

**LEADERSHIP, EDUCATION AND
ATHLETICS IN PARTNERSHIP, INC.**

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
AUGUST 31, 2023 AND 2022**

**LEADERSHIP, EDUCATION AND
ATHLETICS IN PARTNERSHIP, INC.**

TABLE OF CONTENTS

Independent Auditors' Report.....	1-3
--	------------

Financial Statements

Statements of Financial Position	4
Statements of Activities and Changes in Net Assets.....	5
Statements of Cash Flows	6

Notes to Financial Statements.....	7-24
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Leadership, Education, and Athletics in Partnership, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Leadership, Education, and Athletics in Partnership, Inc. (the Organization), which comprise the statement of financial position as of August 31, 2023 and 2022, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Leadership, Education, and Athletics in Partnership, Inc. as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Organization 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 the Organization's ability to continue as a going concern for 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 GAAS and *Government 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 GAAS and *Government 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 the Organization'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 the Organization'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Marcum LLP

New Haven, CT
March 28, 2024

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2023 AND 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,530,228	\$ 2,897,573
Grants receivable	845,969	670,015
Promises to give	20,806	--
Prepaid expenses	<u>32,863</u>	<u>52,635</u>
Total Current Assets	4,429,866	3,620,223
Noncurrent Assets		
Property and Equipment - net	524,295	518,640
Investments	<u>161,453</u>	<u>157,501</u>
Total Noncurrent Assets	<u>685,748</u>	<u>676,141</u>
Total Assets	<u><u>\$ 5,115,614</u></u>	<u><u>\$ 4,296,364</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	<u>\$ 229,169</u>	<u>\$ 188,192</u>
Total Liabilities	<u>229,169</u>	<u>188,192</u>
Net Assets		
Without donor restrictions		
Board designated	900,000	900,000
Undesignated	<u>3,590,059</u>	<u>2,574,592</u>
	4,490,059	3,474,592
With donor restrictions	<u>396,386</u>	<u>633,580</u>
Total Net Assets	<u>4,886,445</u>	<u>4,108,172</u>
Total Liabilities and Net Assets	<u><u>\$ 5,115,614</u></u>	<u><u>\$ 4,296,364</u></u>

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

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

	2023	2022
Activities Without Donor Restrictions		
Revenue and Support		
State and federal financial assistance	\$ 1,179,657	\$ 620,421
Private foundation and other contributions	2,585,140	2,346,106
In-kind contributions	47,000	35,000
Interest income	14,958	687
Program service fees and other	16,423	--
Other income - Employee Retention Tax Credit	798,566	--
Total revenue and support	4,641,744	3,002,214
Net assets released from restrictions - satisfied by meeting restrictions	1,900,163	1,831,878
Total unrestricted revenue and support	6,541,907	4,834,092
Expenses		
Program services	4,492,906	3,655,598
Management and general	544,577	365,257
Fund development	488,957	449,301
Total Expenses	5,526,440	4,470,156
Change in Net Assets Without Donor Restrictions	1,015,467	363,936
Activities With Donor Restrictions		
Private foundation and other contributions	1,651,405	1,522,843
Investment return (loss)	11,564	(25,900)
Net assets released from restrictions	(1,900,163)	(1,831,878)
Change in Net Assets With Donor Restrictions	(237,194)	(334,935)
Change in Net Assets	778,273	29,001
Net Assets - Beginning	4,108,172	4,079,171
Net Assets - Ending	\$ 4,886,445	\$ 4,108,172

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

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	\$ 778,273	\$ 29,001
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	65,039	54,989
Realized and unrealized (gains) losses on investments	(11,564)	25,900
Changes in operating assets and liabilities:		
Grants receivable	(175,954)	(437,569)
Promises to give	(20,806)	8,105
Prepaid expenses	19,772	(17,068)
Accounts payable and accrued expenses	<u>40,977</u>	<u>116,979</u>
Net Cash Provided by (Used in) Operating Activities	<u>695,737</u>	<u>(219,663)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(70,694)	(237,522)
Proceeds from the sale of investments	<u>7,612</u>	<u>7,267</u>
Net Cash Used in Investing Activities	<u>(63,082)</u>	<u>(230,255)</u>
Change in Cash and Cash Equivalents	632,655	(449,918)
Cash and Cash Equivalents - Beginning	<u>2,897,573</u>	<u>3,347,491</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 3,530,228</u></u>	<u><u>\$ 2,897,573</u></u>

