

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

Financial Statements

June 30, 2018

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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

December 19, 2018

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

Statement of Financial Position
June 30, 2018
(with comparative amounts at June 30, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 1,130,576	\$ 594,513
Accounts receivable	161,402	197,585
Grants receivable	1,746,985	1,524,484
Grants receivable, related parties	26,200	48,425
Prepaid insurance	10,816	30,059
Advances to affiliated companies	2,625	3,938
Total Current Assets	3,078,604	2,399,004
Leasehold improvements, equipment and fixtures, net	45,124	21,031
Security deposits	45,098	41,265
	<u>\$ 3,168,826</u>	<u>\$ 2,461,300</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 212,840	\$ 262,203
Accrued expenses	154,998	155,028
Deferred revenue	-	12,878
Total Current Liabilities	367,838	430,109
Net Assets		
Unrestricted	2,721,481	1,966,381
Temporarily restricted	79,507	64,810
Total Net Assets	2,800,988	2,031,191
	<u>\$ 3,168,826</u>	<u>\$ 2,461,300</u>

See notes to financial statements

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

Statement of Activities
Year Ended June 30, 2018
(with summarized totals for year ended June 30, 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT				
Government grants	\$ 1,088,208	\$ -	\$ 1,088,208	\$ 1,119,428
Contributions - foundations/ trusts	3,573,500	305,000	3,878,500	2,864,500
Contributions - corporations	456,847	-	456,847	441,360
Contributions - individuals	183,506	-	183,506	188,303
Program services	141,167	-	141,167	356,798
In-kind contributions	79,000	-	79,000	80,000
Subcontract income - affiliate	86,566	-	86,566	49,013
Special event revenue, (net of costs with direct benefit to donors of \$34,342 and \$26,157)	75,229	-	75,229	109,689
Interest and other	7,763	-	7,763	9,296
Net assets released from restrictions	290,303	(290,303)	-	-
Total Revenue and Support	<u>5,982,089</u>	<u>14,697</u>	<u>5,996,786</u>	<u>5,218,387</u>
EXPENSES				
Program	4,440,263	-	4,440,263	4,604,944
Management and general	461,594	-	461,594	486,207
Fundraising	325,132	-	325,132	315,155
Total Expenses	<u>5,226,989</u>	<u>-</u>	<u>5,226,989</u>	<u>5,406,306</u>
Change in Net Assets	755,100	14,697	769,797	(187,919)
NET ASSETS				
Beginning of year	<u>1,966,381</u>	<u>64,810</u>	<u>2,031,191</u>	<u>2,219,110</u>
End of year	<u>\$ 2,721,481</u>	<u>\$ 79,507</u>	<u>\$ 2,800,988</u>	<u>\$ 2,031,191</u>

See notes to financial statements

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

Statement of Functional Expenses
Year Ended June 30, 2018
(with summarized totals for year ended June 30, 2017)

	2018				2017	
	Sector Based Training Programs	Other Programs	Total Program	Management and General	Fundraising	Total
PERSONNEL EXPENSES						
Salaries	\$ 1,512,466	\$ 405,499	\$ 1,917,965	\$ 52,850	\$ 207,669	\$ 2,178,484
Contributed services - salaries	-	79,000	79,000	-	-	79,000
Payroll taxes and fringe benefits	467,617	118,878	586,495	63,948	68,563	719,006
Total Personnel Expenses	<u>1,980,083</u>	<u>603,377</u>	<u>2,583,460</u>	<u>116,798</u>	<u>276,232</u>	<u>2,976,490</u>
OTHER THAN PERSONNEL EXPENSES						
Administration	-	-	-	90,189	-	90,189
Consultants	49,391	750	50,141	7,628	12,961	70,730
Occupancy costs	468,857	33,575	502,432	22,437	13,981	538,850
Depreciation and amortization	-	-	-	15,214	-	15,214
Program expenses	894,502	203,172	1,097,674	-	130	1,097,804
Equipment, furniture and fixtures	13,599	3,118	16,717	1,339	693	18,749
Miscellaneous	-	-	-	-	-	64
Payroll processing and bank charges	-	-	-	20,620	8	20,629
Registration and fees	345	-	345	1,097	-	1,442
Insurance	-	-	-	12,651	-	12,651
Maintenance, repairs and cleaning	4,806	345	5,151	690	345	6,186
Office supplies and printing	35,851	6,118	41,969	2,647	5,198	49,814
Memberships and subscriptions	-	-	-	1,300	-	1,300
Books and references	-	-	-	716	-	716
Professional fees, including donated services	-	-	-	70,967	-	70,967
Advertising, website and events	15,599	6,060	21,659	9,024	98	30,781
Utilities	37,585	4,010	41,595	2,458	1,537	45,590
Telephone, internet and postage	31,864	4,391	36,255	7,566	5,448	49,269
Software purchase and support	9,458	2,042	11,500	1,751	4,652	17,903
Conference, travel and training	10,918	5,971	16,889	9,878	3,849	30,616
Bad debt expense	-	-	-	66,624	-	66,624
Wage subsidy expense	-	14,476	14,476	-	-	14,476
Total Other Than Personnel Expenses	<u>1,572,775</u>	<u>284,028</u>	<u>1,856,803</u>	<u>344,796</u>	<u>48,900</u>	<u>2,250,499</u>
Total Expenses	<u>\$ 3,552,858</u>	<u>\$ 887,405</u>	<u>\$ 4,440,263</u>	<u>\$ 461,594</u>	<u>\$ 325,132</u>	<u>\$ 5,226,989</u>
						<u>\$ 5,406,306</u>

