

# **Mesa Community Action Network, Inc.**

Financial Statements

June 30, 2022 and 2021

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 Audit of the Financial Statements**

#### **Opinion**

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mesa Community Action Network, Inc. as of June 30, 2022 and 2021, 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.

#### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mesa Community Action Network, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mesa Community Action Network, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mesa Community Action Network, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mesa Community Action Network, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2023, 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.

*Baker Tilly US, LLP*

Tempe, Arizona  
March 20, 2023

MESA COMMUNITY ACTION NETWORK, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 581,200	\$ 259,714
Restricted cash - Individual Development Accounts (IDA)	539,183	861,363
Accounts receivable, net of allowance for doubtful accounts of approximately \$162,000 and \$140,000 at June 30, 2022 and 2021, respectively	1,002,402	618,606
Promises to give	16,000	-
Prepaid expenses	<u>5,768</u>	<u>6,001</u>
TOTAL CURRENT ASSETS	<u>\$ 2,144,553</u>	<u>\$ 1,745,684</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 287,286	\$ 229,339
Accrued expenses	191,176	41,876
Due to related affiliate	781,516	433,275
Deferred conditional contributions	<u>267,859</u>	<u>150,891</u>
TOTAL CURRENT LIABILITIES	<u>1,527,837</u>	<u>855,381</u>
NET ASSETS (DEFICIT)		
Without donor restrictions	(190,792)	80,980
With donor restrictions	<u>807,508</u>	<u>809,323</u>
TOTAL NET ASSETS	<u>616,716</u>	<u>890,303</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,144,553</u>	<u>\$ 1,745,684</u>

See accompanying notes.

MESA COMMUNITY ACTION NETWORK, INC.  
 STATEMENTS OF ACTIVITIES  
 Years Ended June 30, 2022 and 2021

	2022			2021*		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Government contract revenue	\$ 4,275,277	\$ -	\$ 4,275,277	\$ 5,874,131	\$ -	\$ 5,874,131
Contributions	86,664	137,000	223,664	41,321	11,102	52,423
In-kind contributions	286,973	-	286,973	167,820	-	167,820
Interest income	13	-	13	26	-	26
Other income	2,376	-	2,376	10,694	-	10,694
Release from purpose restrictions	138,815	(138,815)	-	123,389	(123,389)	-
	<u>4,790,118</u>	<u>(1,815)</u>	<u>4,788,303</u>	<u>6,217,381</u>	<u>(112,287)</u>	<u>6,105,094</u>
Bingo revenue	1,363,994	-	1,363,994	1,030,377	-	1,030,377
Cost of goods sold	(796,103)	-	(796,103)	(619,000)	-	(619,000)
	<u>567,891</u>	<u>-</u>	<u>567,891</u>	<u>411,377</u>	<u>-</u>	<u>411,377</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>5,358,009</u>	<u>(1,815)</u>	<u>5,356,194</u>	<u>6,628,758</u>	<u>(112,287)</u>	<u>6,516,471</u>
<b>EXPENSES</b>						
Program services	4,766,419	-	4,766,419	6,010,692	-	6,010,692
Bingo games	571,370	-	571,370	426,624	-	426,624
Management and general	291,992	-	291,992	238,241	-	238,241
Fundraising	-	-	-	8,178	-	8,178
<b>TOTAL EXPENSES</b>	<u>5,629,781</u>	<u>-</u>	<u>5,629,781</u>	<u>6,683,735</u>	<u>-</u>	<u>6,683,735</u>
<b>CHANGE IN NET ASSETS</b>	<u>(271,772)</u>	<u>(1,815)</u>	<u>(273,587)</u>	<u>(54,977)</u>	<u>(112,287)</u>	<u>(167,264)</u>
<b>NET ASSETS AT BEGINNING 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>
<b>NET ASSETS (DEFICIT) AT END OF YEAR</b>	<u>\$ (190,792)</u>	<u>\$ 807,508</u>	<u>\$ 616,716</u>	<u>\$ 80,980</u>	<u>\$ 809,323</u>	<u>\$ 890,303</u>

\* Reclassified to conform to current year presentation

See accompanying notes.

