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**LEAP for Education, Inc.
Financial Statements
For the Years Ended
June 30, 2023 and 2022**

LEAP for Education, Inc.

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Independent Auditor's Report

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Independent Auditor's Report

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

Opinion

I have audited the accompanying financial statements of LEAP for Education, Inc. (a nonprofit organization, the "Organization"), which comprise the statement of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, 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 my 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 my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter

As discussed in Note 5 to the financial statements, the Organization changed the manner in which it accounts for leases in 2023. My opinion is not modified with respect to the matter.

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

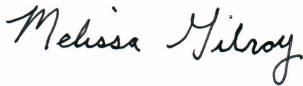
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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 18, 2023

LEAP for Education, Inc.
Statement of Financial Position

As of June 30,	2023	2022
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 1,614,694	\$ 1,471,833
Grant receivables, net	116,052	75,107
Pledge receivables, net	25,000	10,000
Prepaid expenses	36,733	12,538
Other current assets	4,333	4,333
Total current assets	<u>1,796,812</u>	<u>1,573,811</u>
Non Current Assets		
Operating lease - right of use assets	224,475	-
Deferred rent	6,589	-
Pledge receivables, net	46,837	-
Total non-current assets	<u>277,901</u>	<u>-</u>
Total Assets	\$ <u>2,074,713</u>	\$ <u>1,573,811</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 202,579	\$ 175,462
Deferred revenue	-	7,800
Operating lease liability, current portion	80,546	-
Economic injury disaster loan, current portion	3,637	-
Total current liabilities	<u>286,762</u>	<u>183,262</u>
Long Term Liabilities		
Operating lease liability	150,518	-
Economic injury disaster loan	145,614	150,000
Total long term liabilities	<u>296,132</u>	<u>150,000</u>
Total liabilities	<u>582,894</u>	<u>333,262</u>
Net Assets		
Without donor restrictions	1,221,773	1,190,549
With donor restrictions	270,046	50,000
Total net assets	<u>1,491,819</u>	<u>1,240,549</u>
Total Liabilities and Net Assets	\$ <u>2,074,713</u>	\$ <u>1,573,811</u>

LEAP for Education, Inc.
Statement of Activities

For the years ended June 30,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions		Without Donor Restrictions	With Donor Restrictions	
Revenue and Support						
Contract revenue	\$ 993,162	200,000	1,193,162	\$ 638,859	-	638,859
Grants	237,682	602,177	839,859	176,290	507,500	683,790
Contributions	331,099	-	331,099	307,203	65,000	372,203
Special events, net	219,369	-	219,369	249,894	-	249,894
Interest income	3,822	-	3,822	1,957	-	1,957
Release from restriction	582,131	(582,131)	-	610,000	(610,000)	-
Total revenue and support	2,367,265	220,046	2,587,311	1,984,203	(37,500)	1,946,703
Expenses						
Program services	1,900,651	-	1,900,651	1,436,893	-	1,436,893
Management and administrative	227,928	-	227,928	207,742	-	207,742
Fundraising	203,528	-	203,528	182,787	-	182,787
Total expenses	2,332,107	-	2,332,107	1,827,422	-	1,827,422
Change in Net Assets from Operations	35,158	220,046	255,204	156,781	(37,500)	119,281
Other Expense						
Interest Expense	3,934	-	3,934	4,485	-	4,485
Total other expense	3,934	-	3,934	4,485	-	4,485
Total Change in Net Asset	31,224	220,046	251,270	152,296	(37,500)	114,796
Net Assets at Beginning of Year	1,190,549	50,000	1,240,549	1,038,253	87,500	1,125,753
Net Assets at End of Year	\$ 1,221,773	270,046	1,491,819	\$ 1,190,549	50,000	1,240,549

The accompanying notes are integral to the financial statements.

