Good Sports, Inc.

Financial Statements

Years Ended December 31, 2015 and 2014

Contents

Katz, Nannis + Solomon, PC
Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying financial statements of Good Sports, Inc. (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2015 and 2014, the related statement of activities and changes in net assets and statement of functional expenses for the year ended December 31, 2015 with comparative totals for 2014 and statements of cash flows for the years ended December 31, 2015 and 2014, 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 audit 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 auditor's 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.

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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, 2015 and 2014, and 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.

Katz, Nannis + Solomon, P.C.

Waltham, Massachusetts
September 6, 2016

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	$ 782,245	$ 759,938
Contributions and pledges receivable	82,655	89,005
Accounts receivable	10,797	16,222
Grants receivable	100,934	166,000
Inventory, net of allowance for obsolescence: 2015 - $136,763; 2014 - $172,563	1,544,917	3,203,109
Prepaid expenses	42,293	17,238
Total Current Assets	2,563,841	4,251,512
Property and Equipment		
Computer equipment	61,327	61,327
Furniture and fixtures	22,123	-
Total	83,450	61,327
Accumulated depreciation	(54,316)	(41,252)
Net Property and Equipment	29,134	20,075
Other Assets		
Deposits	8,854	10,525
Intangible assets, net of accumulated amortization: 2015 - $50,000; 2014 - $44,444	-	5,556
Total Other Assets	8,854	16,081
Total Assets	$ 2,601,829	$ 4,287,668

Good Sports, Inc.
Statements of Financial Position
December 31,

		2015		2014
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$	96,988	$	122,706
Payroll withholdings		15,291		14,785
Accrued expenses		55,178		37,145
Total Current Liabilities		167,457		174,636
Commitments and Contingencies (Note E)		-		-
Long-Term Liabilities				
Deferred rent		19,591		9,145
Total Liabilities		187,048		183,781
Net Assets				
Unrestricted		514,652		442,587
Temporarily restricted		1,900,129		3,661,300
Total Net Assets		2,414,781		4,103,887
Total Liabilities and Net Assets	$	2,601,829	$	4,287,668

See accompanying notes.

Good Sports, Inc.

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Support				
Contributions	$ 104,344	$ -	$ 104,344	$ 86,024
Corporate grants	64,044	1,335,650	1,399,694	1,259,048
Foundation grants	80,118	410,609	490,727	702,641
Contributed goods and services	52,403	994,617	1,047,020	2,838,906
Special events	915,888	-	915,888	579,425
Interest and dividend income	970	-	970	284
Other income	191,963	-	191,963	90,099
Net assets released from restrictions	4,527,855	(4,527,855)	-	-
Total Support	5,937,585	(1,786,979)	4,150,606	5,556,427
Expenses				
Program services	4,648,327	-	4,648,327	3,043,319
General and administrative	365,859	-	365,859	239,136
Fundraising	825,526	-	825,526	440,568
Total Expenses	5,839,712	-	5,839,712	3,723,023
Change in Net Assets	97,873	(1,786,979)	(1,689,106)	1,833,404
Net assets, beginning of year	416,779	3,687,108	4,103,887	2,270,483
Net Assets, End of Year	$ 514,652	$ 1,900,129	$ 2,414,781	$ 4,103,887

See accompanying notes.

Good Sports, Inc.

Statement of Functional Expenses

Year Ended December 31, 2015

(With Comparative Totals for 2014)

	2015				2014
	Program Services	**General and Administrative**	**Fundraising**	**Total**	**Total**
Salaries and related taxes	$ 488,559	$ 202,931	$ 248,037	$ 939,527	$ 694,731
Computer services	4,903	2,036	2,489	9,428	7,036
Depreciation and amortization	-	18,620	-	18,620	29,402
Distribution of equipment	3,692,515	-	-	3,692,515	2,160,891
Employee benefits	48,080	17,501	24,410	89,991	70,530
Insurance	346	4,840	177	5,363	4,404
Interest expense	-	-	-	-	187
Inventory obsolescence	(35,800)	-	-	(35,800)	67,645
Loss on disposal of asset	-	-	-	-	3,591
Marketing	51,052	57,235	18,212	126,499	18,174
Membership dues	4,651	1,932	2,361	8,944	2,567
Merchant account fees	3,043	1,303	2,339	6,685	4,156
Office expenses	9,085	4,419	4,246	17,750	21,436
Partner Events	40,032	-	-	40,032	-
Payroll expense	2,058	854	1,044	3,956	3,251
Postage and delivery	156,180	(580)	4,778	160,378	93,966
Professional fees	25,893	16,486	13,146	55,525	74,543
Rent	60,789	25,207	30,807	116,803	69,021
Sales tax	4,426	-	-	4,426	3,856
Special events	11,317	167	447,037	458,521	249,925
Supplies	12,359	5,216	7,875	25,450	22,922
Telephone	7,327	3,006	3,674	14,007	10,113
Travel	51,848	3,936	13,145	68,929	70,669
Warehouse Costs	9,664	750	1,749	12,163	40,007
Total Expenses	$ 4,648,327	$ 365,859	$ 825,526	$ 5,839,712	$ 3,723,023

