

LEADERSHIP GREATER HARTFORD, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021



CARNEY, ROY AND GERROL, P.C.
Certified Public Accountants

LEADERSHIP GREATER HARTFORD, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

LEADERSHIP GREATER HARTFORD, INC.

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DECEMBER 31, 2022 AND 2021

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CARNEY, ROY AND GERROL, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Leadership Greater Hartford, Inc.
Hartford, Connecticut

Opinion

We have audited the accompanying financial statements of Leadership Greater Hartford (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 Leadership Greater Hartford as of December 31, 2022, and the changes in 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Leadership Greater Hartford 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 Leadership Greater Hartford's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 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 Leadership Greater Hartford's 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 Leadership Greater Hartford's ability to continue as a going concern for a reasonable period of time.

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.

Report on Summarized Comparative Information

We have previously audited Leadership Greater Hartford's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Rocky Hill, Connecticut
June 9, 2023

LEADERSHIP GREATER HARTFORD, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022, WITH 2021 SUMMARIZED COMPARATIVE INFORMATION

| | 2022 | 2021 |
|--|-------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 241,650 | \$ 257,365 |
| Investments | - | 11,674 |
| Accounts receivable (net of allowance of \$-0- and \$-0-, respectively) | 58,734 | 17,494 |
| Grants and contributions receivable | 419,082 | 66,234 |
| Employee Retention Credit receivable | - | 207,349 |
| Prepaid expenses | 10,871 | 3,328 |
| Total current assets | 730,337 | 563,444 |
| FIXED ASSETS (net of accumulated depreciation) | 12,139 | 18,366 |
| OTHER ASSETS | | |
| Operating lease right-of-use assets | 64,732 | - |
| Finance lease right-of-use assets | 4,540 | - |
| Total other assets | 69,272 | - |
| TOTAL ASSETS | \$ 811,748 | \$ 581,810 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 12,274 | \$ 16,990 |
| Accrued expenses | 34,010 | 36,146 |
| Deferred revenue and refundable advances | 64,615 | 64,650 |
| Current portion of right-of-use operating lease liability | 31,720 | - |
| Current portion of right-of-use finance lease liability | 2,750 | - |
| Total current liabilities | 145,369 | 117,786 |
| LONG-TERM LIABILITIES | | |
| Right-of-use operating lease liability, net of current portion | 33,012 | - |
| Right-of-use finance lease liability, net of current portion | 1,895 | - |
| Total long-term liabilities | 34,907 | - |
| Total liabilities | 180,276 | 117,786 |
| NET ASSETS | | |
| Without donor restrictions | 623,504 | 451,820 |
| With donor restrictions | 7,968 | 12,204 |
| Total net assets | 631,472 | 464,024 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 811,748 | \$ 581,810 |

The accompanying notes are an integral part of the financial statements.

LEADERSHIP GREATER HARTFORD, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022 WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | 2022 Total | 2021 Total |
|---|---|--|-----------------------|-----------------------|
| SUPPORT AND REVENUE | | | | |
| Tuition | \$ 214,821 | \$ - | \$ 214,821 | \$ 179,709 |
| Grant support | 431,574 | - | 431,574 | 161,326 |
| PPP grant | - | - | - | 155,064 |
| Employee Retention Credit | - | - | - | 207,349 |
| Contract income | 172,602 | - | 172,602 | 149,704 |
| Contributions | 138,785 | 100 | 138,885 | 146,418 |
| Special events, net of costs of direct benefits to donors of \$51,828 and \$14,205 respectively | 61,855 | - | 61,855 | 101,924 |
| Member dues | 7,208 | - | 7,208 | 7,635 |
| Leaders on Board dues | 7,600 | - | 7,600 | 5,000 |
| Task force projects | - | - | - | 5,134 |
| Interest | 212 | - | 212 | 523 |
| In-kind donations | 35,000 | - | 35,000 | 42,500 |
| Miscellaneous income | 827 | - | 827 | 787 |
| Rental income | 6,000 | - | 6,000 | - |
| Net assets released from restrictions | 4,336 | (4,336) | - | - |
| TOTAL SUPPORT AND REVENUE | 1,080,820 | (4,236) | 1,076,584 | 1,163,073 |
| EXPENSES | | | | |
| Program services | 629,540 | - | 629,540 | 630,302 |
| Support services: | | | | |
| Management and general | 177,194 | - | 177,194 | 233,176 |
| Fundraising | 102,378 | - | 102,378 | 69,090 |
| TOTAL EXPENSES | 909,112 | - | 909,112 | 932,568 |
| CHANGE IN NET ASSETS | 171,708 | (4,236) | 167,472 | 230,505 |
| Adjustment to beginning of year net assets from new accounting pronouncements | (24) | - | (24) | - |
| NET ASSETS - BEGINNING OF YEAR | 451,820 | 12,204 | 464,024 | 233,519 |
| NET ASSETS - END OF YEAR | \$ 623,504 | \$ 7,968 | \$ 631,472 | \$ 464,024 |

The accompanying notes are an integral part of the financial statements.

