



CONNECTICUT CHALLENGE INC.

Financial Statements

Years Ended December 31, 2021 and 2020

CONNECTICUT CHALLENGE INC.

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Independent Accountant's Compilation Report

To the Board of Directors
Connecticut Challenge Inc.
Southport, Connecticut

Management is responsible for the accompanying financial statements of Connecticut Challenge Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Cirone Friedberg, LLP

Shelton, Connecticut
November 11, 2022

CONNECTICUT CHALLENGE INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and Cash Equivalents	\$ 135,540	\$ 145,750
Contributions Receivable	-	100,000
Prepaid Expenses and Other Assets	20,233	21,404
Investment	50,948	50,948
Equipment, Net	7,504	6,467
Intangible Assets	<u>19,206</u>	<u>53,205</u>
Total Assets	<u>\$ 233,431</u>	<u>\$ 377,774</u>
LIABILITIES AND (DEFICIT) NET ASSETS		
<u>Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 185,081	\$ 190,544
Notes Payable	223,375	304,629
Obligation From Early Lease Termination	<u>473,108</u>	<u>473,108</u>
Total Liabilities	<u>881,564</u>	<u>968,281</u>
<u>Net Assets Deficit</u>		
Net Assets Deficit Without Donor Restriction	(654,182)	(596,556)
Net Assets With Donor Restriction	<u>6,049</u>	<u>6,049</u>
Total Net Assets Deficit	<u>(648,133)</u>	<u>(590,507)</u>
Total Liabilities and (Deficit) Net Assets	<u>\$ 233,431</u>	<u>\$ 377,774</u>

See independent accountant's compilation report and notes to financial statements.

CONNECTICUT CHALLENGE INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenue, Gains and Other Support						
Contributions and Grants	\$ 468,397	\$ -	\$ 468,397	\$ 406,330	\$ -	\$ 406,330
PPP Grant	81,410	-	81,410	147,800	-	147,800
Special Events	376	-	376	11,105	-	11,105
Membership	-	-	-	29,343	-	29,343
Merchandise Sales	2,319	-	2,319	-	-	-
Total Revenues, Gains and Other Support	<u>552,502</u>	<u>-</u>	<u>552,502</u>	<u>594,578</u>	<u>-</u>	<u>594,578</u>
Functional Expenses						
Programs:						
Mission Training Center	-	-	-	243,642	-	243,642
Cancer Survivorship Programs	491,499	-	491,499	350,360	-	350,360
Total Programs	<u>491,499</u>	<u>-</u>	<u>491,499</u>	<u>594,002</u>	<u>-</u>	<u>594,002</u>
Management and General	40,989	-	40,989	54,950	-	54,950
Development and Fundraising	42,308	-	42,308	59,591	-	59,591
Total Functional Expenses	<u>574,796</u>	<u>-</u>	<u>574,796</u>	<u>708,543</u>	<u>-</u>	<u>708,543</u>
Change in Net Assets from Operations						
Before Depreciation and Amortization	(22,294)	-	(22,294)	(113,965)	-	(113,965)
Depreciation and Amortization	<u>(35,342)</u>	<u>-</u>	<u>(35,342)</u>	<u>(101,293)</u>	<u>-</u>	<u>(101,293)</u>
Change in (Deficit) Net Assets from Operations	(57,636)	-	(57,636)	(215,258)	-	(215,258)
Other Changes in (Deficit) Net Assets						
Loss on Abandonment of the Center	-	-	-	(1,290,798)	-	(1,290,798)
Investment Return and Impairment, Net	10	-	10	(50,842)	-	(50,842)
Change in (Deficit) Net Assets	<u>(57,626)</u>	<u>-</u>	<u>(57,626)</u>	<u>(1,556,898)</u>	<u>-</u>	<u>(1,556,898)</u>
(Deficit) Net Assets - Beginning of Year	<u>(596,556)</u>	<u>6,049</u>	<u>(590,507)</u>	<u>960,342</u>	<u>6,049</u>	<u>966,391</u>
Net Assets Deficit - End of Year	<u>\$ (654,182)</u>	<u>\$ 6,049</u>	<u>\$ (648,133)</u>	<u>\$ (596,556)</u>	<u>\$ 6,049</u>	<u>\$ (590,507)</u>

See independent accountant's compilation report and notes to financial statements.

