

**Gamers Outreach Foundation, Inc.**

Financial Statements

December 31, 2020 and 2019

with Independent Auditors' Report

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**Independent Auditors' Report**

Board of Directors  
Gamers Outreach Foundation, Inc.  
Ann Arbor, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Gamers Outreach Foundation, Inc. ("Foundation") (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility 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; this includes 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gamers Outreach Foundation, Inc. as of December 31, 2020 and 2019, 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.

*Clark, Schaefer, Hackett & Co.*

East Lansing, Michigan  
July 22, 2022

Gamers Outreach Foundation, Inc  
Statements of Financial Position  
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 380,067	208,151
Grants and other receivables	67,447	27,830
Employee receivable	5,754	5,754
Interest receivable	-	2,827
Prepaid expenses	28,556	354
Inventory	<u>383,124</u>	<u>448,126</u>
	864,948	693,042
Noncurrent Assets		
Property and equipment, net	61,827	44,353
Investments at fair value	<u>1,311,520</u>	<u>639,671</u>
	<u>1,373,347</u>	<u>684,024</u>
Total Assets	\$ <u>2,238,295</u>	<u>1,377,066</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 234,073	121,375
Payroll tax payable	1,140	6,007
Accrued expenses	8,392	8,507
Accrued interest	879	1,607
Deferred revenue	-	17,500
Line of credit	491,986	448,664
Paycheck Protection Program loan	<u>66,300</u>	<u>-</u>
	802,770	603,660
Net Assets		
Without donor restrictions	1,338,081	403,654
With donor restrictions	<u>97,444</u>	<u>369,752</u>
	<u>1,435,525</u>	<u>773,406</u>
Total Liabilities and Net Assets	\$ <u>2,238,295</u>	<u>1,377,066</u>

See accompanying notes to the financial statements.

Gamers Outreach Foundation, Inc  
Statement of Activities  
For Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Grants and contributions	\$ 1,473,901	195,133	1,669,034
Contributed materials	382,681	-	382,681
Sales	955,128	-	955,128
Investment return, net	2,841	-	2,841
Other income	<u>11,166</u>	<u>-</u>	<u>11,166</u>
	2,825,717	195,133	3,020,850
Net Asset Restriction Transfers			
Revenue released from restriction	<u>467,441</u>	<u>(467,441)</u>	<u>-</u>
	3,293,158	(272,308)	3,020,850
Expenses			
Program services	2,009,511	-	2,009,511
Management and general	253,603	-	253,603
Fundraising	<u>95,617</u>	<u>-</u>	<u>95,617</u>
	<u>2,358,731</u>	<u>-</u>	<u>2,358,731</u>
Change in net assets	934,427	(272,308)	662,119
Net assets, beginning of year	<u>403,654</u>	<u>369,752</u>	<u>773,406</u>
Net assets, end of year	\$ <u><u>1,338,081</u></u>	<u><u>97,444</u></u>	<u><u>1,435,525</u></u>

See accompanying notes to the financial statements.

Gamers Outreach Foundation, Inc  
Statement of Activities  
For Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains, and Other Support			
Grants and contributions	\$ 968,756	182,490	1,151,246
Contributed materials	147,153	72,603	219,756
Sales	429,150	-	429,150
Investment return, net	15,862	-	15,862
Fundraising event tickets	<u>28,243</u>	<u>-</u>	<u>28,243</u>
	1,589,164	255,093	1,844,257
Net Asset Restriction Transfers			
Revenue released from restriction	<u>246,500</u>	<u>(246,500)</u>	<u>-</u>
	1,835,664	8,593	1,844,257
Expenses			
Program services	1,493,070	-	1,493,070
Management and general	210,961	-	210,961
Fundraising	<u>217,855</u>	<u>-</u>	<u>217,855</u>
	<u>1,921,886</u>	<u>-</u>	<u>1,921,886</u>
Change in net assets	(86,222)	8,593	(77,629)
Net assets, beginning of year	<u>489,876</u>	<u>361,159</u>	<u>851,035</u>
Net assets, end of year	\$ <u>403,654</u>	<u>369,752</u>	<u>773,406</u>

See accompanying notes to the financial statements.

