



LOGAN Hope
AND RELATED ENTITY
Consolidated Financial Statements
June 30, 2015

LOGAN HOPE
AND RELATED ENTITY
June 30, 2015

<u>TABLE OF CONTENTS</u>	<u>Page</u>
Independent Auditor's Report	1
Consolidated Financial Statements:	
Consolidated statement of financial position	3
Consolidated statement of activities	4
Consolidated statement of functional expenses	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7

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, 2015 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 June 30, 2015, 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.

Morey, Nee, Buck & Oswald, LLC

Morey Nee Buck & Oswald, LLC
Spring House, Pennsylvania
December 23, 2015

LOGAN HOPE
AND RELATED ENTITY
CONSOLIDATED STATEMENT OF
FINANCIAL POSITION
AS OF JUNE, 30, 2015

Assets:	
Cash and cash equivalents	\$ 43,582
Tuition receivable (net allowance of \$750)	2,010
Receivable-other	432
Prepaid expenses	18,301
Notes receivable	75,000
Property and equipment, net	<u>532,312</u>
 Total assets	 <u>\$ 671,637</u>
 Liabilities:	
Accrued payroll and related liabilities	\$ 19,021
Loan interest payable	1,375
Deferred tuition	57
Loans payable	<u>110,000</u>
 Total liabilities	 <u>130,453</u>
 Net assets:	
Unrestricted	<u>541,184</u>
 Total net assets	 <u>541,184</u>
 Total liabilities and net assets	 <u>\$ 671,637</u>

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

LOGAN HOPE
AND RELATED ENTITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE, 30, 2015

<u>Revenue, gains and other support:</u>	
Tuition	\$ 679,730
Less:	
Scholarships	(622,589)
Employee discounts	<u>(27,206)</u>
Tuition, net	29,935
Contributions - individual	117,094
Contributions - other	416,575
Grants	117,890
Fundraising activities	28,117
Other income	<u>19,923</u>
 Total revenue, gains and other support	 <u>729,534</u>
<u>Expenses:</u>	
Program services:	
Instruction	575,509
Supporting services:	
General administration	48,843
Fund raising	<u>55,166</u>
 Total expenses	 <u>679,518</u>
 Change in net assets	 50,016
 Net assets, beginning of year	 <u>491,168</u>
 Net assets, end of year	 <u>\$ 541,184</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 YEAR ENDED JUNE, 30, 2015

	General			
	<u>Instruction</u>	<u>Administration</u>	<u>Fund Raising</u>	<u>Totals</u>
Salaries and wages	\$ 332,957	\$ 8,480	\$ 37,669	\$ 379,106
Employee benefits	62,599	1,726	814	65,139
Payroll taxes	24,610	3,547	2,862	31,019
Other personnel	8,384	6,925	10,000	25,309
Information technology	8,686	324	1,066	10,076
Instructional supplies	20,566	498	130	21,194
Telephone and internet	3,873	172	52	4,097
Postage and printing	946	525	542	2,013
Books and subscriptions	12,403	51	-	12,454
Occupancy	40,175	50	-	40,225
Utilities	9,401	-	-	9,401
Equipment maintenance	342	-	-	342
Travel and meetings	19,138	960	1,712	21,810
Depreciation	19,683	4,141	-	23,824
Interest	-	483	-	483
Insurance	4,241	6,379	-	10,620
Membership dues	1,087	-	-	1,087
Other	<u>6,418</u>	<u>14,582</u>	<u>319</u>	<u>21,319</u>
Total	<u>\$ 575,509</u>	<u>\$ 48,843</u>	<u>\$ 55,166</u>	<u>\$ 679,518</u>

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

LOGAN HOPE
AND RELATED ENTITY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE, 30, 2015

