

LEAP, Inc.
d/b/a Brooklyn Workforce Innovations

Financial Statements

June 30, 2013

Independent Auditors' Report

Board of Directors LEAP, Inc.

We have audited the accompanying financial statements of LEAP, Inc. ("LEAP"), which comprise the statement of financial position as of June 30, 2013, 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 LEAP'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 LEAP'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 LEAP, Inc. as of June 30, 2013, 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 LEAP, Inc.'s June 30, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 21, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connor Davies, LLP

March 14, 2014

LEAP, Inc.

Statement of Financial Position
June 30, 2013
(with comparative amounts at June 30, 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,151,713	\$ 430,637
Accounts receivable	79,025	166,187
Grants receivable	679,957	1,128,234
Grants receivable, related parties	<u>78,770</u>	<u>91,270</u>
Total Current Assets	1,989,465	1,816,328
Leasehold improvements, equipment and fixtures, net	234,708	302,331
Security deposits	<u>21,034</u>	<u>30,275</u>
	<u>\$ 2,245,207</u>	<u>\$ 2,148,934</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 137,314	\$ 141,847
Accrued expenses	148,744	114,305
Deferred revenue	10,000	-
Grants payable, related parties	<u>2,000</u>	<u>2,000</u>
Total Liabilities	<u>298,058</u>	<u>258,152</u>
Net Assets		
Unrestricted	1,572,730	1,624,963
Temporarily restricted	<u>374,419</u>	<u>265,819</u>
Total Net Assets	<u>1,947,149</u>	<u>1,890,782</u>
	<u>\$ 2,245,207</u>	<u>\$ 2,148,934</u>

See notes to financial statements

LEAP, Inc.

Statement of Activities
Year Ended June 30, 2013
(with summarized totals for the year ended June 30, 2012)

	2013			2012 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUE AND SUPPORT				
Government grants	\$ 361,459	\$ -	\$ 361,459	\$ 339,495
Contributions - foundations/ trusts	2,764,500	245,000	3,009,500	2,647,500
Contributions - corporations	215,934	245,000	460,934	479,415
Contributions - individuals	89,051	-	89,051	101,703
Program services	175,406	-	175,406	188,095
Subcontract income - affiliate	62,622	-	62,622	60,798
Special events, net of costs of direct benefit to donors of \$254 and \$18,729	9,013	-	9,013	11,601
Miscellaneous income	31,651	-	31,651	26,914
Interest income	371	-	371	116
Net assets released from restrictions	381,400	(381,400)	-	-
Total Revenue and Support	<u>4,091,407</u>	<u>108,600</u>	<u>4,200,007</u>	<u>3,855,637</u>
EXPENSES				
Program	3,530,800	-	3,530,800	3,159,299
Management and general	411,984	-	411,984	367,754
Fundraising	200,856	-	200,856	192,662
Total Expenses	<u>4,143,640</u>	<u>-</u>	<u>4,143,640</u>	<u>3,719,715</u>
Change in Net Assets	(52,233)	108,600	56,367	135,922
NET ASSETS				
Beginning of year	<u>1,624,963</u>	<u>265,819</u>	<u>1,890,782</u>	<u>1,754,860</u>
End of year	<u>\$ 1,572,730</u>	<u>\$ 374,419</u>	<u>\$ 1,947,149</u>	<u>\$ 1,890,782</u>

See notes to financial statements

LEAP, Inc.

Statement of Functional Expenses
Year Ended June 30, 2013
(with summarized totals for the year ended June 30, 2012)

