

CALIFORNIA STATE SOCCER ASSOCIATION - SOUTH
(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
AUGUST 31, 2016
(WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED AUGUST 31, 2015)

CALIFORNIA STATE SOCCER ASSOCIATION - SOUTH
(A NONPROFIT ORGANIZATION)
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(with Comparative Totals for the Year Ended August 31, 2015)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
California State Soccer Association - South
Fullerton, California

Report on the Financial Statements

We have audited the accompanying financial statements of California State Soccer Association - South ("Cal South") which comprise the statements of financial position as of August 31, 2016, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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 accounting principles generally accepted in the United States of America; this includes 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 audit 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.

To the Board of Directors
California State Soccer Association – South
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cal South as of August 31, 2016, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Cal South's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Singer Lewak LLP

February 3, 2017

CALIFORNIA STATE SOCCER ASSOCIATION - SOUTH
(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
August 31, 2016
(with Comparative Totals for August 31, 2015)

ASSETS

	Notes	2016	2015
Assets			
Cash and cash equivalents	2	\$ 779,340	\$ 652,991
Accounts receivable, net	3	328,884	344,457
Investments	4	2,731,271	2,563,913
Prepaid expenses and other assets		134,093	42,075
Property and equipment, net	5	731,729	659,646
Total assets		\$ 4,705,317	\$ 4,263,082

LIABILITIES AND NET ASSETS

Liabilities			
Accounts payable and accrued expenses	6	\$ 896,170	\$ 486,222
Line of credit	7	239,021	-
Unearned revenue	8	1,419,743	1,514,227
Total liabilities		2,554,934	2,000,449
Net assets			
Unrestricted		2,150,383	2,262,633
Total net assets		2,150,383	2,262,633
Total liabilities and net assets		\$ 4,705,317	\$ 4,263,082

The accompanying notes are an integral part of these financial statements.

CALIFORNIA STATE SOCCER ASSOCIATION - SOUTH
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2016
(with Comparative Totals for the Year Ended August 31, 2015)

	2016	2015
Revenues and other support		
Players' registrations	\$ 3,742,311	\$ 3,580,749
Fees, camps and tournaments	3,373,595	3,292,567
Promotion sales	1,089,413	879,541
Donated goods	519,551	385,000
California Regional League	476,154	258,478
Referee program	381,215	383,486
Coaching education	299,667	312,727
Advertising, sponsorship and publications	79,519	318,514
Gain/(loss) on investments	120,129	(93,718)
Other support	83,050	84,722
	<u>10,164,604</u>	<u>9,402,066</u>
Expenses		
Program services		
State Cup	3,299,600	2,594,309
Member services	1,457,037	1,556,870
Pro+	738,540	720,562
Referee programs	270,847	492,363
Coaching education	428,279	382,558
California Regional League	384,776	379,696
Camps	326,507	328,079
Adult programs	471,654	326,520
Publication	17,915	56,169
Risk management	45,181	46,030
TopSoccer	130,572	32,761
Soccer Nation	-	30,800
Other programs	729,668	655,913
	<u>8,300,576</u>	<u>7,602,630</u>
Total program services		
Support services		
General and administrative	1,479,457	1,554,783
Fundraising	496,821	292,228
	<u>1,976,278</u>	<u>1,847,011</u>
Total support services		
Total expenses	<u>10,276,854</u>	<u>9,449,641</u>
Changes in net assets	(112,250)	(47,575)
Net assets, beginning of year	<u>2,262,633</u>	<u>2,310,208</u>
Net assets, end of year	<u>\$ 2,150,383</u>	<u>\$ 2,262,633</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA STATE SOCCER ASSOCIATION - SOUTH
(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2016
(with Comparative Totals for the Year Ended August 31, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (112,250)	\$ (47,575)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Allowance for doubtful accounts	31,213	-
Net realized and unrealized gains on investments	(120,129)	93,718
Depreciation and amortization	74,743	52,021
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	(15,640)	67,625
Prepaid expenses and other assets	(92,018)	50,335
Increase (decrease) in		
Accounts payable and accrued expenses	409,948	168,563
Unearned revenue	(94,484)	247,443
Net cash from operating activities	81,383	632,130
Cash flows from investing activities		
Purchases of investments	(47,229)	(498,650)
Purchase of property and equipment	(146,826)	(185,923)
Net cash from investing activities	(194,055)	(684,573)
Cash flows from investing activities		
Borrowings from line of credit	239,021	-
Net cash from investing activities	239,021	-
Net change in cash and cash equivalents	126,349	(52,443)
Cash and cash equivalents, beginning of year	652,991	705,434
Cash and cash equivalents, end of year	\$ 779,340	\$ 652,991
Supplemental disclosure of cash flow information		
Interest paid	\$ 6,579	\$ -

