



LOGAN Hope

Financial Statement
August 31, 2012



LOGAN HOPE
AUGUST 31, 2012

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Morey, Nee, Buck & Oswald, LLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

The Board of Directors
LOGAN Hope
Philadelphia, PA

We have audited the accompanying financial statements of LOGAN Hope (a nonprofit organization), which comprise the statement of financial position as of August 31, 2012 and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LOGAN Hope as of August 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited LOGAN Hope's 2012 financial statements, and our report dated January 29, 2013, expressed an unmodified opinion on those audited statements. In our opinion, the summarized comparative information reported herein as of and for the year ended August 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Morey, Nee, Buck & Oswald, LLC

Morey Nee Buck & Oswald, LLC
Spring House, PA
January 9, 2014

LOGAN HOPE
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED AUGUST 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Assets:		
Cash and cash equivalents	\$ 15,640	\$ 15,825
Accounts receivable	5,039	14,068
Tuition receivable (net allowance of \$800 and \$400, respectively)	1,035	925
Grants receivable	-	7,200
Prepaid expenses	5,489	7,542
Investment	300,000	300,000
Property and equipment, net	<u>136,712</u>	<u>134,523</u>
Total assets	<u>\$ 463,915</u>	<u>\$ 480,083</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 473	\$ 5,378
Deferred tuition	815	210
Payroll liabilities	1,815	380
Line of credit	25,000	-
Loan interest payable	13,423	9,577
Loans payable	<u>307,000</u>	<u>307,000</u>
Total liabilities	<u>348,526</u>	<u>322,545</u>
Net assets:		
Unrestricted	<u>115,389</u>	<u>157,538</u>
Total net assets	<u>115,389</u>	<u>157,538</u>
Total liabilities and net assets	<u>\$ 463,915</u>	<u>\$ 480,083</u>

The accompanying notes are an integral part of the audited financial statements.

LOGAN HOPE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	<u>2012</u>	<u>2011</u>
<u>Revenue, gains and other support:</u>		
Tuition	\$ 358,240	\$ 347,610
Less:		
Scholarships	(308,020)	(299,160)
Employee discounts	<u>(30,000)</u>	<u>(28,000)</u>
Tuition, net	20,220	20,450
Contributions - individual	95,342	123,806
Contributions - other	30,303	44,315
Grants	96,778	92,660
Fundraising activities	19,659	160
Other income	<u>20,398</u>	<u>9,264</u>
 Total revenue, gains and other support	 <u>282,700</u>	 <u>290,655</u>
<u>Expenses:</u>		
Program services:		
Instruction	275,411	178,362
Supporting services:		
General administration	24,058	14,980
Fund raising	<u>25,380</u>	<u>10,448</u>
 Total expenses	 <u>324,849</u>	 <u>203,790</u>
 Change in net assets	 (42,149)	 86,865
 Net assets, beginning of year	 <u>157,538</u>	 <u>70,673</u>
 Net assets, end of year	 <u>\$ 115,389</u>	 <u>\$ 157,538</u>

The accompanying notes are an integral part of the audited financial statements.

LOGAN HOPE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	<u>Instruction</u>	<u>General Administration</u>	<u>Fund Raising</u>	<u>2012 Totals</u>	<u>2011 Totals</u>
Salaries and wages	\$ 155,355	\$ 47	\$ 16,723	\$ 172,125	\$ 106,896
Employee benefits	33,114	-	3,544	36,658	25,862
Payroll taxes	11,885	339	1,279	13,503	8,329
Other personnel	9,816	4,232	2,600	16,648	4,739
Information technology	8,088	570	198	8,856	2,369
Instructional supplies	8,755	173	62	8,990	7,659
Telephone and internet	3,520	156	-	3,676	2,942
Postage and printing	155	310	508	973	1,635
Books and subscriptions	6,134	-	-	6,134	2,841
Occupancy	9,618	46	-	9,664	2,641
Utilities	5,677	3,334	-	9,011	4,884
Equipment maintenance	341	-	-	341	347
Cleaning and other building	69	-	-	69	597
Travel and meetings	8,995	1,355	29	10,379	9,426
Depreciation	11,432	-	-	11,432	10,713
Interest	-	900	-	900	709
Insurance	1,351	10,510	-	11,861	7,124
Membership dues	375	-	98	473	2,116
Other	<u>731</u>	<u>2,086</u>	<u>339</u>	<u>3,156</u>	<u>1,961</u>
 Total	 <u>\$ 275,411</u>	 <u>\$ 24,058</u>	 <u>\$ 25,380</u>	 <u>\$ 324,849</u>	 <u>\$ 203,790</u>

The accompanying notes are an integral part of the audited financial statements.

