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**LEAP for Education, Inc.  
Financial Statements  
For the Years Ended  
June 30, 2021 and 2020**



## Independent Auditor's Report

To the Board of Directors  
LEAP for Education, Inc.  
Salem, MA

I have audited the accompanying financial statements of LEAP for Education, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LEAP for Education, Inc. as of June 30, 2021 and 2020, 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.

### **Basis for Opinion**

I conducted our audit in accordance with auditing standards generally accepted in the United States of America. My responsibility under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Organization and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LEAP for Education, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

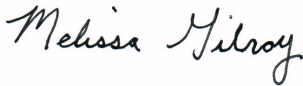
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**Auditor's Responsibilities for the Audit of the Financial Statements - continued**

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.



Melissa Gilroy, Certified Public Accountant  
Westwood, Massachusetts  
September 30, 2021

LEAP for Education, Inc.

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**Independent Auditor's Report**

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Statement of Activities for the Years Ended June 30, 2021 and 2020

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Statement of Cash Flows for the Years Ended June 30, 2021 and 2020

Notes to Financial Statements

**LEAP for Education, Inc.**  
**Statement of Financial Position**

As of June 30,	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,436,185	\$ 915,634
Grants and accounts receivables, net	85,435	190,689
Prepaid expenses	13,307	16,929
Other current assets	4,333	4,333
Total current assets	<u>1,539,260</u>	<u>1,127,585</u>
<b>Non Current Assets</b>		
Grant receivable	-	50,000
<b>Total Assets</b>	<u>\$ 1,539,260</u>	<u>\$ 1,177,585</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 246,707	\$ 97,844
Deferred revenue	16,800	32,428
Total current liabilities	<u>263,507</u>	<u>130,272</u>
<b>Long Term Liabilities</b>		
Paycheck protection program	-	153,200
Economic injury disaster loan	150,000	-
Total long term liabilities	<u>150,000</u>	<u>153,200</u>
<b>Total liabilities</b>	<u>413,507</u>	<u>283,472</u>
<b>Net Assets</b>		
Without donor restrictions	1,038,253	639,113
With donor restrictions	87,500	255,000
<b>Total net assets</b>	<u>1,125,753</u>	<u>894,113</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,539,260</u>	<u>\$ 1,177,585</u>

**LEAP for Education, Inc.**  
**Statement of Activities**

For the years ended June 30,	2021			2020		
	Without Donor Restrictions	With Donor Restrictions		Without Donor Restrictions	With Donor Restrictions	
<b>Revenue and Support</b>						
Contract revenue	\$ 444,317	-	<b>444,317</b>	\$ 311,070	-	311,070
Grants	461,426	374,892	<b>836,318</b>	134,825	760,428	895,253
Contributions	213,573	35,000	<b>248,573</b>	197,287	30,000	227,287
In-kind contributions	-	-	-	11,335	-	11,335
Special events, net	166,529	-	<b>166,529</b>	133,259	-	133,259
Other income	-	-	-	5,000	-	5,000
Interest income	425	-	<b>425</b>	991	-	991
Release from restriction	577,392	(577,392)	-	600,428	(600,428)	-
Total revenue and support	<u>1,863,662</u>	<u>(167,500)</u>	<b><u>1,696,162</u></b>	<u>1,394,195</u>	<u>190,000</u>	<u>1,584,195</u>
<b>Expenses</b>						
Program services	1,186,655	-	<b>1,186,655</b>	940,951	-	940,951
Management and administrative	135,387	-	<b>135,387</b>	85,782	-	85,782
Fundraising	138,010	-	<b>138,010</b>	135,112	-	135,112
Total expenses	<u>1,460,052</u>	<u>-</u>	<b><u>1,460,052</u></b>	<u>1,161,845</u>	<u>-</u>	<u>1,161,845</u>
<b>Change in Net Assets from Operations</b>	<b><u>403,610</u></b>	<b><u>(167,500)</u></b>	<b><u>236,110</u></b>	<u>232,350</u>	<u>190,000</u>	<u>422,350</u>
<b>Other Expense</b>						
Interest Expense	4,470	-	<b>4,470</b>	-	-	-
Total other expense	<u>4,470</u>	<u>-</u>	<b><u>4,470</u></b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Change in Net Asset</b>	<b><u>399,140</u></b>	<b><u>(167,500)</u></b>	<b><u>231,640</u></b>			
<b>Net Assets at Beginning of Year</b>	<b><u>639,113</u></b>	<b><u>255,000</u></b>	<b><u>894,113</u></b>	<u>406,763</u>	<u>65,000</u>	<u>471,763</u>
<b>Net Assets at End of Year</b>	<b><u>\$ 1,038,253</u></b>	<b><u>87,500</u></b>	<b><u>1,125,753</u></b>	<b><u>\$ 639,113</u></b>	<b><u>255,000</u></b>	<b><u>894,113</u></b>

The accompanying notes are integral to the financial statements.

