Financial Reports

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

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Henry+Horne

THE PRE-HAB FOUNDATION, INC.
DBA: A NEW LEAF FOUNDATION AND SUBSIDIARIES
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries 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.

Henry + Horne, LLP

Tempe, Arizona
February 8, 2022

THE PRE-HAB FOUNDATION, INC.
DBA: A NEW LEAF FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 488,228	$ 1,017,288
Prepaid expenses and other assets	2,339	2,807
TOTAL CURRENT ASSETS	490,567	1,020,095
OTHER ASSETS		
Investments	169,881	140,847
Assets held-for-sale	-	682,067
Property and equipment, net	5,282,131	4,823,365
Guaranteed loan asset	-	17,590
	5,452,012	5,663,869
ASSETS HELD FOR LONG-TERM PURPOSES - ENDOWMENTS		
Investments	2,770,274	2,269,798
Cash	236,043	236,013
	3,006,317	2,505,811
TOTAL ASSETS	$ 8,948,896	$ 9,189,775
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 4,352	$ 14,408
Accrued expenses	10,279	20,512
Due to related affiliate	282,251	332,573
Notes payable, current	-	359,770
TOTAL CURRENT LIABILITIES	296,882	727,263
LONG-TERM LIABILITIES		
Note payable, net of current portion	-	308,908
TOTAL LIABILITIES	296,882	1,036,171
NET ASSETS		
Without donor restrictions - undesignated	4,243,805	4,245,857
Without donor restrictions - noncontrolling interest in partnership	1,401,892	1,401,936
	5,645,697	5,647,793
With donor restrictions	3,006,317	2,505,811
TOTAL NET ASSETS	8,652,014	8,153,604
TOTAL LIABILITIES AND NET ASSETS	$ 8,948,896	$ 9,189,775

* Reclassified to conform to current year presentation

THE PRE-HAB FOUNDATION, INC.
DBA: A NEW LEAF FOUNDATION AND SUBSIDIARIES
CONSOLIDATED 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
REVENUE AND SUPPORT						
Contributions	$ 8,183	$ -	$ 8,183	$ 138,159	$ -	$ 138,159
Rental income	1,026,448	-	1,026,448	1,033,166	-	1,033,166
Investment income	29,259	500,506	529,765	9,730	33,145	42,875
In-kind rent income	43,001	-	43,001	42,000	-	42,000
Miscellaneous income	24,182	-	24,182	3,293	-	3,293
Release from restrictions	-	-	-	-	-	-
	1,131,073	500,506	1,631,579	1,226,348	33,145	1,259,493
Bingo revenue	1,059,520	-	1,059,520	1,030,267	-	1,030,267
Cost of goods sold	(641,295)	-	(641,295)	(616,877)	-	(616,877)
	418,225	-	418,225	413,390	-	413,390
Riverboat revenue	112,096	-	112,096	125,500	-	125,500
Cost of goods sold	(51,300)	-	(51,300)	(60,101)	-	(60,101)
	60,796	-	60,796	65,399	-	65,399
TOTAL REVENUE AND SUPPORT	1,610,094	500,506	2,110,600	1,705,137	33,145	1,738,282
EXPENSES						
Program services	1,029,255	-	1,029,255	1,928,976	-	1,928,976
Bingo games	177,515	-	177,515	155,678	-	155,678
Riverboat operations	270,785	-	270,785	246,007	-	246,007
Management and general	134,018	-	134,018	128,936	-	128,936
Fundraising	617	-	617	11,204	-	11,204
TOTAL EXPENSES	1,612,190	-	1,612,190	2,470,801	-	2,470,801
CHANGE IN NET ASSETS	(2,096)	500,506	498,410	(765,664)	33,145	(732,519)
NET ASSETS AT BEGINNING OF YEAR	5,647,793	2,505,811	8,153,604	6,413,457	2,472,666	8,886,123
NET ASSETS AT END OF YEAR	$ 5,645,697	$ 3,006,317	$ 8,652,014	$ 5,647,793	$ 2,505,811	$ 8,153,604