See accompanying notes.

Good Sports, Inc.
Statements of Cash Flow
Years Ended December 31,

	2015	2014
Operating Activities		
Change in net assets	$ (1,689,106)	$ 1,833,404
Adjustments to reconcile change in net assets to net cash operating activities:		
Depreciation and amortization	18,620	29,402
Reserve for inventory obsolescence	(35,800)	67,645
Contributed goods, net	1,693,992	(1,397,907)
Loss on disposal of asset	-	3,591
Increase (decrease) in cash from:		
Contributions and pledges receivable	6,350	(72,250)
Accounts receivable	5,425	(7,433)
Grants receivable	65,066	(164,500)
Prepaid expenses	(25,055)	(10,696)
Deposits	1,671	(5,250)
Accounts payable	(25,718)	109,350
Payroll withholdings	506	13,205
Accrued expenses	18,033	(11,019)
Deferred rent	10,446	9,145
Net Cash Operating Activities	44,430	396,687
Investing Activities		
Acquisition of property and equipment	(22,123)	(7,435)
Net Change in Cash and Cash Equivalents	22,307	389,252
Cash and cash equivalents, beginning of year	759,938	370,686
Cash and Cash Equivalents, End of Year	$ 782,245	$ 759,938

See accompanying notes.

A. Description of Organization

Good Sports, Inc. (a nonprofit "Organization") was incorporated in November 2003 with a 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 youths helping to lay the foundation for healthy, active lifestyles. The Organization partners with sporting goods manufacturers to ensure that disadvantaged youths are getting the equipment they need to participate.

B. Summary of Significant Accounting Policies

1. Basis of presentation - Financial statement presentation follows accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

2. Use of estimates - The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

3. Cash and cash equivalents - For purposes of financial statement presentation, cash and cash equivalents consist of cash on deposit, certificates of deposit, money market accounts, and Treasury Bills that are readily convertible to cash and have an original maturity of three months or less. Certificates of deposit and Treasury Bills with an original maturity greater than three months, but less than one year, are classified as short-term investments.

4. Contributions, pledges, grants and accounts receivable - The Organization carries its receivables at cost less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. All receivables are due in less than one year.

5. Inventory - Inventory consists of sports equipment and goods and is stated at the lower of cost or market, for purchased inventory, on a first-in, first-out basis. Donated inventory is stated at the lower of market value on the date of donation or date of financial statements. Consideration is given to obsolescence, excessive levels and other factors in evaluating net realizable value. Contributed inventory is recorded at fair value on the date of receipt.

B. Summary of Significant Accounting Policies (continued)

6. Equipment, improvements and depreciation - Computer equipment is carried at cost if purchased, or fair value if contributed. The Organization capitalizes assets over $1,000 that have an estimated useful life of more than one year. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which is five years. Depreciation for the years ended December 31, 2015 and 2014 was $13,064 and $12,736, respectively.

7. Intangibles - Intangibles consist of a website that was donated to the Organization in 2012. The cost of this website is being amortized using the straight-line method over 3 years. Total amortization expense for the years ended December 31, 2015 and 2014 was $5,556 and $16,666, respectively.

8. Contributions - Unconditional contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor imposed restrictions when received. Temporarily restricted contributions are reclassified to unrestricted net assets upon expiration of the donor imposed restrictions. Conditional promises to give are not recorded as support until the conditions are substantially met.

9. Contributed goods and services - The Organization records contributed goods and services at their estimated fair value on the date of receipt. During the years ended December 31, 2015 and 2014, the Organization received contributed sports equipment valued at $952,287 and $2,785,848, respectively and contributed services valued at $54,633 and $37,108, respectively. Additionally the Organization received $40,100 and $15,950 worth of credits from vendors for the years ended December 31, 2015 and 2014, respectively. Contributed sports equipment is recorded as inventory and is expensed when distributed.

