

MESA COMMUNITY ACTION NETWORK, INC.

Mesa, Arizona

FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

MESA COMMUNITY ACTION NETWORK, INC.  
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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Mesa Community Action Network, Inc.  
Mesa, Arizona

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

We have audited the accompanying financial statements of Mesa Community Action Network, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

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

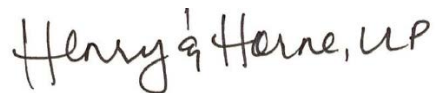
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mesa Community Action Network, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2022, on our consideration of Mesa Community Action Network, Inc.'s 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 results of that testing, and not to provide an opinion on the effectiveness of Mesa Community Action Network, Inc.'s 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 Mesa Community Action Network, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Henry & Horne, LLP".

Tempe, Arizona  
April 6, 2022

MESA COMMUNITY ACTION NETWORK, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 259,714	\$ 334,136
Restricted cash - Individual Development Accounts (IDA)	861,363	1,009,603
Accounts receivable, net of allowance for doubtful accounts of approximately \$140,000 and \$- at June 30, 2021 and 2020, respectively	618,606	433,366
Prepaid expenses	<u>6,001</u>	<u>6,440</u>
TOTAL CURRENT ASSETS	<u>\$ 1,745,684</u>	<u>\$ 1,783,545</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 229,339	\$ 164,050
Accrued expenses	41,876	39,227
Due to related affiliate	433,275	202,172
Deferred revenue	<u>150,891</u>	<u>320,529</u>
TOTAL CURRENT LIABILITIES	<u>855,381</u>	<u>725,978</u>
NET ASSETS		
Without donor restrictions	80,980	135,957
With donor restrictions	<u>809,323</u>	<u>921,610</u>
TOTAL NET ASSETS	<u>890,303</u>	<u>1,057,567</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,745,684</u>	<u>\$ 1,783,545</u>

See accompanying notes.

MESA COMMUNITY ACTION NETWORK, INC.  
STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Government contract revenue	\$ 5,874,131	\$ -	\$ 5,874,131	\$ 2,667,652	\$ -	\$ 2,667,652
Contributions	209,141	11,102	220,243	19,786	8,142	27,928
Interest income	26	-	26	158	-	158
Other income	10,694	-	10,694	5,543	-	5,543
Release from purpose restrictions	123,389	(123,389)	-	49,016	(49,016)	-
	<u>6,217,381</u>	<u>(112,287)</u>	<u>6,105,094</u>	<u>2,742,155</u>	<u>(40,874)</u>	<u>2,701,281</u>
Bingo revenue	1,030,377	-	1,030,377	986,308	-	986,308
Cost of goods sold	(619,000)	-	(619,000)	(589,513)	-	(589,513)
	<u>411,377</u>	<u>-</u>	<u>411,377</u>	<u>396,795</u>	<u>-</u>	<u>396,795</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>6,628,758</u>	<u>(112,287)</u>	<u>6,516,471</u>	<u>3,138,950</u>	<u>(40,874)</u>	<u>3,098,076</u>
<b>EXPENSES</b>						
Program services	6,010,692	-	6,010,692	2,643,376	-	2,643,376
Bingo games	426,624	-	426,624	429,361	-	429,361
Management and general	238,241	-	238,241	97,136	-	97,136
Fundraising	8,178	-	8,178	4,294	-	4,294
<b>TOTAL EXPENSES</b>	<u>6,683,735</u>	<u>-</u>	<u>6,683,735</u>	<u>3,174,167</u>	<u>-</u>	<u>3,174,167</u>
<b>CHANGE IN NET ASSETS</b>	<u>(54,977)</u>	<u>(112,287)</u>	<u>(167,264)</u>	<u>(35,217)</u>	<u>(40,874)</u>	<u>(76,091)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>135,957</u>	<u>921,610</u>	<u>1,057,567</u>	<u>171,174</u>	<u>962,484</u>	<u>1,133,658</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 80,980</u>	<u>\$ 809,323</u>	<u>\$ 890,303</u>	<u>\$ 135,957</u>	<u>\$ 921,610</u>	<u>\$ 1,057,567</u>

See accompanying notes.