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

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Leadership, Education and Athletics in Partnership, Inc. (LEAP or the Organization) was created in 1992 to harness the power of young people from challenging urban neighborhoods to change their lives and the lives of others. As described in LEAP's Charter, it develops leaders through mentorship and experiential learning around education, athletics and community. LEAP works with youth and children ages 5 - 23 from the local community and hires, trains, guides and supervises college and high school counselors to run year-round after-school and summer programs for young children. The program provides children with engaging and creative year-round academic and social development programs and youth role models and provides counselors with the support and guidance to excel in their work as teachers and mentors for children, in their own education and professional lives and in their leadership abilities.

BASIS OF PRESENTATION

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis, revenue is recognized when earned and expenses when the related liability for goods or services is incurred, regardless of cash flow timing.

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 without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET ASSETS (CONTINUED)

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets with restrictions for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

Effective September 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases* (ASC 842). The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. Adoption of the standard did not have a material effect on the financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include assessing the collectability of receivables, fair value of assets and liabilities, and the estimated useful lives of long-lived assets, among others. Actual results could differ from those estimates.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

LEAP considers all short-term, highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. Cash equivalents include money market funds, which are readily convertible to cash, and are stated at cost, which approximates fair value. Cash and cash equivalents were \$3,530,228 and \$2,897,573 as of August 31, 2023 and 2022, respectively.

INVESTMENTS

Investments are reported at 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 between market participants at the measurement date. Investments consist of funds invested in pooled accounts held and managed by the Community Foundation for Greater New Haven, Inc. (CFGNH). Gains and losses are included in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation or by operation of law. Nonmonetary investments received as gifts are immediately sold and recorded at the net realized value.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible those changes in the fair value of investments could occur in the near term and that such changes could materially affect the financial statements.

PROPERTY AND EQUIPMENT

LEAP capitalizes expenditures for property and equipment in excess of \$5,000 and for computer equipment and software in excess of \$500. Property and equipment are recorded at cost and include expenditures that materially increase values or extend useful lives of the assets.

Upon disposition or retirement of property and equipment, the cost and related accumulated depreciation and amortization are eliminated from the respective accounts and the resulting gain or loss is included in the statements of activities and changes in net assets. Expenditures in the nature of normal repairs and maintenance are charged to operations as incurred.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the term of the lease agreement or estimated useful lives of the assets.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT (CONTINUED)

Estimated lives for financial reporting purposes are as follows:

<u>Asset</u>	<u>Estimated Lives</u>
Recreation field and improvements	15 years
Computer equipment and software	3 - 5 years
Furniture and fixtures	3 - 7 years
Vehicles	3 years
Leasehold improvements	Shorter of 15 - 30 years or term of lease

Management reviews long-lived assets for impairment whenever events or business conditions indicate the carrying amount of such assets may not be recoverable. Initial assessment of recoverability are based on estimates of undiscounted future cash flows associated with these assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on discounted net cash flows or other estimates of fair value. There were no impairment losses related to long-lived assets during the years ended August 31, 2023 and 2022.

REVENUE RECOGNITION

GOVERNMENT GRANTS

LEAP receives various grants to provide educational, leadership and academic development to children. These grants are generally on a cost reimbursement basis, including recoverable overhead.

Unconditional grants from the State of Connecticut designated for use in specific activities are recognized in the period when expenditures have been incurred in compliance with the specific grantor's requirements. Grant revenues from State agencies that are nonreciprocal are treated like contributions. Cash received in excess of revenue recognized is recorded as refundable advances liability.

Revenue is recognized ratably over the period of the unconditional grant or contract and is recognized based upon actual expenses incurred. Such grant and contract revenues are treated as unrestricted for financial statement presentation because the grant and contract requirements are satisfied in the year in which the revenue is recognized.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

CONTRIBUTIONS

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. LEAP reports unconditional contributions of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit their use.

When a donor 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 statements of activities and changes in net assets as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

LEAP reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions on how the assets are to be used and contributions or grants that must be used to acquire property and equipment are reported as donor restricted support and are released from restrictions once the asset is placed in service.

PROGRAM SERVICE FEES

Program service fees are recognized as revenue in the period in which the related services are provided.

