MOODY, FAMIGLIETTI & ANDRONICO
Certified Public Accountants & Consultants

GOOD SPORTS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Proactive CPA and Consulting Firm

To the Board of Directors
Good Sports, Inc.
Quincy, Massachusetts

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Good Sports, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements 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 the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Good Sports, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moody, Famiglietti & Andronico, LLP

Moody, Famiglietti & Andronico, LLP
Tewksbury, Massachusetts
June 29, 2018

December 31		2017		2016
Assets				
Current Assets:				
Cash and Cash Equivalents	$	**1,111,334**	$	850,841
Investments		**-**		104,993
Accounts Receivable		**14,333**		12,203
Contributions Receivable		**386,725**		224,913
Inventories, Net		**15,203,296**		2,452,889
Prepaid Expenses and Other Current Assets		**48,143**		86,682
Total Current Assets		**16,763,831**		3,732,521
Long Term Investments		**9,821**		-
Property and Equipment, Net of Accumulated Depreciation		**45,894**		41,130
Security Deposits		**10,524**		8,854
Total Assets	**$**	**16,830,070**	$	3,782,505
Liabilities and Net Assets				
Current Liabilities:				
Line of Credit	**$**	**-**	$	-
Accounts Payable		**106,374**		214,657
Accrued Expenses		**82,447**		66,551
Current Portion of Deferred Rent		**4,774**		4,774
Total Current Liabilities		**193,595**		285,982
Deferred Rent, Net of Current Portion		**4,887**		14,817
Total Liabilities		**198,482**		300,799
Net Assets:				
Unrestricted		**612,158**		551,633
Temporarily Restricted		**16,019,430**		2,930,073
Total Net Assets		**16,631,588**		3,481,706
Total Liabilities and Net Assets	**$**	**16,830,070**	$	3,782,505

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

For the Years Ended December 31			**2017**			2016
		Temporarily			Temporarily	
	Unrestricted	**Restricted**	**Total**	Unrestricted	Restricted	Total
Revenue and Other Support:						
Donated Goods and Services	**$ 79,164**	**$ 19,639,655**	**$ 19,718,819**	$ 112,481	$ 3,649,104	$ 3,761,585
Corporate Contributions	**85,269**	**1,977,617**	**2,062,886**	115,510	1,518,998	1,634,508
Special Events, Net of Direct Benefit to Donor Costs of $165,135 and $155,043, Respectively	**734,389**	**-**	**734,389**	598,691	-	598,691
Foundation Contributions	**39,405**	**575,077**	**614,482**	40,007	499,164	539,171
Individual Contributions	**245,258**	**62,513**	**307,771**	324,025	-	324,025
Shipping and Handling Fees	**191,509**	**-**	**191,509**	208,347	-	208,347
Interest Income	**120**	**-**	**120**	1,934	-	1,934
Net Assets Released from Restrictions	**9,165,505**	**(9,165,505)**	**-**	4,764,337	(4,764,337)	-
Total Revenue and Other Support	**10,540,619**	**13,089,357**	**23,629,976**	6,165,332	902,929	7,068,261
Expenses:						
Program Services	**9,207,255**	**-**	**9,207,255**	4,966,045	-	4,966,045
Fundraising	**787,098**	**-**	**787,098**	574,813	-	574,813
General and Administrative	**485,741**	**-**	**485,741**	460,478	-	460,478
Total Expenses	**10,480,094**	**-**	**10,480,094**	6,001,336	-	6,001,336
Increase in Net Assets	**60,525**	**13,089,357**	**13,149,882**	163,996	902,929	1,066,925
Net Assets, Beginning of Year	**551,633**	**2,930,073**	**3,481,706**	387,637	2,027,144	2,414,781
Net Assets, End of Year	**$ 612,158**	**$ 16,019,430**	**$ 16,631,588**	$ 551,633	$ 2,930,073	$ 3,481,706

