BOYS & GIRLS CLUBS OF GREATER NEW HAVEN, INC. (FORMERLY UNITED WORKERS, INC. d/b/a NEW HAVEN BOYS AND GIRLS CLUB)

Financial Statements for the Year Ended
August 31, 2022
And Independent Auditor's Report

BOYS & GIRLS CLUBS OF GREATER NEW HAVEN, INC.
(FORMERLY UNITED WORKERS, INC. d/b/a NEW HAVEN BOYS AND GIRLS CLUB)

INDEX TO FINANCIAL STATEMENTS – AUGUST 31, 2022

VISCONTI AND ASSOCIATES, P.C.
Certified Public Accountants

John J. Visconti, MS, CPA

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Boys & Girls Clubs of Greater New Haven, Inc.
New Haven, Connecticut

Opinion

We have audited the accompanying financial statements of Boys & Girls Clubs of Greater New Haven, Inc. (formerly United Workers, Inc. d/b/a New Haven Boys and Girls Club) (a nonprofit organization) (the "Club"), which comprise the statement of financial position as of August 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 Boys & Girls Clubs of Greater New Haven, Inc. as of August 31, 2022 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Boys & Girls Clubs of Greater New Haven, 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.

Emphasis of Matter

As discussed in Note 4 to the financial statements, the Club acquired the entire operations of Ulbrich Boys & Girls Club, Inc. ("Ulbrich") on June 30, 2022. The fair value of the assets, liabilities and net assets acquired as of the transaction date and other relevant items are material to the Club's financial statements. Additionally, the activity of the acquired entity has been included in the Club's financial statements beginning on July 1, 2022. Ulbrich's financial statements as of June 30, 2022 were audited by other auditors, who issued an unmodified opinion in their report thereon dated October 20, 2022. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Boys & Girls Clubs of Greater New Haven, Inc.'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 Boys & Girls Clubs of Greater New Haven, 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 Boys & Girls Clubs of Greater

New Haven, 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.

Report on Summarized Comparative Information

We have previously audited Boys & Girls Clubs of Greater New Haven, Inc.'s August 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Visconti & Associates, P.C.

May 26, 2023
East Haven, CT

BOYS & GIRLS CLUBS OF GREATER NEW HAVEN, INC.
(FORMERLY UNITED WORKERS, INC. d/b/a NEW HAVEN BOYS AND GIRLS CLUB)

STATEMENT OF FINANCIAL POSITION, AUGUST 31, 2022
WITH COMPARATIVE TOTALS FOR 2021

	NOTES	2022	(Note 2) (Memorandum Only) 2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2	$ 445,281	$ 295,061
Investments	7	242,431	
Receivables:			
Grants		472,747	135,860
Program fees		26,390	
Pledges			175,000
Employee retention tax credits	2	39,943	
Prepaid expenses		15,988	
Total current assets		1,242,780	605,921
NON-CURRENT ASSETS:			
Property, buildings and equipment, net	5	1,381,993	702,143
Restricted Investments	2,7,8,9	50,000	
Total non-current assets		1,431,993	702,143
TOTAL ASSETS		$ 2,674,773	$ 1,308,064
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable		$ 38,637	$ 5,008
Accrued liabilities		163,711	59,917
Deferred grant revenue		20,757	77,348
Refundable advance - PPP loan	6		63,912
Notes payable - current portion	6	12,437	7,566
Total current liabilities		235,542	213,751
LONG-TERM LIABILITIES:			
Notes payable - net of current portion and loan origination costs	2,6	127,647	135,132
Total liabilities		363,189	348,883
NET ASSETS:			
Without donor restriction			
Undesignated		2,096,883	832,007
Board designated	11	164,701	
With donor restriction	8	50,000	127,174
TOTAL		$ 2,674,773	$ 1,308,064

See notes to financial statements.

