

FINANCIAL STATEMENTS

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

For the Year Ended August 31, 2007

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, 2007, 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, 2007, 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, 2007

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

STATEMENT OF FINANCIAL POSITION
BARRIO LOGAN COLLEGE INSTITUTE
August 31, 2007

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$158,473
Investment - pooled fund	240,419
Investment - pooled fund for endowment	50,421
Prepaid insurance	<u>2,839</u>

TOTAL CURRENT ASSETS 452,152

FIXED ASSETS

Office furniture and equipment, net of accumulated depreciation of \$348,970	<u>58,153</u>
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TOTAL ASSETS \$510,305

LIABILITIES

CURRENT LIABILITIES

Accrued payroll	<u>\$ 12,552</u>
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TOTAL CURRENT LIABILITIES 12,552

TOTAL LIABILITIES 12,552

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Unrestricted	432,332
Temporarily restricted	15,000
Permanently restricted	<u>50,421</u>

TOTAL NET ASSETS 497,753

TOTAL LIABILITIES AND NET ASSETS \$510,305

See notes to financial statements.

**STATEMENT OF ACTIVITIES
BARRIO LOGAN COLLEGE INSTITUTE
For the Year Ended August 31, 2007**

UNRESTRICTED NET ASSETS		
Support:		
Individual donations		\$ 91,382
Corporate donations		65,151
Foundation donations		334,856
Fund raisers		874
Other:		
Interest income		11,262
Miscellaneous income		1,805
	TOTAL UNRESTRICTED REVENUES	<u>505,330</u>
Net assets released from restrictions		25,000
Net assets designated by Board of Directors as endowment funds		<u>(26,692)</u>
	TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT	<u>503,638</u>
Expenses:		
Program Services:		
Elementary School		81,260
Middle School		87,748
High School		111,492
Parent Advocacy		56,901
Volunteer & Partnerships		35,572
Scholarships		29,602
		<u>402,575</u>
Supporting Services:		
Management and general		53,504
Fund Raising		32,967
	TOTAL EXPENSES	<u>489,046</u>
	INCREASE IN UNRESTRICTED NET ASSETS	14,592
TEMPORARILY RESTRICTED NET ASSETS		
Contributions received		15,000
Net Assets released from restrictions		<u>(25,000)</u>
	(DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(10,000)</u>
PERMANENTLY RESTRICTED NET ASSETS		
Net assets designated by Board of Directors as endowment funds		26,692
Interest earned, not distributed		<u>3,729</u>
	INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	<u>30,421</u>
	INCREASE IN NET ASSETS	35,013
	NET ASSETS AT BEGINNING OF YEAR	<u>462,740</u>
	NET ASSETS AT END OF YEAR	<u>\$497,753</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS
BARRIO LOGAN COLLEGE INSTITUTE
For the Year Ended August 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from grantors and contributors	\$509,068
Interest received	14,991
Cash paid to suppliers and employees	<u>(438,411)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	85,648
CASH FLOWS USED BY INVESTING ACTIVITIES	
Purchases of fixed assets	<u>(25,144)</u>
NET CASH USED BY INVESTING ACTIVITIES	(25,144)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	
Purchase of pooled investment fund	(139,612)
Purchase of pooled investment fund - endowment	<u>(30,421)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(170,033)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(109,529)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>268,002</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$158,473</u></u>
 RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
NET INCREASE IN ASSETS	\$35,013
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	49,868
Increase in accrued payroll	4,911
Decrease in accrued vacation pay	<u>(4,144)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$85,648</u></u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS
BARRIO LOGAN COLLEGE INSTITUTE
For the Year Ended August 31, 2007**

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
- Volunteer & Partnerships 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.

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.

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.

**NOTES TO FINANCIAL STATEMENTS
BARRIO LOGAN COLLEGE INSTITUTE
For the Year Ended August 31, 2007**

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

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.

Contributed Services: During the year ended August 31, 2007, 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.

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..

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.

