The Learning Lamp, Inc.

Audited Financial Statements
December 31, 2012

(with Comparative Totals for December 31, 2011)

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Independent Auditors' Report

To the Board of Directors of
The Learning Lamp, Inc.
Johnstown, Pennsylvania

We have audited the accompanying financial statements of The Learning Lamp, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Learning Lamp, Inc. as of December 31, 2012, 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 The Learning Lamp Inc.'s 2011 financial statements, and our report dated June 25, 2012 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kotzan CPA & Associates, P.C.

Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
July 17, 2013

The Learning Lamp, Inc.
Statement of Financial Position
December 31, 2012
with Comparative Totals for December 31, 2011

Assets	2012	2011
Current assets:		
Cash and cash equivalents, unrestricted	$ 67,196	$ 138,511
Cash and cash equivalents, restricted	102,283	54,397
Accounts receivable	375,401	224,638
Inventory	8,781	0
Prepaid expenses	19,530	9,600
Other current assets	3,698	3,698
Total current assets	576,889	430,844
Capital assets		
Land	18,000	0
Construction in progress	0	297,720
Depreciable assets	1,094,586	504,909
Less: accumulated depreciation	(273,084)	(200,685)
Net capital assets	839,502	601,944
Intangible assets, net	14,000	18,000
Total assets	$ 1,430,391	$ 1,050,788
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 141,209	$ 100,041
Other payable	7,616	3,037
Customer prepayments	158,535	156,841
Other prepayments	1,159	1,055
Accrued payroll and liabilities	30,783	28,331
Line of credit	37,744	46,028
Current portion of long-term debt	29,375	23,228
Total current liabilities	406,421	358,561
Notes payable, net of current portion	366,875	231,415
Total liabilities	773,296	589,976
Net assets:		
Unrestricted net assets	554,812	406,415
Temporarily restricted net assets	102,283	54,397
Total net assets	657,095	460,812
Total liabilities and net assets	$ 1,430,391	$ 1,050,788

See accompanying notes to financial statements.

The Learning Lamp, Inc.
Statement of Activities
For the Year Ended December 31, 2012
with Comparative Totals for Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Totals 2012	Totals 2011
Revenues:				
Childcare centers	$ 1,117,811	$ 0	$ 1,117,811	$ 919,215
Alternative education	692,420	0	692,420	736,579
School district staffing	572,878	0	572,878	345,454
School district tutoring programs	202,555	0	202,555	345,137
Online learning	572,216	0	572,216	300,395
DPW licensed school age programs	196,891	0	196,891	178,919
Contributions	91,712	90,245	181,957	174,297
Preschool programs	129,112	0	129,112	150,661
Workshops and camps	118,440	0	118,440	119,656
Outreach programs	75,294	0	75,294	98,600
Grants and scholarships	151,277	0	151,277	95,764
Fundraising events	78,110	0	78,110	63,211
21st Century program	0	0	0	55,858
Individual tutoring fees	45,229	0	45,229	50,532
Grant writing services	42,826	0	42,826	27,738
Interest income	289	0	289	308
EcoKids sales, net	63,796	0	63,796	0
Miscellaneous income	936	0	936	1,022
Donated facilities	1,036,006	0	1,036,006	938,475
Donated materials	19,668	0	19,668	41,289
Donated services	3,339	0	3,339	16,588
Net assets released from restrictions - satisfaction of purpose restrictions	42,359	(42,359)	0	0
Total revenues	5,253,164	47,886	5,301,050	4,659,698
Expenses:				
Program services	4,462,297	0	4,462,297	4,005,391
General and administration expenses	524,165	0	524,165	450,751
Fundraising expenses	118,305	0	118,305	119,298
Total expenses	5,104,767	0	5,104,767	4,575,440
Change in net assets	148,397	47,886	196,283	84,258
Net assets, beginning of year	406,415	54,397	460,812	376,554
Net assets, end of year	$ 554,812	$ 102,283	$ 657,095	$ 460,812

See accompanying notes to financial statements.