The accompanying notes are an integral part of these financial statements.

CALIFORNIA STATE SOCCER ASSOCIATION - SOUTH
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
August 31, 2016
(with Comparative Totals for the Year Ended August 31, 2015)

NOTE 1 – ORGANIZATION

California State Soccer Association - South (“Cal South” or the “Organization”) is a not-for-profit corporation organized under the laws of the State of California. Cal South’s primary purpose is to promote and provide public educational soccer programs and amateur competitions. Cal South is an affiliated branch of, and operates under the authority of the United States Soccer Federation (“USSF”). For select programs, Cal South also operates under the authority of the United States Youth Soccer Association (“USYSA”) and the United States Adult Soccer Association (“USASA”). The Organization is the official Southern California youth and adult state soccer association of the USSF, USYSA and USASA.

Cal South represents over 300 Affiliate Member Leagues and Clubs comprising membership of more than 204,000 registered players, coaches, referees and league administrators. Cal South’s service area extends from San Luis Obispo County to San Diego County and provides rewarding recreational and competitive opportunities for players of all ages, genders and skill levels.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Cal South reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets – Includes contributions, grants, fundraising event revenue and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of Cal South.

Temporarily Restricted Net Assets – Includes contributions and grants received that are temporarily restricted with respect to use by the donor or grantor or time-restricted to the extent they will be collected and expended in the future. When restrictions expire, these net assets are reclassified to unrestricted net assets. Restricted contributions where restrictions are met in the same reporting period are classified as unrestricted.

Permanently Restricted Net Assets – Includes assets that have been restricted by the donor in perpetuity but permit Cal South to expend part or all of the income derived from the contributed assets.

As of August 31, 2016 and 2015, Cal South had no temporarily or permanently restricted net assets.

CALIFORNIA STATE SOCCER ASSOCIATION - SOUTH
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
August 31, 2016
(with Comparative Totals for the Year Ended August 31, 2015)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Amounts

The financial statements include certain prior-year summarized comparative information in total. 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 Cal South's financial statements for the year ended August 31, 2016, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenue from player registration fees, camps and tournaments are recorded on the accrual basis. Fees received in advance for future registration and sponsorship are considered unearned until the applicable year.

Advertising revenues from Cal South's publications are recognized in the period of publication.

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

Contributions are recorded in unrestricted net assets and are considered to be available for use unless restricted by the donor for specific purposes. Conditional contributions are recognized as revenue and recorded in unrestricted net assets when the conditions on which they depend have been substantially met.

Cash and Cash Equivalents

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

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at fair value, based on quoted market prices. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statement of activities.

Investments received through gifts are recorded at estimated fair value at the date of donation.

CALIFORNIA STATE SOCCER ASSOCIATION - SOUTH
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NOTES TO FINANCIAL STATEMENTS
August 31, 2016
(with Comparative Totals for the Year Ended August 31, 2015)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Dividend and interest income are accrued when earned. Interest and investment income and dividends are presented net of related investment expenses.

Cal South's investments consist of fixed income securities, equity securities and investments in mutual funds. Cal South's fixed income securities, equity securities and mutual fund investments are generally publicly traded on national securities exchanges and have readily available quoted market values. Such investments are recorded at market value. Purchases and sales of securities are reflected on the trade dates.

