

**LEVELING THE PLAYING FIELD, INC.**

**FINANCIAL REPORT**

**December 31, 2023**

**LEVELING THE PLAYING FIELD, INC.**

*Table of Contents*

	<b>Page</b>
<b>Independent Auditors' Report</b>	1 - 2
<b>Financial Statements</b>	
Statements of financial position	3
Statements of activities	4 - 5
Statements of cash flows	6
Notes to financial statements	7 - 12

## 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, 2023 and 2022, 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, 2023 and 2022, 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.

### **Other Information Included in the Organization's Annual Report**

Management is responsible for the other information included in the organization's annual report. The other information comprises a balance sheet, revenue, and expenses, but it does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



*North Bethesda, Maryland  
May 16, 2024*

**LEVELING THE PLAYING FIELD, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2023 and 2022**

	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 718,473	\$ 802,197
Other assets	-	25,392
Prepaid expense	19,436	-
Inventory	1,324,564	1,204,628
Total current assets	2,062,473	2,032,217
<b>Non-Current Assets</b>		
Property and equipment, at cost		
Metal bins	203,814	149,652
Leasehold improvements	95,539	-
Vehicles and trailers	252,036	71,641
Equipment	47,780	10,645
	599,169	231,938
Less accumulated depreciation	107,683	50,692
	491,486	181,246
Right of use asset - operating lease	1,075,608	478,974
Deposits	14,220	5,543
Total non-current assets	1,581,314	665,763
Total assets	<b>\$ 3,643,787</b>	<b>\$ 2,697,980</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	111,365	31,939
Current maturities of operating lease liability	234,863	94,120
Total current liabilities	346,228	126,059
<b>Noncurrent Liabilities</b>		
Operating lease liability, less current maturities	865,120	389,744
<b>Net Assets</b>		
With donor restrictions	-	50,000
Without donor restrictions	2,432,439	2,132,177
	2,432,439	2,182,177
Total liabilities and net assets	<b>\$ 3,643,787</b>	<b>\$ 2,697,980</b>

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

**LEVELING THE PLAYING FIELD, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2023**

	Without Donor Restrictions						Total
	Program Services		Total			Without	
	With Donor Restrictions	Without Donor Restrictions	Program Services	General and Administrative	Fundraising	Donor Restrictions	
<b>Revenues</b>							
Contributions							
Noncash	\$ -	\$ 4,132,468	\$ 4,132,468	\$ -	\$ -	\$ 4,132,468	\$ 4,132,468
Other	-	1,662,680	1,662,680	-	69,579	1,732,259	1,732,259
Government grants	-	67,787	67,787	-	-	67,787	67,787
Products and services							
Program service revenue, net of COGS of \$ 204,680	-	37,239	37,239	-	3,853	41,092	41,092
Other income	-	64	64	-	13,389	13,453	13,453
Net assets released from restrictions	(50,000)	50,000	-	-	-	50,000	-
Total revenue	(50,000)	5,950,238	5,900,238	-	86,821	6,037,059	5,987,059
<b>Expenses</b>							
Grants	-	3,011,016	3,011,016	-	-	3,011,016	3,011,016
Salary	-	736,930	736,930	284,162	-	1,021,092	1,021,092
Inventory write off	-	-	-	797,050	-	797,050	797,050
Lease costs	-	247,083	247,083	14,051	-	261,134	261,134
Supplies	-	128,954	128,954	2,562	3,895	135,411	135,411
Professional fees	-	12,013	12,013	107,632	-	119,645	119,645
Utilities	-	70,214	70,214	8,421	-	78,635	78,635
Travel	-	48,852	48,852	19,080	-	67,932	67,932
Depreciation	-	-	-	56,991	-	56,991	56,991
Website and technology	-	27,967	27,967	19,690	1,000	48,657	48,657
10th year anniversary event	-	19,432	19,432	14,145	1,850	35,427	35,427
Postage	-	29,804	29,804	835	2,620	33,259	33,259
Advertising	-	19,821	19,821	7,199	-	27,020	27,020
Insurance	-	15,620	15,620	4,312	-	19,932	19,932
Bank fees	-	3,579	3,579	7,702	-	11,281	11,281
Other	-	7,278	7,278	2,072	250	9,600	9,600
Telecommunications	-	2,715	2,715	-	-	2,715	2,715
Total expenses	-	4,381,278	4,381,278	1,345,904	9,615	5,736,797	5,736,797
<b>Change in Net Assets</b>	(50,000)	\$ 1,568,960	\$ 1,518,960	\$ (1,345,904)	\$ 77,206	300,262	250,262
Net assets, beginning of year	50,000					2,132,177	2,182,177
Net assets, end of year	\$ -					\$ 2,432,439	\$ 2,432,439

