

Good Sports, Inc.

Financial Statements

Years Ended December 31, 2008 and 2007

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FIRST NEEDHAM PLACE
250 FIRST AVENUE · SUITE 101
NEEDHAM · MA · 02494-2805
WEB WWW.LKNSCPA.COM
EMAIL LKNS@LKNSCPA.COM
TELEFAX 781.453.8778
TELEPHONE 781.453.8700

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SOLOMON, PC
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS + ADVISORS

Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Good Sports, Inc. (a Massachusetts nonprofit corporation) as of December 31, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from Good Sports, Inc.'s 2007 financial statements and, in our report dated November 12, 2008, we expressed an unqualified opinion on those financial statements.

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 includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Levin, Katz, Nannis + Solomon, PC.

February 25, 2009

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

	2008	2007
Assets		
Current Assets		
Cash and cash equivalents	\$ 252,986	\$ 453,899
Contributions receivable, current, net of allowance: 2008 and 2007 - \$1,020	62,096	64,683
Inventory	711,156	203,463
Prepaid expenses	1,667	-
Total Current Assets	1,027,905	722,045
Equipment		
Computer equipment	12,293	9,803
Less: Accumulated depreciation	(3,623)	(1,344)
Net Equipment	8,670	8,459
Other Assets		
Deposits	1,354	-
Total Assets	\$ 1,037,929	\$ 730,504

	2008	2007
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 19,606	\$ 7,693
Accrued expenses	49,752	51,602
Total Current Liabilities	69,358	59,295
Commitments and Contingencies (Note D)	-	-
Net Assets		
Unrestricted	69,333	21,789
Temporarily restricted	899,238	649,420
Total Net Assets	968,571	671,209
Total Liabilities and Net Assets	\$ 1,037,929	\$ 730,504

See accompanying notes.

Good Sports, Inc.
Statements of Activities
Year Ended December 31, 2008
(With Comparative Totals for 2007)

	2008			2007
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues and Other Support				
Contributions	\$ 165,928	\$ 8,100	\$ 174,028	\$ 127,154
Corporate and government grants	31,853	5,500	37,353	74,183
Foundation grants	17,930	219,454	237,384	427,122
Contributed goods and services	27,229	703,897	731,126	648,187
Special events	127,243	-	127,243	165,050
Interest income	4,198	-	4,198	2,224
Net assets released from restrictions	687,133	(687,133)	-	-
Total Revenues and Other Support	1,061,514	249,818	1,311,332	1,443,920
Expenses				
Program services	734,833	-	734,833	1,223,315
General and administrative expenses	126,544	-	126,544	91,516
Fundraising expenses	152,593	-	152,593	101,906
Total Expenses	1,013,970	-	1,013,970	1,416,737
Change in Net Assets	47,544	249,818	297,362	27,183
Net assets, beginning of year	21,789	649,420	671,209	726,359
Restatement	-	-	-	(82,333)
Net assets, beginning of year, as restated	21,789	649,420	671,209	644,026
Net Assets, End of Year	\$ 69,333	\$ 899,238	\$ 968,571	\$ 671,209

See accompanying notes.

Good Sports, Inc.
Statements of Functional Expenses
Year Ended December 31, 2008
(With Comparative Totals for 2007)

	2008				2007	
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>	
Distribution of equipment	\$ 398,478	\$ -	\$ -	\$ 398,478	\$	964,293
Salaries and related taxes	271,337	24,541	33,562	329,440		260,728
Special events	-	-	80,826	80,826		62,174
Professional fees	400	50,908	-	51,308		33,121
Travel	19,489	4,889	5,971	30,349		12,504
Employee benefits	18,137	4,550	5,557	28,243		15,316
Rent	9,854	9,987	-	19,841		5,447
Postage and delivery	4,640	513	4,457	9,610		2,349
Merchant account fees	-	8,115	-	8,115		9,343
Fundraising fees	-	-	7,800	7,800		6,600
Office expenses	1,293	4,223	1,851	7,367		4,855
Meals	1,325	1,459	3,248	6,032		1,585
Marketing	420	942	4,516	5,878		242
Telephone	133	4,840	35	5,008		4,442
Computer services	1,812	1,419	1,475	4,706		6,432
Contract labor	3,699	-	-	3,699		3,637
Membership dues	700	1,314	1,290	3,304		1,015
Parking	1,334	319	872	2,525		735
Supplies	1,006	1,014	354	2,374		11,450
Depreciation	-	2,279	-	2,279		1,344
Bad debt expense	-	2,235	-	2,235		3,265
Printing and copying	-	1,802	34	1,836		3,665
Payroll expense	776	86	746	1,608		1,272
Insurance	-	1,109	-	1,109		923
Total Expenses	\$ 734,833	\$ 126,544	\$ 152,593	\$ 1,013,970	\$	1,416,737

See accompanying notes.