BOYS & GIRLS CLUBS OF GREATER NEW HAVEN, INC.
(FORMERLY UNITED WORKERS, INC. d/b/a NEW HAVEN BOYS AND GIRLS CLUB)

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2022
WITH COMPARATIVE TOTALS FOR 2021

	NOTES	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL 2022	TOTAL 2021 (Note 2) (Memorandum Only)
REVENUE AND SUPPORT:	2				
Grants and contributions		$ 1,391,267	$ 15,000	$ 1,406,267	$ 1,302,111
Contribution from PPP loan	6	63,912		63,912	
Employee retention tax credits	2	39,943		39,943	
Program service fees		276,160		276,160	39,902
Special event income		50,199		50,199	
Inherent contribution from acquisition	4	1,214,777	50,000	1,264,777	16,200
Rental and other income		24,076		24,076	
Investment income, net	7	10,597		10,597	
Net assets released from restrictions	10	142,174	(142,174)		
Total Revenue and Support		3,213,105	(77,174)	3,135,931	1,358,213
EXPENSES:					
Program services		1,296,531		1,296,531	848,831
Management and general		270,816		270,816	174,282
Fundraising		216,181		216,181	128,509
Total Expenses		1,783,528		1,783,528	1,151,622
CHANGE IN NET ASSETS		1,429,577	(77,174)	1,352,403	206,591
NET ASSETS:					
BEGINNING OF YEAR		832,007	127,174	959,181	752,590
END OF YEAR		$ 2,261,584	$ 50,000	$ 2,311,584	$ 959,181

See notes to financial statements.

BOYS & GIRLS CLUBS OF GREATER NEW HAVEN, INC.
(FORMERLY UNITED WORKERS, INC. d/b/a NEW HAVEN BOYS AND GIRLS CLUB)

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED AUGUST 31, 2022 WITH COMPARATIVE TOTALS FOR 2021

	2022				(Note 2) (Memorandum Only) 2021
	Program Services	Management and General	Fundraising	Total	Total
Salaries	$ 754,140	$ 119,075	$ 119,075	$ 992,290	$ 671,161
Payroll taxes	84,008	13,265	13,264	110,537	57,928
Employee benefits	33,231	5,247	5,247	43,725	15,501
Service contracts	11,197	3,732		14,929	15,496
Subcontractors					19,900
Professional fees		40,998	14,405	55,403	51,395
Program supplies	98,426			98,426	25,574
Office Supplies		7,048	783	7,831	3,100
Postage and shipping	245	192	330	767	812
Occupancy	74,792	11,809	11,809	98,410	82,439
Printing	2,418	337	56	2,811	5,161
Insurance	21,921	4,110	1,370	27,401	33,205
Trips, activities and transportation	92,953			92,953	21,295
Stipends and awards	6,700			6,700	9,000
Conferences, conventions and meetings	10,819	1,203		12,022	4,660
Membership dues	17,450	1,939		19,389	11,988
Depreciation and amortization	71,412	12,602		84,014	88,485
Advertising			21,705	21,705	13,279
Interest expense	3,972	3,972		7,944	8,677
Fundraising			28,137	28,137	
Loss on disposal		43,019		43,019	
Miscellaneous	12,847	2,268		15,115	12,566
TOTAL	$ 1,296,531	$ 270,816	$ 216,181	$ 1,783,528	$ 1,151,622

See notes to financial statements.

BOYS & GIRLS CLUBS OF GREATER NEW HAVEN, INC.
(FORMERLY UNITED WORKERS, INC. d/b/a NEW HAVEN BOYS AND GIRLS CLUB)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED AUGUST 31, 2022
WITH COMPARATIVE TOTALS FOR 2021

	2022	(Note 2) (Memorandum Only) 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,352,403	$ 206,591
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash portion of inherent contribution - acquisition	(728,013)	
Net depreciation (appreciation) on investments	(10,597)	
Depreciation	83,633	88,485
Amortization	381	381
Loss on disposal	43,019	
Change in operating assets and liabilities:		
Grants and other receivables	(120,545)	(308,693)
Prepaid expense	4,413	
Accounts payable	18,220	(21,757)
Accrued expenses	50,745	30,683
Refundable advance - PPP loan	(63,912)	63,912
Deferred grant revenue	(173,501)	27,348
Net cash provided by operating activities	456,246	86,950
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, buildings and equipment	(296,920)	(6,016)
Net cash (used in) investing activities	(296,920)	(6,016)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(9,106)	(7,038)
Net cash (used in) financing activities	(9,106)	(7,038)
NET INCREASE IN CASH	150,220	73,896
CASH - BEGINNING OF YEAR	295,061	221,165
CASH - END OF YEAR	$ 445,281	$ 295,061
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 7,943	$ 8,296

See notes to financial statements.

