

MCLEAN YOUTH SOCCER ASSOCIATION

JUNE 30, 2010

**These financial statements
may be reproduced only
in their entirety**

MCLEAN YOUTH SOCCER ASSOCIATION

JUNE 30, 2010

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT		2
EXHIBIT A	Statement of Financial Position June 30, 2010	3
EXHIBIT B	Statement of Activities For the Year Ended June 30, 2010	4
Schedule B-1	Schedule of Functional Expenses For the Year Ended June 30, 2010	5
EXHIBIT C	Statement of Cash Flows For the Year Ended June 30, 2010	6
NOTES TO FINANCIAL STATEMENTS		7-10



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
McLean Youth Soccer Association
McLean, Virginia

We have audited the accompanying statement of financial position of McLean Youth Soccer Association (MYSA) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the MYSA'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of McLean Youth Soccer Association as of June 30, 2010, 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.

A handwritten signature in black ink that reads 'Ross, Langan & McKendree LLP'. The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

May 4, 2011

MCLEAN YOUTH SOCCER ASSOCIATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

ASSETS

CURRENT ASSETS

Cash	\$ 1,003,067	
Other current assets, net	<u>93,867</u>	
Total current assets		\$ 1,096,934

EQUIPMENT AND SYSTEMS

Equipment and systems	46,645	
Accumulated depreciation	<u>(30,298)</u>	
Equipment and systems, net		16,347

FIELD USE RIGHTS AND IMPROVEMENTS

Field use rights	2,316,625	
Improvements	433,256	
Accumulated amortization	<u>(1,143,210)</u>	
Field use rights and improvements, net		<u>1,606,671</u>

TOTAL ASSETS

\$ 2,719,952

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 44,282	
Accrued expenses	124,492	
Deferred member fees	<u>47,545</u>	
Total current liabilities		\$ 216,319

NET ASSETS

Net assets, unrestricted	2,503,568	
Net assets, temporarily restricted	<u>65</u>	
Total net assets		<u>2,503,633</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 2,719,952

See independent auditor's report. The accompanying notes and schedule are an integral part of these financial statements.

MCLEAN YOUTH SOCCER ASSOCIATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Member fees	\$ 2,729,025	\$ -	\$ 2,729,025
Less: Member aid and discounts	(52,223)	-	(52,223)
Net member fees	2,676,802	-	2,676,802
Contributions	-	13,187	13,187
Sponsorships	42,249	-	42,249
Other income	13,842	-	13,842
Interest income	18,605	-	18,605
Net assets released from restrictions	13,122	(13,122)	-
Total revenue	2,764,620	65	2,764,685
EXPENSES			
Program services:			
Team activities	1,721,688	-	1,721,688
Individual training	140,995	-	140,995
Tournament activities	20,499	-	20,499
Field maintenance and development	442,245	-	442,245
Club general	71,437	-	71,437
Total program services	2,396,864	-	2,396,864
Support services:			
Management	26,925	-	26,925
Fundraising	200	-	200
Total support services	27,125	-	27,125
Total expenses	2,423,989	-	2,423,989
INCREASE IN NET ASSETS	340,631	65	340,696
NET ASSETS, BEGINNING OF YEAR	2,162,937	-	2,162,937
NET ASSETS, END OF YEAR	\$ 2,503,568	\$ 65	\$ 2,503,633

See independent auditor's report. The accompanying notes and schedule are an integral part of these financial statements.

MCLEAN YOUTH SOCCER ASSOCIATION

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services						Support Services			Total	
	Team Activities	Individual Training	Tournament Activities	Field		Club General	Total Program Services	Management	Fundraising		Total Support Services
				Maintenance and Development							
Personnel	\$ 977,483	\$ 107,199	\$ -	\$ -	\$ 44,004	\$ 1,128,686	\$ 14,713	\$ -	\$ 14,713	\$ 1,143,399	
Field maintenance and rental	6,119	4,800	-	209,930	-	220,849	-	-	-	220,849	
Uniforms and game supplies	245,923	7,740	1,991	-	-	255,654	-	-	-	255,654	
Participation fees	133,105	-	15,980	-	7,333	156,418	-	-	-	156,418	
Travel and meals	101,636	-	-	-	521	102,157	-	-	-	102,157	
Referees	53,642	-	-	-	-	53,642	-	-	-	53,642	
Information systems and technology	85,375	8,111	2,528	-	6,936	102,950	237	-	237	103,187	
Office and supplies	3,415	5,454	-	3,178	726	12,773	5,745	200	5,945	18,718	
Bad debt expense	24,498	-	-	14,386	-	38,884	-	-	-	38,884	
Aid to members	1,584	-	-	-	-	1,584	-	-	-	1,584	
Interest and financing expense	-	-	-	7,983	-	7,983	-	-	-	7,983	
Depreciation and amortization	-	-	-	206,616	11,917	218,533	-	-	-	218,533	
Tax settlement (see Note 6)	88,908	7,691	-	152	-	96,751	6,230	-	6,230	102,981	
Total Expenses	\$ 1,721,688	\$ 140,995	\$ 20,499	\$ 442,245	\$ 71,437	\$ 2,396,864	\$ 26,925	\$ 200	\$ 27,125	\$ 2,423,989	

See independent auditor's report. The accompanying notes and schedule are an integral part of these financial statements.

