

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
AFFILIATES, AND SUBSIDIARIES
CONSOLIDATED FINANCIAL REPORT
JUNE 30, 2022**

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
AFFILIATES, AND SUBSIDIARIES
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Office of the American Youth Soccer
Organization, Affiliates, and Subsidiaries

Opinion

We have audited the consolidated financial statements of National Office of the American Youth Soccer Organization, Affiliates, and Subsidiaries (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 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 GAAS, 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 the Organization'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 the Organization'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual organizations and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Singer Lewak LLP". The signature is written in a cursive, flowing style.

January 27, 2023

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
AFFILIATES, AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2022
(with Comparative Financial Information as of June 30, 2021)

ASSETS

	2022	2021
Cash and cash equivalents	\$ 11,698,781	\$ 7,885,751
Accounts receivable, net	190,397	353,311
Other receivable	213,560	115,710
Prepaid expenses and other assets	478,090	324,050
Property and equipment, net	75,227	102,083
Total assets	\$ 12,656,055	\$ 8,780,905

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 181,717	\$ 210,095
Accrued expenses	723,562	499,377
Deferred rent	118,423	60,868
Deferred revenue	4,675,183	3,346,081
Due to related parties	881,825	881,825
PPP loan payable	-	337,500
Total liabilities	6,580,710	5,335,746

Net assets

Without donor restrictions	5,952,556	3,375,534
With donor restrictions	122,789	69,625
Total net assets	6,075,345	3,445,159
Total liabilities and net assets	\$ 12,656,055	\$ 8,780,905

See notes to consolidated financial statements.

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
AFFILIATES, AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
June 30, 2022
(with Comparative Financial Information as of June 30, 2021)**

	Without Donor Restrictions	With Donor Restrictions	2022 Totals	2021 Totals
Revenues and other support				
Youth league registration	\$ 6,767,560	\$ -	\$ 6,767,560	\$ 3,742,387
United registration	2,863,395	-	2,863,395	2,186,766
Services	-	-	-	741,443
Volunteer registration	716,660	-	716,660	348,747
Sponsorships	347,167	-	347,167	104,413
Soccer camps	138,574	-	138,574	169,541
Adult league registration	111,621	-	111,621	53,120
Royalties	119,766	-	119,766	8,576
Contributions	9,388	55,244	64,632	951,033
Program receipts	148,858	-	148,858	29,671
In-kind contributions	36,005	-	36,005	15,604
United other	379,811	-	379,811	85,251
Gain on forgiveness of debt	337,500	-	337,500	1,035,732
Other income	2,648	-	2,648	6,968
Net assets released from restrictions	2,080	(2,080)	-	-
Total revenues and other support	<u>11,981,033</u>	<u>53,164</u>	<u>12,034,197</u>	<u>9,479,252</u>
Expenses				
Program services	6,684,567	-	6,684,567	4,720,648
General and administrative	2,186,943	-	2,186,943	2,474,908
Fundraising and membership development	532,501	-	532,501	398,968
Total supporting services	<u>2,719,444</u>	<u>-</u>	<u>2,719,444</u>	<u>2,873,876</u>
Total expenses	<u>9,404,011</u>	<u>-</u>	<u>9,404,011</u>	<u>7,594,524</u>
Change in net assets	2,577,022	53,164	2,630,186	1,884,728
Net assets, beginning of year	<u>3,375,534</u>	<u>69,625</u>	<u>3,445,159</u>	<u>1,608,290</u>
Deconsolidation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,859)</u>
Net assets, end of year	<u>\$ 5,952,556</u>	<u>\$ 122,789</u>	<u>\$ 6,075,345</u>	<u>\$ 3,445,159</u>

See notes to consolidated financial statements.

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
AFFILIATES, AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
June 30, 2022
(with Comparative Financial Information for June 30, 2021)**