CONNECTICUT CHALLENGE INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in (Deficit) Net Assets	\$ (57,626)	\$(1,556,898)
Adjustments to Reconcile Change in (Deficit) Net Assets to Net Cash (Used) Provided by Operating Activities:		
Depreciation and Amortization	35,342	101,293
Impairment of Investment	-	50,948
Loss on Abandonment of Center	-	1,290,798
Changes in Assets and Liabilities:		
Contributions Receivable	100,000	(98,950)
Prepaid Expenses and Other Assets	1,171	14,785
Accounts Payable and Accrued Expenses	(5,463)	61,728
Net Cash Provided (Used) by Operating Activities	<u>73,424</u>	<u>(136,296)</u>
Cash Flows from Investing Activities		
Purchases of Leasehold Improvements and Equipment	<u>(2,380)</u>	<u>(2,674)</u>
Cash Flows from Financing Activities		
Payments on Notes Payable	<u>(81,254)</u>	<u>(56,855)</u>
Net Decrease in Cash and Cash Equivalents	(10,210)	(195,825)
Cash and Cash Equivalents - Beginning of Year	<u>145,750</u>	<u>341,575</u>
Cash and Cash Equivalents - End of Year	<u>\$ 135,540</u>	<u>\$ 145,750</u>
Supplemental Cash Flow Information		
Cash Paid During the Year for Interest	<u>\$ 11,712</u>	<u>\$ 26,974</u>
Conversion of Line of Credit to Term Loan	<u>\$ -</u>	<u>\$ 150,000</u>

See independent accountant's compilation report and notes to financial statements.

CONNECTICUT CHALLENGE INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 - NATURE OF OPERATIONS

Connecticut Challenge Inc. d/b/a CT Challenge and Mission (CTC) was founded on May 2, 2005 as a not-for-profit organization incorporated under the Nonstock Corporation Act of the State of Connecticut and as a 501(c)(3) organization, is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (Code). CTC is also exempt from state income tax. The mission of CTC is to empower cancer survivors to live healthier, happier and longer lives through the game-changing exercise, nutrition and mind-body knowledge, tools and community needed to get to the other side of cancer and stay there. CTC serves its mission by creating and funding survivorship programs, providing grants, building a community of support, and offering public education and awareness using the Mission Training Center (Center) and its web-based platforms as the centerpiece of its offerings. CTC raises funds for its programs through its annual marquee charity bike event and other related fundraising activities.

COVID-19

The COVID-19 outbreak is disrupting business operations across a range of industries. The extent of the impact of COVID-19 on CTC's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on donors, governmental and non-governmental funding sources, employees and vendors; all of which are uncertain and cannot be predicted. The extent to which COVID-19 may continue to impact the financial condition or results of operations of CTC is uncertain as of the date of these financial statements.

On March 10, 2020, Connecticut Governor Ned Lamont declared a Public Health and Civil Preparedness Emergency. As a result, CTC announced that it would close the Center and exit the lease (see Note 5).

As a result of the Public Health and Civil Preparedness Emergency, CTC had to cancel or postpone substantially all of its in-person programming and fundraising, including the Connecticut Challenge Bike Event, resulting in significant reductions in revenue for the year ended December 31, 2020.

Program Services

Mission

CTC continued to build upon its mission-related programs in 2021. These included a robust build-out of its digital health and wellness offerings; programs for young adult cancer survivors through the "Adventure Project"; delivery of virtual wellness resources through the "Calm" App and its partner "MyVictory" which delivers on-line exercise classes for cancer survivors via a vibrant website; delivery of cancer survivorship information and education; and legacy grants for survivorship programs at county-based hospitals. In 2021, programs funded by CTC impacted the lives of thousands of cancer survivors through our digital platform; see the following sections for details.

