ROOTED IN ISLA VISTA, NURTURING CENTRAL COAST FAMILIES

LEAP

Learn • Engage
Advocate • Partner

Aprender · Participar · Abogar · Colaborar

Financial Statements
For the Year Ended
June 30, 2023

LEAP: Learn. Engage. Advocate. Partner.
TABLE OF CONTENTS
June 30, 2023

	Page
Independent Auditors' Report	1 - 3
Management's Discussion & Analysis	4 - 5
Financial Statements:	
Statement of Financial Position	6
Statement of Activities	7
Statement of Functional Expenses	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 22

VASIN, HEYN & COMPANY
ABOVE THE BRIGHT LINE
AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Isla Vista Youth Projects, Inc.
dba LEAP: Learn. Engage. Advocate. Partner.
(A California Non-Profit Corporation)
Goleta, California

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of LEAP: Learn. Engage. Advocate. Partner. (A California Non-Profit Corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LEAP: Learn. Engage. Advocate. Partner. as of June 30, 2023, 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LEAP: Learn. Engage. Advocate. Partner. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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's: Learn. Engage. Advocate. Partner. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 our 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.

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

- 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 LEAP's: Learn. Engage. Advocate. Partner. 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LEAP's: Learn. Engage. Advocate. Partner. ability to continue as a going concern for a reasonable period of time.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

We are 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 we identified during the audit.

Adoption of Accounting Pronouncement

As described in Note 2 to the financial statements, LEAP: Learn. Engage. Advocate. Partner. has adopted ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We previously audited LEAP's: Learn. Engage. Advocate. Partner. 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of LEAP: Learn. Engage. Advocate. Partner.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Management Discussion and Analysis is presented for purposes of additional analysis and are not a required part of the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Vasin, Heyns + Co.

Calabasas, California
September 29, 2023

Purpose

The purpose of this Management's Discussion & Analysis is to introduce our financial statements and to provide an overview of our program service accomplishments and community impact.

Mission

LEAP's: Learn. Engage. Advocate. Partner. (LEAP) mission is to strengthen our community through diverse educational, recreational and social programs for children and families regardless of income.

Guiding Principle

By building a resilient and connected community, LEAP seeks to mitigate the effects of poverty, racism, and trauma so that all children and families can prosper and thrive.

Children's Center

When children are cared for in a safe, stimulating and high-quality environment, they grow up to be lifelong learners and caregivers who are able to work or go to school in order to provide for their families. LEAP's two Children's Center sites serve both state certified and private pay students with trauma-informed programs designed to facilitate cognitive, emotional, physical, social and creative growth to children in a language-rich environment that supports the ethnic and cultural diversity of the children. LEAP's Children's Center supported families with in-person learning throughout the 2022-2023 fiscal year. LEAP focused on building back a diminished teaching staff and increasing enrollment. As our teaching staff grew, we re-opened more classrooms and were able to care for more students. LEAP remains committed to providing high-quality, trauma-informed care and education for our most vulnerable children. We are proud of the nurturing environment we provide while doing our best to keep our community healthy.

School Aged Enrichment

Children build resilience when they have access to enriched social, educational and recreational opportunities. In Fiscal Year 2022-2023, partnered with GUSD to supplement their expanded learning program at Isla Vista Elementary School, El Camino Elementary School, and La Patera Elementary School. LEAP provided a site-based family advocate to build nurturing relationships with the children in the expanded learning program as well as their families. Our advocate used mindfulness conversation starters to help students struggling with social isolation. One on one outreach to parents led to families receiving the services they needed. During the 2022-2023 school year, LEAP provided 607 referrals for families, initiated 873 interactions with caregivers and conducted more than 200 mindfulness conversations with students.

