Good Sports, Inc.

Financial Statements

Years Ended December 31, 2012 and 2011

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Years Ended December 31, 2012 and 2011
Contents

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CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS + ADVISORS

Independent Auditors' Report

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

We have audited the accompanying financial statements of Good Sports, Inc. (the "Organization), which comprise the statements of financial position as of December 31, 2012 and 2011, the related statements of activities and changes in net assets and functional expenses for the year ended December 31, 2012 with comparative totals for 2011 and statements of cash flows for the years ended December 31, 2012 and 2011, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's 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 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 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.

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, 2012 and 2011, and the results of its activity 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.

Katz, Nannis + Solomon, P.C.

Needham, Massachusetts
October 31, 2013

		2012		2011
Assets				
Current Assets				
Cash and cash equivalents	$	294,069	$	175,445
Contributions and pledges receivable		19,930		58,755
Accounts receivable		3,349		-
Grants receivable		73,393		25,000
Inventory, net of allowance for obsolescence: 2012 - $102,958; 2011- $193,338		1,031,030		514,612
Prepaid expenses		4,930		4,825
Total Current Assets		1,426,701		778,637
Equipment and Improvements				
Computer equipment		52,529		52,529
Leasehold improvements		10,155		-
Total		62,684		52,529
Accumulated depreciation		(23,162)		(11,741)
Net Equipment and Improvements		39,522		40,788
Other Assets				
Deposits		3,025		3,290
Website in construction		-		50,000
Intangible assets, net of accumulated amortization: 2012 - $11,111		38,889		-
Total Other Assets		41,914		53,290
Total Assets	$	1,508,137	$	872,715

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

	2012		2011	
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$	40,938	$	34,676
Payroll withholdings		4,221		1,554
Accrued expenses		48,249		24,172
Total Current Liabilities		93,408		60,402
Commitments and Contingencies (Notes D and E)		-		-
Net Assets				
Unrestricted		217,660		119,075
Temporarily restricted		1,197,069		693,238
Total Net Assets		1,414,729		812,313
Total Liabilities and Net Assets	$	1,508,137	$	872,715

See accompanying notes.

Good Sports, Inc.
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2012
(With Comparative Totals for 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
Support				
Contributions	$ 88,403	$ -	$ 88,403	$ 69,752
Corporate grants	45,625	148,160	193,785	209,076
Foundation grants	15,760	600,264	616,024	484,836
Contributed goods and services	-	1,472,388	1,472,388	111,019
Special events	386,308	-	386,308	157,733
Interest and dividend income	297	-	297	311
Other income	82,072	-	82,072	44,295
Gain (loss) on marketable securities	(77)	-	(77)	560
Net assets released from restrictions	1,716,981	(1,716,981)	-	-
Total Support	2,335,369	503,831	2,839,200	1,077,582
Expenses				
Program services	1,804,611	-	1,804,611	1,651,261
Inventory obsolescence, net	(90,380)	-	(90,380)	(162,515)
General and administrative	154,866	-	154,866	147,288
Fundraising	367,687	-	367,687	91,105
Total Expenses	2,236,784	-	2,236,784	1,727,139
Change in Net Assets	98,585	503,831	602,416	(649,557)
Net assets, beginning of year	119,075	693,238	812,313	1,461,870
Net Assets, End of Year	$ 217,660	$ 1,197,069	$ 1,414,729	$ 812,313

See accompanying notes.

Good Sports, Inc.

Statement of Functional Expenses
Year Ended December 31, 2012
(With Comparative Totals for 2011)

	2012					2011
	Program Services	Inventory Obsolescence	General and Administrative	Fundraising	Total	Total
Distribution of equipment	$ 1,420,016	$ -	$ -	$ -	$ 1,420,016	$ 1,244,002
Salaries and related taxes	227,275	-	92,974	111,041	431,290	351,389
Loss on disposal of computer equipment	-	-	-	-	-	887
Special events	816	-	-	193,829	194,645	51,842
Employee benefits	24,719	-	7,869	12,077	44,665	39,560
Rent	22,482	-	15,520	10,981	48,983	48,452
Professional fees	11,234	-	12,253	13,280	36,767	29,613
Marketing	4,471	-	90	2,288	6,849	7,609
Postage and delivery	38,394	-	3,787	3,592	45,773	26,131
Travel	16,400	-	8,059	1,707	26,166	18,807
Computer services	1,541	-	491	753	2,785	7,722
Supplies	3,236	-	2,213	5,321	10,770	5,627
Printing and copying	390	-	192	797	1,379	11,166
Telephone	6,757	-	2,526	3,067	12,350	9,089
Merchant account fees	-	-	558	660	1,218	8,484
Office expenses	1,299	-	2,654	5,056	9,008	9,272
Meals	1,012	-	1,766	687	3,465	2,875
Depreciation	22,532	-	-	-	22,532	6,900
Parking	718	-	882	400	2,000	2,112
Payroll expense	700	-	280	342	1,322	1,163
Insurance	619	-	247	303	1,169	1,492
Membership dues	-	-	1,966	-	1,966	2,500
Contract labor	-	-	-	-	-	2,333
Fundraising fees	-	-	-	-	-	627
Sales tax	-	-	-	1,506	1,506	-
Interest expense	-	-	539	-	539	-
Inventory obsolescence	-	(90,380)	-	-	(90,379)	(162,515)
Total Expenses	$ 1,804,611	$ (90,380)	$ 154,866	$ 367,687	$ 2,236,784	$ 1,727,139

See accompanying notes.

