

**NATIONAL SUPPORT AND TRAINING
CENTER OF THE AMERICAN YOUTH
SOCCER ORGANIZATION AND NORTH
AMERICAN ADULT SOCCER ASSOCIATION**

COMBINED FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2011 AND 2010**

**NATIONAL SUPPORT AND TRAINING CENTER
OF THE AMERICAN YOUTH SOCCER ORGANIZATION
AND NORTH AMERICAN ADULT SOCCER ASSOCIATION**

COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Support and Training Center
of the American Youth Soccer Organization
and North American Adult Soccer Association

We have audited the accompanying combined statements of financial position of National Support and Training Center of the American Youth Soccer Organization and North American Adult Soccer Association (California nonprofit organizations) (collectively, the Organization) as of June 30, 2011 and 2010, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the management of the Organization. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organization as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Green Hasson & Janks LLP

October 11 2011
Los Angeles, California

**NATIONAL SUPPORT AND TRAINING CENTER
OF THE AMERICAN YOUTH SOCCER ORGANIZATION
AND NORTH AMERICAN ADULT SOCCER ASSOCIATION**

COMBINED STATEMENTS OF FINANCIAL POSITION

ASSETS	June 30	
	2011	2010
Cash and Cash Equivalents	\$ 2,928,375	\$ 2,184,268
Investments	1,005,382	977,115
Accounts Receivable - Regions (Net)	2,795,822	2,952,946
Accounts Receivable - Other	396,220	549,136
Inventory	131,419	126,292
Prepaid Expenses and Other Assets	226,106	148,182
Note Receivable	185,138	227,862
Deferred Compensation Trust	329,328	362,345
Property and Equipment (Net)	1,399,217	952,972
TOTAL ASSETS	\$ 9,397,007	\$ 8,481,118
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 594,135	\$ 425,577
Accrued Liabilities	331,467	398,616
Deferred Sponsorships	80,000	308,692
Deferred Registration Fees	4,116,034	4,123,487
Deferred Camp Fees	212,908	166,641
Deferred Compensation	254,364	284,564
Capital Lease Obligation	31,653	58,128
Note Payable	586,605	750,620
TOTAL LIABILITIES	6,207,166	6,516,325
NET ASSETS:		
Unrestricted	3,140,678	1,930,310
Temporarily Restricted	49,163	34,483
TOTAL NET ASSETS	3,189,841	1,964,793
TOTAL LIABILITIES AND NET ASSETS	\$ 9,397,007	\$ 8,481,118

The Accompanying Notes are an Integral Part of These Combined Financial Statements

**NATIONAL SUPPORT AND TRAINING CENTER
OF THE AMERICAN YOUTH SOCCER ORGANIZATION
AND NORTH AMERICAN ADULT SOCCER ASSOCIATION**

COMBINED STATEMENTS OF ACTIVITIES

	Years Ended June 30					
	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT:						
Registration Revenue:						
Registration Fees	\$ 8,251,080	\$ -	\$ 8,251,080	\$ 7,118,560	\$ -	\$ 7,118,560
Direct Player Costs	(1,372,718)	-	(1,372,718)	(1,416,648)	-	(1,416,648)
Net Registration Revenue	6,878,362	-	6,878,362	5,701,912	-	5,701,912
Program Revenue:						
Supply Center	490,786	-	490,786	542,806	-	542,806
AYSO Soccer Camps	155,133	-	155,133	93,033	-	93,033
AYSO Adult League	99,528	-	99,528	77,608	-	77,608
Total Program Revenue	745,447	-	745,447	713,447	-	713,447
Other Support:						
Sponsorships	1,398,681	-	1,398,681	1,359,996	-	1,359,996
Section Conferences/National Annual General Meeting	425,984	-	425,984	192,738	-	192,738
Playsoccer	55,550	-	55,550	70,000	-	70,000
In-Kind Sponsorships	81,258	-	81,258	201,954	-	201,954
Interest and Dividends	20,993	-	20,993	25,616	-	25,616
Royalties	6,783	-	6,783	3,554	-	3,554
Contributions	21,576	14,680	36,256	9,703	20,989	30,692
Miscellaneous Income	30,111	-	30,111	224,235	-	224,235
Total Other Support	2,040,936	14,680	2,055,616	2,087,796	20,989	2,108,785
TOTAL REVENUES AND OTHER SUPPORT	9,664,745	14,680	9,679,425	8,503,155	20,989	8,524,144
FUNCTIONAL EXPENSES:						
Program Services:						
Section Conferences/National Annual General Meeting	946,789	-	946,789	391,564	-	391,564
Supply Center	324,458	-	324,458	432,505	-	432,505
Programs	906,613	-	906,613	1,135,420	-	1,135,420
Volunteer Services	338,725	-	338,725	254,936	-	254,936
Playsoccer	261,823	-	261,823	231,997	-	231,997
Events	279,792	-	279,792	258,488	-	258,488
In-Kind Sponsorships	81,258	-	81,258	201,954	-	201,954
AYSO Adult League	96,722	-	96,722	66,200	-	66,200
Total Program Services	3,236,180	-	3,236,180	2,973,064	-	2,973,064

