



Chandler, Arizona

FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of I.C.A.N., Improving Chandler Area Neighborhoods (an Arizona not-for-profit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, 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 13, 2021

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,092,240	\$ 1,299,091
Grants receivable	28,531	24,624
Prepaid expenses	<u>52,986</u>	<u>18,242</u>
TOTAL CURRENT ASSETS	2,173,757	1,341,957
INVESTMENTS	38,276	27,190
PROPERTY AND EQUIPMENT, net	<u>3,029,027</u>	<u>3,143,263</u>
TOTAL ASSETS	<u>\$ 5,241,060</u>	<u>\$ 4,512,410</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 10,729	\$ 14,767
Accrued payroll	56,969	26,231
Deferred revenue	15,650	25,816
Current portion of note payable	<u>5,069</u>	<u>98,694</u>
TOTAL CURRENT LIABILITIES	88,417	165,508
NOTES PAYABLE, net of current portion	<u>136,793</u>	<u>261,464</u>
TOTAL LIABILITIES	<u>225,210</u>	<u>426,972</u>
NET ASSETS		
Without donor restrictions		
Board designated	385,725	384,878
Undesignated	<u>4,614,268</u>	<u>3,684,306</u>
	4,999,993	4,069,184
With donor restrictions	<u>15,857</u>	<u>16,254</u>
TOTAL NET ASSETS	<u>5,015,850</u>	<u>4,085,438</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,241,060</u>	<u>\$ 4,512,410</u>

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Government grants	\$ 441,642	\$ -	\$ 441,642	\$ 578,149	\$ -	\$ 578,149
Contributions and other grants	1,744,274	25,000	1,769,274	1,083,811	25,000	1,108,811
Special events contributions	105,750	-	105,750	236,000	-	236,000
In-kind donations	66,529	-	66,529	52,838	-	52,838
Facility use income	77,000	-	77,000	77,000	-	77,000
Paycheck protection program	203,500	-	203,500	-	-	-
Other income	16,783	-	16,783	41,818	-	41,818
Investment return	12,482	-	12,482	5,422	-	5,422
Net assets released from restrictions	25,397	(25,397)	-	8,746	(8,746)	-
	<u>2,693,357</u>	<u>(397)</u>	<u>2,692,960</u>	<u>2,083,784</u>	<u>16,254</u>	<u>2,100,038</u>
Special events revenue	122,722	-	122,722	194,915	-	194,915
Direct donor benefits	(4,687)	-	(4,687)	(90,244)	-	(90,244)
	<u>118,035</u>	<u>-</u>	<u>118,035</u>	<u>104,671</u>	<u>-</u>	<u>104,671</u>
TOTAL REVENUES AND SUPPORT	<u>2,811,392</u>	<u>(397)</u>	<u>2,810,995</u>	<u>2,188,455</u>	<u>16,254</u>	<u>2,204,709</u>
OPERATING EXPENSES						
Program services	1,264,423	-	1,264,423	1,269,001	-	1,269,001
General and administrative	545,110	-	545,110	551,954	-	551,954
Fundraising expenses	71,050	-	71,050	66,085	-	66,085
TOTAL EXPENSES	<u>1,880,583</u>	<u>-</u>	<u>1,880,583</u>	<u>1,887,040</u>	<u>-</u>	<u>1,887,040</u>
CHANGE IN NET ASSETS	930,809	(397)	930,412	301,415	16,254	317,669
NET ASSETS, BEGINNING OF YEAR	<u>4,069,184</u>	<u>16,254</u>	<u>4,085,438</u>	<u>3,767,769</u>	<u>-</u>	<u>3,767,769</u>
NET ASSETS, END OF YEAR	<u>\$ 4,999,993</u>	<u>\$ 15,857</u>	<u>\$ 5,015,850</u>	<u>\$ 4,069,184</u>	<u>\$ 16,254</u>	<u>\$ 4,085,438</u>