Income earned from investments in all net asset classifications is recorded as unrestricted, except where the instructions of the donor specify otherwise. No such donor restrictions existed for the years ended August 31, 2016 and 2015.

Accounts Receivable

Receivables arise from player registration fees and supplies purchased. Other receivables arise primarily from sponsorships and soccer camps. Amounts collected are included in net cash provided by operating activities in the statement of cash flows. Cal South maintains an allowance for doubtful accounts that is estimated based on historical collection trends, the age of outstanding receivables and existing economic conditions. Although Cal South expects to collect amounts due, actual collections may differ from estimated amounts. Uncollectible accounts are written-off when a customer files bankruptcy, or after all attempts at collections have been pursued.

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:

Building and building improvements	39 years
Office equipment and furniture	3 to 7 years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of property and equipment, the cost and related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected as an adjustment to depreciation and amortization expense in the change in net assets.

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NOTES TO FINANCIAL STATEMENTS
August 31, 2016
(with Comparative Totals for the Year Ended August 31, 2015)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

Cal South reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, but no less frequently than annually. 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. Cal South determined that no impairment existed as of August 31, 2016 and 2015.

In-Kind Contributions

In-kind contributions are contributions of non-cash assets that can be utilized by Cal South. Amounts of non-cash assets to be used within one year are recorded at their net realizable value. Amounts of non-cash 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. Cal South recognized \$534,103 and \$385,000 of in-kind contributions for the years ended August 31, 2016 and 2015, respectively. The majority of the contributions relate to donated soccer apparel and equipment, which is included in program services in the accompanying statement of activities.

A significant portion of Cal South's programs are conducted by unpaid volunteers and committees. The value of this contributed time is not reflected in the accompanying financial statements, because the volunteers' time does not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Functional Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by management.

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, 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.

The State of California requires the Organization to maintain financial instruments or security to cover potential claim losses. In satisfaction of these requirements, the Organization has a retention amount held by the current accident insurance provider.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications have been made to the prior year’s balances in order to conform to the current year’s presentation.

Income Taxes

Cal South 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. However, Cal South is subject to income taxes on any net income that is derived from a trade or business not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded for the years ended August 31, 2016 and 2015, as the net income, if any, from any unrelated trade or business activities is, in the opinion of management, not material to the financial statements taken as a whole.

In accordance with Accounting Standards Codification (“ASC”) Topic No. 740, *Uncertainty in Income Taxes*, Cal South recognizes the impact of tax positions in the 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, Cal South has not recorded any uncertain tax positions. During the years ended August 31, 2016 and 2015, Cal South 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.

The following table summarizes the open tax years for each jurisdiction:

<u>Jurisdiction</u>	<u>Open Tax Years</u>
Federal	2012 – 2015
State	2011 – 2015

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 statement of activities.

Estimated Fair Value of Financial Instruments

Cal South accounts for the fair value of its financial instruments in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic No. 820, *Fair Value Measurements and Disclosures* (“ASC 820”). ASC 820 defines fair value and requires enhanced disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price).

CALIFORNIA STATE SOCCER ASSOCIATION - SOUTH
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NOTES TO FINANCIAL STATEMENTS
August 31, 2016
(with Comparative Totals for the Year Ended August 31, 2015)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Fair Value of Financial Instruments (Continued)

ASC 820 establishes a fair value hierarchy that prioritizes and ranks the level of market price observability used in measuring fair value. Market price observability is impacted by a number of factors, including the type of instrument, the characteristics specific to the instrument and the state of the marketplace (including the existence and transparency of transactions between market participants). Instruments with readily available, actively quoted prices or for which fair value can be measured from actively quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2 – Includes other inputs that are directly or indirectly observable in the marketplace
- Level 3 – Unobservable inputs that are supported by little or no market activity

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement. Cal South's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the years ended August 31, 2016 and 2015, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Cal South's financial instruments include cash and cash equivalents, investments, accounts receivable, accounts payable and accrued expenses and unearned revenue.