IN-KIND CONTRIBUTIONS

LEAP receives professional services which otherwise would have had to be paid for. These donated services amounted to \$47,000 in 2023 and \$35,000 in 2022, respectively, and are reflected in in-kind contributions in the statement of activities and changes in net assets and contract services and professional fees in the schedule of functional expenses.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

IN-KIND CONTRIBUTIONS

In-kind contributions received are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. In addition, a substantial number of individuals volunteer their time and perform a variety of tasks that assist the organization with specific programs or as board members. No amounts have been recorded in the financial statements for these donated volunteer services for the years ended August 31, 2023 and 2022 as they do not meet the criteria for recognition.

ALLOWANCE FOR GRANTS RECEIVABLE

Allowances for grants receivable and promises to give are determined by management based on an assessment of their collectability. Management considers past history, current economic conditions and overall viability of the third party. Receivables are written-off only when management believes amounts will not be collected. Receivables are considered past due based on the invoice or pledge date. As of August 31, 2023 and 2022, there were no allowances required.

EXPENSE RECOGNITION AND ALLOCATION

The cost of providing LEAP's programs and other activities is summarized on a functional basis in the statement of activities and changes in net assets. Expenses that can be identified with a specific program or support service are charged directly to the program or support service. Costs common to multiple functions have been allocated among the various functions benefited using an allocation method. The allocation to programs is based on staff full time equivalents (FTE) of each function to the total FTEs. The expenses that are being allocated include utilities, payroll processing and technical support and depreciation. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization (see Note 12).

DESIGNATIONS OF NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions includes amounts designated by the Governing Board, which includes assets set aside for the Leap for the Future Fund (see Note 11), over which the Governing Board retains control and may at its discretion subsequently be used for other purposes.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

LEAP is exempt from Federal income taxes under the provisions of Internal Revenue Code Section 501 (c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of August 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. LEAP is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 28, 2024, the date the financial statements were available to be issued. Subsequent to the balance sheet date, the Organization received an unrestricted cash contribution of \$2 million which will be accounted for in the 2024 fiscal year. No additional subsequent events have been identified requiring recognition or disclosure in the financial statements.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

DEPOSITORY ACCOUNTS AND INVESTMENTS

Financial instruments that potentially subject LEAP to concentrations of credit risk consist primarily of cash, cash equivalents and investments. The Organization maintains its cash and cash equivalents with federally insured financial institutions. At times, such amounts may exceed federally insured limits of \$250,000 per depositor, per financial institution. The Organization has not experienced any losses from such concentrations. LEAP's investments are spread over a diversified portfolio managed by the CFGNH. This investment policy limits the Organization's exposure to concentrations of credit risk.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 2 – CONCENTRATIONS OF CREDIT RISK (CONTINUED)

FUNDING SOURCES

A significant concentration of grants are received from Federal and State agencies. Because all grants are evidenced by signed contracts, management believes there is negligible credit risk associated with these amounts and, therefore, no allowance for doubtful accounts is considered necessary. However, any loss or reduction of major grants from these funding sources could have significant impact on LEAP's financial position and program services.

The Connecticut Department of Education provides a significant percentage of LEAP's total support and revenue, including both State of Connecticut and passed through federal funding. Grant revenue received through this state agency totaled \$1,179,657 and \$620,421 for the years ended August 31, 2023 and 2022, respectively. The receivable relating to these grants as of August 31, 2023 and 2022 totaled \$814,549 and \$430,200, respectively.

NOTE 3 – LIQUIDITY AND AVAILABILITY

LEAP regularly monitors liquidity required to meet its operating needs, capital needs, and contractual commitments, while also striving to maximize the available funds. Financial assets available for general expenditure, that is, without donor or other restrictions limiting its use, within one year of August 31, 2023 and 2022, is as follows:

	2023	2022
Financial Assets		
Cash and equivalents	\$ 3,530,228	\$ 2,897,573
Grants receivable	845,969	670,015
Investments	<u>161,453</u>	<u>157,501</u>
	4,537,650	3,725,089
Less board designated net assets	(900,000)	(900,000)
Less contractual or donor imposed restrictions		
Restricted by donors with time or purpose restriction	(316,160)	(553,354)
Restricted by donors in perpetuity	<u>(80,226)</u>	<u>(80,226)</u>
Total financial assets available to meet cash needs		
for general expenditures within one year	<u>\$ 3,241,264</u>	<u>\$ 2,191,509</u>