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			Total
	With Donor	Without Donor	Total	Without		
	Restrictions	Restrictions	Program Services	General and Administrative	Donor Restrictions	
<b>Revenues</b>						
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, net of COGS of \$ 222,081	-	60,466	60,466	-	60,466	60,466
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	<u>25,000</u>	<u>4,910,649</u>	<u>4,935,649</u>	<u>53,372</u>	<u>4,964,021</u>	<u>4,989,021</u>
<b>Expenses</b>						
Grants	-	2,946,380	2,946,380	-	2,946,380	2,946,380
Inventory write off	-	-	-	729,522	729,522	729,522
Salary	-	475,387	475,387	112,645	588,032	588,032
Lease costs	-	117,729	117,729	8,609	126,338	126,338
Supplies	-	68,710	68,710	5	68,715	68,715
Professional fees	-	63,056	63,056	3,669	66,725	66,725
Utilities	-	58,238	58,238	-	58,238	58,238
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	<u>-</u>	<u>3,883,492</u>	<u>3,883,492</u>	<u>889,100</u>	<u>4,772,592</u>	<u>4,772,592</u>
<b>Change in Net Assets</b>	25,000	<u>\$ 1,027,157</u>	<u>\$ 1,052,157</u>	<u>\$ (835,728)</u>	191,429	216,429
Net assets, beginning of year	<u>25,000</u>				<u>1,940,748</u>	<u>1,965,748</u>
Net assets, end of year	<u>\$ 50,000</u>				<u>\$ 2,132,177</u>	<u>\$ 2,182,177</u>

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

**LEVELING THE PLAYING FIELD, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash flow from operating activities:</b>		
Change in net assets	\$ 250,262	\$ 216,429
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	56,991	24,347
Forgiveness of Paycheck Protection Program loan	-	(52,707)
Inventory write off	797,050	729,522
Operating lease right of use asset amortization	193,105	17,238
Payments to settle lease liability	(173,620)	(12,348)
(Increase) decrease in assets:		
Other assets	25,392	(192)
Prepaid expense	(19,436)	-
Inventory	(916,986)	(593,626)
Deposits	(8,677)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	<u>79,426</u>	<u>4,785</u>
Net cash provided by operating activities	<u>283,507</u>	<u>333,448</u>
 <b>Cash flow from investing activities:</b>		
Purchase of fixed assets	<u>(367,231)</u>	<u>(131,688)</u>
 <b>Net increase (decrease) in cash</b>	 (83,724)	 201,760
 <b>Cash - beginning of the year</b>	 <u>802,197</u>	 <u>600,437</u>
 <b>Cash - end of the year</b>	 <u>\$ 718,473</u>	 <u>\$ 802,197</u>

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



**LEVELING THE PLAYING FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**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. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period in which the contributions are recognized.

***Inventories***

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

***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. LPF's policy is to capitalize property and equipment purchased with a cost greater than \$ 1,500.

**LEVELING THE PLAYING FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

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

***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.

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 one local government agency. This grant was conditional since certain milestones and reports were required by the grantor. Revenue is recognized as work progresses and these milestones are met.

On July 1, 2022, Montgomery County Maryland awarded LPF a conditional grant of \$ 48,600 to be used to provide underserved children an improved opportunity to participate in youth sports. As of December 31, 2022, \$ 32,758 remained unspent on this grant. During the year ended December 31, 2023, 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.

**LEVELING THE PLAYING FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

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

*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, 2023, and 2022. 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 May 16, 2024, which is the date the financial statements were available to be issued.

**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.

**LEVELING THE PLAYING FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**Note 4. Operating Leases**

LPF leases office locations under operating leases. The leases expire at various dates through 2030. Certain leases provide for payment by operating expenses, real estate taxes and other adjustments at the discretion of the lessor.

Additional information about LPF's leases as of December 31, is as follows:

	<u>2023</u>	<u>2022</u>
<u>Lease Costs (included in operating expenses)</u>		
Operating lease cost	\$ 218,975	\$ 126,338
Short-term lease cost	42,159	-
Total lease costs	<u>\$ 261,134</u>	<u>\$ 126,338</u>

Other Information

Cash paid for amounts included in measurement of lease liabilities:

Operating cash flows from operating leases	\$ 218,975	\$ 126,338
ROU assets obtained in exchange for new operating lease liabilities	\$ 789,975	\$ 483,864
Weighted-average remaining lease term (years)	4.96	3.84
Weighted average discount rate	3.11%	1.68%

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

2024	\$ 272,720
2025	235,811
2026	231,874
2027	201,028
2028	123,450
Thereafter	<u>113,509</u>
Undiscounted cash flows	1,178,392
Less: imputed interest	<u>(78,409)</u>
Total present value	<u>\$ 1,099,983</u>

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

Net assets with donor restrictions as of December 31, 2022, totaled \$ 50,000 and were restricted by the donor for use in exploring Columbus, Ohio as a location for a future branch of Leveling the Playing Field, Inc., and was released in the year ended December 31, 2023.

There were no net assets with donor restrictions as of December 31, 2023.

**LEVELING THE PLAYING FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**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, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Sports Equipment	\$4,132,468	\$3,759,587

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:

	<u>2023</u>	<u>2022</u>
Financial assets, as of December 31,		
Cash	\$ 718,473	\$ 802,197
Other assets	-	25,392
Total financial assets	<u>718,473</u>	<u>828,129</u>
Less net assets with donor restrictions	-	50,000
Financial assets available to meet cash needs for General expenditures within one year	<u>\$ 718,473</u>	<u>\$ 777,589</u>

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.

**LEVELING THE PLAYING FIELD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**Note 8. Paycheck Protection Program Loan (continued)**

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.