The Learning Lamp, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2012
with Comparative Totals for Year Ended December 31, 2011

	Program Services	General and Administration	Fundraising	Totals 2012	Totals 2011
Salaries and wages	$ 2,249,662	$ 249,882	$ 44,475	$2,544,019	$ 2,258,241
Payroll taxes and benefits	168,261	18,696	3,121	190,078	174,724
Tutoring	396,925	0	11	396,936	394,774
21st Century program	0	0	0	0	19,951
EcoKids cost of sales	32,857	0	0	32,857	0
Rent	99,812	248	124	100,184	103,949
In-kind expense	1,053,708	5,305	0	1,059,013	996,352
Supplies	124,536	13,837	4,010	142,383	139,448
Professional fees	0	12,352	625	12,977	26,424
Insurance	74,044	74,044	581	148,669	101,001
Facility expense	41,705	15,103	0	56,808	20,707
Depreciation and amortization	38,199	38,199	0	76,398	55,458
Advertising	30,299	0	1,111	31,410	15,626
Preschool scholarships	44,834	0	0	44,834	86,849
Fundraising events	0	0	60,322	60,322	37,295
Telephone	13,919	3,480	0	17,399	8,285
Office	14,502	21,753	1,096	37,351	35,330
Travel	29,762	5,252	926	35,940	20,506
Vehicle expense	7,243	1,278	35	8,556	6,411
Business expense	0	28,029	608	28,637	16,444
Interest expense	19,486	0	0	19,486	6,589
Computer and internet	14,381	14,381	0	28,762	26,128
Staff development	8,162	0	750	8,912	8,729
Miscellaneous	0	22,326	510	22,836	16,219
	$ 4,462,297	$ 524,165	$ 118,305	$5,104,767	$ 4,575,440

See accompanying notes to financial statements.

The Learning Lamp, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2012
with Comparative Totals for Year Ended December 31, 2011

	2012	2011
Cash flows from operating activities:		
Reconciliation of change in net assets to		
net cash provided by (used in) operating activities:		
Change in net assets	$ 196,283	$ 84,258
Depreciation and amortization expense	76,398	55,458
(Increase) decrease in operating assets:		
Accounts receivable	(150,763)	(81,536)
Inventory	(8,781)	0
Prepaid expenses	(9,930)	(3,192)
Other current assets	0	(1,350)
Increase (decrease) in operating liabilities:		
Accounts payable	41,169	88,161
Other payables	4,579	(1,294)
Customer prepayments	1,694	9,020
Other prepayments	104	573
Accrued payroll and liabilities	2,452	(35,489)
Net cash provided by (used in) operating activities	153,205	114,609
Cash flows from investing activities:		
Purchase of capital assets	(309,957)	(363,386)
Net cash used in investing activities	(309,957)	(363,386)
Cash flows from financing activities:		
Proceeds from debt borrowings	171,876	276,832
Debt repayments	(38,553)	(19,556)
Net cash provided by (used in) financing activities	133,323	257,276
Net increase (decrease) in cash	(23,429)	8,499
Cash and cash equivalents, beginning	192,908	184,409
Cash and cash equivalents, ending	$ 169,479	$ 192,908
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 19,486	$ 6,589

See accompanying notes to financial statements.

The Learning Lamp, Inc.
Notes to Financial Statements
December 31, 2012
with Comparative Information for December 31, 2011

Note 1 – Nature of Activities

The Learning Lamp, Inc. is a non-profit organization with a mission of engaging children in the support they need to succeed. The Organization works in partnership with schools, families and community-based organizations to offer children of all abilities and income levels academic opportunities that help them stay on track in school. Its program portfolio includes tutoring, before and after school programs, preschool, educationally-focused child care, online learning, summer camps, hands-on science and geography workshops for schools, art classes and summer credit recovery courses. Additionally, The Learning Lamp works with schools to provide contracted staffing services and grant writing and communications support with the goal of improving the learning environment for all students.

Note 2 – Summary of Significant Accounting Policies

Organization

The Learning Lamp, Inc. is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2012 and 2011.