**LEAP for Education, Inc.**  
**Statement of Functional Expenses**

For the years ended June 30,

2021

2020

	2021				2020			
	Program	Management and Administrative	Fundraising	Total	Program	Management and Administrative	Fundraising	Total
Salaries	\$ 771,931	63,803	97,612	933,346	\$ 630,253	34,297	95,495	760,045
Payroll taxes	75,625	6,378	9,111	91,114	56,539	3,406	8,174	68,119
Benefits	59,245	4,997	7,137	71,379	52,573	3,167	7,601	63,341
	<u>906,801</u>	<u>75,178</u>	<u>113,860</u>	<u>1,095,839</u>	<u>739,365</u>	<u>40,870</u>	<u>111,270</u>	<u>891,505</u>
Contract and professional services	123,209	41,155	9,927	174,291	81,823	21,534	7,741	111,098
Facility expenses	69,737	5,882	8,402	84,021	68,276	4,113	9,871	82,260
Materials and supplies	65,743	5,745	1,865	73,353	22,626	15,588	1,237	39,451
Student service expense	16,025	-	-	16,025	18,123	-	-	18,123
Insurance	2,250	4,093	-	6,343	3,813	2,788	-	6,601
Travel and conferences	2,286	3,334	199	5,819	6,762	729	255	7,746
Development and marketing	604	-	3,757	4,361	163	160	4,738	5,061
	<u>1,186,655</u>	<u>135,387</u>	<u>138,010</u>	<u>1,460,052</u>	<u>940,951</u>	<u>85,782</u>	<u>135,112</u>	<u>1,161,845</u>
<b>Total Functional Expenses</b>	\$ <u>1,186,655</u>	<u>135,387</u>	<u>138,010</u>	<u>1,460,052</u>	\$ <u>940,951</u>	<u>85,782</u>	<u>135,112</u>	<u>1,161,845</u>

**LEAP for Education, Inc.**  
**Statement of Cash Flows**

For the years ended June 30,	2021	2020
<b>Cash Flows from Operating Activities</b>		
<b>Change in Net Assets</b>	\$ 231,640	\$ 422,350
<b>Adjustments to reconcile change in net assets to cash provided by operations</b>		
Forgiveness of paycheck protection program loan	(153,200)	-
<b>Changes in operating assets and liabilities:</b>		
Grants and accounts receivables	155,254	(147,631)
Prepaid expenses	3,622	(2,215)
Accounts payable and accrued expenses	148,863	5,469
Deferred revenue	(15,628)	(14,933)
<b>Net Cash Provided by Operating Activities</b>	<u>370,551</u>	<u>263,040</u>
<b>Cash Flows from Financing Activities</b>		
Economic injury disaster loan proceeds	150,000	-
Proceeds from paycheck protection program loan	-	153,200
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>150,000</u>	<u>153,200</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>520,551</b>	416,240
<b>Cash and Cash Equivalents - Beginning</b>	<u>915,634</u>	<u>499,394</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 1,436,185</u>	<u>\$ 915,634</u>



# LEAP for Education, Inc.

## Notes to Financial Statements

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### 1. Nature of the Business

LEAP for Education, Inc. ("LEAP" or the Organization) was incorporated in July 2014 as a Massachusetts non-profit and is tax exempt for federal purposes under the Internal Revenue Code. LEAP for Education empowers underserved students to achieve economic and social mobility by cultivating personal, education, and career growth. Substantially all of the participants of the Organization's programs are in the Essex County Massachusetts area. The Organization's main programs include:

*Middle School and Teen Center* – this program helps middle and high school students learn and explore their interests through enrichment, civic engagement, field trips and community service. These programs also offer extensive career services and provides mentoring and other social-emotional supports.

