

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**GUAM FOOTBALL ASSOCIATION
(A Nonprofit Organization)**

YEAR ENDED DECEMBER 31, 2014

**Hengi Plaza, Suite 104
278 South Marine Corps Drive
Tamuning, Guam 96913**

GUAM FOOTBALL ASSOCIATION
(A Nonprofit Organization)

Financial Statements

Year Ended December 31, 2014

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BURGER • COMER • MAGLIARI
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Guam Football Association

Report on the Financial Statements

We have audited the accompanying financial statements of the Guam Football Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 organization'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 organization'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.

Saipan Office:
Suite 203 MH II Building
Marina Heights Business Park
P.O. Box 504053, Saipan, MP 96950
Tel. Nos.: (670) 235-8722 / (670) 233-1837
Fax Nos.: (670) 235-6905 / (670) 233-8214

Guam Office:
Hengi Plaza, Suite 104
278 South Marine Corps Drive
Tamuning, Guam 96913
Tel. Nos.: (671) 646-5044 / (671) 472-2680
Fax Nos.: (671) 646-5045 / (671) 472-2686

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Football Association as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Bryan Comer Magliola

June 29, 2015

GUAM FOOTBALL ASSOCIATION

(A Nonprofit Organization)

Statement of Financial Position

December 31, 2014

ASSETS

Current assets:

Cash and cash equivalents	\$	275,930
Restricted cash		81,827
Accounts receivable		58,303
Other assets		<u>2,945</u>

Total current assets 419,005

Football field, building and equipment,
net of accumulated depreciation

2,411,148

Security deposit

1,315

\$ 2,831,468

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable		5,898
Current portion of note payable		<u>8,597</u>

Total current liabilities 14,495

Note payable, less current portion

18,212

Total liabilities 32,707

Net assets:

Unrestricted		2,716,934
Temporarily restricted		<u>81,827</u>

Total net assets 2,798,761

\$ 2,831,468

See accompanying notes to financial statements.

GUAM FOOTBALL ASSOCIATION

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Statement of Activities

Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Grants and donations	\$ -	1,152,635	1,152,635
Leagues	682,676	-	682,676
Dues	1,300	-	1,300
Other income	94	-	94
Net assets released from restrictions	<u>1,077,354</u>	<u>(1,077,354)</u>	<u>-</u>
Total revenues and support	1,761,424	75,281	1,836,705
Expenses:			
Program and league	1,539,548	-	1,539,548
General and administrative	<u>219,072</u>	<u>-</u>	<u>219,072</u>
Total expenses	<u>1,758,620</u>	<u>-</u>	<u>1,758,620</u>
Change in net assets	2,804	75,281	78,085
Net assets at beginning of year	<u>2,714,130</u>	<u>6,546</u>	<u>2,720,676</u>
Net assets at end of year	\$ <u>2,716,934</u>	<u>81,827</u>	<u>2,798,761</u>

See accompanying notes to financial statements.

GUAM FOOTBALL ASSOCIATION

(A Nonprofit Organization)

Statement of Cash Flows

Year Ended December 31, 2014

Cash flows from operating activities:	
Change in net assets	\$ 78,085
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	280,167
Increase in assets:	
Accounts receivable	(19,992)
Other assets	(2,945)
Security deposit	(1,315)
Decrease in liabilities:	
Accounts payable	<u>(6,912)</u>
Net cash provided by operating activities	<u>327,088</u>
Cash flows from investing activities:	
Acquisition of property and equipment	<u>(170,505)</u>
Net cash used in investing activities	<u>(170,505)</u>
Cash flows from financing activities:	
Repayment of notes payable	(1,757)
Proceeds from borrowings	<u>28,566</u>
Net cash provided by financing activities	<u>26,809</u>
Net increase in cash and cash equivalents	183,392
Cash and cash equivalents at beginning of year	<u>174,365</u>
Cash and cash equivalents at end of year	\$ <u>357,757</u>

See accompanying notes to financial statements.

