

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

Financial Statements

June 30, 2016

Independent Auditors' Report

Board of Directors LEAP, Inc. d/b/a Brooklyn Workforce Innovations

We have audited the accompanying financial statements of LEAP, Inc. d/b/a Brooklyn Workforce Innovations ("LEAP"), which comprise the statement of financial position as of June 30, 2016, 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.

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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

December 20, 2016

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

Statement of Financial Position
June 30, 2016
(with comparative amounts at June 30, 2015)

	2016	2015
ASSETS		
Current Assets		
Cash	\$ 1,083,054	\$ 1,056,745
Accounts receivable	514,228	116,319
Grants receivable	888,913	1,027,302
Grants receivable, related parties	58,770	99,595
Prepaid insurance	22,366	9,920
Total Current Assets	2,567,331	2,309,881
Leasehold improvements, equipment and fixtures, net	36,539	75,694
Security deposits	40,465	20,465
	\$ 2,644,335	\$ 2,406,040
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 261,301	\$ 232,120
Accrued expenses	136,393	111,019
Deferred revenue	27,531	-
Total Current Liabilities	425,225	343,139
Net Assets		
Unrestricted	2,079,885	1,953,895
Temporarily restricted	139,225	109,006
Total Net Assets	2,219,110	2,062,901
	\$ 2,644,335	\$ 2,406,040

See notes to financial statements

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

Statement of Activities
Year Ended June 30, 2016
(with summarized totals year ended June 30, 2015)

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUE AND SUPPORT				
Government grants	\$ 544,468	\$ -	\$ 544,468	\$ 673,523
Contributions - foundations/ trusts	3,004,000	125,000	3,129,000	2,977,500
Contributions - corporations	499,067	244,000	743,067	604,485
Contributions - individuals	114,962	-	114,962	84,835
Program services	613,494	-	613,494	298,577
In-kind contributions	79,000	-	79,000	137,000
Subcontract income - affiliate	45,608	-	45,608	85,750
Special event revenue, (net of costs with direct benefit to donors of \$15,360 and \$26,895)	67,555	-	67,555	75,963
Interest and other	11,419	-	11,419	14,568
Net assets released from restrictions	338,781	(338,781)	-	-
Total Revenue and Support	<u>5,318,354</u>	<u>30,219</u>	<u>5,348,573</u>	<u>4,952,201</u>
EXPENSES				
Program	4,459,678	-	4,459,678	4,138,769
Management and general	457,992	-	457,992	528,093
Fundraising	274,694	-	274,694	256,273
Total Expenses	<u>5,192,364</u>	<u>-</u>	<u>5,192,364</u>	<u>4,923,135</u>
Change in Net Assets	125,990	30,219	156,209	29,066
NET ASSETS				
Beginning of year	<u>1,953,895</u>	<u>109,006</u>	<u>2,062,901</u>	<u>2,033,835</u>
End of year	<u>\$ 2,079,885</u>	<u>\$ 139,225</u>	<u>\$ 2,219,110</u>	<u>\$ 2,062,901</u>

See notes to financial statements

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

Statement of Functional Expenses
Year ended June 30, 2016
(with summarized totals year ended June 30, 2015)

	2016					2015 Total	
	Sector Based Training Programs	Other Programs	Total Program Expenses	Management and General	Fundraising		Total
PERSONNEL EXPENSES							
Salaries	\$ 1,277,365	\$ 506,076	\$ 1,783,441	\$ 71,364	\$ 162,232	\$ 2,017,037	\$ 1,754,845
Contributed services - salaries	-	79,000	79,000	-	-	79,000	77,000
Payroll taxes and fringe benefits	<u>387,995</u>	<u>115,651</u>	<u>503,646</u>	<u>21,677</u>	<u>49,278</u>	<u>574,601</u>	<u>529,662</u>
Total Personnel Expenses	<u>1,665,360</u>	<u>700,727</u>	<u>2,366,087</u>	<u>93,041</u>	<u>211,510</u>	<u>2,670,638</u>	<u>2,361,507</u>
OTHER THAN PERSONNEL EXPENSES							
Administration	-	11,042	11,042	78,484	-	89,526	69,208
Consultants	16,198	6,883	23,081	71,011	25,678	119,770	228,632
Occupancy costs	315,395	33,088	348,483	34,747	6,318	389,548	427,059
Depreciation and amortization	-	-	-	39,155	-	39,155	93,384
Direct training program expenses	1,058,646	212,072	1,270,718	1,716	10	1,272,444	1,291,506
Program expenses	2,042	300,916	302,958	-	-	302,958	190,091
Equipment, furniture and fixtures	10,864	-	10,864	11,469	-	22,333	25,591
Miscellaneous	1,000	-	1,000	4,062	-	5,062	3,265
Payroll processing and bank charges	-	-	-	12,044	23	12,067	11,176
Registration and fees	-	-	-	1,684	150	1,834	3,878
Insurance	-	-	-	12,970	-	12,970	9,970
Maintenance, repairs and cleaning	1,674	-	1,674	1,848	-	3,522	2,199
Office supplies and printing	22,723	5,303	28,026	3,140	8,315	39,481	33,252
Memberships and subscriptions	90	-	90	2,000	-	2,090	3,034
Books and references	-	-	-	599	-	599	754
Professional fees	-	-	-	24,350	-	24,350	30,738
Advertising, website and events	11,918	1,425	13,343	7,179	1,460	21,982	21,924
Utilities	33,592	4,678	38,270	3,377	614	42,261	52,273
Telephone, internet and postage	20,028	3,788	23,816	9,933	2,777	36,526	12,270
Software purchase and support	1,667	-	1,667	53	17,765	19,485	3,051
Conference, travel and training	1,365	5,550	6,915	11,746	74	18,735	31,423
Wage subsidy	-	11,644	11,644	-	-	11,644	-
Bad debt expense	-	-	-	33,384	-	33,384	16,950
Total Other Than Personnel Expenses	<u>1,497,202</u>	<u>596,389</u>	<u>2,093,591</u>	<u>364,951</u>	<u>63,184</u>	<u>2,521,726</u>	<u>2,561,628</u>
Total Expenses	<u>\$ 3,162,562</u>	<u>\$ 1,297,116</u>	<u>\$ 4,459,678</u>	<u>\$ 457,992</u>	<u>\$ 274,694</u>	<u>\$ 5,192,364</u>	<u>\$ 4,923,135</u>