* Reclassified to conform to current year presentation

THE PRE-HAB FOUNDATION, INC.
DBA: A NEW LEAF FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services			Supporting Services				
	Property	Other	Total Program Services	Bingo Games	Riverboat Operations	Management and General	Fundraising	Total
Salaries and wages	$ -	$ -	$ -	$ 76,706	$ 157,744	$ 31,166	$ 531	$ 266,147
Payroll taxes	-	-	-	11,164	14,199	2,500	40	27,903
Employee benefits	-	-	-	2,537	29,257	4,757	46	36,597
	-	-	-	90,407	201,200	38,423	617	330,647
Professional services	3,000	-	3,000	-	5,526	46,284	-	54,810
Advertising, marketing, printing	-	-	-	957	1,029	169	-	2,155
Supplies and postage	-	-	-	2,304	5,082	489	-	7,875
Telephone	-	-	-	2,565	7,438	1,617	-	11,620
Occupancy	-	-	-	28,448	6,014	3,970	-	38,432
Travel and vehicle	-	-	-	90	661	474	-	1,225
Interest and bank charges	-	-	-	8,242	1,252	39,686	-	49,180
Conferences	-	-	-	-	-	95	-	95
Depreciation	235,787	-	235,787	-	222	164	-	236,173
Insurance	5,614	-	5,614	-	10,132	864	-	16,610
Equipment lease, repair, and maintenance	-	-	-	38,293	8,191	481	-	46,965
Bingo - prizes and supplies	-	-	-	641,295	-	-	-	641,295
Riverboat - food expenses	-	-	-	-	51,300	-	-	51,300
Miscellaneous expense	268	-	268	6,209	24,038	1,302	-	31,817
Contribution expense	-	784,586	784,586	-	-	-	-	784,586
TOTAL EXPENSES	244,669	784,586	1,029,255	818,810	322,085	134,018	617	2,304,785
Less expenses included with revenue on consolidated statement of activities:								
Cost of goods sold	-	-	-	(641,295)	(51,300)	-	-	(692,595)
	$ 244,669	$ 784,586	$ 1,029,255	$ 177,515	$ 270,785	$ 134,018	$ 617	$ 1,612,190

See accompanying notes.

THE PRE-HAB FOUNDATION, INC.
DBA: A NEW LEAF FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services			Supporting Services				
	Property	Other	Total Program Services	Bingo Games	Riverboat Operations	Management and General	Fundraising	Total
Salaries and wages	$ -	$ -	$ -	$ 74,391	$ 154,378	$ 20,984	$ 9,013	$ 258,766
Payroll taxes	-	-	-	6,124	12,564	1,606	802	21,096
Employee benefits	-	-	-	2,810	29,276	3,691	1,389	37,166
	-	-	-	83,325	196,218	26,281	11,204	317,028
Professional services	3,000	-	3,000	380	4,970	33,731	-	42,081
Advertising, marketing, printing	-	-	-	6,777	117	48	-	6,942
Supplies and postage	-	-	-	3,218	1,867	388	-	5,473
Telephone	-	-	-	5,109	1,566	1,047	-	7,722
Occupancy	-	-	-	23,884	5,995	2,318	-	32,197
Travel and vehicle	-	-	-	-	1,390	175	-	1,565
Interest and bank charges	-	-	-	8,980	517	64,311	-	73,808
Conferences	-	-	-	-	-	67	-	67
Depreciation	335,227	-	335,227	27	12	209	-	335,475
Insurance	5,626	-	5,626	-	8,148	501	-	14,275
Equipment lease, repair, and maintenance	-	-	-	20,928	6,787	357	-	28,072
Bingo - prizes and supplies	-	-	-	616,877	-	-	-	616,877
Riverboat - food expenses	-	-	-	-	60,101	-	-	60,101
Loss on sale of assets	35,000	-	35,000	-	-	-	-	35,000
Miscellaneous expense	35,383	-	35,383	3,050	18,420	(497)	-	56,356
Contribution expense	-	1,514,740	1,514,740	-	-	-	-	1,514,740
TOTAL EXPENSES	414,236	1,514,740	1,928,976	772,555	306,108	128,936	11,204	3,147,779
Less expenses included with revenue on consolidated statement of activities: Cost of goods sold	-	-	-	(616,877)	(60,101)	-	-	(676,978)
	$ 414,236	$ 1,514,740	$ 1,928,976	$ 155,678	$ 246,007	$ 128,936	$ 11,204	$ 2,470,801

See accompanying notes.

