

LEAP LEARNING SYSTEMS

Report on Audited Financial Statements

December 31, 2008 and 2007

**MANNING SILVERMAN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
(847) 459-8850**

**LEAP LEARNING SYSTEMS
TABLE OF CONTENTS
DECEMBER 31, 2008 AND 2007**

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6 - 8

MANNING SILVERMAN

& CO.

*Certified Public Accountants
Management Consultants
Business Advisors*

CPA The CPA. Never underestimate the value.

*175 Olde Half Day Road, Suite 290
Lincolnshire, IL 60069*

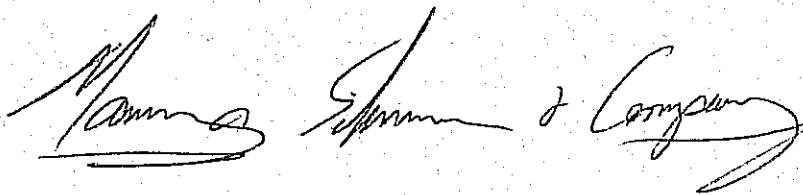
phone 847-459-8850 fax 847-537-8954

Board of Directors
Leap Learning Systems
Chicago, Illinois

We have audited the accompanying statements of financial position of Leap Learning Systems as of December 31, 2008 and 2007, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of Leap Learning Systems management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leap Learning Systems as of December 31, 2008 and 2007, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Manning Silverman & Company
Certified Public Accountants

October 14, 2009

"Thank you for the opportunity to serve you and for your referrals!"

LEAP LEARNING SYSTEMS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007
Current Assets		
Cash and Cash Equivalents	\$ 31,262	\$ 40,124
Accounts and Pledges Receivable	259,478	56,102
Total Current Assets	290,740	96,226
Fixed Assets		
Equipment (Net of accumulated depreciation of \$13,223 and \$13,223)	0	0
Other Assets		
Investments	55,247	112,631
Security Deposits	2,100	2,100
Total Other Assets	57,347	114,731
Total Assets	\$ 348,087	\$ 210,957

LIABILITIES AND NET ASSETS

Liabilities		
Accounts Payable and Accrued Expenses	\$ 5,627	\$ 2,065
Bank Line of Credit	0	51,254
Total Liabilities	5,627	53,319
Net Assets		
Unrestricted Net Assets	192,460	107,638
Temporarily Restricted Net Assets	150,000	50,000
Total Net Assets	342,460	157,638
Total Liabilities and Net Assets	\$ 348,087	\$ 210,957

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

LEAP LEARNING SYSTEMS
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues						
Program Fees	\$ 197,792	\$	\$ 197,792	\$ 83,183	\$	\$ 83,183
Donations	217,482		217,482	157,899		157,899
Grant Awards	268,500	150,000	418,500	378,000	50,000	428,000
Interest Income	1,978		1,978	179		179
Unrealized Gain on Investments	720		720	0		0
Other Income	400		400	0		0
Release of Restrictions	50,000	(50,000)	0	65,000	(65,000)	0
Total Revenues	736,872	100,000	836,872	684,261	(15,000)	669,261
Expenses						
Program Expenses	551,081		551,081	510,955		510,955
Management and General	64,933		64,933	75,344		75,344
Development Expenses	36,036		36,036	47,551		47,551
Total Expenses	652,050	0	652,050	633,850	0	633,850
Increase (Decrease) in Net Assets	84,822	100,000	184,822	50,411	(15,000)	35,411
Net Assets, Beginning of Year	107,638	50,000	157,638	57,227	65,000	122,227
Net Assets, End of Year	\$ 192,460	\$ 150,000	\$ 342,460	\$ 107,638	\$ 50,000	\$ 157,638

See Independent Auditor's Report.
 The accompanying notes are an integral part of these financial statements.

LEAP LEARNING SYSTEMS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 184,822	\$ 35,411
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation		429
(Increase) Decrease in Accounts Receivable	(203,376)	42,585
Increase in Accounts Payable and Accrued Expenses	3,562	1,093
	<u>(14,992)</u>	<u>79,518</u>
Cash Flows from Investing Activities:		
Transfer (Purchase) of Money Market Funds	57,384	(112,631)
	<u>57,384</u>	<u>(112,631)</u>
Cash Flows from Financing Activities:		
Increase (Decrease) Bank Line of Credit	(51,254)	3,272
	<u>(51,254)</u>	<u>3,272</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,862)	(29,841)
Cash and Cash Equivalents, Beginning of Year	40,124	69,965
Cash and Cash Equivalents, End of Year	\$ <u>31,262</u>	\$ <u>40,124</u>
Interest Paid	\$ <u>604</u>	\$ <u>6,295</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