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**NATIONAL SUPPORT AND TRAINING CENTER
OF THE AMERICAN YOUTH SOCCER ORGANIZATION
AND NORTH AMERICAN ADULT SOCCER ASSOCIATION**

COMBINED STATEMENTS OF ACTIVITIES

	Years Ended June 30					
	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
FUNCTIONAL EXPENSES: (continued)						
Membership Development:						
Membership Development	\$ 108,568	\$ -	\$ 108,568	\$ 88,099	\$ -	\$ 88,099
Section and Area Operations	123,949	-	123,949	133,430	-	133,430
Total Membership Development	232,517	-	232,517	221,529	-	221,529
Supportive Services:						
Operations	2,823,839	-	2,823,839	2,669,382	-	2,669,382
Administration	976,878	-	976,878	1,063,676	-	1,063,676
Marketing	702,119	-	702,119	754,555	-	754,555
Depreciation	375,688	-	375,688	323,762	-	323,762
Interest	66,080	-	66,080	60,216	-	60,216
Miscellaneous	41,076	-	41,076	-	-	-
Total Supportive Services	4,985,680	-	4,985,680	4,871,591	-	4,871,591
TOTAL FUNCTIONAL EXPENSES	8,454,377	-	8,454,377	8,066,184	-	8,066,184
CHANGE IN NET ASSETS	1,210,368	14,680	1,225,048	436,971	20,989	457,960
Net Assets - Beginning of Year	1,930,310	34,483	1,964,793	1,493,339	13,494	1,506,833
NET ASSETS - END OF YEAR	<u>\$ 3,140,678</u>	<u>\$ 49,163</u>	<u>\$ 3,189,841</u>	<u>\$ 1,930,310</u>	<u>\$ 34,483</u>	<u>\$ 1,964,793</u>

The Accompanying Notes are an Integral Part of These Combined Financial Statements

**NATIONAL SUPPORT AND TRAINING CENTER
OF THE AMERICAN YOUTH SOCCER ORGANIZATION
AND NORTH AMERICAN ADULT SOCCER ASSOCIATION**

COMBINED STATEMENTS OF CASH FLOWS

	Years Ended June 30	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,225,048	\$ 457,960
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Bad Debt Expense	15,814	3,546
Depreciation	375,688	323,762
Loss on Disposal of Property and Equipment	39,881	-
(Increase) Decrease in:		
Accounts Receivable - Regions	141,310	(340,096)
Accounts Receivable - Other	152,916	(314,105)
Inventory	(5,127)	(20,905)
Prepaid Expenses and Other Assets	(77,924)	(52,656)
Deferred Compensation Trust	33,017	23,828
Increase (Decrease) in:		
Accounts Payable	168,558	44,706
Accrued Liabilities	(67,149)	(181,790)
Deferred Sponsorships	(228,692)	(141,498)
Deferred Registration Fees	(7,453)	403,619
Deferred Camp Fees	46,267	153,256
Deferred Compensation	(30,200)	(43,424)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,781,954	316,203
CASH FLOWS FROM INVESTING ACTIVITIES:		
Collections (Advances) on Note Receivable	42,724	(227,862)
Purchase of Investments	(28,267)	(905,696)
Purchase of Property and Equipment	(861,814)	(488,286)
NET CASH USED IN INVESTING ACTIVITIES	(847,357)	(1,621,844)
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Payments on Capital Lease Obligation	(26,475)	(22,163)
Payments on Note Payable	(164,015)	(152,725)
NET CASH USED IN FINANCING ACTIVITIES	(190,490)	(174,888)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	744,107	(1,480,529)
Cash and Cash Equivalents - Beginning of Year	2,184,268	3,664,797
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,928,375	\$ 2,184,268
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	\$ 66,080	\$ 60,216
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Purchase of Property and Equipment Financed by Capital Lease Obligation	\$ -	\$ 80,291

