

LIDS FOUNDATION, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2023 and 2022



Katz, Sapper & Miller, LLP
Certified Public Accountants

LIDS FOUNDATION, INC.

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Independent Auditor's Report

Board of Directors
Lids Foundation, Inc.

Opinion

We have audited the accompanying financial statements of Lids Foundation, Inc., a not-for-profit organization, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, 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 Lids Foundation, Inc. as of December 31, 2023 and 2022, and the change 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lids Foundation, 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 the 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 Lids Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 Lids Foundation, 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 Lids Foundation, 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.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
August 12, 2024

LIDS FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash	\$ 1,610,288	\$ 1,408,929
Contributions receivable, net	35,000	78,000
Contributions receivable - related party	<u>154,529</u>	<u>149,148</u>
TOTAL ASSETS	<u><u>\$ 1,799,817</u></u>	<u><u>\$ 1,636,077</u></u>
 LIABILITIES		
Promises to give	\$ 45,000	\$ -
Accounts payable	<u>55,874</u>	<u>31,186</u>
Total Liabilities	100,874	31,186
 NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,698,943</u>	<u>1,604,891</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,799,817</u></u>	<u><u>\$ 1,636,077</u></u>

See accompanying notes.

LIDS FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

	2023	2022
SUPPORT AND REVENUE		
Contributions	\$ 759,488	\$ 806,171
Special events, net of direct benefits to donors	345,055	386,345
Total Support and Revenue	<u>1,104,543</u>	<u>1,192,516</u>
 EXPENSES		
Program services	818,441	265,528
Management and general	192,050	190,992
Total Expenses	<u>1,010,491</u>	<u>456,520</u>
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 94,052	 735,996
 NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of Year	<u>1,604,891</u>	<u>868,895</u>
End of Year	<u>\$ 1,698,943</u>	<u>\$ 1,604,891</u>

See accompanying notes.

LIDS FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2023 and 2022

	Program Services		Management and General		Direct Benefits to Donors		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Donations - cash and entry fees	\$ 777,598	\$ 265,528	\$ -	\$ -	\$ -	\$ -	\$ 777,598	\$ 265,528
Donations - product	6,135	-	-	-	-	-	6,135	-
Payroll and benefits expense	-	-	123,000	108,000	-	-	123,000	108,000
Professional expense	-	-	29,151	47,137	-	-	29,151	47,137
Supplies and general	34,708	-	39,899	45,835	-	-	74,607	45,835
Golf tournament expenses - fees and registration	-	-	-	-	37,189	35,096	37,189	35,096
Golf tournament expenses - prizes and auction items	-	-	-	-	9,316	16,714	9,316	16,714
Golf tournament expenses - golf supplies and other	-	-	-	-	62,796	57,386	62,796	57,386
Credit losses (recoveries)	-	-	-	(9,980)	-	-	-	(9,980)
TOTAL EXPENSES BY FUNCTION	818,441	265,528	192,050	190,992	109,301	109,196	1,119,792	565,716
Less: Expenses included with support and revenue on the statements of activities:								
Cost of direct benefits to donors	-	-	-	-	(109,301)	(109,196)	(109,301)	(109,196)
TOTAL EXPENSES	\$ 818,441	\$ 265,528	\$ 192,050	\$ 190,992	\$ -	\$ -	\$ 1,010,491	\$ 456,520

See accompanying notes.

LIDS FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Change in net assets	\$ 94,052	\$ 735,996
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in certain assets:		
Contributions receivable	43,000	(78,000)
Contributions receivable - related party	(5,381)	3,987
Increase (decrease) in certain liabilities:		
Promises to give	45,000	(103,000)
Accounts payable	24,688	27,193
Net Cash Provided by Operating Activities	201,359	586,176
 CASH		
Beginning of Year	1,408,929	822,753
End of Year	\$ 1,610,288	\$1,408,929

See accompanying notes.

LIDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The activities of the Lids Foundation, Inc. (the Foundation), include the raising, administration and expenditure of funds for charitable and educational purposes, with the focus being primarily on young people in the communities LIDS Sports Group operates. The Foundation works to engage them in sports-related activities and promotes active and healthy lifestyles as well as leadership and growth opportunities.

New Accounting Pronouncement: Effective January 1, 2023, the Foundation adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU replaces the incurred loss impairment methodology with a current expected credit losses model for all financial assets measured at amortized cost. Financial assets held by the Foundation that are subject to the ASU include contributions receivable, net and contributions receivable – related party. The Foundation adopted the standard using a modified retrospective approach as of the effective date. No cumulative-effect adjustment to net assets was required. The adoption of the standard did not have a material impact on the financial statements and primarily resulted in changes to disclosures.

