

I KNOW I CAN

FINANCIAL STATEMENTS

June 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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
December 18, 2018

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STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash	\$ 3,262,617	\$ 3,369,899
Operating receivables	659	50,498
Pledges/Grants receivable	627,432	320,000
Inventory	34,808	35,722
Prepaid expenses	3,531	-
Property and equipment, net	218,006	278,005
Beneficial interest in assets held by others:		
Unrestricted	3,685,101	3,753,719
Temporarily restricted	<u>31,592,425</u>	<u>30,397,666</u>
	35,277,526	34,151,385
TOTAL ASSETS	<u>\$ 39,424,579</u>	<u>\$ 38,205,509</u>
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 74,463	\$ 37,919
Accrued expenses	291,783	181,481
Total Liabilities	<u>366,246</u>	<u>219,400</u>
Unrestricted net assets	5,469,786	5,767,109
Temporarily restricted net assets	33,588,547	32,219,000
Total Net Assets	<u>39,058,333</u>	<u>37,986,109</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 39,424,579</u>	<u>\$ 38,205,509</u>

See Notes to Financial Statements

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STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions	\$ 1,116,067	\$ 587,037	\$ 1,703,104
Contract services	1,249,500	-	1,249,500
In-kind contributions	48,297	-	48,297
Book revenue and contributions	16,926	-	16,926
Dividends, interest and other revenue	9,034	-	9,034
Gains, (losses), interest and dividends on beneficial interest in assets held by others	5,072	2,828,241	2,833,313
Net assets released from restriction	2,045,731	(2,045,731)	-
 Total Revenue and Support	 <u>4,490,627</u>	 <u>1,369,547</u>	 <u>5,860,174</u>
EXPENSES:			
Direct Program Services:			
Scholarship grants and fees	1,327,526	-	1,327,526
Salaries and benefits	1,809,924	-	1,809,924
Program events	280,794	-	280,794
Book	34,396	-	34,396
Supporting Services:			
Salaries and benefits	566,028	-	566,028
Development	9,195	-	9,195
Professional services	48,195	-	48,195
Rent	172,935	-	172,935
Depreciation	93,285	-	93,285
Technology	146,925	-	146,925
Other operating expenses	298,747	-	298,747
 Total Expenses	 <u>4,787,950</u>	 <u>-</u>	 <u>4,787,950</u>
 CHANGE IN NET ASSETS	 <u>(297,323)</u>	 <u>1,369,547</u>	 <u>1,072,224</u>
 NET ASSETS - At Beginning of Year	 5,767,109	 32,219,000	 37,986,109
 NET ASSETS - At End of Year	 <u>\$ 5,469,786</u>	 <u>\$ 33,588,547</u>	 <u>\$ 39,058,333</u>

See Notes to Financial Statements

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STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions	\$ 1,029,840	\$ 625,290	\$ 1,655,130
Contract services	1,249,500	-	1,249,500
In-kind contributions	105,030	-	105,030
Book revenue and contributions	35,449	-	35,449
Dividends, interest and other revenue	10,241	-	10,241
Gains, (losses), interest and dividends on beneficial interest in assets held by others	2,263	3,886,725	3,888,988
Net assets released from restriction	4,468,877	(4,468,877)	-
 Total Revenue and Support	 <u>6,901,200</u>	 <u>43,138</u>	 <u>6,944,338</u>
EXPENSES:			
Direct Program Services:			
Scholarship grants and fees	1,271,554	-	1,271,554
Salaries and benefits	1,660,665	-	1,660,665
Program events	465,088	-	465,088
Book	459	-	459
Supporting Services:			
Salaries and benefits	563,118	-	563,118
Development	8,255	-	8,255
Professional services	45,165	-	45,165
Rent	104,450	-	104,450
Depreciation	58,891	-	58,891
Technology	62,834	-	62,834
Other operating expenses	349,208	-	349,208
 Total Expenses	 <u>4,589,687</u>	 <u>-</u>	 <u>4,589,687</u>
 CHANGE IN NET ASSETS	 <u>2,311,513</u>	 <u>43,138</u>	 <u>2,354,651</u>
 NET ASSETS - At Beginning of Year	 3,455,596	 32,175,862	 35,631,458
 NET ASSETS - At End of Year	 <u>\$ 5,767,109</u>	 <u>\$ 32,219,000</u>	 <u>\$ 37,986,109</u>