The Accompanying Notes are an Integral Part of These Combined Financial Statements

**NATIONAL SUPPORT AND TRAINING CENTER
OF THE AMERICAN YOUTH SOCCER ORGANIZATION
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**NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 1 - NATURE OF ORGANIZATION

The American Youth Soccer Organization (AYSO) 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 more than 50,000 teams and more than 550,000 players. It also employs 46 people at its National Support and Training Center (National Office) in Hawthorne, 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 14 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 more than 250,000 volunteers. Parents donate their time as coaches, referees, team parents, administrators or sponsors. 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. Through 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 Drug Free America, the President's Council on Physical Fitness, the National Council of Youth Sports, Girls 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 20 corporations that are part of AYSO's National Team of Sponsors.

In December 2009, North American Adult Soccer Association (NAASA), a nonprofit corporation, was established to perform services that exclusively benefit and support AYSO by its activities which include (a) to develop youth and community through local soccer programs for adults; (b) to educate and train adults in both the sport of soccer and in critical youth development issues so that these adults may become coaches, referees and other volunteers for youth soccer programs in their communities; (c) and to provide financial support to community youth soccer programs, including scholarships for children, tournament sponsorships and other financial needs.

**NATIONAL SUPPORT AND TRAINING CENTER
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying combined financial statements have been prepared on the accrual basis of accounting.

(b) PRINCIPLES OF COMBINATION

The combined financial statements include the accounts of National Support and Training Center of the American Youth Soccer Organization (National Office) and North American Adult Soccer Association (collectively, the Organization). All significant inter-company balances and transactions have been eliminated on combination.

(c) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted.** The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from purpose or time restrictions. At June 30, 2011 and 2010, the Organization had temporarily restricted net assets of \$49,163 and \$34,483, respectively.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets. The Organization had no permanently restricted net assets at June 30, 2011 and 2010.

**NATIONAL SUPPORT AND TRAINING CENTER
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**NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) CASH AND CASH EQUIVALENTS

The Organization has defined cash and cash equivalents as cash in bank deposit accounts and certificates of deposits with an original maturity of three months or less. The carrying value of cash and cash equivalents at June 30, 2011 and 2010 approximates its fair value.

(e) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned.

Securities are generally held in custodial investment accounts administered by financial institutions.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the combined statements of financial position.

The Organization has implemented the fair value measurement accounting standard for those assets and liabilities that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

At June 30, 2011 and 2010, investments consist of government agency bonds and are considered assets with Level 1 inputs, valued based on quoted market prices at the closing of the last business day of the fiscal year.

**NATIONAL SUPPORT AND TRAINING CENTER
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**NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) ACCOUNTS RECEIVABLE

Receivables from regions arise from player registration fees and supplies purchased. Other receivables arise primarily from sponsorships, royalties, advertising and soccer camps. Receivables are recorded when billed or accrued and represent claims that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, the particular region or type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2011 and 2010, the Organization evaluated the collectability of its receivables from regions and established an allowance in the amount of \$61,828 and \$69,040, respectively. All other receivables are deemed fully collectible; therefore, no additional allowance for doubtful accounts has been established.

(g) CONCENTRATION OF CREDIT RISKS

The Organization places its temporary cash investments with high-credit, quality financial institutions which, at times, may exceed federally insured limits. 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 and investments.

The primary accounts receivable balance outstanding at June 30, 2011 and 2010 consists of receivables due from AYSO's numerous regions. As a result, concentration of credit risks with respect to these receivables is considered to be limited.

(h) INVENTORY

Inventory consists of products purchased or printed for use in program and supportive services and sold to regions. Inventory is reported at the lower of average cost or market value.

(i) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost at the date of acquisition if purchased or at estimated fair value at the date of donation if donated. Depreciation and amortization are computed using the straight-line basis over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Computer Equipment and Software	4 Years
Office Equipment and Furniture	5 Years
Leasehold Improvements	Lease Term

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**NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) PROPERTY AND EQUIPMENT (continued)

Expenditures for repairs and maintenance are charged to operations when incurred while renewals and betterments are capitalized.

Software and development costs related to eAYSO, AYSO's web-based application, have been capitalized or expensed in accordance with the accounting standard governing the costs of computer software developed or obtained for internal use.

(j) LONG-LIVED ASSETS

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the years ended June 30, 2011 and 2010.