Gamers Outreach Foundation, Inc  
Statement of Functional Expenses  
For Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Cost of goods sold or donated	\$ 1,434,250	-	-	1,434,250
Other contributions	11,485	-	-	11,485
Salaries and wages	319,378	91,251	45,625	456,254
Payroll taxes	24,523	7,007	3,503	35,033
Employee benefits	14,407	4,116	2,058	20,581
Contract management: events & programs	61,994	4,428	22,141	88,563
Legal services	-	15,743	-	15,743
Accounting services	-	39,402	-	39,402
Advertising and promotion	20,598	-	2,289	22,887
Office expenses	4,325	4,325	961	9,611
Information technology	9,399	26,317	1,880	37,596
Occupancy and storage	12,925	11,633	1,293	25,851
Travel and related	20,201	1,122	1,123	22,446
Conferences, conventions, and development	3,773	314	2,201	6,288
Interest expense	1,063	20,196	-	21,259
Depreciation	-	-	8,581	8,581
Insurance	508	4,573	-	5,081
Bank fees	70,514	3,917	3,917	78,348
Product development and tooling costs	77	-	-	77
Storage rental and office space	91	45	45	181
Miscellaneous expenses	-	19,214	-	19,214
	<u>\$ 2,009,511</u>	<u>253,603</u>	<u>95,617</u>	<u>2,358,731</u>

See accompanying notes to the financial statements.

Gamers Outreach Foundation, Inc  
Statement of Functional Expenses  
For Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
Cost of goods sold or donated	\$ 794,406	-	-	794,406
Other contributions	8,896	-	-	8,896
Salaries and wages	260,443	74,412	37,206	372,061
Payroll taxes	20,296	5,799	2,899	28,994
Employee benefits	17,161	4,903	2,452	24,516
Contract management: events & programs	77,345	5,525	27,623	110,493
Legal services	-	8,479	-	8,479
Accounting services	2,800	22,403	2,800	28,003
Advertising and promotion	18,594	-	2,066	20,660
Office expenses	2,336	2,336	519	5,191
Information technology	11,760	32,927	2,352	47,039
Occupancy and storage	17,682	15,913	1,768	35,363
Travel and related	111,165	6,176	6,176	123,517
Conferences, conventions, and development	23,090	1,924	13,469	38,483
Event prizes	782	14,858	-	15,640
Event production and rental costs	-	-	3,134	3,134
Interest expense	653	5,876	-	6,529
Depreciation	41,365	2,298	2,298	45,961
Insurance	74,342	-	-	74,342
Bank fees	9,329	4,664	4,664	18,657
Product development and tooling costs	625	625	1,250	2,500
Storage rental and office space	-	-	30,364	30,364
Event volunteer supplies	-	-	67,928	67,928
Small equipment	-	-	8,887	8,887
Miscellaneous expenses	-	1,843	-	1,843
	<u>\$ 1,493,070</u>	<u>210,961</u>	<u>217,855</u>	<u>1,921,886</u>

See accompanying notes to the financial statements.



Gamers Outreach Foundation, Inc  
Statements of Cash Flows  
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 662,119	(77,629)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized loss on investment dispositions	2,933	1,180
Unrealized (gain)/loss on investments	5,678	(1,205)
Depreciation	8,581	3,134
Effects of changes in assets and liabilities		
Grants and other receivables	(39,617)	(12,584)
Interest receivable	2,827	(599)
Prepaid expenses	(28,202)	(354)
Inventory	65,002	(169,982)
Accounts payable	112,698	92,519
Payroll tax payable	(4,867)	-
Accrued expenses	(115)	-
Accrued interest	(728)	1,607
Deferred revenue	<u>(17,500)</u>	<u>(21,000)</u>
Cash provided by (used in) operating activities	768,809	(184,913)
Cash flows from investing activities:		
Cash paid for property and equipment purchases	(26,055)	(36,487)
Cash proceeds from investment sales	793,312	540,214
Cash paid for investment purchases	<u>(1,473,772)</u>	<u>(723,029)</u>
Cash used in investing activities	(706,515)	(219,302)
Cash flows from financing activities		
Proceeds from line of credit	228,322	448,664
Payments on line of credit	(185,000)	-
Cash proceeds from Paycheck Protection Program loan	<u>66,300</u>	<u>-</u>
Cash provided by financing activities	<u>109,622</u>	<u>448,664</u>
Net change in cash and cash equivalents	171,916	44,449
Cash and cash equivalents, beginning of year	<u>208,151</u>	<u>163,702</u>
Cash and cash equivalents, end of year	\$ <u>380,067</u>	<u>208,151</u>
Cash Paid for:		
Interest	\$ <u>21,987</u>	<u>14,033</u>

## **1. Organization and Accounting Policies:**

Gamers Outreach Foundation, Inc. (Foundation) is a 501(c)(3) not-for-profit entity organized in 2007 to provide therapeutic recreation opportunities to children in hospitals.

### **Major Programs**

Project GO Kart (GO Karts) is a program that serves thousands of children each year by providing hospitals with medical-grade kiosks outfitted with televisions, video game consoles, and games. These units are made available to children recovering in hospitals, particularly those with longer anticipated stays, to help them cope with the confines of living in a hospital and the stress of recovering from illness and injury. Some units are sold to hospitals, while others are contributed to hospitals at the Foundation's discretion or as a result of donor-restricted contributions.

Player 2 is a program designed to connect volunteer gamers in the community to hospitals hosting GO Karts to provide basic tech support and maintenance, distribute games, and play games with patients.

