



LEADING EDGE

Alliance for Excellence in Jewish Leadership

*FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017*



CERINI
& **LLP**
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*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Leading Edge Alliance, Inc.
85 Broad Street
New York, NY 10004

We have audited the accompanying financial statements of Leading Edge Alliance, Inc. (hereinafter "LEA," a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 LEA'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 LEA'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 LEA as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cerini & Associates LLP

Bohemia, New York
February 14, 2019

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LEADING EDGE ALLIANCE, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

2018 **2017**

ASSETS		
Current Assets:		
Cash (Note 4).....	\$ 1,104,749	\$ 1,158,077
Current portion of grants and pledges receivable (Notes 2, 3, and 4).....	2,261,110	1,120,500
Prepaid expenses.....	1,536	22,125
TOTAL CURRENT ASSETS	3,367,395	2,300,702
Grants and pledges receivable, net of current portion and present value discount (Notes 2, 3, and 4).....	1,561,280	3,098,765
Security deposits.....	8,415	5,520
TOTAL ASSETS	\$ 4,937,090	\$ 5,404,987
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses.....	\$ 65,702	\$ 74,057
TOTAL LIABILITIES	65,702	74,057
Commitments and contingencies (Notes 2, 3, 4, 5, 6, 7, 8, and 9)		
Net Assets (Note 5):		
Without donor restrictions (Note 9).....	1,096,388	480,930
With donor restrictions (Note 3).....	3,775,000	4,850,000
TOTAL NET ASSETS	4,871,388	5,330,930
TOTAL LIABILITIES AND NET ASSETS	\$ 4,937,090	\$ 5,404,987

LEADING EDGE ALLIANCE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

SUPPORT AND REVENUE:	Without Donor Restrictions	With Donor Restrictions	Total
Foundation grants, net of present value discount (Notes 2, 3, and 4).....	\$ 301,615	\$ 1,200,000	\$ 1,501,615
Contributions.....	80,000	-	80,000
Program service revenue.....	8,610	-	8,610
Net assets released from restrictions (Note 3).....	2,275,000	(2,275,000)	-
TOTAL SUPPORT AND REVENUE	2,665,225	(1,075,000)	1,590,225
EXPENSES:			
Program services.....	1,747,326	-	1,747,326
Management and general.....	238,287	-	238,287
Fundraising.....	64,154	-	64,154
TOTAL EXPENSES	2,049,767	-	2,049,767
CHANGE IN NET ASSETS	615,458	(1,075,000)	(459,542)
Net assets, beginning of year.....	480,930	4,850,000	5,330,930
Net assets, end of year.....	\$ 1,096,388	\$ 3,775,000	\$ 4,871,388

LEADING EDGE ALLIANCE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

SUPPORT AND REVENUE:	Without Donor Restrictions	With Donor Restrictions	Total
Foundation grants, net of present value discount (Notes 2, 3, and 4).....	\$ 385,765	\$ 5,185,360	\$ 5,571,125
Contributions.....	50,000	-	50,000
Program service revenue.....	70,325	-	70,325
Net assets released from restrictions (Note 3).....	885,360	(885,360)	-
TOTAL SUPPORT AND REVENUE	1,391,450	4,300,000	5,691,450
EXPENSES:			
Program services.....	1,071,746	-	1,071,746
Management and general.....	265,760	-	265,760
Fundraising.....	135,066	-	135,066
TOTAL EXPENSES	1,472,572	-	1,472,572
CHANGE IN NET ASSETS	(81,122)	4,300,000	4,218,878
Net assets, beginning of year.....	562,052	550,000	1,112,052
Net assets, end of year.....	\$ 480,930	\$ 4,850,000	\$ 5,330,930