See notes to financial statements

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

Statement of Cash Flows
Year ended June 30, 2016
(with comparative amounts year ended June 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 156,209	\$ 29,066
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	39,155	93,384
Bad debt expense	33,384	16,950
Changes in Operating Assets and Liabilities		
Accounts receivable	(431,293)	(36,732)
Grants receivable	138,389	265,007
Grants receivable, related parties	40,825	4,175
Prepaid insurance	(12,446)	(9,920)
Security deposits	(20,000)	-
Accounts payable	29,181	(51,186)
Accrued expenses	25,374	(2,354)
Deferred revenue	27,531	-
Net Cash from Operating Activities	26,309	308,390
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and fixtures	-	(1,270)
 Net Change in Cash	26,309	307,120
 CASH		
Beginning of year	1,056,745	749,625
End of year	\$ 1,083,054	\$1,056,745

See notes to financial statements

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

Notes to Financial Statements
June 30, 2016

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 skills 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 2016 RHOR enrolled 291 participants and graduated 93% of them. 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. So far, among graduates in fiscal 2016, 242 individuals have secured their NYS Commercial Driver's License (89% of graduates), and RHOR has placed 95% of those that passed their CDL exam into jobs with an average starting salary of \$15.73 per hour.
- The NYCHA Resident Training Academy ("NRTA") trains local residents of public housing for employment with the New York City Housing Authority ("NYCHA"). The program'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 2016, the program enrolled 254 public housing residents and graduated 248 (98%) of these beneficiaries. Of those, so far, 206 (83% of graduates) have been placed into jobs with NYCHA paying an average of \$13.32 per hour, with excellent benefits and opportunities for career advancement.
- The "Made in NY" Production Assistant Training Program connects underrepresented New Yorkers with careers in TV and film production. 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 TV, commercials, music videos and other productions. More than 2,000 productions have hired "Made in NY" Production Assistants. In fiscal 2016, the program enrolled 76 individuals, graduated 87% of them and placed 97% of certified graduates in jobs with an average starting wage of \$14.29 per hour.

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

Notes to Financial Statements
June 30, 2016

1. Organization and Tax Status (continued)

- Brooklyn Networks is BWI's six-week tele-data cable installation training program. Brooklyn Networks 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, the program provides targeted skills training combining the industry-accepted Building Industry Consulting Service International ("BICSI") certification with customer service skills, vocational counseling and job readiness training. In fiscal 2016, Brooklyn Networks enrolled 59 individuals, graduated 83% of them, and so far have placed 87% of BICSI-certified graduates in jobs with an average starting salary of \$13.46 per hour.
- Brooklyn Woods is a seven-week training program that 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. Trainees 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. 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 2016, the program enrolled 61 individuals, graduated 72%, and so far has placed 61% of graduates in jobs with an average starting salary of \$12.15 per hour.
- New York Drives ("NYD") is BWI's multi-sector credential-based program, which provides core job-readiness training and access to a NYS Driver's License, which many entry-level jobs and sector-focused training programs require. In fiscal 2016, NYD enrolled 79 individuals. Among enrollees, 87% graduated from the program, 93% of graduates obtained a driver's license, and 44 individuals (69% of licensed graduates) have already been placed into a job. New York Drives graduates in fiscal 2016 earned average starting wages of \$13.03 per hour.
- Customized Skills Training at the Brooklyn Navy Yard was piloted in 2013. BWI is partnering with the Brooklyn Navy Yard Development Corporation ("BNYDC") and other local workforce development organizations to provide skills training, career development and support services to industrial and commercial businesses along the burgeoning industrial Brooklyn waterfront. BWI and its partners are implementing an 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 2016, BWI trained 55 New Yorkers through the initiative, graduating 82% of them and placing 64% of graduates into jobs. Average starting wages for graduates are \$13.41 per hour.

