

FINISH LINE
YOUTH FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



FINISH LINE YOUTH FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Finish Line Youth Foundation, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of Finish Line Youth Foundation, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, 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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Finish Line Youth Foundation, Inc. as of December 31, 2020 and 2019, and the changes in net assets, functional expenses, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Alerding CPA Group

July 1, 2021

FINISH LINE YOUTH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 545,965	\$ 217,995
Investments	10,079,748	8,656,063
Contributions receivable	<u>562,735</u>	<u>508,581</u>
	<u>\$ 11,188,448</u>	<u>\$ 9,382,639</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Grants payable	\$ 214,137	\$ 25,000
Accounts payable	455,756	103,508
Accrued expenses	<u>466,856</u>	<u>160,029</u>
Total liabilities	1,136,749	288,537
Net Assets Without Donor Restrictions	<u>10,051,699</u>	<u>9,094,102</u>
	<u>\$ 11,188,448</u>	<u>\$ 9,382,639</u>

See accompanying Notes to Financial Statements.

FINISH LINE YOUTH FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Revenue and Support:		
Holiday fundraising drive	\$ 762,104	\$ 692,079
Keypads	291,206	702,834
Back to School fundraising drive	-0-	224,803
Golf outing	-0-	318,767
Bowl for Kids	98,596	102,346
Employee giving campaigns	15,998	13,439
General contributions and other	38,000	8,881
Interest and investment income, net	<u>1,444,254</u>	<u>1,586,001</u>
Total revenue and support	<u>2,650,158</u>	<u>3,649,150</u>
Expenses:		
Program services	1,248,460	2,591,461
Fundraising	189,782	465,322
Management and general	<u>254,319</u>	<u>226,522</u>
Total expenses	<u>1,692,561</u>	<u>3,283,305</u>
Change in net assets	957,597	365,845
Net Assets, Beginning of Year	<u>9,094,102</u>	<u>8,728,257</u>
Net Assets, End of Year	<u>\$ 10,051,699</u>	<u>\$ 9,094,102</u>

See accompanying Notes to Financial Statements.

FINISH LINE YOUTH FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	2020				2019 Total
	Program Services	Fundraising	Management and General	Total	
Charitable grants	\$ 279,050	\$ -0-	\$ -0-	\$ 279,050	\$ 432,250
Special Olympics - sponsorship and license agreement	400,000	-0-	-0-	400,000	900,000
Boys and Girls Club - sponsorship and license agreement	-0-	-0-	-0-	-0-	750,000
Special Olympics - program expenses	219,184	-0-	-0-	219,184	141,977
Holiday fundraising drive	-0-	45,922	-0-	45,922	117,218
Keypads	-0-	76,102	-0-	76,102	-0-
Back to School fundraising drive	-0-	-0-	-0-	-0-	17,981
Golf outing	-0-	-0-	-0-	-0-	234,294
Bowl for Kids	-0-	6,158	-0-	6,158	31,275
Promotional material and supplies	13,223	13,223	39,669	66,115	69,934
Shared services agreement	335,613	47,945	95,890	479,448	497,260
Travel, meals and entertainment	815	-0-	1,608	2,423	21,032
Professional fees	-0-	-0-	33,555	33,555	14,038
Outside services	575	432	13,380	14,387	30,079
Other taxes and licenses	-0-	-0-	-0-	-0-	5,150
Bank charges	-0-	-0-	21,580	21,580	5,589
Office expenses	-0-	-0-	1,565	1,565	5,130
Staff development	-0-	-0-	-0-	-0-	3,085
Miscellaneous	-0-	-0-	47,072	47,072	7,013
	<u>\$ 1,248,460</u>	<u>\$ 189,782</u>	<u>\$ 254,319</u>	<u>\$ 1,692,561</u>	<u>\$ 3,283,305</u>

See accompanying Notes to Financial Statements.