*College Success Program* – this program helps students further explore their strengths and interests in order to develop their aspirations and get the support needed to pursue their career interests with a post-secondary degree or credential. This program also provides advisers to provide ongoing support to students through college graduation. LEAP partner's with Salem State University and Salem High School in an early college program.

Additionally, LEAP offers a variety of programs to students in science, technology, engineering, arts and math (STEM) including robotics, coding, marine science and health science as well as after school programs and summer programs.

### 2. Summary of Significant Accounting Policies

#### **Use of Estimates**

The preparation of financial statements are in conformity with generally accepted accounting principles in the United States of America ("GAAP") which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Actual results could differ from those estimates.

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis with net assets, revenues, expenses, gains, and losses classified in two categories based on the existence or absence of externally imposed restrictions. Operating revenues consist of those monies received and contributions attributable to the Organization's ongoing efforts. The net assets of the Organization are classified and defined as follows:

#### ***Net Assets Without Donor Restrictions***

Net assets that are not subject to donor-imposed stipulations are considered unrestricted.

#### ***Net Assets With Donor Restrictions***

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

## LEAP for Education, Inc.

### Notes to the Financial Statements

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

##### **Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less, when acquired, to be cash equivalents. The Organization maintains their cash in bank accounts which, at times, may exceed federally insured limits. The Organizations have not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

##### **Grant and Accounts Receivables**

The Organization carries its receivables at an amount equal to uncollected but earned revenue less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. As of June 30, 2021 and 2020, management has estimated that no allowance is required. At June 30, 2021 and 2020, approximately 88% and 71% of the receivable balance was due from two resource providers, respectively. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

##### **Property and Equipment**

Property and equipment are stated at cost at the time of acquisition or fair market value at the time of donation. Expenditures for maintenance and repairs are charged to expense as incurred; betterments are capitalized. When assets are sold or retired, the related costs and accumulated depreciation are removed from the respective accounts and any resulting gain and loss is credited or charged to operations. Depreciation is recorded on a straight-line basis based on their estimated useful lives.

##### **Functional Allocation of Expenses**

The Organization allocates its expenses on a functional basis amongst its various programs and other activities. All of the Organization's allocated expenditures have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Management, general and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization and include those costs related to the internal management and accounting for program services. Fundraising costs include all activities related to maintaining contributor information and other similar projects related to the procurement of funds.

##### **Contributions and Grants**

The Organization recognizes contributions and grant income when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions of noncash assets are recorded at fair market value upon the date of receipt. A grant from one grantor represented 34% of total grant revenue in fiscal 2020. For the year ended June 30, 2021, grants from three grantors represented 51% of total grant revenue.

# LEAP for Education, Inc.

## Notes to the Financial Statements

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

#### Donated Facilities, Services and Materials

Donated facilities, services and materials are recorded at the estimated fair value provided to the Organization. Contributed services are recognized for services that require specialized skills and are provided by persons possessing those skills in the period in which they are received in accordance with GAAP. During the years ended June 30, 2021 and 2020, donated services and materials amounted to \$- and \$11,335 respectively.

#### Revenue Recognition

The Organization earns revenue from contracts services related to its educational programs provided to clients. The performance obligation of delivering educational services is simultaneously received and consumed by the client's served, therefore, the revenue is recognized as services are delivered. Fees paid in advance are recorded as deferred revenue. Substantially all of the Organization's revenue is derived from its operations in Salem, Massachusetts. Contract revenue from one contract source represented 50% and 69% of total contract revenue at June 30, 2021 and 2020, respectively.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

#### Income Taxes

The Corporation is a tax-exempt entity under Code Section 501(c)(3) of the Internal Revenue Code (the "Code"), and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code and is not considered to be a private foundation. Accordingly, no provision for income taxes is included in the financial statements.

The Organization complies with the provisions of GAAP related to the accounting for the uncertainty in income taxes. As required, the Organization has evaluated its tax positions, applying a "more likely than not" threshold and believes that there would be no material changes to the results of its operation or financial position as a result of an audit by the applicable taxing authorities, federal or state. The Organization has filed all of its known and required tax returns in a timely manner, including as permitted, allowed extensions.

