



Chandler, Arizona

FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

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

### **Opinion**

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of I.C.A.N., Improving Chandler Area Neighborhoods and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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; and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about I.C.A.N., Improving Chandler Area Neighborhoods' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 I.C.A.N., Improving Chandler Area Neighborhoods' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about I.C.A.N., Improving Chandler Area Neighborhoods' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Henry + Horne, LLP*

Tempe, Arizona  
September 14, 2022

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,934,875	\$ 2,092,240
Grants receivable, current portion	78,479	28,531
Prepaid expenses	<u>67,707</u>	<u>52,986</u>
TOTAL CURRENT ASSETS	3,081,061	2,173,757
GRANTS RECEIVABLE, net of current portion	50,000	-
INVESTMENTS	451,727	38,276
PROPERTY AND EQUIPMENT, net	<u>2,976,914</u>	<u>3,029,027</u>
TOTAL ASSETS	<u>\$ 6,559,702</u>	<u>\$ 5,241,060</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 56,222	\$ 10,729
Accrued payroll	44,351	56,969
Deferred revenue	31,500	15,650
Current portion of note payable	<u>-</u>	<u>5,069</u>
TOTAL CURRENT LIABILITIES	132,073	88,417
NOTE PAYABLE, net of current portion	<u>-</u>	<u>136,793</u>
TOTAL LIABILITIES	<u>132,073</u>	<u>225,210</u>
NET ASSETS		
Without donor restrictions		
Board designated	804,106	385,725
Undesignated	<u>5,263,902</u>	<u>4,614,268</u>
	6,068,008	4,999,993
With donor restrictions	<u>359,621</u>	<u>15,857</u>
TOTAL NET ASSETS	<u>6,427,629</u>	<u>5,015,850</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,559,702</u>	<u>\$ 5,241,060</u>

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS  
STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Contributions and other grants	\$ 2,393,024	\$ 230,122	\$ 2,623,146	\$ 1,744,274	\$ 25,000	\$ 1,769,274
Special events contributions	274,325	-	274,325	105,750	-	105,750
Government grants	391,063	129,500	520,563	441,642	-	441,642
Paycheck Protection Program government grant	-	-	-	203,500	-	203,500
In-kind donations	40,071	-	40,071	66,529	-	66,529
Facility use income	77,000	-	77,000	77,000	-	77,000
Other income	1,749	-	1,749	16,783	-	16,783
Investment return	(84,848)	-	(84,848)	12,482	-	12,482
Net assets released from purpose restrictions	15,858	(15,858)	-	25,397	(25,397)	-
	<u>3,108,242</u>	<u>343,764</u>	<u>3,452,006</u>	<u>2,693,357</u>	<u>(397)</u>	<u>2,692,960</u>
Special events revenue	335,907	-	335,907	122,722	-	122,722
Direct donor benefits	(142,728)	-	(142,728)	(4,687)	-	(4,687)
	<u>193,179</u>	<u>-</u>	<u>193,179</u>	<u>118,035</u>	<u>-</u>	<u>118,035</u>
TOTAL REVENUES AND SUPPORT	<u>3,301,421</u>	<u>343,764</u>	<u>3,645,185</u>	<u>2,811,392</u>	<u>(397)</u>	<u>2,810,995</u>
OPERATING EXPENSES						
Program services	1,411,234	-	1,411,234	1,264,423	-	1,264,423
General and administrative	655,392	-	655,392	545,110	-	545,110
Fundraising expenses	166,780	-	166,780	71,050	-	71,050
TOTAL EXPENSES	<u>2,233,406</u>	<u>-</u>	<u>2,233,406</u>	<u>1,880,583</u>	<u>-</u>	<u>1,880,583</u>
CHANGE IN NET ASSETS	1,068,015	343,764	1,411,779	930,809	(397)	930,412
NET ASSETS, BEGINNING OF YEAR	4,999,993	15,857	5,015,850	4,069,184	16,254	4,085,438
NET ASSETS, END OF YEAR	<u>\$ 6,068,008</u>	<u>\$ 359,621</u>	<u>\$ 6,427,629</u>	<u>\$ 4,999,993</u>	<u>\$ 15,857</u>	<u>\$ 5,015,850</u>

