CHARTER OAK TEMPLE RESTORATION ASSOCIATION, INC.
DBA: CHARTER OAK CULTURAL CENTER

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

CHARTER OAK TEMPLE RESTORATION ASSOCIATION, INC.
DBA: CHARTER OAK CULTURAL CENTER

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YEARS ENDED DECEMBER 31, 2022 AND 2021

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Charter Oak Temple Restoration Association, Inc.
dba: Charter Oak Cultural Center
Hartford, Connecticut

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Charter Oak Temple Restoration Association, Inc. dba: Charter Oak Cultural Center (Charter Oak), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Charter Oak as of December 31, 2022 and 2021, and the changes in its net assets and 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 audits 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 Charter Oak and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1, during the year ended December 31, 2022, Charter Oak Temple Restoration Association, Inc. adopted Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* Our opinion is not modified with respect to this matter.

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 Charter Oak's ability to continue as a going concern for one year after the date 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 Charter Oak'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 Charter Oak'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.

Emphasis-of-Matter

As discussed in Note 11 to the financial statements, the entity has suffered recurring losses from operations and has a net loss within net assets without donor restrictions. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 11. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
October 23, 2023

CHARTER OAK TEMPLE RESTORATION ASSOCIATION, INC.
DBA: CHARTER OAK CULTURAL CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,157,004	$ 512,275
Grants Receivable	-	183,249
Pledges Receivable, Net	531,673	283,116
Other Receivables	32,768	29,189
Prepaid Expenses	-	2,482
Total Current Assets	1,721,445	1,010,311
NONCURRENT ASSETS		
Property and Equipment, Net	1,647,032	1,370,357
Investments Held by Others	30,791	36,560
Total Noncurrent Assets	1,677,823	1,406,917
Total Assets	$ 3,399,268	$ 2,417,228
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 43,541	$ 27,006
Notes Payable, Current Portion	20,894	19,976
Lines of Credit	67,629	-
Refundable Advances	356,869	-
Total Current Liabilities	488,933	46,982
LONG-TERM LIABILITIES		
Notes Payable, Less Current Portion	60,295	81,065
Total Liabilities	549,228	128,047
NET ASSETS		
Net Assets Without Donor Restrictions	(308,244)	(212,866)
Net Assets With Donor Restrictions	3,158,284	2,502,047
Total Net Assets	2,850,040	2,289,181
Total Liabilities and Net Assets	$ 3,399,268	$ 2,417,228

See accompanying Notes to Financial Statements.

CHARTER OAK TEMPLE RESTORATION ASSOCIATION, INC.
DBA: CHARTER OAK CULTURAL CENTER
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Grants and Contributions	$ 623,017	$ 890,447	$ 1,513,464	$ 577,596	$ 699,544	$ 1,277,140
Special Events	120,864	-	120,864	125,288	-	125,288
Program Services Revenue	82,422	-	82,422	41,583	-	41,583
Donated Goods and Services	11,870	-	11,870	13,307	-	13,307
Realized and Unrealized Investment Gain(Loss)	(5,268)	-	(5,268)	5,401	-	5,401
Net Assets Released from Restrictions	234,210	(234,210)	-	219,384	(219,384)	-
Total Support and Revenue	1,067,115	656,237	1,723,352	982,559	480,160	1,462,719
EXPENSES						
Program Services:						
Youth Arts	431,739	-	431,739	238,894	-	238,894
Community/Social Justice	113,067	-	113,067	81,400	-	81,400
Charter Oak Temple	73,751	-	73,751	77,034	-	77,034
Performing and Visual Arts	48,255	-	48,255	23,987	-	23,987
Total Program Services	666,812	-	666,812	421,315	-	421,315
Supporting Services:						
Management and General	413,699	-	413,699	408,173	-	408,173
Fundraising	81,982	-	81,982	58,315	-	58,315
Total Supporting Services	495,681	-	495,681	466,488	-	466,488
Total Expenses	1,162,493	-	1,162,493	887,803	-	887,803
CHANGE IN NET ASSETS	(95,378)	656,237	560,859	94,756	480,160	574,916
Net Assets - Beginning of Year	(212,866)	2,502,047	2,289,181	(307,622)	2,021,887	1,714,265
NET ASSETS - END OF YEAR	$ (308,244)	$ 3,158,284	$ 2,850,040	$ (212,866)	$ 2,502,047	$ 2,289,181

See accompanying Notes to Financial Statements.