LEADERSHIP GREATER HARTFORD, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022 WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Program Services | Management and General | Fundraising | 2022 Total | 2021 Total |
|-------------------------------|-----------------------------|---------------------------------------|--------------------|-----------------------|-----------------------|
| Salaries and benefits | \$ 382,065 | \$ 133,278 | \$ 77,005 | \$ 592,348 | \$ 655,439 |
| Professional fees | 59,792 | 20,858 | 12,051 | 92,701 | 55,212 |
| Lease expenses | 21,757 | 7,590 | 4,385 | 33,732 | 33,732 |
| Office | 26,593 | 9,277 | 5,360 | 41,230 | 87,016 |
| Postage | 472 | 165 | 95 | 732 | 1,513 |
| Telephone | 2,833 | 988 | 571 | 4,392 | 5,509 |
| Consulting | 70,423 | - | - | 70,423 | 15,504 |
| Programs and events | 45,343 | - | - | 45,343 | 35,288 |
| Scholarships awarded | 4,625 | - | - | 4,625 | 14,751 |
| Printing | 2,448 | 854 | 493 | 3,795 | 2,311 |
| Depreciation and amortization | 5,773 | 2,014 | 1,164 | 8,951 | 11,358 |
| Insurance | 6,062 | 2,115 | 1,222 | 9,399 | 11,524 |
| Interest | 156 | 55 | 32 | 243 | - |
| Bad debts | - | - | - | - | 350 |
| Task Force | 1,198 | - | - | 1,198 | 3,061 |
| | Total expenses | Total | Total | Total | Total |
| | \$ 629,540 | \$ 177,194 | \$ 102,378 | \$ 909,112 | \$ 932,568 |

The accompanying notes are an integral part of the financial statements.

LEADERSHIP GREATER HARTFORD, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022 WITH 2021 SUMMARIZED COMPARATIVE
INFORMATION

| | 2022 | 2021 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 167,472 | \$ 230,505 |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 8,951 | 11,358 |
| Bad debt expenses | - | 350 |
| Appreciation of CD investments | (50) | (189) |
| (Increase) decrease in assets: | | |
| Accounts receivable | (41,240) | 31,420 |
| Grants and contributions receivable | (352,848) | 39,999 |
| Employee Retention Credit receivable | 207,349 | (207,349) |
| Prepaid expenses | (7,543) | (1,103) |
| Gift card | - | - |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (4,716) | (5,969) |
| Accrued expenses | (2,136) | (5,030) |
| Deferred revenue | (35) | 3,583 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | (24,796) | 97,575 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | - | (9,370) |
| Proceeds from CD investments | 11,724 | 32,808 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 11,724 | 23,438 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal payments on finance lease liabilities | (2,643) | - |
| NET CASH USED IN FINANCING ACTIVITIES | (2,643) | - |
| NET INCREASE (DECREASE) IN CASH | (15,715) | 121,013 |
| CASH AND CASH EQUIVALENTS - beginning of year | 257,365 | 136,352 |
| CASH AND CASH EQUIVALENTS - end of year | \$ 241,650 | \$ 257,365 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid for interest | \$ 243 | \$ - |

The accompanying notes are an integral part of the financial statements.

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Leadership Greater Hartford, Inc. (the Organization) is a nonprofit organization established to increase the awareness, knowledge, abilities and enthusiasm of community leaders through leadership development programs that offer a series of sessions in both classroom and field settings that take an in-depth look at the community's issues, needs, services and resources. The Organization's programs include:

LGH Quest

LGH Quest, Connecticut's flagship community leadership development program, is a 10-month program serving high-performing, mid-career professionals across various sectors to help them grow in their careers and in our community.

