

LEADERSHIP GREATER HARTFORD, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009



CARNEY, ROY AND GERROL, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Leadership Greater Hartford, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Leadership Greater Hartford, Inc.'s 2009 financial statements and, in our report dated April 8, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leadership Greater Hartford, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Carney, Roy and Gerrol, P.C.

Rocky Hill, Connecticut
February-12, 2011

LEADERSHIP GREATER HARTFORD, INC.

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LEADERSHIP GREATER HARTFORD, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 97,056	\$ 50,483
Investments	92,476	31,113
Accounts receivable	178,125	203,425
Accrued income	2,130	4,300
Prepaid expenses	5,595	3,572
Other assets	<u>1,117</u>	<u>2,500</u>
Total current assets	<u>376,499</u>	<u>295,393</u>
FIXED ASSETS (net of accumulated depreciation)	<u>21,186</u>	<u>29,627</u>
TOTAL ASSETS	<u>\$ 397,685</u>	<u>\$ 325,020</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 21,598	\$ 4,342
Accrued expenses	82,691	92,531
Deferred tuition	<u>120,705</u>	<u>143,880</u>
Total liabilities	<u>224,994</u>	<u>240,753</u>
NET ASSETS		
Unrestricted	60,858	39,267
Temporarily restricted	<u>111,833</u>	<u>45,000</u>
Total net assets	<u>172,691</u>	<u>84,267</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 397,685</u>	<u>\$ 325,020</u>

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

LEADERSHIP GREATER HARTFORD, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010 WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
SUPPORT AND REVENUE				
Tuition	\$ 380,725	\$ -	\$ 380,725	\$ 262,750
Grant support:				
Governmental	-	170,000	170,000	190,000
Private sector	-	354,260	354,260	336,618
Contributions:				
United Way	19,816	-	19,816	19,997
Meetings, conferences and other	130,221	-	130,221	77,957
Special events, net of costs of direct benefits to donors of \$28,479 and \$26,220, respectively	131,312	-	131,312	113,264
Member dues	25,980	-	25,980	17,110
Leaders on Board dues	8,100	-	8,100	3,850
Task force programs	-	1,050	1,050	7,537
Interest	2,074	-	2,074	1,252
In-kind donations	15,170	-	15,170	-
Net assets released from restrictions	458,477	(458,477)	-	-
Total support and revenue	<u>1,171,875</u>	<u>66,833</u>	<u>1,238,708</u>	<u>1,030,335</u>
EXPENSES				
Program services	959,242	-	959,242	842,402
Support services:				
Management and general	111,827	-	111,827	98,339
Fundraising	79,215	-	79,215	79,579
Total expenses	<u>1,150,284</u>	<u>-</u>	<u>1,150,284</u>	<u>1,020,320</u>
CHANGE IN NET ASSETS	21,591	66,833	88,424	10,015
NET ASSETS, BEGINNING OF YEAR	<u>39,267</u>	<u>45,000</u>	<u>84,267</u>	<u>74,252</u>
NET ASSETS, END OF YEAR	<u>\$ 60,858</u>	<u>\$ 111,833</u>	<u>\$ 172,691</u>	<u>\$ 84,267</u>

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

LEADERSHIP GREATER HARTFORD, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2010 WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Services	Management and General	Fundraising	2010 Total	2009 Total
Salaries and benefits	\$ 563,969	\$ 81,016	\$ 70,731	\$ 715,716	\$ 673,618
Professional fees	26,761	6,000	-	32,761	28,263
Rent	18,907	2,666	2,666	24,239	21,280
Office	33,442	13,791	-	47,233	21,366
Postage	6,304	945	1,379	8,628	12,630
Telephone	2,644	400	400	3,444	3,602
Consulting	137,212	-	-	137,212	102,029
Programs and events	137,387	-	-	137,387	107,711
Printing	15,180	2,039	2,039	19,258	19,734
Depreciation	8,641	3,970	1,000	13,611	9,211
Insurance	7,998	1,000	1,000	9,998	7,738
Interest	-	-	-	-	106
Bad debts	-	-	-	-	6,400
Loss on disposal of assets	-	-	-	-	514
Task Force	797	-	-	797	6,118
Total expenses	\$ 959,242	\$ 111,827	\$ 79,215	\$ 1,150,284	\$ 1,020,320