Family Resource Center

LEAP's Family Resource Center mitigates the effects of poverty, racism, and trauma by strengthening families. Families become resilient through relationships with community organizations and with one another. LEAP's Family Resource Center provides parent education classes, case management, monthly food distributions, an emergency personal care and food pantry on site, clothing distributions, home visitation, and enrollment services for CalFresh, Medi-Cal, WIC and other resources community engagement events. FRC services continued in FY 2022-2023. This year, LEAP’s diaper bank provided more than 55,000 diapers to more than 2,000 children. In partnership with Immigrant Hope, the FRC hosted bi-monthly immigration webinars, providing accurate information about the changing laws relating to immigrants.

Community Leadership

LEAP envisions a community where children are loved, valued and respected and families are engaged to reach their highest potential. In FY 22-23, LEAP continued its leadership of the Goleta Valley Community Partnership Network. By convening community stakeholders regularly, LEAP ensured that children’s’ and families’ needs were met in a timely way.

LEAP: Learn. Engage. Advocate. Partner.
STATEMENT OF FINANCIAL POSITION
June 30, 2023
(with comparative totals for 2022)

	2023	2022
ASSETS		
ASSETS		
Cash and Cash Equivalents	$ 997,841	$ 1,288,087
Contracts and Grants Receivables (Note 3)	472,019	134,125
Prepaid Expenses	16,210	18,621
Other Current Assets	1,695	-
Property and Equipment, Net (Note 4)	1,508,703	1,383,746
Investments (Note 5)		
Board Designated	250,000	-
Investments	264,689	-
Total Investments	514,689	-
Total Assets	$ 3,511,157	$ 2,824,579
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 214,119	$ 34,156
Accrued Payroll and Related Liabilities	206,193	205,165
Accrued Vacation (Note 6)	101,330	80,059
Deferred Revenue	305,882	67,800
Line of Credit Payable (Note 6)	-	-
Government Funded Assets	-	11,704
Child Development Reserves (Note 7)	162,656	162,419
Total Liabilities	990,180	561,303
NET ASSETS		
Without Donor Restrictions:		
Undesignated	724,514	833,530
Designated by Board Quasi-Endowment	250,000	-
Invested in Property and Equipment, Net	1,508,703	1,383,746
Total Net Assets without Donor Restrictions	2,483,217	2,217,276
With Donor Restrictions (Note 9)	37,760	46,000
Total Net Assets	2,520,977	2,263,276
Total Liabilities and Net Assets	$ 3,511,157	$ 2,824,579

See accompanying notes.

LEAP: Learn. Engage. Advocate. Partner.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023
(with comparative totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
OPERATING				
Public Support:				
Special Events Revenue, Gross	$ 42,256	$ -	$ 42,256	$ 61,231
Less: Direct Costs	-	-	-	-
Special Events Revenue, Net	42,256	-	42,256	61,231
Contributions and Grants	424,198	72,760	496,958	673,492
Loan Forgiveness	-	-	-	297,354
Total Public Support	466,454	72,760	539,214	1,032,077
Revenue:				
Governmental Service Contracts	3,968,181	-	3,968,181	2,718,497
CACFP Food Program Revenue	97,810	-	97,810	94,412
Parent Fees	20,478	-	20,478	29,260
Other Income	17,406	-	17,406	10,732
Interest and Invesment Income	17,221	-	17,221	425
Contract Settlements	72,403	-	72,403	-
Total Public Support and Revenue	4,659,953	72,760	4,732,713	3,885,403
With Donor Restrictions Released	81,000	(81,000)	-	-
EXPENSES				
Program Services	3,981,186	-	3,981,186	2,948,314
Supporting Services:				
Management and General	292,484	-	292,484	263,443
Fundraising	201,342	-	201,342	147,228
Total Supporting Services	493,826	-	493,826	410,671
Total Operating Expenses	4,475,012	-	4,475,012	3,358,985
CHANGE IN NET ASSETS	265,941	(8,240)	257,701	526,418
NET ASSETS - beginning of year	2,217,276	46,000	2,263,276	1,736,858
NET ASSETS - end of year	$ 2,483,217	$ 37,760	$ 2,520,977	$ 2,263,276

See accompanying notes.