LGH Executive Orientation

LGH Executive Orientation is a five-session, 20-hour primer that gives new-to-market executives and senior level professionals an insider's look at the Greater Hartford region, and fosters connections with fellow executives across business, educational, nonprofit and civic organizations.

LGH Summit

LGH Summit is an exclusive space for senior leaders to share their experience and collaborate to solve significant and emerging workplace challenges.

LGH Leaders on Board

LGH Leaders on Board connects Greater Hartford's great professionals and community nonprofits. LGH trains individuals in board governance and nonprofit organizational structure to prepare them for and match them with interesting and innovative nonprofits.

LGH Third Age Initiative

LGH Third Age Initiative is a year-long program for current and soon-to-be retirees and older adults to support healthy aging, longevity and enhance the quality of life in their communities through purposeful engagement and collaboration.

LGH Consulting & Training

LGH Consulting & Training provides customizable training engagements that enrich staff development, seize opportunities, and resolve complex workplace challenges. From leadership development and coaching, to strategic planning, team building and organizational effectiveness, LGH can tailor trainings and workshops that transform people and organizations.

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

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

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions may also include net assets subject to donor-imposed stipulations that they be maintained permanently for the organization. Generally, the donors of these assets permit organizations to use all or part of the income earned on any related investment for general or specific purposes. Leadership Greater Hartford did not have any balances of net assets with donor restrictions that had to be maintained permanently at December 31, 2022 and 2021.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue from Contracts with Customers

Any consideration received in excess of contract revenue recognized results in a contract liability balance for that contract, while revenue recognized in excess of consideration received results in a balance receivable for that contract. Performance obligations typically consist of the requirement to transfer a service over time or services at points in time. For tuition, the price for a program is allocated equally over the number of classes held. For dues, the price is allocated equally over the number of periods that the dues cover. For consulting and similar contracts, the price is allocated amongst the contract deliverables. Revenue is recognized as the classes are held, the periods transpire, or deliverables are transferred to the customer, accordingly, and a corresponding decrease in contract liability or increase in amounts receivable from customers is recognized depending on whether payment has been received from the customer.

Revenue from contracts with customers consisted of the following:

| | 2022 | 2021 |
|-----------------------|-------------------|-------------------|
| Tuition | \$ 214,821 | \$ 179,709 |
| Contract income | 172,602 | 149,704 |
| Member dues | 7,208 | 7,635 |
| Leaders on Board dues | 7,600 | 5,000 |
| Task force projects | - | 5,134 |
| Miscellaneous income | 827 | 787 |
| | <u>\$ 403,058</u> | <u>\$ 347,969</u> |

Contract receivables and contract liabilities balances consisted of the following:

| | 2022 | 2021 |
|----------------------------------|-------------|-------------|
| Receivables - beginning | \$ 17,494 | \$ 49,264 |
| Receivables - ending | \$ 58,734 | \$ 17,494 |
| Contract liabilities - beginning | \$ 43,900 | \$ 56,725 |
| Contract liabilities - ending | \$ 64,615 | \$ 43,900 |

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed as incurred. Advertising costs charged to expense for the years ended December 31, 2022 and 2021, totaled \$17,500 and \$41,675, respectively.

Donated Goods and Services

The Organization records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair market value at the date of receipt. Estimated fair market value is provided by the vendor based on comparable rates that they otherwise would have charged for goods or services. Donated goods and services received by the Organization during the years ended December 31, 2022 and 2021, include the following:

| | 2022 | 2021 |
|--|------------------|------------------|
| Computer support and technology services | \$ 7,000 | \$ 2,500 |
| Graphic design services | 1,000 | - |
| Program consultant services | 4,500 | - |
| Advertising services | 17,500 | 40,000 |
| Food & beverage | 5,000 | - |
| | <u>\$ 35,000</u> | <u>\$ 42,500</u> |

During 2022 and 2021, \$23,750 and \$40,000 of the donated goods and services supported the Polaris event. The remaining amounts were utilized to carry out the mission of the Organization. No amounts have been reflected in the statements for donated volunteer services, as no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organization's program services.

Fixed Assets and Depreciation

Property and equipment are carried at cost or, if donated, at the approximate fair market value as of the date of donation. The Organization follows the policy of capitalizing all expenditures for property and equipment in excess of \$500. Depreciation is recorded over the estimated useful lives of the respective assets on a straight-line basis over three to ten years.