	2013					2012 Total	
	Sector Based Training Programs	Other Programs	Total Program Expenses	Management and General	Fundraising		Total
PERSONNEL EXPENSES							
Salaries	\$ 1,098,234	\$ 159,673	\$ 1,257,907	\$ 59,578	\$ 121,772	\$ 1,439,257	\$ 1,353,584
Payroll taxes and fringe benefits	381,700	55,495	437,195	20,707	42,323	500,225	400,982
Total Personnel Expenses	<u>1,479,934</u>	<u>215,168</u>	<u>1,695,102</u>	<u>80,285</u>	<u>164,095</u>	<u>1,939,482</u>	<u>1,754,566</u>
OTHER THAN PERSONNEL EXPENSES							
Administration	-	-	-	47,459	2,785	50,244	-
Consultants	18,271	-	18,271	34,268	22,642	75,181	72,638
Occupancy costs	229,399	16,958	246,357	7,849	-	254,206	242,296
Depreciation and amortization	-	-	-	90,507	-	90,507	73,090
Direct training program expenses	973,353	196,058	1,169,411	24,220	479	1,194,110	952,485
Program expenses	-	219,998	219,998	-	-	219,998	258,358
Equipment, furniture and fixtures	6,431	-	6,431	16,096	-	22,527	25,930
Miscellaneous	-	-	-	-	-	-	1,769
Payroll processing and bank charges	-	-	-	10,764	-	10,764	-
Registration and fees	-	-	-	979	-	979	13,572
Insurance	1,601	-	1,601	11,900	-	13,501	8,500
Maintenance, repairs and cleaning	9,472	1,500	10,972	4,032	-	15,004	-
Office supplies and printing	22,835	4,245	27,080	7,541	6,587	41,208	27,432
Memberships and subscriptions	1,000	-	1,000	1,670	-	2,670	15,488
Books and references	656	-	656	-	-	656	-
Professional fees	-	-	-	52,627	-	52,627	43,715
Advertising, website and events	10,534	25	10,559	1,050	383	11,992	24,028
Utilities	37,829	2,274	40,103	3,848	-	43,951	-
Telephone, internet and postage	9,747	2,500	12,247	3,976	1,257	17,480	21,785
Software purchase and support	2,038	-	2,038	-	1,405	3,443	-
Conference, travel and training	3,243	262	3,505	12,913	1,223	17,641	16,675
Wage subsidy	-	65,469	65,469	-	-	65,469	119,363
Subcontractor expense	-	-	-	-	-	-	48,025
Total Other Than Personnel Expenses	<u>1,326,409</u>	<u>509,289</u>	<u>1,835,698</u>	<u>331,699</u>	<u>36,761</u>	<u>2,204,158</u>	<u>1,965,149</u>
Total Expenses	<u>\$ 2,806,343</u>	<u>\$ 724,457</u>	<u>\$ 3,530,800</u>	<u>\$ 411,984</u>	<u>\$ 200,856</u>	<u>\$ 4,143,640</u>	<u>\$ 3,719,715</u>

See notes to financial statements

LEAP, Inc.

Statement of Cash Flows
Year Ended June 30, 2013

(with comparative amounts for the year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 56,367	\$ 135,922
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	90,507	73,090
Changes in operating assets and liabilities		
Accounts receivable	87,162	(131,890)
Grants receivable	448,277	210,705
Grants receivable, related parties	12,500	11,385
Accounts payable	(4,533)	(29,978)
Accrued expenses	34,439	34,731
Deferred revenue	10,000	
Grants payable, related parties	-	2,000
Net Cash from Operating Activities	<u>734,719</u>	<u>305,965</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment and fixtures	(22,884)	(85,600)
Security deposit received (paid)	9,241	(14,775)
Net Cash from Investing Activities	<u>(13,643)</u>	<u>(100,375)</u>
 Net Change in Cash and Cash Equivalents	 721,076	 205,590
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>430,637</u>	<u>225,047</u>
End of year	<u>\$ 1,151,713</u>	<u>\$ 430,637</u>

See notes to financial statements

LEAP, Inc.

Notes to Financial Statements
June 30, 2013

1. Organization and Tax Status

LEAP, Inc. ("LEAP") d/b/a Brooklyn Workforce Innovations is a not-for-profit organization that works to empower low and moderate income individuals by creating living wage employment opportunities and access to career paths. LEAP creates stable, long term employment through job training and placement programs. LEAP is a controlled affiliate of Fifth Ave Committee, Inc. ("FAC"). FAC has a one class membership interest in LEAP under section 803 of the Not-For-Profit-Corporation Law.

