

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

Financial Statements

June 30, 2014

Independent Auditors' Report

**Board of Directors
LEAP, Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of LEAP, Inc. ("LEAP"), which comprise the statement of financial position as of June 30, 2014, 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.

O'CONNOR DAVIES, LLP

665 Fifth Avenue, New York, NY 10022 | Tel: 212.286.2600 | Fax: 212.286.4080 | www.odpkf.com

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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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connor Davies, LLP

January 14, 2015

LEAP, Inc.

Statement of Financial Position
June 30, 2014
(with comparative amounts at June 30, 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash	\$ 749,625	\$ 1,151,713
Accounts receivable	96,537	79,025
Grants receivable	1,292,309	679,957
Grants receivable, related parties	103,770	78,770
Total Current Assets	<u>2,242,241</u>	<u>1,989,465</u>
Leasehold improvements, equipment and fixtures, net	167,808	234,708
Security deposits	<u>20,465</u>	<u>21,034</u>
	<u>\$ 2,430,514</u>	<u>\$ 2,245,207</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 283,306	\$ 137,314
Accrued expenses	113,373	148,744
Deferred revenue	-	10,000
Grants payable, related parties	-	2,000
Total Current Liabilities	<u>396,679</u>	<u>298,058</u>
Net Assets		
Unrestricted	1,683,687	1,572,730
Temporarily restricted	<u>350,148</u>	<u>374,419</u>
Total Net Assets	<u>2,033,835</u>	<u>1,947,149</u>
	<u>\$ 2,430,514</u>	<u>\$ 2,245,207</u>

See notes to financial statements

LEAP, Inc.

Statement of Activities
Year Ended June 30, 2014
(with summarized totals year ended June 30, 2013)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUE AND SUPPORT				
Government grants	\$ 642,163	\$ 17,189	\$ 659,352	\$ 361,459
Contributions - foundations/ trusts	2,430,000	440,000	2,870,000	3,009,500
Contributions - corporations	388,320	125,000	513,320	460,934
Contributions - individuals	86,648	-	86,648	89,051
Program services	250,335	-	250,335	175,406
In-kind contributions	82,544	-	82,544	-
Subcontract income - affiliate	64,500	-	64,500	62,622
Special events, net of costs of direct benefit to donors of \$19,109 and \$254	29,044	-	29,044	9,013
Interest and other	12,823	-	12,823	32,022
Net assets released from restrictions	606,460	(606,460)	-	-
Total Revenue and Support	<u>4,592,837</u>	<u>(24,271)</u>	<u>4,568,566</u>	<u>4,200,007</u>
EXPENSES				
Program	3,848,500	-	3,848,500	3,530,800
Management and general	385,652	-	385,652	411,984
Fundraising	247,728	-	247,728	200,856
Total Expenses	<u>4,481,880</u>	<u>-</u>	<u>4,481,880</u>	<u>4,143,640</u>
Change in Net Assets	110,957	(24,271)	86,686	56,367
NET ASSETS				
Beginning of year	<u>1,572,730</u>	<u>374,419</u>	<u>1,947,149</u>	<u>1,890,782</u>
End of year	<u>\$ 1,683,687</u>	<u>\$ 350,148</u>	<u>\$ 2,033,835</u>	<u>\$ 1,947,149</u>

See notes to financial statements

LEAP, Inc.

Statement of Functional Expenses
 Year ended June 30, 2014
 (with summarized totals year ended June 30, 2013)