<u>Cash flows from operating activities:</u>	
Change in net assets	\$ 50,016
Adjustment to reconcile the change in net assets to net cash provided (used) by operating activities:	
Depreciation	23,824
Allowance for uncollectible tuition	(250)
Change in operating assets:	
Other receivable	(432)
Tuition receivable	670
Prepaid expenses	(1,639)
Notes receivable	15,000
Change in operating liabilities:	
Accounts payable	(255)
Deferred tuition	(11,451)
Payroll taxes and other withholdings	<u>3,080</u>
Net cash provided (used) by operating activities	78,563
<u>Cash flows from investing activities:</u>	
Building improvements, furniture and equipment	<u>(65,038)</u>
Net cash provided (used) by investing activities	<u>(65,038)</u>
Net increase (decrease) in cash and cash equivalents	13,525
Cash and cash equivalents, beginning of year	<u>30,057</u>
Cash and cash equivalents, end of year	<u>\$ 43,582</u>
Supplementary cash flows information:	
Interest paid	<u>\$ 483</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 YEAR ENDED JUNE, 30, 2015

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 in conformity with accounting principles general accepted in the United States of America, 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.

At June 30, 2015, the Organization did not have any temporarily restricted or permanently restricted net assets.

LOGAN HOPE
AND RELATED ENTITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE, 30, 2015

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
AND RELATED ENTITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE, 30, 2015

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
AND RELATED ENTITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE, 30, 2015

3. NOTES RECEIVABLE

In June 2014, LOGAN Hope's Board allowed Kenneth MacBain, the Executive Director, and Anita MacBain, the Principal of LOGAN Hope, to borrow \$90,000 from the School to purchase a property listed at 4936 N. 13th Philadelphia, PA 19141. The N 13th Street building was leased to the School starting with the 2014-2015 school year. The building is used for classroom space for grades K, 1,2 ,7 and 8.

The MacBain's had a previous lease with LOGAN Hope for the building located at Camac Street. This lease was terminated in July 2014 in favor of the new lease at N 13th Street. The Camac building was put up for sale by the MacBain's and upon its sale all monies will be repaid to the School.

The balance due from the MacBain's at June 30, 2015 was \$75,000.

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	\$ 535,901	\$ 7,852	\$ 54,148	\$ 481,753
Vehicle	29,860	-	29,860	-
Furniture and equipment	<u>90,738</u>	<u>15,972</u>	<u>40,179</u>	<u>50,559</u>
Totals	<u>\$ 656,499</u>	<u>\$ 23,824</u>	<u>\$ 124,187</u>	<u>\$ 532,312</u>

During the year ended August 31, 2010, 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:

Ruscomb Street property	\$ 300,000
N 13 th Street property	100,000
Construction in progress on Ruscomb Street	34,073
Improvements made on 4934 N 13 th Street	30,822
Improvements made on 4936 N 13 th Street	41,682
Capitalized mortgage (loan) interest on Ruscomb Street	<u>29,324</u>
	<u>\$ 535,901</u>

LOGAN HOPE
AND RELATED ENTITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE, 30, 2015

4. *PROPERTY AND EQUIPMENT, continued*

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, 2015, 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 was estimated to be \$11,900 and is recorded as contributions-other and occupancy expense 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 \$2,750. 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, 2015 consisted of the following:

Health Insurance Tax Credit	\$ 6,647
Food services	8,015
Day Camp Fees	1,215
Field trips	1,002
Ruscomb income-other	825
Other	<u>2,219</u>
Total	\$ <u>19,923</u>

LOGAN HOPE
AND RELATED ENTITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE, 30, 2015

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 \$360,000 which represented approximately 49% 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 2015, in the amount of \$50,000. LOGAN Hope feels it does not owe these back taxes due to their nature as 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. *LEASES*

An operating lease for classroom space was entered into with the executive director and his wife. The lease is \$2,000 per month and is a year-to-year lease. During the year ended June 30, 2105, the School paid \$22,000 in rent expense under this lease.

10. *SUBSEQUENT EVENTS*

Management has evaluated subsequent events and transactions through December 23, 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.