

**Good Sports, Inc.**

*Financial Statements*

*Years Ended December 31, 2009 and 2008*

**Good Sports, Inc.**  
***Financial Statements***  
***Years Ended December 31, 2009 and 2008***  
***Contents***

---

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statement of Activities (With Comparative Totals for 2008)	3
Statement of Functional Expenses (With Comparative Totals for 2008)	4
Statements of Cash Flows	5
Notes to Financial Statements	6-9

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

L E V I N E  
K A T Z  
N A N N I S +  
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 statement of financial position of Good Sports, Inc. (a Massachusetts nonprofit corporation) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from Good Sports, Inc.'s 2008 financial statements and, in our report dated February 25, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 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 audit provides 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, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Levine, Katz, Rannus + Solomon, PC.*

July 13, 2010

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

	2009	2008
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 154,125	\$ 172,364
Short-term investments	82,368	80,622
Contributions and pledges receivable, net of allowance: 2009 - \$0; 2008 - \$1,020	19,513	62,096
Accounts receivable	1,120	-
Inventory, net of allowance: 2009 - \$434,182; 2008 - \$0	954,154	711,156
Prepaid expenses	8,711	1,667
<b>Total Current Assets</b>	<b>1,219,991</b>	<b>1,027,905</b>
<b>Equipment</b>		
Computer equipment	12,293	12,293
Less: Accumulated depreciation	(6,081)	(3,623)
<b>Net Equipment</b>	<b>6,212</b>	<b>8,670</b>
<b>Other Assets</b>		
Deposits	1,354	1,354
<b>Total Other Assets</b>	<b>1,354</b>	<b>1,354</b>
<b>Total Assets</b>	<b>\$ 1,227,557</b>	<b>\$ 1,037,929</b>

	2009	2008
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 13,766	\$ 19,606
Accrued expenses	47,687	49,752
<b>Total Current Liabilities</b>	<b>61,453</b>	<b>69,358</b>
<b>Commitments and Contingencies (Notes D and E)</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>		
Unrestricted	85,065	69,333
Temporarily restricted	1,081,039	899,238
<b>Total Net Assets</b>	<b>1,166,104</b>	<b>968,571</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,227,557</b>	<b>\$ 1,037,929</b>

*See accompanying notes.*

**Good Sports, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2009**  
*(With Comparative Totals for 2008)*

	<u>2009</u>			<u>2008</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>	
<b>Revenues and Other Support</b>					
Contributions	\$ 149,345	\$ 4,000	\$ 153,345	\$	174,028
Corporate grants	104,797	4,089	108,886		37,353
Foundation grants	25,975	188,255	214,230		237,384
Contributed goods and services	58,848	873,637	932,485		766,876
Special events	144,862	-	144,862		127,243
Interest income	2,269	-	2,269		4,198
Other income	19,542	-	19,542		-
Net assets released from restrictions	888,180	(888,180)	-		-
<b>Total Revenues and Other Support</b>	<b>1,393,818</b>	<b>181,801</b>	<b>1,575,619</b>		<b>1,347,082</b>
<b>Expenses</b>					
Program services	582,959	-	582,959		734,833
Allowance for inventory obsolescence	434,182	-	434,182		-
General and administrative	199,134	-	199,134		162,294
Fundraising	161,811	-	161,811		152,593
<b>Total Expenses</b>	<b>1,378,086</b>	<b>-</b>	<b>1,378,086</b>		<b>1,049,720</b>
<b>Change in Net Assets</b>	<b>15,732</b>	<b>181,801</b>	<b>197,533</b>		<b>297,362</b>
Net assets, beginning of year	69,333	899,238	968,571		671,209
<b>Net Assets, End of Year</b>	<b>\$ 85,065</b>	<b>\$ 1,081,039</b>	<b>\$ 1,166,104</b>	<b>\$</b>	<b>968,571</b>

*See accompanying notes.*

**Good Sports, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2009**  
**(With Comparative Totals for 2008)**

	2009					2008	
	<u>Program Services</u>	<u>Allowance for Inventory Obsolescence</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>	
Distribution of equipment	\$ 341,570	\$ -	-	-	\$ 341,570	\$	398,478
Salaries and related taxes	181,136	-	50,189	66,159	297,484		329,440
Professional fees	-	-	70,368	-	70,368		51,308
Special events	-	-	-	68,745	68,745		80,826
Rent	23,021	-	41,039	-	64,060		55,591
Employee benefits	24,022	-	6,561	8,660	39,243		28,243
Travel	7,328	-	1,690	4,575	13,593		30,349
Merchant account fees	-	-	12,966	-	12,966		8,115
Telephone	741	-	5,023	15	5,779		5,008
Postage and delivery	1,676	-	557	3,484	5,717		9,610
Fundraising fees	-	-	-	3,964	3,964		7,800
Office expenses	-	-	1,187	2,391	3,578		7,367
Printing and copying	1,001	-	1,775	354	3,130		1,836
Supplies	165	-	2,326	420	2,911		2,374
Depreciation	-	-	2,458	-	2,458		2,279
Meals	762	-	469	967	2,198		6,032
Computer services	300	-	1,433	-	1,733		4,706
Payroll expense	603	-	275	757	1,635		1,608
Parking	574	-	59	454	1,087		2,525
Marketing	60	-	241	758	1,059		5,878
Insurance	-	-	1,001	-	1,001		1,109
Membership dues	-	-	487	108	595		3,304
Contract labor	-	-	-	-	-		3,699
Reserve for inventory obsolescence	-	434,182	-	-	434,182		-
Bad debt expense (recovery)	-	-	(970)	-	(970)		2,235
<b>Total Expenses</b>	<b>\$ 582,959</b>	<b>\$ 434,182</b>	<b>199,134</b>	<b>\$ 161,811</b>	<b>\$ 1,378,086</b>	<b>\$</b>	<b>1,049,720</b>