The carrying values for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and deferred revenue approximate fair value due to the short maturity of these instruments. The carrying values of investments are reflected at estimated fair value as described in Note 4 to the financial statements.

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NOTES TO FINANCIAL STATEMENTS
August 31, 2016
(with Comparative Totals for the Year Ended August 31, 2015)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

Cash and cash equivalents are placed with high-credit, quality financial institutions. The FDIC will insure up to \$250,000 of this combined total under the FDIC's general deposit insurance rules. Cal South has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. As of August 31, 2016 and 2015, Cal South had deposits in excess of federally insured limits totaling \$682,445 and \$305,602, respectively.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which supersedes the revenue recognition requirements in *Revenue Recognition* (ASU Topic 605), and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018, and is to be applied retrospectively, with early application permitted with the annual reporting period beginning after December 15, 2016, including interim periods within that reporting period. The Organization's management is currently evaluating applicability of the new standard.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date* ("ASU 2015-14"), to supersede nearly all existing revenue recognition guidance under GAAP. The core principle of ASU 2015-14 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2015-14 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU 2015-14 will be effective for annual reporting periods beginning after December 15, 2018. Management is in the process of evaluating the impact of this guidance on the Organization's financial statements.

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August 31, 2016
(with Comparative Totals for the Year Ended August 31, 2015)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”). The amendment would require an NFP to 1) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period (*net assets with donor restrictions and net assets without donor restrictions*), rather than the currently required three classes, 2) present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the currently required three classes, 3) continue to present on the face of the statement of cash flows the net amount of operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method reconciliation, 4) provide enhanced disclosures about governing board designations and appropriations, composition of net assets with donor restrictions and how the restrictions affect the use of resources, and various others, 5) report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses, and 6) use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017; early adoption is permitted. The amendments should be applied on a retrospective basis in the year first applied. However, if presenting comparative financial statements, an NFP has the option to omit certain information as defined in the amendment. Management is in the process of evaluating the impact of this guidance on the Organization’s financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”). The amendment provides guidance on eight cash flow classification issues that current GAAP is either unclear or does not include specific guidance on. ASU 2016-14 is effective for fiscal years beginning after December 15, 2018; early adoption is permitted. If early adoption is elected, any adjustments should be reflected as of the beginning of the fiscal year and all amendments must be adopted in the same period. Management does not believe the adoption of this guidance will have a material effect on the Organization’s financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)* (“ASU 2016-18”), which requires amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the amounts shown on the statement of cash flows. This change will allow the user of the financial statements to clearly see when there are transfers between cash, cash equivalents and restricted cash or restricted cash equivalents or direct cash receipts or payments made from restricted cash or restricted cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018; early adoption is permitted. If early adoption is elected, any adjustments should be reflected as of the beginning of the fiscal year. Management does not believe the adoption of this guidance will have a material effect on the Organization’s financial statements.

CALIFORNIA STATE SOCCER ASSOCIATION - SOUTH
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NOTES TO FINANCIAL STATEMENTS
August 31, 2016
(with Comparative Totals for the Year Ended August 31, 2015)

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivables as of August 31, 2016 and 2015 consisted of:

	2016	2015
Registration	\$ 208,539	\$ 102,731
Sponsorships	108,500	152,500
Royalty	42,246	-
Referee fees/certifications	15,800	15,800
Soccer Nation vendors	12,215	18,600
Cal South Soccer Foundation	204	87,391
Coaching education clinics	-	5,952
Other	22,176	11,066
	409,680	394,040
Less allowance for doubtful accounts	(80,796)	(49,583)
Total receivables, net	\$ 328,884	\$ 344,457

NOTE 4 – INVESTMENTS

Cal South's investments in fixed income securities, equity securities and mutual funds were accounted for at fair value and were measured using Level 1 inputs, which are the quoted market prices available in active markets.

