

**The Teammates for Kids Foundation**

Denver, Colorado

Audited Financial Statements

Year Ended October 31, 2012

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Teammates for Kids Foundation  
Denver, Colorado

We have audited the accompanying statements of assets and net assets – modified cash basis of The Teammates for Kids Foundation (the “Foundation”) as of October 31, 2012 and the related statements of activities and changes in net assets – modified cash basis and functional expenses – modified cash basis for the year then ended. These financial statements are the responsibility of the Foundation’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets – modified cash basis of The Teammates for Kids Foundation at October 31, 2012 and its activities and changes in net assets – modified cash basis and functional expenses – modified cash basis for the year then ended, on the basis of accounting described in Note 1.

*Whisenant, Stewart, Watrous & Associates, PLLC*

Nashville, Tennessee  
January 31, 2013

**THE TEAMMATES FOR KIDS FOUNDATION**  
Statement of Assets and Net Assets - Modified Cash Basis  
October 31, 2012

**ASSETS**

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Cash and cash equivalents	\$ 8,009,602
Investments	18,279,440
Prepaid insurance	11,091
Property and equipment	59,306
Accumulated depreciation	<u>(57,163)</u>
<b>Total assets</b>	<b><u>\$ 26,302,276</u></b>

**LIABILITIES AND NET ASSETS**

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<b>Net assets</b>	
Unrestricted	\$ 3,024,570
Temporarily restricted	<u>23,277,706</u>
 Total net assets	 <u>26,302,276</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 26,302,276</u></b>

See independent auditors' report and accompanying notes to financial statements.

**THE TEAMMATES FOR KIDS FOUNDATION**  
Statement of Activities - Modified Cash Basis  
For the Year Ended October 31, 2012

	Unrestricted	Temporarily Restricted	Total
<b>Operating revenues</b>			
Contributions and support:			
Athlete contributions	\$ 1,141,050	\$ 111,159	\$ 1,252,209
Corporate and foundation contributions	870,530	1,834,852	2,705,382
Auction and other income	966,836	-	966,836
Total contributions and support	<u>2,978,416</u>	<u>1,946,011</u>	<u>4,924,427</u>
<b>Operating expenses</b>			
Program services:			
Children's health	1,080,446	-	1,080,446
Children's education	469,477	-	469,477
Children's inner-city needs	621,100	-	621,100
Total program services	<u>2,171,023</u>	<u>-</u>	<u>2,171,023</u>
Support services:			
General and administrative	463,836	-	463,836
Fundraising	378,878	-	378,878
Total support services	<u>842,714</u>	<u>-</u>	<u>842,714</u>
Total operating expenses	<u>3,013,737</u>	<u>-</u>	<u>3,013,737</u>
Excess (deficit) of operating revenues over operating expenses	<u>(35,321)</u>	<u>1,946,011</u>	<u>1,910,690</u>
<b>Other revenues (expenses)</b>			
Interest and dividend income	604,433	-	604,433
Exchange currency conversion	(558)	-	(558)
Net realized loss on sale of investments	72,442	-	72,442
Unrealized gain on investments	656,990	-	656,990
Total other revenues	<u>1,333,307</u>	<u>-</u>	<u>1,333,307</u>
<b>Change in Net Assets</b>	1,297,986	1,946,011	3,243,997
<b>Net Assets - Beginning of Year</b>	<u>1,726,584</u>	<u>21,331,695</u>	<u>23,058,279</u>
<b>Net Assets - End of Year</b>	<u>\$ 3,024,570</u>	<u>\$ 23,277,706</u>	<u>\$ 26,302,276</u>

See independent auditors' report and accompanying notes to financial statements.

**THE TEAMMATES FOR KIDS FOUNDATION**  
Statement of Functional Expenses - Modified Cash Basis  
For the Year Ended October 31, 2012

	Program Services			Supporting Services			Total Expenses
	Children's Health	Children's Education	Children's Inner City Needs	General and Administrative	Fundraising		
Awards and grants to organizations	\$ 861,463	\$ 454,338	\$ 582,260	\$ -	\$ -	\$ -	\$ 1,898,061
Depreciation	91	91	91	408	680		1,361
Insurance	-	-	-	19,424	6,475		25,899
Membership dues and subscriptions	-	-	-	910	303		1,213
Office and occupancy	10,060	10,060	10,060	45,270	75,450		150,900
Postage and shipping	338	338	338	1,524	2,545		5,083
Professional fees and services	85,000	-	-	125,687	26,400		237,087
Salaries and bonuses	116,788	3,887	23,445	258,898	171,737		574,755
Special events	-	-	-	-	10,839		10,839
Supplies	487	487	487	2,192	3,652		7,305
Telephone	276	276	276	1,245	2,073		4,146
Travel and lodging	5,943	-	4,143	8,278	78,724		97,088
<b>Total expenses</b>	<b>\$ 1,080,446</b>	<b>\$ 469,477</b>	<b>\$ 621,100</b>	<b>\$ 463,836</b>	<b>\$ 378,878</b>	<b>\$</b>	<b>\$ 3,013,737</b>

See independent auditors' report and accompanying notes to financial statements.