LEAP for Education, Inc.
Statement of Functional Expenses

For the years ended June 30,

2023

2022

	2023				2022			
	Program	Management and Administrative	Fundraising	Total	Program	Management and Administrative	Fundraising	Total
Salaries	\$ 1,417,273	81,983	167,719	1,666,975	\$ 1,060,212	62,079	152,297	1,274,588
Payroll taxes	135,635	11,646	10,954	158,235	88,365	12,776	5,323	106,464
Benefits	64,070	21,284	3,854	89,208	85,935	12,424	5,177	103,536
	<u>1,616,978</u>	<u>114,913</u>	<u>182,527</u>	<u>1,914,418</u>	<u>1,234,512</u>	<u>87,279</u>	<u>162,797</u>	<u>1,484,588</u>
Contract and professional services	70,801	60,005	9,311	140,117	50,955	90,701	5,177	146,833
Facility expenses	71,035	34,408	5,550	110,993	83,673	12,097	5,041	100,811
Materials and supplies	67,201	6,747	1,234	75,182	38,976	5,992	909	45,877
Student service expense	71,659	-	-	71,659	24,316	-	-	24,316
Insurance	-	9,142	-	9,142	-	7,166	-	7,166
Travel and conferences	2,893	1,152	301	4,346	4,031	4,457	268	8,756
Development and marketing	84	1,561	4,605	6,250	430	50	8,595	9,075
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Functional Expenses	<u>\$ 1,900,651</u>	<u>227,928</u>	<u>203,528</u>	<u>2,332,107</u>	<u>\$ 1,436,893</u>	<u>207,742</u>	<u>182,787</u>	<u>1,827,422</u>

LEAP for Education, Inc.

Statement of Cash Flows

For the years ended June 30,

2023

2022

Cash Flows from Operating Activities

Change in Net Assets	\$	251,270	\$	114,796
Adjustments to reconcile change in net assets to cash provided by operations				
Changes in operating assets and liabilities:				
Grant receivables		(40,945)		328
Pledge receivables		(61,837)		-
Prepaid expenses		(24,195)		769
Accounts payable and accrued expenses		27,117		(71,245)
Deferred revenue		(7,800)		(9,000)
Net Cash Provided by Operating Activities		143,610		35,648

Cash Flows from Financing Activities

Repayment on EIDL loan		(749)		-
Net Cash Provided by (Used in) Financing Activities		(749)		-

Net (Decrease) Increase in Cash and Cash Equivalents **142,861** **35,648**

Cash and Cash Equivalents - Beginning **1,471,833** **1,436,185**

Cash and Cash Equivalents - Ending **\$ 1,614,694** **\$ 1,471,833**

Supplement Disclosure of Cash Flow Information

Cash paid during the year for interest **\$ 3,934** **\$ 4,485**

Supplement Data for Noncash Investing and Financing Activities

Right of use assets acquired in exchange for operating lease **\$ 299,502** **\$ -**

LEAP for Education, Inc.

Notes to Financial Statements

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

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 Pledge 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, 2023 and 2022, management has estimated that no allowance is required. At June 30, 2023 approximately 83% of the grant receivable balance was due from two resource providers. At June 30, 2022 approximately 61% of the grant receivable balance was due from one resource provider. Unconditional promises to give (pledges) 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. At June 30, 2023 and 2022, 100% of the pledge receivables balance was due from one resource provider.

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.

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.

LEAP for Education, Inc.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Organization recognizes contribution 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. Contract revenue in the accompanying financial statements consists of grant contracts and subcontracts with cities and states, some of which are conditional. Contract revenue from one source represented 43% of total contract revenue at June 30, 2022. Contract revenue from three sources represented 63% of total contract revenue at June 30, 2023. For the years ended June 30, 2023 and 2022, grant income from two grants represented 36% and 44% of total grant income, 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.

Substantially all of the Organization's revenue is derived from its operations in Salem, Massachusetts.

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.

Pronouncement Adoption

On July 1, 2022, the Organization adopted ASU 2016-02, Leases, which requires a lessee to recognize a right of use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The effects of adopting this guidance resulted in the inclusion of the present value of operating lease payments in the statements of financial position as "Operating lease – right of use assets" of \$299,502 and "Operating lease liabilities" of \$299,502 upon adoption.

The Organization elected the package of practical expedients to not reassess: (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases and (3) initial direct costs for any expired or existing leases. Refer to Note 5 for further detail regarding leases.

LEAP for Education, Inc.
Notes to the Financial Statements

3. Special Events

During 2023 and 2022, the Organization had special event revenue and related expense consisting of the following:

	2023	2022
Special event donation revenue	225,881	271,926
Special event ticket revenue	26,330	12,579
Special event expense	(32,842)	(34,611)
	<u>\$ 219,369</u>	<u>\$ 249,894</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 10.25%. 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, 2023 and 2022, LEAP was in compliance with this covenant. No amounts were outstanding as of June 30, 2023 and 2022. Subsequent to year end, the Organization increased their line of credit to \$150,000 carrying an interest rate of Prime.