(k) REVENUE RECOGNITION AND DEFERRED INCOME

Contributions. Unconditional contributions are recognized as revenues in the period received. The Organization reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Registration and Camp Fees. Registration fees are charged to the regions based on the number of registered players. Registration and camp fees are recognized and reported in the corresponding season of play. In the case of registration fees, the Fall season commences in August and the Spring season commences in January. Fees billed or collected in advance of the season of play are deferred.

Advertising and Royalties. Advertising revenues from the Organization's publications are recognized in the period of publication. Royalties are amortized in accordance with the terms of the royalty contracts.

Sponsorships. Revenues received under sponsorship agreements are deferred and recognized as income over the term of the agreements. This may give rise to sponsorship receivables or deferred sponsorship revenue depending on the timing of the cash receipts from the sponsors.

(l) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) CONTRIBUTED GOODS AND SERVICES (continued)

The Organization recognized \$81,258 and \$201,954 of in-kind sponsorship contributions during the years ended June 30, 2011 and 2010, respectively. The majority of the contributions relate to donated soccer apparel and equipment which is included in program services.

A substantial number of volunteers have donated significant amounts of their 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.

(m) INCOME TAXES

The Organization is exempt from federal taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

(n) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Organization's programs and other supporting activities have been presented in the combined statements of activities. Program activities include training and certification programs for coaching, officiating and management; camps and clinics for players and volunteers; publications and local and national meetings.

(o) USE OF ESTIMATES

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(p) SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to the combined statement of financial position date of June 30, 2011 for items that should potentially be recognized or disclosed in these combined financial statements. The evaluation was conducted through October 11, 2011, the date these combined financial statements were available to be issued.

**NATIONAL SUPPORT AND TRAINING CENTER
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**NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 3 - NOTE RECEIVABLE

The note receivable represents certain recoverable utility expenses which were paid for by the Organization. The note is unsecured and non-interest bearing and is to be repaid in quarterly installments of \$14,241 from October 2010 through July 2014.

The future maturity of the note receivable at June 30, 2011 is as follows:

Years Ending June 30	
2012	\$ 56,965
2013	56,965
2014	56,965
2015	<u>14,246</u>
TOTAL	\$ <u>185,138</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30 consists of the following:

	2011	2010
PROPERTY AND EQUIPMENT OWNED:		
Computer Equipment and Software	\$ 1,508,100	\$ 3,905,963
Office Equipment and Furniture	153,340	59,637
Leasehold Improvements	<u>168,240</u>	<u>726,999</u>
TOTAL PROPERTY AND EQUIPMENT OWNED	1,829,680	4,692,599
Less: Accumulated Depreciation	<u>(471,488)</u>	<u>(3,800,725)</u>
NET PROPERTY AND EQUIPMENT OWNED	1,358,192	891,874
PROPERTY AND EQUIPMENT HELD UNDER CAPITAL LEASE:		
Computer Equipment and Software	80,291	80,291
Less: Accumulated Depreciation	<u>(39,266)</u>	<u>(19,193)</u>
NET PROPERTY AND EQUIPMENT HELD UNDER CAPITAL LEASE	<u>41,025</u>	<u>61,098</u>
PROPERTY AND EQUIPMENT (NET)	\$ <u>1,399,217</u>	\$ <u>952,972</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$375,688 and \$323,762, respectively. Depreciation expense for the years ended June 30, 2011 and 2010 included \$20,073 and \$19,193, respectively, for computer equipment held under a capital lease.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities at June 30 consist of the following:

	2011	2010
Accrued Payroll and Benefits	\$ 79,386	\$ 122,332
Accrued Vacation	131,666	125,338
Other Accruals	120,415	150,946
TOTAL ACCRUED LIABILITIES	\$ 331,467	\$ 398,616

NOTE 6 - CAPITAL LEASE OBLIGATION

The Organization leases certain computer equipment. The capital lease is secured by the equipment and the agreement provides for payments through July 2012. Obligations under this lease have been recorded in the accompanying combined financial statements at the present value of future minimum lease payments discounted at an interest rate of 9.5% per annum.

The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments are as follows:

Years Ending June 30

2012	\$ 30,852
2013	2,571
TOTAL MINIMUM LEASE PAYMENTS	33,423
Less: Amount Representing Interest	(1,770)
PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS	\$ 31,653

NOTE 7 - LINE OF CREDIT

The Organization has a revolving bank line of credit through January 1, 2012 that provides for maximum borrowing of \$500,000. In addition, the Organization has a \$250,000 sublimit on standby letters of credit. The line of credit is secured and bears interest equal to the greater of 3.5% or the prime rate plus 1.25%. At June 30, 2011 and 2010, no borrowings had been drawn on this line of credit. The prime rate at June 30, 2011 was 3.25%.