In addition to programming, the Foundation organizes a large annual fundraising event, Gamers for Giving, that raises several hundred thousand dollars annually, supporting efforts to expand the scope of reach of the GO Kart program and help ensure continued financial stability. Other fundraisers are hosted periodically throughout the year.

### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (U.S. GAAP).

### **Adoption of new accounting pronouncements**

During 2019, the Foundation adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The ASU, as updated, represents a comprehensive overhaul of substantially all previous revenue recognition guidance within U.S. GAAP. Additionally, the ASU requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted the new standard effective January 1, 2020, the first day of the Foundation's fiscal year using the modified retrospective approach.

As part of the adoption of the ASU, the Foundation elected the following transition practical expedients:

(i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients. Management has analyzed the provisions of the ASU and have concluded that no changes are necessary to conform with the new standard.

### **Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

**Net Assets**

Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions are net assets that are subject to donor-imposed restrictions either for a specific use, duration, or both. When a time restriction expires or a use restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets with donor restrictions are available for subsequent years' activities (see Note 5).

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

**Receivables and Allowance for Bad Debt**

The Foundation records receivables for unit sales and promises to give. Amounts expected to be received within one year are recorded at their net realizable value and are recorded as current assets. As of December 31, 2020 and 2019, approximately 74% and 53%, respectively, of the balance in accounts receivable is due from one donor.

The Organization evaluates each receivable for collectability. All balances were determined to be collectible at December 31, 2020 and 2019. Therefore, no estimated allowance for uncollectible accounts has been recorded.

**Income Taxes**

The Foundation is organized as a tax-exempt entity under IRS section 501(c)(3) and is exempt from federal and state income taxes on its related activities. The Foundation files income tax returns in the U.S. Federal Jurisdiction and is generally not subject to tax examination by the authorities for years prior to 2017.

**Advertising**

The Foundation advertises through various print and electronic media. All such costs are expensed as incurred. Advertising expense for 2020 and 2019 was \$4,646 and \$18,284, respectively.

**Cost Allocation**

The financial statements report certain categories of natural expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimates of time and effort. All natural expense classifications have been allocated using management's estimates except for cost of goods sold or donated, contributions, legal services, depreciation, and certain direct fundraising costs.

**Fundraising**

The Foundation hosts fundraisers of various sizes throughout the year. Because the Foundation considers these events collectively to be major and ongoing, revenue from such events is reported at the gross amount and expenses, including direct expenses, are included in fundraising expenses in the statement of functional expenses.

### Liquidity

Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it intends to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 380,067	208,151
Grant and other receivables	67,447	27,830
Interest receivable	-	2,827
Employee receivable	5,754	5,754
Investments at fair value	<u>1,311,520</u>	<u>639,671</u>
Total	1,764,788	884,233
Restricted by donors with time or purpose restrictions	<u>97,444</u>	<u>369,752</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,667,344</u>	<u>514,481</u>

### Inventory

GO Kart inventory consists of frames and related components such as consoles, monitors, controllers, and game codes. Donated inventory includes consoles, games, controllers, collectibles, and other items that will be sold in bulk to provide additional resources to the Foundation. Intangible inventory consists of digital code donated or purchased that may be used to download fully licensed versions of games to consoles. Inventory is stated at the lower of cost or net realizable value on a first in, first out basis. Donated items are recorded at their estimated fair value on the date it is received. Donated physical inventory is generally not usable in GO Karts and must be sold.

	<u>2020</u>	<u>2019</u>
GO Kart materials - WIP	\$ 337,991	360,991
Intangible inventory	45,133	72,663
Donated items to be sold	<u>-</u>	<u>14,472</u>
Total Inventory	\$ <u>383,124</u>	<u>448,126</u>

### **Contributions**

Contributions of cash and other assets without donor stipulations concerning the use of such assets are reported as revenues of the net assets without donor restrictions. Contributions of cash or other assets to be used in accordance with donor stipulations are reported as revenues of the net assets with donor restrictions. Contributions with donor restrictions whose restrictions are met in the same period as the contribution are reported within net assets without donor restrictions.

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Foundation evaluates contributions for classification as conditional or unconditional. Unconditional contributions are reported as revenue and conditional contributions are reported as revenue only when all conditions have been met or the conditions have been explicitly waived by the donor and right of return or a right of release ceases to exist. Conditional contributions are reported as refundable advances on the statement of financial position until the contribution is recognized as revenue. There were no refundable advances as of December 31, 2020 and 2019.

### **Revenue Recognition**

The Foundation sells GO Karts to customers. The performance obligation is shipping the GO Kart to the customer. This is an exchange transaction where revenue is recognized at a point in time.