For the Years Ended December 31				**2017**				2016
	Program Services	**Fundraising**	**General and Administrative**	**Total**	Program Services	Fundraising	General and Administrative	Total
Distribution of Equipment	**$ 5,020,526**	**$ -**	**$ -**	**$ 5,020,526**	$ 3,921,330	$ -	$ -	$ 3,921,330
Inventory Obsolescence	**2,813,042**	**-**	**-**	**2,813,042**	56,159	-	4,884	61,043
Salaries and Related Benefits and Taxes	**869,639**	**454,709**	**368,882**	**1,693,230**	570,190	329,131	268,913	1,168,234
Advertising and Marketing	**76,402**	**91,645**	**55,913**	**223,960**	77,177	28,685	117,010	222,872
Fundraising Events	**-**	**166,996**	**-**	**166,996**	-	149,311	-	149,311
Warehouse Costs	**152,467**	**-**	**-**	**152,467**	81,154	-	55	81,209
Meetings and Travel	**91,573**	**16,484**	**5,676**	**113,733**	91,366	11,566	10,050	112,982
Office Expenses	**38,524**	**27,421**	**19,962**	**85,907**	48,263	17,148	15,730	81,141
Occupancy	**39,605**	**19,011**	**15,556**	**74,172**	37,290	20,043	16,399	73,732
Partner Events	**67,595**	**67**	**56**	**67,718**	42,984	165	135	43,284
Professional Fees	**23,296**	**8,307**	**6,791**	**38,394**	36,960	17,560	14,357	68,877
Depreciation	**-**	**-**	**11,353**	**11,353**	-	-	11,960	11,960
Miscellaneous	**11,271**	**-**	**-**	**11,271**	901	-	-	901
Insurance	**3,315**	**2,458**	**1,552**	**7,325**	2,271	1,204	985	4,460
Total Expenses	**$ 9,207,255**	**$ 787,098**	**$ 485,741**	**$ 10,480,094**	$ 4,966,045	$ 574,813	$ 460,478	$ 6,001,336

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

For the Years Ended December 31	**2017**	2016
Cash Flows from Operating Activities:		
Increase in Net Assets	$ 13,149,882	$ 1,066,925
Adjustments to Reconcile Increase in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	11,353	11,960
Inventory Obsolescence	2,772,752	37,337
Donated Investments	(9,821)	(104,993)
Increase in Accounts Receivable	(2,130)	(1,406)
Increase in Contributions Receivable	(161,812)	(85,024)
Increase in Inventories	(15,523,159)	(945,309)
Decrease (Increase) in Prepaid Expenses and Other Current Assets	38,539	(689)
Increase in Deposits	(1,670)	-
(Decrease) Increase in Accounts Payable	(108,283)	117,669
Increase (Decrease) in Accrued Expenses	15,896	(3,918)
Decrease in Deferred Rent	(9,930)	-
Net Cash Provided By Operating Activities	171,617	92,552
Cash Flows from Investing Activities:		
Proceeds from Sale of Investments	104,993	-
Acquisition of Property and Equipment	(16,117)	(23,956)
Net Cash Provided by (Used in) Investing Activities	88,876	(23,956)
Net Increase in Cash and Cash Equivalents	260,493	68,596
Cash and Cash Equivalents, Beginning of Year	850,841	782,245
Cash and Cash Equivalents, End of Year	$ 1,111,334	$ 850,841

Supplemental Disclosure of Non-Cash Operating and Investing Activities:

During the years ended December 31, 2017 and 2016, the Organization received donated inventories in the amount of $19,628,768 and $3,629,604, respectively.

During the years ended December 31, 2017 and 2016, the Organization received donated investments in the amount of $9,821 and $104,993, respectively.

