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, 2019:

Description		
Subordinate note payable to Wells Fargo; maturing on May 21, 2021, due in 8 quarterly installment payments of interest and principal in the amount of $31,250 with final payment and accrued interest due 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. The note was paid in full in November 2019.		38,000
EQ2 unsecured note payable with National Bank of Arizona, interest due quarterly at 2.0%. Principal and outstanding interest due on July 23, 2021.		50,000
EQ2 unsecured note payable with National Bank of Arizona, interest due quarterly at 2.0%. Principal and outstanding interest due on December 31, 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

NOTE 12 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. The note is in the process of being extended.	$ 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. Management is in current negotions regarding repayment terms.	150,000
Mortgage payable to Wells Fargo; maturing on January 10, 2034 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.	224,680
Note payable to Wells Fargo in the original principal amount of $1,924,000, due April 5, 2031. Interest rate of 3.85%, payable monthly. The first six months of the loan are interest only. As of June 30, 2019, monthly principal and interest payments of approximately $16,000 are due. The note is secured by property and equipment.	1,517,822
Loan payable to the City of Phoenix bearing interest at 0% per annum for a term of 30 years so long as housing remains available for the purpose of providing support to chronic homeless with special needs. Upon completion of the 30-year term, the entire balance of the loan will be forgiven upon compliance with the terms and conditions of the loan. If compliance terms are not met, at the option of the City of Phoenix, an interest rate of 8% per annum may be charged on the outstanding loan balance until maturity on January 23, 2042.	1,300,000

NOTE 12 NOTES PAYABLE AND OTHER LIABILITIES – EQUITY EQUIVALENT INVESTMENTS (EQ2) (CONTINUED)

Description		
Loan payable to the City of Mesa bearing interest at 0% per annum for a term of 15 years so long as housing remains available for the purpose of providing support to chronic homeless with special needs. Upon completion of the 15-year term, the entire balance of the loan will be forgiven upon compliance with the terms and conditions of the loan. If compliance terms are not met, at the option of the City of Mesa, an interest rate of 5% per annum may be charged on the outstanding loan balance until maturity on May 9, 2027.	$	159,025
Loan payable to the Magellan bearing interest at 0% per annum for a term of 25 years so long as housing remains available for the purpose of providing support to chronic homeless with special needs. Upon completion of the 25-year term, the entire balance of the loan will be forgiven upon compliance with the terms and conditions of the loan until maturity on November 1, 2037.		325,000
Loan payable to the City of Mesa bearing interest at 0% per annum for a term of 15 years so long as housing remains available for low-income housing. Upon completion of the 15-year term, the entire balance of the loan will be forgiven upon compliance with the terms and conditions of the loan. If compliance terms are not met, at the option of the City of Mesa, an interest rate of 5% per annum may be charged on the outstanding loan balance until maturity on January 18, 2033.		145,000
	$	4,379,527

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

Year Ending June 30,		Amount
2020	$	547,832
2021		265,303
2022		190,793
2023		166,303
2024		141,834
Thereafter		3,067,462
Total	$	4,379,527

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

NOTE 13 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, 2019 totaled $1,503,293, which includes $505,197 donated rent. Included in total rent expense is $884,032 ($302,561 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:

Year Ending June 30,	Capital Leases	Operating Leases
2020	$ 41,323	$ 1,137,092
2021	41,323	87,580
2022	30,993	71,849
2023	-	27,088
Total Minimum Lease Payments	113,639	$ 1,323,609
Less Amount Representing Interest	(5,823)	
Total Capital Lease Obligation	$ 107,816	

Leased property under capital leases as of June 30, 2019 includes:

Leased Equipment	$ 153,272
Less Accumulated Depreciation	(51,091)
Leased Equipment, Net	$ 102,181

NOTE 14 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 net assets without donor restrictions 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, 2019, there were no such donor stipulations. As a result of this interpretation, the Organization classified as net assets with donor restrictions (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts) and (c) accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

NOTE 14 ENDOWMENT (CONTINUED)

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.