LEAP Inc. is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and is not considered to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

LEAP offers a comprehensive model of workforce development. Applicants are carefully screened, and accepted participants receive rigorous training in programs with employer vetted curricula leading to industry recognized certifications, followed by two years of job-placement assistance. LEAP offers six free sector based and skill based programs to its participants:

- Red Hook on the Road ("RHOR") trains men and women for careers in the commercial driving industry, which offers good starting wages and opportunities for advancement. In fiscal year 2013, RHOR enrolled 284 participants and graduated 99% of them. Among graduates, 265 individuals have secured their NYS Commercial Driver's License, and LEAP has placed 89% of those that passed their CDL exam into jobs with an average starting salary of \$14.51 an hour. Of those placed, 91% of graduates have been in positions that provide benefits.
- Brooklyn Networks ("BN") is LEAP's teledata cable installation program. It prepares low-income individuals for good jobs installing and maintaining computer, voice, data, video and security system cabling. Utilizing a custom-built telecommunications lab located at the New York City College of Technology, BN provides targeted skills training combining the industry-accepted BICSI certification with customer service skills, vocational counseling and job readiness training. In FY2013, BN enrolled 61 individuals, graduated 80% of them, and has placed 88% of our BICSI-certified graduates in jobs with an average starting salary of \$11.84 per hour.
- "Made in NY" Production Assistant Training Program connects underrepresented New Yorkers with careers in television and film production through four weeks of hands-on training. The program is offered in partnership with the New York City Mayor's Office of Media and Entertainment. Participants learn set and office production assistant skills and are placed in jobs in feature films, episodic and reality TV, commercials, music videos and other productions. More than 2,000 productions have hired "Made in NY" production assistants (PA). In FY2013, the PA program enrolled 88 individuals, graduated 91% of them and placed 95% of certified graduates in jobs with an average starting wage of \$11.93 per hour.

LEAP, Inc.

Notes to Financial Statements June 30, 2013

1. Organization and Tax Status (*continued*)

- Brooklyn Woods (“BW”) is a training program that prepares low income, unemployed individuals for skilled entry-level positions in woodworking, cabinetmaking, fabrication and related fields through seven weeks of full-time hands-on training and exposure to a professional shop environment. BW teaches trainees the proper use of power tools and woodworking machinery, a wide variety of woodworking techniques, math and measurement, reading shop drawings as well as an introduction to shop production procedures, spray finishing and cabinet installation. Students receive soft skills training, contextualized job readiness training and resume preparation as well. Successful graduates are placed in woodworking and cabinetmaking shops, fabrication and scenic companies, general contractors as well as other related manufacturers. In FY 2013, BW enrolled 61 individuals, graduated 87%, and placed 70% of graduates in jobs with an average starting salary of \$11.59.
- LEAP’s multi-sector credential-based program was piloted in 2009 and launched full-scale in 2010. New York Drives (“NYD”) addresses a major barrier to program entry for those who need LEAP’s services the most: a NYS Driver’s License (three out of four of our sector-targeted programs require a license), combined with core job readiness training. In addition, as competition becomes even greater, a license provides an immediate opportunity to apply for a greater number of entry-level positions, and access a greater range of skills training. In fiscal year 2013, NYD enrolled 83 unemployed New Yorkers, with a strong focus on young adults and women. Of these, 75(90%) graduated from the program and 88% of licensed graduates have been placed in a skills training program and/or job. Average starting wages for NYD graduates in FY2013 were \$12.84 per hour.
- The New York City Housing Authority (“NYCHA”) Resident Training Academy Program, trains public housing residents for employment with NYCHA and its vendors. Training combines job readiness and workplace safety with hands-on skills training and practice in specific sectors. In FY2013, the program enrolled 214 public housing residents and graduated 201 (94%) of these beneficiaries. Of those, 191 (95% of graduates) have been placed into jobs with NYCHA paying an average of \$13.05 per hour, with excellent benefits and opportunities for career advancement.

LEAP, Inc.

Notes to Financial Statements
June 30, 2013

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Net Asset Presentation

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets are those whose use is limited by donors to a specific time period or purpose. Permanently restricted net assets are limited by donors in perpetuity. LEAP has no permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid fixed income investments with an original maturity of three months or less at time of purchase.

Allowance for Doubtful Accounts

LEAP evaluates the collectability of receivables based on a combination of factors. Where management is aware of a customer's inability to meet its financial obligation, a reserve for the potential bad debt to reduce the receivable to the estimated realizable value is recorded. Past due status is based on how recently payments have been received. A reserve was not necessary at June 30, 2013.