Basis of Presentation: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Foundation to report information regarding its financial position and activities depending on the absence or presence of donor-imposed restrictions. As of December 31, 2023 and 2022, none of the Foundation’s net assets were subject to donor-imposed restrictions and could be used at the discretion of management and the Board of Directors, and therefore were all classified as net assets without donor restrictions.

Estimates: The preparation of financial statements in accordance 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, the disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash: The Foundation maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Foundation has not experienced any losses from these bank accounts.

Contributions Receivable: Unconditional contributions receivable are expected to be collected within one year and are recorded at net realizable value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The allowance for doubtful accounts is determined using historical loss information by aging category adjusted for current economic conditions and reasonable and supportable forecasts. Contributions receivable are charged off against the allowance when management believes there is no possibility of recovery. Recoveries from accounts previously written off are recognized as an offset to credit loss expense in the year of recovery. At December 31, 2023 and 2022, the allowance for doubtful accounts was \$0 and \$20, respectively.

Promises to Give: Payables are recorded upon approval by the Board of Directors of the donation, notification being sent to the recipient and collection of the funds to be donated. Donations of Foundation assets unrelated to specific fundraising efforts are recorded upon the Board of Directors’ approval and notification being sent to the recipient.

Contributions are recognized as support when they are received or unconditionally promised. Grants and contracts are classified as contributions in instances in which a resource provider is not itself receiving commensurate value for the resources provided. Contributions are considered conditional when the agreement with the resource provider includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor’s obligation to transfer assets. Conditional contributions are not recognized as revenue until the conditions are substantially met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Nonfinancial Assets: Contributions of services are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. Volunteers contribute significant amounts of time to the Foundation’s activities that do not meet recognition criteria, and the value of these contributed services is not reflected in the consolidated financial statements. There were no donated services recognized in 2023 or 2022.

Other contributions of nonfinancial assets are recorded at estimated fair value when received. There were no other contributions of nonfinancial assets recognized in 2023 or 2022.

Special Events Revenue, including related sponsorship revenue and other contributions, are considered unconditional contributions, except for the portion related to the direct benefit being provided to the donors that is considered an exchange transaction. The contribution portion of the revenue is recognized when received, and the exchange transaction portion of the revenue is recognized when the event occurs at a point in time. The exchange transaction portion was \$109,301 in 2023 and \$109,196 in 2022.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to the specific programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Income Taxes: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income tax for the years ended December 31, 2023 and 2022.

The Foundation files U.S. federal and state of Indiana information returns. The Foundation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2020. Management believes that the Foundation’s income tax filing positions will be sustained on audit and does not anticipate any adjustments that will result in a material change.

Subsequent Events: The Foundation has evaluated the financial statements for subsequent events occurring through August 12, 2024, the date the financial statements were available to be issued.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

The Foundation’s financial assets available for general expenditure within one year of December 31, 2023 and 2022 were as follows:

	2023	2022
Cash	\$1,610,288	\$1,408,929
Contributions receivable, net	35,000	78,000
Contributions receivable - related party	<u>154,529</u>	<u>149,148</u>
	1,799,817	1,636,077
Less those not available for general expenditure within one year:		
Promises to give	<u>(45,000)</u>	<u>-</u>
Total Financial Assets Available Within One Year	<u>\$1,754,817</u>	<u>\$1,636,077</u>

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Foundation considers all expenditures related to its ongoing activities of its program services as well as the conduct of services undertaken to support those activities to be general expenditures.

The promises to give were subject to implied time restrictions but were expected to be paid within one year.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Foundation maintains a promotional agreement with a related corporation for the placement of donation canisters and stock keeping unit (SKU) sales at its retail stores, as well as acceptance of donations on the retail store's website providing for the acceptance and processing of monetary donations from consumers to the Foundation. The existing promotional agreement that was set to expire December 31, 2024 was renewed and will run from January 2024 through December 2026. The Foundation also receives donations from payroll deductions and employer matching contributions of employees of the related corporation.

The Foundation recognized contributions of \$759,465 and \$726,786 from its arrangement with the related corporation for the years ended December 31, 2023 and 2022, respectively. The Foundation reported contributions receivable of \$154,529 and \$149,148 from this related party as of December 31, 2023 and 2022, respectively.