

**LEVELING THE PLAYING FIELD, INC.**

**FINANCIAL REPORT**

**December 31, 2021**

**LEVELING THE PLAYING FIELD, INC.**

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## Independent Auditors' Report

To the Board of Directors of  
Leveling the Playing Field, Inc.  
Silver Spring, Maryland

### Opinion

We have audited the accompanying financial statements of Leveling the Playing Field, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leveling the Playing Field, Inc. as of December 31, 2021 and 2020, and the 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Leveling the Playing Field, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Leveling the Playing Field, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Leveling the Playing Field, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Leveling the Playing Field, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



*North Bethesda, Maryland*

*July 8, 2022*

**LEVELING THE PLAYING FIELD, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2021 and 2020**

	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 600,437	\$ 376,117
Accounts receivable	25,200	6,219
Inventory	1,340,524	1,070,238
Deposits	5,543	-
Total current assets	1,971,704	1,452,574
<b>Property and Equipment, at cost</b>		
Vehicles and trailers	71,641	71,641
Equipment	28,609	-
	100,250	71,641
Less accumulated depreciation	26,345	16,908
	73,905	54,733
Total assets	\$ 2,045,609	\$ 1,507,307
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 12,923	\$ 6,475
Credit cards payable	14,231	13,954
Paycheck Protection Program loan	52,707	57,200
Total current liabilities	79,861	77,629
<b>Net Assets</b>		
With donor restrictions	25,000	-
Without donor restrictions	1,940,748	1,429,678
	1,965,748	1,429,678
Total liabilities and net assets	\$ 2,045,609	\$ 1,507,307

*The accompanying notes are an integral part of these financial statements.*

**LEVELING THE PLAYING FIELD, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2021**

	Program Services		Total Program Services	Without Donor Restrictions		Total Supporting Services	Without Donor Restrictions	Total
	With Donor Restrictions	Without Donor Restrictions		Supporting Services				
				General and Administrative	Fundraising			
<b>Revenues</b>								
Contributions								
Noncash	\$ -	\$ 3,108,199	\$ 3,108,199	\$ -	\$ -	\$ -	\$ 3,108,199	\$ 3,108,199
Other	25,000	684,873	709,873	-	-	-	684,873	709,873
Government grants	-	46,467	46,467	-	-	-	46,467	46,467
Products and services								
Program service revenue	-	235,859	235,859	-	-	-	235,859	235,859
PPP loan forgiveness	-	-	-	57,200	-	57,200	57,200	57,200
Other income	-	-	-	385	-	385	385	385
Total revenue	25,000	4,075,398	4,100,398	57,585	-	57,585	4,132,983	4,157,983
<b>Expenses</b>								
Grants	-	2,463,184	2,463,184	-	-	-	2,463,184	2,463,184
Salary	-	288,721	288,721	86,789	-	86,789	375,510	375,510
Inventory write off	-	-	-	374,729	-	374,729	374,729	374,729
Rent	-	98,695	98,695	19,973	-	19,973	118,668	118,668
Supplies	-	104,223	104,223	-	-	-	104,223	104,223
Professional fees	-	19,469	19,469	11,750	19,935	31,685	51,154	51,154
Advertising	-	29,231	29,231	834	-	834	30,065	30,065
Postage	-	29,726	29,726	-	-	-	29,726	29,726
Travel	-	25,516	25,516	-	-	-	25,516	25,516
Insurance	-	12,449	12,449	7,285	-	7,285	19,734	19,734
Depreciation	-	-	-	9,437	-	9,437	9,437	9,437
Listing software	-	9,130	9,130	-	-	-	9,130	9,130
Website and technology	-	8,908	8,908	-	-	-	8,908	8,908
Other	-	958	958	-	-	-	958	958
Bank fees	-	20,083	20,083	(19,356)	-	(19,356)	727	727
Telecommunications	-	244	244	-	-	-	244	244
Total expenses	-	3,110,537	3,110,537	491,441	19,935	511,376	3,621,913	3,621,913
<b>Change in Net Assets</b>	25,000	\$ 964,861	\$ 989,861	\$ (433,856)	\$ (19,935)	\$ (453,791)	511,070	536,070
Net assets, beginning of year	-	-	-	-	-	-	1,429,678	1,429,678
Net assets, end of year	\$ 25,000	-	-	-	-	-	\$ 1,940,748	\$ 1,965,748

The accompanying notes are an integral part of these financial statements.