Investments as of August 31, 2016 and 2015 consisted of:

	2016	2015
Fixed income	\$ 1,132,684	\$ 1,127,209
US Equities	923,665	928,711
International Equities	440,199	469,603
Other	234,723	38,390
Total investments	\$ 2,731,271	\$ 2,563,913

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NOTES TO FINANCIAL STATEMENTS
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(with Comparative Totals for the Year Ended August 31, 2015)

NOTE 5 – PROPERTY AND EQUIPMENT

As of August 31, 2016 and 2015, property and equipment consisted of the following:

	2016	2015
Building	\$ 294,398	\$ 294,398
Building improvements	245,485	239,061
Office equipment and furniture	438,912	298,509
Land	148,500	148,500
	1,127,295	980,468
Less accumulated depreciation and amortization	395,566	320,822
Total property and equipment, net	\$ 731,729	\$ 659,646

For the years ended August 31, 2016 and 2015, depreciation and amortization expense amounted to \$74,743 and \$52,021, respectively.

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of August 31, 2016 and 2015, accounts payable and accrued expenses consisted of the following:

	2016	2015
Accounts payable	\$ 396,431	\$ 221,862
Accrued payroll, payroll taxes and related benefits	185,823	129,596
Other accrued expenses	313,916	113,484
Cal South Soccer Foundation	-	21,280
Total	\$ 896,170	\$ 486,222

NOTE 7 - LINE OF CREDIT

The Company is able to establish a revolving line of credit with a bank that allows the Organization to borrow upon to a maximum of the collateralized against all monies, securities, commodities and other property held in investments accounts with the bank. The line matures when the collateralized accounts are closed. Interest on the line is payable at a variable rate determined by the bank's reference rate (3.75% and 3.5% as of August 31, 2016 and 2015, respectively) plus or minus 2.75% to -0.75% based on the size of the loan. As of August 31, 2016 and 2015, the available unused portion of the line of credit was \$2,492,250 and \$2,563,913, respectively.

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NOTES TO FINANCIAL STATEMENTS
August 31, 2016
(with Comparative Totals for the Year Ended August 31, 2015)

NOTE 8 – UNEARNED REVENUE

Unearned revenue consists of payments received for future player registrations and sponsorships. As of August 31, 2016 and 2015, unearned revenue amounted to \$1,419,743 and \$1,514,227, respectively.

NOTE 9 – DEFERRED COMPENSATION PLANS

Cal South sponsors a qualified 401(k) plan (the “Plan”), which covers all eligible employees as defined in the Plan agreement. Cal South’s contributions to the Plan are discretionary as defined in the Plan agreement. For the years ended August 31, 2016 and 2015, no matching contributions were made.

Cal South further sponsored a separate deferred compensation plan for a key executive of Cal South, the purpose of which was to provide for annual retirement benefits to the executive or the executive’s beneficiaries upon his retirement, death or disability. For the years ended August 31, 2016 and 2015, no contributions were made.

During the year ended August 31, 2015, the deferred compensation plan balance was transferred to the key executive upon his separation from service.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Litigation and Claims

Cal South is, from time to time, involved in claims and assessments arising out of matters occurring in its normal business operations. Cal South has insurance coverage to provide protection against certain contingencies. Management believes resolution of these matters will not have a material adverse effect on Cal South’s financial position or results of operations.

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NOTE 11 – RELATED PARTY TRANSACTIONS

Cal South established Cal South Soccer Foundation (“CSSF”) as a resource in the community to provide advice, financial and logistical support and serve as a collaborative resource in creating outreach soccer programs and the development of soccer and facilities in areas where such a need exists. As of August 31, 2016 and 2015, accounts payable to CSSF for a portion of the player registration fee totaled \$0 and \$21,280, respectively.

Cal South manages CSSF payroll and passes the expenses along to them. As of August 31, 2016 and 2015 accounts receivable for administrative and payroll expenses totaled \$204 and \$87,391, respectively.

