MFA COMPANIES

**GOOD SPORTS, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

To the Board of Directors
Good Sports, Inc.
Braintree, 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, 2020 and 2019, 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 of 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 auditors consider 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, 2020 and 2019, 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
May 20, 2021

| **December 31** | **2020** | 2019 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and Cash Equivalents | **$ 2,235,215** | $ 1,025,340 |
| Accounts Receivable | **38,805** | 34,373 |
| Current Portion of Contributions Receivable | **665,355** | 607,348 |
| Inventory, Net | **12,484,419** | 8,443,432 |
| Prepaid Expenses and Other Current Assets | **21,186** | 73,308 |
| Total Current Assets | **15,444,980** | 10,183,801 |
| Long-Term Investments | **9,735** | 9,735 |
| Contributions Receivable, Net of Current Portion | **65,500** | 85,000 |
| Property and Equipment, Net of Accumulated Depreciation | **91,977** | 116,411 |
| Security Deposits | **5,274** | 6,774 |
| **Total Assets** | **$ 15,617,466** | $ 10,401,721 |
| **Liabilities and Net Assets** | | |
| Current Liabilities: | | |
| Line of Credit | **$ -** | $ - |
| Current Maturities of Long-Term Debt | **17,500** | - |
| Accounts Payable | **104,505** | 169,266 |
| Accrued Expenses | **256,491** | 84,437 |
| Deferred Revenue | **48,187** | - |
| Total Current Liabilities | **426,683** | 253,703 |
| Long-Term Debt, Net of Current Maturities | **57,500** | - |
| Long-Term Debt – Payroll Protection Program | **409,090** | - |
| Deferred Rent | **121,349** | 110,395 |
| Other Liabilities | **170,816** | - |
| Total Liabilities | **1,185,438** | 364,098 |
| Net Assets: | | |
| Net Assets without Donor Restrictions | **242,925** | 465,137 |
| Net Assets with Donor Restrictions | **14,189,103** | 9,572,486 |
| Total Net Assets | **14,432,028** | 10,037,623 |
| **Total Liabilities and Net Assets** | **$ 15,617,466** | $ 10,401,721 |

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

| For the Years Ended December 31 | 2020 Without Donor Restrictions | 2020 With Donor Restrictions | 2020 Total | 2019 Without Donor Restrictions | 2019 With Donor Restrictions | 2019 Total |
|---|---|---|---|---|---|---|
| Operating Activities: | | | | | | |
| Revenue and Other Support: | | | | | | |
| Donated Goods and Services | $ - | $ 11,004,540 | $ 11,004,540 | $ 40,600 | $ 5,919,487 | $ 5,960,087 |
| Corporate Contributions | 707,587 | 2,131,217 | 2,838,804 | 125,431 | 2,062,753 | 2,188,184 |
| Foundation Contributions | 52,968 | 475,525 | 528,493 | 36,563 | 834,769 | 871,332 |
| Change in Inventory Reserve | - | 441,588 | 441,588 | - | 1,894,943 | 1,894,943 |
| Individual Contributions | 398,184 | 44,919 | 443,103 | 476,084 | 155,245 | 631,329 |
| Special Events, Net of Direct Benefit to Donor Costs of $0 and $302,491, Respectively | 357,393 | - | 357,393 | 779,107 | - | 779,107 |
| Shipping and Handling Fees | 167,886 | - | 167,886 | 349,983 | - | 349,983 |
| Interest Income | 906 | - | 906 | 1,611 | - | 1,611 |
| Net Assets Released from Restriction | 9,481,172 | (9,481,172) | - | 14,856,829 | (14,856,829) | - |
| Total Revenue and Other Support | 11,166,096 | 4,616,617 | 15,782,713 | 16,666,208 | (3,989,632) | 12,676,576 |
| Operating Expenses: | | | | | | |
| Program Services | 10,428,267 | - | 10,428,267 | 15,544,553 | - | 15,544,553 |
| General and Administrative | 262,250 | - | 262,250 | 285,452 | - | 285,452 |
| Fundraising | 697,791 | - | 697,791 | 893,361 | - | 893,361 |
| Total Operating Expenses | 11,388,308 | - | 11,388,308 | 16,723,366 | - | 16,723,366 |
| (Decrease) Increase in Net Assets from Operations | (222,212) | 4,616,617 | 4,394,405 | (57,158) | (3,989,632) | (4,046,790) |
| Net Assets, Beginning of Year | 465,137 | 9,572,486 | 10,037,623 | 522,295 | 13,562,118 | 14,084,413 |
| Net Assets, End of Year | $ 242,925 | $ 14,189,103 | $ 14,432,028 | $ 465,137 | $ 9,572,486 | $ 10,037,623 |

