

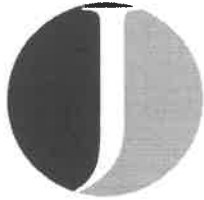
SPORTS OUTREACH INSTITUTE, INC.

FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

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JOHNSON CPA

& ASSOCIATES, PC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sports Outreach Institute, Inc.

We have audited the accompanying financial statements of Sports Outreach Institute, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified accrual basis as of June 30, 2023, and the related statement of support, revenue, and expenses – modified accrual basis for the year ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Sports Outreach Institute, Inc. as of June 30, 2023, and the changes in its support, revenue, and expenses for the year then ended in accordance with modified accrual basis of accounting.

Basis for Opinion

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

Basis of Accounting

We draw attention to Note 3 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 the financial statements in accordance with modified accrual basis of accounting as described in Note 3, and for determining that the modified accrual basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.


Auditor's 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 Sports Outreach Institute, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sports Outreach Institute, 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 we identified during the audit


Johnson, CPA & Associates, PC
September 20, 2023

SPORTS OUTREACH INSTITUTE, INC.
STATEMENT OF ASSETS, LIABILITIES AND
NET ASSETS - MODIFIED ACCRUAL BASIS
JUNE 30, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 131,196
Other receivables	205,947
Inventory	531
Prepaid expenses	2,025
TOTAL CURRENT ASSETS	<u>339,699</u>

PROPERTY AND EQUIPMENT

Furniture and equipment	89,139
Vehicles	1,695
Leasehold improvements	145,511
Less: accumulated depreciation	<u>(76,084)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>160,261</u>

TOTAL ASSETS	<u><u>\$ 499,960</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 313
Credit cards payable	4,750
Payroll liabilities	9,391
Current portion of long term debt	12,501
Sales tax payable	2,963
TOTAL CURRENT LIABILITIES	<u>29,918</u>

LONG TERM LIABILITIES

Note payable	<u>64,329</u>
TOTAL LONG TERM LIABILITIES	<u>64,329</u>

TOTAL LIABILITIES	<u>94,247</u>
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NET ASSETS

Net assets without donor restrictions	371,125
Net assets with donor restrictions	<u>34,588</u>
TOTAL NET ASSETS	<u>405,713</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 499,960</u></u>
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See accompanying notes and independent auditor's report.

SPORTS OUTREACH INSTITUTE, INC.
STATEMENT OF SUPPORT, REVENUE, AND
EXPENSES - MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	Sports Outreach	Mission Thrft	Total
REVENUES AND SUPPORT			
Contributions	\$ 2,318,424	\$ 6,204	\$ 2,324,628
Fundraising	9,560	-	9,560
Interest and dividends	19,264	-	19,264
Other income	190,222	-	190,222
Sales and services	-	145,600	145,600
Total Revenues and Support	2,537,470	151,804	2,689,274
EXPENSES			
Grants and gifts	1,044,512	16,355	1,060,867
Salaries and wages	542,155	25,728	567,883
Employee benefits	12,521	-	12,521
Payroll taxes	36,897	1,960	38,857
Contract labor	93,873	-	93,873
Professional services	5,585	-	5,585
Program supplies	2,763	37,476	40,239
Office supplies	10,365	2,658	13,023
Insurance	14,259	798	15,057
Interest expense	182	6,021	6,203
Communications	16,709	2,114	18,823
Postage and freight	13,661	247	13,908
Dues and subscriptions	3,378	4,169	7,547
Printing	2,975	114	3,089
Vehicle expenses	5,146	-	5,146
Bank fees	4,513	3,779	8,292
Promotion	539	3,006	3,545
Fundraising expenses	20,432	-	20,432
Taxes and fees	35,378	-	35,378
Rent expense	17,111	26,032	43,143
Utilities	-	5,763	5,763
Equipment expenses	3,769	3,967	7,736
Maintenance	-	720	720
Staff development	185	200	385
Travel	429,854	62	429,916
Depreciation expense	13,958	1,213	15,171
Miscellaneous expense	8,189	1,605	9,794
Total Expenses	2,338,909	143,987	2,482,896
Increase(Decrease) in Net Assets	198,561	7,817	206,378

See accompanying notes and independent auditor's report

SPORTS OUTREACH INSTITUTE, INC.

Notes to Financial Statements
For the year ended June 30, 2023

NOTE 1 - ORGANIZATION

Sports Outreach Institute, Inc. is a non-profit organization whose purpose is to provide sports participation, nutrition, clothing and education, and related equipment needs in the form of training seminars, formal clinics and instruction, structured activities and sporting events, and construction of related physical assets for children, parents, coaches, and counselors while simultaneously teaching spiritual, psychological, and moral principles consistent with the teachings of Christianity. The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code except to the extent of unrelated business income.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) ASB No. 2016-14, Presentation of Financial Statements of Not-for-Profit entities. Two classes of net assets are as follows:

1. Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions.
 2. Net assets with donor restrictions: Net assets subject to donor-imposed restrictions that will be met either by the actions of Sports Outreach Institute, Inc. and/or the passage of time. These also include net assets subject to donor-imposed restrictions that the assets be maintained permanently. Generally, donors of these assets permit the use of all or part of the income earned on the related investments for general or specific purposes. As of June 30, 2023, there are no assets that are to be maintained in perpetuity.
- b. Promises to Give – Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.
- c. Cash and Cash Equivalents – For purposes of the statement of cash flows, Sports Outreach Institute, Inc. considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

SPORTS OUTREACH INSTITUTE, INC.