FINISH LINE YOUTH FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	Program Services	Fundraising	Management and General	Total
Charitable grants	\$ 432,250	\$ -0-	\$ -0-	\$ 432,250
Special Olympics - sponsorship and license agreement	900,000	-0-	-0-	900,000
Boys and Girls Club - sponsorship and license agreement	750,000	-0-	-0-	750,000
Special Olympics - program expenses	141,977	-0-	-0-	141,977
Golf outing	-0-	234,294	-0-	234,294
Bowl for Kids	-0-	31,275	-0-	31,275
Holiday fundraising drive	-0-	117,218	-0-	117,218
Back to School fundraising drive	-0-	17,981	-0-	17,981
Promotional material and supplies	13,251	13,897	42,786	69,934
Shared services agreement	348,082	49,726	99,452	497,260
Travel, meals and entertainment	4,681	-0-	16,351	21,032
Professional fees	-0-	-0-	14,038	14,038
Outside services	1,220	931	27,928	30,079
Other taxes and licenses	-0-	-0-	5,150	5,150
Bank charges	-0-	-0-	5,589	5,589
Office expenses	-0-	-0-	5,130	5,130
Staff development	-0-	-0-	3,085	3,085
Miscellaneous	-0-	-0-	7,013	7,013
	\$ 2,591,461	\$ 465,322	\$ 226,522	\$ 3,283,305

See accompanying Notes to Financial Statements.

FINISH LINE YOUTH FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 957,597	\$ 365,845
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gains on investments	(1,181,291)	(1,294,157)
Changes in assets and liabilities:		
Contributions receivable	(54,154)	365,746
Grants payable	189,137	(225,000)
Accounts payable	352,248	(73,844)
Accrued expenses	306,827	(281,571)
Net cash provided by (used in) operating activities	<u>570,364</u>	<u>(1,142,981)</u>
Cash Flows From Investing Activities:		
Proceeds from sale of investments	48,993	1,630,317
Reinvestment of interest and dividends	<u>(291,387)</u>	<u>(322,088)</u>
Net cash provided by (used in) investing activities	<u>(242,394)</u>	<u>1,308,229</u>
Net increase	327,970	165,248
Cash and Cash Equivalents, Beginning of Year	<u>217,995</u>	<u>52,747</u>
Cash and Cash Equivalents, End of Year	<u>\$ 545,965</u>	<u>\$ 217,995</u>

See accompanying Notes to Financial Statements.

FINISH LINE YOUTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

1. SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

Finish Line Youth Foundation, Inc. (the "Foundation") was formed in 1998 to make a difference in the lives of youth in the communities where employees and customers live, work and play. The Foundation funds nonprofit organizations that provide opportunities for children to participate in community-based youth athletic programs and camps emphasizing sports and active lifestyles, especially programs serving disadvantaged and special needs children.

Since 2012, the Foundation has engaged in a partnership with the Special Olympics in celebration of athletes everywhere. The Foundation supports the Special Olympics through multiple opportunities including:

- Finish Line, Inc. ("FLI") employee volunteer participation in the Special Olympic events nationwide;
- Partnering in the Fit Feet Program to supply athletes with properly fitting shoes;
- An in-store and online holiday fundraising drive to support the Special Olympics.

The Foundation has two major annual fundraising events to raise funds that in turn are used to award grants to qualifying not-for-profit organizations across the country. The Foundation conducts a holiday and Back-to-School fundraising drive that takes place in all retail stores and on the website of FLI (Note 6). Additionally, the Foundation hosts an annual golf outing and bowling event based in Indianapolis and markets across the country.

The significant accounting policies followed by the Foundation in the preparation of its financial statements are summarized below:

Basis of Presentation

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are net assets not subject to donor-imposed restrictions and, therefore, are available to support the general operations of the Foundation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires Management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates. Primary estimates made in the preparation of the Foundation's financial statements include collectability of contributions receivable and the allocation of functional expenses.

FINISH LINE YOUTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Cash and cash equivalents

Cash and cash equivalents represent amounts held in checking and money market accounts. All liquid investments with original maturity dates of three months or less are reported as cash equivalents.

Revenue and Support Recognition

Contributions are recognized as revenue and support when received, and revenue from events is recognized at the time the event is performed. The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions are met in the same reporting period in which the revenue is recognized.

Functional Expenses

Expenses are classified as Program Services, Fundraising, and Management and General. Classifications are based on actual direct expenditures and costs allocations determined by estimates of time spent by Foundation personnel or other rational basis of allocation.