### 3. Special Events

During 2021 and 2020, the Organization had special event revenue and related expense consisting of the following:

	<u>2021</u>	<u>2020</u>
Special event revenue	181,500	151,699
Special event expense	<u>(14,971)</u>	<u>(18,440)</u>
	<u>\$ 166,529</u>	<u>\$ 133,259</u>

### 4. Line of Credit

LEAP has a line of credit in the amount of \$25,000 to be used for working capital purposes payable on demand. Interest on the line is variable at a Prime plus 2%, currently 5.5%. Accrued interest on the line is due monthly. Under the line, the Organization is required to maintain a debt service coverage ratio of 1.20. As of the year-end June 30, 2021 and 2020, LEAP was in compliance with this covenant. No amounts were outstanding as of June 30, 2021 and 2020.

**LEAP for Education, Inc.**  
**Notes to the Financial Statements**

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**5. Lease**

The Organization maintains a lease for office space which expires in April 2026. Monthly lease payments amount to approximately \$5,915 per month. Total rent expense for the years ended June 30, 2021 and 2020 amounted to \$61,951 and \$59,125, respectively.

Payments on the lease are due as follows:

2022	\$	71,690
2023	\$	75,992
2024	\$	80,546
2025	\$	85,362
2026	\$	74,660

**6. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date consists of:

<u>Financial assets at year end:</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,436,185	915,634
Grants and accounts receivables, net	85,435	190,689
 <u>Less amounts not available to be used within one year:</u>		
Net assets with donor restrictions	<u>87,500</u>	<u>255,000</u>
 Financial assets available to meet general expenditures over the next twelve months:	 <u>\$ 1,434,120</u>	 <u>\$ 851,323</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expense, which it was able to achieve in both fiscal 2021 and 2020. Additionally, LEAP has a \$25,000 line of credit available to meet cash flow needs.

**7. Net Assets with Donor Restrictions**

Included in net assets with donor restrictions as of June 30, 2021 and 2020 includes:

	As of <u>06/30/2021</u>	As of <u>06/30/2020</u>
Time:	\$ 50,000	\$ 35,000
Specific Purpose:		
After School Program	\$ -	\$ 150,000
ELL Program	37,500	50,000
Summer Internship Program	-	15,000
Empowerment Youth Success	-	5,000
	<u>\$ 87,500</u>	<u>\$ 255,000</u>

The funds that are time restricted are also restricted for the purpose of spending on the college and career success programming in future fiscal years.

## LEAP for Education, Inc.

### Notes to the Financial Statements

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#### 8. Debt

In April 2020, the Organization received a Payroll Protection Plan loan under the CARES Act in the amount of \$153,200. The loan was available to pay payroll costs, utilities, and rent over a twenty-four-week period from the time the loan is obtained. As the loan amount was used to pay these qualifying costs the loan was forgiven as allowed in December 2020 and recorded as grant income in fiscal 2021.

In July 2020, the Organization obtained a loan under the SBA's Economic Injury Disaster Loan (EIDL) program amounting to \$150,000. The loan requires monthly payment of principal and interest of \$641 which will commence in June 2022. The note carries a fixed interest rate of 2.75% and matures in June 2050.

Future payments on the loan are:

2022	\$	2,095
2023		3,671
2024		3,773
2025		3,878
2026		3,986
Thereafter		132,597

Additionally, the Organization applied for and received an advance of the EIDL funds amounting to \$10,000 which was recorded as grant income in fiscal 2021. Interest on all debt amounted to \$4,470 for the year ended June 30, 2021.

#### 9. Recent Pronouncements

In May 2014, the FASB issued Accounting Standards Update ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". This ASU amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. This ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. This ASU also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Other major provisions include ensuring the time value of money is considered in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendments in this ASU are effective for reporting periods beginning after December 15, 2018, and early adoption is permitted. The Organization adopted this ASU on July 1, 2019 on a modified retrospective basis. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the consolidated statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021. The Organization is assessing the impact this standard will have on the financial statements.

## LEAP for Education, Inc.

### Notes to the Financial Statements

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#### 10. Risks and Uncertainties

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of school and businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

#### 11. Related Party Disclosures

During the years ended June 30, 2021 and 2020, donations from Board members amounted to approximately \$32,000.

#### 12. Subsequent Events

Subsequent to year-end, the Organization adopted a 401k profit sharing retirement plan for its employees. The plan requires certain eligibility requirements and includes a discretionary employer match.

Management has evaluated subsequent events through September 30, 2021, which is the date financial statements were available to be issued.