

**SPORTS4KIDS**  
**(A Nonprofit Public Benefit Corporation)**

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**FINANCIAL STATEMENTS**  
**Years Ended June 30, 2008 and 2007**

SPORTS4KIDS  
(A Nonprofit Public Benefit Corporation)

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EMERITUS

Alexander W. Berger (1916-2005)  
Griffith R. Lewis

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Sports4Kids  
(A Nonprofit Public Benefit Corporation)  
Oakland, California

We have audited the accompanying statement of financial position of Sports4Kids (a California nonprofit public benefit corporation) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Sports4Kids for the year ended June 30, 2007, were audited by other auditors whose report dated November 9, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sports4Kids as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Berger/Lewis Accountancy Corporation*

BERGER/LEWIS ACCOUNTANCY CORPORATION  
San Jose, California  
October 31, 2008

SPORTS4KIDS  
(A Nonprofit Public Benefit Corporation)

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

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**ASSETS**

	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 1,380,909	\$ 511,956
Accounts Receivable, Less Allowance for Doubtful Accounts of \$147,144 and \$44,000 in 2008 and 2007, Respectively	413,466	277,425
Current Portion of Grants Receivable (See Note 5)	2,751,738	2,325,226
Prepaid Expenses	<u>59,584</u>	<u>7,365</u>
Total Current Assets	<u>4,605,697</u>	<u>3,121,972</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>38,252</u>	<u>17,437</u>
<b>OTHER ASSETS:</b>		
Grants Receivable, Net of Current Portion (See Note 5)	14,548,810	-
Deposits	<u>18,207</u>	<u>19,882</u>
Total Other Assets	<u>14,567,017</u>	<u>19,882</u>
<b>TOTAL ASSETS</b>	<u>\$ 19,210,966</u>	<u>\$ 3,159,291</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 180,476	\$ 166,647
Accrued Liabilities	103,684	4,324
Deferred Revenue	<u>53,396</u>	<u>2,500</u>
Total Current Liabilities	<u>337,556</u>	<u>173,471</u>
<b>NET ASSETS:</b>		
Unrestricted Net Assets	679,225	248,417
Temporarily Restricted Net Assets (See Note 8)	<u>18,194,185</u>	<u>2,737,403</u>
Total Net Assets	<u>18,873,410</u>	<u>2,985,820</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 19,210,966</u>	<u>\$ 3,159,291</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

SPORTS4KIDS  
(A Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008 with Comparative Totals for the Year Ended June 30, 2007

	2008			2007
	Unrestricted	Temporarily Restricted	TOTAL	TOTAL
<b>SUPPORT AND REVENUE:</b>				
Support:				
Foundation Grants (See Note 2)	\$ 42,499	\$ 18,642,595	\$ 18,685,094	\$ 1,224,295
Contributions	145,964	806,000	951,964	70,941
In-Kind Contributions	214,410	-	214,410	137,529
Events, Net of Donor Benefit	37,950	-	37,950	43,555
Corporate Support	31,275	-	31,275	38,412
<b>Total Support</b>	<b>472,098</b>	<b>19,448,595</b>	<b>19,920,693</b>	<b>1,514,732</b>
Revenue:				
Contract Services	3,080,902	-	3,080,902	2,567,239
Government Grants	1,608,452	-	1,608,452	984,181
Investments Income	13,902	-	13,902	5,421
Sales, Net	-	-	-	10,405
<b>Total Revenue</b>	<b>4,703,256</b>	<b>-</b>	<b>4,703,256</b>	<b>3,567,246</b>
<b>Total Support and Revenue</b>	<b>5,175,354</b>	<b>19,448,595</b>	<b>24,623,949</b>	<b>5,081,978</b>
Net Assets Released from Restrictions	3,991,813	(3,991,813)	-	-
<b>Total Support, Revenue and Net Assets Released from Restrictions</b>	<b>9,167,167</b>	<b>15,456,782</b>	<b>24,623,949</b>	<b>5,081,978</b>
<b>EXPENSES:</b>				
Program Services:				
School Program	6,823,408	-	6,823,408	4,944,713
Training Program	203,627	-	203,627	140,243
Swap Shop	-	-	-	28,620
<b>Total Program Services</b>	<b>7,027,035</b>	<b>-</b>	<b>7,027,035</b>	<b>5,113,576</b>
Supporting Services:				
Management and General	1,252,501	-	1,252,501	954,410
Fundraising	456,823	-	456,823	386,968
<b>Total Supporting Services</b>	<b>1,709,324</b>	<b>-</b>	<b>1,709,324</b>	<b>1,341,378</b>
<b>Total Expenses</b>	<b>8,736,359</b>	<b>-</b>	<b>8,736,359</b>	<b>6,454,954</b>
<b>CHANGE IN NET ASSETS (See Note 2)</b>	<b>430,808</b>	<b>15,456,782</b>	<b>15,887,590</b>	<b>(1,372,976)</b>
<b>NET ASSETS, Beginning of Year</b>	<b>248,417</b>	<b>2,737,403</b>	<b>2,985,820</b>	<b>4,358,796</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 679,225</b>	<b>\$ 18,194,185</b>	<b>\$ 18,873,410</b>	<b>\$ 2,985,820</b>