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

| For the Years Ended December 31 | | | 2020 | | | | | 2019 |
|---|---|---|---|---|---|---|---|---|
| | **Program Services** | **General and Administrative** | **Fundraising** | **Total** | Program Services | General and Administrative | Fundraising | Total |
| Distribution of Equipment | **$ 8,536,799** | **$ -** | **$ -** | **$ 8,536,799** | $ 13,458,051 | $ - | $ - | $ 13,458,051 |
| Salaries, Related Benefits and Taxes | **1,243,617** | **190,135** | **570,441** | **2,004,193** | 1,433,636 | 223,677 | 618,402 | 2,275,715 |
| Warehouse Costs | **445,287** | **-** | **-** | **445,287** | 285,287 | - | - | 285,287 |
| Occupancy | **80,605** | **11,927** | **35,781** | **128,313** | 33,705 | 3,912 | 10,815 | 48,432 |
| Office Expenses | **32,746** | **7,146** | **22,030** | **61,922** | 29,389 | 9,904 | 20,660 | 59,953 |
| Professional Fees | **32,935** | **7,509** | **14,860** | **55,304** | 32,906 | 4,735 | 13,090 | 50,731 |
| Advertising and Marketing | **28,963** | **3,948** | **14,741** | **47,652** | 90,843 | 11,787 | 61,674 | 164,304 |
| Depreciation | **-** | **25,341** | **-** | **25,341** | - | 16,901 | - | 16,901 |
| Fundraising | **-** | **-** | **25,328** | **25,328** | - | - | 139,605 | 139,605 |
| Bad Debt | **-** | **14,719** | **10,000** | **24,719** | 6,000 | 11,500 | 3,850 | 21,350 |
| Partner Events | **15,184** | **-** | **-** | **15,184** | 124,797 | - | - | 124,797 |
| Meetings and Travel | **5,476** | **875** | **2,659** | **9,010** | 24,732 | 2,575 | 23,989 | 51,296 |
| Insurance | **4,231** | **650** | **1,951** | **6,832** | 4,048 | 461 | 1,276 | 5,785 |
| Miscellaneous | **2,424** | **-** | **-** | **2,424** | 21,159 | - | - | 21,159 |
| Special Events | **-** | **-** | **-** | **-** | - | - | 302,491 | 302,491 |
| Total Expenses | **10,428,267** | **262,250** | **697,791** | **11,388,308** | 15,544,553 | 285,452 | 1,195,852 | 17,025,857 |
| Less: Expenses Included with Revenue on the Statements of Activities | **-** | **-** | **-** | **-** | - | - | 302,491 | 302,491 |
| | **$ 10,428,267** | **$ 262,250** | **$ 697,791** | **$ 11,388,308** | $ 15,544,553 | $ 285,452 | $ 893,361 | $ 16,723,366 |

| **For the Years Ended December 31** | **2020** | 2019 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Increase (Decrease) in Net Assets | **$ 4,394,405** | $ (4,046,790) |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities: | | |
| Depreciation | **25,341** | 16,901 |
| Bad Debt Expense | **24,719** | 21,350 |
| Unrealized Gains on Investments | **-** | (473) |
| Change in Inventory Reserve | **(441,588)** | (1,894,943) |
| Increase in Accounts Receivable | **(4,432)** | (15,276) |
| Increase in Contributions Receivable | **(63,226)** | (116,719) |
| (Increase) Decrease in Inventory | **(3,599,399)** | 5,856,546 |
| Decrease in Prepaid Expenses and Other Current Assets | **52,122** | 4,808 |
| Decrease in Deposits | **1,500** | 9,500 |
| Decrease in Accounts Payable | **(64,761)** | (64,805) |
| Increase in Accrued Expenses | **172,054** | 13,856 |
| Increase in Deferred Revenue | **48,187** | - |
| Increase in Deferred Rent | **10,954** | 105,239 |
| Increase in Other Liabilities | **170,816** | - |
| Net Cash Provided by (Used in) Operating Activities | **726,692** | (110,806) |
| Cash Flows from Investing Activities: | | |
| Acquisition of Property and Equipment | **(907)** | (84,562) |
| Purchase of Investments | **-** | (625) |
| Net Cash Used in Investing Activities | **(907)** | (85,187) |
| Cash Flows from Financing Activities: | | |
| Borrowings from Long-Term Debt – Paycheck Protection Program | **409,090** | - |
| Borrowings from Long-Term Debt | **75,000** | - |
| Net Cash Provided by Financing Activities | **484,090** | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | **1,209,875** | (195,993) |
| Cash and Cash Equivalents, Beginning of Year | **1,025,340** | 1,221,333 |
| Cash and Cash Equivalents, End of Year | **$ 2,235,215** | $ 1,025,340 |

