

FINANCIAL STATEMENTS

**BARRIO LOGAN COLLEGE INSTITUTE
(a Non Profit Organization)**

For the Year Ended August 31, 2006

Financial Statements

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Barrio Logan College Institute
1807 Main Street
San Diego, California 92113

I have audited the accompanying statement of financial position of Barrio Logan College Institute (a non-profit California corporation) as of August 31, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Barrio Logan College Institute as of August 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

Roger S. Gordon & Co., CPA
El Cajon, California
December 21, 2006

Member:
American Institute of Certified Public Accountants
California Society of Certified Public Accountants

STATEMENT OF FINANCIAL POSITION
BARRIO LOGAN COLLEGE INSTITUTE
August 31, 2006

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$268,002
Investment - pooled fund	100,807
Investment - pooled fund for endowment	20,000
Prepaid insurance	<u>2,839</u>

TOTAL CURRENT ASSETS 391,648

FIXED ASSETS

Office furniture and equipment, net of accumulated depreciation of \$299,102	<u>82,877</u>
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TOTAL ASSETS \$474,525

LIABILITIES

CURRENT LIABILITIES

Accrued payroll	\$ 7,641
Accrued vacation pay	<u>4,144</u>

TOTAL CURRENT LIABILITIES 11,785

TOTAL LIABILITIES 11,785

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Unrestricted	417,740
Temporarily restricted	25,000
Permanently restricted	<u>20,000</u>

TOTAL NET ASSETS 462,740

TOTAL LIABILITIES AND NET ASSETS \$474,525

See notes to financial statements.

**STATEMENT OF ACTIVITIES
BARRIO LOGAN COLLEGE INSTITUTE
For the Year Ended August 31, 2006**

UNRESTRICTED NET ASSETS	
Support:	
Individual donations	\$ 53,527
Corporate donations	21,917
Foundation donations	346,890
Government grants	2,219
Other:	
Interest income	2,934
Miscellaneous income	3,646
	<u>431,133</u>
TOTAL UNRESTRICTED REVENUES	
Net assets designated by Board of Directors as endowment funds	<u>(20,000)</u>
TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT	
	<u>411,133</u>
Expenses:	
Program Services:	
Elementary School	73,378
Middle School	110,360
High School	105,378
Parent Advocacy	38,569
Mentor Program	22,585
Scholarships	1,500
	<u>351,770</u>
Supporting Services:	
Management and general	40,430
Fund Raising	23,952
	<u>416,152</u>
TOTAL EXPENSES	
	<u>416,152</u>
(DECREASE) IN UNRESTRICTED NET ASSETS	
	(5,019)
TEMPORARILY RESTRICTED NET ASSETS	
Contributions received	<u>25,000</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	
	25,000
PERMANENTLY RESTRICTED NET ASSETS	
Net assets designated by Board of Directors as endowment funds	<u>20,000</u>
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	
	<u>20,000</u>
INCREASE IN NET ASSETS	
	39,981
NET ASSETS AT BEGINNING OF YEAR	
	<u>422,759</u>
NET ASSETS AT END OF YEAR	
	<u>\$462,740</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS
BARRIO LOGAN COLLEGE INSTITUTE
For the Year Ended August 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from grantors and contributors	\$453,199
Interest received	2,934
Cash paid to suppliers and employees	<u>(364,977)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	91,156
CASH FLOWS USED BY INVESTING ACTIVITIES	
Purchases of fixed assets	<u>(4,332)</u>
NET CASH USED BY INVESTING ACTIVITIES	(4,332)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	
Purchase of pooled investment fund	(100,807)
Purchase of pooled investment fund - endowment	<u>(20,000)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(120,807)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(33,983)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>301,985</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$268,002</u></u>
RECONCILIATION OF INCREASE IN NET ASSETS TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
NET INCREASE IN ASSETS	\$39,981
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	50,323
Decrease in prepaid expenses	333
Increase in accrued payroll	<u>519</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$91,156</u></u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS
BARRIO LOGAN COLLEGE INSTITUTE
For the Year Ended August 31, 2006**

NOTE A — ORGANIZATION

The Barrio Logan College Institute (the “Institute”) is a non-profit California corporation which is dedicated to promoting the pursuit of higher education. It does this by providing after-school programs that educate, guide, motivate, and support elementary, middle, and high school students and their families.