The Accompanying Notes are an Integral Part of these Financial Statements.

SPORTS4KIDS  
(A Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>TOTAL</u>
<b>SUPPORT AND REVENUE:</b>			
Support:			
Foundation Grants	\$ 55,445	\$ 1,168,850	\$ 1,224,295
Contributions	70,941	-	70,941
In-Kind Contributions	137,529	-	137,529
Events, Net of Donor Benefit	43,555	-	43,555
Corporate Support	<u>38,412</u>	<u>-</u>	<u>38,412</u>
Total Support	<u>345,882</u>	<u>1,168,850</u>	<u>1,514,732</u>
Revenue:			
Contract Services	2,567,239	-	2,567,239
Government Grants	984,181	-	984,181
Investments Income	5,421	-	5,421
Sales, Net	<u>10,405</u>	<u>-</u>	<u>10,405</u>
Total Revenue	<u>3,567,246</u>	<u>-</u>	<u>3,567,246</u>
Total Support and Revenue	3,913,128	1,168,850	5,081,978
Net Assets Released from Restrictions	<u>2,648,329</u>	<u>(2,648,329)</u>	<u>-</u>
Total Support, Revenue and Net Assets Released from Restrictions	<u>6,561,457</u>	<u>(1,479,479)</u>	<u>5,081,978</u>
<b>EXPENSES:</b>			
Program Services:			
School Program	4,944,713	-	4,944,713
Training Program	140,243	-	140,243
Swap Shop	<u>28,620</u>	<u>-</u>	<u>28,620</u>
Total Program Services	<u>5,113,576</u>	<u>-</u>	<u>5,113,576</u>
Supporting Services:			
Management and General	954,410	-	954,410
Fundraising	<u>386,968</u>	<u>-</u>	<u>386,968</u>
Total Supporting Services	<u>1,341,378</u>	<u>-</u>	<u>1,341,378</u>
Total Expenses	<u>6,454,954</u>	<u>-</u>	<u>6,454,954</u>
<b>CHANGE IN NET ASSETS</b>	106,503	(1,479,479)	(1,372,976)
<b>NET ASSETS, Beginning of Year</b>	<u>141,914</u>	<u>4,216,882</u>	<u>4,358,796</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 248,417</u>	<u>\$ 2,737,403</u>	<u>\$ 2,985,820</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

**SPORTS4KIDS**  
(A Nonprofit Public Benefit Corporation)

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2008 with Comparative Totals for the Year Ended June 30, 2007