	2014					2013 Total
	Sector Based Training Programs	Other Programs	Total Program Expenses	Management and General	Fundraising	
PERSONNEL EXPENSES						
Salaries	\$ 1,105,879	\$ 252,447	\$ 1,358,326	\$ 54,861	\$ 165,140	\$ 1,578,327
Contributed services - salaries	-	75,000	75,000	-	-	75,000
Payroll taxes and fringe benefits	324,735	74,130	398,865	16,110	48,492	463,467
Total Personnel Expenses	1,430,614	401,577	1,832,191	70,971	213,632	2,116,794
OTHER THAN PERSONNEL EXPENSES						
Administration	-	-	-	63,383	-	63,383
Consultants	3,375	1,000	4,375	53,150	23,214	80,739
Occupancy costs	288,111	26,206	314,317	15,494	2,324	332,135
Depreciation and amortization	-	-	-	93,130	-	93,130
Direct training program expenses	1,114,978	187,072	1,302,050	3,416	1,007	1,306,473
Program expenses	-	201,481	201,481	-	-	201,481
Equipment, furniture and fixtures	24,730	2,566	27,296	2,053	1,026	30,375
Payroll processing and bank charges	-	-	-	10,781	-	10,781
Registration and fees	6,525	476	7,001	176	176	7,353
Insurance	-	-	-	11,915	-	11,915
Maintenance, repairs and cleaning	13,030	2,078	15,108	519	260	15,887
Office supplies and printing	13,446	297	13,743	2,509	3,447	19,699
Memberships and subscriptions	470	-	470	1,755	-	2,225
Books and references	237	-	237	391	-	628
Professional fees	-	-	-	40,544	-	40,544
Advertising, website and events	6,953	1,638	8,591	6,455	44	15,090
Utilities	40,931	2,469	43,400	2,905	436	46,741
Telephone, internet and postage	21,206	3,528	24,734	3,381	1,238	29,353
Software purchase and support	573	-	573	1,100	816	2,489
Conference, travel and training	12,978	6,434	19,412	1,624	108	21,144
Wage subsidy	-	15,450	15,450	-	-	15,450
Bad debt expense	934	17,137	18,071	-	-	18,071
Total Other Than Personnel Expenses	1,548,477	467,832	2,016,309	314,681	34,096	2,365,086
Total Expenses	\$ 2,979,091	\$ 869,409	\$ 3,848,500	\$ 385,652	\$ 247,728	\$ 4,481,880

See notes to financial statements

LEAP, Inc.

Statement of Cash Flows
Year ended June 30, 2014
(with comparative amounts year ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 86,686	\$ 56,367
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	93,130	90,507
Bad debt expense	18,071	-
Changes in operating assets and liabilities		
Accounts receivable	(35,583)	87,162
Grants receivable	(612,352)	448,277
Grants receivable, related parties	(25,000)	12,500
Security deposits	569	9,241
Accounts payable	145,992	(4,533)
Accrued expenses	(35,371)	34,439
Deferred revenue	(10,000)	10,000
Grants payable, related parties	(2,000)	-
Net Cash from Operating Activities	<u>(375,858)</u>	<u>743,960</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment and fixtures	<u>(26,230)</u>	<u>(22,884)</u>
Net Change in Cash	(402,088)	721,076
CASH		
Beginning of year	<u>1,151,713</u>	<u>430,637</u>
End of year	<u>\$ 749,625</u>	<u>\$1,151,713</u>

See notes to financial statements

LEAP, Inc.

Notes to Financial Statements June 30, 2014

1. Organization and Tax Status

LEAP, Inc. ("LEAP") d/b/a Brooklyn Workforce Innovations (BWI) 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 access to stable, long term employment through job training and placement programs. LEAP is a controlled affiliate of Fifth Avenue Committee, Inc. ("FAC"). FAC has a one class membership interest in LEAP under section 803 of the Not-For-Profit-Corporation Law.

LEAP 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 services. Applicants are carefully screened, and accepted beneficiaries receive rigorous training in programs with employer vetted curricula leading to industry recognized skill sets and/or certifications, followed by job placement assistance and career advancement support for at least two years. BWI offers an array of skills-based trainings including:

- Red Hook on the Road ("RHOR") is BWI's commercial driving training program. In fiscal year 2014 RHOR enrolled 290 participants and graduated 97%. This four-week program prepares participants for jobs as drivers of "Class B/BPS" commercial vehicles including trucks, school buses, coach or charter buses, airport shuttle buses and Access-A-Ride and other para-transit vehicles. The course consists of industry-specific skills, such as map-reading, as well as job readiness and soft skills, such as mock interviews and customer service skills training. Among graduates in fiscal year 2014, 263 individuals have secured their NYS Commercial Driver's License, and RHOR has placed 91% of those that passed their CDL exam into jobs with an average starting salary of \$14.39 per hour.
- Brooklyn Networks ("BN") is BWI's six-week tele-data cable installation training program. BN trains low-income individuals for upwardly-mobile 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 fiscal 2014 BN enrolled 65 individuals, graduated 86%, and so far have placed 89% of our BICSI-certified graduates in jobs with an average starting salary of \$12.83 per hour.