**LEADERSHIP, EDUCATION AND
ATHLETICS IN PARTNERSHIP, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

INVESTMENTS

Investments consisted of the following at August 31:

	<u>2023</u>	<u>2022</u>
Funds administered by the Community		
Foundation of Greater New Haven		
Bovilsky Fund	\$ 37,909	\$ 36,984
LEAP Endowment Fund	<u>123,544</u>	<u>120,517</u>
	<u>\$ 161,453</u>	<u>\$ 157,501</u>

LEAP's investment funds are pooled with other funds held by CFGNH and invested in a diversified portfolio of investments managed by CFGNH. CFGNH provides professionally managed investment funds to meet the needs of not-for-profits in the Greater New Haven area. The value of the LEAP investment is based upon the relationship of LEAP's funds to the total investment holding LEAP funds. The underlying investments at CFGNH are recorded at fair value and are comprised of the three levels of the fair value hierarchy discussed below.

The CFGNH funds included alternative investments, which are principally absolute return and hedge strategies, and real assets, such as private equity, hedged equity and real estate. Because most alternative investments are not immediately marketable given the nature of the underlying strategies and the terms of the investment's governing agreement, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investments had been in existence, and the difference could be material. Fair value of alternative investments in limited partnerships are determined by the general partner to be at fair value pursuant to accounting standards referred to as Fair Value Measurements after it considers certain pertinent factors that are reviewed and discussed by CFGNH management and its investment committee, in consultation with its independent advisory firm.

Distributions from the fund are paid annually to LEAP in an amount available from the fund for expenditure during the year as determined in accordance with CFGNH's Spending Rule Policy. Under the agreement between LEAP and CFGNH, distributions in excess of the normal annual distribution require at least 30 days' notice. There are no unfunded commitments associated with this investment.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

FAIR VALUE MEASUREMENTS

Management categorizes, for disclosure purposes, assets and liabilities measured at fair value in the financial statements based upon whether the inputs used to determine their fair values are observable or unobservable.

The inputs used to measure fair value fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. Management's assessment of the significance of a particular input value to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

LEAP applies the three-level fair value hierarchy based on transparency of inputs to the valuation of an asset or liability.

Level 1: Values are unadjusted quoted prices from identical assets and liabilities in active markets accessible at the measurement date.

Level 2: Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3: Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The value of the LEAP investments is based upon the relationship of LEAP's funds to the total investment holding LEAP funds. The underlying investments at CFGNH are recorded at fair value and are comprised of the three levels of the fair value hierarchy discussed above.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a summary of investment assets within the three-tier fair value hierarchy as of August 31:

		2023			
		Level 1	Level 2	Level 3	Total
Investments					
CFGNH					
Bovilsky Scholarship Fund	\$	--	\$ --	\$ 37,909	\$ 37,909
LEAP Endowment Fund		<u>--</u>	<u>--</u>	<u>123,544</u>	<u>123,544</u>
Total Investments	\$	<u>--</u>	<u>--</u>	<u>161,453</u>	<u>161,453</u>
		2022			
		Level 1	Level 2	Level 3	Total
Investments					
CFGNH					
Bovilsky Scholarship Fund	\$	--	\$ --	\$ 36,984	\$ 36,984
LEAP Endowment Fund		<u>--</u>	<u>--</u>	<u>120,517</u>	<u>120,517</u>
Total Investments	\$	--	\$ --	\$ 157,501	\$ 157,501

There have been no changes in valuation techniques and related inputs used at August 31, 2023 and 2022.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth a summary of changes in the fair value of the Level 3 assets for the years ended August 31, 2023 and 2022:

	2023	2022
Balance, beginning of year	\$ 157,501	\$ 190,668
Realized gains/investment return	4,690	2,875
Unrealized gains (losses) relating to investments still held at the reporting date	6,874	(28,775)
Sales	(7,612)	(7,267)
	<u>\$ 161,453</u>	<u>\$ 157,501</u>
Balance, end of year	<u>\$ 161,453</u>	<u>\$ 157,501</u>

The following summarizes the carrying value of investments, by net asset classification, as of August 31, 2023 and 2022:

	2023	2022
Funds administered by CFGNH under the Bovilsky Fund and the LEAP Endowment Fund:		
With donor restrictions	<u>\$ 161,453</u>	<u>\$ 157,501</u>

The following schedule summarizes the investment return in the statements of activities and changes in net assets for the years ended August 31, 2023 and 2022:

	2023	2022
Interest and dividend income	\$ 647	\$ 484
Investment fees	(2,573)	(1,835)
Realized gain on investments	6,616	4,226
Unrealized gain (loss) on investments	6,874	(28,775)
	<u>\$ 11,564</u>	<u>\$ (25,900)</u>
Investment return (loss)	<u>\$ 11,564</u>	<u>\$ (25,900)</u>

**LEADERSHIP, EDUCATION AND
ATHLETICS IN PARTNERSHIP, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31, 2023 and 2022, respectively:

	2023	2022
Recreation field and improvements	\$ 39,953	\$ 38,260
Furniture, fixtures, and equipment	236,907	170,805
Vehicles	14,094	14,094
Leasehold improvements	<u>914,475</u>	<u>911,576</u>
	1,205,429	1,134,735
Less accumulated depreciation and amortization	<u>(681,134)</u>	<u>(616,095)</u>
Property and equipment - net	<u>\$ 524,295</u>	<u>\$ 518,640</u>

Depreciation expense totaled \$65,039 and \$54,989 for the years ended August 31, 2023 and 2022, respectively.

NOTE 6 – OPERATING LEASE COMMITMENT

The Organization leases its facilities from the Housing Authority of the City of New Haven under a noncancellable lease that expires in June 2050. The annual lease cost is \$120, and the Organization is responsible for insurance, utilities, maintenance, repairs, and general upkeep costs for the facility in lieu of rent. Such costs amounted to approximately \$284,000 for each of the years ended August 31, 2023 and 2022.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

As of August 31, 2023 and 2022, net assets with donor restrictions are available for the following purposes:

	2023	2022
Donor restricted net assets with time or purpose restrictions		
General operations	\$ 43,318	\$ 40,291
LEAP for the Future fund	113,075	113,075
Scholarship fund	38,366	36,973
Community-based programs	--	50,000
Foundation grants for subsequent year	121,401	42,200
Local government assistance	--	209,815
Other programs	--	61,000
	<u>316,160</u>	<u>553,354</u>
Donor restricted net assets held in perpetuity		
Endowment	<u>80,226</u>	<u>80,226</u>
	<u>\$ 396,386</u>	<u>\$ 633,580</u>

NOTE 8 – ENDOWMENT

LEAP's endowment consists of individual funds established for the support of the organization's operating budget. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Investment Return Objectives, Risk Parameters and Strategies. LEAP invests its portfolio with the CFGNH and, as such, follows the CFGNH's investment policy. The CFGNH's investment policy follows a total return approach to investing. This investment approach strives to balance income and potential for capital appreciation so that both components can contribute to the long-term total return of the LEAP's pooled investment portfolio.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 8 – ENDOWMENT (CONTINUED)

Spending Policy. Since LEAP invests its portfolio with the CFGNH, it also follows the CFGNH spending policy, which determines the amount that will be available each year for the support of the organization's operating budget. The spending formula is designed to minimize the impact of market fluctuations and provide for adjustments to spending in favorable and unfavorable markets. It applies to all funds, with the exception of portions of funds that represent non-liquid assets, funds that hold income generating investments and where gift instruments specifically provide for distributions of other amounts. The investment and spending policy guidelines are designed to operate in concert in order to provide a significant and stable flow of funds over the short-term to provide resources to meet current operating needs and, at the same time, maintain the purchasing power of the funds over the long-term.

LEAP has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) 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, LEAP 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 is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

In accordance with CTUPMIFA, LEAP considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of LEAP and donor-restricted endowment funds, (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 LEAP and (7) LEAP's investment policies.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 8 – ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended August 31, 2023 are as follows:

	Original Gift	Accumulated gains, losses and other	Total With Donor Restrictions
Endowment net assets, beginning of year	\$ 80,226	\$ 40,291	\$ 120,517
Investment income	--	158	158
Net realized and unrealized appreciation	--	4,555	4,555
Amounts appropriated for expenditure	<u>--</u>	<u>(1,686)</u>	<u>(1,686)</u>
Endowment net assets, end of year	<u>\$ 80,226</u>	<u>\$ 43,318</u>	<u>\$ 123,544</u>

