

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

Financial Statements

June 30, 2012 and 2011

Independent Auditors' Report

Board of Directors LEAP, Inc.

We have audited the accompanying statement of financial position of LEAP, Inc. ("LEAP") as of June 30, 2012 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of LEAP's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from LEAP's June 30, 2011 financial statements and, in our report dated January 25, 2012, we expressed an unqualified opinion on those financial statements.

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 includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies, LLP

February 21, 2013
New York, New York

LEAP, Inc.

Statements of Financial Position
June 30, 2012
(with comparative amounts at June 30, 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 430,637	\$ 225,047
Accounts receivable	166,187	34,297
Grants receivable	1,128,234	1,338,939
Grants receivable, related parties	<u>91,270</u>	<u>102,655</u>
Total Current Assets	1,816,328	1,700,938
Leasehold improvements, equipment and fixtures, net	302,331	289,821
Security deposits	<u>30,275</u>	<u>15,500</u>
	<u>\$2,148,934</u>	<u>\$2,006,259</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 141,847	\$ 171,825
Accrued expenses	114,305	79,574
Grants payable, related parties	<u>2,000</u>	<u>-</u>
Total Liabilities	<u>258,152</u>	<u>251,399</u>
Net Assets		
Unrestricted	1,624,963	1,709,860
Temporarily restricted	<u>265,819</u>	<u>45,000</u>
Total Net Assets	<u>1,890,782</u>	<u>1,754,860</u>
	<u>\$2,148,934</u>	<u>\$2,006,259</u>

See notes to financial statements

LEAP, Inc.

Statement of Activities
 Years Ended June 30, 2012
 (with summarized totals for the year ended June 30, 2011)

	2012			2011 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUE AND SUPPORT				
Government grants	\$ 339,495	\$ -	\$ 339,495	\$ 471,640
Contributions - foundations	1,077,500	1,570,000	2,647,500	2,274,000
Contributions - corporations	279,415	200,000	479,415	522,591
Contributions - individuals	91,703	10,000	101,703	65,427
Program services	188,095	-	188,095	94,147
Subcontract income - affiliate	60,798	-	60,798	85,545
Special events, net of costs of direct benefit to donors of \$18,729	11,601	-	11,601	-
Miscellaneous income	26,914	-	26,914	6,769
Interest income	116	-	116	11
Net assets released from restrictions	<u>1,559,181</u>	<u>(1,559,181)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>3,634,818</u>	<u>220,819</u>	<u>3,855,637</u>	<u>3,520,130</u>
EXPENSES				
Program	3,159,299	-	3,159,299	2,973,995
Management and general	367,754	-	367,754	266,345
Fundraising	<u>192,662</u>	<u>-</u>	<u>192,662</u>	<u>177,123</u>
Total Expenses	<u>3,719,715</u>	<u>-</u>	<u>3,719,715</u>	<u>3,417,463</u>
Change in Net Assets	(84,897)	220,819	135,922	102,667
NET ASSETS				
Beginning of year	<u>1,709,860</u>	<u>45,000</u>	<u>1,754,860</u>	<u>1,652,193</u>
End of year	<u>\$1,624,963</u>	<u>\$ 265,819</u>	<u>\$1,890,782</u>	<u>\$1,754,860</u>

See notes to financial statements

LEAP, Inc.

Statement of Functional Expenses
Year Ended June 30, 2012
(with summarized totals for the year ended June 30, 2011)