	Program Services	General and Administrative	Fundraising and Membership Development	2022 Total	2021 Total
Salaries, wages, taxes, and benefits	\$ 3,037,469	\$ 965,268	\$ 205,422	\$ 4,208,159	\$ 4,387,061
Field expenses	1,277,422	73,026	34,147	1,384,595	604,448
Insurance	752,893	404,344	-	1,157,237	488,259
Office expense	231,309	273,142	18,103	522,554	516,497
Volunteer screening	102,953	-	25	102,978	148,229
Membership fees	291,155	-	-	291,155	160,085
In-kind donations	2,058	-	33,946	36,004	4,121
Consulting and contract labor	21,216	204,554	145,107	370,877	320,783
Travel	137,824	59,231	4,683	201,738	10,100
Marketing	50,676	36,455	64,661	151,792	224,293
Rent	69,061	86,327	17,265	172,653	299,408
Merchant fees	457,480	55,781	-	513,261	284,592
Depreciation and amortization	-	26,856	-	26,856	53,480
Supply center	-	-	-	-	16,279
Postage	3,214	982	9,142	13,338	4,683
Legal	249,837	977	-	250,814	61,817
Other	-	-	-	-	10,389
Total expenses by function	\$ 6,684,567	\$ 2,186,943	\$ 532,501	\$ 9,404,011	\$ 7,594,524

See notes to consolidated financial statements.

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
AFFILIATES, AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2022
(with Comparative Financial Information for June 30, 2021)**

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 2,630,186	\$ 1,884,728
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Allowance for doubtful accounts	8,479	(28,478)
Depreciation and amortization	26,856	53,480
Loss on disposal of property and equipment	-	8,159
Gain on forgiveness of debt	(337,500)	(1,035,732)
Changes in operating assets and liabilities:		
Accounts receivable	154,435	37,611
Other receivable	(97,850)	(73,502)
Inventory	-	9,198
Prepaid expenses and other assets	(154,040)	(99,725)
Accounts payable	(28,378)	(265,879)
Accrued expenses	224,185	(410,937)
Deferred rent	57,555	(17,004)
Deferred revenue	1,329,102	1,522,189
Net cash from operating activities	3,813,030	1,584,108
Cash flows from investing activities		
Purchase of property and equipment	-	(86,013)
Net cash from investing activities	-	(86,013)
Cash flows from financing activities		
Proceeds from PPP notes payable	-	337,500
Proceeds from related parties	-	881,825
Net cash from financing activities	-	1,219,325
Net increase in cash and cash equivalents	3,813,030	2,717,420
Cash and cash equivalents, beginning of year	7,885,751	5,168,331
Cash and cash equivalents, end of year	\$ 11,698,781	\$ 7,885,751
Supplemental disclosure of cash flow information		
Taxes paid	\$ 5,941	\$ 13,373

See notes to consolidated financial statements.

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
AFFILIATES, AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 – ORGANIZATION

The American Youth Soccer Organization (AYSO), a non-profit organization, was established in the Los Angeles area in 1964 with nine teams. It was the dream of a group of devoted soccer enthusiasts who started the organization in a garage. Today, AYSO has approximately 338,000 players. It also employs approximately 21 people at its national office in Torrance, California.

AYSO's grassroots program starts with a community-based league called a Region. A Region can range in size from a few hundred players to several thousand. Each Region is supervised by a Regional Commissioner and a local board of directors. A group of Regions in close proximity make up an area. Area Directors are responsible for activities of the Regions in their area, as well as for area-wide activities. For administrative purposes, AYSO divides the country into 13 geographic sections based on player population. Section Directors oversee activities in their respective sections.

Over the years, AYSO has created many valuable programs and concepts. Most notably, AYSO revolutionized youth sports with its "Everyone Plays" and "Balanced Teams" philosophies. In AYSO, each child who registers is guaranteed to play at least half of every game. To help create evenly matched games, all AYSO players are placed on new or "balanced" teams each year. These decisions are made based on each player's skill level and the overall ability of the team.

AYSO is supported by nearly 55,000 registered volunteers. Parents donate their time as coaches, referees, team parents, or administrators. Although AYSO is primarily a youth sports organization, it also trains adults to become coaches and referees, as well as provides guidance to adults on how to start and manage a youth sports program. AYSO is continually working to improve the education of its volunteers in the fields of child development, human behavior, and sports psychology. A strong emphasis is placed on ethics, sportsmanship, and the development of the whole child.

AYSO is a member of the United States Soccer Federation. Throughout the years, AYSO has also maintained relations with organizations such as Major League Soccer, Women's Pro Soccer, National Soccer Hall of Fame, the Partnership for a Drug-Free America, the President's Council on Physical Fitness, the National Council of Youth Sports, Girl Scouts USA, the National Association for Sports and Physical Education, People to People, Optimists International, Police Athletic Leagues, Positive Coaching Alliance, National Soccer Coaches Association, National Council for Accreditation of Coaching Education, Boys and Girls Clubs of America, YMCA, and the Character Counts program. In addition, AYSO works closely with a number of corporations that are part of AYSO's National Team of Sponsors.

