

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.

Determining Contributions Versus Exchange Transactions

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.

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- 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.

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- 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 filed 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.

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

DocuSigned by:  
*Shelby Pedersen* September 14, 2017  
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Shelby Pedersen, Chief Executive Officer Date

DocuSigned by:  
*Aaron Harris* September 8, 2017  
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Aaron Harris, Chief Financial Officer Date

Client: **1014567 - ICAN**  
 Engagement: **1014567 - ICAN**  
 Period Ending: **6/30/2017**  
 Trial Balance: **05.01.01 - ICAN Trial Balance**  
 Workpaper: **05.02.01 - ICAN Journal Entry Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1</b>				
Immaterial adjustment to roll forward Net Assets				
3900	Net Assets		498.00	
8180	Printing & Copying			498.00
<b>Total</b>			<b>498.00</b>	<b>498.00</b>
<b>Adjusting Journal Entries JE # 2</b>				
Client adjustment - to correctly depreciate the van decals.				
8295	Depreciation		493.00	
1599	Accumulated Depreciation			493.00
<b>Total</b>			<b>493.00</b>	<b>493.00</b>
<b>Adjusting Journal Entries JE # 4</b>				
Client entry - to record additional in-kind donations				
8495	In Kind Donations		7,101.00	
4715	Individual - In Kind			1,094.00
4785	Business/Corporate In - Kind			5,607.00
4795	Civic/Faith In-Kind			400.00
<b>Total</b>			<b>7,101.00</b>	<b>7,101.00</b>
<b>Adjusting Journal Entries JE # 5</b>				
Client entry - to record additional in-kind donations				
8125	Program Supplies - In Kind		134.00	
4715	Individual - In Kind			134.00
<b>Total</b>			<b>134.00</b>	<b>134.00</b>
<b>Adjusting Journal Entries JE # 6</b>				
To released unrestricted net assets				
3800	Temp Restricted Net Assets		5,158.00	
3900	Net Assets			5,158.00
<b>Total</b>			<b>5,158.00</b>	<b>5,158.00</b>
<b>Adjusting Journal Entries JE # 7</b>				
Client entry - to correct date of deposit that occurred on July 1, 2017				
2806	Prepaid Revenue		175,000.00	
1017	Operating			175,000.00
<b>Total</b>			<b>175,000.00</b>	<b>175,000.00</b>
<b>Adjusting Journal Entries JE # 8</b>				
To record the funds received for the Experience Matters Fellows as contribution income and remove the recorded liability				
2012	Fellows Payable		19,405.00	
7345	Professional Fees		55,595.00	
4740	Business/Corp Contributions			75,000.00
<b>Total</b>			<b>75,000.00</b>	<b>75,000.00</b>
<b>Adjusting Journal Entries JE # 9</b>				
For F/S presentation				
5010	Event Income-Business/Corporate		127,120.00	
5020	Event Income-Individual		148,215.00	
HH1	Special Events Revenue			71,750.00
HH2	Special Events Contributions			203,585.00
<b>Total</b>			<b>275,335.00</b>	<b>275,335.00</b>
<b>Total Adjusting Journal Entries</b>			<b>538,719.00</b>	<b>538,719.00</b>
<b>Total All Journal Entries</b>			<b>538,719.00</b>	<b>538,719.00</b>

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