Income Taxes

The Foundation is exempt from Federal and state income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state law. Accordingly, no provision has been made for Federal or state income taxes.

Management of the Foundation evaluates all significant tax positions to ensure compliance with the exempt purpose of the Foundation as required by U.S. GAAP, including consideration of any unrelated business income tax. As of December 31, 2020, Management does not believe the Foundation has taken any tax positions that are not in compliance with the exempt purpose of the Foundation. The Foundation's Federal and state tax returns remain open and subject to examination beginning with the tax year ended December 31, 2017.

Subsequent Events

Subsequent events have been evaluated through July 1, 2021, which is the date the financial statements were available for issuance (Note 8).

FINISH LINE YOUTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

2. LIQUIDITY AND AVAILABILITY

At December 31, 2020 and 2019, financial assets available for future general expenditure within one year from the date of the Statements of Financial Position comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 545,965	\$ 217,995
Investments	10,079,748	8,656,063
Contributions receivable	<u>562,735</u>	<u>508,581</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,188,448</u>	<u>\$ 9,382,639</u>

The Foundation's liquidity objective is to maintain adequate liquid assets to fund near-term operating needs. The Foundation manages its liquidity and reserves following three guiding principles: (1) operating within a prudent range of financial soundness and stability; (2) maintaining adequate liquid assets to fund near-term operating needs; and (3) maintaining sufficient reserves to provide reasonable assurance obligations will be paid when due.

In the event of an unexpected or short-term liquidity need, the Foundation has access to its investment portfolio consisting of available securities in highly liquid investments.

3. CONTRIBUTIONS RECEIVABLE

The Foundation recognizes all material unconditional promises to give as revenue and support. Contributions receivable of \$562,735 and \$508,581 at December 31, 2020 and 2019, respectively, represent contributions from donors and are due from the donors within one year.

4. FAIR VALUE MEASUREMENTS AND INVESTMENT INCOME

U.S. GAAP defines fair value as 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. U.S. GAAP also establishes a fair value hierarchy, which requires the Foundation to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels are defined by U.S. GAAP as a means of measuring fair value:

FINISH LINE YOUTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Level 1

Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3

Unobservable inputs reflecting the entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset's and liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The Foundation has no liabilities measured and reported at fair value. The Foundation's only asset measured at fair value is its investment holdings. The following is a description of the valuation methodology used for the Foundation's investments measured at fair value as of December 31, 2020 and 2019. There has been no change in methodology used at December 31, 2020.

Corporate Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings or similar municipalities.

Equities: Valued at the daily closing price of the active market in which the security is traded.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded. A money market fund is an open-ended mutual fund that invests in short-term debt securities and commercial paper.

FINISH LINE YOUTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Assets measured at fair value on a recurring basis include investments with the following balances at December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 384,590	\$ -0-	\$ -0-	\$ 384,590
Corporate bonds	-0-	982,561	-0-	982,561
Equities:				
All cap	297,636	-0-	-0-	297,636
Large cap	1,277,254	-0-	-0-	1,277,254
Mid/small cap	872,280	-0-	-0-	872,280
Mutual funds:				
All cap	1,190,683	-0-	-0-	1,190,683
Large cap	1,179,344	-0-	-0-	1,179,344
Mid cap/ small cap	224,115	-0-	-0-	224,115
International	1,794,275	-0-	-0-	1,794,275
Asset allocation	1,571,175	-0-	-0-	1,571,175
Real assets	159,300	-0-	-0-	159,300
Fixed income	<u>146,535</u>	<u>-0-</u>	<u>-0-</u>	<u>146,535</u>
	<u>\$ 9,097,187</u>	<u>\$ 982,561</u>	<u>\$ -0-</u>	<u>\$ 10,079,748</u>