See independent accountant's compilation report.

CONNECTICUT CHALLENGE INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 - NATURE OF OPERATIONS (CONTINUED)

Program Services (continued)

Mission Training Center

The 8,000-square foot state-of-the-art Center in Southport, Connecticut, was a paradigm-shifter, the centerpiece of all CTC programs. CTC was forced to close the Center in May 2020 due to the COVID-19 pandemic, and future plans to re-open have been put on hold.

Digital Health and Wellness

As previously stated, CTC remains committed to reaching an ever-increasing audience of cancer survivors, as evidenced by its continued investment in an evolving digital hub (www.ctchallenge.org and now www.yourmission.org).

CTC Digital Health and Wellness initiatives include a bi-weekly e-newsletter and social media channels (Facebook, Instagram, Twitter and YouTube). These communication platforms are built from content including blogs, videos, inspirational survivorship stories, recipes, strength and fitness-building strategies and more. They are CTC's distribution channels for the actionable knowledge amassed from the exercise, nutrition, mind-body health and community-building support programs incubated at the Center, enabling CTC to put these best practices within reach of any survivor in need of them, regardless of where they live.

The CTC enabled over 125 cancer survivors to receive wellness support by providing 1-year subscriptions to the #1 rated meditation App called "CALM", which has over 1 million subscribers.

Education and Community Programs

CTC allocated funds to better serve survivors in a community-based approach. Through the responsible investment of CTC's resources in community-centered initiatives, it is able to join fellow organizations in targeting the underserved, raising and addressing neglected survivorship issues, and impacting people in a personal, meaningful way.

See independent accountant's compilation report.

CONNECTICUT CHALLENGE INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 - NATURE OF OPERATIONS (CONTINUED)

Program Services (continued)

Young Survivor Programs

Fifty years ago, childhood cancers were largely fatal; today, the survival rate is over 83%. However, as the number of these survivors reaching adulthood increases, so do the after-effects from their treatments. Childhood cancer survivors experience multiple, often severe, health problems more typical of those much older; they also die prematurely. By age 45, a majority of pediatric cancer survivors will have a disabling, serious or life-threatening health condition. It is particularly important for these survivors to early adopt the healthy lifestyle advocated by CTC, and to continue its maintenance.

CTC advances this aim through the "Adventure Project," a program that emerged in 2016 after five years of beta testing. The "Adventure Project" gives survivors ages 12 to 30 throughout the United States free access to dedicated personal trainers who work both in-person, in health clubs and virtually with these young survivors to achieve their goals, via exercise training programs.

CTC's past programs included a partnership with the Susan Fund, a not-for-profit organization dedicated to providing college scholarships to young cancer survivors. This program provides financial assistance to those in need so they can attend the college of their choice and pursue their dreams. An additional scholarship program was designed to support the CT Challenge Christopher Cook Scholarship, awarded to student cancer survivors attending Sacred Heart University. CTC partnered with Camp Rising Sun to provide awareness and branding support for week-long camp experiences for pediatric cancer survivors and has provided past grants to the organization since 2014. Camp Rising Sun serves pediatric cancer survivors each year and provides hope and inspiration for these young children.

Prevention

From 2010-2015, CTC gave grants to fund the St. Vincent's/CT Challenge Mobile Mammography Coach vehicle, providing mammography screening to those in local towns and communities. This mobile unit and digital mammography equipment travels throughout Connecticut, typically screening patients at three different public locations per month, in addition to corporate screenings. Mammograms are low-cost for those with health insurance and free for those who do not have health insurance, have financial limitations and/or qualify for assistance.

Connecticut Challenge - Bike Event

The 18th Annual Connecticut Challenge Bike Event was held in 2021, which included over 1,000 riders, volunteers and cancer survivors for a celebration day in honor of cancer survivors. The event featured eight young adult cancer survivors who have benefitted from the Mission "Adventure Project" program.

See independent accountant's compilation report.