CHARTER OAK TEMPLE RESTORATION ASSOCIATION, INC.
DBA: CHARTER OAK CULTURAL CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services					Supporting Services			
	Youth Arts	Performing and Visual Arts	Community/ Social Justice	Charter Oak Temple	Total	Management and General	Fundraising	Total	Total Expenses
Salaries and Benefits	$ 267,686	$ 18,555	$ 46,205	$ 60,966	$ 393,412	$ 186,194	$ 61,469	$ 247,663	$ 641,075
Professional Services	104,426	23,565	27,213	7,525	162,729	92,560	17,238	109,798	272,527
Supplies	23,311	1,597	25,503	90	50,501	21,147	1,186	22,333	72,834
Depreciation	-	-	-	-	-	47,244	-	47,244	47,244
Utilities	23,233	2,898	6,155	3,290	35,576	11,087	-	11,087	46,663
Other	-	8	1	27	36	34,941	359	35,300	35,336
Insurance	13,071	1,630	3,463	1,851	20,015	6,238	-	6,238	26,253
Interest	-	-	-	-	-	6,690	-	6,690	6,690
Building Repairs and Maintenance	-	-	-	-	-	5,317	-	5,317	5,317
Marketing	-	-	4,524	-	4,524	207	220	427	4,951
Postage/Mailing	-	-	-	-	-	2,068	1,510	3,578	3,578
Occupancy	12	2	3	2	19	6	-	6	25
Total Expenses	$ 431,739	$ 48,255	$ 113,067	$ 73,751	$ 666,812	$ 413,699	$ 81,982	$ 495,681	$ 1,162,493

See accompanying Notes to Financial Statements.

CHARTER OAK TEMPLE RESTORATION ASSOCIATION, INC.
DBA: CHARTER OAK CULTURAL CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services					Supporting Services			
	Youth Arts	Performing and Visual Arts	Community/ Social Justice	Charter Oak Temple	Total	Management and General	Fundraising	Total	Total Expenses
Salaries and Benefits	$ 135,599	$ 7,446	$ 27,765	$ 41,805	$ 212,615	$ 252,202	$ 39,806	$ 292,008	$ 504,623
Professional Services	33,241	8,272	13,320	7,414	62,247	82,810	-	82,810	145,057
Supplies	28,289	733	20,624	-	49,646	1,731	-	1,731	51,377
Depreciation	17,002	1,679	5,726	4,091	28,498	20,317	-	20,317	48,815
Utilities	10,609	1,048	3,573	2,552	17,782	12,677	-	12,677	30,459
Other	688	3,507	5,952	-	10,147	10,819	-	10,819	20,966
Insurance	13,018	1,286	4,384	3,132	21,820	15,556	-	15,556	37,376
Interest	-	-	-	-	-	5,179	-	5,179	5,179
Building Repairs and Maintenance	-	-	-	-	-	2,677	-	2,677	2,677
Marketing	-	-	-	-	-	2,680	-	2,680	2,680
Postage/Mailing	283	-	-	-	283	977	-	977	1,260
Occupancy	165	16	56	40	277	198	-	198	475
Equipment	-	-	-	-	-	350	-	350	350
Special Event	-	-	-	18,000	18,000	-	18,509	18,509	36,509
Total Expenses	$ 238,894	$ 23,987	$ 81,400	$ 77,034	$ 421,315	$ 408,173	$ 58,315	$ 466,488	$ 887,803

See accompanying Notes to Financial Statements.

CHARTER OAK TEMPLE RESTORATION ASSOCIATION, INC.
DBA: CHARTER OAK CULTURAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 560,859	$ 574,916
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	47,244	48,815
Bad Debt Expense	32,550	-
Realized and Unrealized Loss (Gain) on Investments	5,769	(5,240)
Contributions Restricted for Capital Campaign	(400,000)	(220,000)
Contributions of Donated Property and Equipment	(5,000)	-
(Increase) Decrease in Operating Assets:		
Grants and Contributions Receivable	112,353	(228,040)
Prepaid Expenses	2,482	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	16,535	(23,160)
Refundable Advances	356,869	-
Net Cash Provided by Operating Activities	729,661	147,291
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment, Net	(318,919)	(515,865)
Net Cash Used by Investing Activities	(318,919)	(515,865)
CASH FROM FINANCING ACTIVITIES		
Contributions Restricted for Capital Campaign	186,210	109,200
Proceeds from Line of Credit	67,629	-
Repayment of Notes Payable	(19,852)	(19,005)
Net Cash Provided by Financing Activities	233,987	90,195
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	644,729	(278,379)
Cash and Cash Equivalents - Beginning of Year	512,275	790,654
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,157,004	$ 512,275
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 6,690	$ 5,179

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Charter Oak Temple Restoration Association, Inc. dba: Charter Oak Cultural Center (Charter Oak) is a Connecticut nonprofit, nonstock corporation whose mission is to restore, preserve, and maintain its landmark building and to provide multicultural arts and humanities programs, educational programs for the public and children of low-income families, and other community beneficial programs. Charter Oak's primary sources of support and revenue are contributions, grants, and program fees.