**LEVELING THE PLAYING FIELD, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2020**

		Supporting Services			
	Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
<b>Revenues</b>					
Contributions					
Noncash	\$ 1,419,833	\$ -	\$ -	\$ -	\$ 1,419,833
Other	410,223	-	-	-	410,223
Government grants	94,531	-	-	-	94,531
Products and services					
Program service revenue	113,705	-	-	-	113,705
Other income	-	3,702	-	3,702	3,702
Total revenue	2,038,292	3,702	-	-	2,041,994
<b>Expenses</b>					
Inventory write off	-	648,595	-	648,595	648,595
Grants	589,695	-	-	-	589,695
Salary	200,075	89,718	-	89,718	289,793
Rent	50,074	30,800	-	30,800	80,874
Office	62,660	2,091	2,903	4,994	67,654
Professional fees	19,733	13,738	2,420	16,158	35,891
Website and technology	10,473	10,808	918	11,726	22,199
Insurance	9,549	6,871	-	6,871	16,420
Depreciation	4,780	2,384	-	2,384	7,164
Travel	5,510	-	-	-	5,510
Advertising	2,548	834	-	834	3,382
Meetings	564	-	-	-	564
Total expenses	955,661	805,839	6,241	812,080	1,767,741
<b>Change in Net Assets</b>	<b>\$ 1,082,631</b>	<b>\$ (802,137)</b>	<b>\$ (6,241)</b>	<b>\$ (812,080)</b>	<b>274,253</b>
Net assets, beginning of year					1,155,425
Net assets, end of year					<b>\$ 1,429,678</b>

*The accompanying notes are an integral part of these financial statements.*

**LEVELING THE PLAYING FIELD, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash flow from operating activities:</b>		
Change in net assets	\$ 536,070	\$ 274,253
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	9,437	7,164
Forgiveness of Paycheck Protection Program loan	(57,200)	-
Inventory write off	375,510	648,595
(Increase) decrease in assets:		
Accounts receivable	(18,981)	(6,219)
Inventory	(645,796)	(830,138)
Deposits	(5,543)	-
Increase (decrease) in liabilities:		
Accounts payable	6,448	3,670
Credit cards payable	277	4,688
Net cash provided by operating activities	<u>200,222</u>	<u>102,013</u>
 <b>Cash flow from investing activities:</b>		
Purchase of fixed assets	<u>(28,609)</u>	<u>-</u>
 <b>Cash flow from financing activities:</b>		
Proceeds from Paycheck Protection Program loan	<u>52,707</u>	<u>57,200</u>
 <b>Net increase in cash</b>	 224,320	 159,213
 <b>Cash - beginning of the year</b>	 <u>376,117</u>	 <u>216,904</u>
 <b>Cash - end of the year</b>	 <u>\$ 600,437</u>	 <u>\$ 376,117</u>

*The accompanying notes are an integral part of these financial statements.*



**LEVELING THE PLAYING FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**Note 1. Organization and Nature of Activities**

Leveling the Playing Field, Inc. (LPF) is a not-for-profit organization established in 2013 in response to the growing inequity between those that can afford to play sports and those that cannot, and the prominent role the cost of sporting goods was playing in the gap. LPF gives underprivileged children the opportunity to enjoy the mental and physical benefits of youth sports participation by the donation of used and excess sporting equipment to programs and schools serving low-income communities. These donations allow programs to allocate funds saved by lowering registration fees, expanding their scholarship programs, enhancing their existing athletic program, and/or developing new athletic programs.

**Note 2. Summary of Significant Accounting Policies**

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Basis of Presentation***

LPF is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represent the expendable net assets that are available for support of LPF. Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met by actions of LPF and/or the passage of time and those that are subject to donor-imposed stipulations that LPF maintain them permanently.

***Accounts Receivable***

Accounts receivable are presented at the gross amount due to LPF. LPF periodically reviews the status of all accounts receivable balances for collectability, and each receivable balance is assessed based on LPF's knowledge of the customer, relationship with the customer, and the age of the receivable balance. As a result of these reviews, customer balances deemed to be uncollectible are offset by an allowance for doubtful accounts and recorded as bad debt expense. If additional collection attempts indicate that payment will not be received, the account receivable and corresponding allowance are written off. LPF believes an allowance for doubtful accounts is not needed as of December 31, 2021 and 2020. Accounts receivable balance as of January 1, 2020 was zero.