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

LEADERSHIP GREATER HARTFORD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 88,424	\$ 10,015
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	13,611	9,212
Loss on disposal of assets	-	514
Increase (decrease) in cash arising from changes in assets and liabilities:		
Accounts receivable	25,300	(138,872)
Accrued income	2,170	(2,998)
Prepaid expenses	(2,023)	(259)
Gift card	1,383	(2,500)
Accounts payable	17,256	(2,241)
Accrued expenses	(9,840)	36,228
Deferred tuition	<u>(23,175)</u>	<u>54,580</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>113,106</u>	<u>(36,321)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(5,170)	(11,371)
Net purchase of investments	<u>(61,363)</u>	<u>(31,113)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(66,533)</u>	<u>(42,484)</u>
NET INCREASE (DECREASE) IN CASH	46,573	(78,805)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>50,483</u>	<u>129,288</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 97,056</u>	<u>\$ 50,483</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	<u>\$ 887</u>	<u>\$ -</u>

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

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

Common Ground

The Common Ground Program is a comprehensive learning encounter for about 80 area high school students each year. The goal is for students to become active, competent and responsible leaders in their homes, schools, religious institutions and communities, with a heightened sensitivity to racial, social, religious and socioeconomic issues.

Quest

Quest, formerly known as the Organization's year-long class, is an 11-month exploration of leadership and community-building. Approximately 50 working-age professionals are selected for each class. Half come from the business community and the others from government, academia and the nonprofit sector.

Third Age Initiative

The Third Age Initiative is a leadership training program designed to serve 25-30 people each year who are in a new, extended period of adulthood.

Executive Orientation

The Executive Orientation Program provides a comprehensive overview of the region's issues, institutions and leadership to area executives who are new to the region.

LGH Membership Association

The LGH Membership Association offers opportunities for advanced leadership training, connecting with old friends and for meeting new ones. In addition, members will find ways to meet public policy-makers, serve the community and market their professional services.

High Hopes

An after-school leadership development and academic enrichment program that serves 80-120 students at the law and government academy at Hartford Public High School.

Hartford Cares

An initiative aimed at engaging area citizens of all ages and backgrounds in the work of building a more caring and healthy city.

Leaders on Board

A program that connects prospective volunteers with area nonprofits needing strong and diverse Board members.

The Organization also offers area organizations with a range of consulting and training services that can be customized and delivered on-site to meet their specific needs.

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

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

Basis of Accounting

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

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization has no permanently restricted net assets as of December 31, 2010.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations or temporarily restricted net assets for which donor-imposed stipulations have been met within the same period as the contributions were received.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit organizations to use all or part of the income earned on any related investment for general or specific purposes. The Organization had no permanently restricted net assets at December 31, 2010 and 2009.

Tuition

The Organization records tuition over the period of the class. The income is recognized based on the percentage of cost incurred compared to the total cost of the class.

Promises to Give

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

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

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

Estimates

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

Advertising

Advertising costs are expensed as incurred. Advertising costs charged to expense for the years ended December 31, 2010 and 2009, totaled \$10,377 and \$333, respectively.

Donated Services

The Organization records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair market value at the date of receipt. Reflected in the accompanying statements of activities is \$10,000 of donated advertising received by the Organization during the year ended December 31, 2010. No amounts have been reflected in the statements for donated volunteer services, as no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organization's program services.

Fixed Assets and Depreciation

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

Concentration of Risk

The Organization maintains cash balances at three banking institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. Management regularly monitors the financial institutions, together with their cash balances, and does not believe there is a high risk of loss. The Organization did not have any uninsured balances at December 31, 2010 and 2009.

The Organization relies heavily on private and corporate grants to maintain program services. The loss of a significant grantor could materially affect the Organization's ability to sustain its various program activities.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Income Taxes

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

Certain activities of the Organization are considered to generate unrelated business income, and are therefore subject to federal income taxes. During the year ended December 31, 2010, the Organization paid \$887 in federal income taxes on unrelated business income.

The Organization accounts for uncertainty in income taxes in accordance with the Income Tax Topic of the FASB Accounting Standards Codification. The Organization files a federal income tax return, which represents the major tax jurisdiction of the Organization. The statutes of limitations for federal tax years 2006 through 2010 remain open for audit under the various statutes of limitations.

Statement of Cash Flows

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

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management has determined that all outstanding balances at December 31, 2010 and 2009, are fully collectible.

Summarized Financial Information for Fiscal Year 2009

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the fiscal year ended December 31, 2009, financial statements from which the summarized information was derived.

NOTE 2 - INVESTMENTS

Investments are certificates of deposit with maturities in excess of 91 days and are classified as held to maturity and recorded at cost.