LOGAN HOPE
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	<u>2012</u>	<u>2011</u>
<u>Cash flows from operating activities:</u>		
Receipts from donors (support)	\$ 125,645	\$ 168,121
Receipts from tuition and fees	29,744	20,430
Receipts from grants	103,979	85,460
Receipts from other sources	39,856	9,424
Payments to employees for salaries and benefits	(220,851)	(141,572)
Payments to vendors for instruction	(93,083)	(70,183)
Income tax paid	-	-
Interest paid	<u>2,946</u>	<u>(4,558)</u>
Net cash provided (used) by operating activities	<u>(11,764)</u>	<u>67,122</u>
<u>Cash flows from investing activities:</u>		
Proceeds from Sale of Property	200	-
Purchase of property	<u>(13,621)</u>	<u>(36,636)</u>
Net cash provided (used) by investing activities	<u>(13,421)</u>	<u>(36,636)</u>
<u>Cash flows from financing activities:</u>		
Line of credit	25,000	-
New advances from creditors	-	35,607
Payments made on debt	<u>-</u>	<u>(50,527)</u>
Net cash provided (used) by financing activities	<u>25,000</u>	<u>(14,920)</u>
Net increase (decrease) in cash and cash equivalents	<u>(185)</u>	<u>15,566</u>
Cash and cash equivalents, beginning of year	<u>15,825</u>	<u>259</u>
Cash and cash equivalents, end of year	<u>\$ 15,640</u>	<u>\$ 15,825</u>

The accompanying notes are an integral part of the audited financial statements.

LOGAN HOPE
 STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED AUGUST 31, 2012
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	<u>2012</u>	<u>2011</u>
Change in net assets	\$ (42,149)	\$ 86,865
Adjustment to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	11,432	10,713
Allowance for doubtful accounts	400	-
Gain on sale of property	(200)	-
Change in operating assets:		
Accounts receivable	9,029	(9,834)
Tuition receivable	(510)	(45)
Grants receivable	7,200	(7,200)
Prepaid expenses	2,053	(6,932)
Change in operating liabilities:		
Accounts payable	(4,905)	(9,811)
Deferred tuition	605	25
Payroll taxes and other withholdings	1,435	(485)
Loan interest payable	<u>3,846</u>	<u>3,826</u>
Net cash provided / (used) by operating activities	<u>\$ (11,764)</u>	<u>\$ 67,122</u>

The accompanying notes are an integral part of the audited financial statements.

LOGAN HOPE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LOGAN Hope is a Christian School for grades kindergarten through eighth whose primary purpose is to serve the educational needs of inner city children in Philadelphia, PA. LOGAN Hope aims to transform families and the neighborhood of LOGAN through the love of Jesus Christ shared in every way possible.

BASIS OF ACCOUNTING

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION

Financial presentation follows the recommendations of the Financial Accounting Standards Board under which the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at the Board's discretion; temporarily restricted net assets, which represent resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of 90 days or less.

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statement for the year from which the summarized information was derived.

DONATED MATERIALS AND SERVICES

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

EXPENSE ALLOCATION

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

LOGAN HOPE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2012

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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (2).

TUITION RECEIVABLE

Tuition receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to tuition receivable.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. The Organization's capitalization policy is to capitalize property and equipment when the cost exceeds \$500. Leasehold Improvements and equipment are depreciated over the estimated useful lives of the respective assets using the straight-line method as follows:

- Leasehold Improvements 7 years
- Furniture and Equipment 5 years

RESTRICTED AND UNRESTRICTED REVENUE AND SUPPORT

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

LOGAN HOPE
NOTES TO FINANCIAL STATEMENT
AUGUST 31, 2012

ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken. Management has performed their evaluation and believes there are no unrecognized tax positions that are required to be disclosed.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods. The Organization believes it is no longer subject to income tax examinations for years prior to 2009.

The Organization's policy is to classify income tax related interest and penalties in interest expenses and other expenses, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurement defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and enhances disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework measuring fair value includes a hierarchy which prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1- Fair value is based on unadjusted quoted prices in active markets that are accessible to the Organization for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2- Fair Value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3- Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

LOGAN HOPE
NOTES TO FINANCIAL STATEMENT
AUGUST 31, 2012

2. TUITION RECEIVABLE

Tuition receivable includes all unpaid charges due from each family for various fees and tuition for the school year. The Organization records a receivable each month when tuition is billed to the family and earned by the Organization.

An allowance for doubtful accounts is calculated by determining the collectability of tuitions receivable on a family by family basis. It is the Organization's policy to consider a balance as uncollectible when a student transfers to another school during the year or does not register or return to School for the following school year. If any amount of a receivable balance, which was written off in a prior year is subsequently collected, the amount is recorded as other income in the statement of activities.

