SUMMARY OF FINANCIAL RESULTS

Organization: ICAN
Date: 10/1/2017

Our organization received a "clean" or "unqualified" audit opinion for 2016/2017; this is the highest level of assurance an audit firm can issue. While a clean opinion is something for which we strive, the opinion alone does not tell stakeholders much about "how" ICAN is doing financially. Therefore, we would like to call attention to a few key financial indicators that give a more complete picture of the organization's financial health.

Operating Results

One of the most important indicators of financial health is the organization's ability to break-even or generate an operating surplus each year. Our total revenues failed to cover our total expenses in the past three years. The organization had a deficit of $5,273 (less depreciation: surplus of $169,424) in 2016/2017, $311,997 (less depreciation: $155,534) in 2015/2016 and a deficit of $319,457 (less depreciation: $161,730) in 2014/2015. The deficits were funded by operating reserves the organization had accumulated during a Capital Campaign.

Despite the financial statements indicating we ended the year with a deficit, we are excited and celebrate the fact that we ended the year with a surplus if the expenses are adjusted to remove the non-cash depreciation expense. While the organization understands and believes in the concept of depreciation expense, we do not feel our depreciation expense accurately represents our true fixed asset replacement costs. The organization has assessed the true fixed asset replacement costs and a plan has been created to ensure the organization has ample funds to cover those costs on an annual basis. The organization is making positive strides towards building a more sustainable future and will continue to do so.

Revenue Mix

Our revenue is a mix of foundation/corporate support, government contracts, individual donations, fundraising, and earned income. This mix of revenue is consistent with previous years.

Investment of Resources

We have an allocation plan that we use to distribute expenses across the three functional categories: program, management and general (M&G), and fundraising. Our allocation methodology is driven by staff level of effort and square footage. Direct expenses are charged to the appropriate program or function. Shared costs (such as rent, utilities, and insurance) are then allocated to each of the functions based on the staff level of effort and square footage percentages. As a result of this process, our Statement of Functional Expenses shows that program expense makes up 63% of our total expenses.

M&G expense makes up 33% of our total expenses and fundraising expense making up the remaining 4% of the total. This approach to calculating and presenting expenses on a functional basis is consistent with the presentation in prior years.

ICAN provides free programming, transportation, and meals to 1,200 youth and families per year. Because our program participants do not pay a service fee, ICAN relies on grants and fundraising to cover the program expenses. M&G and fundraising expenses are mostly comprised of personnel needed to manage government contracts, fundraise additional revenue, as well as providing the staff training and development needed to run a quality organization.

Availability of Liquid Reserves

An organization's Liquid Unrestricted Net Assets (LUNA) – also referred to as "operating reserves" – is the portion of unrestricted net assets that can be converted to cash relatively easily. It is a measure of funds available to an organization for guarding against downturns, pursuing new opportunities, and providing working capital in times of low cash flow. This is the portion of Unrestricted Net Assets not designated by the Board of Directors for a particular purpose, or otherwise invested in fixed assets.

As of our most recent financial statements, ICAN had $193,912 of LUNA, enough to cover approximately 1.47 months of operating expenses. While this is an increase over the prior year, our goal is to increase this amount over the next 3 years to fall within a 3-6 month range. That amount would adequately allow ICAN to weather unexpected gaps in revenue or unplanned, but necessary, operating expenses.

Plans for the Future

Based on the metrics described above, ICAN is currently in a stable financial position and will focus on building our financial sustainability in order to continue building our program scope.

Shelby Pedersen

Shelby Pedersen
Chief Executive Officer

Board of Directors and Aaron Harris
ICAN (Improving Chandler Area Neighborhoods)
650 E Morelos Street
Chandler, Arizona 85225

We have audited the financial statements of ICAN for the year ended June 30, 2017, and have issued our report thereon dated September 14, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated July 20, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal controls of ICAN. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. However, the standards do not require us to design procedures specifically to identify such matters.

