Financial Reports

Chandler, Arizona

FINANCIAL STATEMENTS

Years Ended June 30, 2019 and 2018

Henry+Horne

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS

TABLE OF CONTENTS

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, 2019 and 2018, 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, 2019 and 2018, 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 6, 2019

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 608,164	$ 371,680
Accounts receivable	79,632	48,269
Prepaid expenses	11,668	1,116
TOTAL CURRENT ASSETS	699,464	421,065
INVESTMENTS	18,522	17,368
PROPERTY AND EQUIPMENT, net	3,257,498	3,392,720
TOTAL ASSETS	$ 3,975,484	$ 3,831,153
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 18,300	$ 9,900
Accrued payroll	20,293	15,044
Deferred revenue	18,600	22,500
Current portion of note payable	4,516	4,955
TOTAL CURRENT LIABILITIES	61,709	52,399
NOTE PAYABLE, net of current portion	146,006	149,964
TOTAL LIABILITIES	207,715	202,363
NET ASSETS		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Board designated	281,258	164,944
Undesignated	3,486,511	3,463,846
TOTAL NET ASSETS	3,767,769	3,628,790
TOTAL LIABILITIES AND NET ASSETS	$ 3,975,484	$ 3,831,153

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Government grants	$ 650,040	$ -	$ 650,040	$ 625,687	$ -	$ 625,687
Contributions and other grants	930,808	-	930,808	820,773	-	820,773
In-kind donations	44,132	-	44,132	95,951	-	95,951
Facility use income	97,000	-	97,000	90,000	-	90,000
Other income	406	-	406	3,164	-	3,164
Investment return (loss)	3,732	-	3,732	1,475	-	1,475
Net assets released from restrictions	-	-	-	19,405	(19,405)	-
	1,726,118	-	1,726,118	1,656,455	(19,405)	1,637,050
Special events revenue	187,229	-	187,229	258,654	-	258,654
Special events contributions	180,500	-	180,500	63,400	-	63,400
Direct donor benefits	(70,345)	-	(70,345)	(58,967)	-	(58,967)
	297,384	-	297,384	263,087	-	263,087
TOTAL REVENUES AND SUPPORT	2,023,502	-	2,023,502	1,919,542	(19,405)	1,900,137
OPERATING EXPENSES						
Program services	1,200,375	-	1,200,375	1,176,156	-	1,176,156
General and administrative	625,996	-	625,996	606,081	-	606,081
Fundraising expenses	58,152	-	58,152	94,072	-	94,072
TOTAL EXPENSES	1,884,523	-	1,884,523	1,876,309	-	1,876,309
CHANGE IN NET ASSETS	138,979	-	138,979	43,233	(19,405)	23,828
NET ASSETS, BEGINNING OF YEAR	3,628,790	-	3,628,790	3,585,557	19,405	3,604,962
NET ASSETS, END OF YEAR	$ 3,767,769	$ -	$ 3,767,769	$ 3,628,790	$ -	$ 3,628,790

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	2019				
	Program Services- Youth Program	General and Administrative	Fundraising Expenses	Direct Benefit to Donors	Total Expenses
Payroll and contract labor	$ 560,628	$ 388,019	$ 39,229	$ -	$ 987,876
Payroll taxes	42,658	28,732	2,975	-	74,365
Employee benefits	25,635	22,362	1,719	-	49,716
TOTAL PAYROLL	628,921	439,113	43,923	-	1,111,957
Advertising	916	622	64	-	1,602
Automobile expenses	32,120	-	-	-	32,120
Bank and credit card fees	-	13,741	-	-	13,741
Cleaning	24,428	-	-	-	24,428
Community relations	23,011	15,633	1,610	-	40,254
Depreciation	98,711	36,510	-	-	135,221
Education	9,052	6,150	633	-	15,835
Field trips	371	-	-	-	371
Food supplies and other fundraising expenses	-	-	6,337	-	6,337
In-kind services expenses	24,586	9,093	-	-	33,679
Interest	6,360	2,353	-	-	8,713
Legal and accounting	-	15,750	-	-	15,750
Liability and D&O insurance	10,579	3,913	-	-	14,492
Maintenance and repairs	40,470	14,968	-	-	55,438
Miscellaneous	4,006	5,859	78	-	9,943
Office supplies	955	649	67	-	1,671
Outside services	23,034	20,747	2,235	-	46,016
Postage and delivery	1,684	1,035	107	-	2,826
Printing	16,517	4,247	2,831	-	23,595
Program supplies	37,271	-	-	-	37,271
Program supplies - in-kind	8,754	-	-	-	8,754
Security	2,921	1,081	-	-	4,002
Technology	3,336	4,768	6	-	8,110
Student meals expense	122,878	-	-	-	122,878
Student meals expense - in-kind	1,699	-	-	-	1,699
Telephone	29,029	10,737	-	-	39,766
Travel	1,470	1,535	261	-	3,266
Utilities	47,296	17,492	-	-	64,788
Special events - venue and other	-	-	-	20,273	20,273
Special events - food	-	-	-	50,072	50,072
	1,200,375	625,996	58,152	70,345	1,954,868
Amounts reported in total support and other revenue on the statement of activities:					
Direct benefit to donors	-	-	-	(70,345)	(70,345)
TOTAL EXPENSES	$ 1,200,375	$ 625,996	$ 58,152	$ -	$ 1,884,523

