



Chandler, Arizona

FINANCIAL STATEMENTS

Year Ended June 30, 2017

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

	<u>2017</u>	<u>2016</u>
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	<u>501</u>	<u>-</u>
TOTAL CURRENT ASSETS	282,022	282,180
PROPERTY AND EQUIPMENT, net	<u>3,529,848</u>	<u>3,583,077</u>
TOTAL ASSETS	<u>\$ 3,811,870</u>	<u>\$ 3,865,257</u>

LIABILITIES AND NET ASSETS

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	<u>7,636</u>	<u>7,607</u>
TOTAL CURRENT LIABILITIES	51,809	90,717
NOTE PAYABLE, net of current portion	<u>155,099</u>	<u>164,305</u>
TOTAL LIABILITIES	<u>206,908</u>	<u>255,022</u>
NET ASSETS		
Unrestricted	3,585,557	3,605,077
Temporarily restricted	<u>19,405</u>	<u>5,158</u>
TOTAL NET ASSETS	<u>3,604,962</u>	<u>3,610,235</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,811,870</u>	<u>\$ 3,865,257</u>

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)	-	-
	<u>1,749,947</u>	<u>14,247</u>	<u>1,764,194</u>	<u>1,607,048</u>
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)
	<u>217,321</u>	<u>-</u>	<u>217,321</u>	<u>292,010</u>
TOTAL REVENUES AND SUPPORT	<u>1,967,268</u>	<u>14,247</u>	<u>1,981,515</u>	<u>1,899,058</u>
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	<u>1,986,788</u>	<u>-</u>	<u>1,986,788</u>	<u>2,211,055</u>
CHANGE IN NET ASSETS	<u>(19,520)</u>	<u>14,247</u>	<u>(5,273)</u>	<u>(311,997)</u>
NET ASSETS, BEGINNING OF YEAR	<u>3,605,077</u>	<u>5,158</u>	<u>3,610,235</u>	<u>3,922,232</u>
NET ASSETS, END OF YEAR	<u>\$ 3,585,557</u>	<u>\$ 19,405</u>	<u>\$ 3,604,962</u>	<u>\$ 3,610,235</u>

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

	<u>2017</u>	<u>2016</u>
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
	<u>57,149</u>	<u>(191,855)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	20,000	-
Purchases of property and equipment	(121,467)	-
	<u>(101,467)</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term	-	77,183
Principal payments on note payable	(9,177)	(8,701)
	<u>(9,177)</u>	<u>68,482</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	(53,495)	(123,373)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>218,255</u>	<u>341,628</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 164,760</u>	<u>\$ 218,255</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 6,140</u>	<u>\$ 6,616</u>

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30:

	<u>2017</u>	<u>2016</u>
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
	<u>\$ 113,389</u>	<u>\$ 58,767</u>

NOTE 4 PROMISES TO GIVE

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

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

All amounts are due in the next fiscal year.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 5 PROPERTY AND EQUIPMENT

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

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

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:

	<u>2017</u>	<u>2016</u>
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	<u>(7,636)</u>	<u>(7,607)</u>
Long-term portion	<u>\$ 155,099</u>	<u>\$ 164,305</u>

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 7 NOTE PAYABLE (Continued)

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

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

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.