1. ORGANIZATION

Description of Operations – Boys & Girls Clubs of Greater New Haven, Inc., formerly known as United Workers, Inc. d/b/a Boys and Girls Club of New Haven, (the "Club") is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Club offers various program services to provide behavior guidance and to promote the health, social, educational, and recreational wellbeing of boys and girls from the greater New Haven area. The Club is supported primarily through donor contributions and grants.

The name of the organization was changed as a result of an acquisition. See Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The Club adheres to the provisions of ASU 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* (Topic 958). Among other provisions, the statement reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications and requires information regarding an entity's liquidity. The types of restrictions are described as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Included in net assets without donor restrictions are exchange contracts and amounts designated by the Board of Trustees for specific purposes.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purposes for which the resource was restricted had been fulfilled, or both.

Prior Year Information – The financial information presented for 2021 in the accompanying financial statements is included to provide a basis for comparison with 2022 and presents summarized totals only. The 2021 amounts are not intended to include all the information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such amounts should be read in conjunction with the Club's financial statements for the year ended August 31, 2021, from which the comparative amounts were derived. Certain 2021 amounts have been reclassified to conform to the 2022 presentation.

Concentration of Credit Risk – The Club maintains cash balances at various financial institutions which at times may temporarily exceed federally insured limits even though the Club's general ledger balances are managed to remain within those limits. Accounts are insured by the Federal Deposit Insurance Corporation up to certain limits. At August 31, 2022, there were no uninsured cash balances.

Allocation of Expenses – Program and supporting service costs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Adoption of New Accounting Standards – In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets, including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, and materials and supplies. ASU 2020-07 is effective for fiscal year 2022 and the Club adopted this guidance as of September 1, 2021. The adoption of this standard had an immaterial effect on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC 842), which requires organizations that lease assets (lessees) to recognize on the balance sheet assets and liabilities for the rights and obligations created by those leases. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months, among other provisions. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, the new ASU will require both types of leases to be recognized on the balance sheet. For not-for-profit entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted; however, management has elected not to early adopt the standard.

Revenue Recognition – In accordance with ASU 2014-09 and ASU-2018-08, revenue from grants and contracts is primarily derived from cost-reimbursable federal, state, and local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized ratably over the period of the grant or, for prepayment grants, upon actual expenses incurred. Such grant and contract revenues are treated as without donor restrictions for financial statement presentation because the grant and contract requirements are satisfied in the year in which the revenue is recognized.

Revenue from grants and contracts with resource providers such as the government and its agencies, other organizations and private foundations are accounted for either as exchange transactions or as contributions. When the resource provider receives commensurate value in return for the resources transferred to the Club, the revenue from the grant or contract is accounted for as an exchange transaction in accordance with Accounting Standards Update 2014-09. For purposes of determining whether a transfer of an asset is a contribution or an exchange, the Club deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider. Revenue from grants and contracts that are accounted for as exchange transactions is recognized when performance obligations have been satisfied. Grants and contracts awarded for the acquisition of long-lived assets are reported as non-operating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances.

When the resource provider does not receive commensurate value, the transaction is accounted for as a contribution.

Program fees and special events revenue are recorded when earned, with any unearned amounts received for future services recorded as deferred revenue.

The Club filed amended payroll tax returns to receive approximately $39,943 in employee retention tax credits that are recognized as revenue for fiscal year ended August 31, 2022.

Contributions – Transactions where the resource providers often receive value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be 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. 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 statement of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented as net assets without donor restrictions. A conditional contribution is a transaction where the Club has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Club fails to overcome the barrier. The Club recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as a refundable advance.

Advertising Expense – The Club expenses advertising costs as incurred. Advertising expense for the year ended August 31, 2022 was approximately $22,000.