Change in Accounting Principle

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets.* The amendments improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including disclosure requirements for recognized contributed services. The amendments do not change the recognition and measurement requirements for those assets. The new standard is effective for annual reporting periods beginning after June 15, 2021. Management has adopted the standard for the year ended December 31, 2022.

Basis of Accounting and Presentation

The financial statements of Charter Oak have been prepared in accordance with accounting principles generally accepted in the United States of America. Charter Oak reports information regarding its financial position and activities according to the following classes of net assets:

Net Assets Without Donor Restrictions – Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the board of directors.

Net Assets With Donor Restrictions – Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure.

Use of 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 in the financial statements. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and certain highly liquid investments with original maturities of three months or less. Charter Oak's deposits in financial institutions may, at times, exceed federal depository insurance limits. Management believes that Charter Oak's deposits are not subject to significant credit risk.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Equipment acquisitions and substantial improvements thereon that individually exceed $500 are capitalized at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the related assets. Repairs and maintenance are charged to expense as incurred.

Investment Valuation and Income Recognition

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. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Investment income includes the Charter Oak's gains and losses on investments bought and sold as well as held during the year. These amounts are reported in the statements of activities as increases or decreases in net assets without donor restrictions.

Investments Held By Others

Charter Oak transferred funds to the Jewish Community Foundation (the Foundation) for the Foundation to invest on its behalf. Charter Oak's funds are pooled with other Foundation funds and invested using the Foundation's investment policy. The investment strategy is to maximize current income while preserving capital. Annual distributions are made to Charter Oak based on the earnings of the underlying investments and reported as investment income on the statement of activities. Principal distributions may also be requested as needed. The fund is carried at fair value as discussed in Note 4.

Grants and Contributions

Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

Charter Oak recognizes contributions of cash and other assets as donor-restricted support 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 accompanying statements 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. Transfers of assets from a resource provider received before the barriers are overcome are reported as deferred revenue on the accompanying statement of financial position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions (Continued)

As of December 31, 2022, there are $356,869 of conditional contributions. There were no conditional contributions as of December 31, 2021.

Revenue Recognition – Program Fees

Charter Oak recognizes revenue at an amount that reflects the consideration to which Charter Oak expects to be entitled in exchange for transferring goods or services to its customers using the following five-step process:

1. Identify the contract(s) with the customer
2. Identify the performance obligation(s) in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations in the contract
5. Recognize revenue when (or as) Charter Oak satisfies a performance obligation

See Note 2 for details on how the above five-step process is applied to Charter Oak's contracts with customers.

Concentrations

Approximately 96% of net contributions receivable relates to pledges from two major donors at December 31, 2022. Approximately 57% of net contributions receivable relates to pledges from two major donors at December 31, 2021. Approximately 45% of contribution and grant revenue relates to grants and contributions from two major donors at December 31, 2022. Approximately 27% of net contributions receivable relates to pledges from two major donors at December 31, 2021.

Functional Allocation of Expenses

The cost of various projects and supporting services have been summarized on a functional basis in the statements of functional expenses. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied and determined by management. The expenses that are allocated based upon time and effort include salaries and benefits, depreciation, utilities, and insurance.

Income Taxes

Charter Oak is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through October 23, 2023, which represents the date the financial statements were available to be issued.

NOTE 2 REVENUES FROM CONTRACTS WITH CUSTOMERS

Program Services Revenue - Charter Oak enters into written contracts to provide programs to participants, which may be individuals or schools. Program service revenue is derived from after-school programs upon request, primarily for the Hartford Public School System, at the customer's location. Each program consists of several sessions of instruction by a teaching artist on a selected cultural arts topic. At contract inception, Charter Oak assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a good or service (or bundle of goods or services). To identify the performance obligations, Charter Oak considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices. Charter Oak satisfies its performance obligations for programs at the point in time when the program is held. Program fees paid in advance are recognized as deferred revenue until earned. As of December 31, 2022 and 2021, there were no program fees paid in advance. In the rare event that a program cannot take place, Charter Oak's policy is to refund fees collected in full or prorated as is appropriate.

