Financial Reports

ican
Positive Programs for Youth

Chandler, Arizona

FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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
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, 2020 and 2019, 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, 2020 and 2019, 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
August 28, 2020

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,299,091	$ 608,164
Grants receivable	24,624	79,632
Prepaid expenses	18,242	11,668
TOTAL CURRENT ASSETS	1,341,957	699,464
INVESTMENTS	27,190	18,522
PROPERTY AND EQUIPMENT, net	3,143,263	3,257,498
TOTAL ASSETS	$ 4,512,410	$ 3,975,484
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 14,767	$ 18,300
Accrued payroll	26,231	20,293
Deferred revenue	25,816	18,600
Current portion of note payable	98,694	4,516
TOTAL CURRENT LIABILITIES	165,508	61,709
NOTES PAYABLE, net of current portion	261,464	146,006
TOTAL LIABILITIES	426,972	207,715
NET ASSETS		
Without donor restrictions		
Board designated	384,878	281,258
Undesignated	3,684,306	3,486,511
	4,069,184	3,767,769
With donor restrictions	16,254	-
TOTAL NET ASSETS	4,085,438	3,767,769
TOTAL LIABILITIES AND NET ASSETS	$ 4,512,410	$ 3,975,484

See accompanying notes.

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Government grants	$ 578,149	$ -	$ 578,149	$ 650,040	$ -	$ 650,040
Contributions and other grants	1,083,811	25,000	1,108,811	930,808	-	930,808
Special events contributions	236,000	-	236,000	180,500	-	180,500
In-kind donations	52,838	-	52,838	44,132	-	44,132
Facility use income	77,000	-	77,000	97,000	-	97,000
Other income	41,818	-	41,818	406	-	406
Investment return	5,422	-	5,422	3,732	-	3,732
Net assets released from restrictions	8,746	(8,746)	-	-	-	-
	2,083,784	16,254	2,100,038	1,906,618	-	1,906,618
Special events revenue	194,915	-	194,915	187,229	-	187,229
Direct donor benefits	(90,244)	-	(90,244)	(70,345)	-	(70,345)
	104,671	-	104,671	116,884	-	116,884
TOTAL REVENUES AND SUPPORT	2,188,455	16,254	2,204,709	2,023,502	-	2,023,502
OPERATING EXPENSES						
Program services	1,269,001	-	1,269,001	1,200,375	-	1,200,375
General and administrative	551,954	-	551,954	625,996	-	625,996
Fundraising expenses	66,085	-	66,085	58,152	-	58,152
TOTAL EXPENSES	1,887,040	-	1,887,040	1,884,523	-	1,884,523
CHANGE IN NET ASSETS	301,415	16,254	317,669	138,979	-	138,979
NET ASSETS, BEGINNING OF YEAR	3,767,769	-	3,767,769	3,628,790	-	3,628,790
NET ASSETS, END OF YEAR	$ 4,069,184	$ 16,254	$ 4,085,438	$ 3,767,769	$ -	$ 3,767,769

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

I.C.A.N., IMPROVING CHANDLER AREA NEIGHBORHOODS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 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
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 317,669	$ 138,979
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	114,236	135,221
Realized and unrealized gain	(1,668)	(1,154)
Decrease (increase) in:		
Grants receivable	55,007	(31,362)
Prepaid expenses	(6,574)	(10,552)
Increase (decrease) in:		
Accounts payable	(3,533)	8,400
Accrued payroll	5,938	5,249
Deferred revenue	7,216	(3,900)
NET CASH PROVIDED BY OPERATING ACTIVITIES	488,291	240,881
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(7,000)	-
NET CASH USED IN INVESTING ACTIVITIES	(7,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(3,864)	(4,397)
Proceeds from PPP loan	213,500	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	209,636	(4,397)
NET INCREASE IN CASH	690,927	236,484
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	608,164	371,680
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,299,091	$ 608,164
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 7,689	$ 8,713

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. 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.