MESA COMMUNITY ACTION NETWORK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2022

	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	
Salaries and wages	\$ 273,048	\$ 193,676	\$ 69,533	\$ 31,073	\$ 120,532	\$ 687,862	\$ 94,963	\$ 132,408	\$ 915,233
Payroll taxes	21,241	16,867	5,577	2,401	9,639	55,725	7,941	10,084	73,750
Employee benefits	42,737	23,259	8,001	2,480	8,810	85,287	1,838	22,098	109,223
	337,026	233,802	83,111	35,954	138,981	828,874	104,742	164,590	1,098,206
Professional services	20,236	7,473	2,603	43,689	84,338	158,339	-	82,593	240,932
Advertising, marketing, and printing	1,847	211	-	8	449	2,515	2,445	34	4,994
Supplies and postage	8,299	6,762	1,937	832	8,814	26,644	-	2,129	28,773
Telephone	9,088	4,311	689	722	8,363	23,173	693	5,703	29,569
Occupancy	118,201	44,486	3,970	2,274	23,695	192,626	93,938	24,528	311,092
Travel and vehicles	3,146	4,745	1,256	1,173	6,988	17,308	-	2,160	19,468
Interest and bank charges	-	-	-	-	(25)	(25)	10,394	2,625	12,994
Conferences	3,074	1,265	137	110	400	4,986	-	480	5,466
Insurance	7,997	5,226	8,673	1,395	5,196	28,487	-	4,107	32,594
Equipment lease, repair, and maintenance	11,546	6,406	1,766	885	3,470	24,073	30,640	2,435	57,148
Client expenses	2,387,088	74,701	604,881	91,943	263,640	3,422,253	-	32	3,422,285
Bingo cost of goods sold	-	-	-	-	-	-	796,103	-	796,103
Bingo taxes	-	-	-	-	-	-	29,827	-	29,827
Miscellaneous expense	-	3,817	2,883	626	8,127	15,453	1,491	576	17,520
Contribution expense	-	-	-	-	-	-	297,200	-	297,200
Bad debt	21,713	-	-	-	-	21,713	-	-	21,713
<b>TOTAL EXPENSES</b>	<b>2,929,261</b>	<b>393,205</b>	<b>711,906</b>	<b>179,611</b>	<b>552,436</b>	<b>4,766,419</b>	<b>1,367,473</b>	<b>291,992</b>	<b>6,425,884</b>
Amounts not included in expenses on statement of activities:									
Bingo cost of goods sold	-	-	-	-	-	-	(796,103)	-	(796,103)
	<u>\$ 2,929,261</u>	<u>\$ 393,205</u>	<u>\$ 711,906</u>	<u>\$ 179,611</u>	<u>\$ 552,436</u>	<u>\$ 4,766,419</u>	<u>\$ 571,370</u>	<u>\$ 291,992</u>	<u>\$ 5,629,781</u>

See accompanying notes.

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

	Program Services					Support Services				
	Community Action Program	Community Action Program COVID-19	Weatherization	Individual Development Account	Other Programs	Total Program Services	Bingo Games	Management and General	Fundraising	Total
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, 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 vehicle	1,653	596	25	199	5,963	8,436	-	1,564	2	10,002
Interest and bank charges	2,852	-	-	-	-	2,852	7,728	1,164	32	11,776
Conferences	781	91	3,002	201	-	4,075	-	328	-	4,403
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	11,006	6,836	1,516	1,120	1,729	22,207	(57)	4,735	48	26,933
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.  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (273,587)	\$ (167,264)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	21,713	140,177
(Increase) decrease in:		
Accounts receivable	(405,509)	(325,417)
Promises to give	(16,000)	-
Prepaid expenses	233	439
Increase (decrease) in:		
Accounts payable	57,947	65,289
Accrued expenses	149,300	2,649
Due to related affiliate	348,241	231,103
Deferred revenue	116,968	(169,638)
	<u>(694)</u>	<u>(222,662)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
	(694)	(222,662)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(694)	(222,662)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,121,077</u>	<u>1,343,739</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,120,383</u>	<u>\$ 1,121,077</u>
RECONCILIATION TO STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 581,200	\$ 259,714
Restricted cash - Individual Development Accounts (IDA)	<u>539,183</u>	<u>861,363</u>
	<u>\$ 1,120,383</u>	<u>\$ 1,121,077</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest paid	<u>\$ 605</u>	<u>\$ 1,818</u>

See accompanying notes.

MESA COMMUNITY ACTION NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021

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

Revenue Recognition

Government contract revenue includes amounts recognized from cost reimbursement arrangements. These arrangements are recorded as conditional contributions, where the income is recognized when the conditions are met, which is when the allowable costs are incurred, including other government contract revenue received in advance of conditions being met, as these arrangements are still conditional contributions.

