

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

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
AUGUST 31, 2022 AND 2021**

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

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Leadership, Education and Athletics in Partnership, Inc., which comprise the statement of financial position as of August 31, 2022 and 2021, and the related statements of activities 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, 2022 and 2021, 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). 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 Leadership, Education and Athletics in Partnership, Inc. 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, Education and Athletics in Partnership, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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, 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, Education and Athletics in Partnership, Inc.'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, Education and Athletics in Partnership, Inc.'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.

Marcum LLP

New Haven, CT
April 27, 2023

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

STATEMENTS OF FINANCIAL POSITION

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,897,573	\$ 3,347,491
Grants receivable	670,015	232,446
Promises to give	--	8,105
Prepaid insurance	52,635	35,567
Total Current Assets	3,620,223	3,623,609
Property and Equipment - net	518,640	336,107
Other Assets		
Investments	157,501	190,668
Total Assets	<u>\$ 4,296,364</u>	<u>\$ 4,150,384</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 188,192	\$ 71,213
Total Liabilities	188,192	71,213
Net Assets		
Without donor restrictions		
Board designated	900,000	900,000
Undesignated	2,574,592	2,210,656
	3,474,592	3,110,656
With donor restrictions	633,580	968,515
Total Net Assets	4,108,172	4,079,171
Total Liabilities and Net Assets	<u>\$ 4,296,364</u>	<u>\$ 4,150,384</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, 2022 AND 2021

	2022	2021
Activities Without Donor Restrictions		
Revenue and Support		
State and federal financial assistance	\$ 620,421	\$ 410,967
Private foundation and other contributions	2,346,106	1,940,246
In-kind contributions	35,000	32,000
Other grant income	--	320,152
Interest income	687	1,402
Program service fees and other	--	10,118
Gain on sale of property and equipment	--	14,325
Total revenue and support	3,002,214	2,729,210
Net assets released from restrictions - satisfied by meeting restrictions	1,831,878	579,100
Total unrestricted revenue and support	4,834,092	3,308,310
Expenses		
Program services	3,655,598	2,290,258
Management and general	365,257	258,659
Fund development	449,301	357,583
Total Expenses	4,470,156	2,906,500
Change in Net Assets Without Donor Restrictions	363,936	401,810
Activities With Donor Restrictions		
Private foundation and other contributions	1,522,843	1,172,640
Investment (loss) return	(25,900)	34,256
Net assets released from restrictions	(1,831,878)	(579,100)
Change in Net Assets With Donor Restrictions	(334,935)	627,796
Change in Net Assets	29,001	1,029,606
Net Assets - Beginning	4,079,171	3,049,565
Net Assets - Ending	\$ 4,108,172	\$ 4,079,171

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, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 29,001	\$ 1,029,606
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	54,989	42,156
Gain on sale of property and equipment	--	(14,325)
Realized and unrealized loss (gain) on investments	25,900	(34,256)
Changes in operating assets and liabilities:		
Grants receivable	(437,569)	9,845
Promises to give	8,105	(8,105)
Prepaid insurance	(17,068)	(2,567)
Accounts payable and accrued expenses	116,979	6,639
Net Cash (Used in) Provided by Operating Activities	<u>(219,663)</u>	<u>1,028,993</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(237,522)	(15,938)
Proceeds from sale of property and equipment	--	14,325
Proceeds from the sale of investments	7,267	7,222
Net Cash (Used in) Provided by Investing Activities	<u>(230,255)</u>	<u>5,609</u>
Change in Cash and Cash Equivalents	(449,918)	1,034,602
Cash and Cash Equivalents - Beginning	<u>3,347,491</u>	<u>2,312,889</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 2,897,573</u></u>	<u><u>\$ 3,347,491</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, 2022 AND 2021

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. 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, 2022 AND 2021

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

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by *Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on the Organization's policies on contributed nonfinancial assets, information on donor-imposed restrictions, and valuation techniques. Adoption of the new standard, to be applied retrospectively, is required for annual reporting periods after June 15, 2021. The Organization adopted the new standard in 2022.

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, 2022 AND 2021

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 \$2,897,573 and \$3,347,491 as of August 31, 2022 and 2021, 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, 2022 AND 2021

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, 2022 and 2021.

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.

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, 2022 AND 2021

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.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

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

REVENUE RECOGNITION (CONTINUED)

IN-KIND CONTRIBUTIONS

LEAP receives professional services which otherwise would have had to be paid for. These donated services amounted to \$35,000 in 2022 and \$32,000 in 2021, 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. 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, 2022 and 2021 as they do not meet the criteria for recognition.