LEADING EDGE ALLIANCE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services	Management and General	Fundraising	Total
Salaries (Notes 7 and 8).....	\$ 535,106	\$ 101,062	\$ 29,426	\$ 665,594
Payroll Taxes and Fringe Benefits (Note 6).....	128,083	24,190	7,044	159,317
Management - Board Meetings.....	-	16,860	-	16,860
Consultants.....	75,185	-	8,354	83,539
Legal and Accounting.....	-	37,902	-	37,902
Marketing and Communications.....	20,628	20,628	-	41,256
Office Expenses and Office Supplies.....	1,854	1,854	1,854	5,562
Technology.....	3,437	3,436	3,437	10,310
Office Space.....	38,038	11,823	1,542	51,403
Travel - Conferences/Meetings - Meals.....	10,080	-	10,080	20,160
Professional Development.....	15,576	15,576	-	31,152
Insurance.....	-	2,539	-	2,539
Miscellaneous.....	2,776	2,417	2,417	7,610
CEO Onboarding.....	408,152	-	-	408,152
CEO Alumni.....	98,900	-	-	98,900
Lay Leadership Initiative.....	167,332	-	-	167,332
Leading Places to Work.....	116,203	-	-	116,203
Talent Alliance.....	90,267	-	-	90,267
Career Hub.....	35,709	-	-	35,709
Totals	\$ 1,747,326	\$ 238,287	\$ 64,154	\$ 2,049,767

LEADING EDGE ALLIANCE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services	Management and General	Fundraising	Total
Salaries (Notes 7 and 8).....	\$ 148,717	\$ 129,710	\$ 81,113	\$ 359,540
Payroll Taxes and Fringe Benefits (Note 6).....	26,012	22,688	14,187	62,887
Management - Board Meetings.....	-	14,958	-	14,958
Consultants.....	23,661	-	2,629	26,290
Legal and Accounting.....	-	52,353	-	52,353
Marketing and Communications.....	15,828	15,827	-	31,655
Office Expenses and Office Supplies.....	2,642	2,642	2,642	7,926
Technology.....	2,636	2,636	2,636	7,908
Office Space.....	9,179	9,179	9,179	27,537
Travel - Conferences/Meetings - Meals.....	18,991	-	18,991	37,982
Professional Development.....	11,628	11,627	-	23,255
Insurance.....	-	451	-	451
Miscellaneous.....	4,013	3,689	3,689	11,391
CEO Onboarding.....	495,086	-	-	495,086
CEO Alumni.....	15,656	-	-	15,656
Lay Leadership Initiative.....	49,057	-	-	49,057
Leading Places to Work.....	248,640	-	-	248,640
Totals	<u>\$ 1,071,746</u>	<u>\$ 265,760</u>	<u>\$ 135,066</u>	<u>\$ 1,472,572</u>

LEADING EDGE ALLIANCE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

2018

2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets.....	\$ (459,542)	\$ 4,218,878
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Adjustment to reconcile change in net assets to net cash (used in)/
provided by operating activities:

Discounts on grants and pledges receivable	38,720	76,235
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Changes in operating assets and liabilities:

Grants and pledges receivable.....	358,155	(4,270,500)
Prepaid expenses.....	20,589	74,018
Security deposits.....	(2,895)	(5,520)
Accounts payable and accrued expenses.....	(8,355)	42,057

NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	(53,328)	135,168
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(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(53,328)	135,168
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Cash, beginning of year.....	1,158,077	1,022,909
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Cash, end of year.....	\$ 1,104,749	\$ 1,158,077
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Leading Edge Alliance, Inc. (hereinafter "LEA") is presented to assist in understanding LEA's financial statements. The financial statements and notes are representations of LEA's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") and have been consistently applied in the preparation of the financial statements.

Organization: Founded in 2016, LEA's mission is to increase the flow of high-quality talent to senior leadership positions at Jewish nonprofit organizations.

To work towards its mission, LEA strives to create a Jewish nonprofit sector with an abundance of high-quality leaders primed for senior positions, and Jewish organizations that are great places to work, with the best practices, policies, and procedures that attract, develop, and retain top professional and volunteer leadership and talent at all levels.

New Accounting Pronouncement: On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The FASB is a private, non-profit organization standard-setting body whose primary purpose is to establish and improve U.S. GAAP. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. LEA has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when incurred.