Charter Oak recognized revenue for program fees at a point in time of $82,422 and $41,583 for the years ended December 31, 2022 and 2021, respectively.

Special Events – Charter Oak conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event—the exchange component—and a portion represents a contribution to Charter Oak. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to Charter Oak. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than Charter Oak, are recorded within the statements of functional expense. The performance obligation is delivery of the event. The event fee is set by Charter Oak. ASU 2014-09 requires allocation of the transaction price to the performance obligations. Accordingly, Charter Oak separately presents in its statements of activities the exchange and contribution components of the gross proceeds from special events. Special event fees collected by Charter Oak in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, Charter Oak follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is, therefore, treated as a refundable advance along with the exchange component.

NOTE 3 PLEDGES RECEIVABLE

Charter Oak presents pledges receivable net of an allowance for doubtful pledges. The allowance is based on prior years' experience and management's analysis of specific pledges made. Pledges receivable are written off only when management believes amounts will not be collected. There were no pledges considered uncollectible and written off for the years ended December 31, 2022 and 2021.

Unconditional pledges receivable as of December 31, are expected to be collected as follows:

	2022	2021
Contributions Receivable in Less Than One Year	$ 181,310	$ 106,923
Contributions Receivable in One to Five Years	418,000	185,120
Total Pledges Receivable		
Less: Allowance for Uncollectible Accounts	(32,550)	-
Less: Discounts to Net Present Value	(35,087)	(8,927)
Net: Pledges Receivable	$ 531,673	$ 283,116

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2022	2021
Buildings and Improvements	$ 1,619,601	$ 1,619,601
Office Equipment	94,508	94,508
Furniture and Fixtures	143,561	138,561
Land	228,411	228,411
Construction in Progress	1,144,796	825,877
Total Property and Equipment	3,230,877	2,906,958
Less: Accumulated Depreciation	1,583,845	1,536,601
Property and Equipment, Net	$ 1,647,032	$ 1,370,357

Depreciation expense was $47,244 and $48,815 for the years ended December 31, 2022 and 2021, respectively.

Construction in progress as of December 31, 2022 and 2021 relates to improvements to the property at 21 Charter Oak Avenue, Hartford, Connecticut. This project is part of a multi-year project funded by a capital campaign that will be completed in phases over the next several years. In February 2021, Charter Oak entered into a purchase agreement for an adjacent property located at 25 Charter Oak Avenue. Restricted building funds were utilized to purchase the property. In purchasing the historic property, Charter Oak has modified the expansion plans related to the construction in progress and will utilize funds to renovate the new building over the next several years.

NOTE 5 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establish a 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 (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets 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 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. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

The following is a description of the valuation methodologies used for assets measured at fair value:

Investments Held by Others

The investment funds are valued using the net asset value as reported by the Foundation based on the fair value of the underlying assets and liabilities at the measurement date. The net asset value is used as a practical expedient to estimate fair value.

There have been no changes in the methodologies used at December 31, 2022 and 2021.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Charter Oak 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.

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Measured at Fair Value on a Recurring Basis

The following tables set forth by level, within the fair value hierarchy, the Charter Oak's assets at fair value as of December 31:

		Assets Measured at Net Asset Value (a)	Fair Value Measurements Using		
December 31, 2022			Level 1	Level 2	Level 3
Investments Held by Others	$ 30,791	$ 30,791	$ -	$ -	$ -
Total Assets Measured at Fair Value	$ 30,791	$ 30,791	$ -	$ -	$ -
December 31, 2021					
Investments Held by Others	$ 36,560	$ 36,560	$ -	$ -	$ -
Total Assets Measured at Fair Value	$ 36,560	$ 36,560	$ -	$ -	$ -

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

NOTE 6 LINES OF CREDIT

In connection with a grant received from the Community Economic Development Fund (CEDF), Charter Oak obtained a $25,000 line of credit from the CEDF that bears interest at 4%. No amounts were outstanding under the line as of December 31, 2022 and 2021.

During the year ended December 31, 2018, Charter Oak obtained a $75,000 line of credit from a nonstock corporation that bears interest at 4%. The outstanding balance under the line was $67,629 as of December 31, 2022. There was no outstanding balance on the line as of December 31, 2021.

NOTE 7 NOTES PAYABLE

In connection with the expiration of a line of credit in June 2016, Charter Oak restructured the line in the amount of $193,112 to a term loan over 10 years. The loan bears interest at a fixed rate of 4.50%, with principal and interest payments of $2,007 through August 2026. This loan is secured by Charter Oak's building. The outstanding balance of this loan as of December 31, 2022 and 2021 was $81,189 and $101,041, respectively.