LEAP: Learn. Engage. Advocate. Partner.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023
(with comparative totals for 2022)

	Program Services			Total				
	Children's Center	School Aged Programming	Family Resource Center	Program Services	Management & General	Fundraising	2023 Total Expenses	2022 Total Expenses
Salaries and Related Expenses								
Other Salaries and Wages	$ 2,118,059	$ 28,431	$ 146,846	$ 2,293,336	$ 65,902	$ 137,683	$ 2,496,921	$ 1,859,218
Payroll Taxes	149,904	1,824	10,618	162,346	25,779	9,207	197,332	133,981
Other Employee Benefits	460,009	4,900	40,159	505,068	(4,327)	9,224	509,965	418,732
Total Salaries and Related Expenses	2,727,972	35,155	197,623	2,960,750	87,354	156,114	3,204,218	2,411,931
Other Expenses								
Accounting	-	-	-	-	95,765	-	95,765	90,686
Advertising	4,364	-	-	4,364	7,379	3,121	14,864	17,180
Conferences, Conventions and Meetings	6,374	-	-	6,374	1,716	261	8,351	6,942
Fees for Services	71,163	-	-	71,163	22,219	-	93,382	34,839
Information Technology	19,367	-	9,653	29,020	8,790	-	37,810	29,840
Insurance	-	-	-	-	18,243	-	18,243	17,547
Interest Expense	761	-	-	761	-	-	761	-
Legal	-	-	-	-	1,632	-	1,632	1,298
Miscellaneous Fundraising Expenses	-	-	-	-	-	38,311	38,311	13,458
Occupancy	145,509	-	23,592	169,101	15,915	-	185,016	118,741
Office Expenses	26,989	1,697	12,278	40,964	3,399	1,941	46,304	94,520
Program Supplies	565,416	-	19,713	585,129	18,594	539	604,262	410,668
Other Expenses	48,329	-	971	49,300	9,145	1,034	59,479	58,783
Start-up Expenses	-	-	-	-	-	-	-	-
Travel	10,600	-	1,592	12,192	1,686	21	13,899	8,447
Total Operating Expenses	3,626,844	36,852	265,422	3,929,118	291,837	201,342	4,422,297	3,314,880
Nonoperating Expenses								
Depreciation	52,068	-	-	52,068	647	-	52,715	44,105
Total Nonoperating Expenses	52,068	-	-	52,068	647	-	52,715	44,105
Total Functional Expenses 2023	$ 3,678,912	$ 36,852	$ 265,422	$ 3,981,186	$ 292,484	$ 201,342	$ 4,475,012	
Total Functional Expenses 2022	$ 2,591,449	$ 98,627	$ 258,238	$ 2,948,314	$ 263,443	$ 147,228		$ 3,358,985

LEAP: Learn. Engage. Advocate. Partner.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023
(with comparative totals for 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 257,701	$ 526,418
Adjustments to reconcile increase (decrease) in Net assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	52,715	44,105
Loan Forgiveness	-	(297,354)
(Increase) decrease in:		
Contracts and Grants Receivable	(337,894)	68,671
Prepaid Expenses	2,411	1,522
Other Current Assets	(1,695)	-
Increase (decrease) in:		
Accounts Payable and Accrued Expenses	179,963	(42,372)
Accrued Payroll and Related Liabilities	1,028	114,715
Accrued Vacation	21,271	5,006
Deferred Revenue	238,082	67,800
Government Funded Assets	(11,704)	(647)
Child Development Reserves	237	243
Total Adjustments	144,414	(38,311)
Net Cash Provided (Used) by Operating Activities	402,115	488,107
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Activity, Net	(514,689)	-
Purchases of Property and Equipment	(177,672)	(122,650)
Net Cash Provided (Used) by Investing Activities	(692,361)	(122,650)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchases of Property and Equipment using Restricted Contributions	-	-
Borrowings from Line of Credit	-	-
Principal Repayments Related to Line of Credit Payable	-	-
Principal Repayments Related to Note Payable	-	-
Borrowings from Paycheck Protection Program loan	-	-
Principal Repayments Related to Mortgage Payable	-	-
Net Cash Provided (Used) by Financing Activities	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(290,246)	365,457
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,288,087	922,630
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 997,841	$ 1,288,087
Non-Cash Supplemental Disclosures:		
Forgiveness of Loan	$ -	$ 297,354

See accompanying notes.