***Inventories***

Inventory of donated sporting equipment is valued at the lower of cost or market value, using the first-in, first-out (FIFO) method.

**LEVELING THE PLAYING FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**Note 2. Summary of Significant Accounting Policies (continued)**

*Property and Equipment*

Vehicles and trailers are recorded at cost or fair market value on the date of donation and are being depreciated using the straight line method over 10 years. Equipment is recorded at cost and depreciated using the straight line method over 5 years.

*Revenue Recognition*

LPF's products and services revenue are recognized at a point in time based on the performance obligations of each contract. Various economic factors affect revenues and cash flows. Substantially all customers are in the United States.

Revenue is generated from the following:

Contributions - LPF received unconditional contributions from a local government agency, corporations, foundations, and the general public in the form of grants and non-cash donations. These contributions have no conditions or performance obligations, and therefore, revenue is recognized upon notice of the donation, usually upon receipt. There were \$ 25,200 of contributions in receivables as of December 31, 2021 that were collected in 2022. One \$ 5,000 amount was receivable as of December, 31 2020 and was collected in 2021.

Program Service Revenue - These are exchange transactions, wherein LPF sells excess inventory to other organizations and individuals. Revenue is recognized after the sale, once LPF's performance obligations have been fulfilled.

Conditional Contributions - LPF received conditional contributions from two local government agencies and one private foundation. These grants were conditional since certain milestones and reports were required by the grantors. Revenue is recognized as work progresses and these milestones are met.

On June 24, 2019, Montgomery County Maryland awarded LPF a conditional grant of \$ 45,000 to be used to provide underserved children an improved opportunity to participate in youth sports. Montgomery County Maryland reimbursed LPF monthly based on support of the above condition being met. As of December 31, 2020, \$ 16,343 had yet to be spent on this grant. During the year ended December 31, 2021, this amount was spent, reimbursed to LPF, and recognized as revenue.

**LEVELING THE PLAYING FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**Note 2. Summary of Significant Accounting Policies (continued)**

***Revenue Recognition (continued)***

Conditional Contributions (continued)

On July 1, 2020, Montgomery County Maryland awarded LPF another conditional grant of \$ 45,000 to be used for the same purpose. During the year ended December 31, 2020, work on this grant progressed, conditions were met, and \$ 13,362 of revenue was recognized. As of December 31, 2020, \$ 31,638 remained unspent on this grant. During the year ended December 31, 2021, this amount was spent, reimbursed to LPF, and recognized as revenue.

On July 1, 2021, Montgomery County Maryland awarded LPF another conditional grant of \$ 45,000 to be used for the same purpose. During the year ended December 31, 2021, work on this grant progressed, conditions were met, and \$ 14,830 of revenue was recognized. As of December 31, 2021, \$ 30,170 remained unspent on this grant and is expected to be spent in 2022.

On September 1, 2019, the City of Baltimore awarded LPF a conditional grant of \$ 40,000 to be used to expand LPF's capacity to serve the youth of Baltimore City through additional staff and implementation expenses. The goal is to distribute \$ 250,000 worth of equipment to 150 Baltimore City programs. During the year ended December 31, 2020, work on this grant progressed, all conditions were met, and the full \$ 40,000 was recognized as revenue.

On October 28, 2019, South Baltimore Gateway Partnership awarded LPF a conditional grant of \$ 5,000 to be used to expand LPF's capacity to serve the youth of South Baltimore through additional staff and implementation expenses. The goal is to distribute \$ 50,000 worth of equipment to 15 South Baltimore programs. During the year ended December 31, 2020, work on this grant progressed, all conditions were met, and the full \$ 5,000 was recognized as revenue.

On October 23, 2021, South Baltimore Gateway Partnership awarded LPF a similar conditional grant of \$ 10,000 to be used to fund additional staff support, implementations expenses, and the purchase of sports kit materials. During the year ended December 31, 2021, work on this grant progressed, conditions were met, and \$ 6,464 of revenue was recognized. As of December 31, 2021, \$ 3,536 remained unspent on this grant and is expected to be spent in 2022.

Other Income - Other income is small in nature and recognized when received.

All streams of revenue are driven by LPF's mission to offer sporting equipment to those in need. LPF has a long history of fulfilling this mission and is unaware of anything that may negatively impact it.

