

LEADERS IN TRAINING
FINANCIAL STATEMENTS
JULY 31, 2019

**LEADERS IN TRAINING
FINANCIAL STATEMENTS
JULY 31, 2019**

Table of Contents

Independent Auditor’s Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-11

Independent Auditor's Report

To the Board of Directors
Leaders in Training

Report on the Financial Statements

We have audited the accompanying financial statements of Leaders in Training (a nonprofit organization), which comprise the statement of financial position as of July 31, 2019 and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 audit 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 auditor's 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 the entity'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 the entity'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 Leaders in Training as of July 31, 2019, 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.

Ellsworth & Stout, LLC

Las Vegas, Nevada
April 1, 2020



The CPA. Never Underestimate The Value.®

Acuity Financial Center
7881 W. Charleston Blvd., Ste. 155 • Las Vegas, NV 89117
p 702-871-2727 f 702-876-0040

lvcpas.com

Members of the American Institute of Certified Public Accountants & Nevada Society of Certified Public Accountants

**LEADERS IN TRAINING
STATEMENT OF FINANCIAL POSITION
JULY 31, 2019**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 87,089
Investments	<u>53,359</u>
Total current assets	<u>140,448</u>
Total Assets	<u>\$ 140,448</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accrued expenses	\$ 4,280
Total current liabilities	<u>4,280</u>

Net Assets:

Without donor restrictions	82,809
With donor restrictions	<u>53,359</u>
Total net assets	<u>136,168</u>
Total Liabilities and Net Assets	<u>\$ 140,448</u>

See accompanying notes to the financial statements.

**LEADERS IN TRAINING
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2019**

Net Assets without Donor Restrictions

Revenue and other support:

Grant income	\$ 177,659
Contributions	101,870
Program revenue	14,380
	<u>293,909</u>

Expenses:

Program services	257,664
Supporting services:	
Management and general	42,942
Fundraising	8,216
	<u>308,822</u>
Decrease in net assets without donor restrictions	<u>(14,913)</u>

Net Assets with Donor Restrictions

Contributions	50,000
Net realized and unrealized gain (loss) on endowment	3,359
	<u>53,359</u>
Increase in net assets with donor restrictions	<u>53,359</u>

Increase in Net Assets

38,446

Net Assets, Beginning of Year

97,722

Net Assets, End of Year

\$ 136,168

See accompanying notes to the financial statements.

**LEADERS IN TRAINING
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2019**

	Program	Management and General	Fundraising	Total
Advertising	\$ 1,503	\$ 376	\$ -	\$ 1,879
Dues and subscriptions	124	31	-	155
Employee benefits	11,963	2,991	-	14,954
Fundraising	-	-	8,216	8,216
Insurance	2,121	530	-	2,651
Meals and entertainment	1,151	288	-	1,439
Merchant fees	749	187	-	936
Office expense	9,554	2,389	-	11,943
Payroll expense	134,231	33,558	-	167,789
Professional services	8,440	2,110	-	10,550
Program expense	85,894	-	-	85,894
Travel	1,933	483	-	2,416
	<u>\$ 257,664</u>	<u>\$ 42,942</u>	<u>\$ 8,216</u>	<u>\$ 308,822</u>

See accompanying notes to the financial statements.

**LEADERS IN TRAINING
STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 2019**

Cash Flows from Operating Activities

Increase in net assets	\$	38,446
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments		(3,359)
Changes in operating assets and liabilities:		
Increase (decrease) in accrued expenses		3,768
Net cash provided by operating activities		<u>38,855</u>

Cash Flows from Investing Activities

Purchase of investments		<u>(50,000)</u>
-------------------------	--	-----------------

Net Increase in Cash and Cash Equivalents (11,145)

Cash and Cash Equivalents, Beginning of Year 98,234

Cash and Cash Equivalents, End of Year \$ 87,089

See accompanying notes to the financial statements.

**LEADERS IN TRAINING
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Leaders in Training (the “Organization”) is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Organization

The Organization empowers social justice leaders who will be the change from the community, for the community. Students start as high school freshman and become life-long alumni who commit to using their success and education to give back to their home community as social justice leaders. The Organization is a college access and community empowerment 501(c)(3) non-profit organization that is an after-school program that supports students in a four-year high school program, four-year college persistence program and robust alumni program. The Organization was formally incorporated in August 2012. The Organization receives funding primarily from contributions and monies raised from special events and various grants.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The Organization presents a classified statement of financial position with additional qualitative information about the availability of resources and liquidity in Note 2.

