

I KNOW I CAN

FINANCIAL STATEMENTS

June 30, 2016 and 2015

To the Board of Directors of
I Know I Can

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of I Know I Can which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets 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.

Auditor's 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 auditor's 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 Know I Can as of June 30, 2016 and 2015, 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.

John Gerlach & Company LLP

Columbus, Ohio
March 6, 2017

I KNOW I CAN

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash	\$ 3,170,225	\$ 2,187,049
Operating receivables	24,034	2,609
Pledges/Grants receivable	624,500	728,000
Inventory	20,062	7,885
Prepaid expenses	-	21,921
Property and equipment, net	230,692	251,683
Beneficial interest in assets held by others	31,764,256	32,167,192
TOTAL ASSETS	<u>\$ 35,833,769</u>	<u>\$ 35,366,339</u>
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 46,655	\$ 40,723
Accrued expenses	155,656	145,555
Total Liabilities	<u>202,311</u>	<u>186,278</u>
Unrestricted net assets	3,455,596	3,065,711
Temporarily restricted net assets	32,175,862	32,114,350
Total Net Assets	<u>35,631,458</u>	<u>35,180,061</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,833,769</u>	<u>\$ 35,366,339</u>

See Notes to Financial Statements

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STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions	\$ 2,422,396	\$ 756,190	\$ 3,178,586
Contract services	1,249,500	-	1,249,500
In-kind contributions	135,841	-	135,841
Book revenue and contributions	86,866	-	86,866
Dividends, interest and other revenue	1,130	-	1,130
Gains, (losses), interest and dividends on beneficial interest in assets held by others	1,144	373,086	374,230
Net assets released from restriction	1,067,764	(1,067,764)	-
 Total Revenue and Support	 <u>4,964,641</u>	 <u>61,512</u>	 <u>5,026,153</u>
EXPENSES:			
Direct Program Services:			
Scholarship grants and fees	1,145,013	-	1,145,013
Salaries and benefits	1,662,237	-	1,662,237
Program events	747,004	-	747,004
Book	38,785	-	38,785
Supporting Services:			
Salaries and benefits	524,684	-	524,684
Development	7,668	-	7,668
Professional services	45,087	-	45,087
Rent	91,821	-	91,821
Depreciation	36,377	-	36,377
Technology	36,164	-	36,164
Other operating expenses	239,916	-	239,916
 Total Expenses	 <u>4,574,756</u>	 <u>-</u>	 <u>4,574,756</u>
 CHANGE IN NET ASSETS	 <u>389,885</u>	 <u>61,512</u>	 <u>451,397</u>
 NET ASSETS - At Beginning of Year	 3,065,711	 32,114,350	 35,180,061
 NET ASSETS - At End of Year	 <u>\$ 3,455,596</u>	 <u>\$ 32,175,862</u>	 <u>\$ 35,631,458</u>

See Notes to Financial Statements

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STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions	\$ 730,845	\$ 938,342	\$ 1,669,187
Contract services	812,000	-	812,000
In-kind contributions	171,878	-	171,878
Book revenue and contributions	59,442	-	59,442
Dividends, interest and other revenue	23,064	-	23,064
Gains, (losses), interest and dividends on beneficial interest in assets held by others	26	731,909	731,935
Net assets released from restriction	1,842,630	(1,842,630)	-
 Total Revenue and Support	 <u>3,639,885</u>	 <u>(172,379)</u>	 <u>3,467,506</u>
EXPENSES:			
Direct Program Services:			
Scholarship grants and fees	1,355,673	-	1,355,673
Salaries and benefits	991,705	-	991,705
Program events	361,601	-	361,601
Book	33,877	-	33,877
Supporting Services:			
Salaries and benefits	449,637	-	449,637
Development	3,113	-	3,113
Professional services	105,300	-	105,300
Rent	78,740	-	78,740
Depreciation	34,169	-	34,169
Technology	54,923	-	54,923
Other operating expenses	239,827	-	239,827
 Total Expenses	 <u>3,708,565</u>	 <u>-</u>	 <u>3,708,565</u>
 CHANGE IN NET ASSETS	 <u>(68,680)</u>	 <u>(172,379)</u>	 <u>(241,059)</u>
 NET ASSETS - At Beginning of Year	 3,134,391	 32,286,729	 35,421,120
 NET ASSETS - At End of Year	 <u>\$ 3,065,711</u>	 <u>\$ 32,114,350</u>	 <u>\$ 35,180,061</u>