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

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets - Beginning of Year	$ -	$ 1,428,365	$ 1,428,365
Contributions	-	-	-
Investment Earnings	-	30,872	30,872
Discount Amortization	-	8,559	8,559
Change in Endowment Pledge Allowance	-	- 7,634	7,634
Release of Restrictions by Donor	-	-	-
Endowment Assets - End of Year	$ -	$ 1,475,430	$ 1,475,430

NOTE 15 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows as of June 30, 2019:

Restricted by Donors for:	
East Valley Men's Shelter	$ 759,000
IDA Program	962,484
La Mesita Phase 2	2,205,000
La Mesita Program Services	709,117
La Mesita Endowment	1,437,698
Phoenix Day Programs	108,230
Shelter Services	29,842
Strategic Partnership Merger	70,843
VITA Program	19,007
West Valley Community Behavioral Health Center Physical Improvements Program	200,000
The New Foundation	248,334
Faith House	13,520
Autumn House	29,920
Purpose Restrictions	6,792,995
Restricted for Time:	
Pledges, Net	739,937
La Mesita Endowment Earnings	37,732
Related Party Receivable	100,000
In-kind Receivables, Net	184,539
Time Restrictions	1,062,208
Total Net Assets With Donor Restrictions	$ 7,855,203

Net assets released from restrictions were as follows for the year ended June 30, 2019:

Satisfaction of Purpose Restrictions:	
East Valley Men's Shelter	$ 68,000
IDA Program	64,739
La Mesita Capital Campaign	359,077
La Mesita Program Services	718,423
Phoenix Day Programs	85,064
Shelter Services	311,277
After School Program	1,000
Arizona Womens Education and Employment Programs	28,492
Strategic Partnership Merger	165,132
VITA Program	84,334
The New Foundation	61,145
Faith House	252,858
Autumn House	96,492
Satisfaction of Time Restrictions	554,252
Total Net Assets Released from Restrictions	$ 2,850,285

NOTE 16 DONATED PROFESSIONAL SERVICES AND MATERIALS

The Organization received donated professional services and materials as follows during the year ended June 30, 2019:

	Program Services						
	Shelter Services	Youth Services	Behavioral Health	Community Services and Education	Management and General	Fundraising	Total
Rent	$ 301,234	$ -	$ 85,066	$ 54,557	$ 64,341	$ -	$ 505,198
Shelter Client Assistance	1,861	386	-	-	-	2,000	4,247
Supplies	546	215	-	190	-	87,239	88,190
Food	249,972	184	100	526	-	51,144	301,926
Clothing and Household Goods	134,519	7,731	150	30,901	-	458,960	632,261
Entrance Fees	23,863	750	-	10,526	-	7,404	42,543
Other Professional Services	219,074	-	-	350	2,480	47,752	269,656
Total	$ 931,069	$ 9,266	$ 85,316	$ 97,050	$ 66,821	$ 654,499	$ 1,844,021

During June 30, 2019, 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.

NOTE 17 EMPLOYEE BENEFITS

Defined Contribution Plan

The Organization sponsors a defined contribution plan (the Plan) qualified under Section 401(k) of the IRC 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, 2019, the Organization matched employee voluntary contributions up to 50% of the first 4% of deferrals, resulting in contributions to the Plan of $147,622.

Deferred Compensation Agreement

The Organization sponsors a tax-deferred annuity plan qualified under Section 457(e)(1)(B) of the IRC 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 18 RELATED PARTY TRANSACTIONS

The Organization owns a limited partnership investment in Prospect Park 1, LP (the Park), an affordable housing establishment. Investment in affiliate totaled $1,401,981 as of June 30, 2019. 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 $30,184 for the year ended June 30, 2019. 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, 2019.

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.

The following are the transactions with the Foundation for the year ended June 30, 2019:

Donations Received from Bingo Operations	$	274,500
Reimbursement for Management and Support Service Costs Paid to the Organization		377,618
Rent Paid by the Organization		903,749

Amounts due from and to the Foundation are as follows at June 30, 2019:

Related Party Receivables	$	100,000
Related Party Receivables - Stock and Dividends Payable Attributable to Leaf		282,103
Related Party Receivables - Unrestricted Contribution		20,000
Total Included in Related Party Receivables	$	402,103
Guaranteed Debt Obligation (See Note 11)	$	36,907

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, 2019. This amount is included as a related party receivable 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 $40,697 as of June 30, 2019. This amount is included as related party receivables on the accompanying consolidated statement of financial position.