10. Functional expenses - The costs of providing the Organization's various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs using consistent and rational allocation methods.

11. Marketing costs - The Organization expenses marketing costs when incurred. During the years ended December 31, 2015 and 2014, marketing costs were $126,499 and $18,174, respectively.

12. Income taxes - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Section 501(c)(3) of the Code provides for the exemption of organizations that are organized and operated exclusively for religious, charitable, scientific, literacy or educational purposes, and whose net earnings do not inure to the benefit of any private shareholder or individual. The Organization is also exempt from state and local income taxes under Massachusetts General Law Section 180. Accordingly, no provision for federal or state income taxes has been provided for in the accompanying financial statements. Contributions to the Organization are tax deductible.

B. Summary of Significant Accounting Policies (continued)

12. Income taxes (continued) - Under GAAP the Company must recognize and disclose in its financial statements a liability for any uncertain tax reporting positions it has taken or expects to take when, despite the company's belief that its tax return positions are supportable, it is possible that certain positions may not be fully sustained upon review by tax authorities. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences impact income tax expense in the period in which such determination is made. Interest and penalties, if any, related to accrued liabilities for potential tax assessments are included in income tax expense.

    Management has analyzed the Organization's tax positions taken for all open federal tax years (2012 - 2015) and has concluded that no provision for uncertain tax positions is required in the Organization's financial statements.

13. Prior year information - The financial statements include certain prior year summarized comparative totals in the statements of activities and functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized totals were derived.

14. Subsequent events - The Company has evaluated all subsequent events through September 6, 2016, the date the financial statements were available to be issued.

C. Line of Credit, Bank

In February 2014, the Organization entered into a line of credit with a bank for borrowings up to $250,000 and is payable on demand. The interest rate on the line of credit is floating at Prime plus 1% (4.50% at December 31, 2015). The line of credit renews annually and is secured by all assets of the Organization. At December 31, 2015 there were no outstanding borrowings on the line of credit.

D. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	2015	2014
Equipment donation program	$ 1,649,017	$ 3,184,813
Equipment purchase program	332,046	476,487
	$ 1,981,063	$ 3,661,300

E. Commitments and Contingencies

The Organization leased its office under a five year non-cancelable lease, which expired in July 2015. In November 2014 the Organization signed a letter of intent for new office space with the same management company, relocated to a temporary office space at the landlord's expense and paid no rent during the relocation period. In March 2015 the Organization signed a lease for their new office space which expires in August 2020.

The Organization also leases a warehouse for its inventory under a lease agreement which expired in July 2014. The lease agreement provides for monthly rental payments plus a proportionate share of certain operating expenses and contains a two year extension option. In April 2014, the Organization entered into a new 5 year warehouse lease commencing May 1, 2014. The lease agreement provides for monthly rental payments of $5,250, plus certain operating expenses.

Total rent expense under these leases for the years ended December 31, 2015 and 2014, was $116,803 and $69,021, respectively.

Future minimum base rental payments under non-cancelable leases are as follows:

		Amount
2016	$	112,445
2017		112,445
2018		112,445
2019		80,945
2020		32,964
Total	$	451,244

F. Concentrations

1. Uninsured cash deposits - The Organization maintains cash in bank deposit accounts that, at times, exceed federally insured limits. The Federal Deposit Insurance Corporation ("FDIC") provides a $250,000 guarantee per depositor for accounts held at insured banks. At December 31, 2015, the Organization had $416,940 of uninsured cash or cash equivalents held in a commercial bank. Management believes that the Organization is not exposed to significant credit risk in these accounts.

2. Support - For the years ended December 31, 2015 and 2014, the Organization received approximately 87% and 78%, respectively, of its total contributed equipment from four and three contributors, respectively. For the years ended December 31, 2015 and 2014, approximately 49% and 48%, respectively, of total cash contributions were received from one contributor. At December 31, 2015 and 2014, two and three donors accounted for approximately 64% and 69%, respectively, of gross contributions and pledges receivable.

G. Retirement Plan

Effective April 1, 2013, the Organization began offering a 401(k) defined contribution retirement plan (the “Plan”) to all eligible employees over 21 years of age and who have been employed with the Organization for more than 90 days. The Plan allows employees to voluntarily elect to contribute and also allows the employer to make a discretionary contribution. There were no employer contributions to the plan for the years ended December 31, 2015 and 2014.

H. Reclassification

Certain items in the 2014 financial statements have been reclassified to conform to the current year presentation. There was no change in the previously reported change in net assets as a result of these reclassifications.