



LOGAN Hope
AND RELATED ENTITY
Consolidated Financial Statements
For The Ten-Month Period Ending June 30, 2014

LOGAN HOPE
AND RELATED ENTITY
June 30, 2014

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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 June 30, 2014 and the related consolidated statements of activities, functional expenses and cash flows for the ten-month period 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 June 30, 2014, and the changes in its net assets and its cash flows for the ten-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Morey, Nee, Buck & Oswald, LLC

Morey Nee Buck & Oswald, LLC
Spring House, Pennsylvania
May 12, 2015

LOGAN HOPE
AND RELATED ENTITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE, 30, 2014

Assets:	
Cash and cash equivalents	\$ 30,055
Tuition receivable (net allowance of \$1,000)	2,430
Prepaid expenses	16,662
Notes receivable	90,000
Property and equipment, net	<u>491,100</u>
 Total assets	 <u>\$ 630,247</u>
 Liabilities:	
Accounts payable	\$ 255
Accrued payroll and related liabilities	15,941
Loan interest payable	1,375
Deferred tuition	11,508
Loans payable	<u>110,000</u>
 Total liabilities	 <u>139,079</u>
 Net assets:	
Unrestricted	491,168
Temporarily restricted	<u>-</u>
 Total net assets	 <u>491,168</u>
 Total liabilities and net assets	 <u>\$ 630,247</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 TEN-MONTH PERIOD ENDED JUNE, 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue, gains and other support:</u>			
Tuition	\$ 570,960	\$ -	\$ 570,960
Less:			
Scholarships	(531,030)	-	(531,030)
Employee discounts	<u>(15,700)</u>	<u>-</u>	<u>(15,700)</u>
Tuition, net	24,230	-	24,230
Contributions - individual	66,363	-	66,363
Contributions - other	48,090	-	48,090
Grants	159,625	-	159,625
Fundraising activities, net of \$2,996 expenses	7,227	-	7,227
Other income	122,523	-	122,523
Net assets released from restrictions	<u>307,029</u>	<u>(307,029)</u>	<u>-</u>
Total revenue, gains and other support	<u>735,087</u>	<u>(307,029)</u>	<u>428,058</u>
<u>Expenses:</u>			
Program services:			
Instruction	461,004	-	461,004
Supporting services:			
General administration	25,999	-	25,999
Fund raising	<u>8,928</u>	<u>-</u>	<u>8,928</u>
Total expenses	<u>495,931</u>	<u>-</u>	<u>495,931</u>
Change in net assets	239,156	(307,029)	(67,873)
Net assets, beginning of year	<u>252,012</u>	<u>307,029</u>	<u>559,041</u>
Net assets, end of year	<u>\$ 491,168</u>	<u>\$ -</u>	<u>\$ 491,168</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 TEN-MONTH PERIOD ENDED JUNE, 30, 2014

	<u>Instruction</u>	<u>General Administration</u>	<u>Fund Raising</u>	<u>Totals</u>
Salaries and wages	\$ 272,805	\$ 6,989	\$ 5,590	\$ 285,384
Employee benefits	50,142	-	-	50,142
Payroll taxes	19,980	4,056	427	24,463
Other personnel	16,079	5,895	-	21,974
Information technology	10,962	174	194	11,330
Instructional supplies	12,592	89	100	12,781
Telephone and internet	3,461	134	-	3,595
Postage and printing	984	933	1,304	3,221
Books and subscriptions	6,913	38	-	6,951
Occupancy	11,272	-	-	11,272
Utilities	6,850	1,260	-	8,110
Equipment maintenance	507	-	-	507
Cleaning and other building	-	-	-	-
Travel and meetings	15,730	533	-	16,263
Depreciation	15,886	-	-	15,886
Interest	-	25	-	25
Insurance	5,294	5,079	-	10,373
Membership dues	857	76	-	933
Other	<u>10,690</u>	<u>718</u>	<u>1,313</u>	<u>12,721</u>
 Total	 <u>\$ 461,004</u>	 <u>\$ 25,999</u>	 <u>\$ 8,928</u>	 <u>\$ 495,931</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 TEN-MONTH PERIOD ENDED JUNE, 30, 2014