LEAP, Inc.

Notes to Financial Statements June 30, 2014

1. Organization and Tax Status (*continued*)

- "Made in NY" Production Assistant Training Program ("MiNY") connects underrepresented New Yorkers with careers in television and film production through hands-on training. The program is offered in partnership with the NYC Mayor's Office of Media and Entertainment. Participants learn set and office production assistant skills and are placed in jobs on feature films, episodic and reality television, commercials, music videos and other productions. More than 2,000 productions have hired "Made in NY" Production assistants. In fiscal 2014, the program enrolled 85 individuals, graduated 91% and placed 99% of certified graduates in jobs with an average starting wage of \$12.26 per hour.
- Brooklyn Woods ("BW") seven-week training program teaches shop production, wood technology, finishing techniques, cabinet installation, mechanical drawing, and the safe use and proper care of hand and power tools in a custom-built woodworking shop. Students also work on evaluated projects such as a cutting board and cabinets, using various construction methods and receive an introduction to reading shop drawings, spray finishing, and cabinet installation. Having also benefited from training in soft skills and contextualized job readiness, graduates are placed in jobs at large and small woodworking shops, construction and home renovation companies, home improvement stores and real estate property management firms. In fiscal 2014, BW enrolled 62 individuals, graduated 84%, and so far has placed 83% of graduates in jobs with an average starting salary of \$12.14 per hour.
- New York Drives ("NYD") is BWI's multi-sector credential-based program, which was piloted in 2009 and launched full-scale in 2010. In addition to providing core job-readiness training, NYD addresses a major barrier to program entry for those who need LEAP's services the most, a NYS Driver's License, which three out of four of our sector-targeted programs require. In fiscal 2014, NYD enrolled 61 unemployed New Yorkers, with a strong focus on young adults and women. Of these, 54 (89%) graduated from the program and 88% of licensed graduates have been placed in one of our sector-skills training programs and/or job. NYD graduates in fiscal 2014 earned average starting wages of \$11.77 per hour.
- NYCHA Resident Training Academy ("NRTA") trains public housing residents for employment with the New York City Housing Authority (NYCHA). NRTA's training combines job readiness and workplace safety with hands-on skills training and practice in specific sectors, including entry-level caretaking of public housing developments and grounds. In fiscal 2014, the program enrolled 127 public housing residents and graduated 122 (96%) of these beneficiaries. Of those, so far, 111 (91% of graduates) have been placed into jobs with NYCHA paying an average of \$12.91 per hour, with excellent benefits and opportunities for career advancement.

LEAP, Inc.

Notes to Financial Statements June 30, 2014

1. Organization and Tax Status (continued)

- Customized Skills Training at the Brooklyn Navy Yard was piloted in 2013. BWI is partnering with the Brooklyn Navy Yard Development Corporation (BNYDC) to provide workforce development training, career development and support services to employer tenants of the historic and expanding Brooklyn Navy Yard, an industrial park in North Brooklyn. In close collaboration with BNYDC, which operates the Navy Yard and its Employment Center, BWI is connecting unemployed and underemployed men and women to new employment opportunities with more than 330 (and growing) industrial and commercial tenants. Together we're implementing the integrated strategy of employer-customized soft and hard skills job training, pre-screening and assessment; sector-based skills training; incumbent worker training; long-term job placement and career counseling support; and access to social supports and retention services. In fiscal 2014, BWI enrolled 44 New Yorkers in training, graduated 40 (91% of enrollees), credentialed 37 (93% of graduates) and so far has placed 32 (86% of credentialed graduates), with an average initial wage of \$21.65/hour.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared on the accrual basis of accounting 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 revenue and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Financial Statement Presentation

The financial statements report net assets separately by class of net assets. Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets represent contributions with donor imposed restrictions that have not yet been satisfied. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities as net assets released from restriction. Permanently restricted net assets are limited by donors in perpetuity. LEAP has no permanently restricted net assets.