*See accompanying notes.*

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

	2009	2008
<b>Operating Activities</b>		
Change in net assets	\$ 197,533	\$ 297,362
Adjustments to reconcile change in net assets to net cash operating activities:		
Depreciation	2,458	2,279
Reserve for inventory obsolescence	434,182	
Recovery of bad debts	(970)	-
Contributed goods, net	(643,156)	(515,058)
Increase (decrease) in cash from:		
Contributions receivable	9,529	9,952
Accounts receivable	(1,120)	-
Prepaid expenses	(7,044)	(1,667)
Deposits	-	(1,354)
Accounts payable	(5,840)	11,913
Accrued expenses	(2,065)	(1,850)
<b>Net Cash Operating Activities</b>	<b>(16,493)</b>	<b>(198,423)</b>
<b>Investing Activities</b>		
Acquisition of equipment	-	(2,490)
Purchase of short-term investments	(1,746)	-
<b>Net Cash Investing Activities</b>	<b>(1,746)</b>	<b>(2,490)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(18,239)</b>	<b>(200,913)</b>
Cash and cash equivalents, beginning of year	172,364	373,277
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 154,125</b>	<b>\$ 172,364</b>

*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 generally accepted accounting principles (GAAP) in the United States of America. 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 and short-term investments - 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 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, consisting of sports equipment and goods, is stated at the lower of cost or market on a first-in, first-out basis. 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.
6. 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.

**B. Summary of Significant Accounting Policies (continued)**

7. 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 using the straight-line method over the estimated useful life of the assets which is five years. Depreciation for the years ended December 31, 2009 and 2008 was \$2,458 and \$2,279, respectively.
8. Contributions - Unconditional contributions received 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 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, 2009 and 2008, the Organization received contributed sports equipment valued at \$873,637 and \$703,897, respectively. Additionally, the Organization received contributed rent and services valued at \$67,288 and \$62,979 for the years ended December 31, 2009 and 2008, respectively. Contributed sports equipment is recorded as inventory and is expensed when distributed.
10. Income taxes - The Organization is exempt from federal and state income taxes 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.

Effective January 1, 2009, a new methodology by which an organization must identify, recognize, measure and disclose in its financial statements the effects of any uncertain tax reporting positions that an organization has taken or expects to take is required under GAAP. The Organization must recognize an unrecognized tax benefit when, despite the Organization'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 tax years (2006-2009), and has concluded that no provision for unrecognized tax benefits from uncertain tax positions is required in the Organization's financial statements.

11. 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, 2008, from which the summarized totals were derived.
12. Subsequent events - The Organization has evaluated all subsequent events through March 22, 2010, the date the financial statements were available to be issued.

**B. Summary of Significant Accounting Policies (continued)**

13. Recent accounting pronouncements - In June 2009, the Financial Accounting Standards Board (FASB) issued The FASB Accounting Standards Codification (the Codification). The Codification is the official single source of authoritative GAAP. All existing accounting standards are superseded and all other accounting guidance not included in the Codification will be considered non-authoritative. The Codification does not change GAAP. The Codification is effective for reporting periods ending after September 15, 2009. The impact on the financial statements from the Codification adoption was limited to disclosures, as all references to previous authoritative accounting literature were superseded by the Codification.

**C. Conditional Promises to Give**

At December 31, 2009, the Organization had received a promise to give of \$20,000 conditional upon annual donor approvals. This conditional promise to give will not be recognized as an asset or revenue until the condition is substantially met.

**D. Temporarily Restricted Net Assets**

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

	<u>2009</u>	<u>2008</u>
Equipment donation program	\$ 967,646	\$ 758,578
Equipment purchase program	<u>113,393</u>	<u>140,660</u>
	\$ <u>1,081,039</u>	\$ <u>899,238</u>

**E. Commitments and Contingencies**

1. Operating 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 Organization is eligible for a portion of any annual subsidy contribution that is generated through the fundraising of all tenants. This subsidy consists of a fixed contribution, which is applied to reduce monthly rent, and a variable contribution, which is paid out based on the Organization's agreement to assume responsibility for research and grant reporting. For the year ended December 31, 2009, the Organization received \$12,132 as a fixed contribution, which was recorded as contributed goods and services on the statement of activities. The variable contribution amounted to \$8,440 for the year ended December 31, 2009, and was recorded as contributions on the statement of activities.

**E. Commitments and Contingencies (continued)**

1. Operating leases (continued) - 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 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, 2009 and 2008, was \$64,060 and \$55,591, respectively.

Future minimum base rental payments are as follows:

	<u>Amount</u>
2010	\$ 47,863
2011	<u>13,281</u>
	\$ <u>61,144</u>

2. Legal matter - The Organization is involved in a legal matter arising in the ordinary course of business. Although the outcome of any legal matter cannot be predicted, the ultimate liability of the Organization in connection with this matter, if any, can not be estimated at December 31, 2009. Thus, it is at least reasonably possible that changes in the near term could materially affect the financial statements.

**F. 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, 2009. The Organization does not believe that it is exposed to significant credit risk in connection with its cash and cash equivalents.
2. Revenue and support - For the years ended December 31, 2009 and 2008, the Organization received approximately 88% and 84%, respectively, of its total contributed equipment from two contributors. Approximately 18% of its total cash contributions were received by two and one contributors for the years ended December 31, 2009 and 2008, respectively. At December 31, 2009 and 2008, respectively, three donors accounted for approximately 99% and 91% of gross contributions and pledges receivable.

**G. Reclassification**

Certain items in the 2008 financial statements have been reclassified to conform to the current year presentation. There was no change in previously reported net assets or changes in net assets as a result of these reclassifications.