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 – ORGANIZATION (Continued)

During the year ended June 30, 2021, AYSO deconsolidated certain Regions for which they no longer had controlling financial interest. As of July 1, 2020, AYSO deconsolidated the non-controlling interests which consisted of the following: cash \$51,484, accounts receivable \$1,198, accounts payable \$3,997, deferred revenue \$1,570 and net assets without donor restrictions \$47,859 from the consolidated financial statements.

AYSOnDemand, LLC (AYSOD), a wholly owned subsidiary, was established as a Nevada limited liability company in January 2017 and was registered to do business in the state of California in March 2017. AYSOD was established to provide online training courses including coaching, referee, treasurer, and CVPA to the AYSO Regions and Districts.

AYSO Services Corporation (AYSOS), a wholly owned subsidiary, was established as a Delaware C Corporation and was registered to do business in the state of California in October 2017. AYSOS was formed to provide administrative services and field personnel in support of youth sports programs.

AYSO Adult (AYSOA), an affiliate organization under common control, a non-profit organization, was established as a non-profit in Delaware and was registered to do business in the state of California in November 2016. The purpose is to provide adult soccer programs for participants all over the United States. AYSOA was formed to create soccer play opportunities while teaching a greater awareness of the game and benefits of recreational soccer play for fitness and wellness.

AYSO WHEN! Foundation (AYSOF), an affiliate organization under common control, a non-profit organization, was established as a non-profit in Delaware and was registered to do business in the state of California in September 2019. The purpose is to support philosophically aligned programs that utilize safe, fun and fair soccer programs to promote awareness and literacy of wellness, health, education and nutrition for the benefit of youth in all communities and other charitable and educational programs.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Reclassifications

Certain amounts included in the June 30, 2021 consolidated financial statements have been reclassified to conform to the June 30, 2022 presentation.

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the National Office of the American Youth Soccer Organization, AYSONDemand, LLC, AYSO Services Corporation, AYSO Adult and AYSO WHEN! Foundation (collectively, the Organization). All significant intercompany transactions and balances have been eliminated in consolidation.

Comparative Amounts

The consolidated financial statements include certain prior year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of items with an original maturity when purchased at three months or less.

Accounts Receivable

Receivables from Regions arise from player registration fees, supplies purchased, and services rendered. Other receivables arise primarily from sponsorships and soccer camps. Amounts collected from Regions and others are included in net cash provided by operating activities in the consolidated statements of cash flows. The Organization maintains an allowance for doubtful accounts that is estimated based on historical collection trends, the age of outstanding receivables, and existing economic conditions. Although the Organization expects to collect amounts due, actual collections may differ from estimated amounts. Uncollectible accounts are written off after all attempts at collections have been pursued.

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
AFFILIATES, AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost as of the date of acquisition, or fair value as of the date of receipt in the case of gifts. Depreciation and amortization are provided on a straight-line basis over the following useful lives:

Computer equipment and software	4 years
Leasehold improvements	Lesser of economic life or term of lease
Office equipment and furniture	5 years

Internally Developed Software

The Organization accounts for costs incurred to develop computer software for internal use in accordance with ASC Subtopic 350-40, *Internal-Use Software*. As required by ASC Subtopic 350-40, the Organization capitalizes the costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation, and testing. Capitalized software development costs are amortized over four years. The capitalization and ongoing assessment of recoverability of developmental costs require considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life.

As the Organization continues to refine its internally developed software, it follows the provisions of ASC Subtopic 350-40 and capitalizes and amortizes upgrades and enhancements to the software for which it is probable that such expenditures will result in additional functionality. These costs are included in net property and equipment on the accompanying consolidated statement of financial position.

Impairment of Long-lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment losses, if any, are recognized when estimated future cash flows (undiscounted and without interest charges) derived from such assets are less than their carrying values. The Organization determined that no impairment existed as of June 30, 2022 and 2021.

Deferred Rent

The Organization accounts for lease expenses on a straight-line basis over the terms of the related leases. This accounting generally results in a deferred liability recorded on the consolidated statement of activities.