Qualitative Aspects of Significant Accounting Policies and Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by ICAN are described in Note 1 to the financial statements. No new accounting policies were adopted and application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Due to the nature of the Organization and its funding sources, there are no estimates that are particularly sensitive

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Attached is a summary of adjustments made to the financial statements that have been recorded by management. Other than those that are trivial, we did not identify any uncorrected misstatements to the financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached copy of the management representation letter dated September 14, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Observations and Recommendations

We observed the following matters which came to our attention during the course of the audit of the financial statements and offer these comments and suggestions with respect to these matters.

<u>Determining Contributions Versus Exchange Transactions</u>

During our audit procedures, an audit adjustment was recorded to reverse the entry for recording grant funding as deferred revenue as of June 30, 2017. Also, an audit adjustment was recorded to reverse a liability and record contribution income and related expenditures.

We recommend that the Organization implement a procedure to review each grant agreement to determine whether the grant is a contribution versus an exchange transaction. This analysis is important because depending on which type of revenue it is, determines the timing of recognizing the revenue. Contribution revenue is required to be recognized in full as of the date it is awarded and/or promised. Because of this, deferred revenue would generally not be recorded when the contribution is received in one fiscal year, but is intended to be used in the following fiscal year. Instead in this situation, the contribution income would be recognized in full as temporarily restricted (time restricted) in the year awarded. Conversely, exchange transaction revenue (aka "program service fees") should only be recognized as it is earned.

The wording of grant agreements does not always clearly indicate which income category the grant falls into. However, the Financial Accounting Standards Board has just recently issued guidance to clarify how this determination should be made (see *Proposed Accounting Standards Update- Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made).*

This communication is intended solely for the information and use of ICAN's Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Henry + Horne, LLP

Tempe, Arizona
September 14, 2017

Henry & Horne, LLP
2055 E. Warner Road, Suite 101
Tempe, Arizona 85284

This representation letter is provided in connection with your audit of the financial statements of I.C.A.N., Improving Chandler Area Neighborhoods, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date this letter is signed, the following representations made to you during your audit.

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 20, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

3) We acknowledge our responsibility 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.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8) We have reviewed and approved all adjustments summarized in the accompanying schedule that were made.

9) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

11) We have provided you with:
    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
    b) Additional information that you have requested from us for the purpose of the audit.
    c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
    d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
    a) Management,
    b) Employees who have significant roles in internal control, or
    c) Others where the fraud could have a material effect on the financial statements.
15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
16) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GAAP, and we have not consulted a lawyer concerning litigation, claims or assessments.
18) We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.
19) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
20) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
21) I.C.A.N., Improving Chandler Area Neighborhoods is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

22) There are no unrecorded promises to give as of June 30, 2017 and the allowance for doubtful accounts has been recorded based on a reasonable estimate.

23) Accounts receivable in the amount of $113,389 for the year June 30, 2017, represents complete amounts due as of those dates from all funding sources.

24) Temporarily restricted net assets in the amount of $19,405 have been accurately stated as of June 30, 2017.

25) We have and do maintain adequate general liability insurance.

26) All required governmental regulatory reports have been timely filed.

27) The Organization does not guarantee the debt of any other party.

28) We are not under audit by the Internal Revenue Service or applicable state taxing authority nor have we been notified that such an audit will be performed.

29) The Company maintains its cash in bank accounts, which at times may exceed federally insured limits. We believe the Company is not exposed to any significant credit risk on cash balances.

30) We do not self-insure against medical claims of our employees nor do we have an obligation to fund any shortfall in such medical reimbursement plans.

31) We have timely field all various tax and compliance returns for all jurisdictions and we have not been notified by any such jurisdictions as to any instances of noncompliance or have been assessed any penalties.

32) We have reviewed and approved all adjustments summarized in the accompanying schedule that were made to the financial statements records for the period covered by this letter.