MESA COMMUNITY ACTION NETWORK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2021

	Program Services					Support Services				Total
	Community Action Program	Community Action Program COVID-19	Weatherization	Individual Development Accounts	Other Programs	Total Program Services	Bingo Games	Management and General	Fundraising	
Salaries and wages	\$ 191,088	\$ 406,813	\$ 2,854	\$ 75,408	\$ 30,594	\$ 706,757	\$ 77,140	\$ 100,385	\$ 6,603	\$ 890,885
Payroll taxes	17,075	34,875	768	7,463	3,053	63,234	6,765	8,080	540	78,619
Employee benefits	29,358	52,735	745	1,584	1,734	86,156	1,964	15,966	460	104,546
	237,521	494,423	4,367	84,455	35,381	856,147	85,869	124,431	7,603	1,074,050
Professional services	17,553	411,512	432	54,206	57,038	540,741	-	80,830	115	621,686
Advertising, marketing, and printing	186	1,245	3	186	875	2,495	886	362	7	3,750
Supplies and postage	4,553	12,242	135	610	1,394	18,934	158	2,096	7	21,195
Telephone	10,676	9,159	112	1,436	3,226	24,609	4,689	5,674	49	35,021
Occupancy	61,786	80,610	504	9,521	8,162	160,583	98,215	12,503	73	271,374
Travel and vehicles	1,653	596	25	199	5,963	8,436	-	1,564	2	10,002
Interest expense	2,852	-	-	-	-	2,852	7,728	1,164	32	11,776
Conferences	781	91	3,002	201	-	4,075	-	328	-	4,403
Depreciation	1,856	370	13	121	36	2,396	-	547	19	2,962
Insurance	5,476	13,410	6,587	2,825	1,287	29,585	-	2,809	130	32,524
Equipment lease, repair, and maintenance	3,328	3,595	191	1,101	587	8,802	25,500	1,745	112	36,159
Client expenses	1,096,246	2,517,330	311,800	123,025	142,648	4,191,049	-	-	-	4,191,049
Bingo cost of goods sold	-	-	-	-	-	-	619,000	-	-	619,000
Bingo taxes	-	-	-	-	-	-	19,836	-	-	19,836
Miscellaneous expense	9,150	6,466	1,503	999	1,693	19,811	(57)	4,188	29	23,971
Contribution expense	-	-	-	-	-	-	183,800	-	-	183,800
Bad debt	140,177	-	-	-	-	140,177	-	-	-	140,177
<b>TOTAL EXPENSES</b>	<b>1,593,794</b>	<b>3,551,049</b>	<b>328,674</b>	<b>278,885</b>	<b>258,290</b>	<b>6,010,692</b>	<b>1,045,624</b>	<b>238,241</b>	<b>8,178</b>	<b>7,302,735</b>
Amounts not included in expenses on statement of activities:										
Bingo cost of goods sold	-	-	-	-	-	-	(619,000)	-	-	(619,000)
	<u>\$ 1,593,794</u>	<u>\$ 3,551,049</u>	<u>\$ 328,674</u>	<u>\$ 278,885</u>	<u>\$ 258,290</u>	<u>\$ 6,010,692</u>	<u>\$ 426,624</u>	<u>\$ 238,241</u>	<u>\$ 8,178</u>	<u>\$ 6,683,735</u>

See accompanying notes.

MESA COMMUNITY ACTION NETWORK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2020

