

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

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

Years ended December 31, 2017 and 2016

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

GUAM FOOTBALL ASSOCIATION
(A Nonprofit Organization)

Financial Statements

Years ended December 31, 2017 and 2016

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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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 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 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Benny Comar Maglisa

Tamuning, Guam
June 27, 2018

GUAM FOOTBALL ASSOCIATION

(A Nonprofit Organization)

Statements of Financial Position

December 31, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u> <u>(Restated)</u>
Current assets:		
Cash and cash equivalents	\$ 313,460	605,028
Restricted cash	149,222	126,681
Accounts receivable	179,348	175,737
Other assets	<u>9,355</u>	<u>1,207</u>
Total current assets	651,385	908,653
Football field, building and equipment, net of accumulated depreciation	<u>3,768,356</u>	<u>3,808,191</u>
	<u>\$ 4,419,741</u>	<u>4,716,844</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current liabilities:		
Accounts payable	64,000	61,964
Accrued expense	<u>27,232</u>	<u>-</u>
Total current liabilities and total liabilities	91,232	61,964
Net assets:		
Without donor restriction	4,162,030	4,528,199
With donor restriction	<u>166,479</u>	<u>126,681</u>
Total net assets	<u>4,328,509</u>	<u>4,654,880</u>
	<u>\$ 4,419,741</u>	<u>4,716,844</u>

See accompanying notes to financial statements.

GUAM FOOTBALL ASSOCIATION

(A Nonprofit Organization)

Statements of Activities

Years ended December 31, 2017 and 2016

	2017			2016 (Restated)		
	Without donor Restriction	With donor Restriction	Total	Without donor Restriction	With donor Restriction	Total
Revenues and support:						
Grants and donations	\$	1,159,575	1,159,575	-	1,525,693	1,525,693
In-kind contributions		191,106	191,106	-	169,078	169,078
Leagues	428,234		428,234	526,631	-	526,631
Dues	1,300		1,300	1,300	-	1,300
Other income	40,003		40,003	77,361	-	77,361
Net assets released from restrictions	<u>1,310,883</u>	<u>(1,310,883)</u>	<u>-</u>	<u>1,574,168</u>	<u>(1,574,168)</u>	<u>-</u>
Total revenues and support	<u>1,780,420</u>	<u>39,798</u>	<u>1,820,218</u>	<u>2,179,460</u>	<u>120,603</u>	<u>2,300,063</u>
Expenses:						
Program and league	1,878,211	-	1,878,211	1,894,468	-	1,894,468
General and administrative	<u>268,378</u>	<u>-</u>	<u>268,378</u>	<u>227,087</u>	<u>-</u>	<u>227,087</u>
Total expenses	<u>2,146,589</u>	<u>-</u>	<u>2,146,589</u>	<u>2,121,555</u>	<u>-</u>	<u>2,121,555</u>
Change in net assets	(366,169)	39,798	(326,371)	57,905	120,603	178,508
Net assets at beginning of year, as previously reported	4,890,238	126,681	5,016,919	2,776,885	6,078	2,782,963
Adjustment to correct prior years' assets contributed	<u>(362,039)</u>	<u>-</u>	<u>(362,039)</u>	<u>1,693,409</u>	<u>-</u>	<u>1,693,409</u>
Net assets at beginning of year, as restated	<u>4,528,199</u>	<u>126,681</u>	<u>4,654,880</u>	<u>4,470,294</u>	<u>6,078</u>	<u>4,476,372</u>
Net assets at end of year	\$ <u>4,162,030</u>	<u>166,479</u>	<u>4,328,509</u>	<u>4,528,199</u>	<u>126,681</u>	<u>4,654,880</u>

See accompanying notes to financial statements.

GUAM FOOTBALL ASSOCIATION

(A Nonprofit Organization)

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u> <u>(Restated)</u>
Cash flows from operating activities:		
Change in net assets	\$ (326,371)	178,508
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	487,676	431,896
Non-cash contribution of property	(173,394)	-
(Decrease) increase in assets:		
Accounts receivable	(3,611)	444,002
Other assets	(8,148)	(124)
Security deposit	-	1,315
Increase in liabilities:		
Accounts payable	2,036	45,013
Accrued expense	<u>27,232</u>	<u>-</u>
Net cash provided by operating activities	<u>5,420</u>	<u>1,100,610</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(274,447)</u>	<u>(666,748)</u>
Net cash used in investing activities	<u>(274,447)</u>	<u>(666,748)</u>
Cash flows from financing activities:		
Repayment of notes payable	<u>-</u>	<u>(17,060)</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>(17,060)</u>
Net increase (decrease) in cash and cash equivalents	(269,027)	416,802
Cash and cash equivalents at beginning of year	<u>731,709</u>	<u>314,907</u>
Cash and cash equivalents at end of year	\$ <u><u>462,682</u></u>	<u><u>731,709</u></u>

See accompanying notes to financial statements.

GUAM FOOTBALL ASSOCIATION
(a Nonprofit Organization)

Notes to Financial Statements

December 31, 2017 and 2016

(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 two classes of net assets: Net Assets with Donor Restrictions, and Net Assets without Donor Restrictions.

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 two classes of net assets are now classified as one of the following types:

- Without Donor Restrictions- Net assets that are not subject to donor-imposed stipulations or whose restrictions are met in the year received.
- With Donor Restrictions- 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2017 and 2016

(2) Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. The Association reports grants or gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor 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.

