The PRE-HAB Foundation, Inc.
dba: A New Leaf Foundation and Subsidiaries

Consolidated Financial Statements

June 30, 2022 and 2021

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

Opinion

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, 2022 and 2021, 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.

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, 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. 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 The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries 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 opinion.

Responsibilities of Management 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; and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries' 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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The PRE-HAB Foundation, Inc. dba: A New Leaf Foundation and Subsidiaries' 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.

Baker Tilly US, LLP

Tempe, Arizona
March 20, 2023

THE PRE-HAB FOUNDATION, INC.
DBA: A NEW LEAF FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 656,663	$ 488,228
Due from related affiliates	56,156	8,764
Prepaid expenses and other assets	2,890	2,339
TOTAL CURRENT ASSETS	715,709	499,331
OTHER ASSETS		
Investments	148,710	169,881
Property and equipment, net	5,064,966	5,282,131
	5,213,676	5,452,012
ASSETS HELD FOR LONG-TERM PURPOSES - ENDOWMENTS		
Investments	2,894,089	2,770,274
Cash	286,090	236,043
	3,180,179	3,006,317
TOTAL ASSETS	$ 9,109,564	$ 8,957,660
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 5,829	$ 4,352
Accrued expenses	13,591	10,279
Due to related affiliates	238,190	291,015
TOTAL CURRENT LIABILITIES	257,610	305,646
NET ASSETS		
Without donor restrictions - undesignated	4,269,928	4,243,805
Without donor restrictions - noncontrolling interest in partnership	1,401,892	1,401,892
	5,671,820	5,645,697
With donor restrictions	3,180,134	3,006,317
TOTAL NET ASSETS	8,851,954	8,652,014
TOTAL LIABILITIES AND NET ASSETS	$ 9,109,564	$ 8,957,660

* 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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	$ 1,848	$ 550,000	$ 551,848	$ 8,183	$ -	$ 8,183
Rental income	1,035,191	-	1,035,191	1,026,448	-	1,026,448
Investment income	(20,542)	(376,183)	(396,725)	29,259	500,506	529,765
In-kind rent income	43,092	-	43,092	43,001	-	43,001
Miscellaneous income	5,597	-	5,597	24,182	-	24,182
Release from restrictions	-	-	-	-	-	-
	1,065,186	173,817	1,239,003	1,131,073	500,506	1,631,579
Bingo revenue	1,431,000	-	1,431,000	1,059,520	-	1,059,520
Cost of goods sold	(832,763)	-	(832,763)	(641,295)	-	(641,295)
	598,237	-	598,237	418,225	-	418,225
Riverboat revenue	152,999	-	152,999	112,096	-	112,096
Cost of goods sold	(73,915)	-	(73,915)	(51,300)	-	(51,300)
	79,084	-	79,084	60,796	-	60,796
TOTAL REVENUE AND SUPPORT	1,742,507	173,817	1,916,324	1,610,094	500,506	2,110,600
EXPENSES						
Program services	1,073,118	-	1,073,118	1,029,255	-	1,029,255
Bingo games	234,949	-	234,949	177,515	-	177,515
Riverboat operations	303,346	-	303,346	270,785	-	270,785
Management and general	125,629	-	125,629	134,018	-	134,018
Fundraising	436	-	436	617	-	617
TOTAL EXPENSES	1,737,478	-	1,737,478	1,612,190	-	1,612,190
OTHER INCOME (EXPENSE)						
Gain (loss) on sale of land	21,094	-	21,094	-	-	-
TOTAL OTHER INCOME (EXPENSE)	21,094	-	21,094	-	-	-
CHANGE IN NET ASSETS	26,123	173,817	199,940	(2,096)	500,506	498,410
NET ASSETS AT BEGINNING OF YEAR	5,645,697	3,006,317	8,652,014	5,647,793	2,505,811	8,153,604
NET ASSETS AT END OF YEAR	$ 5,671,820	$ 3,180,134	$ 8,851,954	$ 5,645,697	$ 3,006,317	$ 8,652,014

See accompanying notes.