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL	
	School Program	Training Program	Total	Management and General	Fundraising	Total	2008	2007
<b>EXPENSES:</b>								
Salaries and Wages	\$ 4,858,626	\$ 144,956	\$ 5,003,582	\$ 502,006	\$ 226,209	\$ 728,215	\$ 5,731,797	\$ 4,431,126
Employee Benefits	507,897	15,354	523,251	53,046	23,960	77,006	600,257	549,610
Payroll Tax	375,105	11,600	386,705	39,312	9,324	48,636	435,341	341,933
Total Salaries and Related Expenses	5,741,628	171,910	5,913,538	594,364	259,493	853,857	6,767,395	5,322,669
Other Professional Services, Including In-Kind	117,100	1,550	118,650	393,039	60,106	453,145	571,795	236,432
School Supplies	296,728	-	296,728	-	-	-	296,728	87,741
Travel, Meals and Entertainment	170,137	15,335	185,472	48,359	20,485	68,844	254,316	139,834
Occupancy - Office and Equipment Rental, Including In-Kind	132,034	2,832	134,866	27,821	29,187	57,008	191,874	142,153
In-Kind Rent	51,953	3,650	55,603	27,375	27,374	54,749	110,352	92,424
Bad Debt	103,144	-	103,144	-	-	-	103,144	46,321
Printing and Publications, Including In-Kind	8,501	132	8,633	46,281	24,278	70,559	79,192	75,217
Staff Recruitment and Training	55,592	1,542	57,134	16,914	3,120	20,034	77,168	51,676
Supplies	46,448	3,031	49,479	18,437	7,038	25,475	74,954	103,070
Telephone	30,430	444	30,874	12,352	4,236	16,588	47,462	30,865
Dues, Licenses, Service Fees	19,986	1,062	21,048	12,868	6,565	19,433	40,481	27,566
Legal Fees, Including In-Kind	-	-	-	22,517	-	22,517	22,517	-
Postage	4,221	67	4,288	4,937	8,424	13,361	17,649	14,800
Small Equipment and Maintenance	5,540	323	5,863	7,395	1,304	8,699	14,562	19,887
Insurance	7,212	748	7,960	4,122	2,218	6,340	14,300	11,173
Interest	11,992	358	12,350	1,466	308	1,774	14,124	26,664
Utilities	10,411	-	10,411	-	-	-	10,411	-
Accounting Fees	-	-	-	7,545	-	7,545	7,545	15,842
Marketing and Advertising	275	187	462	228	2,063	2,291	2,753	1,792
Total Expenses Before Depreciation	6,813,332	203,171	7,016,503	1,246,020	456,199	1,702,219	8,718,722	6,446,126
Depreciation	10,076	456	10,532	6,481	624	7,105	17,637	8,828
Total Functional Expenses	\$ 6,823,408	\$ 203,627	\$ 7,027,035	\$ 1,252,501	\$ 456,823	\$ 1,709,324	\$ 8,736,359	\$ 6,454,954
Percentage of Total	78.1 %	2.3 %	80.4 %	14.4 %	5.2 %	19.6 %	100.0 %	

The Accompanying Notes are an Integral Part of these Financial Statements.

**SPORTS4KIDS**  
(A Nonprofit Public Benefit Corporation)

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2007

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL
	School Program	Training Program	Swap Shop	Total	Management and General	Fundraising	Total	
<b>EXPENSES:</b>								
Salaries and Wages	\$ 3,647,775	\$ 90,885	\$ 15,275	\$ 3,753,935	\$ 504,312	\$ 172,879	\$ 677,191	\$ 4,431,126
Employee Benefits	451,097	11,239	1,889	464,225	64,006	21,379	85,385	549,610
Payroll Tax	281,485	7,013	1,179	289,677	38,916	13,340	52,256	341,933
Total Salaries and Related Expenses	4,380,357	109,137	18,343	4,507,837	607,234	207,598	814,832	5,322,669
Other Professional Services	32,050	-	-	32,050	144,899	59,483	204,382	236,432
School Supplies	87,741	-	-	87,741	-	-	-	87,741
Travel, Meals and Entertainment	65,820	11,719	-	77,539	35,736	26,559	62,295	139,834
Occupancy - Office and Equipment Rental, Including In-Kind	89,309	4,598	2,674	96,581	26,609	18,963	45,572	142,153
In-Kind Rent	40,217	6,943	4,329	51,489	20,161	20,774	40,935	92,424
Bad Debt	-	-	-	-	46,321	-	46,321	46,321
Printing and Publications, Including In-Kind	36,914	1,652	821	39,387	11,483	24,347	35,830	75,217
Staff Recruitment and Training	42,809	642	31	43,482	6,489	1,705	8,194	51,676
Supplies	79,717	2,669	461	82,847	12,847	7,376	20,223	103,070
Telephone	20,526	433	193	21,152	8,151	1,562	9,713	30,865
Dues, Licenses, Service Fees	20,305	733	104	21,142	4,888	1,536	6,424	27,566
Postage	3,227	117	328	3,672	1,736	9,392	11,128	14,800
Small Equipment and Maintenance	15,381	515	89	15,985	2,479	1,423	3,902	19,887
Insurance	4,188	45	807	5,040	2,685	3,448	6,133	11,173
Interest	22,144	450	33	22,627	3,295	742	4,037	26,664
Accounting Fees	-	-	-	-	15,842	-	15,842	15,842
Marketing and Advertising	124	10	407	541	964	287	1,251	1,792
Total Expenses Before Depreciation	4,940,829	139,663	28,620	5,109,112	951,819	385,195	1,337,014	6,446,126
Depreciation	3,884	580	-	4,464	2,591	1,773	4,364	8,828
Total Functional Expenses	<u>\$ 4,944,713</u>	<u>\$ 140,243</u>	<u>\$ 28,620</u>	<u>\$ 5,113,576</u>	<u>\$ 954,410</u>	<u>\$ 386,968</u>	<u>\$ 1,341,378</u>	<u>\$ 6,454,954</u>
Percentage of Total	<u>76.6 %</u>	<u>2.2 %</u>	<u>0.4 %</u>	<u>79.2 %</u>	<u>14.8 %</u>	<u>6.0 %</u>	<u>20.8 %</u>	<u>100.0 %</u>

