

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

Financial Statements

June 30, 2015

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, 2015, 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

O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connor Davies, LLP

January 27, 2016

LEAP, Inc.

Statement of Financial Position

June 30, 2015

(with comparative amounts at June 30, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash	\$ 1,056,745	\$ 749,625
Accounts receivable	116,319	96,537
Grants receivable	1,027,302	1,292,309
Grants receivable, related parties	99,595	103,770
Prepaid insurance	<u>9,920</u>	<u>-</u>
Total Current Assets	2,309,881	2,242,241
Leasehold improvements, equipment and fixtures, net	75,694	167,808
Security deposits	<u>20,465</u>	<u>20,465</u>
	<u>\$ 2,406,040</u>	<u>\$ 2,430,514</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 232,120	\$ 283,306
Accrued expenses	<u>111,019</u>	<u>113,373</u>
Total Current Liabilities	<u>343,139</u>	<u>396,679</u>
Net Assets		
Unrestricted	1,953,895	1,683,687
Temporarily restricted	<u>109,006</u>	<u>350,148</u>
Total Net Assets	<u>2,062,901</u>	<u>2,033,835</u>
	<u>\$ 2,406,040</u>	<u>\$ 2,430,514</u>

See notes to financial statements

LEAP, Inc.

Statement of Activities
Year Ended June 30, 2015
(with summarized totals year ended June 30, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT				
Government grants	\$ 673,523	\$ -	\$ 673,523	\$ 659,352
Contributions - foundations/ trusts	2,540,000	437,500	2,977,500	2,870,000
Contributions - corporations	499,485	105,000	604,485	513,320
Contributions - individuals	84,835	-	84,835	86,648
Program services	298,577	-	298,577	250,335
In-kind contributions	137,000	-	137,000	82,544
Subcontract income - affiliate	85,750	-	85,750	64,500
Special event revenue, (net of costs with direct benefit to donors of \$26,895 and \$19,109)	75,963	-	75,963	29,044
Interest and other	14,568	-	14,568	12,823
Net assets released from restrictions	<u>783,642</u>	<u>(783,642)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>5,193,343</u>	<u>(241,142)</u>	<u>4,952,201</u>	<u>4,568,566</u>
EXPENSES				
Program	4,138,769	-	4,138,769	3,848,500
Management and general	528,093	-	528,093	385,652
Fundraising	<u>256,273</u>	<u>-</u>	<u>256,273</u>	<u>247,728</u>
Total Expenses	<u>4,923,135</u>	<u>-</u>	<u>4,923,135</u>	<u>4,481,880</u>
Change in Net Assets	270,208	(241,142)	29,066	86,686
NET ASSETS				
Beginning of year	<u>1,683,687</u>	<u>350,148</u>	<u>2,033,835</u>	<u>1,947,149</u>
End of year	<u>\$ 1,953,895</u>	<u>\$ 109,006</u>	<u>\$ 2,062,901</u>	<u>\$ 2,033,835</u>

See notes to financial statements

LEAP, Inc.

Statement of Functional Expenses
Year ended June 30, 2015
(with summarized totals year ended June 30, 2014)

	2015					2014	
	Sector Based Training Programs	Other Programs	Total Program Expenses	Management and General	Fundraising	Total	Total
PERSONNEL EXPENSES							
Salaries	\$ 1,198,410	\$ 349,698	\$ 1,548,108	\$ 57,028	\$ 149,709	\$ 1,754,845	\$ 1,578,327
Contributed services - salaries	-	77,000	77,000	-	-	77,000	75,000
Payroll taxes and fringe benefits	368,863	102,749	471,612	13,085	44,965	529,662	463,467
Total Personnel Expenses	1,567,273	529,447	2,096,720	70,113	194,674	2,361,507	2,116,794
OTHER THAN PERSONNEL EXPENSES							
Administration	-	-	-	69,208	-	69,208	63,383
Consultants	40,167	5,092	45,259	142,829	40,544	228,632	80,739
Occupancy costs	361,477	16,929	378,406	45,267	3,386	427,059	332,135
Depreciation and amortization	-	-	-	93,384	-	93,384	93,130
Direct training program expenses	982,324	303,298	1,285,622	5,359	525	1,291,506	1,306,473
Program expenses	-	190,091	190,091	-	-	190,091	201,481
Equipment, furniture and fixtures	21,839	1,072	22,911	2,412	268	25,591	30,375
Miscellaneous	-	25	25	3,240	-	3,265	-
Payroll processing and bank charges	-	-	-	11,176	-	11,176	10,781
Registration and fees	-	-	-	3,878	-	3,878	7,353
Insurance	-	-	-	9,970	-	9,970	11,915
Maintenance, repairs and cleaning	-	-	-	2,199	-	2,199	15,887
Office supplies and printing	24,112	2,729	26,841	2,097	4,314	33,252	19,699
Memberships and subscriptions	-	-	-	3,034	-	3,034	2,225
Books and references	-	-	-	635	119	754	628
Professional fees	-	-	-	30,738	-	30,738	40,544
Advertising, website and events	12,780	1,927	14,707	1,080	6,137	21,924	15,090
Utilities	46,477	2,070	48,547	3,312	414	52,273	46,741
Telephone, internet and postage	4,874	414	5,288	4,498	2,484	12,270	29,353
Software purchase and support	681	-	681	250	2,120	3,051	2,489
Conference, travel and training	17,976	5,695	23,671	6,464	1,288	31,423	21,144
Wage subsidy	-	-	-	-	-	-	15,450
Bad debt expense	-	-	-	16,950	-	16,950	18,071
Total Other Than Personnel Expenses	1,512,707	529,342	2,042,049	457,980	61,599	2,561,628	2,365,086
Total Expenses	\$ 3,079,980	\$1,058,789	\$ 4,138,769	\$ 528,093	\$ 256,273	\$ 4,923,135	\$ 4,481,880

See notes to financial statements

LEAP, Inc.