Assets measured at fair value on a recurring basis include investments with the following balances at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 108,343	\$ -0-	\$ -0-	\$ 108,343
Corporate bonds	-0-	1,179,029	-0-	1,179,029
Equities:				
All cap	229,834	-0-	-0-	229,834
Large cap	1,019,564	-0-	-0-	1,019,564
Mid/small cap	614,631	-0-	-0-	614,631
Mutual funds:				
All cap	1,330,200	-0-	-0-	1,330,200
Large cap	482,510	-0-	-0-	482,510
International	1,128,103	-0-	-0-	1,128,103
Asset allocation	2,402,571	-0-	-0-	2,402,571
Real assets	<u>161,278</u>	<u>-0-</u>	<u>-0-</u>	<u>161,278</u>
	<u>\$ 7,477,034</u>	<u>\$ 1,179,029</u>	<u>\$ -0-</u>	<u>\$ 8,656,063</u>

FINISH LINE YOUTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

The Foundation's accounting policy is to recognize transfers between levels as of the date the event or change in circumstances causing the transfer. There were no transfers during 2020 and 2019.

Interest and investment income consist of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 291,387	\$ 322,088
Net realized gains (losses)	(9,692)	151,719
Net unrealized gains	<u>1,190,983</u>	<u>1,142,438</u>
	1,472,678	1,616,245
Investment fees	<u>(28,424)</u>	<u>(30,244)</u>
	<u>\$ 1,444,254</u>	<u>\$ 1,586,001</u>

5. SPONSORSHIP AND LICENSE AGREEMENT

Effective April 13, 2012, the Foundation entered into a Sponsorship and License Agreement with Special Olympics, Inc. ("SOI") until February 28, 2021, which was extended through January 31, 2022 (Note 8), whereby the Foundation serves as a sponsor of SOI in exchange for the right to use certain names and marks owned by SOI and providing other support to SOI and granting SOI the right to use and sublicense other persons to use designated names and marks owned or licensed by the Foundation. For such rights, the Foundation paid SOI royalty payments of \$400,000 and \$900,000 for the years ended December 31, 2020 and 2019, respectively.

Future minimum royalty payments under the terms of the agreement are \$400,000 due during the year ending December 31, 2021.

The Foundation had a Sponsorship and License Agreement with The Boys & Girls Club of Indianapolis ("BGCI") through February 15, 2019. The Foundation paid BGCI royalty payments of \$250,000 for the year ended December 31, 2019.

The Foundation had a Sponsorship and License Agreement with The Boys & Girls Club of America ("BGCA") through December 31, 2019. The Foundation paid BGCA royalty payments of \$500,000 for the year ended December 31, 2019.

Total sponsorship and licenses agreement expense was \$400,000 and \$1,650,000 for the years ended December 31, 2020 and 2019, respectively.

FINISH LINE YOUTH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

6. SHARED SERVICES AGREEMENT

The Foundation receives professional and managerial services from FLI under a Shared Services Agreement renewing December 31st for successive one (1) year periods, unless either party provides written notice of its intent not to renew at least thirty (30) days prior to the renewal of any year but may be terminated upon thirty (30) days written notice to the other party without cause.

Under the terms of the Agreement, the Foundation reimburses FLI for the actual compensation and expenses incurred by FLI as Foundation and Grant Administrators. The total expense for such services were \$479,448 and \$497,260 for the years ended December 31, 2020 and 2019, respectively, of which \$479,448 and \$160,029 was payable as of December 31, 2020 and 2019, respectively.

Additionally, FLI provides, at no cost to the Foundation, office space, grant administration software and support, bookkeeping and recordkeeping services, services related to licensing and maintenance of intellectual property, marketing, internal legal services, and website hosting. However, the value of this support and related expense is not reflected in the financial statements as the amounts are considered insignificant.

7. CONCENTRATION OF CREDIT RISK

Cash and Cash Equivalents

The Foundation maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed Federally insured limits. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

8. SUBSEQUENT EVENT

Special Olympics, Inc.

Effective February 1, 2021, the Foundation entered into a Sponsorship and License Agreement with SOI through January 31, 2022, whereby the Foundation serves as a sponsor of SOI in exchange for the right to use certain names and marks owned by SOI and providing other support to SOI including granting SOI the right to use and sublicense other persons to use designated names and marks owned or licensed by the Foundation. In exchange for such rights, the Foundation is required to pay SOI royalty payments of \$400,000 for the year ending December 31, 2021.