**LEVELING THE PLAYING FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**Note 2. Summary of Significant Accounting Policies (continued)**

***Functional Allocation of Expenses***

The costs of providing various program and administrative services have been summarized on a functional basis in the statement of activities. Expenses that are related to a specific program or supporting activity are charged directly to that program or supporting activity. Expenses attributable to more than one program or supporting activity require allocation on a reasonable basis that is consistently applied. These expenses are allocated on the basis of time and effort.

***Advertising Costs***

All advertising costs are expensed as incurred.

***Income Taxes***

LPF is exempt from the payment of income taxes on its exempt activities under the provisions of Section 501(c)(3) of the Internal Revenue Code. Under these provisions, no tax is imposed on any income related to LPF's tax-exempt purpose. LPF has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2021 and 2020. LPF is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. LPF's federal and state income tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Subsequent Events***

In preparing its financial statements, LPF has evaluated subsequent events through July 8, 2022, which is the date the financial statements were available to be issued.

**LEVELING THE PLAYING FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**Note 3. Concentration of Credit Risk**

LPF maintains its cash accounts at institutions with balances that may exceed \$ 250,000, which is the amount insured by the Federal Deposit Insurance Corporation (FDIC). LPF has not experienced any losses in such accounts and monitors the creditworthiness of the financial institutions with which it conducts business. Management believes that LPF is not exposed to any significant credit risk with respect to its cash balances.

**Note 4. Operating Leases**

LPF has a non-cancelable operating lease for its office space in Silver Spring, MD commencing on November 1, 2018 and expiring in October 2021. As of November 2021, this lease became month-to-month. LPF has an additional non-cancelable operating lease for a warehouse in Baltimore, MD commencing on December 4, 2017 and expiring in April 2023. Neither lease contains an escalation clause. Additionally, LPF has a non-cancelable operating lease for a warehouse in Philadelphia, PA commencing October 5, 2021 and expiring in September 2026. This lease's base payment increase \$ 1,000 every year.

Future minimum lease payments at December 31, 2021, are as follows:

2022	\$ 113,146
2023	50,882
2024	34,250
2025	35,250
2026	<u>27,000</u>
	<u>\$ 260,528</u>

**Note 5. Net Assets with Donor Restrictions**

Net assets with donor restrictions as of December 31, 2021, totaled \$ 25,000 and are time restricted for future operations and programs for 2022.

**Note 6. Liquidity and Availability**

The following reflects LPF's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor imposed restrictions:

	2021	2020
Financial assets, as of December 31,		
Cash	\$ 600,437	\$ 376,117
Accounts receivable	25,200	6,219
Inventory	<u>1,340,524</u>	<u>1,070,238</u>
Total financial assets	<u>1,966,161</u>	<u>1,452,574</u>
Less net assets with donor restrictions	<u>25,000</u>	<u>-</u>
Financial assets available to meet cash needs for		
General expenditures within one year	<u>\$ 1,941,161</u>	<u>\$ 1,452,574</u>

**LEVELING THE PLAYING FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**Note 6. Liquidity and Availability (continued)**

LPF manages its liquid position by maintaining adequate net assets without donor restrictions. Contributions and grants are received throughout the year to cover that year's expenses. As part of LPF's liquidity plan, excess cash is kept in various checking accounts.

**Note 7. Paycheck Protection Program Loan**

LPF received 2 loans from a bank in the amounts of \$ 57,200 and \$ 52,707, subject to notes dated April 22, 2020 and January 27, 2021, respectively.

These loans were received under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These loans may be forgiven to the extent proceeds of the loans are used for eligible expenditures such as payroll and other expenses described in the CARES Act. These loans bear interest at a rate of 1% and are payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. These loans may be repaid at any time with no prepayment penalty. These loans are subject to an examination by the Small Business Administration (SBA) or its authorized representatives for 6 years after the date the note is forgiven or repaid in full.

LPF met all applicable SBA requirements, including having used loan proceeds for eligible expenses. Accordingly, PPP loan forgiveness for both loans was applied for and awarded in years 2021 and 2022. Loan forgiveness for \$ 57,200 is included in PPP loan forgiveness on the statement of activities for the year ended December 31, 2021. Loan forgiveness for \$ 52,707 will be included PPP loan forgiveness on the statement of activities for the year ended December 31, 2022.