THE PRE-HAB FOUNDATION, INC.
DBA: A NEW LEAF FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 498,410	$ (732,519)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	236,173	335,475
Reinvested investment earnings	(56,579)	(63,223)
Net realized/unrealized loss on investments	(472,931)	13,255
Loss on sale of property	-	35,000
Donated property improvements	-	(102,683)
Change in guaranteed loan asset	17,590	19,318
(Increase) decrease in:		
Promise to give restricted to endowments, current	-	10,195
Prepaid expenses and other assets	468	1,637
Increase (decrease) in:		
Accounts payable and accrued expenses	(20,289)	23,184
Due to related affiliate	(50,322)	(86,324)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	152,520	(546,685)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	-	1,031,198
Purchases of property and equipment	(12,872)	-
Proceeds from sales of property and equipment	-	385,000
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(12,872)	1,416,198
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(668,678)	(347,068)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(668,678)	(347,068)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(529,030)	522,445
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,253,301	730,856
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 724,271	$ 1,253,301

See accompanying notes.

THE PRE-HAB FOUNDATION, INC.
DBA: A NEW LEAF FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years Ended June 30, 2021 and 2020

	2021	2020
RECONCILIATION TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	$ 488,228	$ 1,017,288
Cash restricted to endowments	236,043	236,013
	$ 724,271	$ 1,253,301
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest paid	$ 15,085	$ 42,387
Income taxes paid	$ 4,637	$ 2,001

See accompanying notes.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The PRE-HAB Foundation, Inc. (the Foundation) is a nonprofit organization established to (a) provide facilities to nonprofit organizations at or below market value to operate their programs and (b) to raise funds to assist programs of A New Leaf, Inc. (Leaf). To accomplish its mission, the Foundation owns real property it rents to A New Leaf, Inc. and Mesa Community Action Network, Inc. (Mesa CAN), an affiliate of A New Leaf, Inc. The Foundation's major programs are as follows:

Riverboat Operations – This fundraising arm leases RV rental spaces to residents of the Sun City area, facility space for special events such as weddings and other celebrations and operates the café on site at the riverboat which services the patrons of the bingo games.

Bingo Games – This is a charitable bingo operation with net proceeds going to the children, adolescent, and shelter programs of Leaf.

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

Basis of Presentation

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

Principles of Consolidation

The Foundation is the sole member of Prospect Park LLC. Prospect Park LLC is the limited partner in Prospect Park I Limited Partnership with a 99.9% interest. The consolidated financial statements include the accounts of the Foundation, Prospect Park LLC, and Prospect Park I Limited Partnership (together, "the Organization") because the Foundation has both control and an economic interest in Prospect Park LLC and Prospect Park I Limited Partnership. All significant intercompany accounts and transactions have been eliminated in consolidation. The remaining .1% interest in Prospect Park I Limited Partnership is held by A New Leaf, Inc.

Prospect Park I Limited Partnership (the Partnership) was formed November 20, 1997, as a limited partnership under the laws of the state of Arizona for the purpose of owning and operating a 20-unit housing project in Glendale, Arizona, for victims of domestic violence. Substantially all of the Partnership's income is derived from the rental of its apartment units and commercial space. On June 30, 2016, the limited partner interest was donated to Prospect Park LLC. The value of the donated net assets was $980,367.

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

Principles of Consolidation (Continued)

The Partnership project has qualified and been allocated low-income housing tax credits pursuant to the Internal Revenue Code Section 42, which regulates the use of the complex as to occupant eligibility and unit gross rent, among other requirements, which expired on July 31, 2019. The project was required to meet the provisions of these regulations during each of fifteen consecutive years in order to continue to qualify to receive the tax credits. Failure to comply with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of the previously taken low-income housing credits plus interest. Such potential noncompliance may require an adjustment to the contributed capital by the limited partners.

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Organization 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 to endowments are excluded from cash.