See Notes to Financial Statements

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STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,072,224	\$ 2,354,651
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	93,285	58,891
Loss on disposal of assets	-	1,285
Changes in assets and liabilities:		
Operating receivables	49,839	(26,464)
Pledges/Grants receivable	(307,432)	304,500
Inventory	914	(15,660)
Prepaid expenses	(3,531)	-
Accounts payable	36,544	(8,736)
Accrued expenses	110,302	25,825
 Net Cash Provided (Used) by Operating Activities	 <u>1,052,145</u>	 <u>2,694,292</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(33,286)	(107,489)
Beneficial interest in assets held by others	(1,126,141)	(2,387,129)
 Net Cash Used in Investing Activities	 <u>(1,159,427)</u>	 <u>(2,494,618)</u>
 NET INCREASE (DECREASE) IN CASH	 <u>(107,282)</u>	 <u>199,674</u>
 CASH AT BEGINNING OF YEAR	 3,369,899	 3,170,225
 CASH AT END OF YEAR	 <u>\$ 3,262,617</u>	 <u>\$ 3,369,899</u>

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

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 2018 and 2017 were \$73,455 and \$43,556, respectively.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 net realizable value. 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>2018</u>	<u>2017</u>
Pledges/Grants receivable due in:		
Less than one year	\$ 317,432	\$ 115,000
One to five years	310,000	205,000
Net Pledges Receivable	<u>\$ 627,432</u>	<u>\$ 320,000</u>

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June 30, 2018

3. PROPERTY AND EQUIPMENT:

A summary of property and equipment is as follows:

	<u>2018</u>	<u>2017</u>
Leasehold Improvements	\$ 114,254	\$ 100,370
Office Equipment	94,168	74,766
Software	196,000	25,000
Software in Development	-	171,000
	<u>404,422</u>	<u>371,136</u>
Less Accumulated Depreciation	186,416	93,131
Net Property and Equipment	<u>\$ 218,006</u>	<u>\$ 278,005</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 those 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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Cash and investments at beginning of year (at market)	\$ 34,151,385	\$ 31,764,256
Transfers to I Know I Can (net)	(1,697,028)	(1,508,710)
Net interest and dividend income	664,702	627,026
Net realized and unrealized gains (losses)	2,158,467	3,268,813
Cash and investments at end of year (at market)	<u>\$ 35,277,526</u>	<u>\$ 34,151,385</u>

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5. FUNDS HELD BY THE COLUMBUS FOUNDATION (Continued):

The beneficial interest in assets held at The Columbus Foundation was comprised of approximately 65% equity securities, 30% bonds and 5% cash in both years, as noted below:

	<u>2018</u>	<u>2017</u>
Equity Securities	\$ 23,730,633	\$ 21,557,362
Bonds	9,719,860	10,389,124
Cash Equivalents	1,827,033	2,204,899
Beneficial interest in assets held by others	<u>\$ 35,277,526</u>	<u>\$ 34,151,385</u>

6. FUNCTIONAL EXPENSES:

Expenses were incurred for the following:

	<u>2018</u>	<u>2017</u>
Program	\$ 3,854,382	\$ 3,820,707
Program - in-kind	44,200	55,030
Fundraising	246,240	200,912
Management and general	639,031	463,038
Management and general - in-kind	4,097	50,000
Total	<u>\$ 4,787,950</u>	<u>\$ 4,589,687</u>

7. NET ASSETS:

Temporarily restricted net assets consist of the following:

	<u>2018</u>	<u>2017</u>
Time restricted for operations	\$ 137,432	\$ 20,000
Programs	2,727,010	2,810,127
I Know I Can grants and scholarships	30,724,105	29,388,873
Total	<u>\$ 33,588,547</u>	<u>\$ 32,219,000</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 2018 and 2017.

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June 30, 2018

9. IN-KIND CONTRIBUTIONS:

In-kind contributions consist of the following:

	<u>2018</u>	<u>2017</u>
Office support - CCSD	\$ 38,000	\$ 38,000
Office space - Administrative office	-	50,000
Legal fees	10,297	13,703
Food	-	3,327
Total	<u>\$ 48,297</u>	<u>\$ 105,030</u>

10. 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

10. ASSETS AND LIABILITIES – FAIR VALUE INFORMATION (Continued):

Assets measured at fair value on a recurring basis at June 30, 2018 and 2017 were as follows:

Description	2018			
	Total	Level 1	Level 2	Level 3
Beneficial interest in assets held by others	\$ 35,277,526	\$ -	\$ 35,277,526	\$ -
Total Assets	\$ 35,277,526	\$ -	\$ 35,277,526	\$ -

Description	2017			
	Total	Level 1	Level 2	Level 3
Beneficial interest in assets held by others	\$ 34,151,385	\$ -	\$ 34,151,385	\$ -
Total Assets	\$ 34,151,385	\$ -	\$ 34,151,385	\$ -

The level 2 assets listed above were valued using the market approach and were determined using quoted market prices of similar assets.

11. OPERATING LEASES:

IKIC has an operating lease agreement for office space, expiring in 2022. IKIC has the option to renew the lease for an additional term of 5 years.

Minimum lease payments under the lease are as follows:

Year Ending June 30:	Amount
2019	\$ 90,149
2020	92,853
2021	95,639
2022	81,681
Total Future Minimum Lease Payments	\$ 360,322

13. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through December 18, 2018, which is the date the financial statements were available to be issued.