NOTE 18 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 due to Leaf as of June 30, 2019. 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, 2019:

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	300,000
Total	1,403,959
Less Discount to Net Present Value (at Rates of 1.75% to 3.27%)	(403,193)
Net Amounts	$ 1,000,766

Certain members of the board of directors of the Organization have pledged or contributed donations in the amount of $44,869 during the year ended June 30, 2019. Amount uncollected for prior and current year pledged donations totals, $50,572 as of June 30, 2019 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 19 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 20 REVENUE CONCENTRATION

The Organization received 28% of its contract revenue from one federal contract and 59% of its contract revenue was from contracts with various State of Arizona agencies during the year ended June 30, 2019.

NOTE 21 ACQUISITIONS

On October 1, 2018, the Organization completed the acquisition of The New Foundation, in order to expand upon its mission, Helping Families and Changing Lives by providing youth residential treatment centers and services. The results of operations of the program are included in the consolidated statement of activities from the date of acquisition. There was no consideration given in the transaction. In connection with the acquisition, the Organization recorded its investment in The New Foundation at October 1, 2018 as follows:

Cash and Cash Equivalents	$ 520,870
Accounts Receivable	352,207
Prepaid Expenses and Other Assets	424
Assets Held in Trust	256,772
Property and Equipment	4,000,000
Total Assets	$ 5,130,273
Accounts Payable	$ 222,525
Accrued Expenses and Other Liabilities	156,951
Deferred Revenue	431,493
Note Payable	1,614,022
Total Liabilities	$ 2,424,991
.	
Excess of Assets Acquired Over Liabilities Assumed of The New Foundation	$ 2,705,282

In March 2019, the Organization completed the acquisition of A New Leaf Cottages, Inc., in order to expand upon its mission Helping Families and Changing Lives by providing housing needs to individuals and families in need. In connection with the acquisition, the Organization recorded its investment in A New Leaf Cottages, Inc. at March 1, 2019 as follows:

Cash and Cash Equivalents	$ 313,090
Prepaid Expenses and Other Assets	2,490
Property and Equipment	1,643,534
Total Assets	$ 1,959,114
Accounts Payable	$ 8,071
Note Payable	1,929,025
Total Liabilities	$ 1,937,096
.	
Excess of Assets Acquired Over Liabilities Assumed of A New Leaf Cottages, Inc.	$ 22,018

NOTE 22 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 28, 2020, the date the consolidated financial statements were available to be issued.

Subsequent to June 30, 2019, the Organization borrowed $1,300,000 from the endowment to support operations of the Organization.

Subsequent to June 30, 2019, The Pre-HAB Foundation, a related party issued to Leaf a $975,000 line of credit, of which, Leaf has borrowed $975,000.

Subsequent to June 30, 2019, the Organization borrowed $1,000,000 from a private entity. This loan is secured by certain property.

Subsequent to June 30, 2019 the New Foundation ceased operations.

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

During the period from January 1, 2020 through March 28, 2020 both domestic and international equity markets have experienced large declines. These losses are not included in the consolidated financial statements as of and for the year ended June 30, 2019.

NOTE 23 NEW ACCOUNTING PRONOUNCEMENTS

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.

NOTE 23 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, 2022; however, early application is permitted.

In June 2016, the FASB approved ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* In November 2018, the FASB approved ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*. The main objective of the ASUs is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASUs replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASUs are effective for the Organization for the fiscal year beginning after December 15, 2022, and interim periods within the fiscal year. Early adoption is permitted for the fiscal year beginning after December 15, 2018, including interim periods within this fiscal year. The Organization is currently evaluating the impact of the ASUs on the consolidated financial statements.