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 and other	-	-	-	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
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 138,979	$ 23,828
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	135,221	137,129
Realized and unrealized gain	(1,154)	(1,349)
Decrease (Increase) in:		
Accounts receivable	(31,362)	65,119
Promises to give	-	3,372
Prepaid expenses	(10,552)	(615)
Increase (Decrease) in:		
Accounts payable	8,400	(4,834)
Accrued payroll	5,249	(4,395)
Deferred revenue	(3,900)	12,500
NET CASH PROVIDED BY OPERATING ACTIVITIES	240,881	230,755
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(16,019)
NET CASH (USED IN) INVESTING ACTIVITIES	-	(16,019)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(4,397)	(7,816)
NET CASH (USED IN) FINANCING ACTIVITIES	(4,397)	(7,816)
NET INCREASE IN CASH	236,484	206,920
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	371,680	164,760
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 608,164	$ 371,680
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 8,713	$ 7,028

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 two classes of net assets: Net assets without donor restrictions and net assets with donor restrictions.

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, 2019 and 2018, 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 net assets without donor restrictions 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 $5,000 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of buildings and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets.

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the 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 either support with donor restrictions or as support without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. It is the Organization’s policy to classify donor restricted contributions as support without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

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 Allocation of 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. Certain employee positions are allocated based on time and effort. Other expenses, including office supplies, information technology and printing are allocated based on a full-time employee equivalent basis. Occupancy and depreciation expense are allocated based on square footage utilized by the function.

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, 2019, and 2018 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, 2019, and 2018 the Organization did not have any income tax related interest and penalty expenses.

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

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

- Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, funds for future operating purposes.

- Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

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 6, 2019, which is the date the financial statements were available to be issued.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented and resulted in the temporarily and permanently restricted net asset balance being renamed net assets with donor restrictions and unrestricted net asset balance of $3,628,790 at June 30, 2018 being renamed net assets without donor restrictions. Also, a new disclosure about liquidity and availability has been added.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization's financial assets as of June 30, 2019 available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date are comprised of the following:

Cash and cash equivalents without donor restrictions	$	608,164
Accounts receivable		79,632
Prepaid expenses		11,668
Investments		18,522
Financial assets available for expenditure	$	717,986

The Organization regularly monitors liquidity to meet its operating needs, operates with a balanced budget and has a goal to maintain cash and cash equivalents on hand to meet 90 days of normal cash operating expenses. Cash as of June 30, 2019 equals approximately 118 days' worth of expenses, based on total expenses incurred during the fiscal year. Approximately 38% of the Organization's expenses are related to reimbursement contracts with government agencies. If for some reason funding was decreased, the Organization would take the opportunity to decrease expenses appropriately. Additionally, the Organization has a $300,000 line of credit that could be utilized if needed.

NOTE 3 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, 2019, 95% 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. 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. Credit risk with respect to these balances is determined to be limited due to the Organization's history and relationships with these entities. As of August 8, 2019, $79,832 (99%) of the accounts receivable balance at June 30, 2019 has been collected by the Organization.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30:

	2019	2018
Governor's Office of Arizona	$ 27,556	$ 18,182
City of Chandler	18,750	-
Department of Health and Human Services	14,902	14,600
Valley of the Sun United Way	14,600	13,595
Arizona Department of Education	3,024	1,792
Other	800	100
	$ 79,632	$ 48,269

NOTE 5 INVESTMENTS AND FAIR VALUE

Investments consists of the following as of June 30:

	2019			
	Level 1	Level 2	Level 3	Total
Equity funds	$ 18,522	$ -	$ -	$ 18,522

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 years ended June 30:

	2019	2018
Dividends and interest	$ 2,578	$ 126
Unrealized and realized gain	1,154	1,349
	$ 3,732	$ 1,475

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2019	2018
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	(1,085,411)	(950,189)
	$ 3,257,498	$ 3,392,720

Depreciation expense charged to operations was $135,221 and $137,129 for the years ended June 30, 2019 and June 30, 2018, respectfully.

NOTE 7 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 29, 2019. Interest on any outstanding balance is payable monthly based on the Bank's Prime Rate (5.25% at June 30, 2019) plus 0.5%, with a floor of 5%. There was no outstanding balance at June 30, 2019. 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, 2019, the Organization was in compliance with all applicable covenants.

NOTE 8 NOTE PAYABLE

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

	2019	2018
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.	$ 150,522	$ 154,919
Current portion	(4,516)	(4,955)
Long-term portion	$ 146,006	$ 149,964

Annual maturities of the note payable as of June 30, 2019 are as follows:

Years Ending June 30,	
2020	$ 4,516
2021	4,769
2022	5,069
2023	5,347
2024	5,643
Thereafter	125,178
	$ 150,522

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 $97,000, 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. 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 a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company 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, 2020. 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.

NOTE 11 NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The Financial Accounting Standards Board has issued Accounting Standards Update ("ASU") No. 2018-08, *Not-For-Profit Entities-Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2019. The standard's core principle is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This ASU should assist entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.