Due From and Due to Related Affiliates

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

Fair Value Measurements

Accounting Standards establish a framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

Fair Value Measurements (Continued)

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified term (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect the Organization's own assumptions about the assumptions that market participants would use in pricing the assets (i.e. real estate valuations, broker quotes).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

Investments are measured at fair value in the consolidated statements of financial position. Investments are recorded at fair value as determined by quoted prices in active markets or other valuation inputs. Investment income or loss (including realized and unrealized gains and losses, net of investment expenses) is included in the change in net assets without donor restrictions in the accompanying consolidated statements of activities, unless the income or loss is restricted by donor or law.

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

Property and Equipment

Acquisitions of property and equipment in excess of $10,000 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of buildings and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets.

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Endowment Funds

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

The Foundation follows Arizona's Management of Charitable Funds Act (MCFA) and its own governing documents. MCFA requires the preservation of endowment funds. When a donor's intent is not expressed, MCFA directs the Foundation to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors and the donor's intent that the fund continues in perpetuity.

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

Endowment Funds (Continued)

The Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowment fund also includes accumulated earnings in the fund that are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MCFA.

In accordance with MCFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) the Foundation’s other resources, and (7) the Foundation’s investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation. The Foundation's primary objective is to obtain the best possible return on investments with the appropriate degree of risk and to meet the priorities of the Foundation over time. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation and current yield.

From time to time, certain donor-restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted MCFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2021 and 2020, there were no underwater endowments.

Spending Policy. The Foundation’s Board of Directors has established a policy that there will be no appropriations of expenditures from the endowment until such time as the total endowment fund balance, including investment return, reaches $5,000,000.

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

Net Assets

The Organization 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. Donor-imposed restrictions may be either temporary or permanent in nature. 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.

Revenue Recognition and Change in Accounting Principle

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 organization should recognize revenue to reflect the transfer of goods and services in an amount equal to the consideration the organization receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018, with a one-year deferral option. The Organization adopted ASC 606 with a date of initial application of July 1, 2020.

All of the Organization's revenue arrangements consist of a single performance obligation to transfer promised services. Based on the Organization's evaluation of its contracts, 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 revenue as a result of the adoption.

Rental fees are set by the Organization and the performance obligation is delivery of these services on a monthly basis. Rental revenue is recognized in the month in which the service relates and payment is due on a monthly basis. Rental revenue also includes rental of the riverboat facility where payment is due in the period in which the event the rental relates to occurred.

The Organization operates a café at the riverboat. The performance obligation is the delivery of the goods to the customer and the transaction prices are established by the Organization. As each item is individually priced, no allocation of the transaction price is necessary. The Organization recognizes revenue as the customer pays and takes possession of the goods.

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

Revenue Recognition and Change in Accounting Principle (Continued)

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 the Organization. The Organization 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 consolidated statements of activities as net assets released from restrictions.

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. The Organization utilized the services of numerous volunteers who support the programs and activities of the Organization’s program services, administration, and fundraising and development activities. This support has not been recorded in the accompanying consolidated financial statements as it does not meet the recognition criteria.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among 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 cost allocation plan of Leaf. 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. The allocation method selected is determined by cost type. Allocations based on number of employees are recorded after the end of each month. Allocations by any other methods are reviewed and updated as necessary at least quarterly.

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

Functional Expenses (Continued)

Some of the allocable expense methodologies used on the accompanying consolidated statements of functional expenses include the following:

- Information technology related expenses benefiting programs directly such as software, telephone and network connectivity, and unemployment and general liability insurance expenses are allocated using the actual number of employees' worked hours.
- Expenses allocated on a square footage basis based on space utilized include occupancy, property insurance, and depreciation.
- Quality management related expenses are allocated to all Leaf programs and Leaf Affiliates as they benefit the activities of all related affiliates. These expenses are allocated based on the number of employees' worked hours.

Advertising

Advertising costs are expensed to operations as incurred. Advertising expense was approximately $2,200 and $6,900 for the years ended June 30, 2021 and 2020, respectively.

Income Tax Status

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been classified as an organization that is not a private foundation under Section 509(a)(1). In addition, the Foundation 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.