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
AFFILIATES, AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue is recognized when the Organization receives consideration, or if it has the unconditional right to receive consideration, in advance of performance. Deferred revenue is the Organization's obligation to transfer goods or services to a customer for which the Organization has received consideration, or a specified amount of consideration is due, from the customer.

Net Assets

The accompanying consolidated financial statements include the consolidated statements of financial position that present the amounts for each of the two classes of net assets: without donor restrictions and with donor restrictions. These net assets are classified based on the existence or absence of donor-imposed restrictions and consolidated statement of activities that reflects the changes in those categories of net assets.

Net assets without donor restrictions are either not restricted by donors or the donor-imposed restrictions have been fulfilled. Net assets with donor restrictions include those assets whose use by the Organization has been limited by donors to later periods of time, in perpetuity, or for specified purposes. The investment return from assets held in perpetuity may be used for purposes as specified by the donor or, if the donor has not specified a purpose, for purposes approved by the board of trustees.

Revenue Recognition

Under ASC Topic 606, the Organization recognizes revenue from its counterparties based on the type of revenue and service provided in exchange. The Organization applies the following five-step approach: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue, when or as, the Organization satisfies the performance obligation.

At contract inception, once the contract is determined to be within the scope of ASC Topic 606, the Organization identifies the performance obligations in the contract by assessing whether the goods or services promised within each contract are distinct. The Organization then recognizes revenue for the amount of the transaction price that is allocated to the respective performance obligation when or as the performance obligation is satisfied.

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Nature of Products and Services

The Organization recognizes revenue from registration fees, royalty income, sponsorships, services, and supply center. Revenues are collected through online portals and in person sales. The Organization typically satisfies its performance obligations and recognizes revenue at a point in time for sales and services, generally upon the transfer of title of products to the customer or the completion of services, depending on the terms of each underlying agreement. The Organization typically satisfies its performance obligations and recognizes revenue over a period of time for sponsorship revenues.

Camp registration fees are recorded at 15% of player camp registration fees per the contract with UK International Soccer Camps, Inc., an outside vendor providing the soccer camp program.

Transaction Price

The Organization measures revenue as the amount of consideration for which it expects to be entitled in exchange for transferring goods or providing services. Revenue is recorded based on the transaction price, which includes fixed consideration and estimates of variable consideration. The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. In some cases, the Organization must apply judgment, including contractual rates and historical payment trends, when estimating variable consideration. Variable consideration is estimated as follows:

- Rights of return: The Organization has sole discretion as to whether a refund request will be accepted based upon the reasonableness of the request. If accepted, the Organization will issue refunds. The Organization grants either a full or partial refund of any consideration paid or a credit that can be applied against amounts owed, or that will be owed to the customer in the future.

For the year ended June 30, 2022 and 2021, revenue was reduced due to the following variable considerations:

	2022	2021
Refunds	\$ 151,568	\$ 94,530

**NATIONAL OFFICE OF THE
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Transaction Price (Continued)

The timing of the Organization's revenue recognition may differ from the timing of payment by its customers. A receivable is recorded when revenue is recognized prior to payment and the Organization has an unconditional right to payment, which occurs when a customer is invoiced. Alternatively, when a payment precedes the provision of the related services, the Organization records deferred revenue until the performance obligations are satisfied.

The Organization has elected the practical expedient that permits an entity not to recognize a significant financing component if the time between the transfer of a good or service and payment is one year or less. The Organization does not enter into contracts in which the period between payment by the customer and the transfer of promised goods or services to the customer is greater than 12 months.

Contributions

Unconditional promises to give are recorded as contributions in the period such contributions are made based on the present value of the estimated future cash flows. All unconditional gifts are included in net assets without donor restrictions unless they are specifically restricted by the donor's terms of the gift or require the passage of time.

In-kind Contributions

In-kind contributions include gifts in kind and contributed services. The gifts in kind are contributions of noncash assets that can be used or sold by the Organization. Amounts of noncash assets to be used within one year are recorded at their net realizable value. Amounts of noncash assets expected to be used in future years are recorded at the present value of estimated future cash flows discounted at the risk-free interest rate at the date of the contribution. The contributed services received either create or enhance nonfinancial assets or require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The Organization recognized \$36,005 and \$15,604 of in-kind sponsorship contributions during the years ended June 30, 2022 and 2021, respectively. The majority of contributions relate to donated advertising, soccer apparel, and equipment, which are included in program costs in the accompanying consolidated statements of activities.