Loan Amortization Costs – In accordance with ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts.

Costs incurred in connection with obtaining financing are being amortized over 120 months. Amortization expense for the year ended August 31, 2022 was $381.

Donated Services – Significant services are donated to the Club by various individuals and organizations. These services were not recognized in the financial statements because the criteria for recognition under ASC Topic 958-605, *Not for Profit Entities,* have not been satisfied.

Donated Property and Equipment – Donations of property and equipment are recorded as in-kind revenue and expense at the estimated fair value of the donations at the date of donation. If the Club's capitalization threshold is exceeded, the cost of the donated assets are capitalized and depreciated over their estimated useful lives. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for a specific purpose.

Cash and Cash Equivalents – For the purpose of reporting cash flows, the Club includes any investments with an original maturity of three months or less in cash equivalents.

Receivables – The Club regularly reviews accounts receivables for collectability. Management estimates that amounts deemed uncollectible, if any, at August 31, 2022 are immaterial.

Property and Equipment – Property and equipment are stated at cost and are being depreciated over their estimated useful lives of three to forty years using the straight-line method. Expenditures for improvements that significantly add to productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged against revenue on a current basis. When depreciable properties are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts. The Club's capitalization threshold is $1,000.

The Club performs a test for impairment whenever events or changes in circumstances indicate that the carrying amount of an individual asset or asset group may not be recoverable. Should projected undiscounted future cash flows be less than the carrying amount of the asset group, an impairment charge reducing the carrying amount to fair value is required. Fair value is determined based on the most appropriate valuation technique, including discounted cash flows.

Income Taxes – The Club is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Club qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

Management is not aware of any uncertain tax positions taken by the Club. Tax years ended August 31, 2019 through August 31, 2022 remain subject to examination by major tax jurisdictions.

Use of Estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Although management believes the estimates that have been used are reasonable, actual results could vary from the estimates that were used.

Subsequent Events – The Club adopted ASC Topic 855, *Subsequent Events*. ASC Topic 855 requires disclosure of the date through which subsequent events have been evaluated, and whether that date is the date that the financial statements were issued or available to be issued. Management has evaluated subsequent events for potential recognition and disclosure through May 26, 2023, the date the financial statements were available to be issued. Management is not aware of any events subsequent to the statement of financial position date which would require additional adjustment to, or disclosure in, the accompanying financial statements.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor and other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022
Cash and cash equivalents	$ 445,281
Investments without donor restrictions	242,431
Grants receivable	472,747
Program fees receivable	26,390
ERTC receivable	39,943
Financial assets available to meet cash needs for general expenditures within 1 year	$1,226,792

4. ACQUISITION

During fiscal 2022, the Club acquired the entity formerly known as Ulbrich Boys & Girls Club, Inc. ("Ulbrich") located in Wallingford, CT, in its entirety. Ulbrich was an entity similar in nature to the Club, with a service area primarily covering the towns of Wallingford, Meriden and North Haven. According to the agreement, which is dated June 30, 2022, the primary reasons for the transaction were to achieve certain operational and programmatic efficiencies and to better serve the constituencies of both organizations. There was no consideration paid in connection with the transaction. As part of the agreement, the Club modified its name immediately afterwards to better reflect the combined organization. Additionally, it amended its bylaws and expanded its Board of Directors to include members of the acquired entity's Board.

The fair value of the assets, liabilities and net assets acquired as of the transaction date and other relevant items are presented below. The amounts were based on the appraised value of certain fixed assets as of June 30, 2022 and the remaining assets, liabilities and net assets were recorded as they were stated on Ulbrich's audited balance sheet as of June 30, 2022, as those amounts approximated fair value.

Assets at fair value:	
Cash and equivalents	$ 536,764
Investments	281,834
Accounts receivable	107,675
Prepaid expenses	20,401
Fixed assets	509,582
Liabilities at fair value:	
Accounts payable	$ 15,409
Accrued expenses	53,049
Deferred revenue	116,910
Notes payable	6,111
Inherent contribution:	
Restricted	$ 50,000
Unrestricted	1,214,777

The audit of Ulbrich's financial statements as of June 30, 2022 was performed by other auditors, who issued an unmodified opinion in their report thereon dated October 20, 2022.