33) We directly or through other resources to the Organization, have the qualifications and training to apply generally accepted accounting principles in the preparation of the Organization’s financial statements.

34) In regard to the nonattest services (including nonattest services to affiliates), we have:

    a) Assumed all management responsibilities.

    b) Overseen the services by designating an individual who possesses suitable skill, knowledge or experience.

    c) Evaluated the adequacy and results of the services performed.

    d) Accepted responsibility for the results of the services.

    The nonattest services provided by you are:

    a) Tax compliance services.

    b) Preparation of financial statements and related notes.

    c) Proposal of entries affecting the consolidated financial statements.

Furthermore, we have reviewed and approved the financial statements and related notes

DocuSigned by:
Shelby Pedersen
1E89AC0624BE49E...

September 14, 2017

Shelby Pedersen, Chief Executive Officer Date

DocuSigned by:
Aaron Harris
C45842940B804EB...

September 8, 2017

Aaron Harris, Chief Financial Officer Date

Financial Reports

Chandler, Arizona

FINANCIAL STATEMENTS

Year Ended June 30, 2017

Henry+Horne

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
I.C.A.N., Improving Chandler Area Neighborhoods

We have audited the accompanying financial statements of I.C.A.N., Improving Chandler Area Neighborhoods (an Arizona not-for-profit organization), which comprises the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of I.C.A.N, Improving Chandler Area Neighborhoods, as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements and Report on Summarized Comparative Information

The summarized financial statements of ICAN, Improving Chandler Area Neighborhoods, as of June 30, 2016 were audited by other auditors whose report dated August 30, 2016, expressed an unmodified opinion on those financial statements.

Henry + Horne, LLP

Tempe, Arizona
September 14, 2017

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENT OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 164,760	$ 218,255
Accounts receivable	113,389	58,767
Promises to give, net	3,372	5,158
Prepaid expenses	501	-
TOTAL CURRENT ASSETS	282,022	282,180
PROPERTY AND EQUIPMENT, net	3,529,848	3,583,077
TOTAL ASSETS	$ 3,811,870	$ 3,865,257

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts payable	$ 14,734	$ 32,316
Accrued payroll	19,439	17,794
Deferred revenue	10,000	33,000
Current portion of note payable	7,636	7,607
TOTAL CURRENT LIABILITIES	51,809	90,717
NOTE PAYABLE, net of current portion	155,099	164,305
TOTAL LIABILITIES	206,908	255,022
NET ASSETS		
Unrestricted	3,585,557	3,605,077
Temporarily restricted	19,405	5,158
TOTAL NET ASSETS	3,604,962	3,610,235
TOTAL LIABILITIES AND NET ASSETS	$ 3,811,870	$ 3,865,257

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENT OF ACTIVITIES
Years Ended June 30, 2017 and 2016
(With summarized comparative totals for the year ended June 30, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES AND SUPPORT				
Government grants	$ 662,916	$ -	$ 662,916	$ 793,171
Contributions and other grants	843,080	75,000	918,080	668,715
In-kind donations	70,974	-	70,974	70,091
Facility use income	90,000	-	90,000	75,000
Other income	264	-	264	-
Investment return (loss)	1,960	-	1,960	71
Gain on sale of asset	20,000	-	20,000	-
Net assets released from restrictions	60,753	(60,753)	-	-
	1,749,947	14,247	1,764,194	1,607,048
Special events revenue	81,550	-	81,550	102,542
Special events contributions	203,585	-	203,585	271,728
Direct donor benefits	(67,814)	-	(67,814)	(82,260)
	217,321	-	217,321	292,010
TOTAL REVENUES AND SUPPORT	1,967,268	14,247	1,981,515	1,899,058
OPERATING EXPENSES				
Program services	1,243,148	-	1,243,148	1,330,435
General and administrative	659,717	-	659,717	762,770
Fundraising expenses	83,923	-	83,923	117,850
TOTAL EXPENSES	1,986,788	-	1,986,788	2,211,055
CHANGE IN NET ASSETS	(19,520)	14,247	(5,273)	(311,997)
NET ASSETS, BEGINNING OF YEAR	3,605,077	5,158	3,610,235	3,922,232
NET ASSETS, END OF YEAR	$ 3,585,557	$ 19,405	$ 3,604,962	$ 3,610,235