Future principal payments as of December 31, 2022 are as follows:

Year Ending December 31,	Amount
2023	$ 20,894
2024	21,854
2025	22,858
2026	15,583
Total	$ 81,189

NOTE 8 LIQUIDITY AND AVAILABILITY OF RESOURCES

Charter Oak's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	2022	2021
Cash and Cash Equivalents	$ 1,157,004	$ 512,275
Grants and Contributions Receivable, Net	564,441	495,554
Investments Held by Others	30,791	36,560
Subtotal	1,752,236	1,044,389
Less: Net Assets with Donor Restrictions	(3,158,284)	(2,502,047)
Deficiency of Liquid Net Assets	$ (1,406,048)	$ (1,457,658)

Liquidity Management

Charter Oak maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, Charter Oak has two lines of credit that it could draw upon in the event of an unanticipated liquidity need. See Note 5 for details on the available funds for each line as of December 31, 2022. Charter Oak is actively working towards soliciting unrestricted contributions to assist with providing the needed cash flow to fund general expenditures within the next year. See Note 11 for further documentation on management's plan.

NOTE 9 CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets as recognized in the statement of activities for the years ended December 31:

	2022 Revenue Recognized	2021 Revenue Recognized	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
In-Kind Services	5,420	4,544	Programs	No Associated Donor Restrictions	Rate per Hour
In-Kind Assets	6,450	8,763	Programs	No Associated Donor Restrictions	Valued Based on Similar Item

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2022 and 2021 are available for the following purposes or time periods:

	2022	2021
Purpose Restrictions:		
Building Renovations	$ 2,812,404	$ 2,173,484
Youth Arts (Including Future Period)	216,305	287,019
Community/Social Justice	115,100	15,372
Performing and Visual Arts	7,003	20,500
Celebration of Jewish Art	7,472	5,672
Net Assets With Donor Restrictions	$ 3,158,284	$ 2,502,047

Net assets with donor restrictions were released from restrictions during the years ended December 31, 2022 and 2021 by incurring expenses satisfying the following purpose restrictions:

	2022	2021
Youth Arts	$ 220,713	$ 198,657
Performing and Visual Arts	13,497	2,500
Community/Social Justice	-	18,227
Net Assets Released from Restrictions	$ 234,210	$ 219,384

NOTE 11 INCOME INTEREST BENEFICIARY

Charter Oak is the sole income beneficiary of donor-advised funds held at the Hartford Foundation for Public Giving (HFPG). This interest is not recognized as an asset because HFPG maintains variance power as a matter of policy for this and all of its other donor-advised funds.

NOTE 12 FUTURE OPERATIONS

Due to the deficit in net assets without donor restrictions as well as the liquidity position of Charter Oak as disclosed in Note 7 above, management has developed a formal action plan that refocuses their activities with the overall goal of reversing the deficit within net assets without donor restrictions. While immediate action is necessary to manage cash flow through increased unrestricted contributions, the action plan involves changes to occur through the next few years as the capital campaign concludes. Highlights of this plan include immediate management of cash flow through careful review of the renovation project in order to reduce the overall project cost as well as projected overhead costs due to a decrease in the building square footage, reduction of operating expenditures including a reduction of support staff and discussions with donors to release program-restricted contributions.

Other key factors in this plan include identifying new donor sources, refocusing fundraising efforts from the capital campaign, cultivating existing donors, redesigning fundraising platforms, and developing new fundraising projects in order to increase unrestricted contributions. With support from the board of directors and strict adherence to the above plan, management believes they can reverse the current deficit in the near future.

NOTE 13 PAYCHECK PROTECTION PROGRAM

On May 3, 2020, the Charter Oak received a Paycheck Protection Program (PPP) Loan of $98,640 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which management considered to be a conditional contribution under the governmental grant model. During the year ended December 31, 2021, Charter Oak recognized $98,640 as contribution revenue based on the amount of qualifying expenditures incurred and employee headcount and salary levels maintained. On March 25, 2021, management received notification of full forgiveness by the SBA.

On February 2, 2021, Charter Oak received an additional Paycheck Protection Program (PPP) Loan of $98,640 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which management considered to be a conditional contribution under the governmental grant model. During the year ended December 31, 2021, Charter Oak recognized $98,640 as contribution revenue based on the amount of qualifying expenditures incurred and employee headcount and salary levels maintained. On November 2, 2021, management received notification of full forgiveness by the SBA.

The forgiveness of these loans are subject to audit by the SBA for a period of six years.