Good Sports, Inc.

Financial Statements

Years Ended December 31, 2014 and 2013

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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, 2014 and 2013, the related statement of activities and changes in net assets and statement of functional expenses for the year ended December 31, 2014 with comparative totals for 2013 and statements of cash flows for the years ended December 31, 2014 and 2013, 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, 2014 and 2013, 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 16, 2015

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 759,938	$ 370,686
Contributions and pledges receivable	89,005	16,755
Accounts receivable	16,222	8,789
Grants receivable	166,000	1,500
Inventory, net of allowance for obsolescence: 2014 - $172,563; 2013 - $103,938	3,203,109	1,872,847
Prepaid expenses	17,238	6,542
Total Current Assets	4,251,512	2,277,119
Equipment and Improvements		
Computer equipment	61,327	53,892
Leasehold improvements	-	10,155
Total	61,327	64,047
Accumulated depreciation	(41,252)	(35,080)
Net Equipment and Improvements	20,075	28,967
Other Assets		
Deposits	10,525	5,275
Intangible assets, net of accumulated amortization: 2014 - $44,444; 2013 - $27,778	5,556	22,222
Total Other Assets	16,081	27,497
Total Assets	$ 4,287,668	$ 2,333,583

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

		2014		2013
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$	122,706	$	13,356
Payroll withholdings		14,785		1,580
Accrued expenses		37,145		48,164
Total Current Liabilities		174,636		63,100
Commitments and Contingencies (Note E)		-		-
Long-Term Liabilities				
Deferred rent		9,145		-
Total Liabilities		183,781		63,100
Net Assets				
Unrestricted		416,779		281,199
Temporarily restricted		3,687,108		1,989,284
Total Net Assets		4,103,887		2,270,483
Total Liabilities and Net Assets	$	4,287,668	$	2,333,583

See accompanying notes.

Good Sports, Inc.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2014

(With Comparative Totals for 2013)

	2014			2013
	Unrestricted	**Temporarily Restricted**	**Total**	**Total**
Support				
Contributions	$ 72,974	$ 13,050	$ 86,024	$ 90,621
Corporate grants	25,564	1,233,484	1,259,048	224,111
Foundation grants	122,699	579,942	702,641	691,301
Contributed goods and services	5,600	2,833,306	2,838,906	2,256,479
Special events	579,425	-	579,425	517,940
Interest and dividend income	284	-	284	100
Other income	90,099	-	90,099	83,601
Net assets released from restrictions	2,961,958	(2,961,958)	-	-
Total Support	3,858,603	1,697,824	5,556,427	3,864,153
Expenses				
Program services	2,975,674	-	2,975,674	2,324,140
Inventory obsolescence, net	67,645	-	67,645	5,617
General and administrative	239,136	-	239,136	232,426
Fundraising	440,568	-	440,568	446,216
Total Expenses	3,723,023	-	3,723,023	3,008,399
Change in Net Assets	135,580	1,697,824	1,833,404	855,754
Net assets, beginning of year	281,199	1,989,284	2,270,483	1,414,729
Net Assets, End of Year	$ 416,779	$ 3,687,108	$ 4,103,887	$ 2,270,483

See accompanying notes.

Good Sports, Inc.
Statement of Functional Expenses
Year Ended December 31, 2014
(With Comparative Totals for 2013)

	2014					2013
	Program Services	Inventory Obsolescence	General and Administrative	Fundraising	Total	Total
Salaries and related taxes	$ 435,721	$ -	$ 116,555	$ 142,455	$ 694,731	$ 513,258
Bad debt expense	-	-	-	-	-	1,425
Computer services	4,362	-	1,204	1,470	7,036	2,867
Depreciation and amortization	-	-	29,402	-	29,402	28,585
Distribution of equipment	2,160,891	-	-	-	2,160,891	1,908,795
Employee benefits	43,735	-	12,052	14,743	70,530	48,170
Insurance	1,407	-	2,523	474	4,404	2,847
Interest expense	-	-	187	-	187	611
Inventory obsolescence	-	67,645	-	-	67,645	5,617
Loss on disposal of asset	-		3,591	-	3,591	-
Marketing	9,197	-	530	8,447	18,174	18,288
Membership dues	1,591	-	439	537	2,567	1,975
Merchant account fees	229	-	989	2,938	4,156	1,375
Office expenses	12,652	-	4,370	4,414	21,436	11,461
Payroll expense	2,016	-	556	679	3,251	3,361
Postage and delivery	88,539	-	693	4,734	93,966	62,610
Professional fees	17,469	-	46,687	10,387	74,543	53,691
Rent	61,072	-	3,577	4,372	69,021	58,426
Sales tax	3,856	-	-	-	3,856	1,488
Special events	20,231	-	277	229,417	249,925	239,978
Supplies	7,200	-	10,147	5,575	22,922	4,900
Telephone	6,410	-	1,666	2,037	10,113	7,520
Travel	59,953	-	3,302	7,414	70,669	28,314
Warehouse Costs	39,143	-	389	475	40,007	2,837
Total Expenses	$ 2,975,674	$ 67,645	$ 239,136	$ 440,568	$ 3,723,023	$ 3,008,399

