



LOGAN Hope
AND RELATED ENTITY
Consolidated Financial Statements
August 31, 2013

LOGAN HOPE
AND RELATED ENTITY
AUGUST 31, 2013

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Morey, Nee, Buck & Oswald, LLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
LOGAN Hope and Related Entity
Philadelphia, Pennsylvania

We have audited the accompanying consolidated financial statements of LOGAN Hope (a nonprofit organization) and Related Entity, which comprise the consolidated statement of financial position as of August 31, 2013 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of LOGAN Hope and Related Entity as of August 31, 2013, 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 9, 2014, 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, 2012, 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, Pennsylvania
June 5, 2014

LOGAN HOPE
AND RELATED ENTITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED AUGUST 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Assets:		
Cash and cash equivalents	\$ 318,452	\$ 15,640
Other receivable	-	5,039
Tuition receivable (net allowance of \$1,000)	2,400	1,035
Prepaid expenses	8,630	5,489
Property and equipment, net	<u>493,616</u>	<u>436,712</u>
Total assets	<u>\$ 823,098</u>	<u>\$ 463,915</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 6,735	\$ 473
Deferred tuition	708	815
Payroll liabilities	3,786	1,815
Line of credit	-	25,000
Loan interest payable	2,828	13,423
Loans payable	<u>250,000</u>	<u>307,000</u>
Total liabilities	<u>264,057</u>	<u>348,526</u>
Net assets:		
Unrestricted	252,012	115,389
Temporarily restricted	<u>307,029</u>	<u>-</u>
Total net assets	<u>559,041</u>	<u>115,389</u>
Total liabilities and net assets	<u>\$ 823,098</u>	<u>\$ 463,915</u>

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

LOGAN HOPE
AND RELATED ENTITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013</u>	<u>2012</u>
<u>Revenue, gains and other support:</u>				
Tuition	\$ 420,930	\$ -	\$420,930	\$358,240
Less:				
Scholarships	(364,470)	-	(364,470)	(308,020)
Employee discounts	<u>(36,000)</u>	<u>-</u>	<u>(36,000)</u>	<u>(30,000)</u>
Tuition, net	20,460	-	20,460	20,220
Contributions - individual	35,942	-	35,942	95,342
Contributions - other	411,162	307,029	718,191	30,303
Grants	39,537	-	39,537	96,778
Fundraising activities, net of \$5,232 expenses	12,211	-	12,211	19,659
Other income	<u>23,044</u>	<u>-</u>	<u>23,044</u>	<u>20,398</u>
 Total revenue, gains and other support	 <u>542,356</u>	 <u>307,029</u>	 <u>849,385</u>	 <u>282,700</u>
<u>Expenses:</u>				
Program services:				
Instruction	358,211	-	358,211	275,411
Supporting services:				
General administration	40,104	-	40,104	24,058
Fund raising	<u>7,418</u>	<u>-</u>	<u>7,418</u>	<u>25,380</u>
 Total expenses	 <u>405,733</u>	 <u>-</u>	 <u>405,733</u>	 <u>324,849</u>
 Change in net assets	 136,623	 307,029	 443,652	 (42,149)
 Net assets, beginning of year	 <u>115,389</u>	 <u>-</u>	 <u>115,389</u>	 <u>157,538</u>
 Net assets, end of year	 <u>\$ 252,012</u>	 <u>\$ 307,029</u>	 <u>\$ 559,041</u>	 <u>\$ 115,389</u>