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, 2020 and 2019, 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).

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.

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

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers,* which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to funding sources in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted ASC 606 with an initial application date of July 1, 2019.

Based on the Organization's evaluation of its contracts with funding sources and others, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

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

Revenue Recognition (Continued)

Government grant revenue consists of contributions and cost reimbursement grants which are classified as conditional contributions and are therefore not subject to 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

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in the year ended June 30, 2020. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of July 1, 2019.

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.

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.

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

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, 2020, and 2019 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, 2020, and 2019 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 $384,878 and $281,258 as of June 30, 2020 and 2019, respectively, for future operating purposes.

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

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

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 August 28, 2020, 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:

	2020	2019
Cash and cash equivalents without donor restrictions	$ 1,282,837	$ 608,164
Accounts receivable	24,624	79,632
Investments	27,190	18,522
Financial assets available for expenditure	$ 1,334,651	$ 706,318

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, 2020 equals approximately 248 days' worth of expenses, based on total expenses incurred during the fiscal year. Approximately 21.5% 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, 2020, 83% of the grants receivable balance is made up of amounts from one funding source. As of June 30, 2019, 95% of the grants receivable balance is made up of amounts from four funding sources, each of which individually make up 10% or more of the total balance. Credit risk with respect to these balances is determined to be limited due to the Organization's history and relationships with these entities. As of the date of issuance of these financial statements, $24,624 (100%) of the grants receivable balance at June 30, 2020 has been collected by the Organization.

NOTE 4 GRANTS RECEIVABLE

Grants receivable consists of the following as of June 30:

	2020	2019
Governor's Office of Arizona	$ 20,558	$ 27,556
City of Chandler	-	18,750
Department of Health and Human Services	4,066	14,902
Valley of the Sun United Way	-	14,600
Arizona Department of Education	-	3,024
Other	-	800
	$ 24,624	$ 79,632

NOTE 5 INVESTMENTS AND FAIR VALUE

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

	Level 1	Level 2	Level 3	Total
Equity funds	$ 27,190	$ -	$ -	$ 27,190

Investments consists of the following as of June 30, 2019:

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

NOTE 5 INVESTMENTS AND FAIR VALUE (Continued)

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

	2020	2019
Dividends and interest	$ 3,754	$ 2,578
Unrealized and realized gain	1,668	1,154
	$ 5,422	$ 3,732

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2020	2019
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	(1,199,646)	(1,085,411)
	$ 3,143,263	$ 3,257,498

Depreciation expense charged to operations was $114,236 and $135,221 for the years ended June 30, 2020 and 2019, 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, 2020. Interest on any outstanding balance is payable monthly based on the Bank's Prime Rate (5.25% at June 30, 2020) plus 0.5%, with a floor of 5%. There was no outstanding balance at June 30, 2020. 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, 2020, the Organization was in compliance with all applicable covenants.

NOTE 8 NOTES PAYABLE

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

	2020	2019
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.	$ 146,658	$ 150,522
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 forgiveable 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	-
	360,158	150,522
Current portion	(98,694)	(4,516)
Long-term portion	$ 261,464	$ 146,006

NOTE 8 NOTES PAYABLE (Continued)

Annual maturities of the note payable as of June 30, 2020 are as follows:

Years Ending June 30,		
2021	$	98,694
2022		124,671
2023		5,347
2024		5,643
2025		5,984
Thereafter		119,819
	$	360,158

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, 2020, net assets with donor restrictions consisted of a purpose restriction for site expansion in the amount of $16,254. There were no net assets with donor restrictions for the year end June 30, 2019.

NOTE 11 COMMITMENTS AND CONTINGENIES

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.

COVID-19:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

NOTE 12 NEW ACCOUNTING PRONOUNCEMENTS

The FASB has issued ASU No. 2016-02, *Leases*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2021. 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.