CONNECTICUT CHALLENGE INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 - NATURE OF OPERATIONS (CONTINUED)

Program Services (continued)

Partnerships

CTC has had past strategic partnerships with the Leukemia & Lymphoma Society, American Cancer Society, Susan G. Komen, Camp Rising Sun, Row For A Cure, The Hole In The Wall Gang Camp, Norwalk Hospital and Norma Pfriem Breast Cancer Center, and will continue to collaborate with these and other organizations over the coming years.

Corporate/Community-Based Partners

Partnerships have been established with Fairfield University and Sacred Heart University. In particular, CTC staff work with school officials on programming and special events. CTC endowed a scholarship for young adult cancer survivors named the "Chris Cook Scholarship Fund" at Sacred Heart University.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of CTC have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require CTC to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restriction

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of CTC's board of directors.

Net Assets With Donor Restriction

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CTC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. CTC did not have any net assets with restrictions in perpetuity as of December 31, 2021 and 2020.

Donor restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires or the restricted purpose is satisfied, net assets are reclassified from net assets with donor restriction to net assets without donor restriction in the statements of activities.

See independent accountant's compilation report.

CONNECTICUT CHALLENGE INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of Operations

CTC's measure of operations includes all changes in net assets except investment gains and losses and the loss on abandonment of the Center.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and certain highly liquid investments with original maturities of 90 days or less.

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 the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include CTC's gains and losses on investments bought and sold as well as held during the year and are reported in the statements of activities as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulations or by law.

Leasehold Improvements and Equipment

Leasehold Improvements and equipment are stated at cost or, in the case of contributed assets, at their fair market value at the date of receipt as determined by CTC. Equipment acquisitions and improvements are depreciated on a straight-line basis over the shorter of their estimated useful lives of 3 to 15.5 years or the remaining lease term for leasehold improvements. Repairs and maintenance are charged to expense as incurred. Due to the closing of the Center, leasehold improvements and equipment were disposed of during 2020. The related loss is included in loss on abandonment of the Center in the accompanying statements of activities (see Note 5).

Intangible Assets

Intangible assets consist exclusively of website development costs and are being amortized over 36-60 months.

See independent accountant's compilation report.

CONNECTICUT CHALLENGE INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

CTC recognizes contributions and sponsorships when cash, securities, an unconditional promise to give, other assets, or a notification of a beneficial interest are received. Conditional promises to give, that is, those with measurable performance or other barriers and right of return, are not recognized until the conditions on which they depend have been met.

Contributions

Contributions received are recorded as net assets without donor restriction or net assets with donor restriction, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires or the restricted purpose is satisfied in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restriction, depending on the nature of the restriction. When a restriction expires or the restricted purpose is satisfied, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Contributions receivable that are expected to be received within one year of the financial statement date are reflected at their net realizable value (the gross amount of the contributions receivable, net of an allowance for uncollectible amounts). Contributions receivable that are expected to be collected more than one year after the financial statement date are reflected at the present value of their estimated future cash flows using a discount rate at the date the promise to give is received commensurate with the risks involved. As of December 31, 2021 and 2020, CTC had contributions receivable of \$-0- and \$100,000, respectively. All contributions receivable are expected to be collected during the following year.

Contributions of Non-Financial Assets

Donated non-financial assets are recorded at their fair values at the date of donation. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. There were no contributions of non-financial assets meeting this criteria for recognition for the years ended December 31, 2021 and 2020.

Memberships

Revenue from memberships is recognized monthly at the time each member's credit card is charged. Membership revenue ceased in May 2020 with the closing of the Center.

See independent accountant's compilation report.

CONNECTICUT CHALLENGE INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Disaggregated Revenues

For the year ended December 31, 2020, Membership income recognized over time was \$29,343. There was no income recognized over time for the year ended December 31, 2021.

CTC's revenues, results of operations, and cash flows are affected by a wide variety of factors, including general economic conditions and geographical region of the population that they serve.

