

LEXINGTON YOUTH SOCCER ASSOCIATION, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2013

*ENDERLE & COMPANY, PLLC*  
*CERTIFIED PUBLIC ACCOUNTANTS*

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Lexington Youth Soccer Association, Inc.  
Lexington, Kentucky

We have audited the accompanying financial statements of Lexington Youth Soccer Association, Inc. (LYSA), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of June 30, 2013 and the related statements of revenue, expenses, and changes in net assets – modified cash basis and cash flows – modified cash basis for the year 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 the modified cash basis of accounting as described in Note B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

**Auditor's Responsibility**

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 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 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 combined financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of LYSA as of June 30, 2013 and its support, revenue, and expenses and cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note B.

**Basis of Accounting**

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Enderle & Company*

May 15, 2014

LEXINGTON YOUTH SOCCER ASSOCIATION, INC.  
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2013

ASSETS		
CURRENT ASSETS		
Cash		\$ 707,353
Other current assets		<u>14,746</u>
	TOTAL CURRENT ASSETS	<u>722,099</u>
FIXED ASSETS		
Property and equipment		95,156
Accumulated depreciation		<u>(39,671)</u>
	TOTAL FIXED ASSETS	<u>55,485</u>
	TOTAL ASSETS	<u>\$ 777,584</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Unearned revenue		\$ 298,096
	TOTAL CURRENT LIABILITIES	<u>298,096</u>
NET ASSETS		
Unrestricted		<u>479,488</u>
	TOTAL NET ASSETS	<u>479,488</u>
	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 777,584</u>

See Independent Auditors' Report and Notes to Financial Statements.

LEXINGTON YOUTH SOCCER ASSOCIATION, INC.  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2013

REVENUE AND SUPPORT

Registration Fees - Rec	\$	203,596
Registration Fees - LFC		300,826
Registration Fees - Adult		112,863
Camp income		22,582
Sponsorships		30,444
Advertising		19,069
Entry fees		67,225
Referee income from LFC		24,935
Interest income		2,194
Other income		29,608
TOTAL REVENUE AND SUPPORT		813,342

EXPENSES

Program services		931,301
Supporting services:		
General and administrative		46,958
Fundraising		-
TOTAL EXPENSES		978,259

CHANGE IN NET ASSETS (164,917)

NET ASSETS, BEGINNING OF YEAR 644,405

NET ASSETS, END OF YEAR \$ 479,488

See Independent Auditors' Report and Notes to Financial Statements.

LEXINGTON YOUTH SOCCER ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (164,917)
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation	4,109
Change in operating assets and liabilities:	
(Decrease) increase in:	
Unearned revenue	298,096
Payroll liabilities	<u>(3,188)</u>
NET CHANGE FROM OPERATING ACTIVITIES	134,100
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property	<u>(1,280)</u>
NET CHANGE FROM INVESTING ACTIVITIES	<u>(1,280)</u>
NET CHANGE IN CASH	132,820
CASH, BEGINNING OF YEAR	<u>589,279</u>
CASH, END OF YEAR	<u><u>\$ 722,099</u></u>
SUPPLEMENTAL CASH FLOW DISCLOSURES	
Cash paid for interest	\$ -
Cash paid for income taxes	\$ -

See Independent Auditors' Report and Notes to Financial Statements.

LEXINGTON YOUTH SOCCER ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE A - ORGANIZATION

Lexington Youth Soccer Association, Inc. (LYSA) was formed to promote the growth of and an appreciation for the game of soccer by providing opportunities for the youth and adults of Fayette County, Kentucky and surrounding counties to learn the rules of the game and to participate in organized programs of soccer.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

These financial statements have been prepared on the modified cash basis of accounting. LYSA maintains its accounting records on the basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when paid rather than when the obligation is incurred. The cash basis is modified to record property and equipment purchased as assets, record depreciation of capitalized assets, record payroll withholdings, and record unearned revenue for cash received for registration, program, and entry fees for which no benefit has been received as of the date of the financial statements.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, LYSA considers all cash in banks and certificates of deposit to be cash equivalents.

Income Taxes

LYSA is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. LYSA's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2010, 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

As of June 30, 2013 management believes LYSA has no uncertain tax positions that qualify for disclosure in the financial statements.

Net Assets

LYSA is required to report information regarding its financial position and activities according to three classes of net assets: permanently restricted (net assets which cannot be spent due to donor-imposed permanent restrictions on the use of funds), temporarily restricted (net assets can be expended but only in accordance with donor-imposed restrictions), or unrestricted (net assets may be spent in accordance with management and Board wishes). As of June 30, 2013 there were no temporarily or permanently restricted net assets.

Donated Property and Services

No amounts have been reflected in the statements for donated services as management believes there is no objective basis available to measure the value of such services and estimation of such services would be immaterial to the financial statements as a whole.