**The Teammates for Kids Foundation**  
Year Ended October 31, 2012

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies**

Nature of Activities

The Teammates for Kids Foundation (the "Foundation") was incorporated on January 6, 1999, in accordance with the Colorado Nonprofit Corporation Act. The Foundation's primary focus is to contribute financial resources to selected non-profit entities that have consistently demonstrated the capacity to efficiently and effectively deliver educational programs, health care services and other recreation/faith and social interactive opportunities to needy children. Funding is received from fundraising events, individuals, and private corporate donors.

The Foundation has and will continue to enlist the participation of Major League Baseball, National Hockey League, National Basketball Association, National Football League and Major League Soccer players who will contribute a pre-determined. The Foundation also enlists corporate "teammates" that will match the contributions made by players. One hundred percent of contributions by these individuals or entities have, and will continue to be, used by the Foundation for children's charities unless specifically authorized for operations by the donor.

The Foundation, in a partnership with other private and corporate donors, is focusing on Child Life Zones. The goal of these zones is to create a state of the art high tech interactive play area for children in hospitals in various cities. Expenses related to these zones are included in the Children's Health program services on the Statements of Functional Expenses and Activities.

Basis of Accounting

The Foundation's financial statements have been prepared using the modified cash basis of accounting. This basis differs from accounting principles generally accepted in the United States of America primarily as follows:

- Unconditional promises to give are recognized upon receipt rather than when the unconditional promise is made.
- Business expenses and grant obligations are recognized when paid instead of when incurred.
- Contributed services that would otherwise need to be purchased by the Foundation are presented net rather than gross in the Statement of Activities.
- Investments are stated at fair value and unrealized gains and losses are included in the statement of activities.

**The Teammates for Kids Foundation**  
Year Ended October 31, 2012

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Foundation maintains a cash balance in a foreign bank. The account is insured by the Canada Deposit Insurance Corporation up to \$100,000. The Foundation also maintains several accounts with a stock brokerage firm. The accounts contain cash and securities. Balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation. The uninsured balances were \$25,607,688 at October 31, 2012.

Investments

Investments are stated at fair value. The change in unrealized gains and losses are determined by comparing cost to fair value at the beginning and end of the period. Realized gain and losses on the sale of investments are calculated by the specific identification method. Dividend and interest income are recorded as earned. Investment income and net gains and losses on the sale of investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by the donor.

A considerable amount of the Foundation's assets are invested in financial instruments that are inherently subject to a certain amount of risk. The Foundation reduces its credit and market risks related to investments by investing primarily in high grade bonds and equity securities.

Long-lived Assets

Property and equipment are recorded at cost, less accumulated depreciation, and are depreciated using the straight-line method over the estimated useful lives of the respective assets, generally three to seven years.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Otherwise, when a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Operating revenues and expenses include all activities of the Foundation except interest and dividend income and realized and unrealized gains and losses on investments, which are recorded as other revenues (expenses) in the Statement of Activities.



**The Teammates for Kids Foundation**  
Year Ended October 31, 2012

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

The Foundation conducts auction events. Revenue from the auctions is recorded upon the receipt of proceeds for the auctioned items and is considered unrestricted support unless otherwise designated. Revenues recognized from the auctions and other special event functions are presented gross in the Statement of Activities and Changes in Net Assets, with corresponding costs reflected as fundraising expenses.

Income Taxes

The Foundation is a nonprofit voluntary charitable organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the state of Colorado provisions. The Foundation is classified as an organization that is not a private foundation and has been designated as a publicly supported organization.

Functional Expenses

The costs attributable to program services and expenses associated with fundraising have been summarized in the accompanying financial statements on a functional basis. Accordingly, certain general and administrative costs have been allocated among the programs benefited based on, among other things, evaluations of employees' time incurred on each program.