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

	2008	2007
Operating Activities		
Change in net assets	\$ 297,362	\$ 27,183
Adjustments to reconcile change in net assets to net cash operating activities:		
Depreciation	2,279	1,344
Contributed goods, net	(515,058)	164,807
Increase (decrease) in cash from:		
Contributions receivable	9,952	7,812
Prepaid expenses	(1,667)	-
Deposits	(1,354)	-
Accounts payable	11,913	(1,896)
Accrued expenses	(1,850)	28,989
Net Cash Operating Activities	(198,423)	228,239
Investing Activities		
Acquisition of equipment	(2,490)	(9,803)
Net Cash Investing Activities	(2,490)	(9,803)
Net Change in Cash and Cash Equivalents	(200,913)	218,436
Cash and cash equivalents, beginning of year	453,899	235,463
Cash and Cash Equivalents, End of Year	\$ 252,986	\$ 453,899

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 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.

B. Summary of Significant Accounting Policies

1. Basis of presentation - Financial statement presentation follows Statement of Financial Accounting Standards (SFAS) Number 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS Number 117, 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 process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America 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, the Organization considers all highly liquid instruments with a maturity of three months or less to be cash equivalents.
4. Contributions receivable - The Organization carries its contributions receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its contributions receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. All contributions receivable are due in less than one year.
5. Inventory - Inventory is stated at the lower of cost or market on a first-in, first-out basis. Donated inventory is recorded at fair value on the date of receipt.
6. Equipment and depreciation - 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 on the straight-line method over the estimated useful lives of the assets which is five years. Depreciation for the years ended December 31, 2008 and 2007 was \$2,279 and \$1,344, respectively.

B. Summary of Significant Accounting Policies (continued)

7. Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions that are required to be reported as temporarily restricted support are reclassified to unrestricted net assets upon expiration of the donor restrictions.
8. 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, 2008 and 2007, the Organization received contributed sports equipment valued at \$703,897 and \$640,125, respectively. Additionally, the Organization received contributed services valued at \$27,229 and \$8,062 for the years ended December 31, 2008 and 2007. Donated sports equipment is recorded as inventory and is expensed when distributed.
9. 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 various allocation methods.
10. Income taxes - The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in these financial statements. Contributions to the Organization are tax deductible.
12. 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007, from which the summarized totals were derived.

C. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2008 and 2007:

	<u>2008</u>		<u>2007</u>
Equipment purchase program	\$ 140,660	\$	339,207
Equipment donation program	758,578		305,213
Website development	-		5,000
	<u>\$ 899,238</u>	\$	<u>649,420</u>

D. Leases

The Organization subleases its office under an 18-month non-cancelable lease, which expires in July 2010. The sublease agreement provides for monthly rental payments plus a proportionate share of certain operating expenses.

The rent for the term of the lease is \$3,281 per month. The Organization is eligible for a portion of any annual subsidy contribution that is generated through the fundraising of all tenants. The subsidy, which reduces monthly rent, is evaluated annually based on the main tenant's year-end.

The Organization also leases a warehouse for its inventory under a lease agreement expiring in July 2011. The lease agreement provides for monthly rental payments of \$1,354 plus a proportionate share of certain operating expenses and contains a two year renewal option. Total rent expense under these leases for the years ended December 31, 2008 and 2007, was \$19,841 and \$5,447, respectively.

Future minimum base rental payments are as follows:

	<u>Amount</u>
2009	\$ 52,203
2010	47,863
2011	<u>13,281</u>
	\$ <u>113,347</u>

E. Concentrations

1. Cash and cash equivalents - From time to time, the Organization's cash balances held in one financial institution exceed the amount insured by the federal government. The Organization did not have uninsured cash balances at December 31, 2008. The Organization does not believe that it is exposed to significant credit risk in connections with its cash and cash equivalents.
2. Revenue and support – As of December 31, 2008, the Organization received approximately 84% of its total donated equipment from two donors. As of December 31, 2007, the Organization received approximately 68% of its total donated equipment from one donor. Approximately 18% of its total cash contributions was received by one donor for the year ended December 31, 2008. Approximately 31% of its total cash contributions were received by two donors for the year ended December 31, 2007. At December 31, 2008 and 2007, three donors accounted for approximately 91% and 97%, respectively, of contributions receivable.

F. Reclassification

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

G. Restatement

During the year ended December 31, 2007, the Organization corrected errors made in prior periods in recording accrued expenses and inventory contributions and distributions. The effect of these changes resulted in a restatement of the financial statements for the year ended December 31, 2006 from what had previously been reported. Inventory decreased by 59,721, accrued expenses increased by \$22,612 and net assets decreased by \$82,333.