Statement of Cash Flows
Year ended June 30, 2015
(with comparative amounts year ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 29,066	\$ 86,686
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	93,384	93,130
Bad debt expense	16,950	18,071
Changes in Operating Assets and Liabilities		
Accounts receivable	(36,732)	(35,583)
Grants receivable	265,007	(612,352)
Grants receivable, related parties	4,175	(25,000)
Prepaid Insurance	(9,920)	-
Security deposits	-	569
Accounts payable	(51,186)	145,992
Accrued expenses	(2,354)	(35,371)
Deferred revenue	-	(10,000)
Grants payable, related parties	-	(2,000)
Net Cash from Operating Activities	<u>308,390</u>	<u>(375,858)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment and fixtures	<u>(1,270)</u>	<u>(26,230)</u>
Net Change in Cash	307,120	(402,088)
CASH		
Beginning of year	<u>749,625</u>	<u>1,151,713</u>
End of year	<u>\$1,056,745</u>	<u>\$ 749,625</u>

See notes to financial statements

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

Notes to Financial Statements
June 30, 2015

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 2015 RHOR enrolled 300 participants and graduated 97% 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. Among graduates in fiscal 2015, 255 individuals have secured their NYS Commercial Driver's License, and RHOR has placed 90% of those that passed their CDL exam into jobs with an average starting salary of \$14.59 per hour.
- 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 2015, the program enrolled 218 public housing residents and graduated 210 (96%) of these beneficiaries. Of those, so far, 196 (93% of graduates) have been placed into jobs with NYCHA paying an average of \$13.29 per hour, with excellent benefits and opportunities for career advancement.
- "Made in NY" Production Assistant Training Program connects underrepresented New Yorkers with careers in TV 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 TV, commercials, music videos and other productions. More than 2,000 productions have hired "Made in NY" Production assistants. In fiscal 2015, the program enrolled 80 individuals, graduated 80% of them and placed 100% of certified graduates in jobs with an average starting wage of \$13.92 per hour.

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

Notes to Financial Statements
June 30, 2015

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 2015, Brooklyn Networks enrolled 64 individuals, graduated 83% of them, and so far have placed 92% of BICSI-certified graduates in jobs with an average starting salary of \$12.95 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 2015, the program enrolled 56 individuals, graduated 91%, and so far has placed 73% of graduates in jobs with an average starting salary of \$12.07 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 2015, NYD enrolled 79 individuals. Among enrollees, 92% graduated from the program, 90% of graduates obtained a driver's license, and 51 individuals (77% of licensed graduates) have been placed into a job. New York Drives graduates fiscal 2015 earned average starting wages of \$12.33 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 2015, BWI trained 61 New Yorkers through the initiative, graduating 85% of them and placing 83% of graduates into jobs. Average starting wages for graduates are \$16.88 per hour.

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

Notes to Financial Statements
June 30, 2015

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, 2015 and 2014.

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, 2015

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, 2012.

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 27, 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, 2014, from which the summarized information was derived.

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

Notes to Financial Statements
June 30, 2015

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 32% and 56% of the total grants receivable as of June 30, 2015 and 2014. 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 \$85,750 and \$64,500 for the years ended June 30, 2015 and 2014.

Operating expenses paid for by FAC on behalf of LEAP resulted in billings to LEAP totaling \$347,001 and \$187,437 for the years ended June 30, 2015 and 2014. This includes rent expense of \$135,433 and \$75,000 for the years ended June 30, 2015 and 2014.

Grants receivable owed to LEAP from FAC total \$99,595 and \$103,770 as of June 30, 2015 and 2014.

5. Pension Plan

LEAP has a Simplified Employee Pension Plan ("the Plan"), which is a defined contribution plan. LEAP made contributions of \$68,008 and \$63,158 to the Plan for the years ended June 30, 2015 and 2014.

6. Leasehold Improvements, Equipment and Fixtures

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

	2015	2014
Equipment and fixtures	\$ 314,555	\$ 313,285
Leasehold improvements	688,095	688,095
	1,002,650	1,001,380
Accumulated depreciation and amortization	(926,956)	(833,572)
	<u>\$ 75,694</u>	<u>\$ 167,808</u>

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

Notes to Financial Statements
June 30, 2015

7. Commitments and Contingencies

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, 2015 and 2014 was \$427,059 and \$332,135.

Minimum required lease payments for future periods are as follows:

For the years ending June 30:

2016	\$ 231,205
2017	<u>24,290</u>
	<u>\$ 255,495</u>

8. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets consist of the following for the year ended June 30, 2015 and 2014:

Purpose/ Restriction	Balance June 30, 2014	Additions	Releases	Balance June 30, 2015
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>

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

Notes to Financial Statements
June 30, 2015

8. Temporarily Restricted Net Assets (continued)

Purpose/ Restriction	Balance June 30, 2013	Additions	Releases	Balance June 30, 2014
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 39% and 40% of total revenue and support in 2015 and 2014. LEAP is economically dependent on these funds to maintain the current level of operations.

* * * * *