A NEW LEAF, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	A New Leaf, Inc.	MesaCAN	NEDCO	Phoenix Day	The New Foundation	A New Leaf Cottages	Eliminations	Consolidated
ASSETS								
Cash and Cash Equivalents	$ 973,024	$ 132,236	$ 79,277	$ 7,708	$ 75,990	$ 103,387	$ -	$ 1,371,622
Cash - Funded Reserves	-	-	-	-	-	240,320	-	240,320
Cash - Designated for Direct Loan Fund	-	-	115,948	-	-	-	-	115,948
Cash - IDA Restricted	-	1,118,939	-	-	-	-	-	1,118,939
Accounts Receivable, Net	2,350,404	366,804	75,746	115,916	469,205	459	-	3,378,534
Related Party Receivables	608,998	-	-	-	-	-	-	608,998
Intercompany Receivables	2,216,042	3,750	-	-	-	-	(2,219,792)	-
Promises to Give, Net	739,937	-	-	-	-	-	-	739,937
In-Kind Rent Receivable, Net	184,539	-	-	-	-	-	-	184,539
Prepaid Expenses and Other Assets	405,053	8,593	-	-	415	5,398	-	419,459
Notes Receivable - Related Parties, Net	1,000,766	-	-	-	-	-	-	1,000,766
Loans Receivable	-	-	341,601	-	-	-	-	341,601
Allowance for Loan Loss Reserve - Loans Receivable	-	-	(84,578)	-	-	-	-	(84,578)
Investments	60,236	-	-	-	-	-	-	60,236
Investments Held for Deferred Compensation	337,763	-	-	-	-	-	-	337,763
Investment in Affiliate	1,401,981	-	-	-	-	-	-	1,401,981
Investment in Subsidiaries	(967,576)	-	-	-	-	-	967,576	-
Assets Held in Trust	-	-	-	-	248,334	-	-	248,334
Property and Equipment, Net	10,362,983	-	-	-	1,982,861	1,589,830	-	13,935,674
Endowment:								
Cash	882,530	-	-	-	-	-	-	882,530
Investments	537,732	-	-	-	-	-	-	537,732
Promises to Give, Net	55,168	-	-	-	-	-	-	55,168
Total Assets	$ 21,149,580	$ 1,630,322	$ 527,994	$ 123,624	$ 2,776,805	$ 1,939,394	$ (1,252,216)	$ 26,895,503
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts Payable	$ 753,855	$ 153,057	$ 10,995	$ -	$ 46,824	$ 5,105	$ -	$ 969,836
Accrued Expenses and Other Liabilities	1,233,001	-	27,267	-	7,060	11,201	-	1,278,529
Intercompany Payables	3,750	82,137	38,249	457,240	1,638,416	-	(2,219,792)	-
Deferred Compensation Liability	337,763	-	-	-	-	-	-	337,763
Deferred Revenue	620,890	261,470	-	-	528,322	-	-	1,410,682
Capital Lease Obligations	107,816	-	-	-	-	-	-	107,816
Guaranteed Loan Obligation	36,907	-	-	-	-	-	-	36,907
Line of Credit	1,000,000	-	92,287	-	-	-	-	1,092,287
Notes Payable and Other Liabilities - Equity Equivalent Investments	512,680	-	420,000	-	1,517,822	1,929,025	-	4,379,527
Total Liabilities	4,606,662	496,664	588,798	457,240	3,738,444	1,945,331	(2,219,792)	9,613,347
NET ASSETS (DEFICIT)								
Without Donor Restrictions	9,758,429	171,174	(60,804)	(441,846)	(1,209,973)	(5,937)	1,215,910	9,426,953
With Donor Restrictions	6,784,489	962,484	-	108,230	248,334	-	(248,334)	7,855,203
Total Net Assets (Deficit)	16,542,918	1,133,658	(60,804)	(333,616)	(961,639)	(5,937)	967,576	17,282,156
Total Liabilities and Net Assets	$ 21,149,580	$ 1,630,322	$ 527,994	$ 123,624	$ 2,776,805	$ 1,939,394	$ (1,252,216)	$ 26,895,503