LEAP LEARNING SYSTEMS
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2008 AND 2007

2007

2008

	2008			2007				
	Program	Management and General	Development	Total	Program	Management and General	Development	Total
Auto and Travel	\$ 16,400	\$ 7,028	\$	\$ 23,428	\$ 9,577	\$ 4,105	\$	\$ 13,682
Interest	423	181		604	4,406	1,889		6,295
Consultants	188,664			188,664	141,052			141,052
Dues and Subscriptions		2,376		2,376	300	1,334		1,334
Depreciation Expense				0		129		429
Development Costs			3,979	3,979			13,492	13,492
Employee Benefits	14,061	1,562	1,736	17,359	23,258	2,584	2,871	28,713
Gifts, Promotions, and Miscellaneous	1,348	665		2,013	104	51		155
Insurance	1,438	616		2,054	1,132	485		1,617
Meals and Entertainment	2,198	942		3,140	2,360	1,011		3,371
Office Supplies and Expenses	5,943	2,547		8,490	13,163	5,642		18,805
Postage and Printing	1,997	856		2,853	2,529	1,084		3,613
Professional Fees	17,654	7,566		25,220	9,610	4,119		13,729
Program Costs	13,837			13,837	22,610			22,610
Rent and Utilities	19,244	8,247		27,491	21,864	9,370		31,234
Salaries and Taxes	253,616	26,236	11,660	291,512	248,045	38,850	11,954	298,849
Spring Benefit and Special Events			18,661	18,661			16,707	16,707
Telephone	9,745	4,177		13,922	7,080	3,034		10,114
Training and Conferences	4,513	1,934		6,447	3,865	1,657		5,522
Fundraising Expenses				0			2,527	2,527
Total	\$ 551,081	\$ 64,933	\$ 36,036	\$ 652,050	\$ 510,955	\$ 75,344	\$ 47,551	\$ 633,850

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**LEAP LEARNING SYSTEMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Organization and Nature of Activities

Leap Learning Systems was incorporated on December 31, 1993, to promote language skills in inner city neighborhoods.

Program Descriptions

Leap Pre-literacy and Language Curriculum - is a 42-week daily guide for teachers offering theme-based learning through activities and books. The Leap Curriculum focuses learning in the preschool classroom on language and cognitive development. Lessons are literature based and elicit language from children in a developmental sequence.

VIP (Vocabulary Improvement Project) - complements the Leap Pre-literacy and Language Curriculum, training teachers to effectively teach literacy and communication development in the early childhood classroom. The VIP is unique in that it provides resources and training for parents as well as teachers, building the vital foundation for children's academic success.

Parents are Teachers - provides reading activities for parents and teachers of young children. Teaches parents and educators every day tactics to fuel their child's inquisitiveness, and promotes active reading between parent and child.

Language for Scholars - improves the communication skills of elementary and high school students so that they are understood, accepted and responded to positively by teachers and employers. Participants learn how to use language and words effectively, while also learning business communication skills, body language and conversational skills.

Lending Library - provides children and their families with unlimited access to 2,000 books. The lending library is available to all preschool classrooms.

Language and Literacy Enrichment Teaching (LET) - is a professional development program that provides preschool teachers with practice strategies for preparing their preschool students for kindergarten.

LEAP LEARNING SYSTEMS
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2008 AND 2007

2. Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "*Financial Statements of Not-for-Profit Organizations.*" Under SFAS No. 117, Leap Learning Systems is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LEAP LEARNING SYSTEMS
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2008 AND 2007

Property and Equipment

Property and equipment are carried at cost. Depreciation is provided principally by the straight-line method, by annual charges to operations over the estimated useful lives of the depreciable assets.

Income Taxes

Leap Learning Systems is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and similar provisions of state tax law. Therefore, the Organization has made no provision for income taxes in the accompanying financial statements.

Lease

Leap Learning Systems obtained office space in Chicago on December 6, 2007. It also shares some office space with Gottfred/Lybolt Speech Associates at minimum cost. Future minimum rental payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
12/31/09	\$26,676
12/31/10	\$11,115

Bank Line of Credit

Leap Learning Systems obtained a \$90,000 line of credit to assist cash flow needs from Burling Bank in October 2002. The loan matures October 7, 2009, bears interest at 8.25% and is secured by the Foundation's equipment and accounts receivable. The balance outstanding as of December 31, 2008 and 2007 was \$0 and \$51,254 respectively.