Change in net assets	\$ (67,873)
Adjustment to reconcile the change in net assets to net cash provided (used) by operating activities:	
Depreciation	15,887
Allowance for doubtful accounts	-
(Gain) loss on sale of property or equipment	-
Non-cash contribution	-
Temporarily restricted gifts received	-
Change in operating assets:	
Other receivable	-
Tuition receivable	(30)
Grants receivable	-
Prepaid expenses	(8,032)
Notes receivable	(90,000)
Change in operating liabilities:	
Accounts payable	(6,480)
Deferred tuition	10,800
Payroll taxes and other withholdings	12,155
Loan interest payable	<u>(1,453)</u>
Net cash provided (used) by operating activities	(135,026)
<u>Cash flows from investing activities:</u>	
Purchase of property	<u>(13,371)</u>
Net cash provided (used) by investing activities	<u>(13,371)</u>
<u>Cash flows from financing activities:</u>	
Contributions made for restricted net assets	-
Line of credit	-
Payments made on loans payable	<u>(140,000)</u>
Net cash provided (used) by financing activities	<u>(140,000)</u>
Net increase (decrease) in cash and cash equivalents	<u>(288,397)</u>
Cash and cash equivalents, beginning of year	<u>318,452</u>
Cash and cash equivalents, end of year	<u>\$ 30,055</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
FOR THE TEN-MONTH PERIOD ENDED JUNE, 30, 2014

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.

During the year, the Organization changed its fiscal year end to June 30 from August 31. Therefore, the financial statements reflect ten-months activity for the period September 1, 2013 through June 30, 2014.

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.

LOGAN HOPE
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TEN-MONTH PERIOD ENDED JUNE, 30, 2014

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.

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
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TEN-MONTH PERIOD ENDED JUNE, 30, 2014

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 2011.

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
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TEN-MONTH PERIOD ENDED JUNE, 30, 2014

3. NOTES RECEIVABLE

As of June 27, 2014, LOGAN Hope School has allowed Kenneth MacBain, the Executive Director, and Anita MacBain, the Principal of LOGAN Hope School, to borrow a sum in the amount of \$90,000. The purpose of the loan was to purchase a property listed at 4936 N. 13th Philadelphia, PA 19141 in order to issue a lease to LOGAN Hope School for the school year of 2014-2015. The previous lease with Kenneth and Anita MacBain and The LOGAN Hope School at the Camac Street building was terminated as of July 2014 at which time the Camac building was put up for sale by owners Kenneth and Anita MacBain. When the Camac building is sold, Kenneth and Anita MacBain will pay back The LOGAN Hope School in full.

4. 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	\$ 491,319	\$ 4,500	\$ 46,285	\$ 445,034
Vehicle	29,860	-	29,860	-
Furniture and equipment	<u>70,281</u>	<u>11,387</u>	<u>24,215</u>	<u>46,066</u>
Totals	<u>\$ 591,460</u>	<u>\$ 15,887</u>	<u>\$ 100,360</u>	<u>\$ 491,100</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	100,000
Construction in progress on Ruscomb Street	33,923
Improvements made on N 13 th Street	30,822
Capitalized mortgage (loan) interest on Ruscomb Street	<u>26,574</u>
	<u>\$ 491,319</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 June 30, 2014, the property is not yet ready for its intended use.

LOGAN HOPE
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TEN-MONTH PERIOD ENDED JUNE, 30, 2014

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.

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- Outside party	\$ <u>110,000</u>
Total	\$ <u>110,000</u>

The outside party loans consist of one loan from an individual outside the organization. The loan is payable on demand. Interest on the loan is set at a stated rate of 2.5% on the unpaid principal balance. Interest accrued on the loans for the year was \$2,292. Of that interest accrued for the year, there was a balance of \$1,375 still owed. The full amount was capitalized.

6. OTHER INCOME

Other income for the year ended June 30, 2014 consisted of the following:

Health Insurance Tax Credit	\$ 7,717
Food services	1,756
Ruscomb income-other	112,196
Other	<u>854</u>
Total	\$ <u>122,523</u>

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 \$160,000 which represented approximately 22% 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.

LOGAN HOPE
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TEN-MONTH PERIOD ENDED JUNE, 30, 2014

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 2014, in the amount of \$50,000. 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 rented the Camac Street Property from its executive director (the owner). Terms of the lease were 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's lease ended in July 2014 and will not continue. The Camac building will be sold by the owner, the executive director. Total rent paid to the related party amounted to \$8,250 during the year.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions through May 12, 2015 which is the date on which the financial statements were available to be issued. No events or transactions that require disclosure or recognition were identified.