A substantial number of volunteers have donated significant amounts of time to the Organization. The services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

All expenses can be identified with a specific program or supporting service and charged directly to the related program or supporting service. Expenses relating to more than one function such as rent and insurance are allocated based on the proportion of square footage utilized on the activity.

Taxes Collected from Customers and Remitted to Governmental Authorities

Taxes assessed by governmental authorities on revenue-producing transactions (i.e., sales and use taxes) are recorded on a net basis and have been excluded from revenues on the accompanying consolidated statements of activities.

Self-Insurance

In accordance with the Organization's accident liability insurance policy, the Organization maintains a reserve for accident claims to cover the Organization's estimate of the ultimate cost of reported claims and claims incurred but not reported and related expenses. The Organization uses third-party actuarial estimates of the future costs of the claims and related expenses.

The Organization is covered under a large deductible policy in which the Organization has primary responsibility for claims under the policy. Under this policy, starting July 2019, the Organization is responsible for covered losses and expenses up to \$300,000 in aggregate. Amounts in excess of \$300,000 are the responsibility of the current accident insurance provider. The Organization evaluates the reserves and makes adjustments as needed. If the actual cost of the claims incurred and related expenses exceed the amounts estimated, additional reserves may be required.

Income Taxes

AYSO has been designated as tax exempt under Internal Revenue Code Section 501(c)(3) and is also exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code.

In accordance with U.S. GAAP, the Organization recognizes the impact of tax positions in the consolidated financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. During the years ended June 30, 2022, and 2021, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions and did not note any matters which may have an effect on its tax-exempt status.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Further, AYSOS requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. ASC Topic 740 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some or all of the net deferred tax assets will not be realized. The valuation allowance is reviewed periodically based upon the facts and circumstances known at the time. In assessing this valuation allowance, the Organization reviews historical and future expected operating results and other factors, including its recent cumulative earnings experience, expectations of future taxable income by taxing jurisdiction, and the carryforward periods available for tax reporting purposes, to determine whether it is more likely than not that deferred tax assets are realizable.

ASC Topic 740 provides guidance on the minimum threshold that an uncertain income tax benefit is required to meet before it can be recognized in the consolidated financial statements which applies to all income tax positions taken by AYSOS.

ASC Topic 740 contains a two-step approach to recognizing and measuring uncertain income tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement.

If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit will be recorded. Uncertain income tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold.

AYSOD is a limited liability company and is under the “LLC status” for federal and state income tax purposes. Under the “LLC status,” the members are taxed on their proportionate share of the entity’s taxable income. Therefore, no provision or liability for federal income taxes has been included in these consolidated financial statements for this entity, other than the minimum franchise tax imposed by the state of California.

AYSOA and AYSOF have been designated as tax exempt under Internal Revenue Code Section 501(c)(4) and is also exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code.

**NATIONAL OFFICE OF THE
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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, and other receivable.

Cash and Cash Equivalents

The Organization maintains its cash and cash equivalent balances with investment-grade institutions that, from time to time, exceed amounts insured by the Federal Deposit Insurance Corporation. Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits the owner may hold in the same ownership category and the combined total insured up to at least \$250,000. As of June 30, 2022 and 2021, the Organization had \$9,235,416 and \$5,194,806 in excess of the federally insured amounts, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Receivables

With respect to accounts and other receivables, the Organization routinely assesses the financial strength of its debtors and believes that the related credit risk exposure is limited.

For the year ended June 30, 2022, there were three customers that accounted for 53% of receivables. For the year ended June 30, 2021, there were two customers that accounted for 61% of receivables.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The FASB has also issued several updates to ASU 2016-02. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard provides a number of practical expedients. In June 2021, the FASB issued ASU 2021-05 which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2022, and early adoption is permitted. Upon initial evaluation, the Organization believes the key change upon adoption will be the balance sheet recognition. At adoption, the Organization will recognize a right-to-use asset and corresponding lease liability on the balance sheet. The income statement recognition of lease expense appears similar to the Organization's current methodology. The Organization is in the process of implementing its transition and is assessing the impact of this new guidance on the Organization's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022. Management does not believe the adoption of this guidance will have a material impact on the Organization's consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 3 – ACCOUNTS RECEIVABLE