Pursuant to certain affiliation agreements, Cal South paid a portion of its players’ registration and other fees to its affiliates (USSF, USYSA and USASA) amounting to \$646,117 and \$685,299 for the years ended August 31, 2016 and 2015, respectively.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 3, 2017, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CALIFORNIA STATE SOCCER ASSOCIATION - SOUTH
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2016
(with Comparative Totals for the Year Ended August 31, 2015)

Expenses	Program Services											Support Services			2016 Total	2015 Total			
	Member Services		State Cup	Pro+	Camps	Coaching Education	Referee Programs	Adult Programs	Risk Management	California Regional League	TopSoccer	Publication	Other programs	Total Program			General and Administrative	Fundraising	Total Support
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ 964	\$ 1,464	\$ -	\$ 500	\$ 500	\$ 1,964	\$ 2,259	
Bad debts	-	-	-	-	-	-	-	-	-	-	-	-	-	81,721	-	81,721	81,721	-	
Bank charges	33,696	30,547	1,643	3,095	2,123	3,373	3,397	133	4,286	265	-	290	82,848	3,184	5,441	8,625	91,473	117,210	
Contract labor	1,088	211,031	98,201	106,178	68,984	65,065	-	-	14,988	-	-	4,153	569,688	1,246	3,540	4,786	574,474	837,960	
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74,743	74,743	52,021	
Donated goods	102,585	25,325	275,314	12,865	39,983	-	-	-	-	1,336	-	-	457,408	32,425	-	32,425	489,833	385,000	
Dues and subscriptions	1,452	316	-	-	-	-	-	-	-	-	-	-	1,768	6,804	320	7,124	8,892	13,530	
Employee benefits	16,850	9,961	9,860	1,535	9,695	932	11,150	2,308	2,507	5,670	-	22,028	92,496	36,422	13,565	49,987	142,483	80,778	
Entry fees	-	39,800	7,500	-	-	-	-	-	-	-	-	-	47,300	-	-	-	47,300	45,711	
Equipment leases	-	-	-	-	-	-	-	-	-	-	-	-	-	15,080	-	15,080	15,080	22,123	
Event on-site medical	1,615	119,297	-	-	-	270	-	-	27,754	-	-	2,765	151,701	-	-	-	151,701	117,164	
Expensed and equipment leases	-	4,433	1,999	184	2,704	3,466	-	-	-	8,874	-	20,748	42,408	31,711	16,341	48,052	90,460	79,738	
Field and equipment rental	24,929	885,070	14,264	20,474	36,229	4,159	175	-	220,332	98	17,684	28,056	1,251,470	(488)	-	(488)	1,250,982	692,061	
Fundraising apparel	-	633,341	-	-	-	-	-	-	-	-	-	-	633,341	-	-	-	633,341	497,978	
Insurance	289,610	262,544	14,120	26,602	18,245	28,994	29,193	1,141	36,834	2,282	-	2,506	712,071	27,366	46,761	74,127	786,198	770,132	
Lodging	-	31,403	57,653	41,890	10,191	5,114	3,453	-	3,037	1,726	-	99,063	253,530	26,615	14,305	40,920	294,450	317,426	
Mileage and auto	859	24,396	17,292	2,321	7,472	3,333	234	-	3,346	694	-	27,177	87,124	(3,913)	9,564	5,651	92,775	184,015	
NCSA membership	-	-	-	-	11,755	-	-	-	-	-	-	-	11,755	-	-	-	11,755	-	
Office supplies	-	4,049	319	72	201	-	-	2,553	49	-	-	3,846	11,089	20,646	497	21,143	32,232	38,321	