Prospect Park LLC is treated as a disregarded entity for income tax reporting purposes. All transactions and account balances of Prospect Park LLC are reported for income tax purposes by the Foundation as the sole member. The Partnership is an Arizona limited partnership, so its taxable income or loss is allocated to the partners in accordance with the partnership agreement. No income or loss was allocated to Prospect Park LLC. Therefore, no provision for income taxes has been included in the consolidated financial statements related to the Partnership's activities.

The Organization recognizes uncertain tax positions in the consolidated 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, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

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

Income Tax Status (Continued)

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

Use of Estimates

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

Reclassification

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements.

Date of Management's Review

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 8, 2022, the date the consolidated financial statements were available to be issued.

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 to meet general expenditures within the next year are calculated as follows as of June 30:

	2021	2020
Cash and cash equivalents	$ 488,228	$ 1,017,288
Investments	169,881	140,847
Available for financial obligations	$ 658,109	$ 1,158,135

NOTE 3 CONCENTRATIONS OF CREDIT RISK

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

NOTE 4 INVESTMENTS, INTEREST RATE SWAP AGREEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments with readily determinable fair values are measured at fair value in the consolidated statements of financial position as determined by quoted market prices in active markets (Level 1).

In April 2012, the Organization entered into an interest rate swap agreement that effectively converted approximately $2,000,000 of the Organization’s LIBOR-based variable-rate debt to a fixed rate. The counterparty to the swap agreement was the bank (a major U.S. financial institution) that held the Organization’s LIBOR-based variable-rate debt. Under the swap agreement, the Organization paid interest on the notional value at a fixed rate of 1.57% and in return, received interest on the notional value at a variable rate based on one-month LIBOR rate. The net effect of the swap was to fix the interest rate on $3,170,000 of the Organization’s LIBOR-based variable-rate debt payable at 1.57%.

The interest rate swap agreement qualified as a cash flow hedge, and accordingly, the fair value of the interest rate swap agreement, which was adjusted regularly, is recorded in the Organization’s consolidated statements of financial position as an asset or liability as necessary, with a corresponding adjustment to other charges. The fair value of the interest rate swap was derived using models that use market observable inputs to the extent available, as well as other unobservable assumptions and inputs (Level 3). During the year ended June 30, 2021, the debt associated with the swap agreement was paid in full.

NOTE 4 INVESTMENTS, INTEREST RATE SWAP AGREEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following is a summary of investments measured at fair value on a recurring basis at June 30, 2021:

	Endowment Level 1	Unrestricted Level 1	Level 2	Level 3	Total
Investments					
Cash equivalents	$ 109,206	$ 2,406	$ -	$ -	$ 111,612
Equity securities	1,480,744	90,769	-	-	1,571,513
Fixed income	1,022,908	60,916	-	-	1,083,824
Real estate	97,454	8,668	-	-	106,122
Commodities	59,962	7,122	-	-	67,084
	$ 2,770,274	$ 169,881	$ -	$ -	$ 2,940,155

The following is a summary of investments and the interest rate swap liability measured at fair value on a recurring basis at June 30, 2020:

	Endowment Level 1	Unrestricted Level 1	Level 2	Level 3	Total
Investments					
Cash equivalents	$ 78,254	$ 2,975	$ -	$ -	$ 81,229
Equity securities	1,064,319	58,399	-	-	1,122,718
Fixed income	1,006,140	68,280	-	-	1,074,420
Real estate	77,801	6,936	-	-	84,737
Commodities	43,284	4,257	-	-	47,541
	$ 2,269,798	$ 140,847	$ -	$ -	$ 2,410,645
Interest rate swap liability	$ -	$ -	$ -	$ (9,300)	$ (9,300)

The following table presents a schedule of the activity for the investments and the interest rate swap liability measured at fair value using significant unobservable inputs (Level 3) for the years ended June 30, 2021 and 2020:

	Interest Rate Swap Asset	Private Stock
Balance at June 30, 2019	$ 173	$ 931,198
Sale of private stock	-	(931,198)
Loss on fair market value of interest rate swap	(9,473)	-
Balance at June 30, 2020	(9,300)	-
Gain on fair market value of interest rate swap	9,300	-
Balance at June 30, 2021	$ -	$ -

NOTE 4 INVESTMENTS, INTEREST RATE SWAP AGREEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Investment return is summarized as follows for the years ended June 30:

	2021	2020
Interest and dividend income	$ 76,814	$ 74,371
Realized gain	24,042	11,028
Unrealized gain (loss)	448,889	(24,283)
Investment fees	(19,980)	(18,241)
	$ 529,765	$ 42,875

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2021	2020
Land	$ 2,611,311	$ 2,013,672
Buildings	4,596,363	4,286,363
Building improvements	4,436,183	4,387,479
Equipment	214,241	214,241
Vehicles	169,534	169,534
	12,027,632	11,071,289
Accumulated depreciation	(6,745,501)	(6,247,924)
	$ 5,282,131	$ 4,823,365

Depreciation expense was approximately $236,000 and $335,000 for the years ended June 30, 2021 and 2020, respectively.

NOTE 6 GUARANTEED LOAN OBLIGATION

On June 1, 2021, the Organization guarantees Leaf's $2,000,000 revolving line of credit, which bears interest at a variable rate based on changes in an independent index which is the Wall Street Journal Prime Rate (the "Index"). The line of credit bears interest at an initial rate of 2.90% and matures June 1, 2022. The line of credit is secured by all inventory, chattel paper, rental income, equipment, and general intangibles of Leaf. As of June 30, 2021, there have been no draws made on the available line of credit. Subsequent to year-end Leaf drew $1,000,000 on this line of credit that the Organization guarantees.

On September 27, 2018, then subsequently updated on November 15, 2018 and modified on June 13, 2020, the Organization guaranteed Leaf's $1,000,000 revolving line of credit, which bears interest at an adjustable rate equal to the bank's Prime Rate. The line of credit was secured by all inventory, chattel paper, rental income, equipment, and general intangibles of Leaf. The line of credit has certain covenants that apply to both Leaf and the Organization. As of June 30, 2020, the balance on the line of credit was $900,000. The balance on this line of credit was paid in full on August 3, 2020, and the line of credit was not renewed.

In November 2018, the Organization signed an agreement to guarantee one of Leaf's loan obligations with a balance at June 30, 2021 and 2020 of approximately $203,000 and $214,000, respectively. This loan requires monthly payments of principal and interest in the amount of $1,694 and matures in January 2034.

NOTE 7 ASSETS HELD-FOR-SALE

In February 2020, management committed to a plan to sell two properties. One of the properties was vacant in fiscal year 2020 and the other property was utilized while held for sale. Efforts to sell the properties had started as of June 30, 2020, but the Organization had not yet located a prospective buyer. No impairment was noted as the carrying amount of these assets at June 30, 2020, was less than the fair market value less costs to sell. During the year ended June 30, 2021, management decided to take this property off the market and is currently utilizing it in its operations. The carrying value of these assets at June 30, 2020 is as follows:

Land	$ 597,639
Buildings	310,000
Building improvements	36,218
	943,857
Accumulated depreciation	(261,790)
	$ 682,067

NOTE 8 NOTE PAYABLE AND GUARANTEED LOAN ASSET

The note payable consists of the following at June 30:

	2021	2020
Note payable, due in monthly installments of $25,808, plus interest at LIBOR plus 2.05% (2.22% at June 30, 2020), with a maturity in April 2022, secured by property and equipment and is additionally guaranteed by Leaf.	$ -	$ 668,678
Current portion	-	(359,770)
	$ -	$ 308,908

Leaf has guaranteed the debt obligations of the Organization. Leaf does not anticipate default by the Organization. The debt obligations were paid in full during the year ended June 30, 2021, therefore there was no guaranteed loan asset recorded in the accompanying consolidated statements of financial position as of June 30, 2021. As of June 30, 2020, the associated asset is presented as a guaranteed loan asset in the amount $17,590 in the accompanying consolidated statements of financial position. Reduction of the asset from repayment of the debt by the Organization was recognized as contribution expense in the accompanying consolidated statements of activities.

NOTE 9 ENDOWMENTS AND NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the Organization's endowment funds which are funds restricted in perpetuity by the donors and associated accumulated earnings that have not yet been appropriated for expenditure.