Financial Statement Presentation

The Foundation presents its financial statements in accordance with Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Permanently Restricted Net Assets – Net assets that are subject to permanent donor imposed restrictions.

The amount for unrestricted net assets and temporarily restricted net assets presented in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities. There were no permanently restricted net assets as of October 31, 2012.

**The Teammates for Kids Foundation**  
Year Ended October 31, 2012

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value under the standard must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes how to measure fair value based on a three-level hierarchy of inputs, of which the first two are considered observable and the last unobservable.

- Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that Teammates has the ability to access at the measurement date;
- Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly;
- Level 3: Valuations based on inputs that are both significant to the fair value measurement and unobservable (inputs are supported by little or no market activity).

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the financial instruments carried at fair value as of October 31, 2012, by caption on the Statement of Assets and Net Assets – modified cash basis by the standard valuation hierarchy defined above:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Assets</b>				
Cash and cash equivalents	\$ 8,009,602	\$ -	\$ -	\$ 8,009,602
Investments	6,997,699	11,281,741	-	18,279,440
Total	<u>\$ 15,007,301</u>	<u>\$ 11,281,741</u>	<u>\$ -</u>	<u>\$ 26,289,042</u>

**Note 2. Major Contributions**

For the year ended October 31, 2012, contributions by one contributor to the Foundation amounted to \$473,992 (7.5% of total support and revenue). These contributions are considered to be temporarily restricted support for the sole purpose of funding the general and administrative expenses of the Foundation.

**The Teammates for Kids Foundation**  
Year Ended October 31, 2012

**NOTES TO FINANCIAL STATEMENTS**

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**Note 3. Investments**

The Foundation utilizes the services of an investment firm to manage its investments. The Board of Directors has designated a group of individuals that is responsible for these functions and serves as the Finance Committee. Management and the Finance Committee monitor, on a periodic basis, the trades, balances and performance of the investment portfolio.

The fair value of investments consisted of the following at October 31, 2012:

Stocks	\$ 6,997,699
Corporate fixed income	10,890,378
Municipal bonds	71,483
Other	<u>319,880</u>
Total	<u>\$ 18,279,440</u>

**Note 4. Property and Equipment**

At October 31, 2012, property and equipment held by the Foundation is as follows:

Computer and office equipment	\$ 25,131
Furniture and fixtures	<u>34,175</u>
Total	59,306
Accumulated depreciation	<u>(57,163)</u>
Property and equipment, net	<u>\$ 2,143</u>

Depreciation expense for the year ended October 31, 2012 was \$1,361.

**Note 5. Temporarily Restricted Assets**

At October 31, 2012, all of the temporarily restricted net assets have been restricted by donors to be spent specifically for children's charities. Temporarily restricted net assets are released from restriction based upon their disbursement to the children's charities.

**The Teammates for Kids Foundation**  
Year Ended October 31, 2012

**NOTES TO FINANCIAL STATEMENTS**

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**Note 6. Commitments and Contingencies**

The Foundation occupies office space and leases office equipment under non-cancelable operating leases which expire in 2013. Rental expense under the leases for 2012 was \$63,906. The Foundation relocated to a new office during the year. The prior office lease expires in April 2013. The Foundation negotiated a new lease agreement on the office equipment in November 2012.

Future minimum lease payments are as follows:

Year ended October 31:

2013	\$ 36,633
Total minimum lease payments	<u>\$ 36,633</u>

In 2003, the Foundation approved and communicated to the Little League organization an eight year commitment to give. Such commitment called for annual payments of \$75,000 to be made commencing in 2007.

Future minimum payments associated with this commitment to the Little League are comprised of the following:

Year ended October 31:

2013	\$ 75,000
2014	75,000
Total Future payments	<u>\$ 150,000</u>

**Note 7. Retirement**

The Foundation has a 403(b) tax-sheltered annuity plan whereby participating employees may contribute a specified percentage of their salary to the Plan. The Foundation does not match the contributions made by its employees.

**Note 8. Contributed Services**

No amounts have been reflected in the financial statements for donated services. The Foundation generally pays for services requiring specific expertise, with the exception of legal services, which are provided by a Board Member at no cost.

**The Teammates for Kids Foundation**  
Year Ended October 31, 2012

**NOTES TO FINANCIAL STATEMENTS**

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**Note 9. Subsequent Events**

ASC 855 requires entities to disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. In accordance with ASC 855, the Foundation evaluated subsequent events through January 31, 2013, and determined that there were no subsequent events that require recognition or disclosure in the financial statements.