Basis of Accounting

The Learning Lamp, Inc. prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Financial Statement Presentation

The Organization 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. As permitted by authoritative guidance, the Organization does not use fund accounting. There were no permanently restricted net assets for the years ended December 31, 2012 and 2011.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain required amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated subsequent events through July 1, 2013, the date which the financial statements were available to be issued.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The FDIC insures bank deposits up to $250,000. At December 31, 2012 and 2011, The Learning Lamp, Inc.'s deposits were entirely federally insured.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Accounts receivable represents balances due from individuals, school districts and other local governmental entities for various services provided by the Organization. Balances that are still outstanding after management has used reasonable collection efforts are written off using the direct write-off method. For the years ended December 31, 2012 and 2011, receivables of $5,074 and $6,284 were written off as uncollectible, respectively. The associated expense is included in Business Expense on the Statement of Functional Expenses.

Inventory

Inventory is stated at the lower of cost (determined on the first in-first out basis) or market. Inventory consists of items purchased by the Organization for resale through the EcoKids consignment store.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31 are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed. Prepaid expenses at December 31, 2012 and 2011 include rent expenses and other contracted services.

Capital Assets

Purchased property and equipment are capitalized at cost. The Organization maintains a capitalization threshold of one thousand dollars ($1,000). Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the gift. Capital assets are depreciated over their estimated useful lives, ranging from 3 to 40 years, using the straight-line method of depreciation. Repairs and maintenance charges which do not increase the useful lives of the assets are charged to operations as incurred.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Customer prepayments in the statement of financial position represent client payments for contracted services received in advance of services provided. This liability primarily reflects current school district contracts.

Compensated Absences

Full-time employees of the Organization are entitled to paid vacation and paid sick/personal time to be used during the course of the year. The Organization requires the use of available time prior to the end of the year. Any employees leaving the Organization during the year are paid for unused time on a pro-rated basis. Accordingly, the Organization has no liability for compensated absences as of December 31, 2012 and 2011.

Note 3 – Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class or functional classification. 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 statements for the year ended December 31, 2011, from which the summarized information was derived.

The Learning Lamp, Inc.
Notes to Financial Statements
December 31, 2012
with Comparative Information for December 31, 2011

Note 4 – Donated Facilities

The Learning Lamp, Inc. operates tutoring and after-school programs in numerous school districts and other community buildings under month-to-month agreements. Many of these organizations donate the use of their buildings. For the years ended December 31, 2012 and 2011, the approximate fair value of the donated annual rent is $1,036,006 and $938,475, respectively, and is included in revenues and expenses in the statement of activities.

Note 5 – Donated Materials

During the years ended December 31, 2012 and 2011, the Organization received $19,668 and $41,289, respectively, in donated materials consisting of office and after school program supplies.

Note 6 – Donated Services

During the years ended December 31, 2012 and 2011, the Organization received $3,339 and $16,588, respectively, in donated professional services.

Note 7 – Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 8 – Capital Assets

The following is a summary of capital assets as of December 31, 2012 and 2011:

	Useful life	2012	2011
Construction in progress	N/A	$ 0	$ 297,720
Land	N/A	18,000	0
Building	40 years	493,343	0
Equipment	3-5 years	263,803	220,091
Furniture and fixtures	5 years	189,209	168,816
Leasehold improvements	10-25 years	148,231	116,002
		1,112,586	802,629
Less: accumulated depreciation		(273,084)	(200,685)
		$ 839,502	$ 601,944

Depreciation expense totaled $72,398 and $53,458 for the years ended December 31, 2012 and 2011, respectively.

Note 9 – Intangible Assets

During 2011, the Organization purchased an existing day care practice for a total purchase price of $50,000, of which $20,000 was capitalized as an intangible cost for the existing customer base. The Organization has determined the useful life of this asset to be five years, which reflects the average expected remaining service to be provided to the existing customer base. The Organization began amortization on the asset as of July 1, 2011, the effective date of the purchase, and recognized $4,000 and $2,000 in amortization expense in 2012 and 2011, respectively.