1. ORGANIZATION

General:
The Isla Vista Youth Projects, Inc., dba LEAP: Learn. Engage. Advocate. Partner. (LEAP), was born out of the chaos of the early 1970s in Isla Vista. In the wake of riots and the burning of the Bank of America, the children and families who lived in Isla Vista needed support, strength and resilience. By creating a community that valued children LEAP enabled families to work and access the social services and support they needed and LEAP sowed the seeds for a resilient, creative and thriving community. Over the years, its work has expanded to serve children and families across the Goleta Valley. The organization's purpose remains the same. LEAP exists not only to provide direct services to families in need, but also to convene community members and stakeholders for the benefit of all. Together we can mitigate the negative effects of poverty, racism and trauma to support resilient children, families and community.

Major Programs:
LEAP Children’s Center, the state-licensed component of the Isla Vista Youth Projects, provides full day, year-round early care and education and nutrition services for children between the ages of 3 months to 6-years, including children with special needs.

School Age Enrichment Program supports GUSD expanded learning students and families with social-emotional support as well as access to concrete services.

Family Resource Center mitigates the effects of poverty, racism, and trauma, by providing strength-based supports to families. Using the protective factors framework, the FRC provides concrete support including food, diapers, and toiletries; and supports clients in applying for housing and other social services. The FRC improves parent/caregiver efficacy by offering parenting and grandparenting classes twice yearly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LEAP prepares its financial statements in accordance with GAAP. The significant accounting and reporting policies are described below to enhance the usefulness and understandability of the financial statements.

Net Assets:
The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- Net assets without donor restrictions. Net assets available for use in general operations and not subject to donor restrictions are reported as net assets without donor restrictions.
- Net assets with donor 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 funds be maintained in perpetuity.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents:
Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Contracts and Grants Receivables:
Receivables consist of contracts, grants, employee advances and accounts receivables and are stated at the amount management expects to collect from outstanding balances. Receivables are primarily unsecured amounts due on cost reimbursement or performance contracts. Any amount that is denied for reimbursement is written off when LEAP receives notification from the grantor agency. LEAP uses the allowance method of accounting for receivables determined to be potentially uncollectable. In management’s opinion, all contracts and accounts receivable were collectible at year-end. No allowance for doubtful accounts for contracts and accounts receivable is considered necessary at June 30, 2023.

Prepaid Expenses:
Prepaid insurance, deposits and other costs are expensed ratably over their respective terms of agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments:

Investments consist of equities and fixed income which are carried at fair value. Donated investments are recorded at fair value at the date of donation and thereafter carried at fair value. Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Gains or losses (including investments bought, sold and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted by donor stipulations or by law.

Board Designated Investments:

Board designated investments, which are resources set aside by the Board of Directors for an indeterminate period to operate in a manner similar to a donor-restricted permanent endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board of Directors.

Property and Equipment, Net:

Land, buildings, property, and equipment are reported in the Statement of Financial Position at cost, if purchased, and at fair value at the date of donation, if donated. All land, buildings, and property are capitalized. Equipment is capitalized if it has a cost of $5,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Automobiles	5 years
Buildings	25 years
Equipment	5-7 years
Furniture and Fixtures	5-10 years
Leasehold Improvements	7 - 10 years, or remaining lease term, if shorter
Portable Classrooms	25 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Government funded assets are recorded as an asset and an offsetting liability. The related assets are depreciated over their estimated useful lives and a corresponding amount reduces the related liability each year and is recognized as revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for Contributions:
Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as with net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributed Goods and Services:
Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

LEAP benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the organization’s program operations and in its fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. During the year ended LEAP did not receive any in-kind contributions.