A NEW LEAF, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	A New Leaf, Inc.			MesaCAN			A New Leaf Cottages			NEDCO		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT AND GAINS												
Contract Revenue	$ 11,367,084	$ -	$ 11,367,084	$ 2,398,645	$ -	$ 2,398,645	$ -	$ -	$ -	$ 153,562	$ -	$ 153,562
Behavioral Health Revenue	7,493,833	-	7,493,833	-	-	-	-	-	-	-	-	-
Contributions	6,905,436	1,957,114	8,862,550	16,105	35,213	51,318	-	-	-	5,350	-	5,350
United Way Contributions	603,535	-	603,535	-	-	-	-	-	-	-	-	-
Client Fees	47,389	-	47,389	-	-	-	-	-	-	-	-	-
Rental Income	279,349	-	279,349	-	-	-	55,689	-	55,689	-	-	-
Gross Bingo Revenue	-	-	-	1,181,813	-	1,181,813	-	-	-	-	-	-
Less Cost of Goods Sold	-	-	-	(742,687)	-	(742,687)	-	-	-	-	-	-
Net Bingo Revenue	-	-	-	439,126	-	439,126	-	-	-	-	-	-
Interest and Other Income (Loss)	619,284	30,872	650,156	445	-	445	2,071	-	2,071	21,526	-	21,526
Net Investment Return (Loss)	13,441	-	13,441	-	-	-	-	-	-	-	-	-
Investment Income (Loss) in Subsidiaries	(1,676,102)	(58,592)	(1,734,694)	-	-	-	-	-	-	-	-	-
Excess of Assets Acquired Over Liabilities Assumed of The New Foundation	2,420,374	306,926	2,727,300	-	-	-	-	-	-	-	-	-
Net Assets Released from Restrictions	2,641,890	(2,641,890)	-	64,739	(64,739)	-	-	-	-	-	-	-
Total Revenues, Support and Gains	30,715,513	(405,570)	30,309,943	2,919,060	(29,526)	2,889,534	57,760	-	57,760	180,438	-	180,438
EXPENSES AND LOSSES												
Program Services	22,773,000	-	22,773,000	2,335,915	-	2,335,915	85,715	-	85,715	231,376	-	231,376
Supporting Services:												
Management and General	5,039,864	-	5,039,864	291,704	-	291,704	-	-	-	32,684	-	32,684
Bingo Games	-	-	-	282,592	-	282,592	-	-	-	-	-	-
Fundraising and Development	2,276,729	-	2,276,729	6,456	-	6,456	-	-	-	-	-	-
Total Supporting Services	7,316,593	-	7,316,593	580,752	-	580,752	-	-	-	32,684	-	32,684
Total Expenses	30,089,593	-	30,089,593	2,916,667	-	2,916,667	85,715	-	85,715	264,060	-	264,060
CHANGE IN NET ASSETS	625,920	(405,570)	220,350	2,393	(29,526)	(27,133)	(27,955)	-	(27,955)	(83,622)	-	(83,622)
TRANSFERS TO (FROM) SUBSIDIARIES	308,247	-	308,247	-	-	-	-	-	-	-	-	-
Net Assets - Beginning of Year	8,824,262	7,190,059	16,014,321	168,781	992,010	1,160,791	22,018	-	22,018	22,818	-	22,818
NET ASSETS - END OF YEAR	$ 9,758,429	$ 6,784,489	$ 16,542,918	$ 171,174	$ 962,484	$ 1,133,658	$ (5,937)	$ -	$ (5,937)	$ (60,804)	$ -	$ (60,804)