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services- Youth Program	General and Administrative	Fundraising Expenses	Direct Benefit to Donors	Total Expenses
Payroll and contract labor	\$ 697,101	\$ 339,615	\$ 45,191	\$ -	\$ 1,081,907
Payroll taxes	53,167	25,356	3,272	-	81,795
Employee benefits	32,698	27,096	1,983	-	61,777
TOTAL PAYROLL	782,966	392,067	50,446	-	1,225,479
Advertising	4,675	2,278	303	-	7,256
Automobile expenses	19,503	-	-	-	19,503
Bank and credit card fees	-	13,452	-	-	13,452
Cleaning	25,272	-	-	-	25,272
Community relations	11,601	5,652	752	-	18,005
Depreciation	83,392	30,844	-	-	114,236
Education	16,461	8,019	1,067	-	25,547
Field trips	1,023	-	-	-	1,023
Food supplies and other fundraising expenses	-	-	8,210	-	8,210
In-kind services expenses	37,105	13,724	-	-	50,829
Interest	5,830	2,156	-	-	7,986
Legal and accounting	-	16,000	-	-	16,000
Liability and D&O insurance	11,831	4,376	-	-	16,207
Maintenance and repairs	26,868	9,938	-	-	36,806
Miscellaneous	3,517	578	29	-	4,124
Office supplies	747	363	48	-	1,158
Outside services	20,878	2,316	5,808	-	29,002
Postage and delivery	2,402	1,170	156	-	3,728
Printing	21,947	5,644	3,762	-	31,353
Program supplies	26,817	-	-	-	26,817
Program supplies - in-kind	12,126	-	-	-	12,126
Security	2,175	804	-	-	2,979
Technology	29,237	9,614	368	-	39,219
Student meals expense	44,906	-	-	-	44,906
Student meals expense - in-kind	3,574	-	-	-	3,574
Telephone	28,135	10,406	-	-	38,541
Travel	570	595	101	-	1,266
Utilities	40,865	15,114	-	-	55,979
Special events - venue and other	-	-	-	4,687	4,687
	1,264,423	545,110	71,050	4,687	1,885,270
Amounts reported in total support and other revenue on the statement of activities:					
Direct benefit to donors	-	-	-	(4,687)	(4,687)
TOTAL EXPENSES	\$ 1,264,423	\$ 545,110	\$ 71,050	\$ -	\$ 1,880,583

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services- Youth Program	General and Administrative	Fundraising Expenses	Direct Benefit to Donors	Total Expenses
Payroll and contract labor	\$ 690,493	\$ 352,304	\$ 46,355	\$ -	\$ 1,089,152
Payroll taxes	53,920	29,452	3,790	-	87,162
Employee benefits	27,673	23,086	1,722	-	52,481
TOTAL PAYROLL	772,086	404,842	51,867	-	1,228,795
Advertising	1,638	873	115	-	2,626
Automobile expenses	20,398	-	-	-	20,398
Bank and credit card fees	-	12,911	-	-	12,911
Cleaning	20,277	-	-	-	20,277
Community relations	14,069	7,498	987	-	22,554
Depreciation	83,392	30,844	-	-	114,236
Education	12,085	6,440	847	-	19,372
Field trips	6,415	-	-	-	6,415
Food supplies and other fundraising expenses	-	-	865	-	865
In-kind services expenses	26,401	9,765	-	-	36,166
Interest	5,613	2,076	-	-	7,689
Legal and accounting	-	16,000	-	-	16,000
Liability and D&O insurance	11,481	4,246	-	-	15,727
Maintenance and repairs	26,962	9,973	-	-	36,935
Miscellaneous	2,785	723	48	-	3,556
Office supplies	4,173	2,224	293	-	6,690
Outside services	10,593	2,182	3,287	-	16,062
Postage and delivery	2,013	1,073	141	-	3,227
Printing	20,136	5,178	3,452	-	28,766
Program supplies	34,554	-	-	-	34,554
Program supplies - in-kind	15,413	-	-	-	15,413
Security	3,462	1,281	-	-	4,743
Technology	11,557	4,871	3,727	-	20,155
Student meals expense	88,631	-	-	-	88,631
Student meals expense - in-kind	1,258	-	-	-	1,258
Telephone	27,616	10,214	-	-	37,830
Travel	2,565	2,679	456	-	5,700
Utilities	43,427	16,062	-	-	59,489
Special events - venue and other	-	-	-	42,801	42,801
Special events - food	-	-	-	47,443	47,443
	1,269,001	551,954	66,085	90,244	1,977,284
Amounts reported in total support and other revenue on the statement of activities:					
Direct benefit to donors	-	-	-	(90,244)	(90,244)
TOTAL EXPENSES	\$ 1,269,001	\$ 551,954	\$ 66,085	\$ -	\$ 1,887,040

