



LEADING EDGE

Alliance for Excellence in Jewish Leadership

***FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018***



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**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
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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, 2019 and 2018, 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 audits 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, 2019 and 2018, 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
April 22, 2020

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LEADING EDGE ALLIANCE, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

2019

2018

ASSETS		
Current Assets:		
Cash.....	\$ 2,695,674	\$ 1,104,749
Current portion of grants and pledges receivable.....	777,553	2,261,110
Prepaid expenses.....	87,232	1,536
	TOTAL CURRENT ASSETS	3,560,459
Grants and pledges receivable, net of current portion and present value discount.....	984,397	1,561,280
Board designated funds.....	210,000	-
Security deposits.....	10,905	8,415
	TOTAL ASSETS	\$ 4,765,761
	\$ 4,765,761	\$ 4,937,090
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses.....	\$ 100,568	\$ 65,702
	TOTAL LIABILITIES	100,568
	100,568	65,702
Net Assets:		
Without donor restrictions.....	1,461,730	1,096,388
With donor restrictions.....	3,203,463	3,775,000
	TOTAL NET ASSETS	4,665,193
	4,665,193	4,871,388
	\$ 4,765,761	\$ 4,937,090

LEADING EDGE ALLIANCE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

SUPPORT AND REVENUE:	Without Donor Restrictions	With Donor Restrictions	Total
Foundation grants, net of present value discount.....	\$ 324,954	\$ 1,603,463	\$ 1,928,417
Contributions.....	24,382	-	24,382
Program service revenue.....	92,445	-	92,445
Net assets released from restrictions.....	2,175,000	(2,175,000)	-
TOTAL SUPPORT AND REVENUE	2,616,781	(571,537)	2,045,244
EXPENSES:			
Program services.....	1,814,890	-	1,814,890
Management and general.....	327,686	-	327,686
Fundraising.....	108,863	-	108,863
TOTAL EXPENSES	2,251,439	-	2,251,439
CHANGE IN NET ASSETS	365,342	(571,537)	(206,195)
Net assets, beginning of year.....	1,096,388	3,775,000	4,871,388
Net assets, end of year.....	<u>\$ 1,461,730</u>	<u>\$ 3,203,463</u>	<u>\$ 4,665,193</u>

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.....	\$ 326,615	\$ 1,200,000	\$ 1,526,615
Contributions.....	55,000	-	55,000
Program service revenue.....	8,610	-	8,610
Net assets released from restrictions.....	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.....	<u>\$ 1,096,388</u>	<u>\$ 3,775,000</u>	<u>\$ 4,871,388</u>

LEADING EDGE ALLIANCE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services	Management and General	Fundraising	Total
Salaries.....	\$ 575,501	\$ 140,476	\$ 56,239	\$ 772,216
Payroll Taxes and Fringe Benefits.....	159,729	38,989	15,609	214,327
Management - Board Meetings.....	-	17,829	-	17,829
Consultants.....	80,741	-	8,971	89,712
Legal and Accounting.....	-	47,873	-	47,873
Marketing and Communications.....	36,402	36,402	-	72,804
Office Expenses and Office Supplies.....	2,335	2,335	2,335	7,005
Technology.....	3,442	3,443	3,443	10,328
Office Space.....	60,480	17,719	2,311	80,510
Travel - Conferences/Meetings - Meals.....	12,199	-	12,199	24,398
Professional Development.....	11,264	11,264	-	22,528
Insurance.....	-	3,600	-	3,600
Miscellaneous.....	7,756	7,756	7,756	23,268
CEO Onboarding.....	231,846	-	-	231,846
CEO Alumni.....	55,316	-	-	55,316
Lay Leadership Initiative.....	107,661	-	-	107,661
Leading Places to Work.....	206,732	-	-	206,732
Talent Alliance.....	167,704	-	-	167,704
Career Hub.....	49,245	-	-	49,245
Gender Equity Program.....	46,537	-	-	46,537
Totals	<u>\$ 1,814,890</u>	<u>\$ 327,686</u>	<u>\$ 108,863</u>	<u>\$ 2,251,439</u>

LEADING EDGE ALLIANCE, INC.

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

	Program Services	Management and General	Fundraising	Total
Salaries.....	\$ 535,106	\$ 101,062	\$ 29,426	\$ 665,594
Payroll Taxes and Fringe Benefits.....	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
Gender Equity Program.....	-	-	-	-
Totals	<u>\$ 1,747,326</u>	<u>\$ 238,287</u>	<u>\$ 64,154</u>	<u>\$ 2,049,767</u>

LEADING EDGE ALLIANCE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

2019

2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets.....	\$ (206,195)	\$ (459,542)
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Adjustment to reconcile change in net assets to net cash provided by/

(used in) operating activities:

Discounts on grants and pledges receivable	15,550	38,720
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Changes in operating assets and liabilities:

Grants and pledges receivable.....	2,044,890	358,155
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Prepaid expenses.....	(85,696)	20,589
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Security deposits.....	(2,490)	(2,895)
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Accounts payable and accrued expenses.....	34,866	(8,355)
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NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	1,800,925	(53,328)
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INCREASE/(DECREASE) IN CASH	1,800,925	(53,328)
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Cash and board designated funds, beginning of year.....	1,104,749	1,158,077
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Cash and board designated funds, end of year.....	<u>\$ 2,905,674</u>	<u>\$ 1,104,749</u>
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COMPONENTS OF CASH AND BOARD DESIGNATED FUNDS ON THE STATEMENTS OF FINANCIAL POSITION:

Cash.....	\$ 2,695,674	\$ 1,104,749
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Board designated funds.....	210,000	-
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TOTAL CASH AND BOARD DESIGNATED FUNDS	<u>\$ 2,905,674</u>	<u>\$ 1,104,749</u>
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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: During the year ended December 31, 2018, LEA adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. 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.

On January 1, 2019, LEA adopted ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. LEA's services that fall within the scope of ASC 606 are presented within program service revenue and is recognized as revenue as LEA satisfies its obligations to the customers. There was no impact on revenue or net assets attributable to the adoption of ASC 606.

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, 2019 or 2018. 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.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statements 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. LEA did not have any funds to be maintained in perpetuity as of both December 31, 2019 and 2018.

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, 2019 and 2018.

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, 2019 and 2018, 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 in the period these contributions and grants are pledged. Revenue received under these contributions and grants are recognized as net assets without donor restrictions or net assets with donor restrictions, 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 net assets without donor restrictions.

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 \$72,804 and \$41,256 for the years ended December 31, 2019 and 2018, respectively.

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020 and April 22, 2020, which is the date that the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

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, 2019 and 2018, management determined that risk-adjusted rates ranging from 1.58% to 2.48% were appropriate for discounting.

At December 31, 2019, LEA had outstanding grants and pledges receivable scheduled for payment as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Current portion.....	\$ -	\$ 777,553	\$ 777,553
Non-current portion:			
2021	-	500,000	500,000
2022	-	500,000	500,000
Less: discount to net present value	-	(15,603)	(15,603)
Total non-current portion.....	-	984,397	984,397
Total grants and pledges receivable.....	<u>\$ -</u>	<u>\$ 1,761,950</u>	<u>\$ 1,761,950</u>

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>

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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 net assets without donor restrictions.

During the year ended December 31, 2019, LEA received and expended \$46,537 of such funds, which are included in foundation grants without donor restrictions. Net assets from foundation grants were restricted for the following purposes at December 31, 2019:

Time restricted for operations and general purpose.....	\$ 2,750,000
Talent Capacity.....	200,000
Gender Equity Program.....	253,463
Total	<u>\$ 3,203,463</u>

During the year ended December 31, 2018, LEA received and expended \$710,000 of such funds, which are included in foundation grants without donor restrictions. 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>

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.

One donor represented approximately 84% of pledges receivable as of December 31, 2019, and three donors represented approximately 92% of pledges receivable as of December 31, 2018.

One donor represented approximately 52% of grant revenue for the year ended December 31, 2019, and one donor represented approximately 73% of grant revenue for the year ended December 31, 2018.

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, 2019 and 2018, net assets with donor restrictions were \$3,203,463 and \$3,775,000, respectively, due to the planned spending of these multi-year grants.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018 were \$22,003 and \$18,805, respectively.

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 and there have been no additional amendments or extensions.

Minimum payments under this compensation agreement are \$250,000 for the year ending December 31, 2020.

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

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 following the close of 2018. 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. Under the reserve policy, this operating reserve ratio is to be revisited on an annual basis for adjustment, as necessary. Net assets without donor restrictions are as follows for the years ended December 31,:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 1,251,730	\$ 1,096,388
Board designated	210,000	-
Total net assets without donor restrictions	<u>\$ 1,461,730</u>	<u>\$ 1,096,388</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 10 - LIQUIDITY

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

	<u>2019</u>	<u>2018</u>
Cash.....	\$ 2,695,674	\$ 1,104,749
Grants and pledges receivable	<u>1,761,950</u>	<u>3,822,390</u>
Total financial assets	4,457,624	4,927,139
Less amounts not available to be used within one year:		
Net assets with donor restrictions.....	<u>(1,647,861)</u>	<u>(3,775,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,809,763</u>	<u>\$ 1,152,139</u>

LEA's goal is generally to maintain financial assets to meet ninety days of operating expenses (approximately \$555,000). As part of its liquidity plan, excess cash that approximates 10% of its operating budget was maintained as an operating reserve fund following the close of 2018, and this operating reserve ratio is to be revisited on an annual basis for adjustment, as necessary. As of December 31, 2019, LEA has sufficient funds to meet over ninety days of operating expenses.