MCLEAN YOUTH SOCCER ASSOCIATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 340,696
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation and amortization	\$ 218,533
Allowance for uncollectible pledges	38,884
Decrease (increase) in other current assets, net	42,400
Increase (decrease) in accrued expenses and deferred member fees, net	<u>33,694</u>
Total adjustments	<u>333,511</u>
Net cash provided by operating activities	674,207
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(7,500)
Donations for field development projects	<u>(84,230)</u>
Net cash used in investing activities	(91,730)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of notes payable	<u>(296,267)</u>
NET CHANGE IN CASH	286,210
CASH, BEGINNING OF YEAR	<u>716,857</u>
CASH, END OF YEAR	<u><u>\$ 1,003,067</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for interest	<u><u>\$ 2,108</u></u>

See independent auditor's report. The accompanying notes and schedule are an integral part of these financial statements.

MCLEAN YOUTH SOCCER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND MISSION

McLean Youth Soccer Association ("MYSA") was incorporated in 2002 as a Virginia not-for-profit corporation and is classified as a public charity that is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

MYSA's mission is to promote, organize, and facilitate youth soccer activities in the community. MYSA sponsors soccer programs for members four to 18 years of age, sources and maintains playing fields, facilitates year-round training and development, retains coaches and trainers, and provides a developmental program for members with physical challenges. Additionally, MYSA has undertaken a multi-year effort to fund and develop high quality playing fields for the use of its members and the community, the Field Development Initiative. MYSA is a member of the Virginia Youth Soccer Association.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operating Year

MYSA operates on a fiscal year from July 1 to June 30 which coincides with the fall and spring season cycle during which members participate in a single age group.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting following the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), which is the sole source of authoritative generally accepted accounting principles in the United States of America. MYSA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Member Fees, Support, and Expenses

MYSA member registration fees are reported as revenue in the period earned and expenses are recorded when incurred in accordance with the accrual basis of accounting. Contributions received and unconditional promises to give are measured at their fair values and are reported as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. MYSA reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as assets released from restrictions.

Donated Services

MYSA's success in conducting its mission is highly dependent on attracting committed volunteers to act as board members, manage its operations, and conduct certain program activities. Hundreds of volunteers donate tens of thousands of hours each year to MYSA. The value of these donated services is not reflected in the financial statements.

See independent auditor's report. The accompanying notes and schedule are an integral part of these financial statements.

MCLEAN YOUTH SOCCER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Facilities

Fairfax County's Park Authority, Public Schools, and Board of Supervisors provide the majority of the fields used by MYSA for member training and games. In exchange for field assignments, MYSA paid Fairfax County approximately \$51,700 in FY 2010, in accordance with the County's published rate schedule. In most cases, MYSA has committed to maintain these fields at its own expense. Additionally, Capital One, a McLean based Fortune 500 company, provides MYSA with access to two fields at no charge. MYSA shares all these fields with other members of the community under terms specified by the field owners.

Functional Allocation of Expenses

The costs of supporting the various activities of MYSA are summarized on a functional basis in the statement of activities. Certain costs have been allocated among the functions benefited based on documented time records and the relative amount of time spent on each function or other rational allocation methods.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires MYSA to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related financial statement disclosures. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Cash and cash equivalents are valued at their carrying amount due to their short maturities. The carrying value of all financial instruments approximates the fair value thereof as of the date of these financial statements.

Equipment and Systems

Equipment and systems consist of field equipment and member registration systems. Purchases are recorded at cost (fair value if contributed) and evaluated annually for any permanent diminution in value. Depreciation is provided on the straight-line method over the estimated useful life of the assets ranging from three to five years.

Field Use Rights and Improvements

Field use rights consist of preferred field assignments conferred by contract with Fairfax County and related site improvements in exchange for MYSA's cash donations to fund field improvements including synthetic turf surfaces. These intangible assets are recorded at cost and evaluated annually for any permanent diminution in value. Amortization is provided on the straight-line method over the related contract term typically resulting in asset lives of ten years.

Temporarily Restricted Net Assets

At the direction of the donors, temporarily restricted net assets are available for either fundraising, development, and debt service related to MYSA's Field Development Initiative or financial aid for members.