Government Revenue:
Government revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit under the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, LEAP’s management believes that costs ultimately disallowed, if any, would not materially affect the financial position of LEAP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition:
Revenues from government agencies, program service fees, and other third-party payors for services provided under such contracts are recognized when earned by LEAP. All gifts, bequests, and other public support are included in unrestricted net assets unless specifically restricted by the donor or the terms of the gift or grant instrument. Amounts received in excess of balances earned are recognized as liabilities in Contract Advance.

Income Taxes:
LEAP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi). LEAP has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2023, LEAP had no material unrecognized tax benefits, tax penalties or interest.

LEAP’s Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended June 30, 2022, 2021, and 2020, are subject to examination by the IRS, generally for 3 years after they were filed. LEAP’s Forms 199, *California Exempt Organization Return*, for each of the tax years ended June 30, 2022, 2021, 2020, and 2019, are subject to examination by the Franchise Tax Board, generally for 4 years after they were filed.

Fundraising Expense Recognition and Allocation:
Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. LEAP generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Total fundraising costs for the year ended June 30, 2023 were $201,342. Additionally, advertising costs are expensed as incurred; such amounts were insignificant at year end and totaled $14,864.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Administrative and other costs are allocate to operating programs based upon employees' time spent on various tasks, and other statistical analyses (such as meals served or child days of enrollment) prepared by management.

LEAP allocates its costs based on relative benefits received by the programs or activities. Accordingly, LEAP applies several methods for allocating costs:

Direct Costs - Costs identified 100 percent to a specific project are charged directly to that project.

Shared Costs – Costs identified to specific multiple programs or activities are shared between the programs benefitting.

Payroll costs are allocated using individual timesheets that report the actual time spent by the employees in each program each day.

Rent and associated utilities, maintenance, and insurance are allocated using the square footage of building space occupied by each program, according to floor plans and/or room measurements.

Indirect Costs – Costs that benefit the operations of the entire organization, which cannot be identified to specific programs or activities, are allocated based on relative direct payroll costs.

Reclassifications:
Certain amounts in the 2022 comparative totals have been reclassified to conform with the 2023 reporting format.

Use of Estimates:
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, LEAP's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. LEAP's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Totals:
The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with LEAP's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Adopted Accounting Pronouncement - Leases:
In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the Statement of Financial Position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

LEAP has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that LEAP is reasonable certain to exercise. LEAP recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term. There were no leases subject to ASC 842 at June 30, 2023.

Fair Value Measurements:
LEAP reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which LEAP has access at the measurement date.

- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, LEAP measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The carrying amounts of cash and cash equivalents receivables, equities and fixed income approximate fair value because of the terms and relatively short maturity of these financial instruments.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

3. CONTRACTS AND GRANTS RECEIVABLE

In management's opinion, all contracts and grants receivable were collectible at year-end. No allowance for doubtful accounts for contracts and accounts receivable is considered necessary at June 30, 2023.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2023 consists of the following:

	Cost	Accumulated Depreciation	Net
Automobiles	$ 28,877	$ (28,877)	$ -
Building	490,168	(160,146)	330,022
Equipment	70,901	(56,083)	14,818
Furniture and Fixtures	91,033	(91,033)	-
Land	838,134	-	838,134
Leasehold Improvements	514,251	(222,613)	291,638
Portable Classrooms	265,049	(230,958)	34,091
TOTAL	$ 2,298,413	$ (789,710)	$ 1,508,703

Total depreciation expense charged to operations was $52,715 for the year ended June 30, 2023.

5. INVESTMENTS

LEAP measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires the Agency to develop its own assumptions. The Agency uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Agency measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All assets reported at fair value at June 30, 2023 are Level 1 inputs.

At June 30, 2023, the Agency did not have any investments measured using level 2 and 3 inputs.