See accompanying notes.

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

		2014		2013
Operating Activities				
Change in net assets	$	1,833,404	$	855,754
Adjustments to reconcile change in net assets to net cash operating activities:				
Depreciation and amortization		29,402		28,585
Reserve for inventory obsolescence		67,645		5,617
Contributed goods, net		(1,397,907)		(847,434)
Loss on disposal of asset		3,591		-
Increase (decrease) in cash from:				
Contributions and pledges receivable		(72,250)		3,175
Accounts receivable		(7,433)		(5,440)
Grants receivable		(164,500)		71,893
Prepaid expenses		(10,696)		(1,612)
Deposits		(5,250)		(2,250)
Accounts payable		109,350		(27,582)
Payroll withholdings		13,205		(2,641)
Accrued expenses		(11,019)		(85)
Deferred rent		9,145		-
Net Cash Operating Activities		396,687		77,980
Investing Activities				
Acquisition of computer equipment		(7,435)		(1,363)
Net Change in Cash and Cash Equivalents		389,252		76,617
Cash and cash equivalents, beginning of year		370,686		294,069
Cash and Cash Equivalents, End of Year	$	759,938	$	370,686

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, 2014 and 2013 was $12,736 and $11,918, 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, 2014 and 2013 was $16,666 and $16,667, respectively.

8. 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.

9. 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.

10. 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, 2014 and 2013, the Organization received contributed sports equipment valued at $2,785,848 and $2,188,888, respectively and contributed services valued at $37,108 and $44,041, respectively. Additionally the organization received $15,590 and $23,550 worth of credits from vendors for the years ended December 31, 2014 and 2013, respectively. Contributed sports equipment is recorded as inventory and is expensed when distributed.

11. 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.

12. Marketing costs - The Organization expenses marketing costs when incurred. During the years ended December 31, 2014 and 2013, marketing costs were $18,174 and $18,288, respectively.

B. Summary of Significant Accounting Policies (continued)

13. 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 (2011-2014), and has concluded that no provision for unrecognized tax benefits from uncertain tax positions is required in the Organization's financial statements.

14. 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, 2013, from which the summarized totals were derived.

15. Subsequent events - The Company has evaluated all subsequent events through September 16, 2015, 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%. The line of credit renews annually. At December 31, 2014 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:

		2014		2013
Equipment donation program	$	3,184,813	$	1,858,520
Equipment purchase program		476,487		130,764
	$	3,661,300	$	1,989,284

E. Commitments and Contingencies

The Organization leased its office under a five year non-cancelable lease, which was set to expire 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. Subsequent to year end, in March 2015 the Organization moved into their new office space. As of the issuance date of these financial statements there is no signed lease and the Organization is a tenant at will. The Organization pays monthly rental payments plus a proportionate share of certain operating expenses.

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 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, 2014 and 2013, was $69,021 and $58,426, respectively.

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

		Amount
2015	$	63,000
2016		63,000
2017		63,000
2018		63,000
2019		31,500
Total	$	283,500

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, 2014, the Organization had $321,622 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, 2014 and 2013, the Organization received approximately 78% and 93%, respectively, of its total contributed equipment from three and two contributors, respectively. For the years ended December 31, 2014 and 2013, approximately 48% and 19%, respectively, of total cash contributions were received from one contributor. At December 31, 2014 and 2013, three donors accounted for approximately 69% and 90%, 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, 2014 and 2013.

H. Reclassification

Certain items in the 2013 financial statements have been reclassified to conform to the current year presentation. There was no change in previously reported net assets as a result of these reclassifications.