5. Operating Lease

The Organization is the lessee of space under an operating (rental) lease in Massachusetts. The lease requires monthly payments of approximately \$6,270 per month and expires in April 2026. The Organization determines whether a contract is a lease at inception. Identified leases are subsequently measured, classified, and recognized at lease commencement. The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Right of use assets and lease liabilities for operating leases are included in "Operating lease - right of use assets" and "Operating lease liabilities," respectively, in the accompanying financial statements. Lease assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease.

The Organization recorded approximately \$299,502 of right-of-use assets in exchange for new operating lease liabilities during the year ended June 30, 2023. The Organization elected the short-term lease exemption policy as well as the practical expedient that allows lessees to treat the lease and non-lease components as a single lease component. Operating lease right of use assets and associated lease liabilities are recognized based on the present value of future minimum lease payments to be made over the expected lease term, using the risk-free rate at the commencement date in determining the present value of future payments.

Maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the operating lease liabilities:

2024	\$ 80,546
2025	85,362
2026	74,660
2027	-
2028	-
Thereafter	-
Total	<u>\$ 240,568</u>
Less present value discount	(9,504)
Total lease liability	<u>\$ 231,064</u>

Weighted average remaining lease term in years for the operating lease was 2.83. The weighted average discount rate for the operating lease is 2.88%.

Total rent expense for the years ended June 30, 2023 and 2022 amounted to \$79,015 and \$74,962, respectively.

LEAP for Education, Inc.
Notes to the Financial Statements

6. Pledge Receivables

As of June 30, 2023 and 2022, pledge receivables consisted of:

	2023	2022
Due within one year	\$ 25,000	\$ 10,000
Two to Five years	50,000	-
Total contribution receivable	\$ 75,000	10,000
Less discount at 2.75%	(3,163)	-
Pledge receivables, net	<u>\$ 71,837</u>	<u>\$ 10,000</u>

7. 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>	2023	2022
Cash and cash equivalents	\$ 1,614,694	1,471,833
Grant receivables, net	116,052	75,107
Pledge receivables, net	71,837	10,000
<u>Less amounts not available to be used</u>		
<u>within one year:</u>		
Net assets with donor restrictions	<u>(270,046)</u>	<u>(50,000)</u>
Financial assets available to meet general expenditures over the next twelve months:	<u>\$ 1,532,537</u>	<u>\$ 1,506,940</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 2023 and 2022. Additionally, LEAP has a \$25,000 line of credit available to meet cash flow needs.

8. Net Assets with Donor Restrictions

Included in net assets with donor restrictions as of June 30, 2023 and 2022 includes:

	As of <u>06/30/2023</u>	As of <u>06/30/2022</u>
<i>Time:</i>	\$ 71,837	\$ -
<i>Specific Purpose:</i>		
Teen Program	\$ 107,692	\$ 25,000
College and Career Program	25,000	-
Summer Work Program	24,840	-
Salem Summer Program	23,487	-
Lynn Summer Program	6,200	-
Stem Program	6,000	-
Staff Training	5,000	-
ELL Program	-	25,000
	<u>\$ 270,056</u>	<u>\$ 50,000</u>

The funds that were time restricted were also purpose restricted for programming in future fiscal years.

LEAP for Education, Inc.

Notes to the Financial Statements

9. Debt

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 commenced in December 2022. The note carries a fixed interest rate of 2.75% and matures in June 2050.

Future payments on the loan are:

2024	\$	3,637
2025		3,738
2026		3,843
2027		3,950
2028		4,060
Thereafter		<u>130,023</u>
		<u>\$ 149,251</u>

Interest on the debt amounted to \$3,934 and \$4,485 for the years ended June 30, 2023 and 2022, respectively.

10. Retirement Plan

The Organization, Inc. established a tax-deferred profit sharing 401(k) on July 1, 2021. The plan covers substantially all employees that meet the minimum age requirement of 21. The assets are held for each employee in an individual account maintained by an investment firm. The Organization's match is discretionary and vests after two years of service. For the years ended June 30, 2023 and 2022, the Organization's match amounted to \$17,151 and \$30,358, respectively.

11. Related Party Disclosures

During the years ended June 30, 2023 and 2022, donations from Board members amounted to approximately \$42,500 and \$36,500, respectively.

Additionally, as of June 30, 2023 and 2022, 43% and 34% of accounts payables balances were due to employees, respectively.

12. Subsequent Events

Management has evaluated subsequent events through September 18, 2023, which is the date financial statements were available to be issued.