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STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 451,397	\$ (241,059)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	36,377	34,169
Changes in assets and liabilities:		
Operating receivables	(21,425)	15,240
Pledges/Grants receivable	103,500	(103,000)
Inventory	(12,177)	10,467
Prepaid expenses	21,921	(7,639)
Beneficial interest in assets held by others	402,936	345,593
Accounts payable	5,932	18,130
Accrued expenses	10,101	19,214
Net Cash Provided (Used) by Operating Activities	<u>998,562</u>	<u>91,115</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(15,386)	(101,214)
Net Cash Used in Investing Activities	<u>(15,386)</u>	<u>(101,214)</u>
NET INCREASE (DECREASE) IN CASH	<u>983,176</u>	<u>(10,099)</u>
CASH AT BEGINNING OF YEAR	2,187,049	2,197,148
CASH AT END OF YEAR	<u>\$ 3,170,225</u>	<u>\$ 2,187,049</u>

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Operations – I Know I Can (IKIC) was organized in January 1988 in Columbus, OH to inspire, enable and support Columbus City Schools (CCS) students in pursuing and completing a college education by providing programs and services including: college planning and counseling for middle and high school students, help with the admissions and financial aid processes, summer enrichment programs, parent engagement workshops, college retention services, as well as grants and scholarships toward the cost of college for qualified students who graduate from a CCS high school.

Basis of Accounting – The financial statements of IKIC are prepared on the accrual basis using the principles of fund accounting. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – IKIC is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code as evidenced by a determination letter dated April 7, 1988. Accordingly, the accompanying financial statements include no provision for income taxes.

IKIC has adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) relating to uncertain tax positions. IKIC does not believe its financial statements include any uncertain tax positions. With few exceptions, IKIC is no longer subject to federal, state or local tax examinations by tax authorities for years before 2012.

Revenue Recognition – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contract services represent revenue received from the Columbus City School District for services provided and are recognized when earned.

In-Kind Contributions – The Columbus City School District, members of the Board of Trustees and others provide IKIC certain accounting, legal and administrative services and office space without charge. The estimated fair value of the services and office space is reported as support and expense in the accompanying statements of activities.

Scholarship Grants and Fees – Scholarship grants and fees are reported net of refunds and returned grant checks. Frequently, students who are awarded grants and scholarships either fail to register or withdraw from the college or university after beginning. Total refunds and returned grant checks received during 2016 and 2015 were \$36,951 and \$44,814, respectively.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property and Equipment – Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of the assets.

Work in progress and software in development are capitalized at cost and begin depreciating once the item(s) are complete and placed into service.

Cash – IKIC considers all short-term investments with an original maturity of three months or less to be cash equivalents. IKIC maintains at various financial institutions cash and cash equivalents which may exceed federally insured amounts at times. IKIC has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Inventory – Inventory consists of books and posters and is stated at the lower of cost or market. Cost is determined using the weighted average method.

Accrued Expenses – Accrued expenses primarily consist of amounts for accrued payroll and vacation for IKIC employees.

Recent Accounting Pronouncements - In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for leases for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. We are currently evaluating the impact of our pending adoption of the new standard on our financial statements.

2. PLEDGES/GRANTS RECEIVABLE:

	<u>2016</u>	<u>2015</u>
Pledges/Grants receivable due in:		
Less than one year	\$ 359,500	\$ 438,000
One to five years	265,000	290,000
Net Pledges Receivable	<u>\$ 624,500</u>	<u>\$ 728,000</u>

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June 30, 2016

3. PROPERTY AND EQUIPMENT:

A summary of property and equipment is as follows:

	<u>2016</u>	<u>2015</u>
Leasehold Improvements	\$ 283,950	\$ 283,950
Office Equipment	83,549	68,163
Software	25,000	-
Work in Progress	-	25,000
Software in Development	171,000	171,000
	<u>563,499</u>	<u>548,113</u>
Less Accumulated Depreciation	332,807	296,430
Net Property and Equipment	<u>\$ 230,692</u>	<u>\$ 251,683</u>