The Institute offers an all encompassing learning approach that is composed of the students, their parents, teachers and mentors. The formal program offerings are:

- Elementary school program - 3rd through 5th grade
- Middle school program - 6th through 8th grade
- High school program - 9th through 12th grade
- Parent program
- One-on-one mentoring program
- College scholarships

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Cash and Cash Equivalents: The Institute considers all highly liquid debt instruments with a maturity of 90 days or less to be cash equivalents. Bank overdrafts are excluded from cash and cash equivalents.

Fixed Assets: Fixed assets are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets: 7 years for vehicles, furniture and fixtures, 5 years for equipment, and 3 years for software.. Leasehold improvements are depreciated over the lesser of the estimated useful life of the assets or the remaining lease term. Major renewals and betterments are capitalized. Donated construction labor is capitalized at estimated fair market value. Maintenance and repairs are charged to operations as incurred.

Promises to Give: Contributions are recognized when the donor makes a promise to give to the Institute that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporary or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Institute uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years’ experience and management’s analysis of specific promises made.

**NOTES TO FINANCIAL STATEMENTS
BARRIO LOGAN COLLEGE INSTITUTE
For the Year Ended August 31, 2006**

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

Contributed Services: During the year ended August 31, 2006, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, numerous individuals volunteer their time and perform a variety of tasks that assist the Institute in its mission. These services do not meet the criteria for recognition as contributed services. The Institute receives in excess of 1,100 volunteer hours per year.

Income Taxes: The Institute is a non profit organization that is exempt from Federal and California taxes on income under Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates: The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation: The Institute is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions: Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. In the case of temporarily restricted assets where the restrictions are met in the reporting period, these contributions are reported as unrestricted. Likewise, income and gains earned on permanently restricted investments that are utilized in the year earned are reported as unrestricted..

NOTE C – CASH

At August 31, 2006 cash consisted of the following:

Checking account	\$259,061
Savings account	<u>8,941</u>
	<u>\$268,002</u>

NOTES TO FINANCIAL STATEMENTS
BARRIO LOGAN COLLEGE INSTITUTE
For the Year Ended August 31, 2006

NOTE D – INVESTMENTS

During the year ended August 31, 2006, the Institute opened two accounts with The San Diego Foundation. The San Diego Foundation provides assistance to local non-profit organizations by providing investment services, such as pooled funds, which allow the non-profits to earn higher returns and have a more diversified portfolio than they could obtain by themselves. The pooled investment accounts in which the Institute has invested its funds only hold debt securities. Interest earned, net of management expenses, is posted to the accounts each quarter. There is no guaranteed rate of interest.

NOTE E – FIXED ASSETS

At August 31, 2006, fixed assets consisted of the following:

Equipment	\$159,939
Leasehold Improvements	150,686
Vehicle	32,928
Software	21,727
Furniture and fixtures	<u>16,699</u>
	381,979
Less accumulated depreciation	<u>299,102</u>
	<u>\$ 82,877</u>

**NOTES TO FINANCIAL STATEMENTS
BARRIO LOGAN COLLEGE INSTITUTE
For the Year Ended August 31, 2006**

NOTE F -- COMMITMENTS AND CONTINGENCIES

The Institute rents two pieces of office equipment and also its office and classrooms under long term leases. The lease on the postage meter requires quarterly payments of \$190 through March 31, 2011. The copier lease requires a monthly payment of \$185 per month through January 2008. The lease for the office and classrooms requires monthly payments of \$6,174, \$6,483, \$6,807, and \$7,147 for the fiscal years ended August 31, 2007, 2008, 2009, and 2010, respectively.