Kentucky Indoor Soccer and Sports allows LYSA to use office space totaling 592 square feet without compensation. Management has estimated the fair market value to be \$7 per square foot totaling \$4,144. This in-kind contribution has not been recorded in the financial statements as it is considered immaterial by management.

LEXINGTON YOUTH SOCCER ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - continued

Fixed Assets

Property is stated at cost, if purchased, and at estimated fair value if donated. Depreciation expense is computed using the straight-line method using asset lives varying from 5 to 7 years.

Date of Management's Review

Management has evaluated subsequent events through May 15, 2014, which is the date the financial statements were available to be issued.

NOTE C – UNEARNED REVENUE

Unearned registration fees consist of fees received for which programs have not been completed. Fees are recognized over the period which the fees relate as services are being provided to the members.

NOTE D - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenue, expenses, and changes in net assets – modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The supplemental schedule of functional expenses presents the expenses by natural classification.

NOTE E – CONCENTRATION OF INCOME SOURCES

LYSA's programming is largely supported by registration and entry fees which accounted for 82% of LYSA's total income for the year ended June 30, 2013.

NOTE F – CONCENTRATIONS

LYSA has a concentration of credit risk in that it periodically maintains cash deposits in a single financial institution in excess of amounts insured by the FDIC. LYSA has not experienced any losses on such accounts and does not believe that it is subject to significant credit risk related to the accounts.

NOTE G - RELATED PARTIES

Some board members of LYSA are compensated for coaching and referee services provided. Total compensation paid to board members for these services during fiscal year 2013 was \$11,645.

Elegant Equine, Pratt's Lawn Care, and Soccer Center provide services to LYSA and also have present or previous owners or employees that also are on the board of directors at LYSA. Total expenses paid to each entity during fiscal year 2013 are as follows: Elegant Equine - \$14,910; Pratt's Lawn Care - \$106,213; Soccer Center - \$48,891.

NOTE H - LEASES

LYSA leases land for recreational and competitive soccer under one year agreements with the Finance and Administration Cabinet of Frankfort, Kentucky and Fayette County Farm Bureau. Under these leases LYSA is not required to pay rent, however, there are requirements to remain in compliance with specific covenants within each lease, including maintaining the premises. These are one year leases with options for renewal annually.

LEXINGTON YOUTH SOCCER ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE H – LEASES - continued

LYSA signed an agreement with the Lexington-Fayette Urban County Government in July of 2013 for use of Masterson Station Park for operation of soccer programs for a seven year term beginning July 1, 2014 to automatically renew upon the same terms for one additional three year term. Under this agreement LYSA shall contribute a minimum of 15% of its net profits per year to capital improvements towards the portion of property being used for soccer programs.

NOTE G – SUBSEQUENT EVENTS

A vendor of LYSA has provided services for several years but has not invoiced LYSA for services. Fees owed to this vendor are estimated to be between \$30,000 and \$45,000. LYSA anticipates paying these fees over the next several years.

SUPPLEMENTAL INFORMATION

LEXINGTON YOUTH SOCCER ASSOCIATION, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2013

	<u>PROGRAM</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Registration	\$ 37,830	\$ -	\$ -	\$ 37,830
Printing and copying expense	7,385	1,032	-	8,417
Postage	635	1,034	-	1,669
Referees	94,064	-	-	94,064
Awards	17,985	-	-	17,985
Lexington F.C.	2,609	-	-	2,609
KYSA fees	28,981	20	-	29,001
Coaching fees	286,805	-	-	286,805
Camp expenses	7,533	-	-	7,533
Tryout expenses	8,013	-	-	8,013
Uniforms	31,021	-	-	31,021
Field lining expense	31,130	-	-	31,130
Field mowing	58,740	-	-	58,740
Goal expenses	5,005	-	-	5,005
Fence repair	14,166	-	-	14,166
Field setup	5,602	-	-	5,602
Field maintenance and repair	33,738	-	-	33,738
Field lease	9,530	-	-	9,530
Professional fees	-	3,623	-	3,623
Payroll expenses	100,453	17,390	-	117,843
Sales tax	2,381	503	-	2,884
Concession supplies	8,127	-	-	8,127
Contract labor	6,119	-	-	6,119
Telephone	3,543	2,039	-	5,582
Tents	5,594	-	-	5,594
Administrative fees and expenses	19,599	8,061	-	27,660
Portable toilets	9,924	-	-	9,924
T-shirts	25,132	-	-	25,132
League One registration	14,565	-	-	14,565
Advertising	45,503	-	-	45,503
Insurance	2,720	1,782	-	4,502
Depreciation	-	4,109	-	4,109
Other expenses	6,869	7,365	-	14,234
Total	<u>\$ 931,301</u>	<u>\$ 46,958</u>	<u>\$ -</u>	<u>\$ 978,259</u>

See Independent Auditors' Report and Notes to Financial Statements.