Concentration of Risk

The Organization maintains cash balances at two banking institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. Management regularly monitors the financial institutions, together with their cash balances, and does not believe there is a high risk of loss. The Organization did not have any uninsured balances at December 31, 2022 and 2021.

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Risk (Continued)

The Organization relies heavily on private and corporate grants to maintain program services. The loss of a significant grantor could materially affect the Organization's ability to sustain its various program activities. Support from the Hartford Foundation for Public Giving (HFPG) totaled 39% and 13% of total support and revenue for the years ended December 31, 2022 and 2021, respectively. 96% and 97% of grants and contributions receivable at December 31, 2022 and 2021, were due from HFPG.

Revenue and Support With and Without Donor Restrictions

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, office expenses, occupancy costs, insurance, and depreciation. Allocations are based on employee time usage studies.

Income Taxes

The Internal Revenue Service has determined that the Organization is exempt from federal income taxes on exempt function income under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying financial statements. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Certain activities of the Organization are considered to generate unrelated business income, and are therefore subject to federal income taxes. For the years ended December 31, 2022 and 2021, the Organization had no federal income tax expense from unrelated business income. The Organization accounts for uncertainty in income taxes in accordance with the Income Tax Topic of the FASB Accounting Standards Codification. The Organization files a federal income tax return, which represents the major tax jurisdiction of the Organization. The statutes of limitations for federal tax years 2019 through 2022 remain open for audit under the various statutes of limitations.

Statement of Cash Flows

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes the allowance for doubtful accounts of \$0 and \$0 as of December 31, 2022 and 2021, are adequate. However, actual write-offs may exceed the recorded allowance.

Summarized Financial Information for Fiscal Year 2021

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the fiscal year ended December 31, 2021, financial statements from which the summarized information was derived.

NOTE 2 - INVESTMENTS

Investments are certificates of deposit with initial maturities in excess of three months and are classified as held to maturity and recorded at cost.

There were no investments at December 31, 2022.

The total value of investments as of December 31, 2021, is as follows:

| | <u>Cost Basis</u> | <u>Market Value (Significant Other Observable Inputs - Level 2)</u> | <u>Unrealized Holding Gain/(Loss)</u> |
|-------------------------|-----------------------|---|---|
| Certificate of Deposit: | | | |
| Maturity 1 - 5 years | \$ 11,674 | \$ 11,674 | \$ - |
| | <u>\$ 11,674</u> | <u>\$ 11,674</u> | <u>\$ -</u> |

Interest income, including income earned on investments, during the years ended December 31, 2022 and 2021, was \$212 and \$523, respectively.

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 3 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (“FASB”) *Accounting Standards Codification* (“ASC”) 820, *Fair Value Measurements*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access;
- Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be 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.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Certificates of Deposit: Valued at cost, which approximates fair market value.

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different value measurement at the reporting date.

All investments are considered to be Level 2.

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 4 - FIXED ASSETS

Fixed assets as of December 31, 2022 and 2021, are summarized as follows:

| | 2022 | 2021 |
|-----------------------------------|------------------|------------------|
| Office furniture and improvements | \$ 38,771 | \$ 38,771 |
| Website | 47,100 | 47,100 |
| EDP and other office equipment | <u>72,486</u> | <u>72,486</u> |
| | 158,357 | 158,357 |
| Less: accumulated depreciation | <u>(146,218)</u> | <u>(139,991)</u> |
| | <u>\$ 12,139</u> | <u>\$ 18,366</u> |

NOTE 5 – ENDOWMENT FUND

During the year ended December 31, 2012, the Organization had been named the beneficiary of a designated fund created by a private donor and held by the Hartford Foundation for Public Giving, Inc. (“HFPG”). Pursuant to the terms of the award, HFPG can forward to the Organization a certain amount of funds based on HFPG’s spending policy on an annual basis. The value of the fund was \$166,638 and \$177,224 at December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, there were distributions of \$6,501 and \$6,321 from the fund.

NOTE 6 - PENSION PLAN

The Organization maintains a SEP plan for its employees with at least one year of service. Under the plan, the Organization may contribute up to the lower of 15% of gross wages or \$24,000 for each employee with at least one year of service. During the years ended December 31, 2022 and 2021, the Organization contributed \$25,233 and \$13,245, respectively. The contribution rate in recent years has ranged from 3% to 6% of wages.

The Organization also maintains a section 403(b) tax-deferred annuity plan for its employees with at least one year of service. Under the plan, employees may make voluntary contributions not to exceed federal income tax law limits in total when considered in combination with the SEP plan. The Organization does not make any matching contributions under the plan.