The accompanying financial statements have been presented in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations, principally Account Standards Codification (ASC) 958, *Not-for-Profit-Entities*. Under ASC 958 (as amended by Accounting Standards Update (ASU) 2016-14), the Organization is required to report information regarding its financial position and changes in financial position according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions. The classification of net assets is based on the existence or absence of donor-imposed restrictions. Net assets are released by donor restriction by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other event specified by donors.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Investments

Investments in equity securities with readily determinable fair values are carried at fair value based on quoted prices in active markets in the statement of financial position. Unrealized gains and losses are included in the accompanying statement of activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

Allocation Methodology

The statement of functional expenses presents expenditures by both their nature and their function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated based on management's estimate of time and effort.

Advertising

Advertising costs are expensed as incurred.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*. This ASU provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. The ASU requires a retrospective application; however, if it is impracticable to apply the guidance retrospectively for some of the issues, the guidance for those issues would be applied prospectively as of the earliest date practicable. The ASU is effective for non-public companies for annual reporting periods beginning after December 15, 2018, with early adoption permitted. Management is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

In August 2015, the original effective dates of ASU 2014-09 were deferred by one year through the issuance of ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. For most nonprofit organizations, ASU 2014-09 (as revised) is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early application is allowed, but no earlier than annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. Alternatively, the ASU can be applied to annual reporting periods beginning after December 15, 2016, and interim reporting periods within annual reporting periods beginning one year after the year of initial adoption. Management does not believe the effects of this standard will materially impact the Organization's financial statements.

**LEADERS IN TRAINING
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

In August 2012, the Organization received notification from the Internal Revenue Service that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and 170(b)(1)(A)(vi). Therefore, no provision for income taxes is made in the accompanying financial statements.

As defined by ASC Topic 740, Income Taxes, no provision or liability for materially uncertain tax positions was deemed necessary by management. Therefore, no provision or liability for uncertain tax positions has been included in these financial statements.

At July 31, 2019, the tax years that remain subject to potential examination by taxing authorities begin with 2016.

NOTE 2 – LIQUIDITY AND AVAILABILITY

As of July 31, 2019 the Organization has \$87,089 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents.

Contractual or donor-imposed restrictions are not available for general expenditure. As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Organization measures certain financial assets and liabilities at fair value on a recurring basis, and certain non-financial assets and liabilities on a nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market.

Level 2 – inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

LEADERS IN TRAINING
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2019

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured at July 31, 2019 are as follows

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Recurring fair value measurements:</u>				
Mutual funds	\$ 53,359	\$ 53,359	\$ -	\$ -
	<u>\$ 53,359</u>	<u>\$ 53,359</u>	<u>\$ -</u>	<u>\$ -</u>

The Board of Directors reviews and approves the Organization’s fair value measurement policies and procedures on an as-needed basis. The Board determine if the valuation techniques used in fair value measurements are still appropriate. The policies, procedures, and valuation techniques used in fair value measurements have remained unchanged for the years ended July 31, 2019.

NOTE 4 –NET ASSETS WITH DONOR RESTRICTIONS

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. Net assets with donor restrictions of \$53,359 are restricted for school scholarships as of July 31, 2019. Net assets with donor restrictions consist of cash and cash equivalents.

NOTE 5 – ENDOWMENT

The Organization’s endowment consists of an individual fund established for school scholarships. Its endowment includes only donor-restricted funds. As required by accounting principles generally accepted in the United States of America (U.S. GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions are classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in accordance with the standard of prudence prescribed by SPMIFA.

LEADERS IN TRAINING
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2019

NOTE 5 – ENDOWMENT (Continued)

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold for a donor-specified period(s) or purpose. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results while assuming a low level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return. Actual returns in any given year may vary from year to year.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization plans to spend the endowment pursuant to the Donor’s requirements for scholarships. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization’s objective and mission.

The Organization’s disclosure of its endowment net asset composition by type as of July 31, 2019, follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted	<u>\$ -</u>	<u>\$ 53,359</u>	<u>\$ 53,359</u>

LEADERS IN TRAINING
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JULY 31, 2019

NOTE 5 – ENDOWMENT (Continued)

The Organization’s disclosure of changes in endowment net assets for the fiscal year ended July 31, 2019, follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	-
Contributions	-	50,000	50,000
Unrealized gain on investments	-	3,359	3,359
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 53,359</u>	<u>\$ 53,359</u>

NOTE 6 – SUBSEQUENT EVENTS

In March 2020, the World Health Organization officially characterized a novel strain of the coronavirus (COVID-19) as a global pandemic. Management is currently responding to the existing effects and planning for the potential future effects that the COVID-19 pandemic may have on the Organization’s operations, including the overall health of the economy and consumer spending. At the current time, management is unable to quantify the potential effects of this pandemic on the Organization’s future financial statements.

Subsequent events have been evaluated through April 1, 2020, which is the date the financial statements were available to be issued.