1. Organization and Summary of Significant Accounting Policies:

Nature of Organization: Incorporated as a nonprofit in November 2003, Good Sports, Inc. (the "Organization") has as its mission to increase youth participation in sports, fitness, and recreational programs by providing access to sports equipment, which is one of the major obstacles limiting participation. The Organization distributes sports equipment, footwear, and apparel to community organizations offering programs to disadvantaged youth, helping to lay the foundation for healthy, active lifestyles. The Organization partners with sporting goods manufacturers to ensure that disadvantaged youth are getting the equipment they need to participate.

Method of Accounting: The financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Contributions: Contributions, including unconditional promises to give, are recognized as revenue in the period the promise is received (pledged). Conditional promises to give are not recognized until they become unconditional, that is at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions receivable to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activities.

Contributions received with donor-imposed restrictions that are met in the same year in which they are recognized are reported as revenues of the temporarily restricted net asset class. Contributions received with donor-imposed restrictions that are met subsequent to the year in which they are recognized are also reported as revenues of the temporarily restricted net asset class when they are recognized. A reclassification to unrestricted net assets is made to reflect the expiration of such restrictions in the year the restriction is met.

Contributions of services are reported as revenue and expenses of the unrestricted net asset class at the fair value of the service received only if the services create or enhance a nonfinancial asset or would typically need to be purchased by the Organization if they had not been provided by contribution, require specialized skills, and are provided by individuals with those skills. Contributions of goods and space to be used in program operations are reported as revenue and expenses of the unrestricted net asset class at the time the goods or space is received.

Revenue Recognition: Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Revenues related to special events are recorded net of expenses that provide a direct benefit to donors and are generally recorded when the event takes place.

The Organization recognizes revenue from shipping and handling fees upon shipment of the related equipment, provided that persuasive evidence of an arrangement exists, the fee is fixed or determinable, and collectability is probable.

Shipping and Handling Costs: Included in the distribution of equipment on the accompanying statements of functional expenses are shipping and handling costs of $178,633 and $149,832 for the years ended December 31, 2017 and 2016, respectively. Amounts billed to customers for shipping and handling are included as shipping and handling fees on the accompanying statements of activities.

Classification and Reporting of Net Assets: The Organization reports 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. A description of the three net asset classes follows:

- Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for support of the Organization and investment in property and equipment.

1. Organization and Summary of Significant Accounting Policies (Continued):

- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, as well as growth earned on permanently restricted net assets restricted by law, if any.

- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. As of December 31, 2017, there were no permanently restricted net assets.

Fair Value Measurements: The framework for measuring fair value 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 as follows:

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 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; and

- 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.

Cash and Cash Equivalents: The Organization maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has a cash management program, which provides for the investment of excess cash balances primarily in savings and money market accounts. The Organization considers such highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Investments and Investment Income: The Organization reports all investments at fair value at the date of the statements of financial position. Realized and unrealized gains and losses are reflected in the accompanying statements of activities. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is recorded when earned and is included in unrestricted non-operating gains and losses unless the income or loss is restricted by the donor or law.

Accounts Receivable: Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is provided for those accounts receivable considered to be uncollectible based upon management's assessment of the collectability of accounts receivable, which considers historical write-off experience and any specific risks identified in customer collection matters. Bad debts are written off against the allowance when identified.

1. Organization and Summary of Significant Accounting Policies (Continued):

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash, cash equivalents, investments, accounts receivable, and contributions receivable. The Organization maintains its cash, cash equivalents, and investments with high-credit quality financial institutions. Receivables are carried at the outstanding balance, less an estimate made for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and contributions receivable balances and by using an assessment of the donor credit worthiness. As of December 31, 2017 and 2016, management has determined all accounts are collectible and an allowance for doubtful accounts is not necessary.

Inventories: Inventories is stated at the lower of cost when purchased, fair market value on the date of donation or net realizable value. The carrying value of inventory is determined on the first-in, first-out (FIFO) method. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value.