	Total	Level 1
Equities	$ 116,316	$ 116,316
Fixed income	398,373	398,373
TOTAL	$ 514,689	$ 514,689

6. ACCRUED VACATION AND SICK LEAVE

Regular full-time and part-time employees that work more than four hours a day earn vacation time. Vacation time is pro-rated based on scheduled daily hours and years of continuous employment based upon the following schedule:

Years of Continuous Employed	Number of Days Earned per Month
Years 1 to 5	1 day / month
Years 6 to 10	1.25 days / month
Years 11 to 15	1.67 days / month
Years 15+	2 days / month

Total accrued vacation and accumulated sick leave benefits payable at June 30, 2023 was $101,330.

7. CHILD DEVELOPMENT RESERVES

Child development contractors are allowed, with prior CDE and/or CDSS approval, to maintain a reserve account from earned but unexpended child development contract funds for three types of programs: Center Based, Resource and Referral, and Alternative Payment. Transfers from a reserve account are considered restricted income for child development programs, but may be applied to any of the contracts that are eligible to contribute to that particular program type.

LEAP maintains a reserve account for Center Based contracts, and funds are deposited into an interest-bearing account. The reserve account balance at June 30, 2023 was $162,656, which is recorded as an asset in the cash account. Also, upon termination of all child development center-based contracts, Example Entity would have to return the reserve funds to CDE and/or CDSS, so the reserve account is recorded as a liability in the amount of $162,656.

The reserve account balance of $162,656 includes interest of $237 that the bank paid on the account balances during the year ended June 30, 2023.

8. RETIREMENT PLAN

LEAP maintains a contributory retirement plan available to eligible employees which allows participants to make tax deferred investment contributions. Full-time employees are eligible to participate immediately on hire. The plan qualifies under 403(b). During the year ended June 30, 2023 LEAP contributed $138,293 to the plan.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are part of the net assets of LEAP resulting from contributions and other inflows of assets whose use by LEAP is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of IVP pursuant to those stipulations.

Net assets with donor restrictions at June 30, 2023 comprised of:

	Balance at June 30, 2022	Income	Expenditures	Balance at June 30, 2023
Alice Tweed Touhy Grant	$ 22,000	$ 35,000	$ (57,000)	$ -
Daniel Scholarship Grant	24,000	37,760	(24,000)	37,760
TOTAL	$ 46,000	$ 72,760	$ (81,000)	$ 37,760

10. CONTINGENCIES

Contracts and Grants:
Grant awards require the fulfillment of certain conditions as set forth in the instruments of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. LEAP deems this contingency remote since by accepting the grants and their terms it has accommodated the objectives of the organization to the provisions of the grants. LEAP’s management is of the opinion that the organization has complied with the terms of all grants.

11. CONCENTRATION RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. LEAP deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

During the year ended June 30, 2023, LEAP had two major revenue funding source, the California Departments of Education and Social Services, which accounted for approximately 82% of the total revenue of LEAP. The majority of LEAP’s contributions and grants are received from corporations, foundations, and individuals and from agencies located throughout the state of California.

As such, LEAP’s ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for LEAP’s services.

12. LIQUIDITY AND FUNDS AVAILABILITY

The total financial assets held by LEAP at June 30, 2023 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

	June 30, 2023
Financial assets:	
Cash and cash equivalents	$ 997,841
Contracts and grants receivable	472,019
Investments	514,689
Total financial assets	1,984,549
Less: With donor restrictions	(37,760)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,946,789

LEAP receives significant contributions that are restricted by donors. Contributions that are restricted for programs which are ongoing, major, and central to its annual operations are considered by LEAP to be available to meet cash needs for general expenditures.

LEAP manages its liquidity and reserves following three guiding principles:
(1) Operating within a prudent range of financial soundness and stability,
(2) maintaining adequate liquid assets to fund near-term operating needs, and
(3) maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

LEAP has a liquidity policy to maintain its working capital (current assets - current liabilities) at a minimum of 60 days of average operating expenses and has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets at 30 to 60 days of expected average expenditures for the next fiscal year.

To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. During the year ended June 30, 2023 the level of liquidity and reserves was managed within the policy requirements.

13. SUBSEQUENT EVENTS

LEAP has evaluated events subsequent to June 30, 2023 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through September 29, 2023, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.