Future minimum payments under these leases are as follows:

<u>Year Ended August 31,</u>	<u>Equipment</u>	<u>Premises</u>
2007	\$2,980	\$ 74,088
2008	1,685	77,792
2009	760	81,682
2010	760	85,766
2011	380	-
	<u>\$6,565</u>	<u>\$319,328</u>

For the year ended August 31, 2006, equipment rental expense and premise rental expense were \$2,980 and \$75,560, respectively.

At August 31, 2006, the Institute had on deposit with one bank an amount that exceeded the \$100,000 FDIC insurance limit by \$171,156.

NOTE G — TEMPORARILY RESTRICTED NET ASSETS

During the year ended August 31, 2006, the Institute received a \$25,000 grant from the County of San Diego for capital improvements. These funds had not been spent before the end of the year. Thus, the \$25,000 is considered to be temporarily restricted until such time as the money is spent on capital improvements in accordance with the grantor's restriction.

NOTE H – PERMANENTLY RESTRICTED NET ASSETS

During the year ended August 31, 2006, the Institute's Board of Directors designated \$20,000 of unrestricted net assets as an endowment fund. These net assets are now permanently restricted.

ADDITIONAL INFORMATION

STATEMENT OF FUNCTIONAL EXPENSES
BARRIO LOGAN COLLEGE INSTITUTE
For the Year Ended August 31, 2006

	Program Services							Supporting Services		Total
	Elementary School	Middle School	High School	Parent Advocacy	Scholarships	Mentor Program	Total Programs	General & Admin	Fund Raising	
Auto expense	\$ 61	\$ 61	\$ 62				\$ 184			\$ 184
Bank Fees								\$ 362		362
Consultants/Presenters	457	550	550				1,557	147	\$ 128	1,832
Depreciation expense	10,065	10,065	10,065	\$ 7,548		\$ 5,032	42,775	5,032	2,516	50,323
Dues & subscriptions			287				287	144	143	574
Employee benefits	2,417	4,029	4,029	806		806	12,087	1,612	2,417	16,116
Equipment leases								3,264		3,264
Events	1,030	1,031	1,030	773		516	4,380		772	5,152
Field trips	1,375	3,000	1,430				5,805			5,805
Insurance - commercial	1,328	1,328	1,328	531		531	5,046	266		5,312
Insurance - general								3,500		3,500
Insurance - workmens comp	731	1,096	1,096	256		256	3,435	110	110	3,655
Insurance - D & O								1,801		1,801
Materials & supplies	2,186	1,562	1,562	499		312	6,121	62	63	6,246
Miscellaneous	1,470	1,470	1,470	587			4,997	882		5,879
Office supplies	213	213	213	213		213	1,065	213	142	1,420
Payroll processing fees	480	600	600	100		101	1,881	60	60	2,001
Payroll taxes	3,434	5,151	5,151	1,202		1,202	16,140	515	515	17,170
Postage & delivery	214	214	214	213			855	213	213	1,281
Printing & reproduction	896	896	896	448		223	3,359	224	896	4,479
Professional development	552	662	662				1,876	177	155	2,208
Professional fees								3,000		3,000
Promotion materials	230	230	230	58		172	920	58	172	1,150
Rent	17,642	17,642	17,642	10,585			63,511	7,057		70,568
Repairs & maintenance	555	555	555	556			2,221	555		2,776
Scholarships					1,500		1,500			1,500
Software < \$1,000			1,177				1,177			1,177
Taxes & licenses								1,562		1,562
Telephone	284	283	284	283		95	1,229	284	378	1,891
Training	335	401	401				1,137	106	94	1,337
Travel	48	119	297	12		59	535	476	178	1,189
Utilities	2,081	2,081	2,080	832			7,074	1,248		8,322
Salaries & wages	25,294	57,121	52,067	13,067		13,067	160,616	7,500	15,000	183,116
	<u>\$73,378</u>	<u>\$110,360</u>	<u>\$105,378</u>	<u>\$38,569</u>	<u>\$1,500</u>	<u>\$22,585</u>	<u>\$351,770</u>	<u>\$40,430</u>	<u>\$23,952</u>	<u>\$416,152</u>

See independent auditor's report on additional information.