

**Good Sports, Inc.**

*Financial Statements*

*Years Ended December 31, 2010 and 2009*

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*Years Ended December 31, 2010 and 2009*  
*Contents*

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## 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, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the year ended December 31, 2010. 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 2009 financial statements and, in our report dated July 13, 2010, 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 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 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, 2010 and 2009, and the changes in its net assets and its cash flows for the year ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.



June 20, 2011

**Statements of Financial Position**

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

	2010	2009
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 205,780	\$ 154,125
Short-term investments	-	82,368
Contributions and pledges receivable	22,225	19,513
Accounts receivable	1,910	1,120
Marketable securities	2,162	-
Inventory, net of allowance for obsolescence: 2010 - \$358,313; 2009 - \$434,182	1,266,156	954,154
Prepaid expenses	6,145	8,711
<b>Total Current Assets</b>	<b>1,504,378</b>	<b>1,219,991</b>
<b>Equipment</b>		
Computer equipment	16,704	12,293
Less: Accumulated depreciation	(8,982)	(6,081)
<b>Net Equipment</b>	<b>7,722</b>	<b>6,212</b>
<b>Other Assets</b>		
Deposits	3,290	1,354
<b>Total Assets</b>	<b>\$ 1,515,390</b>	<b>\$ 1,227,557</b>

	2010	2009
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 21,905	\$ 13,766
Payroll withholdings	5,520	-
Accrued expenses	26,095	47,687
<b>Total Current Liabilities</b>	<b>53,520</b>	<b>61,453</b>
<b>Commitments and Contingencies (Notes D and E)</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>		
Unrestricted	43,835	85,065
Temporarily restricted	1,418,035	1,081,039
<b>Total Net Assets</b>	<b>1,461,870</b>	<b>1,166,104</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,515,390</b>	<b>\$ 1,227,557</b>

*See accompanying notes.*

**Good Sports, Inc.**  
*Statement of Activities*  
Year Ended December 31, 2010  
(With Comparative Totals for 2009)

	2010			2009	
<b>Support</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>	
Contributions	\$ 99,764	\$ -	\$ 99,764	\$	153,345
Corporate grants	151,538	4,996	156,534	\$	108,886
Foundation grants	-	368,537	368,537		214,230
Contributed goods and services	29,959	974,263	1,004,222		932,485
Special events	139,385	-	139,385		144,862
Interest income	392	-	392		2,269
Other income	40,391	-	40,391		19,542
Net assets released from restrictions	1,010,800	(1,010,800)	-		-
<b>Total Support</b>	1,472,229	336,996	1,809,225		1,575,619
<b>Expenses</b>					
Program services	1,217,869	-	1,217,869		582,959
Allowance for inventory obsolescence, net	32,149	-	32,149		434,182
General and administrative	134,067	-	134,067		199,134
Fundraising	129,374	-	129,374		161,811
<b>Total Expenses</b>	1,513,459	-	1,513,459		1,378,086
<b>Change in Net Assets</b>	(41,230)	336,996	295,766		197,533
Net assets, beginning of year	85,065	1,081,039	1,166,104		968,571
<b>Net Assets, End of Year</b>	\$ 43,835	\$ 1,418,035	\$ 1,461,870	\$	1,166,104

*See accompanying notes.*

**Good Sports, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2010**  
**(With Comparative Totals for 2009)**

	2010				2009	
	<u>Program Services</u>	<u>Inventory Obsolescence</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Distribution of equipment	\$ 855,738	\$ -	\$ -	\$ -	\$ 855,738	\$ 341,570
Salaries and related taxes	265,930	-	16,434	16,434	298,798	297,484
Loss on disposal of obsolete inventory	-	108,018	-	-	108,018	-
Special events	-	-	-	86,401	86,401	68,745
Employee benefits	42,865	-	2,649	2,649	48,163	39,243
Rent	25,455	-	12,960	-	38,415	64,060
Professional fees	-	-	33,889	-	33,889	70,368
Marketing	1,595	-	-	20,164	21,759	1,059
Postage and delivery	14,713	-	552	3,365	18,630	5,717
Travel	10,830	-	4,646	-	15,476	13,593
Computer services	-	-	12,068	-	12,068	1,733
Supplies	-	-	11,555	-	11,555	2,911
Printing and copying	-	-	8,413	-	8,413	3,130
Telephone	743	-	6,767	-	7,510	5,779
Merchant account fees	-	-	7,204	-	7,204	12,966
Office expenses	-	-	6,009	-	6,009	3,578
Meals	-	-	3,343	-	3,343	2,198
Depreciation	-	-	2,900	-	2,900	2,458
Parking	-	-	1,272	-	1,272	1,087
Payroll expense	-	-	1,229	-	1,229	1,635
Insurance	-	-	895	-	895	1,001
Membership dues	-	-	569	-	569	595
Contract labor	-	-	550	-	550	-
Fundraising fees	-	-	-	361	361	3,964
Bad debt expense (recovery)	-	-	163	-	163	(970)
Reserve for inventory obsolescence	-	(75,869)	-	-	(75,869)	434,182
<b>Total Expenses</b>	<b>\$ 1,217,869</b>	<b>\$ 32,149</b>	<b>\$ 134,067</b>	<b>\$ 129,374</b>	<b>\$ 1,513,459</b>	<b>\$ 1,378,086</b>