THE PRE-HAB FOUNDATION, INC.
DBA: A NEW LEAF FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program Services			Supporting Services				
	Property	Other	Total Program Services	Bingo Games	Riverboat Operations	Management and General	Fundraising	Total
Salaries and wages	$ -	$ -	$ -	$ 97,006	$ 177,574	$ 36,314	$ -	$ 310,894
Payroll taxes	-	-	-	8,075	15,760	2,774	-	26,609
Employee benefits	-	-	-	3,407	30,857	6,144	15	40,423
	-	-	-	108,488	224,191	45,232	15	377,926
Professional services	2,200	-	2,200	-	9,504	57,066	-	68,770
Advertising, marketing, printing	-	-	-	2,445	-	13	-	2,458
Supplies and postage	-	-	-	4,878	14,693	605	-	20,176
Telephone	-	-	-	223	10,441	1,614	-	12,278
Occupancy	43,092	-	43,092	23,723	3,586	5,122	-	75,523
Travel and vehicle	-	-	-	137	761	704	-	1,602
Interest and bank charges	-	-	-	11,609	440	3,491	421	15,961
Conferences	-	-	-	-	-	156	-	156
Depreciation	166,279	-	166,279	-	254	171	-	166,704
Insurance	1,872	-	1,872	-	10,945	4,967	-	17,784
Equipment lease, repair, and maintenance	-	-	-	55,317	10,908	633	-	66,858
Bingo - prizes and supplies	-	-	-	832,763	363	-	-	833,126
Riverboat - food expenses	-	-	-	-	73,915	-	-	73,915
Miscellaneous expense	-	-	-	28,129	17,260	5,855	-	51,244
Contribution expense	-	859,675	859,675	-	-	-	-	859,675
TOTAL EXPENSES	213,443	859,675	1,073,118	1,067,712	377,261	125,629	436	2,644,156
Less expenses included with revenue on consolidated statement of activities: Cost of goods sold	-	-	-	(832,763)	(73,915)	-	-	(906,678)
	$ 213,443	$ 859,675	$ 1,073,118	$ 234,949	$ 303,346	$ 125,629	$ 436	$ 1,737,478

See accompanying notes.

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 STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021*
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 199,940	$ 498,410
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	166,704	236,173
Net realized/unrealized (gain)/loss on investments	490,507	(472,931)
(Gain)/loss on sale of land	(21,094)	-
Change in guaranteed loan asset	-	17,590
(Increase) decrease in:		
Due from related affiliates	(47,392)	(18,399)
Prepaid expenses and other assets	(551)	468
Increase (decrease) in:		
Accounts payable and accrued expenses	4,789	(20,289)
Due to related affiliates	(52,825)	(31,923)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	740,078	209,099
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(500,000)	-
Reinvested investment earnings	(93,151)	(56,579)
Purchases of property and equipment	-	(12,872)
Proceeds from sale of land	71,555	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(521,596)	(69,451)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	-	(668,678)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	-	(668,678)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	218,482	(529,030)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	724,271	1,253,301
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 942,753	$ 724,271

* Reclassified to conform to current year presentation

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, 2022 and 2021

	2022	2021
RECONCILIATION TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	$ 656,663	$ 488,228
Cash restricted to endowments	286,090	236,043
	$ 942,753	$ 724,271
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest paid	$ 177	$ 15,085
Income taxes paid	$ 26,610	$ 4,637

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)

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Foundation 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).

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 Foundation 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.

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

Fair Value Measurements (Continued)

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 Foundation'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.

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.

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

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.

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.

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

Endowment Funds (Continued)

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, 2022 and 2021, 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.

Net Assets

The Foundation 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.

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

Revenue Recognition

All of the Foundation's revenue arrangements consist of a single performance obligation to transfer promised services.

Rental fees are set by the Foundation 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 and recognized in the period in which the event the rental relates to occurred.

The Foundation 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 Foundation. As each item is individually priced, no allocation of the transaction price is necessary. The Foundation recognizes revenue as the customer pays and takes possession of the goods.

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 Foundation. The Foundation 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.

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 Disclosure 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.

NOTE 1 NATURE OF OPERATIONS 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. The Foundation utilized the services of numerous volunteers who support the programs and activities of the Foundation'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 Foundation 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.

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.

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

Advertising

Advertising costs are expensed to operations as incurred. Advertising expense was approximately $2,500 and $2,200 for the years ended June 30, 2022 and 2021, 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 Foundation 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, 2022 and 2021, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

The Foundation recognizes interest and penalties associated with income tax in operating expenses. During the years ended June 30, 2022 and 2021, the Foundation 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.

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

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

NOTE 2 LIQUIDITY AND AVAILABILITY

The Foundation 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 Foundation considers all expenditures related to its ongoing activities to be general expenditures.

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

	2022	2021
Cash and cash equivalents	$ 656,663	$ 488,228
Due from related affiliates	56,156	8,764
Investments	148,710	169,881
Available for financial obligations	$ 861,529	$ 666,873

NOTE 3 CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject the Foundation to potential concentrations of credit risk consist principally of cash and cash equivalents. The Foundation maintains its cash in bank accounts with financial institutions, which at times may exceed federally insured limits. The Foundation 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 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).

The following is a summary of investments measured at fair value on a recurring basis at June 30, 2022:

	Endowment Level 1	Unrestricted Level 1	Level 2	Level 3	Total
Investments					
Cash equivalents	$ 31,336	$ 1,586	$ -	$ -	$ 32,922
Equity securities	1,558,732	63,976	-	-	1,622,708
Fixed income	1,118,717	66,379	-	-	1,185,096
Real estate	90,770	8,835	-	-	99,605
Commodities	94,534	7,934	-	-	102,468
	$ 2,894,089	$ 148,710	$ -	$ -	$ 3,042,799

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

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

	2022	2021
Interest and dividend income	$ 117,592	$ 76,814
Realized gain	465,754	24,042
Unrealized gain (loss)	(956,261)	448,889
Investment fees	(23,810)	(19,980)
	$ (396,725)	$ 529,765

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2022	2021
Land	$ 2,560,425	$ 2,611,311
Buildings	4,596,363	4,596,363
Building improvements	4,436,183	4,436,183
Equipment	214,241	214,241
Vehicles	169,534	169,534
	11,976,746	12,027,632
Accumulated depreciation	(6,911,780)	(6,745,501)
	$ 5,064,966	$ 5,282,131

Depreciation expense was approximately $167,000 and $236,000 for the years ended June 30, 2022 and 2021, respectively.

