LEVELING THE PLAYING FIELD, INC.

FINANCIAL REPORT

December 31, 2022

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, 2022 and 2021, 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, 2022 and 2021, 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.

Emphasis of Matter – New Accounting Pronouncements

As discussed in Note 2 to the financial statements, the Company adopted FASB ASC 842, Leases. Our opinion is not modified with respect to this matter.

Leveling the Playing Field, Inc. has also adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets as of January 1, 2021. Our opinion is not modified with respect to this matter.

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.

6116 Executive Blvd • Suite 500
North Bethesda, MD 20852
P 301.770.5100 • F 301.770.5202

Dembo Jones, P.C.
A Member of Allinial Global
www.dembojones.com

8850 Stanford Blvd • Suite 2000
Columbia, MD 21045
P 410.290.0770 • F 410.290.0774

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.

Dembo Jones, P.C.

North Bethesda, Maryland
October 13, 2023

LEVELING THE PLAYING FIELD, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash	$ 802,197	$ 600,437
Accounts receivable	25,392	25,200
Inventory	1,204,628	1,340,524
Total current assets	2,032,217	1,966,161
Non-Current Assets		
Property and equipment, at cost		
Metal bins	149,652	17,964
Vehicles and trailers	71,641	-
Equipment	10,645	82,286
	231,938	100,250
Less accumulated depreciation	50,692	26,345
	181,246	73,905
Right of use asset - operating lease	478,974	-
Deposits	5,543	5,543
Total non-current assets	665,763	79,448
Total assets	$ 2,697,980	$ 2,045,609
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 21,062	$ 12,923
Credit cards payable	10,877	14,231
Current maturities of operating lease liability	94,120	-
Paycheck Protection Program loan	-	52,707
Total current liabilities	126,059	79,861
Noncurrent Liabilities		
Operating lease liability, less current maturities	389,744	-
Net Assets		
With donor restrictions	50,000	25,000
Without donor restrictions	2,132,177	1,940,748
	2,182,177	1,965,748
Total liabilities and net assets	$ 2,697,980	$ 2,045,609

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

LEVELING THE PLAYING FIELD, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Program Services		Without Donor Restrictions			
	With Donor Restrictions	Without Donor Restrictions	Total Program Services	General and Administrative	Without Donor Restrictions	Total
Revenues						
Contributions						
Noncash	$ -	$ 3,759,587	$ 3,759,587	$ -	$ 3,759,587	$ 3,759,587
Other	50,000	1,019,584	1,069,584	-	1,019,584	1,069,584
Government grants	-	46,012	46,012	-	46,012	46,012
Products and services						
Program service revenue	-	282,547	282,547	-	282,547	282,547
PPP loan forgiveness	-	-	-	52,707	52,707	52,707
Other income	-	-	-	665	665	665
Net assets released from restrictions	(25,000)	25,000	-	-	25,000	-
Total revenue	25,000	5,132,730	5,157,730	53,372	5,186,102	5,211,102
Expenses						
Grants	-	2,946,380	2,946,380	-	2,946,380	2,946,380
Inventory write off	-	-	-	951,603	951,603	951,603
Salary	-	475,387	475,387	112,645	588,032	588,032
Rent	-	175,967	175,967	8,609	184,576	184,576
Supplies	-	68,710	68,710	5	68,715	68,715
Professional fees	-	63,056	63,056	3,669	66,725	66,725
Postage	-	42,666	42,666	-	42,666	42,666
Travel	-	40,721	40,721	1,630	42,351	42,351
Insurance	-	33,170	33,170	1,270	34,440	34,440
Depreciation	-	-	-	24,347	24,347	24,347
Advertising	-	16,403	16,403	150	16,553	16,553
Website and technology	-	11,288	11,288	387	11,675	11,675
Other	-	2,666	2,666	5,566	8,232	8,232
Listing software	-	6,219	6,219	-	6,219	6,219
Bank fees	-	214	214	1,300	1,514	1,514
Telecommunications	-	645	645	-	645	645
Total expenses	-	3,883,492	3,883,492	1,111,181	4,994,673	4,994,673
Change in Net Assets	25,000	$ 1,249,238	$ 1,274,238	$ (1,057,809)	$ 191,429	216,429
Net assets, beginning of year	25,000				1,940,748	1,965,748
Net assets, end of year	$ 50,000				$ 2,132,177	$ 2,182,177

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			Without Donor Restrictions				
			Total	Supporting Services		Total	Without	
	With Donor Restrictions	Without Donor Restrictions	Program Services	General and Administrative	Fundraising	Supporting Services	Donor Restrictions	Total
Revenues								
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
Expenses								
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
Change in Net Assets	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.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flow from operating activities:		
Change in net assets	$ 216,429	$ 536,070
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation expense	24,347	9,437
Forgiveness of Paycheck Protection Program loan	(52,707)	(57,200)
Inventory write off	951,603	374,729
Operating lease right of use asset amortization	17,238	-
Payments to settle lease liability	(12,348)	-
(Increase) decrease in assets:		
Accounts receivable	(192)	(18,981)
Inventory	(815,707)	(645,015)
Deposits	-	(5,543)
Increase (decrease) in liabilities:		
Accounts payable	8,139	6,448
Credit cards payable	(3,354)	277
Net cash provided by operating activities	333,448	200,222
Cash flow from investing activities:		
Purchase of fixed assets	(131,688)	(28,609)
Cash flow from financing activities:		
Proceeds from Paycheck Protection Program loan	-	52,707
Net increase in cash	201,760	224,320
Cash - beginning of the year	600,437	376,117
Cash - end of the year	$ 802,197	$ 600,437

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

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, 2022 and 2021. Accounts receivable balance as of January 1, 2021, was $ 6,219.