	2012						
	Sector Based Training Programs	Other Programs	Total Program Expenses	Management and General	Fundraising	Total	2011 Total
PERSONNEL EXPENSES							
Salaries	\$ 1,057,653	\$ 105,456	\$ 1,163,109	\$ 69,196	\$ 121,279	\$ 1,353,584	\$1,261,425
Payroll taxes and fringe benefits	<u>313,317</u>	<u>31,240</u>	<u>344,557</u>	<u>20,498</u>	<u>35,927</u>	<u>400,982</u>	<u>433,672</u>
Total Personnel Expenses	<u>1,370,970</u>	<u>136,696</u>	<u>1,507,666</u>	<u>89,694</u>	<u>157,206</u>	<u>1,754,566</u>	<u>1,695,097</u>
OTHER THAN PERSONNEL EXPENSES							
Administration	-	-	-	-	-	-	26,069
Consultants	327	805	1,132	66,617	4,889	72,638	75,579
Occupancy costs	209,899	10,397	220,296	20,000	2,000	242,296	200,054
Depreciation and amortization	-	-	-	73,090	-	73,090	68,810
Direct training program expenses	831,569	96,734	928,303	23,018	1,164	952,485	861,200
Program expenses	8,753	249,605	258,358	-	-	258,358	133,958
Equipment, furniture and fixtures	18,742	885	19,627	5,529	774	25,930	12,083
Miscellaneous	-	-	-	1,769	-	1,769	-
Payroll processing and bank charges	-	-	-	-	-	-	8,513
Registration and fees	-	-	-	13,572	-	13,572	1,896
Insurance	-	-	-	8,500	-	8,500	8,911
Maintenance, repairs and cleaning	-	-	-	-	-	-	10,559
Office supplies and printing	16,592	3,318	19,910	2,322	5,200	27,432	16,943
Memberships and subscriptions	11,425	-	11,425	3,618	445	15,488	2,685
Books and references	-	-	-	-	-	-	91
Professional fees	-	-	-	43,715	-	43,715	50,064
Advertising, website and events	2,736	250	2,986	1,423	19,619	24,028	18,078
Utilities	-	-	-	-	-	-	34,786
Telephone, internet and postage	16,027	1,152	17,179	4,126	480	21,785	39,295
Software purchase and support	-	-	-	-	-	-	2,644
Conference, travel and training	2,998	2,031	5,029	10,761	885	16,675	11,324
Wage subsidy	-	119,363	119,363	-	-	119,363	120,254
Subcontractor expense	-	48,025	48,025	-	-	48,025	18,570
Total Other Than Personnel Expenses	<u>1,119,068</u>	<u>532,565</u>	<u>1,651,633</u>	<u>278,060</u>	<u>35,456</u>	<u>1,965,149</u>	<u>1,722,366</u>
Total Expenses	<u>\$ 2,490,038</u>	<u>\$ 669,261</u>	<u>\$ 3,159,299</u>	<u>\$ 367,754</u>	<u>\$ 192,662</u>	<u>\$ 3,719,715</u>	<u>\$3,417,463</u>

See notes to financial statements

LEAP, Inc.

Statements of Cash Flows
Years Ended June 30, 2012
(with comparative amounts for the year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 135,922	\$ 102,667
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	73,090	68,810
Changes in operating assets and liabilities		
Accounts receivable	(131,890)	37,636
Grants receivable	210,705	(832,900)
Grants receivable, related parties	11,385	316,070
Accounts payable	(29,978)	18,827
Accrued expenses	34,731	17,891
Grants payable, related parties	<u>2,000</u>	<u>-</u>
Net Cash from Operating Activities	<u>305,965</u>	<u>(270,999)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment and fixtures	(85,600)	(518)
Security deposit paid	<u>(14,775)</u>	<u>-</u>
Net Cash from Investing Activities	<u>(100,375)</u>	<u>(518)</u>
Net Change in Cash and Cash Equivalents	205,590	(271,517)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>225,047</u>	<u>496,564</u>
End of year	<u>\$ 430,637</u>	<u>\$ 225,047</u>

See notes to financial statements

LEAP, Inc.

Notes to Financial Statements
June 30, 2012

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). Under an amendment to LEAP's articles of incorporation, FAC assumed a one class membership interest in LEAP under section 803 of the Not-For-Profit-Corporation Law.