NOTE 6 GUARANTEED LOAN OBLIGATION

The Foundation 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 4.00% and matures May 31, 2023. The line of credit is secured by all inventory, chattel paper, rental income, equipment, and general intangibles of Leaf. As of June 30, 2022, the line of credit balance is $1,000,000. As of June 30, 2021, there had been no draws made on the available line of credit.

The Foundation also signed an agreement to guarantee one of Leaf's loan obligations with a balance at June 30, 2022 and 2021 of approximately $193,000 and $203,000, respectively. This loan requires monthly payments of principal and interest in the amount of $1,694 and matures in January 2034.

NOTE 7 ENDOWMENTS AND NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the Foundation’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, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Funds
Original corpus	$ -	$ 2,024,202	$ 2,024,202
Accumulated investment earnings	-	1,155,932	1,155,932
	$ -	$ 3,180,134	$ 3,180,134

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 7 ENDOWMENTS AND NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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, 2020	$ -	$ 2,505,811	$ 2,505,811
Contributions	-	-	-
Interest and dividend income	-	71,594	71,594
Realized gain	-	21,950	21,950
Unrealized loss	-	425,781	425,781
Fees	-	(18,819)	(18,819)
Amounts appropriated for expenditure	-	-	-
Balance, June 30, 2021	-	3,006,317	3,006,317
Contributions	-	550,000	550,000
Interest and dividend income	-	110,420	110,420
Realized gain	-	458,471	458,471
Unrealized loss	-	(922,525)	(922,525)
Fees	-	(22,549)	(22,549)
Amounts appropriated for expenditure	-	-	-
Balance, June 30, 2022	$ -	$ 3,180,134	$ 3,180,134

NOTE 8 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, 2022 and 2021:

	Controlling Interest	Non-Controlling Interest	Total
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
Partnership loss	-	-	-
Balance, June 30, 2022	$ (165,471)	$ 1,401,892	$ 1,236,421

NOTE 9 IN-KIND CONTRIBUTIONS

The Foundation received in-kind contributions of rent during the years ended June 30, 2022 and 2021, in the amounts of $43,092 and $43,001, respectively. The Foundation's policy is to utilize all in-kind contributions that are received to carry out the mission of the Foundation. In-kind rent is based on the contracted rate with the lessor. The Foundation utilized the in-kind rent as part of their program services.

NOTE 10 LEASING ACTIVITY

The Foundation leases bingo equipment under an operating lease that expires on June 30, 2023. The term of the lease is for one year and is renewable annually. The Foundation shares this lease with MesaCAN, a related affiliate. Total rent expense for the years ended June 30, 2022 and 2021 totaled $30,600 and $25,500, respectfully.

NOTE 10 LEASING ACTIVITY (Continued)

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

	2022	2021
Buildings	$ 4,546,363	$ 4,546,363
Accumulated depreciation	(2,246,589)	(2,116,693)
Net	$ 2,299,774	$ 2,429,670

Future minimum receipts on cancelable leases as of June 30, 2022 and 2021 are approximately $918,000 and $924,000, respectfully.

NOTE 11 TRANSACTIONS WITH RELATED AFFILIATES

Leaf provides management and support services for the Foundation for which the Foundation reimburses Leaf. Most of the Foundation's full-time employees are leased from Leaf, and as such, are covered by the benefits of Leaf. The Foundation reimburses Leaf for the costs of these employees, including all benefits and related expenses. Total reimbursements for management and support services and payroll paid to Leaf during the years ended June 30, 2022 and 2021 totaled $504,988 and $357,511, respectively, and are included in the accompanying consolidated statement of functional expenses. As of June 30, 2022 and 2021, net amounts owed to Leaf were $188,910 and $282,251, respectively. These amounts include program donations approved by the Foundation's board of directors but not paid as of year-end, as well as lease payments, management and support services.

The Foundation donates to Leaf a portion of the proceeds from its bingo operations, which consisted of $359,675 and $241,585 during the years ended June 30, 2022 and 2021, respectively. In addition, the Foundation contributed $500,000 to Leaf as a contribution without donor restrictions for each of the years ended June 30, 2022 and 2021.

MesaCAN shares common management and staff with the Foundation. As of June 30, 2022, net amounts due from MesaCAN were $6,876. As of June 30, 2021, there were no amounts due from MesaCAN.

NOTE 12 SUBSEQUENT EVENTS

Subsequent to year-end, the Organization sold property located at 845 East University Drive, Mesa, Arizona in the amount of $658,000 for a gain of $503,242.

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 consolidated financial statements.