	Program Services				Support Services				
	Community Action Program	Community Action Program COVID-19	Weatherization	Individual Development Account	Total Program Services	Bingo Games	Management and General	Fundraising	
Salaries and wages	\$ 377,456	\$ 893	\$ 37,135	\$ 87,647	\$ 503,131	\$ 70,028	\$ 55,227	\$ 3,042	\$ 631,428
Payroll taxes	31,676	356	2,864	6,430	41,326	5,768	4,113	236	51,443
Employee benefits	38,159	22	10,378	6,609	55,168	2,314	8,962	504	66,948
	447,291	1,271	50,377	100,686	599,625	78,110	68,302	3,782	749,819
Professional services	35,758	388	1,345	24,936	62,427	410	14,053	57	76,947
Advertising, marketing, printing	158	-	-	-	158	6,755	120	-	7,033
Supplies and postage	5,927	1,050	195	381	7,553	1,923	1,029	24	10,529
Telephone	21,244	330	1,046	1,740	24,360	2,676	3,584	53	30,673
Occupancy	84,385	1,281	7,315	14,971	107,952	93,922	4,794	191	206,859
Travel and vehicle	4,844	-	1,829	2,627	9,300	-	1,068	65	10,433
Interest expense	2,021	-	174	20	2,215	7,874	313	4	10,406
Conferences	2,264	-	1,311	42	3,617	-	128	33	3,778
Insurance	10,234	818	7,418	2,082	20,552	-	1,313	55	21,920
Equipment lease, repair, and maintenance	16,136	2	841	2,715	19,694	17,850	893	12	38,449
Client expenses	1,220,947	97,366	404,360	60,270	1,782,943	-	-	-	1,782,943
Bingo cost of goods sold	-	-	-	-	-	589,513	-	-	589,513
Bingo taxes	-	-	-	-	-	19,266	-	-	19,266
Miscellaneous expense	2,368	-	500	112	2,980	75	1,539	18	4,612
Contribution expense	-	-	-	-	-	200,500	-	-	200,500
<b>TOTAL EXPENSES</b>	<b>1,853,577</b>	<b>102,506</b>	<b>476,711</b>	<b>210,582</b>	<b>2,643,376</b>	<b>1,018,874</b>	<b>97,136</b>	<b>4,294</b>	<b>3,763,680</b>
Amounts not included in expenses on Statement of Activities:									
Bingo cost of goods sold	-	-	-	-	-	(589,513)	-	-	(589,513)
	<u>\$ 1,853,577</u>	<u>\$ 102,506</u>	<u>\$ 476,711</u>	<u>\$ 210,582</u>	<u>\$ 2,643,376</u>	<u>\$ 429,361</u>	<u>\$ 97,136</u>	<u>\$ 4,294</u>	<u>\$ 3,174,167</u>

See accompanying notes.



MESA COMMUNITY ACTION NETWORK, INC.  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (167,264)	\$ (76,091)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	140,177	-
(Increase) decrease in:		
Accounts receivable	(325,417)	(62,812)
Prepaid expenses	439	2,153
Increase (decrease) in:		
Accounts payable	65,289	44,289
Accrued expenses	2,649	5,931
Due to related affiliate	231,103	120,035
Deferred revenue	(169,638)	59,059
	<u>(222,662)</u>	<u>92,564</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
	<u>(222,662)</u>	<u>92,564</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(222,662)	92,564
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,343,739</u>	<u>1,251,175</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,121,077</u></u>	<u><u>\$ 1,343,739</u></u>
<b>RECONCILIATION TO STATEMENTS OF FINANCIAL POSITION</b>		
Cash and cash equivalents	\$ 259,714	\$ 334,136
Restricted cash - Individual Development Accounts (IDA)	<u>861,363</u>	<u>1,009,603</u>
	<u><u>\$ 1,121,077</u></u>	<u><u>\$ 1,343,739</u></u>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES:</b>		
Interest paid	<u><u>\$ 11,776</u></u>	<u><u>\$ 10,406</u></u>

See accompanying notes.

MESA COMMUNITY ACTION NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2021 and 2020

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES

Nature of Activities

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

MesaCAN also conducts a charitable bingo operation with a portion of the net proceeds going to A New Leaf, Inc. (Leaf), a 501(c)(3) nonprofit organization whose programs serve the homeless, victims of domestic violence, youth programs, and behavioral health needs of children, adolescents, and their families. Leaf is the sole member of MesaCAN.

Basis of Presentation

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

MESA COMMUNITY ACTION NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2021 and 2020

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the statements of cash flows, MesaCAN considers all highly liquid financial instruments purchased with an original maturity of three months or less at date of acquisition to be cash equivalents. Cash and highly liquid financial instruments restricted for IDAs are excluded from operating cash. Restricted cash – IDA can only be used for certain homeownership and educational expenses, including tuition, books, and other fees.