Additionally, the activity of the acquired entity has been included in the Club's financial statements beginning on July 1, 2022, although the entities did not fully complete the integration of Ulbrich's accounting activity into the Club's system until after year end. Accordingly, any "intercompany" transactions that were recorded during the two-month period from July 1, 2022 through August 31, 2022 have been eliminated.

5. PROPERTY AND EQUIPMENT

Property and equipment, including assets acquired in connection with the acquisition of Ulbrich, consist of the following at August 31, 2022:

	2022
Land	$ 253,983
Building	2,036,514
Building Improvements	739,370
Equipment	166,569
Vehicle	4,247
	3,200,683
Less: Accumulated Depreciation	1,818,690
Property and Equipment – Net	$1,381,993

6. DEBT

Note Payable-Bank – The Club has a commercial term loan in the amount of $156,375 with a bank which is secured by the Club's real and personal property. The loan requires monthly payments of principal, including interest at 5.50%, in the amount necessary to repay the unpaid principal balance of the loan by June, 2027. The outstanding balance at August 31, 2022 was $137,480.

Additionally, in connection with its acquisition of the Ulbrich Boys and Girls Club, Inc., the Club obtained an outstanding note payable with the CT Department of Economic & Community Development (DECD) that was valued at $6,111 as of June 30, 2022. The note is payable in monthly installments of $555 and bears no interest, as long as the payments are made in accordance with the original agreement. The outstanding balance at August 31, 2022 was $4,445.

The annual maturities of long-term debt are as follows:

Year ending August 31,

2023	$ 12,437
2024	8,443
2025	8,919
2026	9,423
2027	9,954
Thereafter	92,749

Total	141,925
Less: Unamortized loan origination costs	1,841
Net Principal	$140,084

Interest expense on short-term and long-term debt was approximately $7,900. Amortization of debt issuance costs of $381 is included as a component of interest expense.

The Club had previously obtained a Payroll Protection Program ("PPP") Second Draw Loan of $63,912 from the Small Business Administration as part of the CARES Act, and other contributions to assist in mitigating any potential unfavorable effect on its financial condition and results of operations as a result of the COVID-19 Pandemic. A refundable advance of $63,912 had been reported at August 31, 2021. The PPP Second Draw Loan was forgiven during fiscal 2022 under the provisions of the program upon application to the Small Business Administration, and is therefore reported as contribution revenue on the 2022 income statement.

7. INVESTMENTS

Investments obtained in connection with the acquisition of Ulbrich, at fair value, consisted of the following as of August 31, 2022:

	2022
Mutual Funds	$292,431

Net investment income consists of the following for the year ended August 31, 2022:

	2022
Net appreciation	10,597
Total	$ 10,597

8. ENDOWMENT FUNDS

The Community Foundation of Greater New Haven holds an irrevocable endowment fund for the benefit of the Club. Total gifts to the fund to date were $25,600. The Fund's assets are assets of the Foundation and are invested and managed by the Foundation. The amount available from the fund for distribution during any calendar year is determined in accordance with the Foundation's spending rule policy. Distributions received by the Club from the Foundation for the year ended August 31, 2022 were approximately $1,600.

Additionally, in connection with its acquisition of the Ulbrich Boys and Girls Club, the Club obtained another endowment fund which consists of $50,000 that was restricted by the original donor to be maintained in perpetuity and which is held within the investment assets that were received as part of the acquisition. Any income that is generated by this endowment is designated for use in operations.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or State of Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature exist as indicated in the following table. These deficiencies are the result of unfavorable market fluctuations. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions.

	Historic Value of Gift	Fair Market Value	Underwater	Number of Funds
August 31, 2022	$50,000	$45,814	($4,186)	1

9. FAIR VALUE MEASUREMENTS

The Club's investments that are reported at fair value in the accompanying financial statements are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
August 31, 2022		
Mutual Funds	$292,431	$292,431
Total	$292,431	$292,431

ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Club uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Club measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were available to the Club.