As of June 30, 2022 and 2021, accounts receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Accounts receivable – Regions	\$ 68,432	\$ 99,674
Accounts receivable – other	172,193	295,386
Allowance for doubtful accounts	<u>(50,228)</u>	<u>(41,749)</u>
Total accounts receivable, net	<u>\$ 190,397</u>	<u>\$ 353,311</u>

NOTE 4 – PREPAID EXPENSES AND OTHER ASSETS

As of June 30, 2022 and 2021, prepaid expenses and other assets consisted of the following:

	<u>2022</u>	<u>2021</u>
Prepaid insurance	\$ 38,136	\$ -
Prepaid taxes	135	-
Prepaid merchant fees	84,505	95,034
Prepaid subscriptions and memberships	337,816	95,099
Prepaid field expenses	-	72,919
Deposits	<u>17,498</u>	<u>60,998</u>
Total prepaid expenses and other assets	<u>\$ 478,090</u>	<u>\$ 324,050</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 5 – PROPERTY AND EQUIPMENT

As of June 30, 2022 and 2021, property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Computer equipment and software	\$ 1,818,418	\$ 1,818,418
Leasehold improvements	198,296	198,296
Office equipment and furniture	<u>200,079</u>	<u>200,079</u>
	2,216,793	2,216,793
Less accumulated depreciation and amortization	<u>(2,141,566)</u>	<u>(2,114,710)</u>
Total property and equipment, net	<u>\$ 75,227</u>	<u>\$ 102,083</u>

NOTE 6 – ACCRUED EXPENSES

As of June 30, 2022 and 2021, accrued expenses consisted of the following:

	<u>2022</u>	<u>2021</u>
Other accrued expenses	\$ 246,517	\$ 292,869
Accrued settlement	260,000	-
Accrued vacation	125,000	119,188
Accrued payroll, payroll taxes, and related benefits	<u>92,045</u>	<u>87,320</u>
Total	<u>\$ 723,562</u>	<u>\$ 499,377</u>

**NATIONAL OFFICE OF THE
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NOTE 7 – DEFERRED REVENUE

As of June 30, 2022 and 2021, deferred revenue consisted of the following:

	2022	2021
Registration	\$ 2,898,550	\$ 2,065,550
United registration	1,740,581	1,214,631
Camp fees	1,925	43,738
Sponsorships	24,166	12,500
Other	9,961	9,662
Total deferred revenue	\$ 4,675,183	\$ 3,346,081

NOTE 8 – PPP NOTES PAYABLE

On April 28, 2020, AYSO was informed by a bank that the U.S. Small Business Administration (SBA) approved their request for a loan under the SBA's Paycheck Protection Program (PPP) as authorized under the CARES Act. AYSO signed a promissory note totaling \$730,022 for PPP loan and, in accordance with the CARES Act, AYSO utilized the PPP loan proceeds for eligible costs. On April 14, 2021, AYSO was informed by their bank that the outstanding balance of the first PPP note payable of \$730,022 was forgiven in full.

On May 4, 2020, AYSO Services was informed by a bank that the SBA approved their request for a loan under the SBA's PPP as authorized under the CARES Act. AYSO Services signed promissory note totaling \$305,710 for PPP loan and, in accordance with the CARES Act, AYSO Services utilized the PPP loan proceeds for eligible costs. On May 25, 2021, AYSO Services was informed by their bank that the outstanding balance of the first PPP note payable of \$305,710 was forgiven in full.

On January 29, 2021, AYSO was informed by a bank that the SBA approved their request for a loan under the SBA's PPP as authorized under the CARES Act. AYSO signed a promissory note totaling \$337,500 for PPP loan and, in accordance with the CARES Act, AYSO utilized the PPP loan proceeds for eligible costs. On December 28, 2021, AYSO Services was informed by their bank that the outstanding balance of the PPP note payable of \$337,500 was forgiven in full.

**NATIONAL OFFICE OF THE
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 9 – DUE TO RELATED PARTIES

At June 30, 2022, AYSO had non-interest bearing balances due to certain Regions totaling \$881,825.