Supplemental Disclosure of Noncash Investing Activities:

During the years ended December 31, 2020 and 2019, the Organization received donated inventory in the amount of $10,995,159 and $5,880,101, respectively.

1. **Organization and Summary of Significant Accounting Policies:**

*Nature of Organization*: Good Sports, Inc. (the Organization) is a nonprofit organization incorporated in November 2003 whose mission is 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.

*Basis of Presentation*: 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). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification (ASC) and Accounting Standards Update (ASU) of the Financial Accounting Standards Board (FASB).

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

> *Net Assets without Donor Restrictions*: 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 the Organization's management and Board of Directors.
>
> *Net Assets with Donor Restrictions*: 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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

*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.

*Revenue Recognition*: Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Revenue represents amounts derived from shipping and handling fees, special events, and contributions.

Revenue is recognized when control of the goods and services provided is transferred to the Organization's customers and in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods and services using the following steps: 1) identification of the contract, or contracts with a customer, 2) identification of performance obligations in the contract, 3) determination of the transaction price, 4) allocation of the transaction price to the performance obligations in the contract and 5) recognition of revenue when or as the Organization satisfies the performance obligations.

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

Revenue from shipping and handling fees represents amounts charged upon shipment of the related equipment.

Revenue related to special events is recorded net of expenses that provide a direct benefit to donors and is generally recorded when the event takes place.

The Organization typically invoices its equipment recipients upon shipment. Typical payment terms provide that equipment recipients pay within 30 - 90 days of invoice.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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 statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long contributed assets must be used are recorded as net assets with donor restrictions. Otherwise, the contributions are recorded as net assets without donor restrictions.

Contributions of services are reported as revenue and expenses without donor restrictions 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 without donor restrictions at the time the goods or space is received.

The Organization must determine whether a contribution (or a promise to give) is conditional or unconditional for transactions deemed to be a contribution.

A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. The Organization cannot consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

*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 receivables, which considers historical write-off experience and any specific risks identified in in customer or donor collection matters. Bad debts are written off against the allowance when identified. As of December 31, 2020 and 2019, management believes no allowance for uncollectible accounts receivable is necessary.

*Contract Balances*: The Organization's contract balances, resulting from contracts with customers include deferred revenue.

- *Deferred Revenue*: Deferred revenue represents payments received for which the aforementioned revenue recognition criteria have not been met.

*Cash and Cash Equivalents*: The Organization maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits.

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

The Organization has a cash management program, which provides for the investment of excess cash balances primarily in short-term money market accounts, which are valued using Level 1 inputs. The Organization considers such highly liquid investments with original maturities of three months or less when purchased to be cash equivalents, except for those amounts that are held in the investment portfolio, which are invested for long-term purposes. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

*Investments and Investment Income:* The Organization's investments are reported at fair value as of 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 on investments (including realized and unrealized gains and losses on investments, interest and dividends) is included in net assets without donor restrictions unless the income or loss is restricted by donor or law.

*Concentrations of Credit Risk*: Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash, cash equivalents, investments, and contributions and accounts receivable. The Organization maintains its cash, cash equivalents and investments with high-credit quality financial institutions. The Organization believes it is not exposed to any significant losses due to credit risk on cash, cash equivalents and investments. Contributions and accounts receivable are carried at the outstanding principal balance, less an estimate for allowance for uncollectible receivables based upon management's judgment of potential defaults. Management determines the allowance for doubtful accounts by identifying troubled receivables balances and by using an assessment of the donor's credit worthiness.

*Other Risks and Uncertainties*: Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

*Inventory*: Inventory is stated at the lower of cost when purchased, fair market value on the date of donation or net realizable value. Cost is determined on the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable cost 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 are recorded at cost on the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

| | |
|---|---|
| Computer Equipment | 5 Years |
| Furniture, Fixtures, and Equipment | 7 Years |
| Leasehold Improvements | Lesser of Useful Life or Term of Lease |

*Impairment of Long-Lived Assets*: It is required that long-lived assets, including purchased intangible assets with finite lives, be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. As of December 31, 2020 and 2019, the Organization has determined that there have been no significant events or changes in circumstances that would trigger impairment testing of the Organization's long-lived assets.