GUAM FOOTBALL ASSOCIATION
(a Nonprofit Organization)

Notes to Financial Statements

December 31, 2014

(1) Organization and Purpose

Guam Football Association (“the Association”) was incorporated in the Territory of Guam in May 1975 as a nonprofit organization. The Association was formed by a group of men who were looking to establish recreational football in Guam. The Association’s primary purpose is to develop and promote the sport of football on Guam, as well as to represent Guam both regionally and internationally in competition.

The Association became an associate member of the Asian Football Confederation (“AFC”) in 1991. Since its induction as an associate member in the AFC, the Association has participated in various football festivals and tournaments, as well as qualifying events and championships.

In 1996, the Association obtained full membership with the Federation Internationale de Football Association (FIFA), which is the world-governing body of soccer and comprises the various national soccer associations. FIFA is responsible for promoting and organizing the game of soccer throughout the world.

(2) Summary of Significant Accounting Policies

Basis of Presentation

Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, establishes broad standards for reporting information in financial statements issued by nonprofit organizations and requires these financial statements to focus on the entity as a whole. Amounts related to an organization’s financial position and activities are to be reported in three classes of net assets: permanently restricted, temporarily restricted and unrestricted.

These financial statements must classify an organization’s assets, liabilities, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. The three classes of net assets are now classified as one of the following types:

- Unrestricted net assets- Net assets that are not subject to donor-imposed stipulations or whose restrictions are met in the year received.
- Temporarily restricted net assets- Net assets subject to donor- imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

GUAM FOOTBALL ASSOCIATION
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Notes to Financial Statements, continued

December 31, 2014

(2) Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of such assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes. The Association does not have any permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Net Assets

The Association reports grants or gifts of cash and other assets as 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Use of Estimates

The preparation of financial statements in accordance 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.

Advertising Costs

Advertising costs are expensed as incurred.

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Notes to Financial Statements, continued

December 31, 2014

(2) Summary of Significant Accounting Policies, Continued

Cash

For purposes of the statement of financial position and the statement of cash flows, cash is defined as cash on hand, cash in savings and cash in checking accounts. The Association maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Association has not experienced any loss in such accounts. As of December 31, 2014 the uninsured balance is \$102,757.

Accounts Receivable

Accounts receivable represent amounts due to the Association; they are stated at amounts management expects to collect from outstanding balances. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, the Association has concluded that realized losses on balances outstanding at year-end will be immaterial. Therefore, no allowance for doubtful accounts is considered necessary.

Fixed Assets

Land, building, equipment, furniture, computers, company vehicles, and leasehold improvements are recorded at cost. It is the Association's policy to capitalize property and equipment with a cost of more than \$1,000, and lesser amounts are expensed. Depreciation of building, equipment, furniture, computers and company vehicles is computed using the straight-line method over the estimated useful lives of the assets (ranging from 5 to 30 years).

The carrying value of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in the statement of earnings. Expenditures for maintenance and repairs are charged to expense as incurred while major renewals and betterments are capitalized.

Long-lived Assets

Long-lived assets to be held and used or disposed of by the Association are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses are recognized if expected future cash flows from the assets are less than their carrying values. During the year ended December 31, 2014 the Company determined that no events or changes in circumstances indicating impairment of its long-lived assets have occurred.

GUAM FOOTBALL ASSOCIATION
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Notes to Financial Statements, continued

December 31, 2014

(2) Summary of Significant Accounting Policies, Continued

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

The Association reports grants or gifts of cash and other assets as 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Association uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Association generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks, but these services do not meet the criteria for recognition as contributed services.

Fund Raising

The Association participates in various fundraising activities during the year. Revenues received from these fund raising activities are recognized as leagues income . In addition, the Association receives cash donations from private individuals and businesses that are recognized as grants and donations when received.