Endowment net asset composition as of June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Funds
Original corpus	$ -	$ 1,473,872	$ 1,473,872
Accumulated investment earnings	-	1,532,445	1,532,445
	$ -	$ 3,006,317	$ 3,006,317

NOTE 9 ENDOWMENTS AND NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Endowment net asset composition as of June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Funds
Original corpus	$ -	$ 1,473,872	$ 1,473,872
Accumulated investment earnings	-	1,031,939	1,031,939
	$ -	$ 2,505,811	$ 2,505,811

Changes in endowment funds for the years ended June 30 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Funds
Balance, June 30, 2019	$ -	$ 2,472,666	$ 2,472,666
Contributions	-	-	-
Interest and dividend income	-	65,782	65,782
Realized gain	-	6,739	6,739
Unrealized loss	-	(22,546)	(22,546)
Fees	-	(16,830)	(16,830)
Amounts appropriated for expenditure	-	-	-
Balance, June 30, 2020	-	2,505,811	2,505,811
Contributions	-	-	-
Interest and dividend income	-	71,594	71,594
Realized gain	-	21,950	21,950
Unrealized gain	-	425,781	425,781
Fees	-	(18,819)	(18,819)
Amounts appropriated for expenditure	-	-	-
Balance, June 30, 2021	$ -	$ 3,006,317	$ 3,006,317

NOTE 10 NON-CONTROLLING INTEREST IN PARTNERSHIP

The change in the consolidated net assets without donor restrictions attributed to the interests in Prospect Park I Limited Partnership consists of the following at June 30, 2021 and 2020:

	Controlling Interest	Non-Controlling Interest	Total
Balance, June 30, 2019	$ (76,714)	$ 1,401,981	$ 1,325,267
Partnership loss	(44,964)	(45)	(45,009)
Balance, June 30, 2020	(121,678)	1,401,936	1,280,258
Partnership loss	(43,793)	(44)	(43,837)
Balance, June 30, 2021	$ (165,471)	$ 1,401,892	$ 1,236,421

NOTE 11 LEASING ACTIVITY

The Organization leases bingo equipment under an operating lease that expires on June 30, 2022. The term of the lease is for one year and is renewable annually. The Organization shares this lease with Mesa CAN, a related affiliate. Total rent expense for the years ended June 30, 2021 and 2020 totaled $25,500 and $25,343, respectfully.

The Organization is the lessor of office and storage space under various operating leases, the majority of which are on a month-to-month basis and are exclusively rented to Leaf and Mesa CAN. Property under these operating leases at June 30 includes the following:

	2021	2020
Buildings	$ 4,546,363	$ 4,546,363
Accumulated depreciation	(2,116,693)	(1,986,797)
Net	$ 2,429,670	$ 2,559,566

Future minimum receipts on cancelable leases as of June 30, 2021 and 2020 are approximately $924,000 and $899,000, respectfully.

NOTE 12 TRANSACTIONS WITH RELATED AFFILIATES

Leaf provides management and support services for the Organization for which the Organization reimburses Leaf. Most of the Organization's full-time employees are leased from Leaf, and as such, are covered by the benefits of Leaf. The Organization reimburses Leaf for the costs of these employees, including all benefits and related expenses. Total reimbursements for management and support services and payroll paid to Leaf during the years ended June 30, 2021 and 2020 totaled $357,511 and $317,028, respectively, and are included in the accompanying consolidated statement of functional expenses. As of June 30, 2021 and 2020, net amounts owed to Leaf were $282,251 and $332,573, respectively. These amounts include program donations approved by the Organization's board of directors but not paid as of year-end, as well as lease payments, management and support services.

The Organization donates to Leaf a portion of the proceeds from its bingo operations, which consisted of $241,585 and $248,500 during the years ended June 30, 2021 and 2020, respectively. In addition, the Organization contributed $500,000 and $1,225,000 as a contribution without donor restrictions during the years ended June 30, 2021 and 2020, respectively.

The Organization leases real property to Leaf. Rental income under these leases amounted to $809,858 and $822,058 for the years ended June 30, 2021 and 2020, respectively.

Mesa CAN shares common management and staff with the Organization. Additionally, Mesa CAN rents certain real property from the Organization. Total rental income from Mesa CAN was $72,160 for each of the years ended June 30, 2021 and 2020.

NOTE 13 NEW ACCOUNTING PRONOUNCEMENTS

The FASB has issued 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.