ALLOWANCE FOR RECEIVABLES

Allowances for receivables 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, 2022 and 2021, 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.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

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

DESIGNATIONS ON 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.

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, 2022, 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.

UPCOMING ACCOUNTING PRONOUNCEMENT

In February 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842) (ASU 2016-02). ASU 2016-02 requires that a lessee generally recognize assets and liabilities from all leases. A lessee should recognize in the statement of financial position a liability to make lease payment (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2022. Management is currently evaluating the impact of ASU 2016-02 but does not believe it will be material to the financial statements.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

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

SUBSEQUENT EVENTS

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through April 27, 2023, the date the financial statements were available to be issued. No 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 high-credit quality 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.

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. Grant revenue received through this State agency totaled \$620,421 and \$410,967 for the years ended August 31, 2022 and 2021, respectively. The receivable relating to these grants as of August 31, 2022 and 2021 totaled \$430,200 and \$190,696, respectively.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

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, 2022 and 2021, is as follows:

	2022	2021
Financial Assets		
Cash and equivalents	\$ 2,897,573	\$ 3,347,491
Grants receivable	670,015	232,446
Investments	<u>157,501</u>	<u>190,668</u>
	3,725,089	3,770,605
Less restricted assets by board designation	(900,000)	(900,000)
Less contractual or donor imposed restrictions		
Restricted by donors with time or purpose restriction	(553,354)	(888,289)
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>\$ 2,191,509</u>	<u>\$ 1,902,090</u>

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

INVESTMENTS

Investments consisted of the following at August 31:

	2022	2021
Funds administered by the Community Foundation of Greater New Haven		
Bovilsky Fund	\$ 36,984	\$ 45,013
LEAP Endowment Fund	<u>120,517</u>	<u>145,655</u>
	<u>\$ 157,501</u>	<u>\$ 190,668</u>

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

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.

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.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

FAIR VALUE MEASUREMENTS (CONTINUED)

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 in Note 2.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

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:

		2022			
		Level 1	Level 2	Level 3	Total
Investments					
CFGNH					
Bovilsky Scholarship Fund	\$	--	\$	36,984	\$ 36,984
LEAP Endowment Fund		--	--	120,517	120,517
Total Investments	\$	--	\$	157,501	\$ 157,501

		2021			
		Level 1	Level 2	Level 3	Total
Investments					
CFGNH					
Bovilsky Scholarship Fund	\$	--	\$	45,013	\$ 45,013
LEAP Endowment Fund		--	--	145,655	145,655
Total Investments	\$	--	\$	190,668	\$ 190,668

There have been no changes in valuation techniques and related inputs used at August 31, 2022 and 2021.

LEADERSHIP, EDUCATION AND ATHLETICS IN PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

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, 2022 and 2021:

	2022	2021
Balance, beginning of year	\$ 190,668	\$ 163,634
Realized gains/investment return	2,875	7,324
Unrealized gains (losses) relating to investments still held at the reporting date	(28,775)	26,432
Additions to fund	--	500
Sales	(7,267)	(7,222)
Balance, end of year	<u>\$ 157,501</u>	<u>\$ 190,668</u>

The following summarizes the carrying value of investments, by net asset classification, as of August 31, 2022 and 2021:

	2022	2021
Funds administered by CFGNH under the Bovilsky Fund and the LEAP Endowment Fund:		
With donor restrictions	<u>\$ 157,501</u>	<u>\$ 190,668</u>

The following schedule summarizes the investment return in the statements of activities and changes in net assets for the years ended August 31, 2022 and 2021:

	2022	2021
Interest and dividend income	\$ 484	\$ 322
Investment fees	(1,835)	(3,037)
Additions to fund	--	500
Realized gain on investments	4,226	10,040
Unrealized gain (loss) on investments	(28,775)	26,431
Investment (loss) return	<u>\$ (25,900)</u>	<u>\$ 34,256</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Recreation field and improvements	\$ 38,260	\$ 37,918
Furniture, fixtures, and equipment	170,805	170,150
Vehicles	14,094	14,094
Leasehold improvements	<u>911,576</u>	<u>778,291</u>
	1,134,735	1,000,453
Less accumulated depreciation and amortization	<u>(616,095)</u>	<u>(664,346)</u>
Property and equipment - net	<u>\$ 518,640</u>	<u>\$ 336,107</u>

Depreciation expense totaled \$54,989 and \$42,156 for the years ended August 31, 2022 and 2021, 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 and \$238,000 for the years ended August 31, 2022 and 2021, respectively.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