Changes in endowment net assets for the year ended August 31, 2022 was as follows:

	Original Gift	Accumulated gains, losses and other	Total With Donor Restrictions
Endowment net assets, beginning of year	\$ 80,226	\$ 65,429	\$ 145,655
Investment income	--	366	366
Net realized and unrealized depreciation	--	(19,787)	(19,787)
Amounts appropriated for expenditure	<u>--</u>	<u>(5,717)</u>	<u>(5,717)</u>
Endowment net assets, end of year	<u>\$ 80,226</u>	<u>\$ 40,291</u>	<u>\$ 120,517</u>

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 9 – EMPLOYEE RETENTION TAX CREDIT

During the year ended August 31, 2023, the Organization applied for the Employee Retention Credit (ERC), which is a refundable tax credit for businesses that continued to pay employees while shut down due to the COVID-19 pandemic or had significant declines in gross receipts from March 13, 2020 to December 31, 2021. Eligible employers can claim the ERC on an original or adjusted employment tax return for a period within those dates. The ERC claimed by the Organization was \$798,566 and was received on July 3, 2023 and recorded as revenue for the year ended August 31, 2023. The ERC program is subject to audit from the Internal Revenue Service (IRS) and potential recoupment upon audit.

NOTE 10 – PENSION PLAN

LEAP maintains a 403(b) retirement plan that covers all employees who meet a minimum set of requirements as defined by the plan document. The plan allows the Organization to make a discretionary match of each employee's contributions to a maximum of 25% of the first \$800 contributed. There was no match for the years ended August 31, 2023 and 2022.

NOTE 11 – LEAP FOR THE FUTURE FUND

During the year ended August 31, 2006, the Board commenced the "LEAP for the Future Fund" campaign. The goal of the campaign is to raise a minimum of \$1.5 million operating reserve to provide resources to: (1) fund ongoing capital improvements to the fifteen thousand square foot Roslyn Milstein Meyer LEAP Community Center, (2) manage operational cash flow and (3) stabilize and sustain the program during periods of uncertainty related to funding cutbacks.

As of August 31, 2023 and 2022, the fund includes the following:

	2023	2022
Board designated - without donor restriction	\$ 900,000	\$ 900,000
Donor designated - with donor restriction	<u>113,075</u>	<u>113,075</u>
	<u>\$ 1,013,075</u>	<u>\$ 1,013,075</u>

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 12 – FUNCTIONAL EXPENSES

LEAP provides services to clients within its geographic area. Expenses related to providing these services are as follows at August 31:

	2023				2022			
	Program Services	Management and General	Fund Development	Total	Program Services	Management and General	Fund Development	Total
Salaries and wages	\$ 2,983,539	\$ 246,217	\$ 382,197	\$ 3,611,953	\$ 2,408,735	\$ 182,080	\$ 320,970	\$ 2,911,785
Benefits and taxes	366,972	55,041	42,573	464,586	264,722	26,556	35,590	326,868
Travel and transportation	103,933	--	--	103,933	95,394	--	--	95,394
Contract services and professional fees	175,865	108,446	8,736	293,047	153,860	44,848	6,179	204,887
Materials, books and supplies	113,697	16,177	55,451	185,325	118,525	13,082	67,838	199,445
Educational activities and programs	398,157	31,548	--	429,705	269,952	31,789	--	301,741
Telephone and utilities	3,040	77,793	--	80,833	2,680	62,383	--	65,063
Insurance	182,781	--	--	182,781	139,236	--	--	139,236
Depreciation and amortization	65,039	--	--	65,039	54,989	--	--	54,989
Bank fees	--	205	--	205	--	4,387	--	4,387
Building and pool maintenance	83,681	--	--	83,681	129,469	--	--	129,469
Scholarships	15,013	--	--	15,013	9,931	--	--	9,931
Other expenses	1,189	9,150	--	10,339	8,105	132	18,724	26,961
	<u>\$ 4,492,906</u>	<u>\$ 544,577</u>	<u>\$ 488,957</u>	<u>\$ 5,526,440</u>	<u>\$ 3,655,598</u>	<u>\$ 365,257</u>	<u>\$ 449,301</u>	<u>\$ 4,470,156</u>