Functional Expense Allocation

Expenses are charged directly to programs, development and fundraising, and management and general based on specific identification to the extent practicable. Management and general expenses include those expenses that are not directly identifiable with a specific function but provide for the overall support and direction of CTC.

The costs of providing various programs and other activities have been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Allocation of overhead expenses including rent, utilities, supplies and postage, printing and publications, credit card fees, membership fees, communications, interest, storage, insurance and depreciation and amortization are allocated to functional areas based upon square footage. The allocations of salary and related expenses for management and supervision of program service functions are made by management based on the estimated time spent by employees on the various program service functions.

Special event costs allocated to development and fundraising and/or other programs were based upon square footage of event space utilized (e.g., tent occupancy) and purpose of event. All events of the organization (including fundraising events) are to promote the programs to cancer survivors and to raise money for those programs. Total joint costs allocated between programs and development and fundraising were \$47,613 and \$23,519 for the years ended December 31, 2021 and 2020, respectively. Joint costs allocated to programs were \$42,296 and \$22,426 for the years ended December 31, 2021 and 2020, respectively. Joint costs allocated to fundraising and development were \$5,226 and \$1,093 for the years ended December 31, 2021 and 2020, respectively.

Subsequent Events

Management has evaluated all transactions and events that occurred through November 11, 2022, the date these financial statements were available to be issued. Through that date, except as disclosed in Note 7, there were no material events that would require recognition or additional disclosure in the financial statements.

See independent accountant's compilation report.

CONNECTICUT CHALLENGE INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

CTC's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents and investments.

Cash and Cash Equivalents

CTC places its cash deposits with high credit-quality institutions. Such deposits exceeded federal depository insurance limits at times during the year. However, management believes that CTC's deposits are not subject to significant credit risk.

Investment

CTC's investment consists of donated stock in a privately held corporation. This investment is not protected by federal depository insurance. The value of the investment is subject to fluctuations due to general market conditions and interest rates.

NOTE 4 - FAIR VALUE MEASUREMENTS

U.S. GAAP has established 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 or liabilities (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 CTC 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.

See independent accountant's compilation report.

CONNECTICUT CHALLENGE INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

Privately Held Corporation

The fair value of the privately held corporation investment held by CTC is valued based upon the anticipated cash flows from annual dividends discounted for restrictions and other present value techniques.

There have been no changes in the methodologies used at December 31, 2021 and 2020.

The methods 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 CTC 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.

The following tables set forth by level, within the fair value hierarchy, CTC's assets at fair value as of December 31, 2021 and 2020:

2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Privately Held Corporation	\$ <u> </u> -	\$ <u> </u> -	<u>\$50,948</u>	<u>\$50,948</u>

2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Privately Held Corporation	\$ <u> </u> -	\$ <u> </u> -	<u>\$50,948</u>	<u>\$50,948</u>

See independent accountant's compilation report.

CONNECTICUT CHALLENGE INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

Level 3 investments represent a minority interest in the stock of a privately held corporation. The table below sets forth a summary of changes in the fair value of the CTC's Level 3 assets for the years ended December 31, 2021 and 2020:

Balance - January 1, 2020	\$101,896
Impairment of Investment	<u>(50,948)</u>
Balance - December 31, 2020	<u>50,948</u>
Balance - December 31, 2021	<u>\$ 50,948</u>

During the year ended December 31, 2020, management determined that the fair market value of the private company in which CTC holds a minority interest had decreased resulting in an impairment of the investment.

NOTE 5 - EQUIPMENT

Equipment consist of the following as of December 31,:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 6,500	\$ 6,500
Computer Equipment	<u>12,176</u>	<u>9,796</u>
	18,676	16,296
Less: Accumulated Depreciation	<u>11,172</u>	<u>9,829</u>
Equipment, Net	<u>\$ 7,504</u>	<u>\$ 6,467</u>

Depreciation expense was \$1,343 and \$61,828 for the years ended December 31, 2021 and 2020, respectively.