The following methods may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Club 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 fair value measurement at the reporting date. There were no unfunded commitments or redemption restrictions regarding plan investments.

Level 1 Fair Value Measurements

Fair value is based on unadjusted publicly quoted prices in active markets that are accessible to the Club for identical assets or liabilities. These generally provide the most reliable evidence and should be used to measure fair value whenever available. The fair value of mutual funds is based on publicly quoted net asset values of the shares held by the Club at year-end.

Level 2 Fair Value Measurements

Fair value is based on inputs, other than Level 1 inputs, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability through corroboration with observable market data. The Club currently uses no Level 2 inputs.

Level *3 Fair Value Measurements*

Fair value is based on significant unobservable inputs for the asset or liability. These inputs reflect the Club's own assumptions through their investment advisors about the assumptions that market participants would use in pricing the asset or liability. The Club currently uses no Level 3 inputs.

10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the following purpose restrictions for the year ended August 31, 2022:

Seedlings Foundation pledges	$ 125,000
AAU Program	15,741
Backpack Drive	1,433
Total:	$ 142,174

11. BOARD DESIGNATED NET ASSETS

The Board of Directors designated certain amounts for the following purposes for the year ended August 31, 2022:

Operating reserves	$ 103,316
Scholarships	33,082
Capital Improvements and equipment	28,303
Total:	$ 164,701

This amount represents a portion of the unrestricted inherent contribution received in the acquisition of Ulbrich, that had previously been designated by its Board, and which designations the Club's Board has opted to maintain.

12. OPERATING LEASES

The Club has certain noncancelable operating leases for equipment, which expire through October 2027. The Club has the option to purchase this equipment at fair market value.

Additionally, the Club rents space at 211 Montowese Ave, North Haven, CT through Hope Christian Church. Rent is paid on a month-to-month basis at $1,750 per month.

Rent expense under all leases was approximately $6,500 for the year ended August 31, 2022.

Future minimum lease payments required under this lease are as follows:

2023	$ 4,429
2024	3,086
2025	3,086
2026	3,086
Thereafter	257
Total:	$ 13,944

13. RETIREMENT PLAN

Effective January 1, 2019, the Club adopted a defined contribution 401(k) plan available to all full-time employees who have attained the age of 21 and have completed one Year of Service. The Plan allows employees to elect to defer wages up to the maximum allowed by the Internal Revenue Code per calendar year. For eligible participants, the Club provides matching contributions of 25% of each employee's deferrals up to 4% of their eligible compensation. The Club may also elect to make a discretionary employer contribution. Employer contributions to the Plan for the year ended August 31, 2022 were approximately $850.

Additionally, Ulbrich Boys and Girls Club maintained a 401(k) profit sharing plan, which was acquired by the Club on June 30, 2022. The Plan is available to all employees who have completed one year of service. The Plan allows employees to elect to defer wages up to the maximum allowed by the Internal Revenue Code per calendar year. The Club makes a 3% safe harbor contribution and may also elect to make a discretionary employer contribution. For the period July 1, 2022 through August 31, 2022, employer contributions to the Plan were approximately $300. The Club is in the process of merging the former Ulbrich Plan into the Club's existing Plan.

Subsequent to year end, the Club amended its 401(k) Plan, effective January 1, 2023, to allow former Ulbrich employees to participate in the Plan and to credit them with past service at Ulbrich. Additionally, a safe harbor provision was added requiring an employer contribution of 3% of eligible employee annual plan compensation.

14. CONTINGENCIES

The Club has received grants for specific purposes that are subject to review, audit and adjustment by the grantors. Such audits could lead to requests for reimbursement to such grantors for any expenditures or claims disallowed under the terms of the agreements. Based on prior experience, management believes such disallowances, if any, will not be material to the financial statements.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic and resulting global disruptions have caused significant economic uncertainty and volatility in financial markets. The full impact of the pandemic continues to evolve as of the date of this report, and the extent to which the pandemic may ultimately impact the Club remains undeterminable.

15. SUBSEQUENT EVENTS

Subsequent to year end, the Club has applied for additional Employee Retention Tax Credits of approximately $187,500.