Property and Equipment: Property and equipment acquisitions are recorded at cost on the date of acquisition, or at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Computer and Equipment	5 Years
Furniture, Fixtures, and Equipment	7 Years

Deferred Rent: The Organization records rent expense on a constant periodic rate over the term of the lease agreement. The excess of cumulative rent expense incurred over the cumulative amounts due under the lease agreement is deferred and recognized over the term of the lease.

Advertising and Marketing: The Organization expenses advertising and marketing costs as incurred or as donations are received. During the years ended December 31, 2017 and 2016, the Organization incurred $223,961 and $222,872, respectively, of advertising and marketing expenses, which includes $79,165 and $119,265, respectively, of donated marketing services.

Income Taxes: The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on trade or business profits generated by activities related to the Organization's exempt function. The Organization may be subject to federal and state income taxes for profits generated from trade or business activities unrelated to the Organization's exempt function. As of December 31, 2017 and 2016, management believes that the Organization has not generated any unrelated business taxable income.

The Organization assesses the recording of uncertain tax positions by evaluating the minimum recognition threshold and measurement requirements a tax position must meet before being recognized as a benefit in the financial statements.

Functional Allocation of Expenses: Expenses are reported as decreases in unrestricted net assets. Expenses related directly to a specific program are charged to that program while other general program expenses are allocated to individual programs based upon management's estimate of the percentage attributable to each program. Certain costs are allocated among program services, general and administrative and fundraising based on activity as determined by management.

Use of Estimates: The Organization has used estimates and assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities in its preparation of the financial statements in accordance with GAAP. Actual results experienced by the Organization may differ from those estimates.

Subsequent Events: Management has evaluated subsequent events spanning the period from December 31, 2017 through June 29, 2018, the date the financial statements were available to be issued.

2. Investments:

As of December 31, 2017 and 2016, investments consist of the following:

	2017	2016
Corporate Bond	$ 9,821	$ -
Common Stock	-	104,993
	$ 9,821	$ 104,993

The corporate bond and common stock is valued using Level 2 and Level 1 inputs, respectively. During January 2017, the Organization liquidated the common stock and converted it to cash equivalents.

3. Contributions Receivable:

Contributions receivable as of December 31, 2017 and 2016 amounted to $386,725 and $224,913, respectively. The contributions receivable are due in less than one year from the date of the statements of financial position.

4. Conditional Contributions:

On November 28, 2016, the Organization became party to a new conditional grant in the amount of $3,495,000. The grant is expected to be paid over a three-year period in the amount of $1,165,000 per year, beginning in 2017 through 2019. Since this grant represents a conditional promise to give, it is not recorded as contribution revenue until donor conditions are substantially met. As of December 31, 2017, $2,330,000 remains to be spent and collected, subject to conditions of the grant. The grant can be terminated by either the Organization or the donor with proper notice, as defined in the agreement, if the conditions of the grant are not met.

Prior to December 31, 2016, the Organization was party to a grant conditional upon certain terms and reporting requirements in the aggregate amount of $2,000,000, of which $1,000,000 was recognized as contribution revenue during the year ended December 31, 2016. As of December 31, 2016, all funds under this grant were spent and collected.

5. Inventories:

As of December 31, 2017 and 2016, inventories consist of the following:

	2017	2016
Sports Equipment	$ 18,150,148	$ 2,626,989
Less: Reserve for Obsolescence	2,946,852	174,100
	$ 15,203,296	$ 2,452,889

6. Property and Equipment:

As of December 31, 2017 and 2016 property and equipment consists of the following:

	2017	2016
Computer and Equipment	$ 95,997	$ 85,283
Furniture, Fixtures, and Equipment	27,526	22,123
	123,523	107,406
Less: Accumulated Depreciation	77,629	66,276
	$ 45,894	$ 41,130

Depreciation expense for the years ended December 31, 2017 and 2016, amounted to $11,353 and $11,960, respectively.