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

LOGAN HOPE
AND RELATED ENTITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	<u>Instruction</u>	General <u>Administration</u>	<u>Fund Raising</u>	2013 <u>Totals</u>	2012 <u>Totals</u>
Salaries and wages	\$ 190,535	\$ 10,000	\$ 5,127	\$ 205,662	\$ 172,125
Employee benefits	34,906	1,401	521	36,828	36,658
Payroll taxes	14,311	2,936	392	17,639	13,503
Other personnel	19,363	4,513	-	23,876	16,648
Information technology	9,390	882	-	10,272	8,856
Instructional supplies	17,513	161	77	17,751	8,990
Telephone and internet	2,413	182	-	2,595	3,676
Postage and printing	522	575	253	1,350	973
Books and subscriptions	10,183	-	-	10,183	6,134
Occupancy	15,747	17	-	15,764	9,664
Utilities	6,772	2,178	-	8,950	9,011
Equipment maintenance	883	-	-	883	341
Cleaning and other building	27	-	-	27	69
Travel and meetings	10,485	100	26	10,611	10,379
Depreciation	20,546	-	-	20,546	11,432
Interest	-	107	-	107	900
Insurance	982	8,363	-	9,345	11,861
Membership dues	689	77	-	766	473
Other	<u>2,944</u>	<u>8,612</u>	<u>1,022</u>	<u>12,578</u>	<u>3,156</u>
Total	<u>\$ 358,211</u>	<u>\$ 40,104</u>	<u>\$ 7,418</u>	<u>\$ 405,733</u>	<u>\$ 324,849</u>

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

LOGAN HOPE
AND RELATED ENTITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	<u>2013</u>	<u>2012</u>
<u>Cash flows from operating activities:</u>		
Receipts from donors (support)	\$ 420,441	\$ 229,624
Receipts from tuition and fees	17,988	29,744
Receipts from other sources	40,294	39,856
Payments to employees for salaries and benefits	(282,034)	(220,851)
Payments to vendors	(96,954)	(93,083)
Interest paid	<u>(10,702)</u>	<u>2,946</u>
Net cash provided (used) by operating activities	<u>89,033</u>	<u>(11,764)</u>
<u>Cash flows from investing activities:</u>		
Proceeds from sale of property	-	200
Purchase of property	<u>(11,250)</u>	<u>(13,621)</u>
Net cash provided (used) by investing activities	<u>(11,250)</u>	<u>(13,421)</u>
<u>Cash flows from financing activities:</u>		
Contributions made for restricted net assets	307,029	-
Line of credit	(25,000)	25,000
Payments made on loans payable	<u>(57,000)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>225,029</u>	<u>25,000</u>
Net increase (decrease) in cash and cash equivalents	<u>302,812</u>	<u>(185)</u>
Cash and cash equivalents, beginning of year	<u>15,640</u>	<u>15,825</u>
Cash and cash equivalents, end of year	<u>\$ 318,452</u>	<u>\$ 15,640</u>

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

LOGAN HOPE
AND RELATED ENTITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	<u>2013</u>	<u>2012</u>
Change in net assets	\$ 443,652	\$ (42,149)
Adjustment to reconcile the change in net assets to net cash provided (used) by operating activities:		
Depreciation	20,546	11,432
Allowance for doubtful accounts	(200)	400
(Gain) loss on sale of property or equipment	200	(200)
Non-cash contribution	(66,200)	-
Temporarily restricted gifts received	(307,029)	-
Change in operating assets:		
Other receivable	5,039	9,029
Tuition receivable	(2,365)	(510)
Grants receivable	-	7,200
Prepaid expenses	(2,141)	2,053
Change in operating liabilities:		
Accounts payable	6,262	(4,905)
Deferred tuition	(107)	605
Payroll taxes and other withholdings	1,971	1,435
Loan interest payable	<u>(10,595)</u>	<u>3,846</u>
Net cash provided (used) by operating activities	<u>\$ 89,033</u>	<u>\$ (11,764)</u>

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

LOGAN HOPE
AND RELATED ENTITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LOGAN Hope (the Organization) 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.

Ruscomb Properties, LLC (the "Company") is a for-profit entity of which the Organization is the sole member.. The Company was organized to purchase property for the nonprofit educational mission of 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 a fixed asset.

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.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Ruscomb Properties, LLC. Significant intra-entity accounts and transactions have been eliminated in consolidation.

BASIS OF ACCOUNTING

The consolidated 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 consolidated 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.

LOGAN HOPE
AND RELATED ENTITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2013

COMPARATIVE FINANCIAL INFORMATION

The consolidated 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.

EXPENSE ALLOCATION

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. General and administration 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.