See notes to financial statements

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

Statement of Cash Flows
Year Ended June 30, 2018
(with comparative amounts for year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 769,797	\$ (187,919)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	15,214	24,769
Bad debt expense	66,624	2,084
Changes in Operating Assets and Liabilities		
Accounts receivable	(30,441)	314,559
Grants receivable	(222,501)	(635,571)
Grants receivable, related parties	22,225	10,345
Prepaid insurance	19,243	(7,693)
Advances to affiliated companies	1,313	(3,938)
Security deposits	(3,833)	(800)
Accounts payable	(49,363)	902
Accrued expenses	(30)	18,635
Deferred revenue	<u>(12,878)</u>	<u>(14,653)</u>
Net Cash from Operating Activities	575,370	(479,280)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and fixtures	<u>(39,307)</u>	<u>(9,261)</u>
Net Change in Cash	536,063	(488,541)
CASH		
Beginning of year	<u>594,513</u>	<u>1,083,054</u>
End of year	<u>\$ 1,130,576</u>	<u>\$ 594,513</u>

See notes to financial statements

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

Notes to Financial Statements
June 30, 2018 and 2017

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, as BWI, 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 2018 RHOR enrolled 253 participants and graduated 98% 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 and behind the wheel instruction, as well as job readiness and soft skills, such as mock interviews and customer service skills training. So far, in fiscal 2018, BWI has assisted 190 individuals secure employment with an average starting salary of \$17.55 per hour.
- NYCHA Resident Training Academy ("NRTA") trains 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 2018, the program enrolled 248 public housing residents and graduated 233 (94%) individuals. Of those, so far, 210 (90% of graduates) have been placed into jobs with NYCHA paying an average of \$14.25 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. In fiscal 2018, the program enrolled 83 individuals, graduated 87% of them and placed 100% of certified graduates in jobs with an average starting wage of \$18.01 per hour.

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

Notes to Financial Statements
June 30, 2018 and 2017

1. Organization and Tax Status (continued)

- The “Made in NY” Post Production Training Program, launched in May 2017, provides participants with the contextualized job readiness, hands-on skills training, job placement and support required to start a career in post-production. Training includes job readiness including on-camera mock interviews; job placement assistance; soft skills; vocational support/counseling; benefits counseling/support and computer literacy. In fiscal 2018, “Made in NY” Post Production enrolled 29 individuals, with a graduation rate of 97%. To date, 86% of graduates have been placed in post-production jobs with initial wages averaging \$17.30/hour.
- 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 2018, Brooklyn Networks enrolled 62 individuals, graduated 84% of them, and so far have placed 100% of BICSI-certified graduates in jobs with an average starting salary of \$14.80 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 2018, the program enrolled 65 individuals, graduated 80%, and so far has placed 79% of graduates in jobs with an average starting salary of \$15.32 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 2018, NYD enrolled 69 individuals and graduated 62 (90%). To date 56 graduates have secured their driver’s license and 35 have been placed into a job (others are actively training through a subsequent BWI skills training program or have recently graduated). Starting wages for graduates average \$16.65 per hour.

LEAP, Inc.
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Notes to Financial Statements
June 30, 2018 and 2017

1. Organization and Tax Status (*continued*)

- The Brooklyn Workforce Collaboration (the "Collaboration") is a workforce development partnership that helps unemployed and low-income New Yorkers access jobs created locally, particularly with industrial businesses along the Brooklyn waterfront. The Collaboration uses an integrated strategy of employer-customized soft and technical skills 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. Recently, the Collaboration has been at the forefront of a partnership with the Governor's Office of Storm Recovery (GOSR), planning and developing trainings to meet demand for work in resiliency infrastructure, especially in areas most affected by Superstorm Sandy in 2012. In fiscal 2018, BWI trained 27 New Yorkers through the initiative, graduating 96% of them and so far have placed 35% of graduates into jobs. Average starting wages for graduates are \$17.91 per 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.