*Deferred Rent:* The Organization records rent expense on a constant periodic rate over the term of the lease agreement. The excess of the 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.

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

During the years ended December 31, 2020 and 2019, the Organization incurred advertising and marketing expense in the amounts of $47,652 and $164,304, respectively, which includes $55,650 of donated marketing services during the year ended December 31, 2019. During the year ended December 31, 2020, there were no donated marketing services.

*Shipping and Handling Costs*: Shipping and handling costs are included in distribution of equipment in the accompanying statements of functional expenses. During the years ended December 31, 2020 and 2019, the Organization incurred shipping and handling costs in the amount of $215,514 and $333,348, respectively.

*Functional Allocation of Expenses*: The costs of providing the Organization's program and other activities have been summarized on a functional basis in the statements of activities. Expenses related directly to program services or supporting activities are charged directly while other expenses that are common to several functions are allocated based on management's estimates, among major classes of programs services and supporting activities.

The expenses that are allocated include the following:

| Expense | Method of Allocation |
|---|---|
| Salaries, Related Benefits and Taxes | Time and Effort |
| Warehouse Cost | Time and Effort |
| Advertising and Marketing | Time and Effort |
| Office Expenses | Time and Effort |
| Meetings and Travel | Time and Effort |
| Professional Fees | Time and Effort |
| Occupancy | Time and Effort |
| Insurance | Time and Effort |

*Income Taxes:* The Organization is a nonprofit Organization 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, 2020 and 2019, 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. The Organization's policy is to recognize interest and penalties accrued on any uncertain tax positions as a component of income tax expense, if any, in its statements of activities. The Organization has not recognized any liabilities for uncertain tax positions or unrecognized benefits as of December 31, 2020 and 2019. The Organization does not expect any material change in uncertain tax benefits within the next twelve months.

*Use of Estimates*: Management has used estimates and assumptions relating to the reporting of assets and liabilities and the 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, 2020 through May 20, 2021, the latter representing the issuance date of these financial statements.

**2. Availability and Liquidity:**

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use within one year of December 31, 2020 and 2019 due to contractual or donor-imposed restrictions.

| Financial Assets at End of Year: | 2020 | 2019 |
|---|---|---|
| Cash and Cash Equivalents | $ 2,235,215 | $ 1,025,340 |
| Accounts Receivable | 38,805 | 34,373 |
| Contributions Receivable | 730,855 | 692,348 |
| Long-Term Investments | 9,735 | 9,735 |
| Total Financial Assets at End of Year | 3,014,610 | 1,761,796 |
| Less: Amounts Unavailable for General Expenditures within One Year: | | |
| Due to Contractual or Donor-Imposed Restriction: | | |
| Restricted by Donor with Purpose Restrictions | 1,704,684 | 1,129,054 |
| Financial Assets Available to Meet Cash Needs for General Expenditures over the Next 12 Months | $ 1,309,926 | $ 632,742 |

The Organization is substantially supported by restricted contributions. Because a donor's restrictions require resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations may come due. In the event of an unanticipated liquidity need, the Organization has available a $500,000 line of credit.

### 3. Contributions Receivable:

Contributions receivable as of December 31, 2020 and 2019 consists of the following:

| | 2020 | 2019 |
|---|---|---|
| Receivable in Less than One Year | $ 665,355 | $ 607,348 |
| Receivable in One to Five Year | 65,500 | 85,000 |
| | $ 730,855 | $ 692,348 |

As of December 31, 2019, the Organization determined the discount required to present value the long-term portion contributions receivable using a risk adjusted rate based on the daily treasury yield curves was immaterial to the financial statements.

### 4. Conditional Contributions:

On November 28, 2016, the Organization became party to a conditional grant in the amount of $3,495,000. The grant was expected to be paid over a three-year period in the amount of $1,165,000 per year, beginning in 2017 and going through 2019. Since this grant represented a conditional promise to give, it was not recorded as contribution revenue until donor conditions were substantially met. As of December 31, 2019, the full amount of the grant was spent and collected, subject to conditions of the grant.