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 930,412	\$ 317,669
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	114,236	114,236
Realized and unrealized gain	(11,086)	(1,668)
Decrease (increase) in:		
Grants receivable	(3,908)	55,007
Prepaid expenses	(34,744)	(6,574)
Forgiveness of PPP Loan	(213,500)	-
Increase (decrease) in:		
Accounts payable	(4,038)	(3,533)
Accrued payroll	30,738	5,938
Deferred revenue	(10,166)	7,216
	<u>797,944</u>	<u>488,291</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(7,000)
	<u>-</u>	<u>(7,000)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(4,795)	(3,864)
Proceeds from PPP loan	-	213,500
	<u>(4,795)</u>	<u>209,636</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
NET INCREASE IN CASH	793,149	690,927
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,299,091</u>	<u>608,164</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,092,240</u>	<u>\$ 1,299,091</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 7,987</u>	<u>\$ 7,689</u>

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
NOTES TO FINANCIAL STATEMENTS
Years Ending June 30, 2021 and 2020

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. The Organization’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 the Organization serves. The Organization’s evidence-based programming equips youth to achieve personal and academic success. Parenting classes and substance abuse education complete the Organization’s programming, impacting the entire community. The Organization 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.”

The Organization 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. The Organization 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. The Organization’s 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. The Organization’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.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
NOTES TO FINANCIAL STATEMENTS
Years Ending June 30, 2021 and 2020

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.

Grants Receivable

Grants receivable is carried at the outstanding balance less an allowance for doubtful accounts, if applicable. The Organization evaluates the collectability of its grants 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, 2021 and 2020, grants 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).

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
NOTES TO FINANCIAL STATEMENTS
Years Ending June 30, 2021 and 2020

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, net of investment expenses) 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.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
NOTES TO FINANCIAL STATEMENTS
Years Ending June 30, 2021 and 2020

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 consists of contributions and cost reimbursement grants which are classified as conditional contributions and are therefore not subject to Accounting Standards Codification (ASC) 606.

Revenue that is subject to ASC 606 includes facility use income which is recognized and earned in the period the use of the facility occurs.

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 and contributions with donor-imposed conditions as support without donor restrictions to the extent that donor restrictions and conditions were met in the year the contribution was received.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
NOTES TO FINANCIAL STATEMENTS
Years Ending June 30, 2021 and 2020

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

Contributions (Continued)

Conditional contributions consist of cost reimbursement arrangements where income is recognized as allowable expenses are incurred.