3. PROPERTY AND EQUIPMENT

Fixed assets are detailed as follows:

	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building and improvements	\$ 170,140	\$ 5,446	\$ 36,414	\$ 133,726
Vehicle	29,860	5,972	26,874	2,986
Equipment	<u>9,100</u>	<u>14</u>	<u>9,100</u>	<u>-</u>
Totals	<u>\$ 209,100</u>	<u>\$ 11,432</u>	<u>\$ 72,388</u>	<u>\$ 136,712</u>

During the year ended August 31, 2011 Ruscomb Properties, LLC of which LOGAN Hope is the sole member, purchased a building located on Ruscomb Street, Philadelphia. The long term plan for the Ruscomb property is to provide additional classroom space.

At year-end, buildings and improvements is comprised of the following:

N 13 th Street property	\$ 100,000
Construction in progress on Ruscomb Street	28,941
Improvements made on N 13 th Street	25,848
Capitalized mortgage (loan) interest on Ruscomb Street	<u>15,351</u>
	<u>\$ 170,140</u>

Any mortgage or loan interest paid relating to the Ruscomb property is being capitalized until the building is operational. At that point the total amount of interest capitalized will be depreciated over the estimated useful life of the building. The purchase of the Ruscomb Street property is recorded as an asset of Ruscomb Properties, LLC. LOGAN Hope is responsible for construction costs and improvements made to the property. LOGAN Hope is raising contributions to fund the costs of improving the property.

LOGAN HOPE
NOTES TO FINANCIAL STATEMENT
AUGUST 31, 2012

4. LINE OF CREDIT

The Organization has a \$25,000 unsecured revolving line of credit with PNC Bank of which \$25,000 was used at year-end. From time to time, funds are drawn from the line of credit when there is a need for short-term funding for working capital. Advances on the line of credit are payable on demand and carry a stated interest rate of prime plus 1%. Interest on the unpaid principal balance is due each month.

5. LOANS PAYABLE

In December 2009, the Organization took out three loans to finance the purchase of a new building on Ruscomb Street. At year-end loans payable consisted of the following:

Loan- Related party	\$ 97,000
Loan- Outside party	<u>210,000</u>
Total	<u>\$ 307,000</u>

The loan from a related party consists of funds lent to the Organization from the executive director. The outside party loans consist of two loans from individuals outside the organization. All three of the loans are payable on demand. Interest on the loans is set at a stated rate of 2.5% on the unpaid principal balance. Interest accrued on the loans for the year was \$3,846. The full amount was capitalized.

6. OTHER INCOME

Other income at August 31, 2012 consisted of the following:

Food services	\$ 2,668
Student transportation	1,310
Day camp fees	592
Other	<u>15,828</u>
Total	<u>\$ 20,398</u>

7. NET ASSETS

Unrestricted cumulative net assets are available for the following purposes:

Unrestricted operating fund	\$ (21,323)
Plant fund	<u>136,712</u>
Total unrestricted net assets	<u>\$ 115,389</u>

LOGAN HOPE
NOTES TO FINANCIAL STATEMENT
AUGUST 31, 2012

8. *CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS*

The Organization had the following concentrations of risk arising from contributors:

The Organization received donations from an individual and two foundations that exceeded 10% of total contributions: The total amount of gifts from these contributors was \$131,500 which represented roughly 52% of all contributions.

A significant amount of the Organization's revenue and support was provided by contributions from the general public. It is always considered reasonable that benefactors, grantors or contributors may be lost in the near term.

9. *INVESTMENT IN RUSCOMB PROPERTIES, LLC*

The Organization is the sole member of Ruscomb Properties, LLC (the "Company") a for-profit entity. The Company was organized to purchase property for the nonprofit educational mission of the sole member, LOGAN Hope. The Company may also engage in any other lawful business or activity incidental to its primary purpose or as approved by the members. The Organization's interest in the Company is recorded in the statement of financial position as an investment. The investment reflects the member equity in the Company.

The Organization is responsible for all costs related to maintaining the property, improvements and other incidental costs. It is management's intention that the Company will pass title to LOGAN Hope. As of the date of this report, that has not yet occurred.

10. *FAIR VALUE OF FINANCIAL INSTRUMENTS*

Financial Instruments

The carrying amounts of cash and cash equivalents and accounts payable approximate fair value at August 31, 2012 due to short-term nature of those instruments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

11. *SUBSEQUENT EVENTS*

Management has evaluated subsequent events through the report date, which is the date which the financial statements were available to be issued.