NOTE 8 - NOTE PAYABLE

The note payable at June 30, 2011 and 2010 consists of a term loan in the original amount of \$1,500,000 from the United States Soccer Federation Foundation (USSFF), payable in monthly installments of \$17,726 through June 2014 with interest at 7.2% per annum. The note payable is collateralized by a security interest in the Organization's national player registration fees.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 8 - NOTE PAYABLE (continued)

The loan agreement contains various covenants and restrictions which include, among others, (i) the maintenance of certain levels of net assets; and (ii) limitations on other borrowings.

Interest expense for the years ended June 30, 2011 and 2010 was \$48,702 and \$60,216, respectively.

Future repayments on the note payable are as follows:

Years Ending June 30	
2012	\$ 176,221
2013	189,336
2014	203,427
2015	<u>17,621</u>
TOTAL	\$ <u>586,605</u>

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2011</u>	<u>2010</u>
Jeff Hull Disaster Relief Fund	\$ 14,044	\$ 13,494
Hugo Bustamante AYSO Playership Fund	<u>35,119</u>	<u>20,989</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>49,163</u>	\$ <u>34,483</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The Organization leases its office space and certain equipment under operating leases which expire through April 2021. The lease term for its office space is ten years and provides for an annual base rent of \$351,855. Effective May 1, 2012, base rent will reflect an estimated 3% Consumer Price Index increase. The deferred rent liability of \$2,002, included in the accrued liabilities results from the allocation of free rent and rent escalations into rent expense over the life of the Organization's office facility lease. The lease provides for additional payments of real estate taxes, insurance and other operating expenses applicable to the property, generally over a base period level. Total rent expense includes such base period expenses and the additional expense payments.

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NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

(a) OPERATING LEASES (continued)

Future minimum lease payments on non-cancellable leases are as follows:

Years Ending June 30	
2012	\$ 477,063
2013	292,973
2014	301,351
2015	310,391
2016	319,703
Thereafter	<u>1,925,250</u>
TOTAL	<u>\$ 3,626,731</u>

Rent expense under these operating leases for the years ended June 30, 2011 and 2010 amounted to \$886,867 and \$862,116, respectively.

(b) LICENSE AGREEMENT

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. In terms of the agreement, the Organization is entitled to 6% of the net sales of AYSO Store products sold pursuant to the license agreement. Any such royalty is to be credited first to an annual guaranteed minimum royalty. During the years ended June 30, 2011 and 2010, earned royalties did not exceed the annual guaranteed minimum royalty. The Organization, therefore, recognized the annual guaranteed minimum royalty of \$144,700 and \$120,000, respectively, which is included in sponsorship revenue for the years ended June 30, 2011 and 2010.

Future guaranteed minimum royalties under the license agreement, which expires in June 2012, is \$152,000 for the year ending June 30, 2012.

NOTE 11 - EMPLOYEE BENEFIT PLANS

(a) 403(b) PLAN

The Organization offers its employees a 403(b) defined contribution savings plan. Employees who work more than twenty hours per week and meet minimum contribution requirements are eligible to participate in the plan upon hire, and are 100% vested in all contributions to the plan. The Organization matches every dollar up to the first 6% of annual compensation contributed by the participant. Participants become eligible for matching after twelve months of consecutive employment and 1,000 hours of service. Matching benefits vest over a period of five years. The Organization contributed \$92,439 and \$113,600 to the plan on behalf of its employees during the years ended June 30, 2011 and 2010, respectively.

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NOTE 11 - EMPLOYEE BENEFIT PLANS (continued)

(b) DEFERRED COMPENSATION PLAN

The Organization adopted a deferred compensation (Rabbi) trust in April 2004 for the purpose of providing post retirement benefits to a former employee. The post retirement benefits are payable monthly for the lesser of the lives of the former employee and his spouse or 21 years, after which any unpaid amounts from the annuity contract will revert to the Organization. All amounts of compensation deferred, all property and rights purchased with those amounts, and all income attributable to those amounts are subject to the claims of the Organization's general creditors in the event of insolvency and otherwise are subject only to the right of the former employee or his designated beneficiary. At June 30, 2011 and 2010, the accumulated value of the annuity contract was \$329,328 and \$362,345, respectively, and the corresponding deferred compensation liability was \$254,364 and \$284,564, respectively, calculated as the net present value of future benefit payments discounted at 7% through March 2010 and at 4.8% in subsequent years.