Due to the closing of the Center as a result of the COVID-19 pandemic, CTC disposed of leasehold improvements and equipment with a cost of \$2,187,919 resulting in a loss of \$970,729 for the year ended December 31, 2020. As part of the facility lease, CTC received lease incentives with a net book value of \$67,499 related to the construction of the Center and rent abatement with a net book value of \$85,540. These amounts were written off during the year ended December 31, 2020, reducing the loss on the abandonment of the Center by \$153,039. In accordance with Accounting Standards Codification (ASC) 420, *Exit of Disposal Cost Obligations*, the Center also recognized an obligation from the early lease termination for the remaining lease payments including amounts allowed to be deferred by the landlord of \$473,108. The net loss on abandonment of the Center recognized for the year ended December 31, 2020 was \$1,290,798.

See independent accountant's compilation report.

CONNECTICUT CHALLENGE INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 - INTANGIBLE ASSETS

Website development costs were \$330,314 at December 31, 2021 and 2020. Accumulated amortization at December 31, 2021 and 2020 was \$311,108 and \$277,109, respectively.

At December 31, 2021, future amortization expense is as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2023	\$17,606
2024	<u>1,600</u>
Total	<u>\$19,206</u>

Amortization expense related to intangible assets was \$33,999 and \$39,465 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7 - NOTES PAYABLE

CTC had an available line of credit in the amount of \$150,000. The line of credit was renewable annually at the bank's discretion. Interest was payable monthly based on the prime rate (3.25% at February 7, 2020) plus 1.5%. On February 7, 2020, the line of credit was converted to a term loan with payments of \$2,785 consisting of principal and interest at 5% monthly through February 2025. During the COVID-19 pandemic, CTC was able to defer payment on the note for a period of 6 months. On October 14, 2021, the agreement was amended to reduce the principal balance to \$112,252 and only require interest payments based on the prime rate plus 1% (4.25% at December 31, 2021) for 12 months beginning on November 7, 2021 and reverting to the original amortization in November 2022. The principal is payable in full at the lender's discretion. The note payable is secured by substantially all of CTC's assets.

CTC obtained a \$250,000 note payable for working capital with an interest rate of 4.78% and monthly payments of principal and interest totaling \$4,700 through December 7, 2022. During the COVID-19 pandemic, CTC was able to defer payment on the note for a period of 3 months. On October 14, 2021, the agreement was amended to reduce the principal balance to \$70,322 and only require interest payments for 12 months beginning on November 7, 2021 and reverting to the original amortization in November 2022. In addition, the amendment changed the interest rate to be variable based on the prime rate plus 1%. The principal balance outstanding is payable in full at the lender's discretion. The note payable is secured by substantially all of CTC's assets.

CTC also financed equipment and improvements totaling \$119,918 through an equipment financing arrangement. The note called for monthly payments of \$2,250 through February 6, 2022 and had an effective interest rate of 4.76%. As part of closing the Center, the equipment was returned and CTC stopped making payments on the debt. A settlement was reached in February 2021 with the lender whereby CTC agreed to pay \$48,002 in monthly payments of \$500 beginning in February 2021 and continuing through July 2022, with any outstanding balance due by August 1, 2022.

See independent accountant's compilation report.

CONNECTICUT CHALLENGE INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 - NOTES PAYABLE (CONTINUED)

The future maturities of the notes payable are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2022	\$117,738
2023	51,296
2024	51,296
2025	<u>3,045</u>
Total	<u>\$223,375</u>

On May 17, 2022, CTC obtained a U.S. Small Business Administration Economic Injury Disaster Loan in the amount of \$500,000. Payments of principal and interest of \$2,244 will begin in May 2024 and continue through May 2052. Interest will accrue on the loan at a rate of 2.75% from the date the funds were disbursed. The funds from the loan are to be used for working capital to alleviate economic injury from the COVID-19 pandemic and may not be used for lobbying activities.

