Financial Reports

Positive Programs for Youth

Chandler, Arizona

FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 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 statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Henry + Horne, LLP

Tempe, Arizona
September 12, 2018

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 371,680	$ 164,760
Accounts receivable	48,269	113,389
Promises to give, net	-	3,372
Prepaid expenses	1,116	501
TOTAL CURRENT ASSETS	421,065	282,022
INVESTMENTS	17,368	-
PROPERTY AND EQUIPMENT, net	3,392,720	3,529,848
TOTAL ASSETS	$ 3,831,153	$ 3,811,870
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 9,900	$ 14,734
Accrued payroll	15,044	19,439
Deferred revenue	22,500	10,000
Current portion of note payable	4,955	7,636
TOTAL CURRENT LIABILITIES	52,399	51,809
NOTE PAYABLE, net of current portion	149,964	155,099
TOTAL LIABILITIES	202,363	206,908
NET ASSETS		
Unrestricted- Board designated	164,944	76,979
Unrestricted- Undesignated	3,463,846	3,508,578
TOTAL UNRESTRICTED NET ASSETS	3,628,790	3,585,557
Temporarily restricted	-	19,405
TOTAL NET ASSETS	3,628,790	3,604,962
TOTAL LIABILITIES AND NET ASSETS	$ 3,831,153	$ 3,811,870

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT						
Government grants	$ 625,687	$ -	$ 625,687	$ 662,916	$ -	$ 662,916
Contributions and other grants	820,773	-	820,773	843,080	75,000	918,080
In-kind donations	95,951	-	95,951	70,974	-	70,974
Facility use income	90,000	-	90,000	90,000	-	90,000
Other income	3,164	-	3,164	2,224	-	2,224
Investment return (loss)	1,475	-	1,475	-	-	-
Gain on sale of asset	-	-	-	20,000	-	20,000
Net assets released from restrictions	19,405	(19,405)	-	60,753	(60,753)	-
	1,656,455	(19,405)	1,637,050	1,749,947	14,247	1,764,194
Special events revenue	91,250	-	91,250	81,550	-	81,550
Special events contributions	230,804	-	230,804	203,585	-	203,585
Direct donor benefits	(58,967)	-	(58,967)	(67,814)	-	(67,814)
	263,087	-	263,087	217,321	-	217,321
TOTAL REVENUES AND SUPPORT	1,919,542	(19,405)	1,900,137	1,967,268	14,247	1,981,515
OPERATING EXPENSES						
Program services	1,176,156	-	1,176,156	1,243,148	-	1,243,148
General and administrative	606,081	-	606,081	659,717	-	659,717
Fundraising expenses	94,072	-	94,072	83,923	-	83,923
TOTAL EXPENSES	1,876,309	-	1,876,309	1,986,788	-	1,986,788
CHANGE IN NET ASSETS	43,233	(19,405)	23,828	(19,520)	14,247	(5,273)
NET ASSETS, BEGINNING OF YEAR	3,585,557	19,405	3,604,962	3,605,077	5,158	3,610,235
NET ASSETS, END OF YEAR	$ 3,628,790	$ -	$ 3,628,790	$ 3,585,557	$ 19,405	$ 3,604,962