*See accompanying notes.*

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

	2010	2009
<b>Operating Activities</b>		
Change in net assets	\$ 295,766	\$ 197,533
Adjustments to reconcile change in net assets to net cash operating activities:		
Depreciation	2,900	2,458
Reserve for inventory obsolescence	(75,869)	434,182
Loss on disposal of obsolete inventory	108,018	-
Bad debt expense (recovery)	163	(970)
Contributed goods, net	(344,151)	(643,156)
Contribution of marketable securities	(2,162)	(1,746)
Increase (decrease) in cash from:		
Contributions receivable	(2,875)	9,529
Accounts receivable	(790)	(1,120)
Prepaid expenses	2,566	(7,044)
Deposits	(1,936)	-
Accounts payable	8,139	(5,840)
Payroll withholdings	5,520	-
Accrued expenses	(21,592)	(2,065)
<b>Net Cash Operating Activities</b>	<b>(26,303)</b>	<b>(18,239)</b>
<b>Investing Activities</b>		
Acquisition of equipment	(4,410)	-
Redemption of short-term investments	82,368	-
<b>Net Cash Investing Activities</b>	<b>77,958</b>	<b>-</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>51,655</b>	<b>(18,239)</b>
Cash and cash equivalents, beginning of year	154,125	172,364
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 205,780</b>	<b>\$ 154,125</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. Fair value of financial instruments - The Organization's financial instruments are cash and cash equivalents, accounts receivable, marketable securities and accounts payable. The recorded values of these financial instruments, except for marketable securities, approximate their fair values based on their short-term nature. The fair value of marketable securities is based on quoted market prices. Marketable securities, consisting of shares of common stock of one company, are classified as “available for sale” and are carried in the financial statements at fair value in accordance with generally accepted accounting principles (GAAP). Unrealized holding gains and losses are included in the Organizations earnings.

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

5. Fair value hierarchy - GAAP established a fair value hierarchy for valuation of assets and liabilities and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:
  - Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
  - Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable either directly or indirectly;
  - Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.
6. 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.
7. 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.
8. 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.
9. 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 lives of the assets which is five years. Depreciation for the years ended December 31, 2010 and 2009 was \$2,900 and \$2,458, respectively.

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

10. 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 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.
11. 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, 2010 and 2009, the Organization received contributed sports equipment valued at \$974,263 and \$873,637, respectively. Additionally, the Organization received contributed rent and services valued at \$29,959 and \$58,848 for the years ended December 31, 2010 and 2009, respectively. Contributed sports equipment is recorded as inventory and is expensed when distributed.
12. 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.

In accordance with GAAP, the Organization must identify, recognize, measure and disclose in its financial statements the effects of any uncertain tax reporting positions it has taken or expects to take. 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 (2007-2010), and has concluded that no provision for unrecognized tax benefits from 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, 2009, from which the summarized totals were derived.
14. Subsequent events - The Organization has evaluated all subsequent events through June 20, 2011, the date the financial statements were available to be issued.

**C. Conditional Promises to Give**

At December 31, 2010 and 2009, the Organization had promises to give of \$15,000 and \$20,000, respectively, conditional upon annual donor approval. Conditional promises to give are not recognized as an asset or revenue until the conditions are substantially met.

**D. Temporarily Restricted Net Assets**

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

		<u>2010</u>		<u>2009</u>
Equipment donation program	\$	1,281,296	\$	967,646
Equipment purchase program		<u>136,739</u>		<u>113,393</u>
	\$	<u>1,418,035</u>	\$	<u>1,081,039</u>

**E. Commitments and Contingencies**

1. Operating leases - The Organization leases its office under a five year non-cancelable lease, which expires in July 2015. The Organization leased its prior office under a non-cancelable sublease, which expired in July, 2010. The sublease agreement provided for monthly rental payments plus a proportionate share of certain operating expenses. The Organization was eligible for a portion of any annual subsidy contribution that was generated through the fundraising of all tenants. That subsidy consisted 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 years ended December 31, 2010 and 2009, the fixed contribution amounted to \$- and \$12,132, respectively, and was recorded as contributed goods and services on the statement of activities. The variable contribution amounted to \$- and \$8,440 for the years ended December 31, 2010 and 2009, respectively, and was recorded as contributions on the statement of activities.

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, 2010 and 2009, was \$38,415 and \$64,060, respectively.

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

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

	<u>Amount</u>
2011	\$ 33,329
2012	20,048
2013	20,048
2014	20,047
2015	<u>11,694</u>
	\$ <u>105,166</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, 2010. 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, 2010 and 2009. The Organization does not believe that it is exposed to significant credit risk in connection with its cash and cash equivalents.
2. Support - For the years ended December 31, 2010 and 2009, the Organization received approximately 79% and 88%, respectively, of its total contributed equipment from three and two contributors. Approximately 10% of total cash contributions were received by one contributor for the year ended December 31, 2009. At December 31, 2010 and 2009, three donors accounted for approximately 99% of gross contributions and pledges receivable.