Income Tax Status: LEA is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is publicly supported as described in section 509(a). Donors may deduct contributions made to LEA within the requirements of the Internal Revenue Code. LEA has evaluated its activities for uncertain tax positions and has determined that there were no uncertain tax positions for the years ended December 31, 2018 or 2017. LEA files the IRS Form 990 and respective state tax returns. These returns are subject to review and examination by federal and state taxing authorities. LEA has determined that it has registered in all states where it is required to be registered.

Basis of Presentation: LEA is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations or other stipulations that may or will be met, either by action of LEA and/or the passage of time. When a restriction expires, these net assets are reclassified annually to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents: For the purposes of the statements of cash flows and financial position, LEA considers financial instruments with a maturity of three months or less to be cash equivalents. LEA did not have any cash equivalents as of December 31, 2018 and 2017.

Functional Expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities and functional expenses. The direct costs of providing the programs have all been allocated to program services. Some indirect costs including salaries, payroll taxes and fringe benefits, office space, and technology are based on management's estimates of time and costs utilized within each of the functional categories. Other indirect costs such as legal/accounting and insurance have all been allocated to management and general, as these are not affiliated with program related initiatives.

Grants Receivable: LEA records unconditional promises to give as revenue in the period received at net realizable value if expected to be received within one year. Unconditional promises to give that are expected to be collected in future years are recorded at fair value based on market conditions using the income approach. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of December 31, 2018 and 2017, management considered all receivables to be fully collectable and as such, no allowance for doubtful accounts has been provided for.

Revenue Recognition: Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. It is LEA's policy to treat donor restricted funds received and expended in the same year as unrestricted.

Program service revenue is recognized based on the nature of the underlying program, principally as applicable services are provided.

Advertising: LEA charges advertising cost to expense as incurred. Such costs amounted to \$41,256 for the year ended December 31, 2018 and \$31,655 for the year ended December 31, 2017.

Donated Services: LEA benefits from volunteer services in program, fundraising, and administrative duties from its Board members. Even though these donated services are valuable to LEA and help to advance their mission, no amounts have been reflected in the financial statements for such contributed services as they do not meet the criteria for recognition in the financial statements under U.S. GAAP, nor do they create or enhance non-financial assets.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Events Occurring After the Report Date: The Organization has evaluated events and transactions that occurred between January 1, 2019 and February 14, 2019, which is the date that the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 2 - GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable include unconditional promises to give that are due within one to three years. Promises to give to be received after one year are discounted using management's discretion. At December 31, 2018 and 2017, management determined that risk-adjusted rates ranging from 1.45% to 2.48% were appropriate for discounting.

At December 31, 2018, LEA had outstanding grants and pledges receivable scheduled for payment as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Current portion.....	\$ 100,000	\$ 2,161,110	\$ 2,261,110
Non-current portion:			
2020	-	1,600,000	1,600,000
Less: discount to net present value	-	(38,720)	(38,720)
Total non-current portion.....	-	1,561,280	1,561,280
Total grants and pledges receivable.....	<u>\$ 100,000</u>	<u>\$ 3,722,390</u>	<u>\$ 3,822,390</u>

At December 31, 2017, LEA had outstanding grants and pledges receivable scheduled for payment as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Current portion.....	\$ 120,500	\$ 1,000,000	\$ 1,120,500
Non-current portion:			
2019	-	1,575,000	1,575,000
2020	-	1,600,000	1,600,000
Less: discount to net present value	-	(76,235)	(76,235)
Total non-current portion.....	-	3,098,765	3,098,765
Total grants and pledges receivable.....	<u>\$ 120,500</u>	<u>\$ 4,098,765</u>	<u>\$ 4,219,265</u>

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS

LEA receives contributions and grants that are restricted for use in specific programs and causes aligned with LEA's mission. As outlined in Note 1, it is LEA's policy to treat funds received and expended in the same year as without donor restrictions.