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	2018				
	Program Services- Youth Program	General and Administrative	Fundraising Expenses	Direct Benefit to Donors	Total Expenses
Payroll and contract labor	$ 575,164	$ 391,701	$ 40,286	$ -	$ 1,007,151
Payroll taxes	45,053	30,651	3,149	-	78,853
Employee benefits	36,899	32,481	2,389	-	71,769
TOTAL PAYROLL	657,116	454,833	45,824	-	1,157,773
Advertising	422	287	30	-	739
Automobile expenses	21,820	-	-	-	21,820
Bank and credit card fees	-	9,856	-	-	9,856
Cleaning	23,000	-	-	-	23,000
Community relations	9,965	6,787	698	-	17,450
Depreciation	100,104	37,025	-	-	137,129
Education	3,127	2,233	220	-	5,580
Field trips	779	-	-	-	779
Food supplies and other fundraising expenses	-	-	20,749	-	20,749
In-kind services expenses	53,138	19,654	-	-	72,792
Interest	5,130	1,898	-	-	7,028
Legal and accounting	-	13,750	-	-	13,750
Liability and D&O insurance	9,043	3,345	-	-	12,388
Maintenance and repairs	28,255	10,451	-	-	38,706
Miscellaneous	7,974	4,204	62	-	12,240
Office supplies	1,303	887	92	-	2,282
Outside services	28,986	1,957	23,414	-	54,357
Postage and delivery	148	763	79	-	990
Printing	14,575	3,748	2,499	-	20,822
Program supplies	26,738	-	-	-	26,738
Program supplies - in-kind	14,887	-	-	-	14,887
Security	1,024	379	-	-	1,403
Technology	1,886	9,404	146	-	11,436
Student meals expense	94,549	-	-	-	94,549
Student meals expense - in-kind	8,271	-	-	-	8,271
Telephone	20,142	7,451	-	-	27,593
Travel	1,453	1,517	259	-	3,229
Utilities	42,321	15,652	-	-	57,973
Special events - venue	-	-	-	50,679	50,679
Special events - entertainment	-	-	-	8,288	8,288
	1,176,156	606,081	94,072	58,967	1,935,276
Amounts reported in total support and other revenue on the statement of activities:					
Direct benefit to donors	-	-	-	(58,967)	(58,967)
TOTAL EXPENSES	$ 1,176,156	$ 606,081	$ 94,072	$ -	$ 1,876,309

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

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

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 23,828	$ (5,273)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	137,129	174,697
Realized and unrealized gain	(1,349)	-
Gain from sale of asset	-	(20,000)
Decrease in:		
Accounts receivable	65,119	(57,870)
Promises to give	3,372	4,875
Prepaid expenses	(615)	(343)
Increase in:		
Accounts payable	(4,834)	(17,582)
Accrued payroll	(4,395)	1,645
Deferred revenue	12,500	(23,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	230,755	57,149
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	-	20,000
Purchases of property and equipment	-	(121,467)
Purchases of investments	(16,019)	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	(16,019)	(101,467)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(7,816)	(9,177)
NET CASH PROVIDED BY FINANCING ACTIVITIES	(7,816)	(9,177)
NET INCREASE IN CASH	206,920	(53,495)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	164,760	218,255
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 371,680	$ 164,760
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 7,028	$ 6,140

See accompanying notes.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

ICAN ("the Organization") is a free youth center in the East Valley that offers programming for youth, teens, families and the community. ICAN's nationally-recognized prevention programming teaches disadvantaged youth real-life skills including goal setting, positive decision making and how to avoid the risky behaviors that are prevalent in the community ICAN serves. ICAN's evidence-based programming equips youth to achieve personal and academic success. Parenting classes and substance abuse education complete ICAN's programming, impacting the entire community. ICAN is one of only 21 AZ nonprofits accredited by the National Council on Accreditation (meeting over 400 standards for excellence), was named "Outstanding Afterschool Program" by the Arizona Center for After School Excellence in 2009 and 2013, and is a four-time winner of "Best Places to Work."

ICAN is unique because our programming - including healthy snacks, meals and transportation - are offered free of charge to remove the barriers that can prevent low-income families from accessing needed services. ICAN serves 500 largely minority youth. Our program takes advantage of underutilized time outside of school to engage youth in a variety of rich learning experiences. ICAN activities focus on prevention, academic achievement, life and leadership skills, and community service. Prevention classes use evidence-based curriculum tailored to the needs of the community, including Botvin's Life Skills and PATHS. Academic support includes homework help, tutoring, and enrichment courses in a variety of subjects such as STEAM, multi-media arts, and literacy. Community service focuses on youth substance abuse risks and other specific community needs.

The program's carefully structured activities promote strong risk avoidance skills in youth as well as greater self-esteem and confidence, improved school attendance and grades, social-emotional skills such as empathy and self-regulation, and a greater attachment to the community. ICAN's goal is to teach youth the skills they need to avoid juvenile delinquency, substance abuse, and gang involvement -- and attain their high school diploma while setting goals for their future. Independently conducted program evaluations confirm the program's effectiveness through youth surveys administered three times annually.

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.

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

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.

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, 2018 and 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.