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2022

	Program Services- Youth Program	General and Administrative	Fundraising Expenses	Direct Benefit to Donors	Total Expenses
Payroll and contract labor	\$ 823,357	\$ 392,587	\$ 92,955	\$ -	\$ 1,308,899
Payroll taxes	60,288	28,782	6,801	-	95,871
Employee benefits	36,789	30,233	2,344	-	69,366
<b>TOTAL PAYROLL</b>	<b>920,434</b>	<b>451,602</b>	<b>102,100</b>	<b>-</b>	<b>1,474,136</b>
Advertising	9,862	4,702	1,113	-	15,677
Automobile expenses	30,862	-	-	-	30,862
Bank and credit card fees	-	20,234	-	-	20,234
Cleaning	26,275	-	-	-	26,275
Community relations	20,333	9,695	2,296	-	32,324
Depreciation	85,791	31,730	-	-	117,521
Education	13,641	7,236	1,507	-	22,384
Field trips	12,571	-	-	-	12,571
Food supplies and other fundraising expenses	-	-	632	-	632
In-kind services expenses	16,215	5,998	-	-	22,213
Interest	4,676	1,730	-	-	6,406
Legal and accounting	-	16,500	-	-	16,500
Liability and D&O insurance	14,739	5,452	-	-	20,191
Maintenance and repairs	35,324	13,065	-	-	48,389
Miscellaneous	8,526	3,524	534	-	12,584
Office supplies	1,942	926	219	-	3,087
Outside services	14,377	44,899	49,633	-	108,909
Postage and delivery	1,393	664	157	-	2,214
Printing	14,036	3,610	2,407	-	20,053
Program supplies	43,348	-	-	-	43,348
Program supplies - in-kind	16,516	-	-	-	16,516
Security	3,109	1,150	-	-	4,259
Technology	37,737	9,134	5,874	-	52,745
Student meals expense	17,691	-	-	-	17,691
Student meals expense - in-kind	1,342	-	-	-	1,342
Telephone	18,212	6,736	-	-	24,948
Travel	1,730	1,806	308	-	3,844
Utilities	40,552	14,999	-	-	55,551
Special events - venue and other	-	-	-	142,728	142,728
	1,411,234	655,392	166,780	142,728	2,376,134
Amounts reported in total support and other revenue on the statement of activities:					
Direct benefit to donors	-	-	-	(142,728)	(142,728)
<b>TOTAL EXPENSES</b>	<b>\$ 1,411,234</b>	<b>\$ 655,392</b>	<b>\$ 166,780</b>	<b>\$ -</b>	<b>\$ 2,233,406</b>

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
<b>TOTAL PAYROLL</b>	<b>782,966</b>	<b>392,067</b>	<b>50,446</b>	<b>-</b>	<b>1,225,479</b>
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)
<b>TOTAL EXPENSES</b>	<b>\$ 1,264,423</b>	<b>\$ 545,110</b>	<b>\$ 71,050</b>	<b>\$ -</b>	<b>\$ 1,880,583</b>

See accompanying notes.



I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,411,779	\$ 930,412
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	117,521	114,236
Realized and unrealized (gain)/loss	86,549	(11,086)
Forgiveness of PPP loan	-	(213,500)
Decrease (increase) in:		
Grants receivable	(99,949)	(3,908)
Prepaid expenses	(14,721)	(34,744)
Increase (decrease) in:		
Accounts payable	45,493	(4,038)
Accrued payroll	(12,618)	30,738
Deferred revenue	15,850	(10,166)
	<u>1,549,904</u>	<u>797,944</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(65,407)	-
Purchases of investments	(500,000)	-
	<u>(565,407)</u>	<u>-</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on note payable	(141,862)	(4,795)
	<u>(141,862)</u>	<u>(4,795)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
<b>NET INCREASE IN CASH</b>	842,635	793,149
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>2,092,240</u>	<u>1,299,091</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 2,934,875</u>	<u>\$ 2,092,240</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 6,408</u>	<u>\$ 7,987</u>

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS  
NOTES TO FINANCIAL STATEMENTS  
Years Ending June 30, 2022 and 2021

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.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS  
NOTES TO FINANCIAL STATEMENTS  
Years Ending June 30, 2022 and 2021

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 and Promises to Give

Grants receivable are unconditional promises to give and 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, 2022 and 2021

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, 2022 and 2021

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. Payments for the annual facility use are due in two semi-annual installments during the year of the usage.

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, 2022 and 2021

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.

In-Kind Contributions and Change in Accounting Principle

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU was issued to increase the transparency of contributed nonfinancial (non-cash) assets for not-for-profit entities through enhancements to presentation and disclosure. The change in accounting principle was adopted on a retrospective basis as of July 1, 2020. There was no adjustment to the beginning net assets balance as a result of the adoption of this standard.

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.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS  
NOTES TO FINANCIAL STATEMENTS  
Years Ending June 30, 2022 and 2021

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

Income Tax Status (Continued)

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, 2022 and 2021 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, 2022 and 2021 the Organization did not have any income tax related interest and penalty expenses.

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 \$804,106 and \$385,725 as of June 30, 2022 and 2021, respectively, for future operating purposes, capital, and expansion.
- 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 14, 2022, which is the date the financial statements were available to be issued.