Intangible assets of $14,000 presented on the statement of financial position at December 31, 2012 consists of the following:

Existing customer base	$20,000
Less: accumulated amortization	(6,000)
Net intangible assets	$14,000

Estimated annual amortization expense for the remaining life is as follows:

2013	$4,000
2014	4,000
2015	4,000
2016	2,000
Total	$14,000

Note 10 – Notes Payable

Long-term debt was comprised of the following outstanding balances:

	December 31, 2012	December 31, 2011
(a) First Summit Bank	$ 11,178	$ 19,408
(b) City of Johnstown	3,412	8,403
(c) First Summit Bank Commercial Loan	368,668	226,832
(d) First Summit Bank	12,992	0
Total	396,250	254,643
Less current portion	(29,375)	(23,228)
Long-term debt	$366,875	$231,415

(a) First Summit Bank note payable in 120 monthly installments plus interest, which accrues at 1% below prime (5% floor, 8% ceiling). Principal repayment began in March 2006 and the note was originally scheduled to mature in February 2016.

(b) City of Johnstown note payable in 60 monthly installments plus interest, which accrues at 3%. Principal repayment began in October 2008 and the note is scheduled to mature in September 2013.

(c) Commercial loan agreement with First Summit Bank issued in August 2011 in the maximum amount of $380,000 to finance the purchase and renovation of a new building. The note is secured by the property and payable to First Summit Bank at 4.69%. The monthly payment through January 2012 (construction term) is interest only. Thereafter, the loan is to be paid in monthly installments of $2,445 for a 20 year period. Drawdowns on the note in 2012 and 2011 were in the amount of $153,168 and $226,832, respectively.

(d) First Summit Bank note payable issued in February 2012 in the amount of $18,708 to finance the purchase of a vehicle. The note is payable in 36 monthly installments plus interest, which accrues at 3.99%. The note is schedule to mature in February 2015.

Future annual payments are as follows:

Year Ended December 31,	Principal	Interest	Total
2013	$ 29,375	$ 18,047	$ 47,422
2014	22,744	16,990	39,734
2015	14,923	15,876	30,799
2016	14,071	15,269	29,340
2017	14,790	14,550	29,340
Thereafter	300,347	111,485	411,832
	$396,250	$192,217	$588,467

Note 11 – Line-of-Credit

The Organization maintains a $100,000 line-of-credit at an interest rate of 4.0% for operational purposes. $50,000 was drawn down on the line in 2011 related to the purchase of a daycare center. The balance at December 31, 2012 and 2011 was $37,744 and $46,028, respectively.

Note 12 – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 consisted of the following:

	2012	2011
Pre-K Scholarship Program	$102,283	$54,397

Note 13 – Leases

At December 31, 2012, the Organization was committed under three noncancellable lease agreements for minimum rental payments to the lessor as follows:

2013	$ 68,658
2014	70,112
2015	71,566
2016	56,263
2017	37,659
2018	18,830
	$323,088

The Organization rented several other locations on a month-to-month basis. Excluding the use of donated facilities, rental expense on leased property totaled $100,184 and $103,949 in 2012 and 2011, respectively.

Note 14 – EcoKids Consignment Store

Effective July 1, 2012, the Organization operates a consignment store that sells children's clothing, furniture, toys and accessories held on consignment for consignors as well as children's items purchased by the Organization for resale. Income and expenses for the consignment store were as follows for the year ended December 31, 2012:

Sales	$63,796
Cost of sales	(32,857)
Gross profit	$30,939

Sales revenue and cost of sales are reported net of discounts and sales tax.

Note 15 – Collaboration Agreements

At December 31, 2012 and 2011, the Organization had multiple agreements with the Appalachia Intermediate Unit 8 requiring the IU8 to pay the Learning Lamp, Inc. $16,800 and $14,400 throughout the respective school years to defray preschool rent expense. This income is offset against rent expense in the statements of functional expense for 2012 and 2011.

Note 16 – Fair Value Measurement

The Organization's management believes the carrying values of all financial assets and liabilities at December 31, 2012 and 2011 approximate the fair value.

Note 17 – Retirement Plan

The Organization sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code. Employees are immediately eligible for elective deferral contributions upon employment. In addition, effective in 2011, the Organization may choose to make a discretionary matching employer contribution for senior management level employees. Matching employer contributions are subject to a vesting schedule based on the participant's years of service and are fully vested upon the employee completing six (6) years of service. The Organization elected to provide a maximum 3% match for senior management level employees in 2012 and 2011, resulting in expense of $4,545 and $4,332 for the years ended December 31, 2012 and 2011, respectively.