### **Deferred Revenue**

Deferred revenue represents funds received in advance of GO Karts being shipped to customers. When the units are shipped, the corresponding amount is recognized as revenue (sales) in the statement of activities.

### **Contributed Materials and Services**

The Foundation recognizes contributed services at their fair value if the services have value to the Foundation and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors. Contributed materials are recorded at fair value at the time of contribution.

In addition to the contributed materials and services recorded in the financial statements, the Foundation benefits from volunteers whose services do not meet the criteria for recognition according to generally accepted accounting principles. It is not practicable to estimate the value of these volunteers, which include such services as volunteers for the Player 2 program and assistance at fundraising events.

### **Investments and Investment Return**

Investments are reported at fair value (see Note 2), Investment return includes realized gain (loss), unrealized gain (loss), investment income, and direct investment expenses. Interest income is measured by the amount received or due to be received.

### Property and Equipment

Property and equipment for long-term use by the Foundation is capitalized at cost basis when the purchase price exceeds \$2,500. If such assets are contributed, they are capitalized at fair value if it is greater than \$2,500. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (see Note 3).

### Subsequent Events

Subsequent events have been evaluated through July 22, 2022, which is the date the financial statements were available to be issued.

## 2. Investments and Fair Value:

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Foundation has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The Foundation reports its investment in bonds at fair value. Fair value methods and assumptions for investments in bonds are based on quoted prices in active markets. The following tables present the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019.

December 31, 2020

	<u>Total</u>	<u>Level 1</u>
Corporate Bonds	\$ 381,569	381,569
Treasury Bonds	405,215	405,215
Corporate Stocks	513,890	513,890
Other Investments	<u>10,846</u>	<u>10,846</u>
Investments at Fair Value	\$ <u>1,311,520</u>	<u>1,311,520</u>

December 31, 2019

	<u>Total</u>	<u>Level 1</u>
Corporate Bonds	\$ 125,023	125,023
Treasury Bonds	<u>514,648</u>	<u>514,648</u>
Investments at Fair Value	\$ <u>639,671</u>	<u>639,671</u>

### 3. Property and Equipment:

Property and equipment consist of the following:

<u>Description</u>	<u>2020</u>	<u>2019</u>	<u>Est. Life (in years)</u>
Equipment	\$ 66,541	50,487	5
Software	10,000	-	3
Less accumulated depreciation	<u>(14,714)</u>	<u>(6,134)</u>	
Property and equipment, net	\$ <u>61,827</u>	<u>44,353</u>	

### 4. Line of Credit:

The Foundation has a revolving line of credit with a bank, due on demand, allowing for borrowings up to a maximum of \$500,000, has no defined maturity date, and is limited by the balance in the collateral account (see below). The balance of the line of credit at December 31, 2020 and 2019 was \$491,986 and \$448,664, respectively.

Interest-only payments are required monthly on the line of credit at a variable rate (2.15% and 4.29% at December 31, 2020 and 2019, respectively). Borrowings are collateralized by the collateral account and subject to certain covenants. The collateral account is the investment account at Morgan Stanley Smith Barney and includes all assets in that account. The balance in the collateral account as of December 31, 2020 was \$1,008,488, which includes cash of \$221,704 and bond investments of \$786,784.

### 5. Paycheck Protection Program Loan:

The Foundation received a Paycheck Protection Program (PPP) Loan on May 12, 2020, in the amount of \$66,300. All or a portion of the loan may be forgiven if the Foundation meets certain qualifications. Any unforgiven portion of the PPP loan will bear interest at 1% with a maturity date of January 2026. On May 19, 2021, the full amount if the loan was forgiven by the Small Business Administration.

**6. Net Assets with Donor Restrictions:**

The Foundation may accept donations with restrictions specified by donors. Net assets with donor restrictions are available for the following purpose as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
GO Kart builds    \$	<u>97,444</u>	<u>369,752</u>

**7. Related Party Transactions:**

The Foundation has an advance outstanding to the executive director (labeled “Employee receivable” on the statement of financial position). The advance arose out of corrections made to payroll and is expected to be settled within one year of the financial statement date. Therefore, no interest is accrued on this advance.

**8. COVID-19:**

During 2020 and continuing through the issuance of these financial statements, an outbreak of a novel strain of coronavirus (COVID-19) has disrupted operations and has impacted support and revenues of the Coalition. Federal, state, and local governments have imposed orders restricting operations throughout the year and have also signed into legislation several bills aimed to provide COVID-19 pandemic relief to organizations and businesses across the United States.

Future impact of the COVID-19 pandemic on the Foundation, its employees, and supporters cannot be predicted, and the extent to which the COVID-19 pandemic may impact the Foundation’s financial condition or results of activities is uncertain at this time. The pandemic may have an impact on overall support and revenues; however, the members of the Board and the administrative leadership team believe that the Foundation has sufficient financial resources to meet obligations in the year ending December 31, 2021.