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 2 - INVESTMENTS (Continued)

The total value of investments as of December 31, 2010, is as follows:

	<u>Cost Basis</u>	<u>Market Value (Significant Other Observable Inputs - Level 2)</u>	<u>Unrealized Holding Gain/(Loss)</u>
Certificate of Deposit:			
Maturity < 1 year	\$ 60,552	\$ 60,552	\$ -
Certificate of Deposit:			
Maturity 1 - 5 years	<u>31,924</u>	<u>31,924</u>	<u>-</u>
	<u>\$ 92,476</u>	<u>\$ 92,476</u>	<u>\$ -</u>

The total value of investments as of December 31, 2009, is as follows:

	<u>Cost Basis</u>	<u>Market Value (Significant Other Observable Inputs - Level 2)</u>	<u>Unrealized Holding Gain/(Loss)</u>
Certificate of Deposit:			
Maturity < 1 year	<u>\$ 31,113</u>	<u>\$ 31,113</u>	<u>\$ -</u>

Interest income earned on investments during the years ended December 31, 2010 and 2009, was \$2,074 and \$1,252, respectively.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access;
- Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability;
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009.

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

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

All investments are considered to be Level 2.

NOTE 4 - FIXED ASSETS

Fixed assets as of December 31, 2010 and 2009, are summarized as follows:

	2010	2009
Office furniture and improvements	\$ 16,598	\$ 13,628
EDP and other office equipment	<u>53,898</u>	<u>57,137</u>
	70,496	70,765
Less: accumulated depreciation	<u>49,310</u>	<u>41,138</u>
	<u>\$ 21,186</u>	<u>\$ 29,627</u>

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 5 - PENSION PLAN

The Organization maintains a SEP plan for its employees with at least one year of service. Under the plan, the Organization may contribute up to the lower of 15% of gross wages or \$24,000 for each employee with at least one year of service. During the years ended December 31, 2010 and 2009, the Organization contributed 6% of wages totaling \$30,725 and \$28,532, respectively.

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

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2010 and 2009, are summarized as follows:

	2010	2009
Common Ground Program - Lincoln Financial Group grant	\$ -	\$ 10,000
Common Ground Program - Hartford Courant Foundation grant	-	8,000
Common Ground Program - Stackpole JS grant	-	1,500
Common Ground Program - NewAlliance Foundation grant	-	1,000
Common Ground Program - Bank of America grant	2,000	-
Leaders on Board Program - Hartford Foundation for Public Giving grant	33,333	24,500
Third Age Initiative - Hartford Foundation for Public Giving grant	60,000	-
High Hopes Program - Connecticut Department of Education grant	15,000	-
Summer Nexus Program - Hartford Foundation for Public Giving grant	1,500	-
	<u>\$ 111,833</u>	<u>\$ 45,000</u>

NOTE 7 - LINE OF CREDIT

The Organization has a line of credit available from the Greater Hartford Business Development Center, Inc. due and payable on October 30, 2011 in the amount of \$75,000. The line carries an interest rate of 4%, payable monthly, on the outstanding principal balance. The balance on the line was \$-0- as of December 31, 2010 and 2009.

LEADERSHIP GREATER HARTFORD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 8 - LEASES

In October 2004, the Organization entered into a five-year lease for the rental of 1,200 square feet of office space. Per their lease agreement, the Organization paid no rent for the 14 months ended December 31, 2005.

In June 2005, the Organization began renting an additional 284 square feet of office space from Nutmeg Big Brothers Big Sisters, who are located next door to the Organization in the building.

As of December 31, 2009, Leadership Greater Hartford was renting all occupied office space on a month-to-month basis. During the year ended December 31, 2010, the Organization entered into a five-year lease for new office space within the same building. Under this lease, rent was payable in monthly installments of \$1,350 through April 2010, and \$2,150 through December 2010. Rent is payable in monthly installments of \$2,150 through December 2011, and \$2,230 through December 2014. Future minimum rental payments under the operating lease are as follows:

December 31, 2011	\$25,800
December 31, 2012	26,760
December 31, 2013	26,760
December 31, 2014	26,760

Rental expense for the years ended December 31, 2010 and 2009, totaled \$24,239 and \$21,280, respectively.

NOTE 9 - CONCENTRATIONS / UNCERTAINTIES

The Organization is occasionally a party to routine legal proceedings and litigation arising in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claim will not have a material adverse effect on the financial position of the Organization.

At December 31, 2010, approximately 34% and 22% of accounts receivable were due from the Hartford Public Schools and the Hartford Foundation for Public Giving, respectively. At December 31, 2009, approximately 23% and 24% of accounts receivable were due from the Hartford Public Schools and the Hartford Foundation for Public Giving.

NOTE 10 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 12, 2011, which is the date the financial statements were available to be issued. There are no material subsequent events which require recognition or disclosure.