A NEW LEAF, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	The New Foundation			Phoenix Day			Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Before Eliminations	Eliminations	Consolidated
REVENUES, SUPPORT AND GAINS									
Contract Revenue	$ 500,912	$ -	$ 500,912	$ 264,678	$ -	$ 264,678	$ 14,684,881	$ -	$ 14,684,881
Behavioral Health Revenue	1,294,836	-	1,294,836	-	-	-	8,788,669	-	8,788,669
Contributions	1,223	-	1,223	335,337	-	335,337	9,255,778	(820,883)	8,434,895
United Way Contributions	-	-	-	213,750	-	213,750	817,285	-	817,285
Client Fees	(2,558)	-	(2,558)	478,799	-	478,799	523,630	-	523,630
Rental Income	-	-	-	-	-	-	335,038	(74,100)	260,938
Bingo Revenue, Net	-	-	-	-	-	-	1,181,813	-	1,181,813
Less Cost of Goods Sold	-	-	-	-	-	-	(742,687)		(742,687)
Net Bingo Revenue	-	-	-	-	-	-	439,126	-	439,126
Interest and Other Income (Loss)	10,177	-	10,177	(15,479)	-	(15,479)	668,896	-	668,896
Net Investment Return	1,710	-	1,710	-	-	-	15,151	-	15,151
Investment Income (Loss) in Subsidiaries	-	-	-	-	-	-	(1,734,694)	1,734,694	-
Excess of Assets Acquired Over Liabilities Assumed of Subsidiaries	-	-	-	-	-	-	2,727,300	-	2,727,300
Net Assets Released from Restrictions	58,592	(58,592)	-	85,064	(85,064)	-	-	-	-
Total Revenues, Support and Gains	1,864,892	(58,592)	1,806,300	1,362,149	(85,064)	1,277,085	36,521,060	839,711	37,360,771
EXPENSES AND LOSSES									
Program Services	2,673,331	-	2,673,331	1,421,761	-	1,421,761	29,521,098	(74,100)	29,446,998
Supporting Services:									
Management and General	867,057	-	867,057	339,092	-	339,092	6,570,401	(820,883)	5,749,518
Bingo Games	-	-	-	-	-	-	282,592	-	282,592
Fundraising and Development	-	-	-	-	-	-	2,283,185	-	2,283,185
Total Supporting Services	867,057	-	867,057	339,092	-	339,092	9,136,178	(820,883)	8,315,295
Total Expenses	3,540,388	-	3,540,388	1,760,853	-	1,760,853	38,657,276	(894,983)	37,762,293
CHANGE IN NET ASSETS	(1,675,496)	(58,592)	(1,734,088)	(398,704)	(85,064)	(483,768)	(2,136,216)	1,734,694	(401,522)
TRANSFERS TO (FROM) SUBSIDIARIES	27,349	-	27,349	(335,596)	-	(335,596)	-	-	-
Net Assets - Beginning of Year	438,174	306,926	745,100	292,454	193,294	485,748	18,450,796	(767,118)	17,683,678
NET ASSETS - END OF YEAR	$ (1,209,973)	$ 248,334	$ (961,639)	$ (441,846)	$ 108,230	$ (333,616)	$ 16,314,580	$ 967,576	$ 17,282,156

A NEW LEAF, INC. AND SUBSIDIARIES
A NEW LEAF, INC. CASH FLOW STATEMENT
YEAR ENDED JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$	220,350
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation		606,476
Amortization of Discount on Promises to Give and Notes Receivable and In-Kind Rent Receivable		(49,112)
Bad Debt Provision		55,328
Realized and Unrealized Gains on Investments		(13,441)
Contribution of In-Kind Rent Receivable		63,866
Deferred Compensation Expense		47,065
Net Investment Return on Deferred Compensation Plan Assets		(13,762)
Net Loss from Investment in Affiliate		25
Net Guaranteed Loan Obligations		(25,998)
Excess of Assets Acquired Over Liabilities Assumed of Subsidiaries		(2,727,300)
(Increase) Decrease in Assets:		
Accounts Receivable		(816,313)
Related Party Receivable		643,512
Intercompany Receivable		(1,065,326)
Promises to Give		37,315
Prepaid Expenses and Other Assets		(194,659)
Investments in Subsidiaries		1,734,694
Increase (Decrease) in Liabilities:		
Accounts Payable		354,902
Accrued Expenses and Other Liabilities		381,039
Due To Related Party		3,750
Deferred Revenue		553,306
Net Cash Used by Operating Activities		(204,283)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment		(1,269,976)
Purchase of Deferred Compensation Plan Assets		(33,303)
Purchase of Investments		(61,246)
Proceeds from Sale of Investments		30,000
Net Cash Used by Investing Activities		(1,334,525)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of Contributions Restricted to Endowment	$	43,606
Change in Endowment Cash		(48,688)
Payments on Capital Lease Obligations		(36,534)
Proceeds from Note Payable		224,680
Payments on Note Payable		(3,000)
Proceeds from Line of Credit		1,000,000
Net Cash Provided by Financing Activities		1,180,064
NET CHANGE IN CASH AND CASH EQUIVALENTS		(358,744)
Cash and Cash Equivalents - Beginning of Year		1,331,768
CASH AND CASH EQUIVALENTS - END OF YEAR	$	973,024

A NEW LEAF, INC. AND SUBSIDIARIES
A NEW LEAF, INC. CASH FLOW STATEMENT (CONTINUED)
YEAR ENDED JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash Paid for Interest	$ 93,398