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENT OF FUNCTIONAL EXPENSES
Years Ended June 30, 2017 and 2016
(With summarized comparative totals for the year ended June 30, 2016)

	2017					2016
	Program Services- Youth Program	Management and General	Fundraising Expenses	Direct Benefit to Donors	Total Expenses	Total Expenses
Payroll and contract labor	$ 568,156	$ 424,756	$ 39,207	$ -	$ 1,032,119	$ 1,138,102
Payroll taxes	43,617	32,731	3,036	-	79,384	88,920
Employee benefits	38,499	33,979	2,593	-	75,071	82,533
TOTAL PAYROLL	650,272	491,466	44,836	-	1,186,574	1,309,555
Advertising	561	420	39	-	1,020	3,073
Automobile expenses	17,119	-	-	-	17,119	17,343
Bank and credit card fees	-	16,288	-	-	16,288	10,743
Cleaning	22,800	-	-	-	22,800	27,628
Community relations	7,645	5,715	528	-	13,888	25,128
Depreciation	122,436	52,261	-	-	174,697	156,463
Education	5,812	4,345	401	-	10,558	19,628
Field trips	138	-	-	-	138	-
Food supplies and other fundraising expenses	-	-	12,266	-	12,266	9,087
In-kind services expenses	28,744	9,275	-	-	38,019	21,998
Interest	4,298	1,842	-	-	6,140	6,616
Legal and accounting	-	13,794	-	-	13,794	31,822
Liability and D&O insurance	10,393	4,454	-	-	14,847	23,315
Maintenance and repairs	20,521	8,795	-	-	29,316	28,847
Miscellaneous	2,545	894	82	-	3,521	1,619
Office supplies	1,324	990	91	-	2,405	2,762
Outside services	79,561	1,877	22,400	-	103,838	144,701
Postage and delivery	1,928	1,441	133	-	3,502	2,197
Printing	13,386	3,570	2,380	-	19,336	17,574
*	31,953	-	-	-	31,953	68,038
Program supplies - in-kind	32,112	-	-	-	32,112	14,045
Security	3,461	1,483	-	-	4,944	5,310
Technology	4,999	13,395	360	-	18,754	23,171
Student meals expense	120,311	-	-	-	120,311	121,430
Student meals expense - in-kind	268	-	-	-	268	1,246
Telephone	17,443	7,476	-	-	24,919	28,953
Travel	2,331	2,456	407	-	5,194	23,246
Utilities	40,787	17,480	-	-	58,267	65,517
Special events - venue	-	-	-	59,214	59,214	82,260
Special events - entertainment	-	-	-	8,600	8,600	-
	1,243,148	659,717	83,923	67,814	2,054,602	2,293,315
Amounts reported in total support and other revenue on the statement of activities:						
Direct benefit to donors	-	-	-	(67,814)	(67,814)	(82,260)
TOTAL EXPENSES	$ 1,243,148	$ 659,717	$ 83,923	$ -	$ 1,986,788	$ 2,211,055