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 7 – RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions as of December 31, 2022 and 2021, are summarized as follows:

| <u>2022</u> | <u>Beginning Balance</u> | <u>Contributions</u> | <u>Releases</u> | <u>Ending Balance</u> |
|--------------------------------|------------------------------|----------------------|-------------------|---------------------------|
| Ted Carroll Scholarship Fund | \$ - | \$ 100 | \$ - | \$ 100 |
| Technology & virtual platforms | 12,204 | - | (4,336) | 7,868 |
| | <u>\$ 12,204</u> | <u>\$ 100</u> | <u>\$ (4,336)</u> | <u>\$ 7,968</u> |

| <u>2021</u> | <u>Beginning Balance</u> | <u>Contributions</u> | <u>Releases</u> | <u>Ending Balance</u> |
|--------------------------------|------------------------------|----------------------|--------------------|---------------------------|
| Hartford Decide\$ | \$ 1,059 | \$ - | \$ (1,059) | \$ - |
| Ted Carroll Scholarship Fund | 7,167 | 1,900 | (9,067) | - |
| MacLean Scholarship Fund | 1,335 | - | (1,335) | - |
| Technology & virtual platforms | 14,935 | - | (2,731) | 12,204 |
| | <u>\$ 24,496</u> | <u>\$ 1,900</u> | <u>\$ (14,192)</u> | <u>\$ 12,204</u> |

During 2020, the Organization’s Board of Directors designated \$10,000 of net assets without donor restrictions to be used as a supplement to the Ted Carroll Scholarship Fund. During 2022 and 2021, scholarships of \$4,625 and \$4,349 were awarded from the board-designated funds. The board-designated fund balances were \$1,026 and \$5,651 at December 31, 2022 and 2021. Since the amounts resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

NOTE 8 - LEASES

The Organization has a five-year operating lease for office space located at 30 Laurel Street. The lease requires monthly payments of \$2,811 through December 2024. The Organization used a discount rate of 4% for the lease. Operating lease expenses for the year ended December 31, 2022, totaled \$33,732. Effective February 2022, the Organization is subletting part of the office space to a subtenant through a month-to-month lease. The subtenant is required to pay \$500 monthly. Sublease rental income for the year ended December 31, 2022, totaled \$6,000. Cash paid for operating leases for the year ended December 31, 2022, totaled \$33,732. At December 31, 2022, the weighted average remaining lease term is 2 years and weighted average discount rate is 4% for the Organization’s operating leases.

The Organization also has a three-year finance lease for a copier. The lease requires monthly payments of \$240 through August of 2024. There is an option to purchase the copier at fair market value at the end of the lease. The Organization used a discount rate of 4% for the lease. Amortization expenses of finance lease right-of-use assets were \$2,724 for the year ended December 31, 2022. Interest expenses on right-of-use finance lease liabilities were \$243 for the year ended December 31, 2022. These amortization and interest expenses totaled \$2,967 for the year ended December 31, 2022. During the year ended December 31, 2022, cash paid for finance lease interest expenses totaled \$243, and cash paid for principal payments on finance lease liabilities totaled \$2,643; combined, these totaled \$2,886. At December 31, 2022, the weighted average remaining lease term is 2 years and weighted average discount rate is 4% for the Organization’s finance leases.

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 8 – LEASES (Continued)

The maturities of lease liabilities as of December 31, 2022 were as follows:

| Year ending December 31: | <u>Operating</u> | <u>Finance</u> |
|------------------------------------|------------------|-----------------|
| 2023 | \$ 33,732 | \$ 2,886 |
| 2024 | <u>33,732</u> | <u>1,924</u> |
| Total lease payments | <u>67,464</u> | <u>4,810</u> |
| Less: imputed interest | <u>(2,732)</u> | <u>(165)</u> |
| Present value of lease liabilities | 64,732 | 4,645 |
| Less: current portion | <u>(31,720)</u> | <u>(2,750)</u> |
| Long-term portion | <u>\$ 33,012</u> | <u>\$ 1,895</u> |

The Organization has made the accounting policy election to not separate lease components from non-lease components when allocating contract consideration for all classes of its leases.

Rental expenses for the year ended December 31, 2021, totaled \$36,975.

NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Leadership Greater Hartford is supported by donor-restricted contributions. Because a donor's restriction requires resources to be used in a specific manner or in a future period, the Organization must maintain sufficient resources to meet its responsibilities to its donors. Thus, certain financial assets may not be available for general expenditures within one year of December 31, 2022 and 2021.

Leadership Greater Hartford's financial assets generally include cash and cash equivalents, investments, accounts receivable, and contributions receivable. The following reflects the Organization's financial assets as of December 31, reduced by amounts not available for general use because of contractual, board-designated, or donor-imposed restrictions within one year of the statement of financial position date.

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Cash and cash equivalents | \$ 241,650 | \$ 257,365 |
| Investments | - | 11,674 |
| Accounts receivable | 58,734 | 17,494 |
| Grants and contributions receivable | 419,082 | 66,234 |
| Employee Retention Credit receivable | - | 207,349 |
| Financial assets at year-end | <u>\$ 719,466</u> | <u>\$ 560,116</u> |
| Less those unavailable for general expenditures within one year, due to amounts: | | |
| Designated by the Board for scholarships | (1,026) | (5,651) |
| Restricted by donors with purpose restrictions | <u>(7,968)</u> | <u>(12,204)</u> |
| Financial assets available to meet cash needs for general expenditure within one year | <u>\$ 710,472</u> | <u>\$ 542,261</u> |

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in savings accounts and short-term investments, typically certificates of deposit.

NOTE 10 – COVID-19 PANDEMIC

The COVID-19 outbreak in the United States during 2020 through 2022 has caused business disruption through mandated and voluntary limitations on businesses, individuals and not-for-profit entities. Essentially all of the mandated limitations have been eased or removed as of December 31, 2022. However, there is considerable uncertainty around the duration and extent of the impact on the Organization, and the financial impact cannot be reasonably estimated at this time.

NOTE 11 – PPP LOAN

On February 1, 2021, the Organization received a Second Draw Paycheck Protection Program (PPP) loan in the amount of \$155,064. The PPP was part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and was amended by the Paycheck Protection Program Flexibility Act (PPPF Act). Under the PPP, the loan would be partially or fully forgiven if the Organization maintained its workforce and salaries and used the loan proceeds for qualifying amounts of payroll, rent, mortgage interest, or utilities costs during the Covered Period. The PPPF Act increases the Covered Period from 8 weeks to 24 weeks after the loan was issued and amends the loan repayment deferral from six months to until the date on which the amount of forgiveness determined under Section 1106 of the CARES Act is remitted to the lender; any borrowers who fail to apply for forgiveness within 10 months of the last day of the Covered Period must make loan repayments beginning on that date.

While the PPP funding is nominally a loan, the Organization accounts for it as a cost reimbursement grant, a conditional contribution, from the government. A contribution of \$155,064, the full loan amount, has been recognized as grant revenue during the year ended December 31, 2021. The Organization, in 2022, was notified by the lender that the loan was fully approved for forgiveness.

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 12 – LINE OF CREDIT

The Organization, on April 26, 2021, was approved for a two-year \$100,000 line of credit. Interest on amounts drawn shall be charged at the rate of 4% per annum. Payments on amounts drawn, including interest, are due monthly. There was no balance outstanding at December 31, 2022 or 2021.

NOTE 13 – EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC) allowed eligible employers to claim a refundable tax credit, against certain employment taxes, equal to a percentage of the qualified wages they paid to employees. Employers, including tax-exempt organizations, were eligible for the credit if they operated a trade or business during certain periods of 2020 or 2021 and experienced either the full or partial suspension of the operation of their trade or business during any calendar quarter because of governmental orders limiting commerce, travel or group meetings due to COVID-19, or a significant decline in gross receipts. The Organization was eligible for the ERC and had recognized revenue of \$207,349 during 2021. The amounts of the credit receivable at December 31, 2022 and 2021 were \$0 and \$207,349, respectively.

NOTE 14 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued amended guidance for the treatment of leases, ASU 2016-02, *Leases (Topic 842)*. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with terms of greater than one year. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee depends on its classification as a finance or operating lease. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The amendments in the guidance are effective for the year ending December 31, 2022. The Organization has applied the guidance in FASB ASC 842 retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. Under this method, the application date is the beginning of the reporting period of adoption, January 1, 2022. The cumulative-effect adjustment to beginning of year net assets from adoption of the guidance was \$-24.

NOTE 15 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 9, 2023, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that have occurred which require adjustment to or disclosure in the financial statements.