As of August 31, 2022 and 2021, net assets with donor restrictions are available for the following purposes:

	2022	2021
Donor restricted net assets with time or purpose restrictions		
General operations	\$ 40,291	\$ 65,429
LEAP for the Future fund	113,075	113,075
Scholarship fund	36,973	45,004
Community-based programs	50,000	50,000
Foundation grants for subsequent year	42,200	538,700
Local government assistance	209,815	--
Neighborhood Assistance Act grants	--	64,121
Other programs	61,000	11,960
	<u>553,354</u>	<u>888,289</u>
Donor restricted net assets held in perpetuity		
Endowment	80,226	80,226
	<u>\$ 633,580</u>	<u>\$ 968,515</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.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

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.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

NOTE 8 – ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended August 31, 2022 are 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	--	(5,717)	(5,717)
Endowment net assets, end of year	<u>\$ 80,226</u>	<u>\$ 40,291</u>	<u>\$ 120,517</u>

Changes in endowment net assets for the year ended August 31, 2021 was as follows:

	Original Gift	Accumulated gains, losses and other	Total With Donor Restrictions
Endowment net assets, beginning of year	\$ 80,226	\$ 45,389	\$ 125,615
Investment income	--	244	244
Net realized and unrealized appreciation	--	25,505	25,505
Amounts appropriated for expenditure	--	(5,709)	(5,709)
Endowment net assets, end of year	<u>\$ 80,226</u>	<u>\$ 65,429</u>	<u>\$ 145,655</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

NOTE 9 – OTHER GRANT INCOME

On March 4, 2021, the Organization entered into a note payable with New Haven Bank in relation to the U.S. Small Business Administration (SBA) Paycheck Protection Program (2021 PPP loan) for \$320,152. The Organization elected to account for these funds as a conditional contribution under Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605, *Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. As such, the Organization is able to recognize revenue to the extent that conditions regarding types of allowable expenses and employee levels were met.

During the year ended August 31, 2021, the Organization met the conditions associated with the 2021 PPP loan. The Organization applied for forgiveness of the 2021 PPP loan, and the associated note was forgiven by the lender and SBA in 2021. Accordingly, the Organization recognized \$320,152 in the year ended August 31, 2021 in Other Grant Income in the accompanying statements of activities and changes in net assets.

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, 2022 and 2021.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

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, 2022 and 2021, the fund includes the following:

	2022	2021
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>

NOTE 12 – RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the coronavirus to be a pandemic. LEAP derives a significant portion of its revenues by providing social services to the public. As a result of the coronavirus, LEAP needs to continue to evaluate its services to ensure the safety of staff and the public. Due to the unknown duration and extent of the pandemic, LEAP is unable to determine the impact the pandemic might have on future operations and financial performance.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

NOTE 13 – FUNCTIONAL EXPENSES

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

	2022				2021			
	Program Services	Management and General	Fund Development	Total	Program Services	Management and General	Fund Development	Total
Salaries and wages	\$ 2,408,735	\$ 182,080	\$ 320,970	\$ 2,911,785	\$ 1,455,298	\$ 137,666	\$ 233,687	\$ 1,826,651
Benefits and taxes	264,722	26,556	35,590	326,868	177,610	12,067	25,733	215,410
Travel and transportation	95,394	--	--	95,394	4,941	--	--	4,941
Contract services and professional fees	153,860	44,848	6,179	204,887	58,573	31,161	731	90,465
Materials, books and supplies	118,525	13,082	67,838	199,445	72,233	12,389	78,167	162,789
Educational activities and programs	269,952	31,789	--	301,741	226,390	14,712	--	241,102
Telephone and utilities	2,680	62,383	--	65,063	3,500	42,848	--	46,348
Insurance	139,236	--	--	139,236	113,890	--	--	113,890
Depreciation and amortization	54,989	--	--	54,989	42,156	--	--	42,156
Bank fees	--	4,387	--	4,387	--	7,816	--	7,816
Building and pool maintenance	129,469	--	--	129,469	120,303	--	--	120,303
Scholarships	9,931	--	--	9,931	15,364	--	--	15,364
Other expenses	8,105	132	18,724	26,961	--	--	19,265	19,265
	<u>\$ 3,655,598</u>	<u>\$ 365,257</u>	<u>\$ 449,301</u>	<u>\$ 4,470,156</u>	<u>\$ 2,290,258</u>	<u>\$ 258,659</u>	<u>\$ 357,583</u>	<u>\$ 2,906,500</u>