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (5,273)	$ (311,997)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	174,697	156,463
Gain from sale of asset	(20,000)	-
Allowance adjustment on promises to give	-	(3,213)
Amortization of discount on promises to give	-	(3,120)
In-kind donation of vehicle	-	(32,803)
(Increase) decrease in:		
Accounts receivable	(57,870)	2,636
Promises to give	4,875	-
Prepaid expenses	(343)	316
Increase (decrease) in:		
Accounts payable	(17,582)	4,067
Accrued payroll	1,645	(37,204)
Deferred revenue	(23,000)	33,000
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	57,149	(191,855)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	20,000	-
Purchases of property and equipment	(121,467)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(101,467)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term	-	77,183
Principal payments on note payable	(9,177)	(8,701)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(9,177)	68,482
NET INCREASE (DECREASE) IN CASH	(53,495)	(123,373)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	218,255	341,628
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 164,760	$ 218,255
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 6,140	$ 6,616

See accompanying notes.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

I.C.A.N., Improving Chandler Area Neighborhoods (“the Organization”) is an Arizona nonprofit organization established in March 1994. The Organization was founded to provide free, comprehensive, out-of-school-time programs that empower youth to be productive, self-confident, and responsible citizens in Chandler, Arizona.

Prevention programs are developed specifically to help the kids and families in the community with their challenges, goals, and their unique needs. Risk factors facing the community include substance abuse and violence, delinquency, gang involvement, and a myriad of family structure challenges, including extreme poverty. The Organization has created research-based programs designed to reduce the risks that greatly influence the daily lives of these individuals.

The youth and teen programs include an after school program that serves 250 children every day, along with day-long programs throughout the summer. This program focuses on building character and strengthening life skills to encourage academic success and career development. The family and parenting program encourages parents to explore and strengthen family values, family bonding, and positive parenting skills to decrease family conflict.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ICAN’s financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Basis of Presentation

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

The Organization reports information regarding the financial position and activities according to three classes of net assets: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all account balances with original maturities of 90 days or less at date of acquisition to be cash equivalents.

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

Accounts Receivable

Accounts receivable includes amounts due for facility use income and grant income and is carried at the outstanding balance less an allowance for doubtful accounts, if applicable. The Organization evaluates the collectability of its accounts receivable based on balances and the amount management expects to collect under the terms of service contracts and agreements. 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. Accounts are past due when not paid within the contract or agreement terms. At June 30, 2017, accounts receivable are considered by management to be fully collectible and accordingly, an allowance for doubtful accounts has not been recorded.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received, and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates as determined by management that are applicable to the years in which the promises are made. Amortization of the discounts is included in contribution support.

Management provides for uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual promises. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to receivables.

Property and Equipment

Acquisitions of property and equipment in excess of $2,500 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 account 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.

Revenue Recognition

Government grant revenue is recognized as expenses are incurred under cost reimbursement arrangements. Other grant revenue is recognized in the period services are provided as per the terms of the grant agreements.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to record temporarily restricted contributions that are released from restriction in the same period received as unrestricted contributions.

Donated materials and supplies are recorded at their estimated fair value upon receipt and include program supplies, school supplies and gift cards. Donated services are recorded at the estimated fair value if they create or enhance non-financial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donated services. Since specialized skills are not required by community volunteers, contribution revenue for the donated hours has not been recorded in the accompanying financial statements.

Functional Expenses

Expenses are charged to program services, management and general, and fundraising categories based on direct expenditures incurred. Any expenditures not directly chargeable are allocated based on personnel activity, square footage, and other appropriate indicators.

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

Income Tax Status

The Organization qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code), and therefore, there is no provision for income taxes in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

The Organization recognizes uncertain tax positions in the financial statements when it is more likely-than-not that the positions will not be sustained upon examination of the tax authorities. As of June 30, 2017, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Organization recognizes interest and penalties associated with income tax in operating expenses. During the year ended June 30, 2017 the Organization did not have any income tax related interest and penalty expenses.

Management's 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 and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 14, 2017, which is the date the financial statements were available to be issued.