Notes to Financial Statements
For the year ended June 30, 2023

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

- d. Property and Equipment – Sports Outreach Institute, Inc. records purchased property and equipment at cost. Donated property and equipment are recorded as support at their estimated fair market value and are depreciated over their estimated useful lives using the straight-line method.

Depreciation of property and equipment is provided using the following methods over the estimated useful lives:

	<u>Method</u>	<u>Life</u>
Leasehold improvements	Straight-line	15 years
Furniture and equipment	Straight-line	5-10 years
Vehicles	Straight-line	5 years
Software	Straight-line	3 years

- e. Prepaid Expenses – Prepaid expenses include a security deposit of \$1,950 for the office lease and other miscellaneous items.
- f. Inventory – Inventory consists of items for the Mission Thrift store.
- g. Other receivables – Other receivables consist of employee retention tax credits and interest income that was filed for in the fiscal year ended June 30, 2023, but not received until July 2023. The employee retention credits totaled \$186,742 and corresponding interest of \$19,205.

NOTE 3 – BASIS OF ACCOUNTING

The Organization has elected to change to the modified accrual basis of accounting starting with the year ended June 30, 2023. The modification to the accrual basis of accounting is that the organization has chosen to elect out of the lease standards (Accounting Standards Codification [ASC] 842. Leases). The organization instead elects to expense lease payments for buildings and equipment when made, rather than the set-up of right-to-use assets and liabilities and corresponding depreciation. There is no prior period adjustment needed. (See Note 4)

SPORTS OUTREACH INSTITUTE, INC.

Notes to Financial Statements
For the year ended June 30, 2023

NOTE 4– CAPITAL LEASE

The Organization leased a copy machine under an agreement that was classified as a capital lease. The cost of the equipment under this capital lease is included in the Statement of Financial Position as furniture and equipment of \$52,376. Accumulated depreciation of the leased equipment at June 30, 2023 was \$47,138. Depreciation of assets under this capital lease is included in depreciation expense. Since this was the final year of this lease, the organization chose not to retroactively change this lease to an operating lease for purposes of the accounting basis change. As of June 30, 2023, this lease has concluded.

NOTE 5– OPERATING LEASES

Sports Outreach Institute, Inc. has four leases for four different office locations. The Organization signed a lease on July 15, 2019 for its current office space. The lease is for five years and commenced on November 1, 2019. This lease will not be renewed as the Organization will be moving their office to a new location. The Organization signed two more leases for its Mission Thrift location on Bedford Avenue, each of which is for five years commencing on June 1, 2022 and August 1, 2023. The Organization signed for a fourth lease for a second Mission Thrift location, which will also house the main office of the Organization. This lease is set to commence on April 1, 2024. The minimum lease commitments under these operating leases as of June 30, 2023, are as follows:

	Year Ending <u>June 30</u>	<u>Amount</u>
	2024	\$118,492
	2025	234,188
	2026	224,300
	2027	199,500
	2028	181,625
	2029	<u>135,000</u>
Total future minimum lease payments		<u>\$ 1,093,105</u>

SPORTS OUTREACH INSTITUTE, INC.

Notes to Financial Statements
For the year ended June 30, 2023

NOTE 6 – NOTE PAYABLE

During the fiscal year ended June 30, 2023, the Organization financed part of the Mission Thrift buildout with the landlord in the amount of \$78,258. The loan carries an initial interest rate of 10.00% with total principal and interest payments due in monthly installments of \$1,898 for a term of 54 months.

The following aggregate of maturity of long-term debt is as follows:

2024	\$ 12,501
2025	17,110
2026	18,902
2027	20,881
2028	<u>7,436</u>
Total	<u>\$76,830</u>

NOTE 7– SUBSEQUENT EVENTS

The Organization’s management has evaluated subsequent events for the period July 1, 2023 through September 20, 2023, the date on which these financial statements were available to be issued.

NOTE 8 – OPEN TAX YEARS

Although the Organization has not been notified that any of its information returns have been selected for examination by any taxing authority, the statute of limitations remains open for its years ended June 30, 2020, 2021, 2022 and 2023. Accordingly, the Association’s information returns for those years remain subject to examination.

NOTE 9 – SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended June 30, 2023, cash paid for interest totaled \$6,203.

SPORTS OUTREACH INSTITUTE, INC.
Notes to Financial Statements
For the year ended June 30, 2023

NOTE 10 – AVAILABILITY OF FINANCIAL ASSETS

The Organization’s financial assets available within one year of the balance sheet date for general expenditures are as follows:

Item	Amount
Cash and cash equivalents	\$ 131,196
Other receivables	\$ 205,947
Total financial assets	337,143
Less current liabilities	(29,918)
Less nets assets with donor restrictions	(34,588)
Financial assets available to meet general expenditures over the next twelve months	\$ 272,637

NOTE 11 – REALTED PARTY TRANSACTION

During the year ended June 30, 2023, the Organization changed donor management software that it used to a new software product. The new software product is partly owned by a key member of management of Sports Outreach Institute, Inc. Currently Sports Outreach Institute, Inc. does not pay for the use of this software product.