Net Asset 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 restrictions. Permanently restricted net assets are limited by donors in perpetuity. LEAP has no permanently restricted net assets.

LEAP, Inc.
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Notes to Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017.

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

Revenue Recognition

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

Conditional contributions and grants are recognized as revenue when the conditions on which they depend have been substantially met.

Fees received for program services are recognized as the services are performed or expenditures are incurred.

Grant revenue is recognized when related expenditures under the agreements are incurred.

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.

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

Notes to Financial Statements
June 30, 2018 and 2017

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

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, 2015.

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 19, 2018.

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 as of and for the year ended June 30, 2017, 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 grant receivables from one source which represented 29% and 48% of the total grants receivable as of June 30, 2018 and 2017. Receivables are expected to be collected in the normal course of business.

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

Notes to Financial Statements
June 30, 2018 and 2017

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 \$86,566 and \$49,013 for the years ended June 30, 2018 and 2017.

Operating expenses paid for by FAC on behalf of LEAP resulted in billings to LEAP totaling \$395,515 and \$381,631 for the years ended June 30, 2018 and 2017. This includes rent expense of \$137,294 and \$130,777 for the years ended June 30, 2018 and 2017.

Grants receivable owed to LEAP from FAC total \$26,200 and \$48,425 as of June 30, 2018 and 2017. In addition, advances to affiliated companies total \$2,625 and \$3,938 as of June 30, 2018 and 2017. Amounts are expected to be collected in the normal course of business.

5. Pension Plan

LEAP has a Simplified Employee Pension Plan (the "Plan"), which is a defined contribution plan. LEAP made contributions of \$72,990 and \$65,992 to the Plan for the years ended June 30, 2018 and 2017.

6. Leasehold Improvements, Equipment and Fixtures

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

	2018	2017
Equipment and fixtures	\$ 363,123	\$ 323,816
Leasehold improvements	688,095	688,095
	1,051,218	1,011,911
Accumulated depreciation and amortization	(1,006,094)	(990,880)
	<u>\$ 45,124</u>	<u>\$ 21,031</u>

7. Commitments and Contingencies

LEAP leases commercial office space under the terms of three operating leases which expire during various years through 2021. Rent expense for the years ended June 30, 2018 and 2017 was \$538,850 and \$527,882.

LEAP, Inc.
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Notes to Financial Statements
June 30, 2018 and 2017

7. Commitments and Contingencies (continued)

Minimum required lease payments for future periods are as follows:

For the years ending June 30:

2019	\$	346,112
2020		278,702
2021		300,428
	\$	<u>925,242</u>

8. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets consist of the following for the years ended June 30, 2018 and 2017:

Purpose/ Restriction	Balance June 30, 2017	Additions	Releases	Balance June 30, 2018
Program Planning	\$ 19,408	\$ -	\$ (4,990)	\$ 14,418
Brooklyn Woods	-	20,000	(19,000)	1,000
New York Drives	-	50,000	(50,000)	-
Red Hook on the Road & Brooklyn Networks	-	50,000	(50,000)	-
Workforce Collaboration	-	175,000	(112,511)	62,489
Support to Training Graduates	13,107	-	(11,507)	1,600
Equipment	-	10,000	(10,000)	-
Enhance Marketing and Communications	32,295	-	(32,295)	-
	<u>\$ 64,810</u>	<u>\$ 305,000</u>	<u>\$ (290,303)</u>	<u>\$ 79,507</u>

Purpose/ Restriction	Balance June 30, 2016	Additions	Releases	Balance June 30, 2017
Program Planning	\$ 60,182	\$ -	\$ (40,774)	\$ 19,408
Support to Training Graduates	21,354	-	(8,247)	13,107
Equipment	10,000	-	(10,000)	-
Enhance Marketing and Communications	47,689	-	(15,394)	32,295
	<u>\$ 139,225</u>	<u>\$ -</u>	<u>\$ (74,415)</u>	<u>\$ 64,810</u>

LEAP, Inc.
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Notes to Financial Statements
June 30, 2018 and 2017

9. Economic Dependency

Funding from one source amounted to approximately 32% and 36% of total revenue and support for the years ended June 30, 2018 and 2017. LEAP is economically dependent on these funds to maintain the current level of operations.

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