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, 2021 and 2020 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, 2021 and 2020 the Organization did not have any income tax related interest and penalty expenses.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
 NOTES TO FINANCIAL STATEMENTS
 Years Ending June 30, 2021 and 2020

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 in the amounts of \$385,725 and \$384,878 as of June 30, 2021 and 2020, respectively, 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 13, 2021, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization’s financial assets as of June 30, 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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents without donor restrictions	\$ 2,076,383	\$ 1,282,837
Accounts receivable	28,531	24,624
Investments	<u>38,276</u>	<u>27,190</u>
Financial assets available for expenditure	<u>\$ 2,143,190</u>	<u>\$ 1,334,651</u>

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
 NOTES TO FINANCIAL STATEMENTS
 Years Ending June 30, 2021 and 2020

NOTE 2 LIQUIDITY AND AVAILABILITY (Continued)

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 without donor restrictions as of June 30, 2021 equals approximately 402 days' worth of expenses, based on total expenses incurred during the fiscal year. Approximately 14% 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 grants receivable. The Organization maintains its cash in bank accounts which at times, may exceed federally insured limits.

As of June 30, 2021, 88% of the grants receivable balance is made up of amounts from one funding source. As of June 30, 2020, 83% of the grants receivable balance is made up of amounts from one funding sources. 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 the date of issuance of these financial statements, \$16,200 (57%) of the grants receivable balance at June 30, 2021 has been collected by the Organization.

NOTE 4 GRANTS RECEIVABLE

Grants receivable consists of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Governor's Office of Arizona	\$ 25,198	\$ 20,558
Department of Health and Human Services	-	4,066
Other	<u>3,333</u>	<u>-</u>
	<u>\$ 28,531</u>	<u>\$ 24,624</u>

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NOTE 5 INVESTMENTS AND FAIR VALUE

Investments consists of the following as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds	<u>\$ 38,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,276</u>

Investments consists of the following as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds	<u>\$ 27,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,190</u>

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

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 1,396	\$ 3,754
Unrealized and realized gain	<u>11,086</u>	<u>1,668</u>
	<u>\$ 12,482</u>	<u>\$ 5,422</u>

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2021</u>	<u>2020</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>154,271</u>
	4,342,909	4,342,909
Accumulated depreciation	<u>(1,313,882)</u>	<u>(1,199,646)</u>
	<u>\$ 3,029,027</u>	<u>\$ 3,143,263</u>

Depreciation expense charged to operations was \$114,236 and \$114,236 for the years ended June 30, 2021 and 2020, respectfully.

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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 28, 2021. Interest on any outstanding balance is payable monthly based on the Wall Street Journal Prime Rate (3.75% at June 30, 2021). There was no outstanding balance at June 30, 2021. 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, 2021, the Organization was in compliance with all applicable covenants.

NOTE 8 NOTES PAYABLE

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

	<u>2021</u>	<u>2020</u>
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.	\$ 141,862	\$ 146,658
Paycheck Protection Program loan authorized under section 7(a) of the Small Business Act as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll costs. The loan and accrued interest are forgivable after 24 weeks as long as the borrower uses the proceeds for eligible expenses. The forgivable amount will be reduced if the number of employees are reduced or if wages are reduced more than 25%. Monthly principal and interest payments are due beginning in November 2020 at an interest rate of 1.0% until the maturity date of April 9, 2022.	\$ -	213,500
	141,862	360,158
Current portion	<u>(5,069)</u>	<u>(98,694)</u>
Long-term portion	<u>\$ 136,793</u>	<u>\$ 261,464</u>

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NOTE 8 NOTES PAYABLE (Continued)

Annual maturities of the note payable as of June 30, 2021 are as follows:

<u>Years Ending June 30,</u>	
2022	\$ 5,069
2023	5,347
2024	5,643
2025	5,984
2026	6,325
Thereafter	<u>113,494</u>
	<u><u>\$ 141,862</u></u>

NOTE 9 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 \$77,000, which may be adjusted annually based on the growth of students.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2021, net assets with donor restrictions consisted of a purpose restriction for mental health therapy in the amount of \$15,857. As for the year ended June 30, 2020, net assets with donor restrictions consisted of a purpose restriction for site expansion in the amount of \$16,254.

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NOTE 11 COMMITMENTS AND CONTINGENCIES

Grants

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.