NOTE 2 CONCENTRATIONS OF CREDIT RISK

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

As of June 30, 2017, 89% of the accounts receivable balance is made up of amounts from four funding sources, each of which individually make up 10% or more of the total balance. Credit risk with respect to these balances is determined to be limited due to the Organization's past history and relationships with these entities.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30:

	2017	2016
Chandler Unified School District	$ 45,000	$ -
State of Arizona	29,412	19,357
Mercy Maricopa Integrated Care	-	15,000
Valley of the Sun United Way	15,000	
Department of Health and Human Services	11,616	10,541
Sober Truth on Preventing Underage Drinking Act	6,461	
Arizona Department of Education	-	3,011
Other	5,900	10,858
	$ 113,389	$ 58,767

NOTE 4 PROMISES TO GIVE

Unconditional promises to give consist of the following as of June 30:

	2017	2016
Gross promises to give	$ 7,090	$ 8,040
Allowance for uncollectible promises	(2,000)	(2,000)
Present value discount (5.5%)	(1,718)	(882)
Net pledges receivable	$ 3,372	$ 5,158

All amounts are due in the next fiscal year.

NOTE 5 PROPERTY AND EQUIPMENT

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

	2017	2016
Land	$ 285,000	$ 285,000
Buildings and improvements	3,525,956	3,525,956
Furniture and equipment	377,682	377,682
Vehicles	154,271	114,161
	4,342,909	4,302,799
Accumulated depreciation	(813,061)	(719,722)
	$ 3,529,848	$ 3,583,077

Depreciation expense charged to operations was $174,697 and 156,463 for the years ended June 30, 2017 and June 30, 2016, respectfully.

NOTE 6 LINE OF CREDIT

The Organization has available an unsecured $300,000 bank line of credit, expiring October 31, 2017. Interest on any outstanding balance is payable monthly based on the Bank's Prime Rate (4.25% at June 30, 2017) plus 0.5%, with a floor of 5%. There was no outstanding balance at June 30, 2017. Additionally, the terms of the line of credit require the Organization to comply with various covenants, including the maintenance of certain financial ratios. As of June 30, 2017, the Organization was in compliance with all applicable covenants.

NOTE 7 NOTE PAYABLE

The note payable consists of the following as of June 30:

	2017	2016
Mortgage note payable with interest at 4.4%, due in monthly payments of $1,276, including interest. This note is amortized over eight years with a balloon payment due in August 2022. The note is secured by a deed of trust on the real estate. There is no penalty to repay the note prior to maturity.	$ 162,735	$ 171,912
Current portion	(7,636)	(7,607)
Long-term portion	$ 155,099	$ 164,305

NOTE 7 NOTE PAYABLE (Continued)

Annual maturities of the note payable as of June 30, 2017 are as follows:

Years Ending June 30,		
2018	$	7,636
2019		8,584
2020		8,644
2021		9,056
2022		9,469
Thereafter		119,346
	$	162,735

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2017 consist of $19,405 that is restricted for the purpose of future payments to fellows from the Experience Matters grant.

NOTE 9 COMMITMENTS AND CONTINGENCIES

The Organization participates in a number of federal and state-assisted grant and contract programs which may be subject to financial and compliance audits. Accordingly, the Organization's compliance with applicable grant or contract requirements may be determined at some future date. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies cannot be determined at this time, although the Organization's management expects such amounts, if any, to be minimal.

NOTE 10 FACILITY USE AGREEMENT

The Organization entered into an agreement with the Chandler Unified School District (CUSD) for the purpose of collaborating to create a school of choice. CUSD is utilizing the Organization's facility during school time as an educational space. A fundamental precept of the school is that it be a reflection of the parents, students, staff and community members who choose to participate in the school. This school provides a solid foundation and framework upon which participants can build a strong education, socio-emotional, behavioral and community connection. This agreement is for 5 years commencing July 1, 2013 and ending June 30, 2018 with an option to renew for three successive five year terms. Either party may terminate the agreement at least 180 days before the end of the current contract year with written notice. Annual fees recognized currently under this agreement are $90,000, which may be adjusted annually based on the growth of students.