The future aggregate payments required to be made on the amounts due to related parties are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 176,365
2024	176,365
2025	176,365
2026	176,365
2027	<u>176,365</u>
Total	<u>\$ 881,825</u>

NOTE 10 – RETIREMENT PLAN

AYSO offers its employees a defined-contribution savings plan to provide retirement benefits in accordance with Section 403(b) of the Internal Revenue Code. Employees who work more than twenty hours per week and meet minimum contribution requirements are eligible to participate in the plan when hired and are 100% vested in all contributions to the plan. As of July 2012, the Organization matched fifty cents of every dollar up to the first 6% of annual compensation contributed by the participant. Participants become eligible for matching contributions after twelve months of consecutive employment and 1,000 hours of service. Matching benefits vest over a period of five years. AYSO contributed \$67,594 and \$9,432 to the plan on behalf of its employees during the years ended June 30, 2022 and 2021, respectively.

**NATIONAL OFFICE OF THE
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NOTE 11 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization leases its office facilities from an unrelated third party under a long-term, noncancelable operating lease that requires minimum monthly payments of \$14,654 expiring September 2028. For the years ended June 30, 2022 and 2021, rent expense related to this lease was \$172,653 and \$299,408, respectively.

The Organization also leases equipment under operating leases that requires minimum aggregate monthly payments of \$269. The leases expires in January 2024. For the years ended June 30, 2022 and 2021, total rental expense under equipment leases totaled \$3,542 and \$21,897, respectively, and is included in office expense.

The following is a schedule by years of future minimum lease payments under operating leases that have initial or remaining terms in excess of one year as of June 30, 2022:

<u>Year Ended</u> <u>June 30,</u>	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
2023	\$ 177,167	\$ 3,698	\$ 180,865
2024	182,482	2,157	184,639
2025	187,957	-	187,957
2026	193,595	-	193,595
2027	199,403	-	199,403
Thereafter	<u>275,376</u>	<u>-</u>	<u>275,376</u>
Total	<u>\$ 1,215,980</u>	<u>\$ 5,855</u>	<u>\$ 1,221,835</u>

Contingent Royalty Income

The Organization has a license agreement with a major sponsor that entitles the sponsor to operate a catalog and internet retail sales business under the trade name AYSO Store. Pursuant to the agreement, the Organization is entitled to receive 7% of the net sales of AYSO Store products sold. The royalty agreement matures in March 2025. During the years ended June 30, 2022 and 2021, the Organization recognized earned royalties of \$114,645 and \$8,576, respectively, which is included in operating revenue.

Litigation and Claims

The Organization is, from time to time, involved in claims and assessments arising out of matters occurring in its normal business operations. The Organization has insurance coverage to provide protection against certain contingencies.

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2022 and 2021, net assets with donor restrictions are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Playership fund	\$ 99,934	\$ 46,976
Disaster relief fund	14,275	14,274
More soccer for more kids	<u>8,580</u>	<u>8,375</u>
Total	<u>\$ 122,789</u>	<u>\$ 69,625</u>

During the years ended June 30, 2022 and 2021, net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	<u>2022</u>	<u>2021</u>
Playership fund	\$ 2,080	\$ 16,000

NOTE 13 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects the Organization’s financial assets as of June 30, 2022 and 2021 that are without donor or other contractual restrictions limiting their use and are available to meet general expenditures within one year of the date of the statement of financial position.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 11,630,375	\$ 7,885,751
Accounts receivable, net	190,397	353,311
Other receivable	<u>213,560</u>	<u>115,710</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,034,332</u>	<u>\$ 8,354,772</u>

The Organization’s total cash and cash equivalents does not include cash that is with donor restrictions in nature, which is income from donations that has been earmarked for specific purposes and is not available for general expenditures. See Note 12 – Net Assets with Donor Restrictions.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 13 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Continued)

When establishing the business plan and annual budget each year, the Organization’s board and directors evaluate financial assets available to meet general expenditures over the year and predictable sources of earned revenue. The Organization supplements the financial assets available in the next year with revenues from certain earned income sources:

- National Player Fees: The Organization estimates total number of registered participants.
- Sponsorships: The Organization considers existing sponsorship agreements and reasonably predicts additional sponsorship funding.