7. Line of Credit:

The Organization is a party to a line of credit agreement with a bank for borrowing of up to $500,000. Interest on the line of credit is calculated at the Prime Rate plus 1% (5.50% at December 31, 2017). The line of credit renews annually, is payable on demand, and is secured by all assets of the Organization. As of December 31, 2017 and 2016, there were no outstanding borrowings under the line of credit.

8. Temporarily Restricted Net Assets:

As of December 31, 2017 and 2016, temporarily restricted net assets subject to donor imposed restrictions are as follows:

	2017	2016
Equipment to be Distributed	$ 15,203,296	$ 2,432,183
Equipment Donation and Purchase Program	816,134	497,890
	$ 16,019,430	$ 2,930,073

9. Net Assets Released from Restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors or by the passage of time. Net assets released from restriction during the years ended December 31, 2017 and 2016 consist of the following:

	2017	2016
Distributed Equipment	$ 3,941,961	$ 2,741,692
Inventory Obsolescence	2,813,042	61,043
Equipment Donation and Purchase Program	2,410,502	1,961,602
	$ 9,165,505	$ 4,764,337

10. Donated Goods and Services:

The Organization receives donated goods and services as well as credits from vendors. Contributed sports equipment is recorded as inventories and is expensed when distributed. The estimated fair value for services is determined by the donor or by management.

The value of donated goods, services, and credits from vendors for the years ended December 31, 2017 and 2016 amounted to:

	2017	2016
Donated Sports Equipment	$ 19,628,768	$ 3,629,604
Donated Services	79,165	119,265
Vendor Credits	10,886	12,716
	$ 19,718,819	$ 3,761,585

As of December 31, 2017 and 2016, the Organization has vendor credits redeemable in the amounts of $2,900 and $44,589, respectively, which is included in prepaid expenses and other current assets on the accompanying statements of financial position.

11. Operating Leases:

The Organization is a party to a sixty-six months noncancelable lease agreement for office space in Quincy, Massachusetts expiring in August 2020. The lease agreement provides for minimum monthly rental payments of $4,120, plus certain operating expenses.

The Organization is also a party to a five-year lease agreement for warehouse space located in Norwood, Massachusetts expiring in June 2019. Under the terms of the lease agreement, the Organization is required to remit monthly rental payments in the amount of $5,250, plus certain operating expenses. In March 2018, the Organization amended the lease agreement to increase the leased space commencing April 1, 2018. Under the terms of the amended lease agreement, the Organization is required to remit monthly rental payments in the amount of $9,500, plus certain operating expenses.

11. Operating Leases (Continued):

Rent expense incurred by the Organization under these operating lease agreements for the years ended December 31, 2017 and 2016 amounted to $109,324 and $118,451, respectively. As of December 31, 2017, future minimum lease payments due under noncancelable lease agreements are as follows:

Year Ending December 31,	
2018	$ 150,695
2019	106,445
2020	32,963
	$ 290,103

12. Retirement Plan

The Organization sponsors a defined contributions 401(k) plan (the "Plan") covering substantially all of its employees who meet certain eligibility requirements. The Plan allows employees to voluntarily elect to contribute and also allows the Organization to make discretionary contributions. During the year ended December 31, 2017, the Organization contributed $33,092 to the Plan. During the year ended December 31, 2016, the Organization did not make any discretionary contributions to the Plan.

13. Economic Dependency:

During the years ended December 31, 2017 and 2016, the Organization received 92% and 56% of its total contributed equipment from two contributors and three contributors, and 39% and 43% of contributions from one donor, each respectively. As of December 31, 2017 and 2016, 65% and 42% of contributions receivable is due from two donors and one donor, respectively.

14. Indemnifications:

In the ordinary course of business, the Organization enters into various agreements containing standard indemnification provisions. The Organization's indemnification obligations under such provisions are typically in effect from the date of execution of the applicable agreement through the end of the applicable statute of limitations. The aggregate maximum potential future liability of the Organization under such indemnification provisions is uncertain. As of December 31, 2017 and 2016, no amounts have been accrued related to such indemnification provisions.