The Accompanying Notes are an Integral Part of these Financial Statements.



SPORTS4KIDS  
(A Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 15,887,590	\$ (1,372,976)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	17,637	8,828
(Increase) Decrease in Assets:		
Accounts Receivable, Net	(136,025)	(194,300)
Grants Receivable	(14,975,321)	1,281,611
Prepaid Expenses	(52,219)	22,424
Deposits	1,675	(6,249)
Increase (Decrease) in Liabilities:		
Accounts Payable	13,829	50,152
Accrued Liabilities	99,360	-
Deferred Revenue	50,896	(63,500)
Net Cash Provided (Used) by Operating Activities	<u>907,422</u>	<u>(274,010)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	<u>(38,469)</u>	<u>(3,497)</u>
Net Cash Used by Investing Activities	<u>(38,469)</u>	<u>(3,497)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Borrowings	1,400,000	2,101,521
Repayments of Borrowings	<u>(1,400,000)</u>	<u>(2,101,521)</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	868,953	(277,507)
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>511,956</u>	<u>789,463</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 1,380,909</u>	<u>\$ 511,956</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>		
Cash Paid for Interest	<u>\$ 14,124</u>	<u>\$ 26,664</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

SPORTS4KIDS  
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

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NOTE 1 - ORGANIZATION:

Sports4Kids (the "Organization") is a nonprofit public benefit corporation dedicated to improving the health and well-being of children by increasing opportunities for physical activity and safe, meaningful play. During the year ended June 30, 2008 the Organization served over 50,000 children in 130 schools in the San Francisco Bay Area, Baltimore, Boston, and Washington D.C. Preparations were made to launch programs in St. Louis, Missouri, and New Orleans, Louisiana, after the close of the fiscal year allowing the Organization's 250 employees to serve student and school populations in a total of seven cities.

Founded in 1996, the Organization works primarily in public elementary schools with student populations that average 80 percent free/reduced-lunch-eligible children. Sports4Kids hires and trains full-time coaches to work with its partner schools. Sports4Kids coaches provide organized play and physical activity programming throughout the school day and after school, organizing games during recess and class game time, and providing after-school games, supervised playtime developmental sports leagues and leadership training.

NOTE 2 - NATIONAL EXPANSION:

In support of Sports4Kids' mission, the Organization received a four-year grant in 2008 in the amount of \$18,734,344 from the Robert Wood Johnson Foundation (See Note 5) to expand school-based play and physical activity to 22 new cities across the United States, to provide technical assistance to 4,000 additional schools and to develop Sports4Kids as a national voice for play.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, the Organization is required to recognize the entire grant amount of \$18,734,344 (less present value discount) as temporarily restricted support in the year ended June 30, 2008. As a result, this grant generated a significant level of temporarily restricted net assets (deferred income) in this fiscal year compared to prior years. As this four-year grant is spent, there will be an annual decrease in net assets reflected in subsequent years. This four-year grant follows a smaller grant awarded in 2005 which also supported the Organization's expansion. The initial grant enabled Sports4Kids to launch programs in three new cities and to establish its national office to support the expansion.

The Robert Wood Johnson Foundation is the largest philanthropic organization devoted exclusively to improving the health and health care of all Americans.

SPORTS4KIDS  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 3 - PROGRAM SERVICES:

School Program - The Organization addresses the physical, emotional, and cognitive needs of children by coordinating full day play and physical activity programming - during lunchtime, recess, and after school - taught from a framework of youth development. At each school, enthusiastic, well-trained Sports4Kids' Site Coordinators:

- create a structured, safe and inclusive environment on the playground by coordinating a variety of schoolyard sports and games during recess and lunch;
- work with classroom teachers to reintroduce physical activity into the school curriculum;
- develop and coordinate after school physical activity and academic enhancement programs;
- coordinate interscholastic evening basketball and volleyball leagues;
- implement a youth leadership program at each site; and
- employ play as a tool for generating more community and family involvement.