LEAP, Inc.

Notes to Financial Statements
June 30, 2014

2. **Summary of Significant Accounting Policies (continued)**

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. An allowance for doubtful accounts was not necessary at June 30, 2014.

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

Contributions

Contributions are recorded when an unconditional promise to give is received or when substantially all conditions have been met. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence or nature of any donor imposed stipulations.

In-kind Contributions

Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions are reflected in the accompanying statement of activities at their fair value at the time the services are rendered.

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.

LEAP, Inc.

Notes to Financial Statements
June 30, 2014

2. Summary of Significant Accounting Policies (continued)

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, 2011.

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 January 14, 2015.

Reclassification

Certain amounts in the accompanying 2013 information has been reclassified to conform to the 2014 presentation.

Prior Year Summarized Financial 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 the year ended June 30, 2013, from which the summarized information was derived.

3. Concentration of Credit Risk

Financial instruments that potentially subject LEAP to significant concentrations of credit risk consist principally of cash and grants receivables. LEAP maintains its cash with three financial institutions, which at times, may be in excess of federally insured limits. LEAP has not experienced any losses on its cash accounts.

A concentration of credit risk exists with respect to receivables since amounts receivable from one source represented 56% and 50% of the total grants receivable as of June 30, 2014 and 2013, respectively. Receivables are expected to be collected in the normal course of business.

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.

LEAP, Inc.

Notes to Financial Statements
June 30, 2014

4. Transactions With Affiliated Companies (continued)

Operating expenses paid for by FAC on behalf of LEAP resulted in billings to LEAP totaling \$187,437 and \$164,215 for the years ended June 30, 2014 and 2013. This includes rent expense of \$75,000 and \$42,924 for the years ended June 30, 2014 and 2013.

Grants receivable owed to LEAP from FAC total \$103,770 and \$78,770 as of June 30, 2014 and 2013.

5. Pension Plan

LEAP has a Simplified Employee Pension Plan ("the Plan"). LEAP made contributions of \$63,158 and \$60,638 to the Plan for the years ended June 30, 2014 and 2013.

6. Leasehold Improvements, Equipment and Fixtures

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

	<u>2014</u>	<u>2013</u>
Equipment and fixtures	\$ 313,285	\$287,055
Leasehold improvements	<u>688,095</u>	<u>688,095</u>
	1,001,380	975,150
Accumulated depreciation and amortization	<u>(833,572)</u>	<u>(740,442)</u>
	<u>\$ 167,808</u>	<u>\$234,708</u>

7. Commitments and Contingencies

At June 30, 2014, LEAP leases commercial office space under the terms of three operating leases which expires during the years 2016 and 2017. Rent expense for the years ended June 30, 2014 and 2013 was \$142,805 and \$138,645.

Minimum required lease payments for future periods are as follows:

For the years ending June 30,

2015	\$ 262,595
2016	231,205
2017	<u>24,290</u>
	<u>\$ 518,090</u>

LEAP, Inc.

Notes to Financial Statements
June 30, 2014

8. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets consist of the following for the year ended June 30, 2014:

<u>Purpose/ Restriction</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2014</u>
NY Drives	\$ 22,696	\$ 90,000	\$ (92,447)	\$ 20,249
Capacity building for New Initiatives at Brooklyn Navy Yard	197,793	200,000	(177,170)	220,623
Training for NYCHA Residents	88,106	100,000	(188,106)	-
Pilot program serving young adults	65,824	70,000	(60,341)	75,483
Made in New York (MiNY)	-	47,189	(47,189)	-
Fundraising/Consultants	-	50,000	(16,207)	33,793
RHOR	-	25,000	(25,000)	-
	<u>\$ 374,419</u>	<u>\$ 582,189</u>	<u>\$ (606,460)</u>	<u>\$ 350,148</u>

9. Economic Dependency

Funding from one source amounted to approximately 40% of total revenue and support in 2014. LEAP is economically dependent on these funds to maintain the current level of operations.

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