Payroll taxes	18,441	10,901	10,792	1,680	10,610	1,020	12,203	2,526	2,744	6,205	-	24,108	101,230	39,244	14,846	54,090	155,320	141,865	
Per diem	1,203	27,527	45,935	40,604	6,824	5,710	242	-	1,738	2,041	-	60,876	192,700	19,240	24,390	43,630	236,330	278,717	
Pins and awards	2,147	17,863	-	-	-	-	-	-	(10)	2,366	-	-	22,366	5,030	-	5,030	27,396	73,756	
Postage and shipping	7,491	68	-	26,468	1,965	752	493	516	3	96	-	3,324	41,176	11,228	(4,816)	6,412	47,588	86,684	
Printing	1,871	54,443	173	-	335	56	-	-	3,728	3,026	-	4,226	67,858	7,124	40,673	47,797	115,655	81,774	
Professional services	205,249	1,974	-	-	-	-	38,975	-	1,080	-	231	8,460	255,969	327,479	7,906	335,385	591,354	628,670	
Program supplies	88,348	61,730	1,914	16,767	34,917	-	-	-	-	-	-	4,668	212,329	3,894	347	4,241	216,570	120,159	
Promotional items	27,663	15,336	(5,283)	643	-	-	-	-	570	276	-	12,172	51,377	(1,245)	89,477	88,232	139,609	88,103	
Purchases	302	-	-	-	-	-	-	-	-	-	-	5,482	5,784	-	-	-	5,784	-	
Referee fees	1,820	101,506	2,695	-	-	42	-	-	17,041	-	-	-	123,104	-	-	-	123,104	253,313	
Registrar fees	-	-	-	-	-	-	6,994	-	-	-	-	-	6,994	-	-	-	6,994	6,560	
Rent	-	10,455	2,202	-	-	-	-	-	2,220	-	-	-	14,877	2,452	-	2,452	17,329	12,746	
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	12,294	-	12,294	12,294	14,218	
Salaries and wages	239,123	141,354	139,933	21,784	137,582	13,228	158,236	32,753	35,580	80,462	-	312,602	1,312,637	516,884	192,503	709,387	2,022,024	1,750,115	
SCMAF registration	-	-	-	-	-	-	8,478	-	-	-	-	-	8,478	-	-	-	8,478	17,020	
Signature league	2,036	-	-	-	-	-	-	-	-	-	-	-	2,036	-	-	-	2,036	-	
Taxes and licenses	-	-	-	-	-	-	-	-	-	-	-	-	-	12,190	-	12,190	12,190	11,469	
Team subsidy	1,529	507,138	-	-	-	-	6,479	-	-	-	-	-	515,146	-	-	-	515,146	550,862	
Telephone and utilities	5,332	8,176	10,768	393	4,473	650	2,092	767	3,807	1,271	-	15,817	53,546	36,860	3,607	40,467	94,013	108,068	
Tournament expense - district	28,725	-	-	-	-	-	-	-	-	-	-	-	28,725	-	-	-	28,725	31,029	
Training and seminar	1,300	75	-	-	1,568	823	-	-	-	450	-	150	4,366	83,977	240	84,217	88,583	29,332	
Travel	182	46,563	19,025	-	8,888	10,242	265	-	282	1,825	-	41,429	128,701	6,047	6,055	12,102	140,803	183,657	
USASA/USYSA/USSF registration	335,842	-	-	-	-	122,537	177,095	-	-	-	-	-	635,474	49	-	49	635,523	669,574	
Workers' comp insurance	18,134	10,719	10,612	1,652	10,433	1,003	12,000	2,484	2,698	6,102	-	23,705	99,542	39,197	14,599	53,796	153,338	45,632	
Miscellaneous expenses	(2,385)	2,259	1,609	1,300	3,102	78	-	-	162	1,522	-	1,053	8,700	3,951	(3,840)	111	8,811	12,891	
Total expenses	\$ 1,457,037	\$ 3,299,600	\$ 738,540	\$ 326,507	\$ 428,279	\$ 270,847	\$ 471,654	\$ 45,181	\$ 384,776	\$ 130,572	\$ 17,915	\$ 729,668	\$ 8,300,576	\$ 1,479,457	\$ 496,821	\$ 1,976,278	\$ 10,276,854	\$ 9,449,641	

The accompanying notes are an integral part of these financial statements.