Each Sports4Kids' Site Coordinator works at their school five days a week, throughout the school day and after school, to lead games and physical activities based on a curriculum that has been tested and refined over a decade of program operations.

Training Program - To complement the school based-program and further the Organization's mission, the Sports4Kids Community Training Program provides customized staff trainings to schools, after school programs, summer camps, recreation centers, and various other youth service organizations. Training is provided on a fee-for-service basis, customized depending on the number of trainings requested, the number of participants, and the length of each training.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The financial statements of Sports4Kids have been prepared on the accrual basis of accounting.

Basis of Presentation - The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes.

SPORTS4KIDS  
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Temporarily restricted net assets include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period.

Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments. There are currently no permanently restricted net assets.

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 at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Accounts Receivable - Accounts receivable represent amounts due from schools and are stated at the amount the Organization expects to collect for contract services. Provision for losses on receivables is made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when the Organization determines that payments will not be received. Any subsequent receipts are credited to the allowance. As of June 30, 2008 and 2007, the Organization had a allowance for doubtful accounts of \$147,144 and \$44,000, respectively. Bad debt expense for the years ended June 30, 2008 and 2007 amounted to \$103,144 and \$46,321, respectively.

Grants Receivable - Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Organization considers all unconditional promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Property and Equipment - Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$1,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 5 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

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SPORTS4KIDS  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accrued Vacation - Accrued vacation represents vacation earned, but not taken as of June 30, 2008 and 2007, and is included in "accrued liabilities" in the statements of financial position. The accrued vacation balance as of June 30, 2008 and 2007 was \$59,718 and \$0, respectively.

Deferred Revenue - Deferred revenue represents amounts paid in advance for school site programs.

Revenue Recognition - The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and contract service fees are recognized as revenue in the period in which the service is provided.

Contributions - Contributions are reported in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. Temporarily restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Contributions In-Kind - Contributions in-kind are also recognized in accordance with the provisions of SFAS No. 116. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations.

Expense Allocation - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management's estimate of indirect salary expense allocation is based on individual employee estimated time spent by function. Management's estimate of other indirect costs are based on salary expense and/or estimated usage.

Income Taxes - Sports4Kids is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under various state codes and statutes of California, Massachusetts, Maryland and Washington D.C. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Marketing and Advertising - The Organization's policy is to expense marketing and advertising costs as the costs are incurred. Marketing and advertising expenses for the years ended June 30, 2008 and 2007 was \$2,753 and \$1,792, respectively.

Reclassifications - Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

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SPORTS4KIDS  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

NOTE 5 - GRANTS RECEIVABLE:

The Organization received a four-year grant in the amount of \$18,734,344 during the year ended June 30, 2008. This grant receivable is reflected at present value using a discount rate of 3.2%.

	2008	2007
Total Grants Receivable	\$ 18,788,456	\$ 2,325,226
Present Value Discount	(1,487,908)	-
	17,300,548	2,325,226
Less: Current Portion	(2,751,738)	(2,325,226)
Total Grants Receivables, Net of Current Portion	\$ 14,548,810	\$ -

Future grants receivable payments are as follows:

Year Ending June 30,	Gross	Present Value	Net
2009	\$ 2,751,738	\$ -	\$ 2,751,738
2010	4,159,788	(242,539)	3,917,249
2011	5,483,308	(491,408)	4,991,900
2012	6,393,622	(753,961)	5,639,661
Total Future Grants Receivable Payments	\$ 18,788,456	\$ (1,487,908)	\$ 17,300,548

NOTE 6 - PROPERTY AND EQUIPMENT:

The cost and related accumulated depreciation of the property and equipment as of June 30, consisted of the following:

	2008	2007
Furniture and Equipment	\$ 100,332	\$ 61,880
Less: Accumulated Depreciation	(62,080)	(44,443)
Property and Equipment, Net	\$ 38,252	\$ 17,437

Depreciation expense for the years ended June 30, 2008 and 2007 was \$17,637 and \$8,828, respectively.