Accounts Receivable

Accounts receivable consists primarily of amounts due under contracts. Accounts receivable are carried at the outstanding balances less an allowance for doubtful accounts, if applicable. MesaCAN evaluates the collectability of its accounts receivable based on a combination of factors. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, it records a specific reserve to reduce the amounts recorded to what it believes will be collected. Accounts are charged off against the allowance when they are deemed to be uncollectible.

Due From and Due to Affiliates

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

Net Assets

MesaCAN reports information regarding its financial position and activities according to two classes of net assets as follows:

- Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.
- Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Gifts of long-lived assets and gifts of cash restricted for 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.

MESA COMMUNITY ACTION NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2021 and 2020

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)

Revenue Recognition and Change in Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to funding sources and clients in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018 with a one year deferral option. MesaCAN adopted ASC 606 with a date of the initial application of July 1, 2020.

Some of the contract revenue arrangements generally consist of a single performance obligation to transfer promised services. Based on MesaCAN's evaluation of its contracts with funding sources and clients, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Government contract revenue includes approximately \$2,034,000 of earned revenues where performance obligations are satisfied at a point in time and consists primarily of rent and utility assistance payments. This revenue is recognized as revenue in the period assistance is provided to consumers. Government contract revenue received in advance of services being provided is recorded as a contract liability (deferred revenue). Included in deferred revenue for the year ended June 30, 2020 is \$94,081 for government contracts revenue received in advance. There are no amounts included in deferred revenue as of June 30, 2021 for government contract revenue.

Bingo game revenues are derived from hosting bingo games that customers pay to participate in. The performance obligation is the delivery of the activity to the customer and the transaction prices for the games are established by MesaCAN. MesaCAN recognizes revenue as the customer pays and participates in the activity.

Contributions

Contributions and grants received are recorded as either support with donor restrictions or as support without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

MESA COMMUNITY ACTION NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2021 and 2020

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)

Contributions (Continued)

Majority of government contract revenue is derived by services provided by MesaCAN and is paid on a cost reimbursement basis. MesaCAN has determined that these contracts are conditional contributions and therefore revenue is recognized when the conditions are substantially met, which is as allowable costs are incurred.

Non-Cash Donations

Contributions of donated non-cash tangible assets (in-kind donations) are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donated services, are recorded at their fair market values in the period received. MesaCAN utilized the services of numerous volunteers who support the programs and activities of MesaCAN's program services, administration, and fundraising and development activities. This support has not been recorded in the accompanying financial statements as it does not meet the recognition criteria.

Advertising

MesaCAN uses advertising to promote its programs to the community. Advertising costs are charged to operations as incurred. Advertising expense charged to operations was approximately \$2,000 and \$7,000 for the years ended June 30, 2021 and 2020, respectively.

Functional Expenses

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program services and supporting services. Certain employee positions are allocated based on time and effort. Other expenses are allocated based on a full-time employee equivalent basis. Occupancy, insurance, and repairs and maintenance are allocated based on square footage utilized by function.

MESA COMMUNITY ACTION NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2021 and 2020

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)

Income Tax Status

MesaCAN qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, MesaCAN has been classified as an organization that is not a private foundation under Section 509(a)(1). In addition, MesaCAN qualifies for the charitable contribution deduction under Section 170 of the code. Income determined to be unrelated business taxable income (UBTI) would be subject to income tax. MesaCAN has UBTI related to the sale of bingo merchandise. The amount of the tax is immaterial, therefore tax expense is recorded as paid rather than incurred.

MesaCAN recognizes uncertain tax positions in the financial statements when it is more-likely-than-not that the positions will not be sustained upon examination by the tax authorities. As of June 30, 2021 and 2020, MesaCAN had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

MesaCAN recognizes interest and penalties associated with income tax in operating expenses. During the years ended June 30, 2021 and 2020, MesaCAN did not have any income tax related interest and penalty expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Date of Management's Review

In preparing these financial statements, MesaCAN has evaluated events and transactions for potential recognition or disclosure through April 6, 2022, the date the financial statements were available to be issued.