NOTE C – CASH

At August 31, 2007 cash consisted of the following:

Checking account	\$ 72,052
Savings account	<u>86,421</u>
	<u>\$158,473</u>

NOTES TO FINANCIAL STATEMENTS
BARRIO LOGAN COLLEGE INSTITUTE
For the Year Ended August 31, 2007

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, 2007, fixed assets consisted of the following:

Equipment	\$159,939
Leasehold Improvements	175,830
Vehicle	32,928
Software	21,727
Furniture and fixtures	<u>16,699</u>
	407,123
Less accumulated depreciation	<u>348,970</u>
	<u>\$ 58,153</u>

NOTES TO FINANCIAL STATEMENTS
BARRIO LOGAN COLLEGE INSTITUTE
For the Year Ended August 31, 2007

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 \$6,483, \$6,807, and \$7,147 for the fiscal years ended August 31, 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>
2008	\$1,685	\$ 77,792
2009	760	81,682
2010	760	85,766
2011	<u>380</u>	<u>-</u>
	<u>\$3,585</u>	<u>\$245,240</u>

For the year ended August 31, 2007, equipment rental expense and premise rental expense were \$3,433 and \$74,088, respectively.

At August 31, 2007, the Institute had on deposit with one bank an amount that exceeded the \$100,000 FDIC insurance limit by \$58,504.

NOTE G — TEMPORARILY RESTRICTED NET ASSETS

During the year ended August 31, 2007, the Institute received a grant from Washington Mutual for the parent program. Not all of the funds had been expended before the end of the year. Thus, the unexpended portion of \$15,000 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, 2007, the Institute's Board of Directors designated \$26,692 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, 2007

	Program Services							Supporting Services		Total
	Elementary School	Middle School	High School	Parent Advocacy	Scholarships	Volunteer Program	Total Programs	General & Admin	Fund Raising	
Auto expense	\$ 58	\$ 58	\$ 58				\$ 174			\$ 174
Bank Fees								\$ 1,053		1,053
Board development								90		90
Consultants								1,500		1,500
Depreciation expense	9,974	9,974	9,973	\$ 7,480		\$ 4,987	42,388	4,987	\$2,493	49,868
Dues & subscriptions			600	10			610	208	50	868
Equipment leases								3,433		3,433
Events	515	515	515	515		822	2,882	387	1,044	4,313
Field trips	192	261	2,979	35			3,467			3,467
Insurance - commercial	1,253	1,253	1,253	501		501	4,761	251		5,012
Insurance - general	4,289	648	648	324		648	6,557	324		6,881
Insurance - health		3,641	3,641	3,641		1,821	12,744	1,821		14,565
Insurance - workmens comp	640	746	782	462		284	2,914	213	426	3,553
Insurance - D & O								2,251		2,251
Materials & supplies	1,277	1,070	4,414	1,402			8,285		7	8,292
Miscellaneous							294	4,154	65	4,513
Office supplies	328	328	328	362		443	1,789	437	109	2,335
Payroll processing fees	369	431	451	267		164	1,682	123	246	2,051
Payroll taxes	3,623	4,226	4,428	2,616		1,610	16,503	1,208	2,415	20,126
Postage & delivery	73	196	41	78			388	73	166	627
Printing & reproduction	664	664	664	664		664	3,320	664	443	4,427
Professional development	272	537	1,257				2,066	947	1,040	4,053
Professional fees	465	465	465	465		465	2,325	310	465	3,100
Promotion materials	413	388	413	363		363	1,940	242	486	2,668
Rent	18,522	18,522	18,522	7,409			62,975	11,113		74,088
Repairs & maintenance	498	498	498	498			1,992	498		2,490
Scholarships					29,602		29,602			29,602
Software < \$1,000								589		589
Taxes & licenses								1,406		1,406
Telephone	509	509	509	509		255	2,291	255		2,546
Training	207	84	84			25	400	101		501
Travel	225	209	274	141		429	1,278	85	1,093	2,456
Utilities	1,804	1,804	1,804	722			6,134	1,082		7,216
Salaries & wages	35,090	40,721	56,891	28,437		21,675	182,814	13,698	22,419	218,931
	<u>\$81,260</u>	<u>\$87,748</u>	<u>\$111,492</u>	<u>\$56,901</u>	<u>\$29,602</u>	<u>\$35,572</u>	<u>\$402,575</u>	<u>\$53,503</u>	<u>\$32,967</u>	<u>\$489,045</u>

See independent auditor's report on additional information.