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.

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, 2017 and 2016, uninsured balances are approximately \$196,000 and \$450,000, respectively.

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Notes to Financial Statements, continued

December 31, 2017 and 2016

(2) Summary of Significant Accounting Policies, Continued

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 activities. 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 years ended December 31, 2017 and 2016 the Association determined that no events or changes in circumstances indicating impairment of its long-lived assets have occurred.

Contributions

All contributions are considered to be available for without donor restriction 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 support with donor restrictions that increases that net asset class.

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Notes to Financial Statements, continued

December 31, 2017 and 2016

(2) Summary of Significant Accounting Policies, Continued

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

In-kind Contributions

During the year ended December 31, 2017 and 2016, the Association recognized \$191,106 and \$169,078, respectively, as in-kind contributions for the value of property, travel, communication, supplies, advertising, marketing and/or professional fees that were provided to the Association without requiring payment to the providers of the services. Program expense was recognized as incurred.

Fundraising

The Association participated in various fundraising activities during 2016. Revenues received from these fundraising 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. In 2017, the Association didn't have any fundraising activities.

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.

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Notes to Financial Statements, continued

December 31, 2017 and 2016

(2) Summary of Significant Accounting Policies, Continued

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, 2017 and 2016 is as follows:

	<u>Estimated Useful Lives</u>	<u>2017</u>	<u>2016</u>
Harmon field	15 years	\$ 2,165,944	2,165,944
Building and improvements	30 years	2,011,363	807,603
Solar system	30 years	760,361	760,361
Office equipment	5 years	185,408	166,065
Field equipment	5-7 years	125,333	124,634
Vehicle	5 years	213,923	111,149
Futsal court		310,417	310,417
Goal projects		<u>1,120,830</u>	<u>1,120,830</u>
		6,893,579	5,567,003
Less accumulated depreciation and amortization		<u>(3,126,354)</u>	<u>(2,654,178)</u>
Subtotal		3,767,225	2,912,825
Construction in progress		<u>1,131</u>	<u>895,366</u>
Net property and equipment		\$ <u>3,768,356</u>	<u>3,808,191</u>

4) 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:

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Notes to Financial Statements, continued

December 31, 2017 and 2016

4) Fair Value of Financial Instruments, continued

- 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.

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 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.

(5) 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, 2017 and 2016

(6) Temporarily Restricted Net Assets

The net assets with donor restriction of the Association consist of funds received from FIFA and AFC for program expenses. The net assets with donor restriction at December 31, 2017 and 2016 are \$166,479 and \$126,681, respectively.

(7) Prior Period Adjustment

The Association has recorded construction in progress (CIP) through its cash disbursement processing, and discovered certain items were recorded again through its invoice processing. The double recording was reversed by decreasing beginning net assets and decreasing CIP. The 2016 financial statements have been restated to exclude this asset and revenue thereon. The impact of this restatement on previously reported financial statement amounts is as follows:

	As Previously <u>Reported</u>	<u>Restatement</u>	As <u>Restated</u>
Total assets	\$ 5,078,883	\$ (362,039)	\$ 4,716,844
Total liabilities	61,964	-0-	61,964
Net assets	5,016,919	(362,039)	4,654,880
Change in net assets	540,547	(362,039)	178,508

(8) Subsequent Events

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through June 27, 2018, which is the date the financial statements were available to be issued. There were no such events requiring disclosure.

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Schedule of Functional Expenses
For the Year ended December 31, 2017

	Program and League	Management and General	<u>Total</u> 2017
FIFA expenses:			
Technical development	\$ 145,058	-	145,058
Admin salaries	-	168,503	168,503
Marketing/communication salaries	37,824	-	37,824
Stadium maintenance	136,184	-	136,184
Other	58,175	-	58,175
Youth football	29,954	-	29,954
Women's development program	21,320	-	21,320
League expenses:			
Men's league	56,305	-	56,305
Robbie Webber league	51,206	-	51,206
Women's league	26,136	-	26,136
Referee expenses	57,656	-	57,656
Technical expenses:			
Technical other	188,974	-	188,974
Women's football	55,535	-	55,535
National Academy	14,069	-	14,069
Coaching	62,378	-	62,378
Depreciation	475,742	11,934	487,676
Tournament expenses	86,240	-	86,240
Salaries	75,259	-	75,259
IT support	1,875	-	1,875
Meals and entertainment	24,616	5,781	30,397
Travel and transportation	-	2,681	2,681
Insurance	7,646	24,485	32,131
Repairs and maintenance	30,888	-	30,888
Supplies	6,967	170	7,137
Professional fees	-	6,737	6,737
In-kind expenses	128,822	-	128,822
Taxes and licenses	14,901	47,665	62,566
Communications	7,817	-	7,817
Equipment expense	40,601	377	40,978
Utilities	9,907	-	9,907
Automobile expense	8,167	-	8,167
Postage	1,525	-	1,525
Dues and subscriptions	1,611	45	1,656
Printing	7,945	-	7,945
Bank charges	6,792	-	6,792
Marketing	116	-	116
	<u>\$ 1,878,211</u>	<u>268,378</u>	<u>2,146,589</u>

See accompanying independent auditors' report.