Leasehold Improvements, Equipment and Fixtures

Leasehold improvements, equipment and fixtures are stated at cost. Depreciation of equipment is computed on the straight-line basis over its useful life. Amortization of leasehold improvements is computed on a straight-line basis over the term of the operating lease or life of the asset, whichever is shorter.

The estimated useful lives by asset class are as follows:

	<u>Useful Life</u>
Equipment and fixtures	3-5 years
Leasehold improvements	10 years

LEAP, Inc.

Notes to Financial Statements
June 30, 2013

2. Summary of Significant Accounting Policies (continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence or nature of any donor restrictions.

Allocation of Expenses

Expenses are charged directly to program or support service categories based on specific identification of expenses. Common expenses are allocated on an equitable basis to all programs and support services based on management's estimates.

Accounting for Uncertainty in Income Taxes

LEAP recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that LEAP had no uncertain tax positions that would require financial statement recognition or disclosure. LEAP is no longer subject to examinations by the applicable taxing jurisdictions for tax periods prior to June 30, 2010.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 14, 2014.

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with LEAP's financial statements for 2012, from which the summarized information was derived.

3. Concentration of Risk

Financial instruments that potentially subject LEAP to concentration of credit risk consist principally of temporary cash investments and receivables. LEAP places its temporary cash investments with financial institutions that management deems to be creditworthy. During the year, a portion of these funds was not insured. LEAP has not experienced any losses from these accounts. Receivables from one source amounted to approximately 50% of grants receivable at June 30, 2013. Receivables are expected to be collected in the normal course of business.

LEAP, Inc.

Notes to Financial Statements June 30, 2013

4. Transactions With Affiliated Companies

Operating expenses incurred by LEAP on behalf of FAC are billed to FAC and are reported as subcontract income on the statement of activities.

Operating expenses paid for by FAC on behalf of LEAP resulted in billings to LEAP totaling \$164,215 and \$135,407 for the years ended June 30, 2013 and 2012. This includes rent expense of \$42,924 and \$41,396 for the years ended June 30, 2013 and 2012.

Grants receivable owed to LEAP from FAC total \$78,770 and \$91,270 as of June 30, 2013 and 2012.

5. Pension Plan

LEAP has a Simplified Employee Pension Plan ("the Plan"). LEAP made contributions of \$60,638 and \$53,168 to the Plan for the years ended June 30, 2013 and 2012.

6. Leasehold Improvements, Equipment and Fixtures

Leasehold improvements, equipment and fixtures as of June 30 consist of the following:

	<u>2013</u>	<u>2012</u>
Equipment and fixtures	\$287,055	\$264,171
Leasehold improvements	<u>688,095</u>	<u>688,095</u>
	975,150	952,266
Accumulated depreciation	<u>(740,442)</u>	<u>(649,935)</u>
	<u>\$234,708</u>	<u>\$302,331</u>

7. Commitments and Contingencies

LEAP leases its Brooklyn Woods Program premises at 168 7th Street Brooklyn, New York under a non-cancelable 5 year operating lease that terminates on June 14, 2016. Rent expense for the years ended June 30, 2013 and 2012 was \$138,645 and \$-0-.

Minimum required lease payments for future periods are as follows:

For the years ending June 30,

2014	\$142,453
2015	146,727
2016	<u>151,129</u>
	<u>\$440,309</u>

LEAP, Inc.

Notes to Financial Statements
June 30, 2013

8. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets consist of the following for the year ended June 30, 2013:

<u>Purpose/ Restriction</u>	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2012</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2013</u>
NY Drives	\$ 30,730	\$ 120,000	\$(128,034)	\$ 22,696
Capacity building for New Initiatives at Brooklyn Navy Yard	200,000	195,000	(109,101)	285,899
MINY	-	30,000	(30,000)	-
New data management system	10,357	-	(10,357)	-
Pilot Program Serving Young Adults	24,732	70,000	(28,908)	65,824
RHOR	-	20,000	(20,000)	-
Hurricane Sandy	-	55,000	(55,000)	-
	<u>\$ 265,819</u>	<u>\$ 490,000</u>	<u>\$(381,400)</u>	<u>\$ 374,419</u>

9. Economic Dependency

Funding from one source amounted to approximately 50% of total revenue and support in 2013. LEAP is economically dependent on these funds to continue operations.

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