MESA COMMUNITY ACTION NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2021 and 2020

NOTE 2 LIQUIDITY AND AVAILABILITY

MesaCAN regularly monitors liquidity required to meet its operating needs and operates on a balanced budget. MesaCAN's goal is to maintain liquid financial assets sufficient to cover a minimum of 30 days of general expenditures, which include expenditures related to its ongoing activities.

Financial assets that could readily be made available to meet general expenditures within the next year are calculated as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 259,714	\$ 334,136
Accounts receivable, net	<u>618,606</u>	<u>433,366</u>
Available for financial obligations	<u><u>\$ 878,320</u></u>	<u><u>\$ 767,502</u></u>

NOTE 3 CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject MesaCAN to potential concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. MesaCAN maintains its cash in bank accounts with financial institutions, which at times may exceed federally insured limits. MesaCAN has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

The accounts receivable balance at June 30, 2021 includes amounts from one payer source whose balance makes up approximately 94% of net accounts receivable. The accounts receivable balance at June 30, 2020 includes amounts from two payer sources whose balances make up approximately 83% of net accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to the nature of the receivables and the collection history of these types of accounts and with these payer sources.

MESA COMMUNITY ACTION NETWORK, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2021 and 2020

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Purpose Restricted		
IDA program matching funds	\$ 671,085	\$ 763,107
IDA administrative non-match funds	<u>138,238</u>	<u>158,503</u>
Total net assets with donor restrictions	<u>\$ 809,323</u>	<u>\$ 921,610</u>

NOTE 5 REVENUE DEPENDENCY

During the year ended June 30, 2021, approximately 69% of total contract revenue was derived from revenue received through contracts with two funding sources. During the year ended June 30, 2020, approximately 66% of total contract revenue was derived from revenue received through contracts with one funding source. The loss of these contracts would cause a significant impact on MesaCAN's ability to continue operations at its current level. However, these contracts are renewed annually, and MesaCAN expects the continuation of these contracts into the foreseeable future.

NOTE 6 TRANSACTIONS WITH AFFILIATES

Leaf is the sole member of MesaCAN. Leaf provides management and support services for MesaCAN for which MesaCAN reimburses Leaf. MesaCAN also leases the majority of its employees from Leaf. The total amount of payroll and management and support services provided by Leaf to MesaCAN during the years ended June 30, 2021 and 2020 was \$1,356,516 and \$906,320, respectively. During each of the years ended June 30, 2021 and 2020, MesaCAN leased a facility from Leaf for approximately \$63,000. In addition, MesaCAN donates a portion of the proceeds from its bingo operations to Leaf. Total contribution expense related to the bingo operations was \$183,800 and \$200,500 for the years ended June 30, 2021 and 2020, respectively. Amounts due to Leaf at June 30, 2021 and 2020 was \$433,275 and \$202,172, respectively.

Additionally, MesaCAN leases a facility from The PRE-HAB Foundation, dba A New Leaf Foundation (the Foundation), an organization related through common management. Total rent paid to the Foundation was approximately \$72,000 for each of the years ended June 30, 2021 and 2020.



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NOTE 7 CONTINGENCY

MesaCAN participates in a number of federal and state-assisted grant and contract programs which are subject to financial and compliance audits. Accordingly, MesaCAN'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 MesaCAN's management expects such amounts, if any, to be immaterial.

NOTE 8 NEW ACCOUNTING PRONOUNCEMENTS

The FASB has issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2021. The standard's core principle is the recognition of lease assets and lease liabilities by lessees for substantially all leases, including those currently classified as operating leases. Under the ASU, a lessee will be required to recognize assets and liabilities for operating and finance leases with terms of more than 12 months. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

The FASB has also issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will require MesaCAN to present contributed nonfinancial assets in a separate line item in the statements of activities and to disclose certain information about the contributed nonfinancial assets, including whether the assets were monetized or utilized by MesaCAN. In addition, MesaCAN will be required to disclose a description of how these assets are valued. This ASU must be adopted for annual reporting periods beginning after June 15, 2021. MesaCAN does not expect a significant impact to the financial statements when this standard is adopted.