USE OF ESTIMATES

The preparation of consolidated 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 consolidated 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 is classified as an organization that is not a private foundation under Section 509(a) (2).

As a single-member limited liability company, Ruscomb Properties is treated as a disregarded entity for income tax purposes. Therefore, the LLC's financial activity is reported in conjunction with the federal income tax filings of the Organization.

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.

LOGAN HOPE
AND RELATED ENTITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2013

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. Building and improvements as well as furniture and equipment are depreciated over the estimated useful lives of the respective assets using the straight-line method as follows:

- Building and 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.

ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The preparation of the consolidated 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, if any, in interest expense and other expenses, respectively.

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 tuition 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 consolidated statement of activities.

LOGAN HOPE
AND RELATED ENTITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2013

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	\$ 480,578	\$ 5,382	\$ 41,794	\$ 438,784
Vehicle	29,860	2,987	29,860	-
Furniture and equipment	<u>67,651</u>	<u>12,177</u>	<u>12,819</u>	<u>54,832</u>
Totals	<u>\$ 578,089</u>	<u>\$ 20,546</u>	<u>\$ 84,473</u>	<u>\$ 493,616</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, building and improvements is comprised of the following:

Cost of building	\$ 300,000
N 13 th Street property	105,536
Construction in progress on Ruscomb Street	26,931
Improvements made on N 13 th Street	20,370
Capitalized mortgage (loan) interest on Ruscomb Street	<u>27,741</u>
	<u>\$ 480,578</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. As of the fiscal year ended August 31, 2013, the property is not yet ready for its intended use.

The Organization's students use the Esperanza Health Center throughout the year for their gym classes and sporting events. The Organization does not own the building and therefore does not include the building as an asset on its statement of financial position. In return for allowing LOGAN Hope the use of the gym, the Organization is responsible for paying \$1 per year to the Esperanza Health Center. The fair value of renting this property is unknown and therefore is not presented in the financial statements.

LOGAN HOPE
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2013

4. 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	\$ 90,000
Loans- Outside party	<u>160,000</u>
 Total	 <u>\$ 250,000</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 \$6,640. The full amount was capitalized.

5. OTHER INCOME

Other income for the year ended August 31, 2013 consisted of the following:

Health Insurance Tax Credit	\$ 9,076
Food services	2,720
Student transportation	1,180
Other	<u>10,068</u>
 Total	 <u>\$ 23,044</u>

6. NET ASSETS

Net assets are available for the following purposes:

Unrestricted	\$ 58,396
Plant fund	<u>193,616</u>
 Total unrestricted net assets	 252,012
 Restricted gifts for tuition to be used In the 2013-2014 school year	 <u>307,029</u>
 Total net assets	 <u>\$ 559,041</u>

LOGAN HOPE
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2013

7. *CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS*

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

The Organization received a donation from a foundation that exceeded 10% of total contributions: The total amount of the gift was \$600,000 which represented approximately 71% of total revenue, gains, and other support.

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.

8. *REAL ESTATE TAXES*

The Ruscomb Property, which has been and is currently under construction, was informed by the City of Philadelphia (the City) that they owe real estate taxes, interest and penalties, for tax years 2010 through 2013, in the amount of \$35,000. LOGAN Hope feels it does not owe these back taxes due to them being a non-profit organization. LOGAN Hope has hired counsel and is working with the City to get this matter resolved. The amount of real estate taxes, interest and penalty was not accrued as a current year expense nor was it recorded as a liability as management believes there is more than a 50 percent chance that the matter will be resolved in their favor.

9. *RELATED PARTY TRANSACTIONS AND LEASE COMMITMENTS*

The Organization rents the Camac Street Property from its executive director (the owner). Terms of the lease are a month to month lease, at \$750 per month. The owner pays the water expense, and the School is responsible for all other utilities. The Board approved the rental agreement based on market value and the lease terms. LOGAN Hope continues to rent and utilize the property. Total rent paid to the related party amounted to \$9,000 during the year.

10. *SUBSEQUENT EVENTS*

Management has evaluated subsequent events through June 5, 2014, which is the date which the consolidated financial statements were available to be issued.