LEAP Inc. is exempt from Federal, State and City 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 trains men and women for careers as NYS licensed commercial bus and truck drivers.
- Brooklyn Networks prepares adults for careers in high speed data and voice transmission cable that can lead to an internationally recognized certification.
- The "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, placing almost all graduates into jobs in the production field.
- Brooklyn Woods trains individuals for careers in skilled woodworking and offers an environmentally sustainable line of kitchen cabinets and bathroom vanities as a mechanism to provided graduates with additional work experience.
- New York Drives was created in response to concurrent needs for employment readiness training and NYS driver's license training. New York Drives trains women and men for jobs that require a NYS driver's license by offering driving lessons and employment readiness classes, then providing job placement support or referrals to advanced workforce training within and outside of LEAP.
- New York City Housing Authority ("NYCHA") Caretaker Training Program is LEAP's newest training program, which provides unemployed and low income public housing residents with four weeks of full time soft and hard skills training followed by job placement as Caretakers with the NYCHA.

LEAP, Inc.

Notes to Financial Statements
June 30, 2012

1. Organization and Tax Status *(continued)*

With thousands of companies and productions relying on our graduates, LEAP has built excellent relationships with employers in the industries it serves. LEAP's training programs are approved by the NYC Human Resources Administration.

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, 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, 2012.

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.

LEAP, Inc.

Notes to Financial Statements
June 30, 2012

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

Leasehold Improvements, Equipment and Fixtures (continued)

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 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 of being sustained. Management has determined that LEAP had no uncertain tax positions that would require financial statement recognition. LEAP is no longer subject to audits by the applicable taxing jurisdictions for tax periods prior to June 30, 2009.

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 February 21, 2013.

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information is not intended to include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted. Accordingly, such information should be read in conjunction with LEAP's financial statements for 2011.

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.

LEAP, Inc.

Notes to Financial Statements
June 30, 2012

3. Concentration of Risk *(continued)*

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 65% of grants receivable at June 30, 2012.

4. Transactions With Affiliated Companies

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

Operating expenses paid for by FAC on behalf of LEAP resulted in billings to LEAP totaling \$135,407 and \$129,684 for the years ended June 30, 2012 and 2011. This includes rent expense of \$41,396 and \$39,996 for the years ended June 30, 2012 and 2011.

Grants receivable owed to LEAP from FAC total \$91,270 and \$102,655 as of June 30, 2012 and 2011.

5. Pension Plan

LEAP has a Simplified Employee Pension Plan (the Plan). LEAP made contributions of \$53,168 and \$63,784 to the Plan for the years ended June 30, 2012 and 2011.

6. Leasehold Improvements, Equipment and Fixtures

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

	2012	2011
Equipment and fixtures	\$264,171	\$178,571
Leasehold improvements	<u>688,095</u>	<u>688,095</u>
	952,266	866,666
Accumulated depreciation	<u>(649,935)</u>	<u>(576,845)</u>
	<u>\$302,331</u>	<u>\$289,821</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, 2012 and 2011 was \$136,787 and \$129,158.

LEAP, Inc.

Notes to Financial Statements
June 30, 2012

7. Commitments and Contingencies (continued)

Minimum required lease payments for future periods are as follows:

For the years ending June 30,

2013	\$138,304
2014	142,453
2015	146,727
2016	<u>151,129</u>
	<u>\$578,613</u>

8. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2012:

Purpose/Restriction	Balance, June 30, 2011	Additions	Releases	Balance, June 30, 2012
NY Drives	\$ 45,000	\$ 70,000	\$ (84,270)	\$ 30,730
Capacity Building for New Initiatives at Brooklyn Navy Yard	-	200,000	-	200,000
Hire Development Director	-	40,000	(40,000)	-
Brooklyn Woods	-	25,000	(25,000)	-
Made in NY	-	25,000	(25,000)	-
New data management system	-	60,000	(49,643)	10,357
Train workers in commercial driving, television and film	-	1,300,000	(1,300,000)	-
Pilot Program Serving Young Adults	-	<u>60,000</u>	<u>(35,268)</u>	<u>24,732</u>
	<u>\$ 45,000</u>	<u>\$1,780,000</u>	<u>\$(1,559,181)</u>	<u>\$265,819</u>

9. Economic Dependency

Funding from one source amounted to approximately 52% of total revenue and support in 2012. LEAP is economically dependent on these funds to continue operations.

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