### 5. Inventory:

Inventory as of December 31, 2020 and 2019 consist of the following:

| | 2020 | 2019 |
|---|---|---|
| Sports Equipment | $ 12,499,898 | $ 8,971,607 |
| Less: Reserve for Obsolescence | 15,479 | 528,175 |
| | $ 12,484,419 | $ 8,443,432 |

### 6. Property and Equipment:

Property and equipment as of December 31, 2020 and 2019 consist of the following:

| | 2020 | 2019 |
|---|---|---|
| Computer Equipment | $ 121,724 | $ 120,817 |
| Furniture, Fixtures, and Equipment | 76,304 | 76,304 |
| Leasehold Improvements | 27,758 | 27,758 |
| | 225,786 | 224,879 |
| Less: Accumulated Depreciation | 133,809 | 108,468 |
| | $ 91,977 | $ 116,411 |

Depreciation expense for the years ended December 31, 2020 and 2019 amounted to $25,341 and $16,901, respectively.

### 7. Line of Credit:

The Organization is party to a revolving line of credit agreement with a bank for maximum borrowings of $500,000. The line of credit bears interest at the daily LIBOR floating rate plus 2.00% (2.16% at December 31, 2020). The line of credit renews annually, is payable on demand and is secured by certain assets of the Organization. As of December 31, 2020 and 2019, there were no outstanding borrowings under the line of credit.

## 8. Long-Term Debt:

Long-term debt as of December 31, 2020 and 2019 consists of the following:

| | 2020 | 2019 |
|---|---|---|
| Note payable for borrowings in the amount of $75,000. Borrowings bear interest at a fixed rate of 3%. Payments on the note are deferred until June 1, 2021, as extend, at which point principal payments of $2,500, plus interest will be made through the notes maturity on November 1, 2023. The note is secured by substantially all assets of the Organization. | $ 75,000 | $ - |
| Total Long-Term Debt | 75,000 | - |
| Less: Current Maturities of Long-Term Debt | 17,500 | - |
| Long-Term Debt, Net of Current Maturities | $ 57,500 | $ - |

Maturities of long-term debt, as of December 31, 2020, are as follows:

| Year Ending December 31, | |
|---|---|
| 2021 | $ 17,500 |
| 2022 | 30,000 |
| 2023 | 27,500 |
| | $ 75,000 |

## 9. Long-Term Debt - Paycheck Protection Program:

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted and signed into law to provide certain aid and stimulus to the U.S. economy. The Organization qualifies as a small business under the CARES Act and submitted a loan application with a qualified lender for funding under the Paycheck Protection Program (PPP), administered by the Small Business Association (SBA).

On May 1, 2020, the Organization's application with the lender was approved and as a result, the Organization obtained a loan (PPP Loan) in the amount of $409,090. The PPP Loan bears fixed interest at 1.00% per annum, which begins accruing from the date of the loan, and matures on May 1, 2022. The PPP Loan is unsecured and guaranteed by the SBA. The PPP Loan is eligible to be forgiven provided the Organization satisfies certain conditions and upon approval by the lender and the SBA. The PPP Loan provides for the deferral of payments until the SBA has determined the forgiveness amount, at which time, any remaining PPP Loan amount requires equal monthly payments of principal plus accrued interest in an amount sufficient to repay the remaining PPP Loan balance by the maturity date. As of December 31, 2020, the Organization submitted the application for forgiveness, but had not yet received notification of forgiveness from the SBA. As of December 31, 2020, the outstanding balance of the PPP Loan amounted to $409,090, which is classified as a long-term liability and is included in long-term debt - paycheck protection program in the accompanying statements of financial position.

On March 2, 2021, the Organization obtained from the SBA notification of forgiveness of the entire PPP Loan balance of $409,090, plus accrued interest.

## 10. Net Assets with Donor Restrictions:

Net assets with donor restrictions as of December 31, 2020 and 2019 consist of the following:

| | 2020 | 2019 |
|---|---|---|
| Subject to Expenditure for Specified Purpose: | | |
| Equipment to be Distributed | $ 12,484,419 | $ 8,443,432 |
| Equipment Donation and Purchase Program | 1,704,684 | 1,129,054 |
| Total Net Assets with Donor Restrictions | $ 14,189,103 | $ 9,572,486 |

## 11. Net Assets Released from Restriction:

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, 2020 and 2019 consist of the following:

| | 2020 | 2019 |
|---|---|---|
| Distributed Equipment | $ 7,372,721 | $ 11,759,613 |
| Equipment Donation and Purchase Program | 2,108,451 | 3,097,216 |
| | $ 9,481,172 | $ 14,856,829 |