GUAM FOOTBALL ASSOCIATION
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Notes to Financial Statements, continued

December 31, 2014

(2) Summary of Significant Accounting Policies, Continued

Income and Gross Receipts Taxes

The Association is exempt from the Guam Territorial income tax under Internal Revenue Code Section 501(c)(3) and from Guam gross receipts tax. Therefore, no provision has been made for gross receipts taxes and income taxes in the accompanying financial statements.

The Association adopted FASB ASC Topic 740, *Income taxes* and analyzed whether any particular item of income would meet the definition of an uncertain tax position. For Guam income tax purposes, a tax year generally remains open to assessment and collection for three years after the later of the due date for filing a tax return or the date on which the taxpayer files its return. If the Association were assessed any penalty related to its tax filings, the expense would be stated separately from any tax payment.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and league and general and administrative services. Expenses related to more than one function are allocated to program and supporting services based on the benefit received.

(3) Property and Equipment

A summary of property and equipment as of December 31, 2014 is as follows:

	<u>Estimated Useful Lives</u>	<u>2014</u>
Harmon field	15 years	\$ 2,097,967
Building	30 years	687,884
Solar system	30 years	782,317
Office equipment	5 years	149,672
Field equipment	5-7 years	113,585
Vehicle	5 years	<u>58,746</u>
		3,890,171
Less accumulated depreciation and amortization		<u>(1,479,023)</u>
Net property and equipment		\$ <u>2,411,148</u>

GUAM FOOTBALL ASSOCIATION
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Notes to Financial Statements, continued

December 31, 2014

(4) Note Payable

The Company has the following note payable at December 31, 2014:

Note payable to Bank of Guam dated September 25, 2014, bearing interest at the bank's prime rate plus 1.49%, but not less than 6% per annum, due in monthly installments of \$811 through October 11, 2017, collateralized by vehicle	\$ 26,809
Less: current installments	<u>8,597</u>
Note payable, net of current installments	\$ <u>18,212</u>

The following schedule shows the aggregate future principal payments for the outstanding note payable:

Years ending December 31:	
2015	\$ 8,597
2016	9,037
2017	<u>9,175</u>
Total	\$ <u>26,809</u>

(5) Fair Value of Financial Instruments

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value and expands financial statement disclosure about fair value measurements. Under ASC 820, fair value is defined as 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. ASC 820 also establishes a fair value hierarchy, which prioritizes the inputs to valuation technique used to measure fair value into three broad levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

GUAM FOOTBALL ASSOCIATION
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Notes to Financial Statements, continued

December 31, 2014

(5) Fair Value of Financial Instruments, Continued

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

Fair Value Option for Financial Assets and Financial Liabilities

ASC Topic 825, *Financial Instruments* is effective for financial statements issued for fiscal years beginning after November 15, 2007. ASC 825 permits all entities to choose, at specified election dates, to measure eligible items, as defined under the standard, at fair value (the fair value option). A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings (or another performance indicator if the business entity does not report earnings) at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred.

Fair Value of Financial Instruments

The carrying amounts reflected in the statement of financial position for cash and accounts receivable, accounts payable, accrued expenses and other current liabilities approximate their respective fair values due to short maturities of those instruments. The carrying amount reflected in the balance sheets for notes payable approximates fair value as the notes either carry variable interest rates or are with interest rates that are comparable to similar arrangements offered to other entities having similar repayment terms, collateral requirements and level of credit risk.

(6) Concentrations of Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, other receivables and amounts due from related parties.

The Association maintains cash and cash equivalents in bank accounts which at times may exceed federal depository insurance limits. The Association has not experienced any losses in such accounts. If all debtors were unable to meet their obligations, the Company would incur an expense equal to accounts receivable reflected in the accompanying financial statements.

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Notes to Financial Statements, continued

December 31, 2014

(7) Temporarily Restricted Net Assets

The temporarily restricted net assets of the Association consist of funds received from FIFA for program expenses. The temporarily restricted net assets at December 31, 2014 is \$81,827.

(8) Subsequent Events

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through June 29, 2015, which is the date the financial statements were available to be issued. There were no such events requiring disclosure.