Inventories

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

Note 2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost or fair market value on the date of donation or purchase and are depreciated using the straight line method over 5 to 10 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:

<u>Contributions</u> - 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 $ 25,392 of contributions in receivables as of December 31, 2022, that were collected in 2023. An amount of $ 25,200 was receivable as of December, 31 2021, and was collected in 2022.

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

<u>Conditional Contributions</u> - 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 July 1, 2021, 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. As of December 31, 2021, $ 30,170 remained unspent on this grant. During the year ended December 31, 2022, work on this grant progressed, conditions were met, and the remainder of the grant was recognized as revenue.

Note 2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Conditional Contributions (continued)

On July 1, 2022, Montgomery County Maryland awarded LPF another conditional grant of $ 48,600 to be used for the same purpose. During the year ended December 31, 2022, work on this grant progressed, conditions were met, and $ 15,842 of revenue was recognized. As of December 31, 2022, $ 32,758 remained unspent on this grant and is expected to be spent in 2023.

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. As of December 31, 2021, $ 3,536 remained unspent on this. During the year ended December 31, 2022, work on this grant progressed, conditions were met, and the remainder of the grant was recognized as revenue.

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.

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.

Note 2. Summary of Significant Accounting Policies (continued)

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, 2022, and 2021. 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.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Subsequent Events

In preparing its financial statements, LPF has evaluated subsequent events through October 13, 2023, which is the date the financial statements were available to be issued.

Note 2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements Adopted

In February 2016, FASB issued FASB ASC 842, Leases, which revised existing practice related to accounting for leases under FASB ASC 840, Leases for both lessees and lessors. The new guidance in FASB ASC 842 requires lessees to recognize a right-of-use (ROU) asset and a lease liability for qualified leases. FASB ASC 842 requires leases to be classified as either operating leases or finance leases. For lessees, operating leases will result in a straight-line operating lease expense while finance leases will result in finance lease expense that includes the amortization of the right of use asset and interest on the lease liability. The lease liability will be equal to the present value of lease payments and the ROU asset will be based on the lease liability, subject to adjustment such as for initial direct costs. Additionally, LPF elected the package of practical expedients permitted under the transition guidance. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. Effective January 1, 2022, LPF adopted FASB ASC 842 using the modified retrospective transition method. No adjustments were made to beginning balances.

In September 2020, the FASB issued FASB ASU 2020-07, Presentation and Disclosures by *Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The amendments have been applied retrospectively to all periods presented, with no effects on net assets. LPF has updated disclosures as necessary, see Note 6.

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 leases office locations under operating leases. The leases expire at various dates through 2028. Certain leases provide for payment by operating expenses, real estate taxes and other adjustments at the discretion of the lessor.

Rents paid and expensed and future maturities of lease payments under non-cancelable operating leases at December 31, 2022 are as follows:

Lease Cost	
Operating lease cost	$ 126,338
Other Information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 126,338
ROU assets obtained in exchange for new operating lease liabilities	$ 483,864
Weighted-average remaining lease term (years)	3.84
Weighted average discount rate	1.68%

The estimated future minimum lease payments under the lease are as follows for years ending December 31:

2023	$ 104,952
2024	104,952
2025	104,952
2026	99,274
2027	66,635
Thereafter	26,360
Undiscounted cash flows	507,125
Less: imputed interest	(23,261)
Total present value	$ 483,864
Short-term lease liabilities	$ 94,120
Long-term lease liabilities	389,744
Total lease liabilities	$ 483,864

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2021, were totaled $ 25,000 and time restricted for future operations and programs for 2022, and released in the year ended December 31, 2022.

Net assets with donor restrictions as of December 31, 2022, totaled $ 50,000 and are restricted by the donor for use in exploring Columbus, Ohio as a location for a future branch of Leveling the Playing Field, Inc.

Note 6. Contributions In-Kind

The Organization received donated sports equipment from individuals. The approximate value of donated sports equipment included in the financial statements for the years ending December 31, 2022 and 2021, is as follows:

	2022	2021
Sports Equipment	$ 3,759,587	$ 3,108,199

The sports equipment is used to carry out the mission of the Organization. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Inventory is valued at FMV by asset type (for example, all baseball gloves are $5). There is no mark up when donated, the glove is received at $5 and donated at $5.

Note 7. 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:

	2022	2021
Financial assets, as of December 31,		
Cash	$ 802,197	$ 600,437
Accounts receivable	25,392	25,200
Total financial assets	828,129	625,637
Less net assets with donor restrictions	50,000	25,000
Financial assets available to meet cash needs for general expenditures within one year	$ 777,589	$ 600,637

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 8. 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 10 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 was included in PPP loan forgiveness on the statement of activities for the year ended December 31, 2022.