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

	2012	2011
Operating Activities		
Change in net assets	$ 602,416	$ (649,557)
Adjustments to reconcile change in net assets to net cash operating activities:		
Depreciation	22,532	6,900
Reserve for inventory obsolescence	(90,380)	(162,515)
Loss on disposal of computer equipment	-	887
Contributed goods, net	(426,038)	914,059
Contribution of marketable securities	-	(6,641)
Gain on marketable securities	-	(560)
Increase (decrease) in cash from:		
Contributions and pledges receivable	38,825	(36,530)
Accounts receivable	(3,349)	1,910
Grants receivable	(48,393)	(25,000)
Prepaid expenses	(105)	1,320
Deposits	265	-
Website in construction	-	(50,000)
Accounts payable	6,262	12,771
Payroll withholdings	2,667	(3,966)
Accrued expenses	13,922	(1,923)
Net Cash Operating Activities	118,624	1,155
Investing Activities		
Acquisition of computer equipment	-	(40,853)
Sale of marketable securities, net	-	9,363
Net Cash Investing Activities	-	(31,490)
Net Change in Cash and Cash Equivalents	118,624	(30,335)
Cash and cash equivalents, beginning of year	175,445	205,780
Cash and Cash Equivalents, End of Year	$ 294,069	$ 175,445

Supplemental Disclosure of Non-cash Investing and Financing Activities

During the year ended December 31, 2012, leasehold improvements of $10,155 were financed by the landlord and are being repaid over 36 months.

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 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 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, 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, 2012 and 2011 was $22,532 and $6,900, respectively.

7. 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 GAAP. Unrealized holding gains and losses are included in the Organization's earnings.

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 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, 2012 and 2011, the Organization received contributed sports equipment valued at $1,469,913 and $58,436, respectively. Additionally, the Organization received contributed services valued at $2,475 and $52,583 for the years ended December 31, 2012 and 2011, 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 various allocation methods.

11. Marketing costs - The Organization expenses marketing costs when incurred. During the years ended December 31, 2012 and 2011, marketing costs were $6,849 and $7,609, respectively.

B. Summary of Significant Accounting Policies (continued)

12. Income taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from state income taxes under various state laws. Accordingly, no provision for federal or state income taxes has been provided for the accompanying financial statements. Contributions to the Organization are tax deductible.

    In accordance with GAAP, the Organization identifies, recognizes, measures and discloses in its financial statements the effects of any uncertain tax reporting positions it has taken or expects to take. The Organization recognizes 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 (2009-2012), 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, 2011, from which the summarized totals were derived.

C. Conditional Promises to Give

At December 31, 2012 and 2011, the Organization had promises to give of $5,000 and $10,000, 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:

	2012	2011
Equipment donation program	$ 1,036,994	$ 513,403
Equipment purchase program	160,075	179,835
	$ 1,197,069	$ 693,238

E. Commitments and Contingencies

The Organization leases its office under a five year non-cancelable lease, which expires in July 2015. 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, 2012 and 2011, there were no fixed or variable contributions.

The Organization also leases a warehouse for its inventory under a lease agreement which expired in July 2011 and was renewed until 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 December 2012 the Organization amended the lease to obtain additional warehouse space. The amendment also includes an option to extend the lease until 2016.

Total rent expense under these leases for the years ended December 31, 2012 and 2011, was $48,983 and $48,452, respectively.

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

	Amount
2013	$ 56,933
2014	34,713
2015	11,694
	$ 103,340

F. Concentrations

1. Cash and cash equivalents - The Organization maintains cash in bank deposit accounts that, at times, could exceed federally insured limits. The Federal Deposit Insurance Corporation (FDIC) provides an unlimited guarantee for non-interest bearing accounts and a $250,000 guarantee for interest bearing accounts at commercial banks. The Organization did not have uninsured cash balances at December 31, 2012 and 2011. The Organization does not believe that it is exposed to significant credit risk in connection with its cash and cash equivalents. As of January 1, 2013, the FDIC unlimited guarantee for non-interest bearing accounts has expired. Deposits held in non-interest bearing accounts are now aggregated with any interest bearing deposits held in the same bank and the combined total is insured up to $250,000

2. Support - For the years ended December 31, 2012 and 2011, the Organization received approximately 95% and 74%, respectively, of its total contributed equipment from four and three contributors, respectively. For the years ended December 31, 2012 and 2011, approximately 22% and 24%, respectively, of total cash contributions were received from one and two contributors, respectively. At December 31, 2012 and 2011, two donors accounted for approximately 82% and 90%, respectively, of gross contributions and pledges receivable.

G. Subsequent Event

The Organization has evaluated subsequent events occurring through October 31, 2013, the date the financials were available to be issued, and determined that no additional subsequent events had occurred that would require recognition or disclosure in the financial statements, except as listed below.

Subsequent to year end 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 if the Organization chooses to do so.