SPORTS4KIDS  
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NOTES TO FINANCIAL STATEMENTS  
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NOTE 7 - LINE OF CREDIT:

The Organization had a line of credit with First Republic Bank bearing interest at the bank's prime rate and a margin of .5%, secured by the Organization's inventory, equipment, and accounts receivable for \$750,000, and a maturity date of November 30, 2007. There was no outstanding balance at June 30, 2007. The line of credit was closed on September 21, 2007. The Organization entered into a new \$1,500,000 working capital line of credit on September 15, 2007 with The Jenesis Group. The line of credit is secured by the Organization's personal and real property and bears interest at 5.51% per annum. The line of credit matured on July 1, 2008 and a 2 year extension was granted. There was no outstanding balance on the line of credit at June 30, 2008.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS:

The Organization's temporarily restricted net assets as of June 30, consisted of the following:

	<u>2008</u>	<u>2007</u>
National Expansion	\$ 17,531,185	\$ 2,138,662
California Programs	569,000	522,500
Massachusetts Programs	54,000	-
Maryland Programs	40,000	75,000
Technical Assistance	-	1,241
Total Temporarily Restricted Net Assets	<u>\$ 18,194,185</u>	<u>\$ 2,737,403</u>

NOTE 9 - CONTRIBUTIONS IN-KIND:

The estimated fair value of donated supplies and expert services are recorded as contributions. During the years ended June 30, the following in-kind contributions were received by the Organization:

	<u>2008</u>	<u>2007</u>
Office Space	\$ 110,352	\$ 92,424
Consulting Services	50,000	-
Annual Report Design and Production	42,500	40,000
Legal Services	10,383	-
Sports Field Rental and Food	1,175	-
Golf Course Rental for Fundraiser	-	3,600
Raffle Prizes	-	1,505
Total Contributions In-Kind	<u>\$ 214,410</u>	<u>\$ 137,529</u>

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SPORTS4KIDS  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 10 - NET ASSETS RELEASED FROM RESTRICTION:

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	<u>2008</u>	<u>2007</u>
National Expansion	\$ 2,131,371	\$ 1,668,220
California Programs	1,589,201	610,550
Maryland Programs	170,000	190,000
Massachusetts Programs	90,000	40,000
Washington D.C. Programs	10,000	10,000
Technical Assistance	1,241	12,059
Middle School Programs	-	35,000
Capacity Building	-	67,500
After School Snack Program	-	<u>15,000</u>
Total Net Assets Released from Restrictions	<u>\$ 3,991,813</u>	<u>\$ 2,648,329</u>

NOTE 11 - CONFLICT OF INTEREST POLICY:

Included among the Organization's Board of Directors and Officers are volunteers from the community who provide valuable assistance to the Organization in the development of policies and programs and in the evaluation of business transactions. The Organization has adopted a conflict of interest policy whereby Board members are disqualified from participation in the final decisions regarding any action affecting their related company or agency.

NOTE 12 - CONTINGENCIES:

Grants and contracts awarded to Sports4Kids are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period. The Organization would be responsible for the absorption of any over-expenditure of its restricted grants which cannot be covered by additional grant funds or contributions from other sources.



SPORTS4KIDS  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 13 - CONCENTRATIONS:

The Organization received over 76% of its total support and revenue from one foundation for the year ended June 30, 2008. Excluding the contribution from the one foundation for the year ended June 30, 2008, there were no contributions over 15% of total revenue and support for the years ended June 30, 2008 and 2007.

NOTE 14 - OPERATING LEASE COMMITMENTS:

The Organization leases office space in Oakland, Milpitas, Washington D.C., Boston, Baltimore and St. Louis. The leases expire at various periods through June 30, 2010 and two are on a month-to-month basis. Rental expense, including in-kind, for the years ended June 30, 2008 and 2007 was \$242,947 and \$229,471, respectively.

Future minimum lease payments are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2009	\$ 189,300
2010	<u>158,625</u>
Total Future Minimum Lease Payments	<u>\$ 347,925</u>

NOTE 15 - RELATED PARTY TRANSACTIONS:

A board member is a principal at a company that owns the building in which the Organization rents office space in downtown Oakland, California at 517 Fourth Street. The term of the lease is two years ending on June 30, 2010. The office space is approximately 8,224 square feet. The monthly rent is \$12,500 with an annual 5% increase.

NOTE 16 - RETIREMENT PLAN:

The Organization has a defined contribution plan as established under Internal Revenue Code Section 403(b) (the Plan). All full time employees are eligible for participation in the Plan. Employees may contribute the maximum amount allowed by law. For each Plan year, the Board of Directors of the Organization determines the amount (if any) to be continued to the Plan by the Organization. The Organization made no contributions for the years ended June 30, 2008 and 2007.