AYSO reasonably compares these revenue sources against budgeted expenses to determine funding or investment shortfalls in order to achieve a balanced budget.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 27, 2023, the date on which the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2022**

ASSETS							
	AYSO	AYSO OnDemand	AYSO Services	AYSO Adult	AYSO WHEN!	Eliminations	Total
Cash and cash equivalents	\$ 11,357,214	\$ -	\$ 115,827	\$ 183,225	\$ 42,515	\$ -	\$ 11,698,781
Accounts receivable, net	182,496	-	5,053	2,848	-	-	190,397
Other receivable	135,887	-	77,673	-	-	-	213,560
Prepaid expenses and other assets	478,090	-	-	-	-	-	478,090
Property and equipment, net	75,227	-	-	-	-	-	75,227
Intercompany receivable	199,765	-	-	-	-	(199,765)	-
Investment in subsidiary	246,531	-	-	-	-	(246,531)	-
Total assets	\$ 12,675,210	\$ -	\$ 198,553	\$ 186,073	\$ 42,515	\$ (446,296)	\$ 12,656,055
LIABILITIES AND NET ASSETS							
Liabilities							
Accounts payable	\$ 144,548	\$ -	\$ 17,598	\$ 19,571	\$ -	\$ -	\$ 181,717
Accrued expenses	456,979	-	260,017	6,566	-	-	723,562
Deferred rent	118,423	-	-	-	-	-	118,423
Deferred revenue	4,675,183	-	-	-	-	-	4,675,183
Intercompany payable	-	-	-	58,004	141,761	(199,765)	-
Due to related parties	881,825	-	-	-	-	-	881,825
Total liabilities	6,276,958	-	277,615	84,141	141,761	(199,765)	6,580,710
Net assets							
Without donor restrictions	6,275,463	-	-	101,932	(99,246)	(325,593)	5,952,556
With donor restrictions	122,789	-	-	-	-	-	122,789
Shareholder deficit	-	-	(79,062)	-	-	79,062	-
Total net assets, and shareholder deficit	6,398,252	-	(79,062)	101,932	(99,246)	(246,531)	6,075,345
Total liabilities and net assets, and shareholder equity	\$ 12,675,210	\$ -	\$ 198,553	\$ 186,073	\$ 42,515	\$ (446,296)	\$ 12,656,055

See independent auditor's report.

**NATIONAL OFFICE OF THE
AMERICAN YOUTH SOCCER ORGANIZATION,
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CONSOLIDATING STATEMENT OF ACTIVITIES
June 30, 2022**

	AYSO	AYSO OnDemand	AYSO Services	AYSO Adult	AYSO WHEN!	Eliminations	Total
Revenues and other support							
Youth league registration	\$ 6,767,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,767,560
United registration	2,863,395	-	-	-	-	-	2,863,395
Volunteer registration	716,660	-	-	-	-	-	716,660
Sponsorships	347,167	-	-	-	-	-	347,167
Soccer camps	138,574	-	-	-	-	-	138,574
Adult league registration	-	-	-	111,621	-	-	111,621
Royalties	119,766	-	-	-	-	-	119,766
Contributions	64,474	-	-	-	158	-	64,632
Program receipts	148,858	-	-	-	-	-	148,858
In-kind contributions	36,005	-	-	-	-	-	36,005
United other	379,811	-	-	-	-	-	379,811
Gain on forgiveness of debt	337,500	-	-	-	-	-	337,500
Other income	2,648	-	-	-	-	-	2,648
Total revenues and other support	<u>11,922,418</u>	<u>-</u>	<u>-</u>	<u>111,621</u>	<u>158</u>	<u>-</u>	<u>12,034,197</u>
Expenses							
Program costs	6,330,131	-	235,064	119,372	-	-	6,684,567
General and administrative	2,186,943	-	-	-	-	-	2,186,943
Fundraising and membership development	532,501	-	-	-	-	-	532,501
Total supporting services	2,719,444	-	-	-	-	-	2,719,444
Total expenses	<u>9,049,575</u>	<u>-</u>	<u>235,064</u>	<u>119,372</u>	<u>-</u>	<u>-</u>	<u>9,404,011</u>
Changes in net assets, members equity and shareholder equity	2,872,843	-	(235,064)	(7,751)	158	-	2,630,186
Net assets, member equity and shareholder deficit, beginning of year	<u>3,497,026</u>	<u>28,383</u>	<u>156,002</u>	<u>109,683</u>	<u>(99,404)</u>	<u>(246,531)</u>	<u>3,445,159</u>
Net asset transfer to (from) affiliate	<u>28,383</u>	<u>(28,383)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, member equity and shareholder equity, end of year	<u>\$ 6,398,252</u>	<u>\$ -</u>	<u>\$ (79,062)</u>	<u>\$ 101,932</u>	<u>\$ (99,246)</u>	<u>\$ (246,531)</u>	<u>\$ 6,075,345</u>

See independent auditor's report.