4. RISKS AND UNCERTAINTIES:

IKIC invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

5. FUNDS HELD BY THE COLUMBUS FOUNDATION:

Contributions received by IKIC are transferred to funds held at The Columbus Foundation for the unrestricted and temporarily restricted use of IKIC. These funds are subject to the variance power of the Board of Trustees of The Columbus Foundation. The variance power permits The Columbus Foundation's Board of Trustees, in its sole discretion to redirect all or part of the funds' income and/or assets to another organization. The activity of the funds held at The Columbus Foundation for the years ended June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Cash and investments at beginning of year (at market)	\$ 32,167,192	\$ 32,512,785
Transfers to I Know I Can (net)	(777,166)	(1,077,528)
Net interest and dividend income	850,282	631,565
Net realized and unrealized gains (losses)	(476,052)	100,370
Cash and investments at end of year (at market)	<u>\$ 31,764,256</u>	<u>\$ 32,167,192</u>

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June 30, 2016

6. FUNCTIONAL EXPENSES:

Expenses were incurred for the following:

	<u>2016</u>	<u>2015</u>
Program	\$ 3,842,973	\$ 2,953,059
Program - in-kind	79,841	106,873
Fundraising	212,953	239,522
Management and general	382,989	344,106
Management and general - in-kind	56,000	65,005
Total	<u>\$ 4,574,756</u>	<u>\$ 3,708,565</u>

7. NET ASSETS:

Temporarily restricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Time restricted for operations	\$ 212,500	\$ 15,000
Programs	3,071,229	2,024,048
I Know I Can grants and scholarships	27,046,346	28,228,295
Project Grad merit awards	1,845,787	1,847,007
Total	<u>\$ 32,175,862</u>	<u>\$ 32,114,350</u>

8. EMPLOYEE BENEFIT PLAN:

IKIC has a defined contribution 401(k) retirement plan. Under the plan, eligible employees may contribute a portion of their salary until retirement. IKIC contributions were \$-0- in both 2016 and 2015.

9. IN-KIND CONTRIBUTIONS:

In-kind contributions consist of the following:

	<u>2016</u>	<u>2015</u>
Office support - CCSD	\$ 38,000	\$ 38,000
Office space - Administrative office	56,000	50,000
Legal fees	12,170	27,205
Food	29,671	56,673
Total	<u>\$ 135,841</u>	<u>\$ 171,878</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016

10. PROJECT GRAD:

Project GRAD Columbus, a supporting organization of IKIC, ceased operations on June 30, 2007. In accordance with Project GRAD Columbus's Articles of Incorporation, upon dissolution of the organization, all assets were transferred to IKIC. Included in the transferred assets were two scholarship funds held at The Columbus Foundation. These funds totaled \$1,845,787 and \$1,847,007 as of June 30, 2016 and 2015, respectively, and are reported in beneficial interest in assets held by others on the Statements of Financial Position. IKIC committed to carry out the original intent of the two funds, on behalf of Project GRAD, by administering the scholarship monies to students for college during the 10-year commitment period. Any remaining monies after the commitment period (June 2017) would then be available to advance IKIC strategies that are consistent with the original intent of the funds.

11. ASSETS AND LIABILITIES – FAIR VALUE INFORMATION:

In accordance with the Fair Value Measurements and Disclosures Topic of the FASB ASC, all financial instruments that are being measured and reported on a fair value basis must be classified and disclosed in one of the following three categories:

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, and if the asset or liability has a specified (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.

Assets measured at fair value on a recurring basis at June 30, 2016 and 2015 were as follows:

Description	2016			
	Total	Level 1	Level 2	Level 3
Beneficial interest in assets held by others	\$ 31,764,256	\$ -	\$ 31,764,256	\$ -
Total Assets	\$ 31,764,256	\$ -	\$ 31,764,256	\$ -

Description	2015			
	Total	Level 1	Level 2	Level 3
Beneficial interest in assets held by others	\$ 32,167,192	\$ -	\$ 32,167,192	\$ -
Total Assets	\$ 32,167,192	\$ -	\$ 32,167,192	\$ -

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June 30, 2016

11. ASSETS AND LIABILITIES – FAIR VALUE INFORMATION:

The level 2 assets listed above were valued using the market approach and were determined using quoted market prices of similar assets. The beneficial interest in assets held by others was comprised of approximately 60% equity securities, 30% bonds and 10% cash in both years.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 6, 2017, which is the date the financial statements were available to be issued.

Subsequent to year end, IKIC entered into a long-term operating lease agreement for office space, expiring in 2021.

Minimum lease payments under the lease subsequent to June 30, 2016 are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2017	\$ -
2018	89,700
2019	91,046
2020	93,777
2021	96,590
Thereafter	49,009
Total Future Minimum Lease Payments	<u>\$ 420,121</u>