NOTE 8 - PAYCHECK PROTECTION PROGRAM

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act created a new program administered by the Small Business Administration (SBA) called the Paycheck Protection Program (PPP). The PPP provides loans to qualifying businesses for up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan and accrued interest will be forgivable after 24 weeks as long as CTC uses the proceeds for eligible purposes, including payroll, benefits, rent and utilities and maintains payroll levels. The amount of loan forgiveness will be reduced if CTC terminates employees or reduces salaries during the 24-week period unless CTC meets certain conditions. The unforgiven portion of the loan is payable over two years at an interest rate of 1%, with deferred payments for the first six months.

During the year ended December 31, 2020, CTC received loan proceeds of \$147,800 under the PPP (PPP1). CTC concluded that PPP1 represented, in substance, a grant that was expected to be forgiven and accounted for the proceeds in accordance with ASC 958-605: *Not-for-Profit Entities - Revenue Recognition* (ASC 958-605). Under ASC 958-605, proceeds from the PPP are conditional and are initially recorded as a refundable advance. The refundable advance is then reduced and income is recognized once the conditions of release have been substantially met or explicitly waived. During the year ended December 31, 2020, CTC estimated that they incurred \$147,800 of qualifying expenses, determined it had met the requirements for forgiveness, and recognized \$147,800 of grant revenue. In December 2020, CTC received full forgiveness of PPP1.

In March 2021, under the provisions of the PPP, CTC received \$81,410 (PPP2). During the year ended December 31, 2021, CTC incurred \$81,410 in payroll, utilities and related costs under the provisions of the PPP and determined it had met the requirements for forgiveness. Accordingly, during the year ended December 31, 2021, CTC recognized the full amount of PPP2 as grant revenue. In July 2021, CTC received full forgiveness of PPP2.

See independent accountant's compilation report.

CONNECTICUT CHALLENGE INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 9 - LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2021 and 2020, the following financial assets are available to meet annual operating needs for the years ending December 31, 2022 and 2021:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$135,540	\$145,750
Contributions Receivable	<u>-</u>	<u>100,000</u>
Total Financial Assets Available Within One Year	135,540	245,750
Less Amounts Unavailable For General Expenditures Within One Year, Due to:		
Restricted by Donors With Purpose Restrictions	<u>(6,049)</u>	<u>(6,049)</u>
Total Financial Assets Available to Management for General Expenditures Within One Year	<u>\$129,491</u>	<u>\$239,701</u>

Liquidity Management

CTC maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition to financial assets available to meet general expenditures over the next 12 months, CTC operates with a cash flow budget and anticipates collecting sufficient revenue to cover general expenditures.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consists of \$6,049 restricted for the Adventure Project as of December 31, 2021 and 2020. No net assets with donor restriction were released for the years ended December 31, 2021 and 2020.

NOTE 11 - DEFINED CONTRIBUTION RETIREMENT PLAN

CTC maintains a defined contribution retirement plan as defined under Section 401(k) of the Internal Revenue Code. Under the provisions of the plan, employees age 21 and over are eligible to participate after six months of service. Employer matching contributions and discretionary contributions are subject to vesting requirements. Discretionary and matching contributions were suspended for 2021 and 2020.

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CONNECTICUT CHALLENGE INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 12 - LEASE COMMITMENTS

CTC leases a copier under a noncancelable operating lease expiring March 2024. Under the terms of the lease, CTC is responsible for monthly rental payments of \$280.

At December 31, 2021, minimum future rental payments under this operating lease was as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2022	\$ 3,363
2023	3,363
2024	<u>841</u>
Total	<u>\$7,567</u>

NOTE 13 - COMMITMENTS

Contracts

CTC has entered into a professional employer agreement (the PEO agreement) with an independent third party. As part of the PEO agreement, the third party became a co-employer of CTC's employees and provides payroll, human resource and other administrative services to CTC. CTC retains direction and control over the employees necessary to conduct day-to-day job duties. The term of the PEO agreement is for one year and renews automatically for successive one-year terms on the anniversary date. For the years ended December 31, 2021 and 2020, CTC paid \$4,911 and \$5,787, respectively, for these services.

See independent accountant's compilation report.