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.

The 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.

In-Kind Contributions and Change in Accounting Principle

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU was issued to increase the transparency of contributed nonfinancial (non-cash) assets for not-for-profit entities through enhancements to presentation and disclosure. The change in accounting principle was adopted on a retrospective basis as of July 1, 2020. There was no adjustment to the beginning net assets balance as a result of the adoption of this standard.

MESA COMMUNITY ACTION NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2022 and 2021

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

In-Kind Contributions and Change in Accounting Principle (Continued)

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 \$3,000 and \$2,000 for the years ended June 30, 2022 and 2021, 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.

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, 2022 and 2021, 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, 2022 and 2021, MesaCAN did not have any income tax related interest and penalty expenses.

MESA COMMUNITY ACTION NETWORK, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2022 and 2021

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

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.

Reclassification

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

Date of Management's Review

In preparing these financial statements, MesaCAN has evaluated events and transactions for potential recognition or disclosure through March 20, 2023, the date the financial statements were available to be issued.

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:

	2022	2021
Cash and cash equivalents	\$ 581,200	\$ 259,714
Accounts receivable, net	1,002,402	618,606
Promises to give	16,000	-
Available for general expenditures	\$ 1,599,602	\$ 878,320

MESA COMMUNITY ACTION NETWORK, INC.  
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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, 2022 includes amounts from two payer sources whose balances makes up approximately 87% of net accounts receivable. The accounts receivable balance at June 30, 2021 includes amounts from one payer source whose balance makes up approximately 94% 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.

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Purpose Restricted		
IDA program matching funds	\$ 703,955	\$ 671,085
IDA administrative non-match funds	<u>103,553</u>	<u>138,238</u>
Total net assets with donor restrictions	<u>\$ 807,508</u>	<u>\$ 809,323</u>

NOTE 5 IN-KIND CONTRIBUTIONS

MesaCAN received the following contributions of nonfinancial assets for the year ended June 30, 2022:

<u>Type</u>	<u>Community Action Program</u>	<u>Weatherization</u>	<u>Individual Development Accounts</u>	<u>Other Programs</u>	<u>Support Services</u>	<u>Total</u>
In-kind rent	\$ 63,250	\$ -	\$ -	\$ -	\$ -	\$ 63,250
Tax preparation services	-	-	-	195,568	-	195,568
Financial custodial services	<u>5,203</u>	<u>-</u>	<u>22,927</u>	<u>25</u>	<u>-</u>	<u>28,155</u>
	<u>\$ 68,453</u>	<u>\$ -</u>	<u>\$ 22,927</u>	<u>\$ 195,593</u>	<u>\$ -</u>	<u>\$ 286,973</u>

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NOTE 5 IN-KIND CONTRIBUTIONS (Continued)

MesaCAN received the following contributions of nonfinancial assets for the year ended June 30, 2021:

Type	Community Action Program	Weatherization	Individual Development Accounts	Other Programs	Support Services	Total
Tax preparation services	\$ -	\$ -	\$ -	\$ 132,515	\$ -	\$ 132,515
Financial custodial services	-	-	30,347	-	-	30,347
Miscellaneous	30	-	-	-	4,928	4,958
	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 30,347</u>	<u>\$ 132,515</u>	<u>\$ 4,928</u>	<u>\$ 167,820</u>

MesaCAN's policy is to utilize all in-kind contributions that are received to carry out the mission of MesaCAN. All donated services and items were utilized by MesaCAN's programs and supporting services. In-kind rent is based on the contracted rate with the lessor. Donated tax preparation services and financial custodial services are valued at the standard hourly rates charged for those services.

NOTE 6 REVENUE DEPENDENCY

During the year ended June 30, 2022, approximately 84% of total contract revenue was derived from revenue received through contracts with two funding sources. During the year ended June 30, 2021, approximately 69% of total contract revenue was derived from revenue received through contracts with two funding sources. 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.

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NOTE 7 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, 2022 and 2021 was \$1,610,691 and \$1,356,516, respectively. During each of the years ended June 30, 2022 and 2021, 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 \$297,200 and \$183,800 for the years ended June 30, 2022 and 2021, respectively. Amounts due to Leaf at June 30, 2022 and 2021 was \$774,640 and \$432,969, 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, 2022 and 2021. Amounts due to the Foundation at June 30, 2022 and 2021 was \$6,876 and \$306, respectively.

NOTE 8 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 9 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.