Fair Value of Financial Instruments

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

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

Fair Value of Financial Instruments (Continued)

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

Investments

Investments are recorded at fair market value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses) is included in the change in unrestricted net assets in the statements of activities, unless the income or loss is restricted by donor or law.

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

Property and Equipment

Acquisitions of property and equipment in excess of $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.

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.

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

Contributions (Continued)

Donated materials and supplies are recorded at their estimated fair value upon receipt and include program supplies, school supplies, donated raffle items, 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.

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, 2018, and 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 years ended June 30, 2018 and 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.

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

Date of Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 12, 2018, 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, 2018, 96% of the accounts receivable balance is made up of amounts from three funding sources, each of which individually make up 10% or more of the total balance. 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 history and relationships with these entities.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30:

	2018	2017
Governor's Office of Arizona	$ 18,182	$ -
Department of Health and Human Services	14,600	11,616
Valley of the Sun United Way	13,595	15,000
Arizona Department of Education	1,792	-
Other	100	5,900
Chandler Unified School District	-	45,000
State of Arizona	-	29,412
Sober Truth on Preventing Underage Drinking Act	-	6,461
	$ 48,269	$ 113,389

Subsequent to June 30, 2018 and through the date these financial statements were issued, approximately $48,000 in payments were received on these balances.

NOTE 4 INVESTMENTS AND FAIR VALUE

Investments consists of the following as of June 30:

	2018			
	Level 1	Level 2	Level 3	Total
Equity funds	$ 17,368	$ -	$ -	$ 17,368

Investment income on the above investments, as well as interest on cash accounts consists of the following for the year ended June 30:

Dividends and interest	$ 126
Unrealized and realized gain	1,349
	$ 1,475

NOTE 5 PROPERTY AND EQUIPMENT

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

	2018	2017
Land	$ 285,000	$ 285,000
Buildings and improvements	3,525,956	3,525,956
Furniture and equipment	377,682	377,682
Vehicles	154,271	154,271
	4,342,909	4,342,909
Accumulated depreciation	(950,189)	(813,061)
	$ 3,392,720	$ 3,529,848

Depreciation expense charged to operations was $137,129 and $174,697 for the years ended June 30, 2018 and June 30, 2017, respectfully.

NOTE 6 LINE OF CREDIT

The Organization maintains a line of credit as part of their normal operating procedures. Currently, the Organization has available an unsecured $300,000 bank line of credit, expiring October 31, 2018. Interest on any outstanding balance is payable monthly based on the Bank's Prime Rate (4.25% at June 30, 2018) plus 0.5%, with a floor of 5%. There was no outstanding balance at June 30, 2018. 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, 2018, the Organization was in compliance with all applicable covenants.

NOTE 7 NOTE PAYABLE

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

	2018	2017
Mortgage note payable with interest at 5.476%, due in monthly payments of $1,065, including interest. This note is amortized over eight years with a balloon payment due in August 2028. The note is secured by a deed of trust on the real estate. There is no penalty to repay the note prior to maturity.	$ 154,919	$ 162,735
Current portion	(4,955)	(7,636)
Long-term portion	$ 149,964	$ 155,099

Annual maturities of the note payable as of June 30, 2018 are as follows:

Years Ending June 30,	
2019	$ 4,955
2020	4,516
2021	4,769
2022	5,069
2023	5,347
Thereafter	130,263
	$ 154,919

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
Experience Matters fellows	$ -	$ 19,405
Total temporarily restricted net assets	$ -	$ 19,405

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. The agreement was renewed through June 30, 2023. 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.

NOTE 11 NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has issued Accounting Standards Update ("ASU") No. 2016-14, Not-For-Profit Entities: Presentation of Financial Statements of Not-For-Profit Entities. This Standard is effective for years beginning after December 15, 2017. The Standard requires several changes to how not-for-profit entities report certain financial statement information including net asset classification, cash flows, underwater endowment funds, investment expenses, and other areas. In addition, the new guidance requires disclosures on the entity's liquidity policy and quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the Statement of Financial Position date. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

The Financial Accounting Standards Board has issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. For nonpublic companies, this standard must be adopted for annual reporting periods beginning after December 15, 2018. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

The Financial Accounting Standards Board 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, 2019. 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.