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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>2022</u>	<u>2021</u>
Cash and cash equivalents without donor restrictions	\$ 2,675,253	\$ 2,076,383
Grants receivable, current portion	78,479	28,531
Investments	<u>451,727</u>	<u>38,276</u>
Financial assets available for expenditure	<u>\$ 3,205,459</u>	<u>\$ 2,143,190</u>

Cash and cash equivalents and investments include net assets without donor restrictions that are board designated in the amount of \$804,106 and \$385,725 as of June 30, 2022 and 2021, respectively. The Organization could request the board to undesignate these funds, if necessary.

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, 2022 equals approximately 437 days’ worth of expenses, based on total expenses incurred during the fiscal year. Approximately 17% 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, 2022 and 2021, 78% and 88% of the grants receivable balance is made up of amounts from one funding source, respectively. Credit risk with respect to these balances is determined to be limited due to the Organization’s history and relationships with these entities.



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NOTE 4 GRANTS RECEIVABLE

Grants receivable consists of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Governor's Office of Arizona	\$ 10,405	\$ 25,198
Virginia G. Piper Charitable Trust	100,000	-
Other	<u>18,074</u>	<u>3,333</u>
	<u>\$ 128,479</u>	<u>\$ 28,531</u>

NOTE 5 INVESTMENTS AND FAIR VALUE

Investments consists of the following as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds	\$ 34,195	\$ -	\$ -	\$ 34,195
Investment pool - socially responsible pool	<u>-</u>	<u>417,532</u>	<u>-</u>	<u>417,532</u>
	<u>\$ 34,195</u>	<u>\$ 417,532</u>	<u>\$ -</u>	<u>\$ 451,727</u>

The socially responsible pool is an investment pool held by Arizona Community Foundation. The value is measured based on the value of the underlying assets, which are publicly traded investments, and the Organization's portion of that total investment pool.

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>

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NOTE 5 INVESTMENTS AND FAIR VALUE (Continued)

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

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 1,701	\$ 1,396
Unrealized and realized gain/(loss)	(82,380)	11,086
Investment fees	(4,169)	-
	<u>\$ (84,848)</u>	<u>\$ 12,482</u>

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 285,000	\$ 285,000
Buildings and improvements	3,525,956	3,525,956
Furniture and equipment	443,331	377,682
Vehicles	154,271	154,271
	4,408,558	4,342,909
Accumulated depreciation	<u>(1,431,644)</u>	<u>(1,313,882)</u>
	<u>\$ 2,976,914</u>	<u>\$ 3,029,027</u>

Depreciation expense charged to operations was \$117,521 and \$114,236 for the years ended June 30, 2022 and 2021, 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 28, 2023. Interest on any outstanding balance is payable monthly at a rate of .05 over the Wall Street Journal Prime Rate (3.750% at June 30, 2022). There was no outstanding balance at June 30, 2022 and 2021.

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NOTE 8 NOTE PAYABLE

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

	<u>2022</u>	<u>2021</u>
Mortgage note payable with interest at 5.476%, due in monthly payments of \$1,065, including interest. This note was amortized over eight years with a balloon payment due in August 2028. The note was secured by a deed of trust on the real estate. The Organization repaid the entire loan balance during the year ended June 30, 2022.	\$ -	\$ 141,862
Current portion	-	141,862 (5,069)
Long-term portion	<u>\$ -</u>	<u>\$ 136,793</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 with an option to renew for three successive five year terms up through June 30, 2033. The agreement has currently been 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, 2022, net assets with donor restrictions consisted of a purpose restriction for the youth services summer program in the amount of \$259,622 and a time restriction in the amount of \$100,000. 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.

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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.

NOTE 12 IN-KIND DONATIONS

The Organization received the following contributions of nonfinancial assets for the year ended June 30, 2022:

Type	Youth Program	General and Administrative	Fundraising	Total
Program supplies	\$ 16,516	\$ -	\$ -	\$ 16,516
Gift cards	-	-	10,000	10,000
Snacks	1,342	-	-	1,342
Services	6,215	5,998	-	12,213
	<u>\$ 24,073</u>	<u>\$ 5,998</u>	<u>\$ 10,000</u>	<u>\$ 40,071</u>

The Organization received the following contributions of nonfinancial assets for the year ended June 30, 2021:

Type	Youth Program	General and Administrative	Fundraising	Total
Program supplies	\$ 12,126	\$ -	\$ -	\$ 12,126
Gift cards	2,965	-	-	2,965
Snacks	3,574	-	-	3,574
Services	34,140	13,724	-	47,864
	<u>\$ 52,805</u>	<u>\$ 13,724</u>	<u>\$ -</u>	<u>\$ 66,529</u>

The Organization's policy is to utilize all in-kind donations that are received to carry out the mission of the Organization. All donated services and items were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and other items.