LEAP, Inc.
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Notes to Financial Statements
June 30, 2016

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.

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, 2016 and 2015.

Leasehold Improvements, Equipment and Fixtures

Leasehold improvements, equipment and fixtures are stated at cost. Depreciation of equipment and fixtures 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.
d/b/a Brooklyn Workforce Innovations

Notes to Financial Statements
June 30, 2016

2. Summary of Significant Accounting Policies (continued)

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.

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, 2013.

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 December 20, 2016.

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, 2015, from which the summarized information was derived.

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

Notes to Financial Statements
June 30, 2016

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 grant receivables from one source which represented 36% and 32% of the total grants receivable as of June 30, 2016 and 2015. 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, which amounted to \$45,608 and \$85,750 for the years ended June 30, 2016 and 2015.

Operating expenses paid for by FAC on behalf of LEAP resulted in billings to LEAP totaling \$363,962 and \$347,001 for the years ended June 30, 2016 and 2015. This includes rent expense of \$137,619 and \$135,433 for the years ended June 30, 2016 and 2015.

Grants receivable owed to LEAP from FAC total \$58,770 and \$99,595 as of June 30, 2016 and 2015.

5. Pension Plan

LEAP has a Simplified Employee Pension Plan (the "Plan"), which is a defined contribution plan. LEAP made contributions of \$66,605 and \$68,008 to the Plan for the years ended June 30, 2016 and 2015.

6. Leasehold Improvements, Equipment and Fixtures

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

	<u>2016</u>	<u>2015</u>
Equipment and fixtures	\$ 314,555	\$ 314,555
Leasehold improvements	<u>688,095</u>	<u>688,095</u>
	1,002,650	1,002,650
Accumulated depreciation and amortization	<u>(966,111)</u>	<u>(926,956)</u>
	<u>\$ 36,539</u>	<u>\$ 75,694</u>

LEAP, Inc.
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Notes to Financial Statements
June 30, 2016

7. Commitments and Contingencies

LEAP leases commercial office space under the terms of three operating leases which expires during various years through 2021. Rent expense for the years ended June 30, 2016 and 2015 was \$389,548 and \$427,059.

Minimum required lease payments for future periods are as follows:

For the years ending June 30:

2017	\$ 370,161
2018	359,440
2019	337,740
2020	247,605
2021	<u>244,099</u>
	<u>\$ 1,559,045</u>

8. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets consist of the following for the years ended June 30, 2016 and 2015:

Purpose/ Restriction	Balance June 30, 2015	Additions	Releases	Balance June 30, 2016
Capacity building for New Initiatives at Brooklyn Navy Yard	\$ 100,936	\$ 200,000	\$ (240,754)	\$ 60,182
Pilot program serving young adults	675	-	(675)	-
Support to Training Graduates	7,395	24,000	(10,041)	21,354
Equipment	-	10,000	-	10,000
Enhance Marketing and Communications	-	50,000	(2,311)	47,689
Invest in Youth Program	-	25,000	(25,000)	-
NY Drives	-	10,000	(10,000)	-
Red Hook on the Road and New York Drives	-	50,000	(50,000)	-
	<u>\$ 109,006</u>	<u>\$ 369,000</u>	<u>\$ (338,781)</u>	<u>\$ 139,225</u>

LEAP, Inc.
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Notes to Financial Statements
June 30, 2016

8. Temporarily Restricted Net Assets (continued)

<u>Purpose/ Restriction</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance June 30, 2015</u>
NY Drives	\$ 20,249	\$ 50,000	\$ (70,249)	\$ -
Capacity building for New Initiatives at Brooklyn Navy Yard	220,623	210,000	(329,687)	100,936
Pilot program serving young adults	75,483	-	(74,808)	675
Fundraising/Consultants	33,793	-	(33,793)	-
Support to Training Graduates	-	237,500	(230,105)	7,395
Made in NY PA Training Program	-	10,000	(10,000)	-
Red Hook on the Road and New York Drives	-	35,000	(35,000)	-
	<u>\$ 350,148</u>	<u>\$ 542,500</u>	<u>\$ (783,642)</u>	<u>\$ 109,006</u>

9. Economic Dependency

Funding from one source amounted to approximately 36% and 39% of total revenue and support in 2016 and 2015. LEAP is economically dependent on these funds to maintain the current level of operations.

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