## 12. Donated Goods and Services:

The Organization receives donated goods and services as well as credits from vendors. Contributed sports equipment is recorded as inventory and is expensed when distributed. The estimated fair value for goods and services is determined by the donor or by management. During the years ended December 31, 2020 and 2019, donated goods and services consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Donated Sports Equipment | $ 10,995,159 | $ 5,880,101 |
| Vendor Credits | 9,381 | 24,336 |
| Donated Services | - | 55,650 |
| | $ 11,004,540 | $ 5,960,087 |

As of December 31, 2020 and 2019, the Organization has vendor credits redeemable in the amounts of $10,041 and $18,400, respectively, which is included in prepaid expenses and other current assets on the accompanying statements of financial position.

## 13. Operating Leases:

The Organization was party to a 66-month noncancelable lease agreement for office space in Quincy, Massachusetts, which provided for minimum monthly rental payments of $4,120, plus certain operating expenses. The lease agreement was scheduled to expire in August 2020, but was terminated effective February 28, 2019.

The Organization was party to a five-year lease agreement for warehouse space in Norwood, Massachusetts, which was set to expire on June 30, 2019 and required 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 size of the leased space commencing April 1, 2018. Under the terms of the amended lease agreement, the Organization was required to remit monthly rental payments in the amount of $9,500, plus certain operating expenses. In June 2019, the Organization amended the lease agreement to extend the maturity date until September 2019.

In May 2019, the Organization entered into an 88-month noncancelable lease agreement for office and warehouse space in Braintree, Massachusetts, which requires escalating monthly payments and expires in January 2027.

During the years ended December 31, 2020 and 2019, rent expense incurred under these agreements amounted to $356,866 and $214,010, respectively.

**13. Operating Leases (Continued):**

Future minimum lease payments due under the Braintree noncancelable lease agreement as of December 31, 2020 are as follows:

| Year Ending December 31, | | |
|---|---|---|
| 2021 | $ | 349,934 |
| 2022 | | 449,688 |
| 2023 | | 384,860 |
| 2024 | | 393,081 |
| 2025 | | 403,404 |
| Thereafter | | 515,464 |
| | $ | 2,496,431 |

**14. Retirement Plan:**

The Organization sponsors a defined contribution plan covering substantially all of its employees who meet certain eligibility requirements. The Organization makes annual contributions at a percentage stated by the plan. During the years ended December 31, 2020 and 2019, the Organization made contributions to the plan of $46,773 and $49,583, respectively.

**15. Economic Dependency:**

During the years ended December 31, 2020 and 2019, 83% and 77% of the Organization's total contributed sports equipment was received from four and three contributors, each respectively. During the years ended December 31, 2020 and 2019, the Organization received 34% and 32% of cash contributions from two and one donor, each respectively. As of December 31, 2020 and 2019, contributions receivable from two and four donors represented approximately 44% and 52%, each respectively, of the Organization's total contributions receivable.

**16. Risks and Uncertainties:**

On January 30, 2020, the World Health Organization (WHO) announced an international public health emergency related to the COVID-19 outbreak. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The impact of the COVID-19 outbreak has resulted in economic uncertainties. The extent to which the Organization's financial results will be affected cannot be reasonably estimated at this time.

**17. 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, 2020 and 2019, no amounts have been accrued related to such indemnification provisions.

**18. Subsequent Events:**

*Consolidated Appropriations Act*: On December 27, 2020, the Consolidated Appropriations Act was enacted and signed into law, which in part, was designated to provide certain aid and stimulus to the U.S. economy. The Organization qualifies as a small business under the Consolidated Appropriations Act and submitted a loan application with a qualified lender for funding under the PPP, administered by the SBA.

On April 1, 2021, the Organization's application with the lender was approved and as a result, the Organization obtained a loan (the Second PPP Loan) in the amount of $398,738. The Second PPP Loan bears fixed interest at 1.00% per annum, which begins accruing from the date of the loan, and matures on April 1, 2026. The Second PPP Loan is unsecured and guaranteed by the SBA. The Second PPP Loan is eligible to be forgiven provided the Organization satisfies certain conditions and upon approval by the lender and the SBA. The Second PPP Loan provides for the deferral of payments until the SBA has determined the forgiveness amount, at which time, any remaining Second PPP Loan amount requires equal payments of principal plus accrued interest in an amount sufficient to repay the remaining Second PPP Loan balance by the maturity date. As of May 20, 2021, the Organization has submitted the application for forgiveness, but has not yet received notification of forgiveness from the SBA.

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