During the year ended December 31, 2018, LEA received and expended \$710,000 of such funds, which are included in unrestricted foundation grants. Net assets from foundation grants were restricted for the following purposes at December 31, 2018:

Time restricted for operations and general purpose.....	\$ 3,225,000
Talent Alliance and Career Hub	550,000
Total	<u>\$ 3,775,000</u>

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

During the year ended December 31, 2017, LEA received and expended \$244,000 of such funds, which are included in unrestricted foundation grants. Net assets from foundation grants were restricted for the following purposes at December 31, 2017:

Time restricted for operations and general purpose.....	\$ 4,500,000
CEO Onboarding.....	<u>350,000</u>
Total	<u>\$ 4,850,000</u>

NOTE 4 - CONCENTRATION OF RISK

Financial instruments that potentially subject LEA to significant concentrations of credit risk consist principally of cash and receivables. At times cash balances held at financial institutions may be in excess of federally insured limits.

Three donors represented approximately 52%, 26%, and 14% of pledges receivable, as of December 31, 2018, and two donors represented approximately 70% and 23% of pledges receivable, as of December 31, 2017.

One donor represented approximately 73% of grant revenue for the year ended December 31, 2018, and two donors represented approximately 57% and 28% of grant revenue for the year ended December 31, 2017.

NOTE 5 - OPERATIONS

During the year ended December 31, 2018, LEA received multi-year commitments to benefit future years including two two-year grants and one three-year grant. Per U.S. GAAP revenue recognition requirements, the gifts are considered income in the years that the commitments were made, categorized as net assets with donor restrictions, and then released from restriction for the year the funds are intended to support. As of December 31, 2018 and 2017, net assets with donor restrictions were \$3,725,000 and \$4,850,000, respectively, due to the planned spending of these multi-year grants.

NOTE 6 - RETIREMENT PLAN

LEA sponsors a defined contribution retirement plan. LEA matches retirement savings dollar-for-dollar, up to 4% of the employee's annual salary. This benefit is provided beginning the first day of employment. Employer retirement plan contributions for the years ended December 31, 2018 and 2017 were \$18,805 and \$8,984, respectively.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 7 - COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2017, LEA entered into a compensation agreement with a key member of management, which was amended during the year ended December 31, 2018. This compensation agreement is set to expire on September 30, 2020.

Minimum payments under this compensation agreement are as follows for the years ending December 31,:

2019.....	\$	235,000
2020.....		250,000
Total.....	\$	<u>485,000</u>

In addition, the employee is entitled to 100% of the cost of any related health benefits for the employee and her spouse.

NOTE 8 - LEASED EMPLOYEES

LEA has a year-to-year contract with TriNet, Inc. a professional employer organization for leased employees. TriNet, Inc. provides comprehensive human resource services to LEA and is responsible for personnel, administrative, and benefits management functions, as well as payroll processing. Since TriNet, Inc. is the employer of record for all employees assigned to LEA, employees are included in the TriNet quarterly Internal Revenue Service Form 941, respective state filings, as well as workers' compensation.

NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS

During the year ended December 31, 2018, the Board approved to designate \$210,000 as an operating reserve fund. This amount represents 10% of the 2018 operating budget and is intended to be used to fund future operations of LEA if there is ever a cash flow issue. Net assets without donor restrictions are as follows for the years ended December 31,:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 941,333	\$ 480,930
Designated	210,000	-
Total net assets without donor restrictions	<u>\$ 1,151,333</u>	<u>\$ 480,930</u>

NOTE 10 - LIQUIDITY

The following represents LEA's financial assets at December 31,:

	<u>2018</u>	<u>2017</u>
Cash.....	\$ 1,104,749	\$ 1,158,077
Grants and pledges receivable	3,822,390	4,219,265
Total financial assets	4,927,139	5,377,342
Less amounts not available to be used within one year:		
Net assets with donor restrictions.....	(3,725,000)	(4,850,000)
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,202,139</u>	<u>\$ 527,342</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 10 - LIQUIDITY *(continued)*

LEA's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$500,000). As part of its liquidity plan, excess cash that approximates 10% of its operating budget is maintained as an operating reserve fund. As of December 31, 2018, LEA has sufficient funds to meet over 90 days of operating expenses.