See independent auditor's report. The accompanying notes and schedule are an integral part of these financial statements.

MCLEAN YOUTH SOCCER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

MYSA follows FASB ASC 740, which prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the organization has taken in tax years that remain subject to examination by major tax jurisdictions or expects to take on a tax return. Under this standard an organization recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. MYSA does not believe that its financial statements include any uncertain tax positions; accordingly, there was no impact to the MYSA's financial statements as a result of FASB ASC 740. The Company's open audit periods are fiscal years 2008 to 2010.

NOTE 3 – OTHER CURRENT ASSETS

Other current assets consist of the following at June 30, 2010:

Pledges/fees receivable from members	\$ 9,446
Allowance for uncollectible pledges/fees	(1,859)
Royalties receivable	21,064
Prepaid expenses	<u>65,216</u>
Total	<u>\$ 93,867</u>

NOTE 4 – INDEBTEDNESS

In July 2008, MYSA entered into a \$4 million term loan facility for its Field Development Initiative and a line of credit with Access National Bank ("ANB") secured by substantially all the assets of MYSA. An initial draw on the term loan facility in the amount of \$400,000 was made, bearing interest at 6.58 percent over ten years. A portion of the proceeds were used to repay all outstanding balances on borrowings from prior field development activities. The ANB line of credit provided MYSA with up to \$150,000 to be used for working capital needs subject to ANB approval at the time of a draw. Borrowings under the line were subject to interest at a floating rate equal to the Prime rate plus 1 percent with a floor rate of 5.5 percent. MYSA did not draw on the line of credit during the year ended June 30, 2010.

In July 2009, MYSA prepaid all outstanding indebtedness on its term loan plus accrued interest totaling \$296,267 from cash on hand. In May 2010, MYSA closed its borrowing facilities to avoid commitment fees since no new borrowings were anticipated for the near future.

See independent auditor's report. The accompanying notes and schedule are an integral part of these financial statements.

MCLEAN YOUTH SOCCER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – FIELD DEVELOPMENT INITIATIVE

As part of its Field Development Initiative (“FDI”), in August 2007, MYSA entered into an agreement with the Fairfax County Park Authority (“FCPA”) to facilitate the development of synthetic surface sports fields at County-owned sites. Under the agreement, the FCPA has the option to convert up to two synthetic surface fields per year contingent upon MYSA providing advance funding for each project, which is treated as a donation. In exchange for donating the funds for these field improvements to FCPA, MYSA will receive future preferential field allocations (i.e., Field Use Rights) at these sites for 10 years but otherwise will receive no benefits nor retain any obligations related to these fields. In May 2010, MYSA donated \$84,230 to FCPA for design work on a field project. This donation is reported as field use rights in the accompanying statement of financial position and as donations for field development projects in the statement cash flows.

Subject to the availability of suitable sites, funding, and the cooperation of the FCPA, MYSA expects to develop additional fields over the next several years.

NOTE 6 – SUBSEQUENT EVENTS

In August 2010, MYSA donated an additional \$606,400 to FCPA for the construction of the field under its FDI. FCPA also contributed \$150,000 of its own money to fund construction of this field. MYSA does not expect further contributions to be necessary in order to complete this specific project and may, in fact, receive a refund of excess contributions after the final accounting is completed. This field became available for use in November 2010.

In November 2010, MYSA donated \$71,100 to fund engineering studies for another FDI project with FCPA. It is expected that the total cost for this project will be comparable to previous FDI projects and will be funded from cash on hand should MYSA choose to complete this project.

As the result of an audit initiated earlier in the year, in November 2010, MYSA entered into a settlement with the Internal Revenue Service concerning the classification of certain workers. The settlement requires MYSA to treat certain groups of workers as employees as opposed to independent contractors as MYSA had done in the past. MYSA expects the classification of these workers as employees will result in modest increases in its future operating costs. The settlement also requires MYSA to pay \$102,981 to the IRS for delinquent payroll taxes on these misclassified workers; no interest or penalties were assessed. This settlement is included in accounts payable and accrued expenses in the accompanying financial statements. The settlement covers tax years 2007 through 2010 and no further adjustments or assessments are anticipated from this audit.

MYSA has evaluated subsequent events through May 4, 2011, which is the date the financial statements were available to be issued.

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

At various times during the year, MYSA had deposits with financial institutions in excess of the amount insured by the Federal Deposit Insurance Company (FDIC). At June 30, 2010, MYSA's deposits exceeded the \$250,000 FDIC insurance limit by \$279,672.

The majority of MYSA membership is from the McLean Virginia area of Fairfax County.

See independent auditor's report. The accompanying notes and schedule are an integral part of these financial statements.